

Report of the Assistant Chief Executive (Citizens and Communities)

Report to Executive Board

Date: 18 March 2015

Subject: Discretionary Housing Payment policy

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The reduction in DWP funding for Discretionary Housing Payments (DHP's) and the reduction in Local Welfare Support scheme funding means that, in total £650k has been cut from the DHP budget in 2015/16.
2. This reduction in funding means there will be insufficient resource to help people affected by welfare changes such as under occupancy that have been helped in previous years by this fund. It is proposed to increase the Housing Revenue Account contribution to the Discretionary Housing Payments scheme from £250k to £550k
3. Even with the additional funding from the HRA, there, is now a need to change the way Discretionary Housing Payments are awarded to try and ensure help is targeted to the most vulnerable and needy across the city and ensure spend does not exceed the reduced budget.
4. It is also now necessary to look beyond a scheme for 2015/16 and future proof it into 2016 and beyond, in order to enable a scheme to continue with the likelihood of further reductions in Government funding.

Recommendations

1. To note the expected impact of the reduction in funding from 1 April 2015.
2. To endorse the proposal to develop an amended policy within the parameters of the nationally reduced budget that aims to support those most disadvantaged by welfare reform changes.
3. To approve the changes to our Discretionary Housing Payment policy as set out in paragraph 3.9 of this report effective from 1st April 2015.
4. To authorise the Assistant Chief Executive (Citizens and Communities) to implement the revised policy.
5. To approve an approach to the Department for Communities and Local Government (DCLG) to use the agreed funding from HRA as set out in paragraph 3.1

1 Purpose of this report

- 1.1 This report updates Members of Executive Board on the use of Discretionary Housing Payments (DHPs) to help vulnerable tenants deal with the welfare changes that came into effect in 2013/14.
- 1.2 The report also sets out challenges for 2015/16 as a result of a significant reduction in the Government's contribution towards Discretionary Housing Payments. In response to this reduction, the report proposes changes to the way DHPs are used to support tenants affected by welfare reform.

2 Background information

- 2.1 The current Discretionary Housing Payments policy was approved by Executive Board in October 2012. The policy provided guidelines for the award of Discretionary Housing Payments and, in relation to the social sector size criteria changes (sometimes referred to as the 'bedroom tax'), set out priority groups for Discretionary Housing Payments. The priority groups are:
 - those disabled and living in significantly adapted properties;
 - foster Carers
 - estranged parents who need an additional room for child access purposes;
 - pregnant women; and
 - tenants approaching pension credit age.
- 2.2 In 2013/14, Leeds received £1.9m in Government funding for Discretionary Housing Payments and spent almost £2.3m – the extra spend was covered by an application for additional funding from the Department for Work and Pensions (DWP) which was approved. The extra funding came from an additional £20m budget set up by DWP in recognition of the likely pressures on local councils.
- 2.3 This additional £20m was subsequently absorbed into mainstream DHP funding in 2014/15 by DWP and Leeds received £2.0m in total for 14/15. The ongoing pressures caused by the welfare changes led to a projected spend of £2.8m on DHPs for 14/15 and action was taken to reduce this spend. This involved putting a number of tenants on short-term awards of DHP and inviting tenants to re-apply for help. This action has reduced projected spend to around £2.4m with the additional £0.4m spend being covered by £250k contribution from the HRA, for which approval was required from the Department of Communities and Local Government (DCLG) and £150k contingency from within the Local Welfare Support scheme funding.

