

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 8 MARCH 2016

Title of report	CHANGES TO DISCRETIONARY HOUSING PAYMENTS (DHPs)
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	To present to Members the options of amending the criteria for awarding DHP's and to seek Members views on the options presented.
Reason for Decision	To Allocate DHP to claimants of Housing Benefit who need further financial assistance with Housing costs
Council Priorities	The DHP funding from Central Government assists the Council in helping families and individuals in need.
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Screening Human Rights Transformational Government	As contained in the report. None. The DHP Funding will be managed and monitored on a regular basis to ensure the Funding is allocated as per the budget Not applicable. There are no Human Rights implications. Not applicable.
Comments of Deputy Chief Executive	Report is satisfactory

Comments of Deputy Section 151 Officer	As report author the report is satisfactory
Comments of Deputy Monitoring Officer	Report is satisfactory
Consultees	CLT and Strategy Group
Background papers	None.
Recommendations	<p>1. THAT CABINET NOTES AND CONSIDERS THE FINANCIAL IMPLICATIONS OF THE TWO OPTIONS IN RELATION TO DHP</p> <p>2. APPROVE OPTION 2 OF DELIVERING DHP TO TENANTS</p>

1.0 BACKGROUND

- 1.1 Discretionary Housing Payments (DHPs) provide extra help to claimants in receipt of Housing Benefit who need further financial assistance with housing costs. This will usually be because there is a shortfall between the amount of benefit they receive and their rent liability.
- 1.2 To qualify claimants need to meet certain conditions.
- Must be receiving Housing Benefit or in receipt of Universal Credit that includes a housing element.
 - There must be a shortfall between the amount of Housing Benefit / Housing Element of Universal Credit they receive and rent liability.
 - Must demonstrate that they need extra help to meet their housing costs.
- 1.3 The length of time over which an award can be made, is decided by the Council. However the Authority has to be mindful of the annual funding available and not to exceed the budgeted amount (Government funding plus any Council top-up). It may be appropriate to make a short term award to give a claimant time to sort out their finances or housing commitment, in particular if they are trying to find alternative accommodation or gain employment. Alternatively it is also possible to make a more long term or indefinite award depending on the claimants circumstances.
- 1.4 Nationally, DHP funding for 2015/16 was £125 million - a reduction of £40m from the previous year. It has been recently announced that DHP funding will be £160m a year over the next five years a relatively modest increase which is intended to support those claimants adversely affected by the recent announcements in welfare reform including:
- Working-age benefits to be frozen for four years from April 2016.
 - A reduction in the “benefit cap” from £23,000 to £20,000 (outside London)
- 1.5 The council has been allocated Discretionary Housing Payment Grant of £114,965 for 2016/17.
- 1.6 Impact on Tenants – Tenants (Council, Housing Association or private tenants) are able to seek an additional financial contribution towards their rental shortfall for a variety of reasons.

64% of the awards to date is due to a shortfall in Housing Benefit as a result of the under occupation charge which was introduced in April 2013. The majority of tenants under occupy by one bedroom, therefore the shortfall is 14% or approximately £12 per week (based on average rent for council tenants).

The options available for tenants affected by the charge, other than apply for DHP, are:

- Obtain employment and/or reduce dependency on benefits
- Move to smaller accommodation - 89% (as at 21 January 2015) of the people on the housing register are seeking one and two bedroom properties and approximately 50% of the council stock is 3 bed or larger accommodation, therefore the prospects of moving to a smaller property in the area in which they have established connections is low.
- Move in with family/friends – some tenants have chosen to move out of their property due to the financial difficulties of having to pay the shortfall.
- Pay the shortfall in Housing Benefit – tenants entitled to Housing Benefit have low income and therefore are unlikely to have any available resource to pay the shortfall. This often leaves the tenant in difficult financial circumstances and at risk of seeking short term financial assistance from high interest lenders which often becomes a vicious circle they are unable to get out of. Some will utilise their benefits to pay the shortfall and forgo other daily essentials, for example being able to buy food and frequently use food banks.
- Not pay the shortfall - this places the tenants at risk of enforcement action and potentially losing their home and incurring additional costs such as court fees, bailiff fees etc. It is also worth noting that should a tenant lose their home and it is considered it was through their own actions then they could be suspended from Housing Register for accommodation for a reasonable period based on the circumstances and efforts to resolve the issue

- 1.7 Impact on the Council – Since the under occupation charge was introduced in April 2013, the number of council tenants affected by the charges has reduced by 33% from 543 to 365 as tenants chose to terminate their tenancy or move into smaller accommodation, assisted by the Council prioritising their application to move and a £1000 incentive scheme.

Clearly, any reduction in rental income from council tenants who are required to pay the shortfall, including payments via Discretionary Housing Payment, would negatively impact our 30 year business plan which informs our investment plans and any subsequent treasury management decisions that may arise from any shortfall in income.

In addition to this, any reduction in rental income from tenants increases our expenditure in terms of enforcement costs and staffing costs to monitor and manage the rent accounts to ensure prompt and appropriate action is taken. As at 19 February 2016, 50% (181) of tenants affected by the under occupation charge are in rent arrears greater than 0.01p with the total amount outstanding of £52,086.28 and equates to 16% of the total current rent arrears.

Where the Council has undertaken significant adaptations to a property because a tenant or a member of their household is disabled, the council would incur additional costs in adapting another home should the family be required to move to smaller accommodation.

