

COMMITTEE	Care Scrutiny Committee
DATE OF MEETING	31 January 2019
ITEM	Discretionary Housing Payments
HEAD OF SERVICE	Dafydd Edwards, Head of Finance
CABINET MEMBER	Councillor Peredur Jenkins, Cabinet Member for Finance Councillor Craig ab Iago, Cabinet Member for Housing, Leisure and Culture
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PURPOSE	Reply to the Committee's enquires on Gwynedd Council spend on the scheme

Introduction

1. This report is presented to the Care Scrutiny Committee following a comment made at the Committee's meeting on 15 November 2018 about Discretionary Housing Payments and an allegation that Gwynedd Council returns unspent money to the Government.

What are Discretionary Housing Payments?

2. Discretionary Housing Payments (DHP) were introduced for the first time in 2001, with the intention of allowing authorities to provide additional support to those people who, in the opinion of the authorities, need further financial assistance with their housing costs.
3. They are in addition to payable Housing Benefit, and used to go some way to fill the gap when the Housing Benefit is not adequate to meet housing costs. Discretionary Housing Payments are paid by the Benefits Unit if analysis shows that individuals need additional help with their housing costs. Normally, the payments are for rent, but it can also mean rent in advance, deposits, and other costs associated with housing such as the costs of moving house.
4. In order to be eligible to receive DHPS, **the individual must be eligible for Housing Benefit or the housing element of Universal Credit**, and it appears to the authority that they need financial support in addition to the benefit they are receiving, in order to cope with their housing costs.
5. Subject to the restrictions set out in legislation, the local authority has the discretion whether to make discretionary housing payment in a particular case, the size of the payments and for what period should be paid.

6. The Discretionary Financial Assistance Regulations 2001 (SI 2001/1167) is the relevant legislation; these lay out the restrictions on the administration of the scheme. They include a lengthy list of the types of costs that are not eligible for assistance (e.g. any service charge that would not be eligible for consideration in the calculation of the benefit, the cost of water and sewerage, Council tax costs, costs which have arisen as a result of having outstanding debt; note that this list is not exhaustive).
7. The regulations also impose restrictions on the amount of DHP that can be paid to any claimant, based on the housing benefit they receive.

Costs

8. The Department for Work and Pensions (DWP) in the UK Government makes an annual financial contribution to each local authority to fund the scheme. In 2018/19, the Government contribution for Gwynedd is £719,976. Each authority can determine to allot an extra amount (up to 250%) on top of the Government contribution.
9. On 30 July 2013 the UK Government announced that £5million of additional DHP funding would be available for 21 isolated rural areas during the 2013/14 financial year. The Government's rationale was that for some remote and fragile communities the geography means that the potential remedies to those affected by the removal of the spare room subsidy are less readily available; work, alternative accommodation, people looking for lodgings, etc. To avoid a disproportionate impact on those affected by the policy in remote and isolated communities and in some cases on the communities as a whole, it was considered appropriate to provide additional support to those affected. Gwynedd was one of 3 areas in Wales (Ceredigion and Powys); there were 6 area in England and 12 in Scotland.
10. Gwynedd's original allocation in 2013/14 was £241,353, but in the wake of the rural enhancement, our allocation increased by 150% to £605,141. In the first year, therefore, the rural add-on for Gwynedd was £363,788 (which is 60% of the new total).

11. In the same year (after considering the addition of rural), our neighbours accept the following:

AUTHORITY	2013/14 BEFORE RURAL ADDITION	2013/14 FOLLOWING RURAL ADDITION	RURAL CONTRIBUTION 2013/14	2013/14 RURAL CONTRIBUTION AS % OF THE TOTAL
GWYNEDD	£241,353	£605,141	£363,788	60.1%
ISLE OF ANGLESEY	£136,536	£136,536	0	-
CONWY	£242,700	£242,700	0	-
DENBIGHSHIRE	£217,194	£217,194	0	-
CEREDIGION	£163,391	£324,933	£161,542	49.7%
POWYS	£154,975	£512,845	£357,870	69.8%

