

Briefing

Allocating Discretionary Housing Payments (DHPs) in Scotland

From the Shelter Scotland policy library

(Reissued) November 2013

www.shelterscotland.org

© 2013 Shelter Scotland. All rights reserved. This document is only for your personal, non-commercial use. You may not copy, reproduce, republish, post, distribute, transmit or modify it in any way. This document contains information and policies that were correct at the time of publication.

Shelter
Scotland

Summary

- Since the original version of this briefing was published in June 2013, both the UK and Scottish Governments have added to the original funds available for Discretionary Housing Payments. This updated briefing (November 2013) reflects those additions.
- The Department for Work and Pensions (DWP) allocates a ring-fenced but cash limited pot of money to all UK local authorities to make Discretionary Housing Payments (DHPs) to those with a temporary or short-term shortfall in housing costs.
- This fund has been available since 2001, but in response to specific welfare reforms impacting on housing benefit entitlement, the baseline UK budget of £20 million a year has been augmented for the past two years. This included an additional £50 million to mitigate against changes in Local Housing Allowance (LHA) and from 2013/14 an additional £90 million to cope with the under-occupation subsidy or 'bedroom tax'¹ and the overall benefit cap. For 2013/14 the Scottish DHP budget is just over £10m.
- UPDATE: On the 30 July 2013, the DWP announced another tranche of funding in response to the difficulties being faced by certain groups as a result of the welfare reforms. This amounted to: £5m for those in rural/least densely populated areas; £20m which will be allocated through a bidding process across local authorities demonstrating good practice and £10m 'transitional' in-year funding which can be used by councils as DHP or for other purposes. From this it is anticipated that Scotland will get £3.5m of the rural funding, roughly £1m of the transitional funding and roughly £2m from the bid fund.
- UPDATE: On the 3 October 2013 the Scottish Government added £20m of funding to be distributed amongst local authorities, 'topping up' the DHP pot to the maximum². This brings Scotland's total DHP fund to £35.5m.
- The cuts to housing benefit will impact on over 100,000 tenants across Scotland and, as reflected by the DWPs decision to increase the DHP fund, it is anticipated that demand will increase dramatically. In response to the reforms, the purpose of DHPs has fundamentally changed, and this pot of money is now critical to the successful delivery of the Coalition government's welfare reforms.

¹ Shelter Scotland 'Bedroom Tax' briefing available online:
http://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/shelter_scotland_briefing_on_the_bedroom_tax

² <http://news.scotland.gov.uk/News/Support-for-hard-hit-Scottish-households-4c6.aspx>

- The increased DHP budget only makes up around 10% of the total cuts to housing benefit in Scotland, so these payments are not designed to and could never compensate for the huge amount of money being removed from benefit entitlement.
- Local authorities face the challenge of administering a fund for which demand is far higher than its capacity and will need to make decisions on how to assess and prioritise applications. Despite these pressures, it is important that funds are used effectively and targeted towards those in greatest need, and particularly at preventing homelessness and hardship
- We have spoken with a number of local authorities about their DHP policy and processes and how they are responding to the challenge. It is important that good practice is shared at local and national level and that use of the fund is transparent and closely monitored.
- In addition, the DWP allowed for carry-over of unspent DHP budget for 2013/14, but there is currently no guarantee this will be the case for 2014/15. Any under-spend this year could therefore mean a reduction in allocation for the following year. The Scottish budget is now more than double the previous years. Ensuring an optimal spend will mean close management to ensure the available budget is exhausted and that there are funds available in the second half of the financial year.
- This briefing paper aims to set out some key principles for local authorities and draw together good practice. Shelter Scotland intends to review the use of DHPs in the future to reflect good practice and monitor the impact they have had on preventing homelessness and hardship.

Recommendations:

- **UPDATE (November 2013): Since the original briefing the Scottish Government has ‘topped up’ the Discretionary Housing Payments to the maximum, as explained below.** Local authorities across Scotland have the option to ‘top up’ the fund by up to 150% from their own resources. This could augment the total Scottish DHP pot to £38.7m. Considering the potential cost of homelessness and other expensive crisis interventions, we would encourage councils to consider doing this as part of their corporate response to preventing homelessness wherever possible.
- Local authorities should produce a Discretionary Housing Payment policy which identifies how they will target use of the fund, who should be applying and how payments will be made. Policies should be available online and circulated to advice agencies in the area in order to promote transparency and help agencies continue to work in partnership with local authorities to prevent homelessness and hardship.

