

Housing Benefit and Council Tax Benefit Circular

Department for Work and Pensions
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ADJUDICATION AND OPERATIONS CIRCULAR

WHO SHOULD READ	All Housing Benefit (HB) and Council Tax Benefit (CTB) staff
ACTION	For information
SUBJECT	Changes to Housing Benefit regulations to support Local Housing Allowance Consumer Price Index uprating from January 2013

Guidance Manual

The information in this circular affects the following sections of the LHA Guidance Manual. Chapter 1: Sections 1.054-56 Chapter 3: All sections

The Guidance document will be updated in due course.

<http://www.dwp.gov.uk/docs/lha-guidance-manual.pdf>

Queries

If you

- want **extra copies of this circular/copies of previous circulars**, they can be found on the website at <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/user-communications/hbctb-circulars/>
- have any queries about the
 - **technical content of this circular**, contact Marie Savage
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Changes to Housing Benefit Regulations to support Local Housing Allowance Consumer Price Index (CPI) uprating from January 2013

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Changes to Housing Benefit Regulations to support Local Housing Allowance Consumer Price Index (CPI) uprating from January 2013

Introduction

1. The Housing Benefit (Amendment) Regulations 2012 that were laid before Parliament on 28 June 2012, as well as introducing size criteria into Housing Benefit (HB) for working age claimants in the social rented sector, also contain two provisions to help support the administration of the Local Housing Allowance (LHA) Uprating by the Consumer Price Index (CPI).
2. The draft regulations and the explanatory memorandum can be viewed free of charge on the Office of Public Information website, via the following links:

<http://www.legislation.gov.uk/ukdsi/2012/9780111525784/contents>

http://www.legislation.gov.uk/ukdsi/2012/9780111525784/pdfs/ukdsiem_9780111525784_en.pdf

Background

3. The Government's plans to uprate LHA rates in line with CPI inflation, instead of being set every month in line with local rental growth were announced by the Chancellor in the June 2010 Emergency Budget.
4. Changes to the Rent Officers (Housing Benefit Functions) Order 1997 and Rent Officers (Housing Benefit Functions)(Scotland) Order 1997 took effect from 2 April 2012 and allowed for the introduction of the uprating of LHA rates by CPI. This means that from April 2013, LHA rates will be set annually at the lower of:
 - The previous LHA rate uprated by the previous September's CPI or
 - The 30th percentile of local market rents in the previous September
5. These amendments were covered in Statutory Instrument 2012 number 646 and the Order and supporting Explanatory Memorandum can be accessed via the following link: <http://www.legislation.gov.uk/uksi/2012/646/contents/made>

The policy intention

6. This policy change was part of a larger package of reforms to control HB costs, most of which took effect from April 2011 and is intended to build on the measures introduced in 2011.
7. Uprating of LHA in line with the CPI figure will bring stability and ensure expenditure in the private rented sector is contained at a reasonable level. It will also bring HB into line with the annual uprating of other benefits and the integration of housing support within Universal Credit.

8. Annual uprating makes LHA simpler for claimants to understand and easier for people to plan for the future when they know the maximum amount of HB that will be available for the year ahead.
9. To help those claimants who are left with a shortfall if their rent increases mid-year, we are introducing a new provision in Housing Benefit regulation 13C. This will allow for a change in rent to be treated as a change of circumstances that triggers a new determination of the maximum rent (LHA). Where the rent increases but is already above the LHA rate, no new determination of a maximum rent is required. Additionally there is no incentive for a landlord to continually increase rents as LHA rates only change annually.

Removal of anniversary dates

10. The move to annual CPI uprating of LHA rates from April 2013 means that the current process for reviewing the LHA at the anniversary date of claim is no longer a requirement. This is because all claimants will have their benefit assessed each April when the new rates take effect and the anniversary date will become superfluous. Setting the rates annually also provides an opportunity to simplify the current review arrangements.
11. To achieve the uprating from April, reference to anniversary dates in regulation 13C(3) has been replaced by a reference to 1st April in any year. The Housing Benefit and Council Tax Benefit (Decisions and Appeals) Regulations 2001 have been updated to ensure that such changes take effect from the same date as all other uprating takes place in HB (1st April or 1st Monday in April).
12. The provision for reviews at the anniversary date will be abolished from **January 2013**. This proposed start date is to avoid claimants having two re-assessments of their LHA close together, for example if their last anniversary date was in the period January to March 2013. Some examples of how this will apply to claims are included at the end of this circular.

