



To: Executive Councillor for Customer Services and Resources  
Report by: Alison Cole, Head of Revenues and Benefits  
Relevant scrutiny committee: Strategy and Resources 9 April 2013  
Wards affected: All Wards

## Discretionary Housing Payments

Non Key Decision

### 1. Executive summary

This report presents and recommends the approval of the approach taken within Cambridge City Council's Discretionary Housing Payment (DHP) procedural document. It seeks to raise Members' awareness of the process and to increase understanding of how DHPs can be used in relation to the Welfare Reforms, whilst maintaining discretion by taking each claimant's individual circumstances into account when determining any award, and considers other restraints.

DHPs are only awarded to those entitled to Housing Benefit, and until April 2013, those entitled to Council Tax Benefit. DHPs are available to give extra help towards housing costs where it is considered that additional help is required and should be seen as short-term solutions. It is a discretionary fund, with funding levels and conditions on the scope of its use determined by central government.

DHP funding is determined annually by government and a level of funding is calculated for each Local Authority. This funding can be topped up, but we cannot exceed the overall limit on funding. Any payment of DHP that exceeds the overall cash limit will be deemed to be ultra vires, and the DWP has indicated that the Council would be required to repay the DWP's contribution of £182,340.

There has been a lot of debate about DHPs and this increased attention has focussed the need for an open and transparent procedure, which is why this report is being presented at this time.

## **2. Recommendations**

The Executive Councillor is recommended:

To agree an approach to the award of Discretionary Housing Payments, that maintains discretion, as set out in the Discretionary Housing Payment procedural document, which is appended to this report.

## **3. Background**

### **What can DHPs be used for?**

DHPs are to be used to meet housing costs that are generally defined as rental liability but can also include other costs such as rent in advance or a rental deposit. An award of DHP must be made on individual's particular circumstances, taking into account their income, savings and household make-up.

As a result of announcements during the passage of the Welfare Reform Act 2012, the government's contribution towards DHPs has been significantly increased to help support people affected by some of the key reforms, namely the:

- Introduction of social sector size criteria;
- Introduction of the benefit cap;
- Local Housing Allowance reforms for the privately rented sector.

Each case must be decided on its own merits, and our decision making process should be consistent throughout the year.

### **What is the overall cash limit?**

Local Authorities receive a government contribution for DHPs and the DHP fund is subject to an overall cash limit, which is two and a half times the government contribution of £182,340.

For 2013/14, the government's contribution for Cambridge is £182,340 and the overall cash limit is therefore £455,850.

Our DHP government's contribution for 2010/11 was £25,324 (£32,347 for 2011/12) and whilst this has been increasing slightly year on year, it is increasing significantly for 2013/14.

## **Additional contribution to funding**

To help provide further support for DHP in addition to the government contribution, the Housing Advice Service, via its Homelessness Prevention Grant from the Department for Communities and Local Government, is looking to transfer funds towards the DHP's overall cash limit to help prevent homelessness. From 2012/13 and 2013/14, approximately £95,000 in total has been offered and there will be further funding of approximately £38,000 from a carry forward from 2011/12.

The requests to carry forward these monies are subject to approval in the June 2013 committee cycle. This would give a total spend for DHPs for 2013/14 of approximately £315,340. Any additional funding over £315,340 and up to the total cash limit of £455,850 would have to be separately funded. This has not been budgeted for and as such has financial implications for the Council. This amount of additional top-up funding will only be available for 2013/14.

## **Potential demands on DHP funds**

The amount allocated for each of the categories of Welfare Reforms will not be broken down by the DWP as this would potentially fetter the discretionary nature of the scheme. Additionally, we need to have parity across all sectors of benefit claimants.

To set this in context, during 2012/13, the government contribution was £64,580, which we are likely to marginally exceed by the end of the financial year and which has been used almost exclusively to support Local Housing Allowance claimants living in privately rented accommodation. (Under occupation rules already apply to people living in private sector housing and this sector has also seen changes to the way in which the rates are calculated upon which benefit is based during 2012/13).

Awards of DHP have been made to those who have needed further financial support with their housing costs and in the main were paid to claimants with disabilities, vulnerable children and were paid for short periods of time. Each claim for DHP was subject to a review of each claimant's individual circumstances.