- Local authorities and advice/support organisations across the local area should work in partnership to achieve the best possible outcomes for clients and the DHPs as part of a wider package of housing advice and support. This will help ensure that this cash-limited pot is targeted most effectively and where a DHP application is refused, the client is helped to consider their options and alternatives and not left to fall further into crisis.
- It is important that the use of DHPs is carefully monitored to inform future policy decisions. Specifically, this should include how local authorities are using their allocation, which households are applying for what reasons and which applications are successful/unsuccessful. This will help councils, the Scottish Government and the DWP build a picture of the impacts of the benefits changes and also the level of need not being met through DHPs. Shelter Scotland intends to review the allocation of DHPs and their impact on homelessness and hardship in order to promote good practice and support the mitigation of the impact of benefit cuts.

Introduction

The Coalition's programme of change and reform to the welfare state presents a number of challenges for Scotland social landlords and for tenants, homeless people and others in receipt of benefits. There are a number of changes which impact on the amount of housing benefit households will be able to claim regardless of their other income or the rent they have to pay. For vulnerable households or those in complex or difficult circumstances, local authorities have access to a Discretionary Housing Payment (DHP) budget which they can allocate on a case by case basis to meet a temporary shortfall in housing costs.

While the Department for Work and Pensions (DWP) has increased the overall annual budget over the past few years, it remains a cash limited budget. With DHPs taking an increasingly central role in how local authorities are expected to mitigate the impacts of the welfare changes, it is widely acknowledged that demand will far exceed the amount of money that councils have to allocate. This paper identifies:

- The pivotal role DHPs will play over the next year;
- What Shelter Scotland believes needs to happen to ensure the money is effectively and efficiently allocated and;
- How applicant need should be prioritised and recorded to understand who and how DHPs are supporting because of what financial issues.

What are DHPs?

Discretionary Housing Payments (DHPs) budgets are paid to all local authorities in the UK by the Department of Work and Pensions (DWP). This ring-fenced but cash limited pot of money has been allocated to councils across the UK since 2001. DHPs are awarded to people in receipt of benefits who the local authority decides need further financial assistance with their housing costs. These one off or short-term payments are governed by The Discretionary Financial Assistance Regulations 2001 but councils have broad discretion over to allocate the funds on a case by case basis.

DHPs were originally designed to make up for temporary shortfalls in housing costs. In response to significant reforms of the benefit system, the DWP has been gradually increasing the Discretionary Housing Payment budget. In 2010/11 the annual budget for the UK was £20 million which went up to £60 million in 2012/13 in order to mitigate the impact of Local Housing Allowance (LHA) caps. In 2013/14 it will more than double to

£165 million with £105 million of that specifically for those affected by the overall benefit cap (£75 million) and the under-occupation or so-called 'bedroom tax' (£30 million).

At the start of the 2013/14 financial year the total UK allocation was £155m. That fund has been divided between the 380 local authorities across England, Scotland and Wales with a matrix of previous spend and anticipated volume of cases in response to welfare changes. A local authority's share of each component of the augmented budget is calculated differently but focusing on the affected groups by each of the housing benefit reforms. On the 30 July 2013, DWP made additional funds available. This was broken down as: £5m for those in rural/least densely populated areas; £20m which will be allocated through a bidding process across local authorities demonstrating good practice and £10m 'transitional' in-year funding which can be used by councils as DHP or for other purposes. From this it is anticipated that Scotland will get £3.5m of the rural funding, roughly £1m of the transitional funding and roughly £2m from the bid fund. This brought Scotland's total DHP fund to £15.5m.

UPDATE: On 3 October 2013, the Scottish Government made £20m available to local authorities in order to top up their housing payments by the remaining 150% for 2013/14. This now brings the total pot for DHP funding in Scotland to £35.5 million.

Table 1 (below) shows the breakdown for each Scottish local authority of the £160m DHP fund (excluding the as-yet unallocated £20m bid fund). The table also shows where the £20m 'top up' fund from the Scottish Government has been allocated.³

The inflated DHP budget together with the new DWP guidance on administering DHPs has significantly changed the role that DHPs have played up until this point in Scotland. In 2012/13 the budget was £4 million and there was under-spend of £233,416 as in other parts of the UK. For the 2013/14 financial year, the DWP allowed for carry-over of unspent funds in response to the reforms, but there is currently no guarantee this will be the case for 2014/15. It is critical, therefore, that this year councils have no under-spend which could mean a reduction in their allocation the following year. The Scottish budget is now more than double the previous years so ensuring the maximum spend will mean close management to ensure there are funds available in the second half of the financial year.