2.0 REASONS FOR GRANTING DHP IN 2015/16

- 2.1 Funding levels and actual and estimated expenditure for 2016/17 and previous two years are shown below:

Financial year	2014/2015	2015/2016	2016/2017
Expenditure	£112,033	£144,470*	£159,000*
DWP Funding	£106,669	£103,678	£114,965

* Estimate

- 2.2 Expenditure of £102,004 has been incurred to 31 January 2016 and an additional £42,466 committed to the end of March 2016. This estimate of £144,470 expenditure for the current financial year is a 29% increase on expenditure in 2014/15. For 2016/17 a conservative 10% increase on expenditure has been assumed.
- 2.3 Historically DHP awards have been based on the difference between housing benefit entitlement and contractual rent; however since October 2015 renewal awards have been calculated and based on the lower value of either (1) the difference between their income and permitted expenditure or (2) the shortfall in benefit entitlement. This will mean that our DHP expenditure from October and going forward will be reduced.
- 2.4 For 2015/16 the funding has been supplemented by a £21,000 reserve from the Housing Revenue Account (HRA) of which £10,500 is from 2015/16 and £10,500 carried forward from 2014/15.
- 2.5 Forecasting future expenditure is notoriously difficult because of the unpredictability of future demand, this has been evidenced by the fact that when a similar exercise was completed in October 2015 the number of claimants was 200 and it is now 247 – an increase of 23.5%.
- 2.6 In January 2016, Strategy Group agreed to support the continuation of the current option with a £21,000 contribution from the HRA (£10,500 from 2014/15 and £10,500 from 2015/16) and to find approximately £20,000 from the General Fund to fund the potential overspend in the current financial year as shown in the table below.

Expenditure April to 31 January	£102,004
Committed Expenditure to 31 March 2016	£42,466
Total Expenditure	£144,470
Government Contribution	£103,678
Contribution from HRA Account	£21,000
Total Budget	£124,678
Potential Overspend	£19,792

3.0 FINANCIAL IMPLICATIONS OF PROPOSED CHANGES

- 3.1 The options to be considered are shown in detail in paragraphs 3.2 and 3.3. The table below summarises the financial implications of the options.

Option	Scheme Change (April 2016)	Expenditure	Govt Funding	HRA Top-up for council tenants	Anticipated Out-turn
1	100% for 12 Months	£159,000	(£114,965)	(£10,500)	£33,535
2	100% for 6 Months; 50% for 3 Months; potential 50% for 3 months	£119,250	(£114,965)	(£10,500)	(£6,215)

3.2 Option 1

Continue to pay DHP at 100% entitlement – using the estimated total expenditure figure for 2016/17 as shown in the table in Paragraph 2.1, will lead to an overspend of £33,535 as shown below

Budgeted Expenditure on DHP (Option 1)	£159,000
Total Expenditure	£159,000
Government Contribution 2016/17	£114,965
HRA Top-up 2016/17 for council tenants	£10,500
Total Budget	£125,465
Potential Overspend	£33,535

3.3 Option 2

Based on paying the full entitlement for the first 6 months, then reduce the DHP contribution to 50% for the next 3 months, and if there are reasonable grounds at the end of 9 month period, to extend it for another 3 months at a similar level – using the estimated total expenditure figure for 2016/17 as shown in the table in Paragraph 2.1. This option will lead to a potential under spend of £6,215. In reality an underspend is unlikely to occur as all of the DHP funding will be allocated. In exceptional circumstances some council tenants will receive 100% award for the full 12 month period by officer discretion as explained in paragraph 3.5

Budgeted Expenditure on DHP at 100% for 6 months	£79,500
Budgeted Spend on DHP at 50% for the next 3 months	£19,875
Potential Extension on DHP at similar level for the next 3 months	£19,875
Total Expenditure	£119,250
Government Contribution	£114,965
HRA Top-up 2016/17 for council tenants	£10,500
Total Budget	£125,465
Potential Underspend	(£6,215)

3.4 Option 2 is the proposed option to Cabinet, on the basis that Government funding in future years is unlikely to increase whereas we are expecting demand to continue at the same level or more likely to increase. Using the current criteria will mean therefore that in future DHPs will continue to exceed the Government funding available and the overspend will have to be subsidised from the General Fund.

3.5 In January 2016, the Court of Appeal decided in favour of two claimants who challenged the under occupation charge. One related to a disabled grandchild requiring a room for a carer and the other case related to a room being used as a panic room by the tenant who had suffered severe domestic violence. The Department for Work and Pensions has stated it intends to appeal to the Supreme Court. In the meantime, local authorities are expected to use the DHP grant to ensure people in difficult situations like these do not lose out.

It is recommended that officer discretion is applied to similar cases at the time of the initial application and some council tenants could receive 100% award for the full 12 month period.

4.0 APPROVAL

4.1 Cabinet is recommended to approve

- Option 2 – Based on paying the full entitlement for the first 6 months, then reduce the DHP contribution to 50% for the next 3 months, and if there are reasonable grounds at the end of 9 month period, to extend it for another 3 months at a similar level to manage the DHP budget and to keep within the allocations provided by Government and the HRA top-up of £10,500 for 2016/17 for council tenants. In exceptional circumstances some council tenants will receive 100% award for the full 12 month period by officer discretion