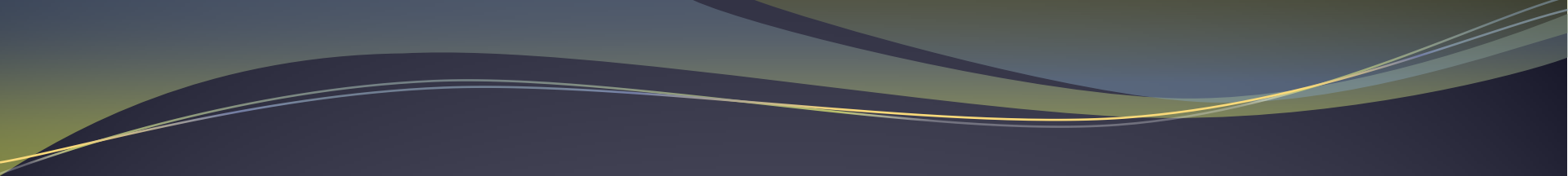


Changes to the Local Housing Allowance (LHA) scheme

With effect from April 2011

Reasons for the changes:

The measures announced by Central Government will provide a fairer and more sustainable Housing Benefit scheme by taking steps to ensure that people on benefit are not living in accommodation that would be out of the reach of most people in work, creating a fairer system for low-income working families and for the taxpayer. It will avoid the present situation where Housing Benefit recipients are able to live in very expensive properties in areas that most working people supporting themselves would have no prospect of being able to afford.



Housing Benefit expenditure has ballooned in the past 10 years, from £11 billion in 1999/2000 to £20 billion in 2009/10, in cash terms. Within this total, expenditure on working age recipients has increased from £7 billion to over £14 billion. Without reform, total expenditure is forecast to reach £25 billion by 2015/16, a further rise of 24 per cent. This is unsustainable in any economic climate, but the need to tackle the record deficit makes reform even more pressing.

The Key Changes

Removal of the 5 bedroom rate:

The LHA levels will be restricted to the 4 bedroom rate and a new upper limit will be introduced for each property size. The upper limits will be capped at:

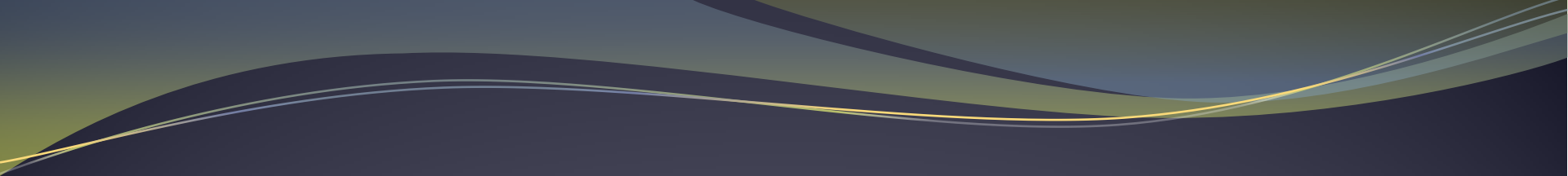
- £250 a week for a 1 bedroom LHA rate
- £290 a week for a 2 bedroom LHA rate
- £340 a week for a 3 bedroom LHA rate
- £400 a week for a 4 bedroom LHA rate

These rental figures are commonly found in areas such as London.

Removal of any excess payment (top-up):

For all new claims made on or after Friday 1st April 2011, the Government will now end the maximum £15 weekly Housing Benefit excess payment. This means that no one will receive more Housing Benefit than their actual rental liability.

For claims already being assessed under the LHA scheme where claimants are in receipt of a 'top-up', the excess benefit will continue to be paid until the anniversary date (1 year from the start of the claim.)



However, if there is a change in the customer's circumstances these changes will apply sooner, for example:

- There is a break in the claim for more than one benefit week.
- If there is a change of address.
- A change in household resulting in the claimant being entitled to a smaller category of dwelling.

30th Percentile:

LHA rates will reduce to a lower amount so that about 3 in 10 properties for rent in our area should be affordable to people on Housing Benefit rather than 5 in 10 as it currently is. The new rates will be known as the 30th percentile. The 30th percentile rate will apply to all new claims from the 1st April 2011.