³ The Overall Limit reflects the DWP contribution plus a 150% top up. The DWP contribution added to the Scottish Government contribution will not necessarily add up to the full allowed amount for each local authority as the additional £20m from the Scottish Government is just below the maximum top up amount.

Table 1: Allocation of the £160m fund for Discretionary Housing Payments 2013/14⁴			
Local Authority	Government contribution (DWP)	SG Funding	Overall limit (2.5x)
Aberdeen	£299,125	£444,174	£747,813
Aberdeenshire	£594,825	£883,262	£1,487,063
Angus	£413,506	£614,019	£1,033,765
Argyll and Bute	£370,656	£550,390	£926,640
Clackmannanshire	£178,323	£264,794	£455,808
Dumfries and Galloway	£658,354	£977,596	£1,645,885
Dundee	£337,506	£501,166	£843,765
East Ayrshire	£171,570	£254,766	£428,925
East Dunbartonshire	£107,919	£160,250	£269,798
East Lothian	£137,196	£203,724	£342,990
East Renfrewshire	£83,222	£123,577	£208,055
Edinburgh	£1,430,709	£2,124,473	£3,576,773
Comhairle nan Eilean Siar	£107,388	£159,461	£268,470
Falkirk	£179,720	£266,868	£499,300
Fife	£539,010	£800,381	£1,347,525
Glasgow	£2,392,818	£3,553,117	£5,982,045
Highland	£987,115	£1,465,777	£2,467,788
Inverclyde	£153,174	£227,449	£382,935
Midlothian	£159,483	£236,818	£398,708
Moray	£252,230	£374,539	£630,575
North Ayrshire	£309,823	£460,059	£744,558
North Lanarkshire	£469,660	£697,402	£1,174,150
Orkney	£64,359	£95,568	£160,898
Perth and Kinross	£523,618	£777,525	£1,309,045
Renfrewshire	£267,351	£396,992	£668,378
Scottish Borders	£450,553	£669,031	£1,126,383
Shetland	£72,457	£107,593	£181,143
South Ayrshire	£262,150	£389,269	£655,375
South Lanarkshire	£492,570	£731,422	£1,231,425
Stirling	£400,324	£594,445	£1,000,810
West Dunbartonshire	£347,472	£515,964	£868,680
West Lothian	£254,648	£378,129	£636,620
Scotland	£13,468,834	£20,000,000	£33,702,091
GB total (£)	£160,000,000		

⁴ <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/user-communications/hbctb-circulars/subsidy-circulars-2013/>

How should DHPs be used?

The Department for Work and Pensions has laid out the remit and purpose of DHPs in guidance for local authorities. This guidance has been updated in light of recent welfare changes⁵ and it now includes a Good Practice Guide which all local authorities should refer to.

While there is a heavy emphasis on each local authorities' discretion in awarding DHPs, there are parameters for what the money can and can't be used for and also a framework for how to target awards. Payments must be towards 'housing costs' which primarily means rent liability but the DWP guidance states this can also include: rent in advance, deposits and other lumps sum costs associated with housing for example: moving costs. DHPs can no longer be awarded to tenants for council tax liability since council tax benefit has been replaced with council tax support from 1 April 2013. In addition, DHPs cannot be use to cover: ineligible service charges, increases in rent due to outstanding rent arrears or any sanction or reductions in benefit.

The guiding principle for making an award is where a claimant cannot meet their housing costs from their available income and require 'further financial assistance'. Within this very broad definition, the local authority must determine how long an award is for and the level of assistance. The DWP urge that councils should "*consider each case on its own merits rather than on a set of rigid pre-defined criteria*".

Beyond the eligibility criteria, the DWP guidance does identify the following objectives for DHP awards:

- Alleviating poverty
- Encouraging and sustaining people in employment
- Tenancy sustainment and homelessness prevention
- Safeguarding residents in their own homes
- Helping those who are trying to help themselves
- Keeping families together
- Supporting domestic violence victims who are trying to move to a place of safety
- Supporting the vulnerable or the elderly in the local community
- Helping claimants through personal and difficult events
- Supporting young people in the transition to adult life, or
- Promoting good educational outcomes for children and young people
- Supporting the work of foster carers

⁵ <http://www.dwp.gov.uk/docs/discretionary-housing-payments-guide.pdf>

- Supporting disabled people remain in adapted properties.