Table 1: Effect of Rural Allocation

12. As can be seen from the table above, the rural addition has a significant impact on the totals which those authorities receive, and their ability to assist their residents with their housing costs.
13. In the Summer Budget of 2015, the Chancellor of the Exchequer pledged to spend £800 million over 5 years on Discretionary Housing Payments (England, Wales and Scotland). The amount is divided by year as follows:

YEAR	2016/17	2017/18	2018/19	2019/20	2020/21
BUDGET (£ MILLION)	150	185	170	155	140

Table 2: DHP Budget Wales, England, Scotland

Source: Summer Budget 2015

14. The amounts distributed in 2016/17, 2017/18 and 2018/19 are a reflection of the above, and it is expected that the amounts for the last two years of the cycle will also follow the forecasts. As can be seen, after being at its highest in 2017/18, the Government's intention was that the support is steadily decreased towards the end of the period.
15. It is also emphasised that this is only a commitment until the end of the period of the current comprehensive spending review. There is no indication of what will happen from April 2021, or even if the scheme will continue at all.

16. Since 1 April 2017, DHP administration in Scotland has been devolved to the Government of that country, with Scotland receiving 10% of the budget, and the DWP distributes the other 90% among the authorities of England and Wales. That means that the DWP have allocated a total of £153 million to local authorities in England and Wales 2018/19 to fund Discretionary Housing Payments. £3.5m was devolved from the rural element to Scotland, with £1.5m remaining in Wales and England.
17. The methodology for distributing the DHP to local authorities is based on an assessment by the Department for Work and Pensions of needs in those areas. Each local authority allocation may be calculated on the basis of four funding streams (in each stream, adjustment is made to reflect the claimants who have already transferred to Universal Credit):
- **Core Funding. £18 million** has been allocated on the basis of each authority's spend on Housing Benefit.
 - **Local Housing Allowance. £27 million** has been allocated on the estimated reduction in HB entitlement as a result of the freeze in Local Housing Allowance rates.
 - **Benefit cap. £54 million** has been allocated based on the LAs proportion of the estimated total benefit reduction under the Government's policy of setting a benefit cap.
 - **The "Bedroom Tax". £54 million** has been distributed based on the LAs proportion of total reductions in HB, as a result of Removal of the Spare Room Subsidy. ***This £54 million includes the £1.5 million that has been allocated to the nine rural areas that as effected most by this policy, including Gwynedd.***
18. The exact formula that is used is not published, so it is not possible to estimate how much money Gwynedd will receive in the following year. In light of this, we do not receive official confirmation – including confirmation if the rural allocation to continue – until close to the start of the financial year.
19. Gwynedd's circumstances, especially our share of the rural allocation, means that Gwynedd has substantially more DHP resource to share than our neighbours:

AREA	DHP ALLOCATION IN 2018/19 (£)
GWYNEDD	719,976
ISLE OF ANGLESEY	153,308
CONWY	219,611
DENBIGHSHIRE	252,543
CEREDIGION	303,667
POWYS	558,554
FLINTSHIRE	325,115
WREXHAM	349,528

Table 3: Government DHP Contribution 2018/19

Policy

20. In January 2015, the Wales Audit Office published a report "*Managing the Impact of Welfare Reform Changes On Social Housing Tenants in Wales*". Among the findings of the national study was that "Discretionary Housing Payments from the Department of Work and Pensions and the Welsh Government increased by £5.1million in 2013-14 but the allocation, distribution, administration and use of these payments have significant inconsistencies and weaknesses". They noted that the distribution of Discretionary Housing Payments by the DWP was not driven by need, and that there were inconsistencies and weaknesses in councils' administration of payments.
21. However, local authorities had already been challenged by the Welsh Government about a lack of consistency in the policies and procedures for the administration of DHP by councils in Wales, and so a Welsh DHP project was undertaken in collaboration with the WLGA, with Gwynedd Council taking part in the project.
22. One of the main purposes of the project was to produce a policy framework that every Council could use as a basis for consistent policies across Wales, that would explain how the scheme works, and provide a rationale and justification for some of the decisions that could be challenged, especially in view of a reduction in the national budget.
23. As part of developing a policy for Gwynedd, the Framework was presented to members of the Deprivation Project Group in December 2014, and in a consultation exercise the draft policy was shared with stakeholders such as Housing Associations, the Health Board and representatives of the Third Sector.
24. Therefore, since the 2015/16 financial year, Gwynedd Council has adopted a policy that uses the national framework, and this is done formally by the relevant Cabinet Member (through use of a Cabinet Member Decision Notice).
25. The policy for 2018/19 is included in the Appendix. It is seen to be the major factors in determining priorities is:
 - The financial circumstances of the household;
 - The priority group that the household is in;
 - The extent to which members of the household are able, and willing, to manage the situation they are in, or can't be reasonably expected to do more;
 - The wider financial consequences of not making an award.
26. No official confirmation has yet been received about the 2019/20 allocation, but we are preparing on the basis that it will correspond to the level of 2018/19. We do not, therefore, envisage making substantial changes to the Policy.

