

# UK Landlord

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# Expert advice on Local Housing Allowance

Until the rules on Local Housing Allowance are reviewed and hopefully reformed by the Government, landlords will need to continue to work using the current rules. Experts from the Valuation Office Agency, East Dorset District Council and Settled Housing Solutions consultancy answer questions on rent determination under LHA, as well as trends and practical workings of the LHA rules.

## How rents are allocated

**UKL:** *In broad terms, how are rents determined nowadays for LHA?*

**Gary Trent, Valuation Office Agency:** Local Housing Allowances (LHA) have been used to calculate most new private rented sector housing benefit (HB) claims since April 2008. LHA is a flat rate personal allowance. The LHA that applies to each tenant depends on their entitlement based on their household size and where they live.

LHAs are determined by Rent Officers on a monthly basis. The six categories are a shared room (single room in shared property) and one through to five bedrooms. Each set of LHAs applies to a geographic area called a Broad Rental Market Area (BRMA).

A dedicated team of Rent Officers, known as the Lettings Research Team, compile a sample of private sector lettings from landlords, agents, property management companies, and tenants. This is known as the 'list of rents'. The LHA is determined by taking the mid-point of the 'list of rents' for each category. For example, if it comprises 101 lettings listed by rental value, the mid-point, or 51st rent down the list, is the LHA. Graphic representations of the 'list of rents' can be seen on the LHA-Direct website <https://lha-direct.voa.gov.uk/Secure/Default.aspx>.

The use of the mid-point of rents is intended to enable HB supported tenants to afford around half of the properties within the BRMA. The remaining rents will be above the LHA.

LHAs are published monthly on the LHA-Direct website, enabling landlords and tenants to make an informed decision before

committing to an agreement. LHA-Direct includes a postcode based search facility so landlords can check rates in the areas where they let property. There are also maps of the current 155 BRMAs across England.

**UKL:** *In what circumstances can landlords challenge the rent that has been allocated to their rental property? How do they do it?*

**Gary Trent:** There isn't a mechanism for landlords to appeal against the LHA because LHA is a flat rate personal allowance rather than a determination based on the landlord's property. However, a tenant can appeal to the local authority against the amount of housing benefit they are awarded.

Accurate LHAs provide the best prospect

of tenants sustaining their tenancies should they need support. It is in both landlord and tenant's best interest that Rent Officers have as much rental information as possible to determine LHAs. The challenge for the Rent Officer is to collect a representative sample of lettings for each LHA category. Property types, local market characteristics and rental levels vary significantly across each BRMA so Rent Officers use a range of analytical tools, including a geographic information system, to continually monitor rental information

**UKL:** *How can landlords help the VOA better reflect rental levels in their area and therefore the LHA rate tenants need to be offered to properly access the local PRS?*

**Gary Trent:** It is a credit to the private-rented sector that all lettings information is provided on a goodwill basis. Landlords, whether they own one or 100 properties, can play a part in helping Rent Officers maintain a 'list of rents' that reflects the diversity of the market and prevailing rental levels. Rent Officers welcome the opportunity to attend NLA branch meetings and landlord forums. All the Lettings Research contacts are listed on <http://www.voa.gov.uk/lettingsresearch.htm> where there is a submission form and information regarding data protection. With around 1.2 million claims each year for housing benefit, it is in every landlord's interest to work with Rent Officers.



Gary Trent, Valuation Office Agency

## LHA in practice: local authority

**UKL:** *If a landlord needs to help his or her prospective tenant to fill in the LHA forms and get the paperwork processed quickly, how should they go about getting authorisation on the tenant's behalf to do this? Is there a set form?*

**Colin Swain, Head of Benefits & Revenues, East Dorset District Council:** Yes, a section in the application for benefit provides for others to help the tenant complete the form. We also encourage tenants to involve the landlord and sign that they are happy for us to share information with the landlord.

**UKL:** *If the tenancy agreement starts on the first of the month, by when should the LHA paperwork be submitted?*

**Colin Swain:** When the tenancy is agreed, on the assumption it will be probably be a week or two before the commencement date. This will allow benefit to be paid promptly but remember benefit must be paid 'wholly' in arrears. The paperwork can be submitted after the commencement and backdated but that causes a delay in payment so the advice must be to get the claim submitted as soon as possible.

**UKL:** *What do you advise landlords to do when the tenant's job or personal circumstances change?*

**Colin Swain:** Our advice is to keep us informed. If payment is paid direct to a landlord then she/he has a duty to keep us informed of any changes that might affect the tenant's entitlement to benefit. It is in their interests to do so as the Authority might hold the landlord liable for repaying the overpayment. If it is not a payment direct case then still keep us informed. It adds to good relationships and creates confidence in both parties. It is about being reasonable. If the landlord thinks benefit might be being overpaid let the Local Authority know.

