



**Department for
Work and Pensions**

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Your Reference:

Our Ref: TO/08/03244

Date: 31 March 2008

Dear Ms Shuttlewood

Thank you for your letter of 31 January to James Purnell concerning the Local Housing Allowance. I have been asked to reply and I apologise for the delay in responding to you. I am sorry that the Secretary of State has not been able to reply to you personally, but I hope you will understand that he receives a great deal of correspondence on a variety of subjects and it is not possible for him to reply to each letter individually.

The Local Housing Allowance is a radical change to the way that Housing Benefit is paid in the private rented sector. It is much fairer simpler and more transparent way of calculating Housing Benefit.

One of the key features of the Local Housing Allowance is that, where possible, the benefit will be paid to the tenant, so that they can take more personal responsibility for their housing. This will help unemployed tenants to prepare for when they move into work.

The Government wanted to be absolutely sure that this reform would deliver genuine benefits so the Local Housing Allowance has been piloted in 18 local authority areas and has been subject to a wide-ranging and comprehensive evaluation. The evaluation evidence showed very clearly that tenants were able to pay their rent reliably; 84 per cent of tenants are successfully managing their own rent payments in the Pathfinder areas. Landlord's initial fears that people would fall into ever increasing rent arrears have proved to be entirely unfounded. Similarly, predictions that landlords would pull out of the market have also not materialised.

The experience in the pilot areas has, therefore, been overwhelmingly positive and the Government has every confidence that the experience will be reflected when the Local Housing Allowance is rolled out nationally on 7 April.

Of course there will be some people who cannot manage their own rent payments, so there will be a comprehensive package of safeguards to stop these tenants falling into unmanageable difficulties. Again the evaluation evidence has shown that these safeguards have been working extremely well in the pathfinders with only 16 per cent of customers requiring payments to be made direct to their landlord.

It should also be noted that the LHA evaluation found that most LHA claimants treated paying their rent as a priority and compared to the control areas, claimants in the Pathfinders were less likely to fall into arrears.

Over the evaluation period the supply of accommodation available to those on LHA went up by around 7%. Although a small number of landlords left the market, others joined, therefore, there was no large scale exodus from the housing benefit markets in which the LHA was piloted.

The Government understands the concerns raised at the meeting you refer to in your letter. The same concerns were raised, particularly by private landlords, in the Pathfinder areas when the pilot schemes began in November 2003. We are pleased to say that many of the concerns about increases in the level of arrears and debt absconders did not materialise, bearing out the Government's belief that benefit payment by way of the LHA brings with it a change in the way individuals take responsibility for their own financial affairs.

We understand that the authorities that took part in the Pathfinder scheme, which include North-East Lincolnshire, would be happy to share their experience and offer advice to other authorities.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael Whitworth".

Michael Whitworth