Increase or decrease in rent

13. Also included in the regulations, is a provision to review LHA cases where there has been a change in rent since the annual review, either an increase or a decrease. This is to avoid the situation where tenants could be faced with a shortfall in meeting their rent until their case could be reviewed the following April. It also means having a system that responds quickly to changing circumstances, allowing rent information to be updated during the year. This provision will be introduced from **April 2013**.

Impact on local authority processes

Changes to IT systems

14. We have discussed these two changes to regulations with IT suppliers at the regular forums which DWP holds. These are being taken on board alongside the changes needed to support the introduction of size criteria into the social rented sector.

Notifying claimants and landlords of the changes

15. Local authorities should notify all those claimants who have an LHA anniversary date between January to March, that their LHA will not be reviewed until April alongside all other cases
16. Additionally, all other LHA claimants and landlords will need to be notified of the new arrangements and advised that in future, their LHA will be reviewed in April each year and LHA rates will no longer change month on month, but will be subject to an annual review only.

Annex A**Examples****Example 1:**

Tina and her husband pay rent of £100 a week for a two-bedroom house. The LHA rate applied to their claim is currently £110. The anniversary date of their claim is June 2013. In April 2013 their claim will be reassessed based on the annual LHA rate of £112*. Their next annual review date is now April 2014.

In May 2013 the landlord notifies Tina that he is increasing the rent to £110 a week from June 2013 when the tenancy is due for renewal. Tina tells the LA who apply the rent increase. The weekly eligible rent is now £110 from June 2013. There is no change to the annual review date.

Example 2:

Craig pays rent of £150 a week for a one-bedroom flat and his claim was assessed on the LHA rate of £135 in February 2012. The anniversary of his claim is February 2013. His claim will not be recalculated on the anniversary date in February so the weekly eligible rent will remain £135 for 14 months. From April 2013 his claim will be reassessed based on the annual LHA rate of £140*, and the weekly eligible rent is now £140. His next annual review date will be April 2014.

In July 2013 the landlord notifies Craig that he is increasing the rent to £160 a week from August 2013. Craig tells the LA who apply the rent increase. As Craig's rent is higher than the LHA rate, there is no change to the eligible rent or the annual review date.

Example 3:

Patrick and his partner pay rent of £300 per week for a four-bedroom house. The LHA rate is currently £285. The anniversary of their claim is September 2013. In April 2013 their claim will be reassessed based on the annual LHA rate of £290*. Their new annual review date will be April 2014.

In August 2013 the landlord notifies Patrick that he is decreasing the rent to £280 a week from September 2013 in return for direct payments to the landlord. Patrick tells the LA who apply the rent decrease and direct payments to the landlord. As Patrick's rent is now lower than the LHA rate, the weekly eligible rent will be £280 from September 2013. There is no change to the annual review date.

Annex A**Example 4:**

Jon pays rent of £50 per week for a room in shared accommodation. The LHA rate is currently £65. The anniversary of his claim is August 2013. In April 2013 his claim will be reassessed based on the annual LHA rate of £65*. His next annual review date is now April 2014.

In July 2013 the landlord notifies Jon that he is increasing the rent to £70 a week from August 2013 when the tenancy is due for renewal. Jon tells the LA who apply the rent increase. The weekly eligible rent is now equivalent to the LHA rate of £65 from August 2013. There is no change to the annual review date.

*For illustrative purposes we have used fictional LHA rates, including hypothetical LHA rates for the period April 2013 to April 2014. The actual LHA rates for this period will be published by the Valuation Office Agency and the Rent Services in Wales and Scotland in November 2012.