**UKL:** *If a tenant is entitled to a higher rent allowance than the landlord's property, can they keep the extra money?*

**Colin Swain:** The tenant can keep the excess up to £15 per week.

**UKL:** *What should landlords be doing if they are letting their property to an LHA tenant and things go wrong, for instance rent arrears start to build up?*

**Colin Swain:** They should let us know immediately things start going wrong. Do not wait 8 weeks. It will not be money lost to the landlord if they act quickly because we can help. Complicated rules apply depending on the circumstances of each case but in all cases the sooner we know a problem exists the sooner we can protect the public purse and the landlord's interest.

**UKL:** *How can local authorities help landlords rent to LHA tenants with more confidence?*

**Colin Swain:** By adopting a safeguard policy that protects both tenant and landlord. By communicating with landlords and building up confidence. By explaining the rules in more detail so, for example, landlords appreciate the room criteria and are aware of the LHA rates appropriate to the tenant and property. (A single claimant occupying a three-bedroom house will only get LHA for a one-bedroom house.)



Colin Swain, Head of Benefits & Revenues, East Dorset District Council

**UKL:** *Some local authorities are encouraging the use of Credit Unions to help tenants and landlords with LHA, do you think they are a good idea?*

**Colin Swain:** Why should landlords be required to pay £5 plus per transaction to receive their money? I am not a politician and therefore have no view as to whether the concept of direct payments to tenants is right or wrong. Payment to a Credit Union defeats the objective whether the concept is right or wrong so I do not think they are a good idea. The Government might as well reintroduce direct payments to landlords and allow them to receive the full value of the money which I think is a good idea. I am not against Credit Unions, just the idea of paying housing benefit through them to a landlord.



**Trends**

**UKL: Is there a national trend for local authorities to give financial incentives to private-sector landlords for new LHA tenants?**

**Alan Elborough and Jim McLaughlin, Settled Housing Solutions:** In general local authorities have to offer financial incentives to landlords who house tenants through their housing options schemes. This may be in the form of rent in advance or a deposit or in some cases both while some offer one-off payments in the form of finder's fees. These incentives vary in value but can be up to 11 weeks rent or more.

In many areas local authorities compete against each other for limited stocks of PRS accommodation. This can lead to 'incentive inflation' where competing local authorities offer landlords increasing financial incentives to secure their properties.

The Government has identified this as a problem in their response to the Rugg Review and are encouraging local authorities to improve their engagement with the PRS and to find more cost effective methods of securing PRS accommodation.

In some areas, particularly in London, these incentive payments can amount to large sums of money and therefore many are looking at ways of reducing this expenditure, by introducing bond guarantee schemes for example which only pay out at the end of the tenancy if required.



**Settled Housing Solutions**

**UKL: What are the main problems you see with LHA for a) landlords, b) local authorities?**

**Settled Housing Solutions:** The fundamental issue with LHA as far as landlords are concerned is the fact that tenants can no longer request their LHA to be paid directly to their landlord unless they have very good reasons. Many landlords feel that this has encouraged rent arrears. The issue is also a concern for local authorities as this is a major barrier to encouraging landlords to work with the council and house low income families.

All local authorities have LHA safeguard policies in place to prevent these problems occurring. However, for many landlords they are either poorly publicised or ineffective.

Another issue is the Broad Rental Market Areas themselves. Some authorities can have two or more BRMA's within their boundaries and this can mean that similar properties only a short distance apart can have very different LHA rates. This can drive landlords away from the LHA market in the lower value areas.

**UKL: How can local authorities improve LHA performance with local PRS providers?**

**Settled Housing Solutions:** From our experience the key to improving LHA performance involves not only the Housing Benefit Service but also the input of all stakeholders involved in the performance of LHA including Housing Services, Floating Tenancy Support, local PRS providers and not forgetting tenants themselves.

Local authorities should look at ways of improving communication between themselves and their local PRS and provide improved access to services including support and advice for the PRS.

An effective method would be to set up a LHA steering group which includes all stakeholders, where ways to improve LHA performance can be worked on jointly. A Service Level Agreement could be developed between all stakeholders that specify everyone's roles and responsibilities in the delivery of re-housing services and LHA performance.

Our philosophy is that, while current LHA guidelines are not perfect, they can be made to work by encouraging stakeholder involvement, creative thinking and a commitment to finding a solution.



*Alan Elborough and Jim McLaughlin, Settled Housing Solutions*

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