2.4 The table below provides a breakdown of DHP spend for both 13/14 and 14/15 (to date).

	2013/14 spend	2014/15 spend to 31/12/14
Sig. adapted	£270k (456 awards)	£242k (416 awards)
Child Access	£268k (548 awards)	£379k (699 awards)
Approaching pension credit age	£ 34k (69 awards)	£15k (44 awards)
Pregnant mothers	£ 8k (54 awards)	£28k (93 awards)
Foster carers	£ 22k (35 awards)	£23k (31 awards)
Exceptional circumstances	£692k (1483 awards)	£651k (1586 awards)
Private sector cases affected by welfare changes	£383k (620 awards)	£172k (307 awards)
Benefit Cap cases	£290k (74 awards)	£203k (147 awards)
Cases not in above categories	£305k (560 awards)	£203k (501 awards)
Total spend	£2.272m (3,899 awards)	£1.9m (3,824 awards)

2.5 DWP has now confirmed that the national funding for Discretionary Housing Payments is to reduce from £165m to £125m. As a result of this reduction, Leeds' allocation has been reduced from £2.0m in 14/15 to £1.5m in 15/16. DWP's rationale for the reduction is that DHP is intended only as a short-term measure to provide time for tenants to adjust to the welfare changes; however, in Leeds demand has remained high with social sector size criteria being the area of highest demand. This is unlikely to change. The number of tenants affected by social sector size criteria has remained steady at around 6,700 for the past 15 months – the majority of these, 64%, require 1-bed room accommodation which is scarce in the social rented sector.

2.6 Similarly, the number of benefit cap cases in Leeds remains stable at around 320 with no evidence that tenants affected are moving into work.

3 Main issues

3.1 The reduction in DWP funding for Discretionary Housing Payments and the Government reduction in Local Welfare Support scheme funding means that, in total £650k has been cut from the DHP budget in 2015/16. The situation would have been worse but for the Housing Revenue Account (HRA) continuing to contribute £250k towards DHPs in 2015/16. Agreement has now been made for additional HRA funding of £250k to that already approved, making a total HRA contribution of £500k and this will be to assist Council Tenants primarily those affected by the under occupancy changes. If approved by Executive Board, it will also need approval by DCLG and would provide a total budget of £2m in 15/16 against a projected spend of £2.4m in 14/15.

3.2 Even with this additional funding there is still a need to change the way DHPs are awarded to ensure spend does not exceed the funding allocated and to ensure that the scheme remains affordable in future years.

3.3 Discussions have taken place with social landlords to highlight the potential impacts of this reduced funding especially around increases in rent arrears and the need to engage with tenants to mitigate the issues this will bring. The comments and issues from this engagement are attached at appendix 1

- 3.4 A number of potential options have been considered to try and ensure support is still given to those most in need, however, it has been acknowledged that there will inevitably be groups of people that can no longer be supported, some of whom might be in serious need of financial support.
- 3.5 As a result of the DHP policy changes as highlighted in this report, tenants will be required to make up the shortfall in their rent that would otherwise have been covered by Housing Benefit. Advice will continue to be available to ensure tenants are supported and in particular partnership working with social landlords will continue to ensure that tenants affected by the under occupancy changes are able to discuss the options available to them and offer advice and support on paying their rent with less Housing Benefit.
- 3.6 **Core Cities considerations**
- 3.7 Feedback from other core cities has been obtained as to the type of scheme they will be considering for 15/16. Areas being considered are:
- Overall % reduction in awards
 - Shorter term awards to reduce dependency on DHP
 - Only pay for 1 bedroom shortfall if 2 or more bedrooms under occupied
 - Only awarding for a maximum of 2 year time span
 - Purposely paying less than 100% to ensure tenant engages with landlord
 - Only considering DHP for Benefit Cap cases if tenant engages to improve work prospects via training / voluntary
- 3.8 In light of the review, the following proposals are made in order to bring spend in line with the currently confirmed funding from April 2015:
- 3.9 **Proposals**
- 3.10 Benefit Cap cases – There is an expectation that tenants affected by the Benefit Cap pay the first £50 of any reduction before a DHP award is made. A number of exceptions have been made to this principle and it is now intended to enforce this requirement more rigorously for current and new awards
- 3.11 All awards will be limited to a maximum of 6 months (or a further 6 months for cases already getting DHPs) and then reviewed with the expectation that cases will not normally be extended beyond the initial 6 months. This approach happens to a degree now but would be applied more strictly from 15/16. This approach will not apply to tenants in the priority groups where awards will last for longer periods and in some cases will be indefinite (see para 2.1.)
- 3.12 A further award of DHP will only be considered if a tenants circumstances have deteriorated since the last award. If a tenants circumstances remain the same then no further DHP will be awarded.
- 3.13 Continue to award the priority groups, as highlighted in 2.1 of this report, full DHP with no reduction. This demonstrates the councils commitment to continue to

support those affected by the under occupation rules, whose options to move to alternative accommodation continue to be limited.