Below is an example of how the 30th percentile rate would look based on January 2011 LHA rates for our area:

LHA January 2011						
BRMA	Shared	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed
Warwickshire South	£63.49	£117.69	£147.69	£173.08	£229.62	£288.46
LHA 30 th Percentile						
BRMA	Shared	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed
Warwickshire South	£59.00	£114.23	£137.31	£160.38	£207.69	Not Applicable

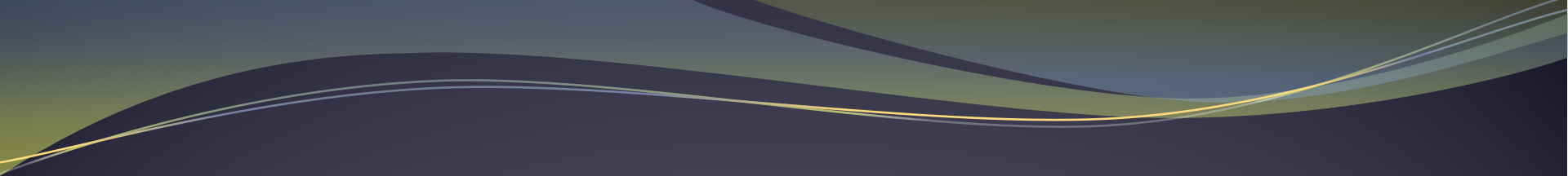
Existing Claimants Protection:

Existing claimants in receipt of LHA will receive a transitional protection period for 9 months from the anniversary date of their claim. However this protection will stop if:

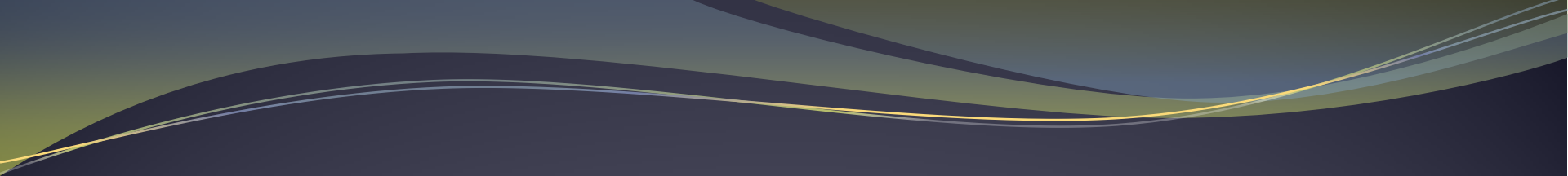
- During the 9 month protection period the claimant becomes entitled to a smaller room allowance under the LHA scheme.
- The customer changes address.
- The tenant moves to a larger property and the new LHA is equal to or higher than the protected amount.

New Safeguard Provision:

Since the introduction of the LHA scheme in April 2008, the emphasis has always been to pay Housing Benefit direct to the claimants. These changes to the LHA rates will mean that some customers will have a new shortfall between their Housing Benefit entitlement and their contractual rent. Some tenants may need to move, in other cases it is hoped that tenants can negotiate (perhaps with specialist help from the Local Authority) with their landlords a reduction in the rent to a level which the customer can afford.



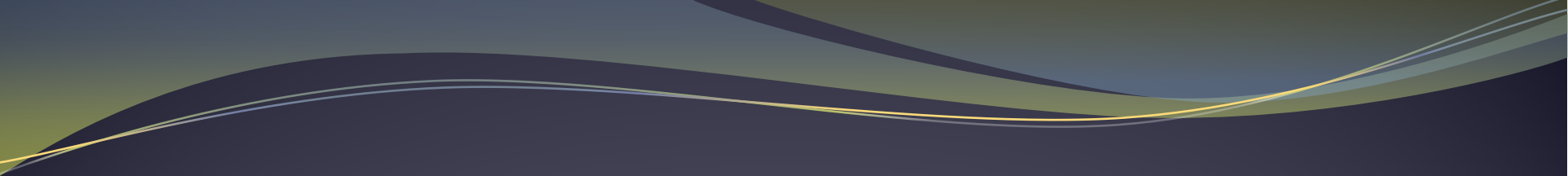
Central Government are widening the discretions to enable Local Authorities to make payments of Housing Benefit direct to the landlord where they consider that it will assist the customer in securing or retaining a tenancy. For a tenancy to be secured or retained, it is implicit that the rent should be affordable to the tenant.



This new safeguard provision may even encourage landlords to let at rent levels that tenants in receipt of Housing Benefit can afford. It is intended that once direct payments are being made direct to the landlord under the new safeguard, they will continue to do so unless the rent becomes unaffordable.

What is an affordable rent?

The intention is that the rent should be at a level which is affordable to the tenant. In the majority of cases this will be the LHA rate which applies to the customer and on which their maximum rent determination is based. Some tenants may decide that they can pay slightly more than the LHA rate if they have other resources.



Both the customer and the landlord need to be aware that direct payments are conditional on the rent being kept at an affordable level whilst the customer remains at the address. Any increase in the rent could affect the decision to make payments to the landlord. To ensure that the new safeguard continues to be applied appropriately, the Local Authority may advise customers to inform them of any increase in rents immediately.