This highlights the breadth of circumstances where people may need to apply for a payment and why, under the current circumstances, demand could far exceed the budget this financial year. Given the bolstering of the base level funding specifically to mitigate against certain welfare changes impacting on housing benefit, it is anticipated that local authorities will prioritise payments in response to the welfare changes and their own scoping of the number of tenants affected

As local authorities prepare for and begin to respond to changes to the benefits system, it is apparent that DHPs will play an increasingly central role. The DWP guidance on use of DHPs has evolved the purpose and use of this fund from emergency short-term assistance to a long-term solution for those unfairly impacted by benefit changes. In effect, DHPs will be used to temporarily – or potentially in the medium term - plug the gaps exposed by the poorly conceived welfare reforms and to help some of the most vulnerable individuals and families. This presents a series of challenges for local authorities about how they assess applications and prioritise the different groups.

Making best use of DHPs

Because of the predicted pressure on DHPs this financial year and beyond, it is important that local authorities continue to focus this fund on those in most acute need. While in a lot of cases, this will mean those who lose housing benefit entitlement either through the ‘bedroom tax’ or the overall benefit cap, any policy must maintain enough flexibility to respond to applicants outside these core groups. In particular, local authorities should prioritise the prevention of homelessness when allocating DHPs in line with national and local priorities.

Topping up?

[Update: Since the original briefing this the Scottish Government has topped up the Discretionary Housing Payments by almost 150% for each of the local authorities as explained above]. Although the DHP fund is cash limited, councils are also permitted to ‘top up’ their allocation from their own budgets by up to 150%. This means the Scottish budget of just over £10 million could potentially inflate to just over £25 million for 2013/14. We know that in the region of 100,000 Scottish social tenants will be affected by the under-occupancy reforms or ‘bedroom tax’ and an additional 3,000 will be affected by the overall benefit cap from July 2013. Although local authority budgets are under intense pressure this financial year, given the numbers of people projected to have shortfalls in

their housing benefit as a direct result of the housing benefit changes, it could be cost-effective to mitigate the impacts through topped-up DHPs rather than face increased arrears and associated costs. However, it is clear the budget will not stretch far enough to meet the shortfall for every claimant affected. Local authorities face a big challenge to prioritise applications in order to meet the most pressing needs, and to ensure that homelessness and hardship are avoided.

A clear process

In order to administer the DHP fund most effectively, councils may have to focus payments on certain groups, as well as dealing with applications on a discretionary basis. Councils should update or write new DHP policies in line with current budgets and the new DWP guidelines, and these should be made available online, and promoted among advice providers in their area in order to invite applications. Councils should consider the tenant profile in the area, the availability of stock and the relative costs of different 'solutions' for those affected by the changes and work out the most effective way of prioritising.

Some examples of priority groups from local authority DHP policies include:

- The property has been adapted significantly for a disabled person(s) within the household and it would not be cost efficient or good use of stock to move the household if they are under-occupying.
- Where meeting some or the entire shortfall between benefit entitlement and contractual rent would prevent the household becoming homeless.
- Extreme and temporary situations which make it difficult to move in the short term where decisions around housing were made in an emergency.
- Where the claimant or their partner is pregnant and currently under-occupying and the birth of the child will increase their entitlement.
- Where there is a specific health or other vulnerability in addition to the shortfall between entitlement and contractual rent which would make moving house particularly problematic or unhelpful to the household.
- Where a claimant is within one year of pensionable age from 1 April 2013.
- Where a down-sizing move would make the household incur unavoidable high costs relating to hospital visits etc.

These are examples of where it **might** be more cost effective to meet the shortfall through a DHP and alleviate the housing problem in either the long or short term. Shelter

Scotland is not suggesting one group is more important than any other or suggesting the above groups should be the only ones to receive DHPs. But each local authority will need to prioritise the applications being made to them and consider which scenarios they will be giving special weight to in accordance with the profile of claimants affected in their area and local homelessness prevention priorities.

While most local authorities have approved a new policy which is already in the public domain, we are aware that some local authorities have not yet agreed a policy which means they are not currently processing applications. Despite the difficulties in prioritising a finite pot of money and the timetable of reforms, it is not appropriate to have no policy. Not processing applications will impact on very vulnerable households and potentially exacerbate their housing problems into crisis.

Local authorities should work with advice providers and support organisations in the area to ensure they are giving clients and potential claimants the most up-to-date and accurate information. All applications must be treated fairly and equally and in-line with the DWP guidance, payment of an award must be strictly on merit. While not subject to a statutory appeals process because a DHP award is discretionary (unlike housing benefit), it is good practice for claimants to have the right to disagree with a decision. This should be a formal written process which should be advertised on the application paperwork.