We cannot take a blanket approach, but to demonstrate the pressure this funding will be under, if we had mitigated the impact of the just the LHA welfare reform changes by awarding DHP during 2012/13, we estimate that this would have given rise to DHP expenditure in the region of £1.2m, whereas the total awards actually made will be slightly in excess of £64,580. This provides an illustration as to why we are not permitted to have blanket

policies and also demonstrates that DHP has been targeted to those individuals most in need.

Whilst the DWP encourages having a DHP procedure, it must not be rigid in its use as this would prevent the application of discretion and could potentially open the process up to judicial review.

We could not have an approach that protects everyone affected by the size criteria who wishes to downsize, but is unable to do so due to the availability of alternative accommodation, as this would be a blanket policy and would not take into account an individual's circumstances. Our approach must ensure equal treatment of tenants across both social and private sector housing.

### **Availability of alternative accommodation**

Anecdotal evidence, based on a small sample, suggests that about a quarter to a third of City Homes tenants affected by the size related changes said they would like to downsize. We estimate that it would take approximately two years to re-house all 150 City Homes households who may wish to move, taking into account other priority needs. The latest estimates for City Homes only (they do not include all partners letting properties in Cambridge under Choice Based Lettings) are that over the last two years, City Homes has re-let on average:

- 9 one-bed general flats a month;
- 4 one-bed sheltered flats a month;
- 11 two-bed properties per month.

For Council owned property, there are currently 400 people who are actively bidding for a two bedroomed property and 829 people actively bidding for a one bedroomed property.

### **Available spend versus potential demand**

DHP will be used, as for LHA, to mitigate the impact of extreme hardship, but cannot be used as a blanket payment to compensate for a change in national policy. It is important to note that it is estimated that to mitigate all restrictions due to social sector size criteria for social sector claimants for the financial year 2013/14 would cost in the region of £728,000.

The level of demand for DHP in terms of financial support for the claimants affected by the benefit cap is uncertain, but initial estimates are that approximately £40,000 would be needed to fully mitigate this reform during 2013/14.

Whilst we cannot accurately predict demand, mitigating all of the Welfare Reforms during 2013/14, including £1.2m for LHA private sector claimants, would cost in the region of £2m, which significantly exceeds the overall cash limit of £455,850 and as such is not a viable solution, as it would render the policy incapable of being executed beyond a short period.

Additionally, the DWP have made it clear that the purpose of the DHP fund is to mitigate hardship on an individual claimant's merits and not to compensate for national policy.

#### **4. Implications**

##### **(a) Financial Implications**

Each Local Authority receives a Government contribution and is notified of this by the Department for Work and Pension's Subsidy Circular. For 2013/14 this Government contribution for Cambridge City Council is £182,340. There is a total cash limit on the total amount an authority may spend on Discretionary Housing Payments and this is two and a half times the Government Contribution. For 2013/14, the overall total limit will be £455,850, including the Government contribution.

The Council cannot exceed this amount without contravening the regulations.

##### **(b) Staffing Implications (if not covered in Consultations Section)**

From 1 April 2013, Welfare Reforms will affect a significant number of benefit claimants and requests for DHPs may increase pressure on existing resources, however, Risk Based Verification is being implemented from April 2013 so the reduced staff time in verifying claims will alleviate some of this pressure.

##### **(c) Equal Opportunities Implications**

DHPs are open to anyone receiving Housing Benefit. An Equality Impact Assessment has been carried out in relation to the DHP policy, which includes the details of possible negative impact of some of the reforms and action that will be taken to mitigate these. Requests for DHPs and outcomes will be monitored.

##### **(d) Environmental Implications**

There are no environmental implications from this proposal.

(e) **Procurement**

There are no additional procurement implications from this proposal.

(f) **Consultation and communication**

Requests for DHPs will be monitored to identify trends. Housing Benefit decision letters that are sent to claimants encourage those in need of further financial support to enquire about additional help and details are also on our website.

(g) **Community Safety**

There are no additional implications from this proposal.

## **5. Background papers**

The DHP scheme began on 2<sup>nd</sup> July 2001. The regulations covering DHPs are The Discretionary Financial Assistance Regulations 2001.

These background papers were used in the preparation of this report:

Equality Impact Assessment

## **6. Appendices**

Appendix 1: Discretionary Housing Payment Policy

Appendix 2: Equality Impact Assessment

## **7. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

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