Gwynedd Council Expenditure

27. It has already been noted that the rural area addition means that it is possible for Gwynedd Council to be much more generous with DHP allocations than the majority of our neighbours. Nevertheless, there is a risk involved in creating an over-reliance of individuals/families on the DHP. These payments are meant to be a temporary solution, not an additional benefit, and there is a risk of serious hardship if these payments are coming to an end, if the Government suspends the scheme or the rural addition.

28. In analysing the last 6 full years, we see that the Council has spent more than the Government's contribution in three of them, and had been short of spending the contribution in full in the other three years.

Year	Government Contribution	Gwynedd Spend	Higher (-) / Lower (+) than contribution £	Higher (-) / Lower (+) than contribution %	Number of Assessment
2012/13	£150,474	£157,444	-£6,970	-5%	545
2013/14	£605,141	£585,069	+£20,072	+3%	1452
2014/15	£733,297	£788,910	-£55,613	-8%	1970
2015/16	£620,483	£558,141	+£62,342	+10%	2517
2016/17	£659,887	£646,656	+£13,231	+2%	2597
2017/18	£726,374	£751,472	-£25,098	-3%	2075

Table 4: Gwynedd Actual DHP Spend

29. Since 2017, the Shelter Cymru charity conducts an annual campaign, *Waste Not Want Not*, to see if each local authority spends their allocation, by naming and shaming those local authorities who have failed to spend their allocation in full.
30. For the financial year 2016/17, Gwynedd's DHP allocation by the Government was £659,887 and we were able to share £646,656, which was 98%. In normal circumstances, being able to get spending so close to a rather unpredictable and volatile budget would be seen as a success, but Shelter Cymru was extremely critical of the councils that underspent. It is also noted that the Council must find the money for any expenditure over and above the Government's contribution by transferring budgets from other areas.
31. By the 2017/18 financial year, Gwynedd's contribution by the Government had risen to £726,374, and the Council spent £751,472. As a result, Gwynedd Council received praise from Shelter Cymru. It is noted, however, that there was no significant difference in the way the Council's officers operated between the two years. The higher level of contribution by the Government means that it is possible to make modifications to the policy for a year in order to be more generous. Nevertheless, we continuously strive to promote DHP in several ways, including collaboration with partners in the local housing associations and the CAB. The relationship of the Council with local Shelter Cymru officers are also very good.
32. In 2018/19 to date, more than **1,400** households Gwynedd had received Discretionary Housing Payments; on 10 January 2019, the Council had committed **£672,529.09** until the end of the financial year (out of a Government contribution of **£719,976**). That means that **£47,446.91** remains to be spent in this financial year.
33. In response to the potential that there will be money left unspent, the Benefits Service has mailed and sent DHP application forms to new benefit claimants who may be eligible for DHP, with the aim of distributing our allocation before the end of the financial year.

Conclusion

34. Gwynedd Council is receiving significantly higher contribution by the Government for Discretionary Housing Payments than the majority of its neighbours, and the figures in the report show that actual spending has been very close to this amount in each year. Due to the nature of the expenditure, where there is a need to commit expenditure for a whole year, and keeping enough money in reserve to deal with new applications coming in during the year, it is believed that the annual performance in terms of the variance between the budget and actual expenditure is within expected limits.