As is already the case in most local authorities and in line with a Housing Options advice approach, councils should consider current and future welfare implications when allocating new lets and considering applications for transfers and allocating DHPs. The priority should be to prevent homelessness and ensure the least damaging and most cost-effective solution is reached.

Housing advice

Local authorities should see DHPs as part of a wider tool set to help tenants respond to housing issues they are facing. Early intervention with those who are specifically impacted by the cuts can help to avoid large arrears accruing and housing issues becoming housing crisis. Councils should continue to work with internal and external stakeholders to try and ensure the best possible outcome for the individual.

It is important to offer households advice and information on what their options are in terms of:

- **Moving to a more affordable property:** especially in response to the 'bedroom tax' and people losing benefit payments through new under-occupation stipulations. In some cases, local authorities may choose to offer incentives to those willing to downsize, although this relies on there being smaller properties available which in

many areas is not the case. Alternatively it could mean awarding a DHP to help with one off expenses for example, moving costs.

- **Reduce rent liability:** through a holistic Housing Options approach it may also be appropriate for the local authority to help clients negotiate down their rent if they are in the private rented sector.
- **Income maximisation:** is the claimant receiving all possible benefit they are entitled to. Where necessary referrals should be made to welfare officers to see if additional claims can be made including to the Scottish Welfare Fund.

Monitoring impacts

It is vital that use of DHPs is closely monitored this year both in terms of overall spend but also who is being awarded money in response to what housing problem. It is particularly important to record the impact of the changes to housing benefit and to understand which households have been affected and to what extent. In the course of processing applications, a number will be declined and where possible it would be useful for local authorities to collate information on the number of requests they receive. This will help local authorities, the Scottish Government and the DWP to understand to what extent the DHP budget is meeting demand and which households are submitting unsuccessful bids and why.

Local authorities should record:

- Whether the claimant has been affected by one of the key welfare reforms.
- If not affected by a key welfare reform, what the reason for applying is.
- The total amount of the DHP award.
- The length of time the award is being made for.
- The intended outcome of the award in line with DWP guidance.

Specific information collated on local authority management of DHPs together with analysis of rent arrears figures will give an indication of the true impact of the changes to housing benefit. It will also provide information on the cost to local authorities of the welfare changes in relation to the amount of money saved by the reforms. Although it is impossible to say at this stage, it seems highly unlikely that there will be a DHP under spend as per previous years. Local authorities we have spoken with are extremely concerned about the limitations of the DHP budget in light of the projected demand. There is a very real concern that by advertising DHPs and circulating the policy, local authorities will increase demand which they will be unable to meet.

Conclusions and recommendations:

Shelter Scotland has been and will continue to campaign against some of the most damaging welfare reforms. We have been working closely with both the Scottish Government and the Convention of Scottish Local Authorities (COSLA) on understanding the impacts and supporting any mitigation activity at local or national level. We intend to continue to monitor the use of DHPs and to review their allocation in order to promote good practice and support the mitigation of the impact of benefit cuts.

- **[UPDATE November 2013: Since the original briefing this the Scottish Government has ‘topped up’ the Discretionary Housing Payments to the maximum as explained above].** Local authorities across Scotland have the option to ‘top up’ the fund by up to 150% from their own resources. Considering the potential cost of homelessness and other expensive crisis interventions, we would encourage councils to consider doing this as part of their corporate response to preventing homelessness wherever possible.
- Local authorities should produce a Discretionary Housing Payment policy which identifies how they will target use of the fund, who should be applying and how payments will be made. Policies should be available online and circulated to advice agencies in the area in order to promote transparency and help agencies continue to work in partnership with local authorities to prevent homelessness and hardship.
- Local authorities and advice/support organisations across the local area should work in partnership to achieve the best possible outcomes for clients and the DHPs as part of a wider package of housing advice and support. This will help ensure that this cash-limited pot is targeted most effectively and where a DHP application is refused, the client is helped to consider their options and alternatives and not left to fall further into crisis.
- It is important that the use of DHPs is carefully monitored to inform future policy decisions. Specifically, this should include how local authorities are using their allocation, which households are applying for what reasons and which applications are successful/unsuccessful. This will help councils, the Scottish Government and the DWP build a picture of the impacts of the benefits changes and also the level of need not being met through DHPs. Shelter Scotland intends to review the allocation of DHPs and their impact on homelessness and hardship in order to promote good practice and support the mitigation of the impact of benefit cuts.

Contact: **Fiona King, Senior Policy Officer, Shelter Scotland**
Fiona_king@shelter.org.uk or 0344 515 2456