- 3.14 By undertaking the above proposals it is anticipated that the required savings within the allocated funding can be achieved whilst still ensuring awards are directed to the most vulnerable.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Consultation has taken place with Advice Agencies and Third Sector colleagues as part of the Welfare Reform Strategy Board. A meeting has also taken place with Social Sector Landlords, Housing Leeds and representatives from Housing Associations, who will be involved in supporting those tenants most affected by this change.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The proposed changes are aimed at directing support to the most vulnerable. Within the different equality characteristics there are certain groups that may be affected. However, the policy continues to recognise this and addresses the needs of these particular groups. The Equality, Diversity, cohesion and integration screening for the Discretionary Housing Payments policy which was presented at Executive Board on 7th November 2012 remains unchanged and is available to Executive Members on request.

4.3 Council policies and City Priorities

- 4.3.1 Addressing poverty and deprivation is a key priority for the Council. The changes as set out in this report continue to support the Best Council Plan, which has a strong focus on Supporting communities and tackling poverty with a key priority of helping people out of financial hardship and into work by reducing dependency on discretionary financial support. .

4.4 Resources and value for money

- 4.4.1 There will be resource requirements relating to the changes in the administration of the scheme, however, these will be contained within the existing operational processes and budget allocations.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 There are no legal implications arising from this report

4.6 Risk Management

- 4.6.1 The pressure of the expected demand on the scheme carries the risk that expenditure may exceed budget. Regular monitoring of spend will take place.

5 Conclusions

- 5.1 There is a need to change the way DHP's are awarded to ensure help is targeted to the most vulnerable and needy across the city and to ensure spend does not exceed the reduced Government funding.
- 5.2 The impact of the reduction in DHP funding, will impact mainly on social sector tenants and large families which will mean that many tenants will struggle to pay their rent.

6 Recommendations

- 6.1 To note the expected impact of the reduction in funding from 1 April 2015.
- 6.2 To endorse the proposal to develop an amended policy within the parameters of the nationally reduced budget that aims to support those most disadvantaged by welfare reform changes.
- 6.3 To approve the changes to our Discretionary Housing Payment policy as set out in paragraph 3.9 of this report effective from 1st April 2015.
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7 Background documents

- 7.1 None

The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Consultation with Social Landlords regarding the options has taken place and a number of comments /issues were raised as follows:

- A. All landlords felt that the fairest way of introducing a percentage reduction was to apply this across ALL claims for DHP and not to continue to protect the priority groups. The idea being that people need to get used to paying something which will be beneficial in the longer term if cuts to future DHP funding continue.
- B. Concern was expressed over why priority groups should continue to be protected. However, there is evidence that a proportion of people specifically in relation to significantly adapted properties can afford to make up the shortfall in their rent. It is likely that those in the significantly adapted property group are not affected by the Council Tax Support reductions of 26%. Those claimants in the Exceptional Circumstances group will potentially have a 26% reduction in their Council Tax Support and then also be affected by a 10% reduction in DHP as well. This was felt disproportionate when other groups may not see any reductions in support.
- C. A large proportion of claimants in the exceptional circumstances groups have been identified as having mental health issues. Landlords have undertaken substantial work with this client group and there is a large proportion who would be unable to move but potentially might be able to manage a reduction in the DHP award.
- D. If single / couples were reviewed in the exceptional circumstances group, perhaps some conditionality around taking steps to improving their circumstances could be introduced. This would be similar to an existing initiative around DHP and debt that is currently being piloted.