

<b>Item No.</b> 16.	<b>Classification:</b> Open	<b>Date:</b> 17 September 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Discretionary Housing Payments (DHP) Scheme and the Housing Revenue Account	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	

### **FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT**

The council has seen an increase in applications for discretionary housing payments (DHP) which has resulted in pressure being placed on the current DHP budget. The increase in the first four months of the current financial year compared to the same period in the 2012/2013 financial year is a 288% increase. Demand for DHP has arisen from the package of central government welfare reform measures being rolled out this year. In April 2013 the social sector size restriction was introduced, followed by the benefit cap in August in Southwark and finally, Universal Credit is due to commence in the autumn.

The Department for Communities and Local Government recently wrote to chief executives and directors of finance and housing in council's across England to inform them of the opportunity to apply to the Department of Communities and Local Government for permission to use the housing revenue account to supplement the payments of DHP to council tenants.

### **RECOMMENDATIONS**

1. To agree the provision of support to Local Authority tenants affected by reductions in Housing Benefit as a result of the social sector size criteria utilising funds from the Housing Revenue Account (HRA) in 2013/14 and 2014/2015 to supplement the existing Discretionary Housing Payments (DHP) fund.
2. To agree that the council should allow £1 million to be used from the HRA to provide financial support to those tenants of Southwark whose entitlement to Housing Benefit has been reduced as a result of the social sector size criteria and other welfare reform initiatives in 2013/2014
3. To agree that a further application is made for £1 million in the 2014/2015 financial year.

### **BACKGROUND INFORMATION**

4. The Welfare Reform Act 2012 introduced the Social Sector Size Restriction, more commonly known as the bedroom tax. This reduces Housing Benefit for claimants in accommodation which is larger than their needs by 14% for 1

bedroom over accommodated and 25% for accommodation with 2 or more bedrooms over accommodated.

5. The HRA has recently been reformed under legislation placing responsibility for its administration and decision making with the individual councils and communities which they serve.
6. The Department for Communities and Local Government wrote to Chief Executives of all 325 English councils on the 9th May 2013 to advise them that "Where a local housing authority wishes to make discretionary payments available to its own tenants through the HRA, the Department for Communities and Local Government (DCLG) is prepared, upon receipt of a written application, to issue a Direction under Item 9 Credit and Item 10 Debit, putting the matter beyond doubt for individual authorities".
7. An application to the Secretary of State of the Department of Communities and Local Government was submitted on the 14<sup>th</sup> August 2013, to allow Southwark to formally utilise funds within the HRA for this purpose.
8. The Secretary of State for the Department of Communities and Local Government granted a Direction of Approval allowing Southwark to use £1 million of funding from the housing revenue account for discretionary housing payment following this application and the approval is attached as Appendix 1.
9. The release of funds from the HRA to support the DHP fund will provide financial assistance and support to those Southwark tenants experiencing a reduction in Housing Benefit and/or arrears as a result of the imposition of the social sector size criteria. This assistance will take the form of discretionary payments to enable such tenants to exchange properties, seek help to manage their finances better and protect those who need to remain in their home due to disabilities and special adaptations to their dwelling. The addition of these funds to DHP will enable the council to protect the most vulnerable and help prevent inequality in the most deprived areas of Southwark.
10. The introduction of the welfare reforms will have a major financial impact on the HRA Self Financing Business Plan 2013 and beyond. The current tenants arrears as at the end of July 2013, shows that 60% of tenants who are under-occupying their homes are in rent arrears compared to 25% of these customers being in arrears before the size criteria was introduced on the 1<sup>st</sup> April 2013.
11. In addition, the new reforms are likely to lead to further adverse financial impacts on the HRA and other General Fund budget. With regard to the HRA, it is probable that additional costs will be incurred in the management of current tenants' arrears (due to increased recovery action and debt advisory/prevention services) and repairs to empty properties due to potential relocation by tenants to smaller properties to mitigate the effects of the size criteria. On the General Fund, there may also be an impact on temporary accommodation costs as a result of increasing homelessness. These additional costs will need to be funded by redirecting existing resources.
12. There is a strong value for money and financial case for the establishment of a specific DHP within the HRA. This will help avert the additional costs explained in the preceding paragraphs and does require a special application to the Secretary of State.

13. The provision of funding from HRA to support local authority tenants will reduce the strain on the government's allocation of DHP which totals £1.1 million for Southwark this year.
14. It is proposed that a DHP of £1million is established in the HRA for a time limited period for each of the 2013/14 and 2014/2015 financial years and this will be funded by redirecting existing resources in the approved HRA Revenue/Capital Budget for 2013/14 and 2014/2015. This will include vacancy controls, savings in operational costs but will avoid any adverse impact on the key capital investment programmes.
15. The financial position will be subject to continuous review through the existing corporate financial reporting framework to Cabinet.
16. The number of Southwark tenants affected by this reform is estimated to be 2,807 as at the end of July 2013, with an average weekly reduction in Housing Benefit of £20.00. The level of rent arrears may increase by £3.2 million as a direct result. Also a further 177 Southwark Council tenants will be affected by the Benefit Cap that will restrict all benefits paid to families to £26,000 per year.
17. The council has made use of its Discretionary Housing Payments (DHP) fund to assist all Social Sector tenants affected by this reform. To date in excess of 400 DHP awards have been made to Southwark tenants affected by the Social Sector Size Restriction. This has committed over £200,000.00.
18. As indicated earlier in this report, councils are able to make discretionary payments to tenants in cases of particular hardship however it is clear that the overall level of funding cannot on its own provide adequate levels of support for tenants trying to adjust to this change. The total reduction in Housing Benefit for this reform alone totals £3.2 million in Southwark. In addition the more DHP that is allocated to tenants affected by the size criteria will have the result of less money available to assist other tenants experiencing hardship as a result of welfare reform.
19. Therefore, it is expected that Local Authority tenants wishing to apply for DHP will also engage with the council to explore all options of payment support and/or the need to move to a more suitably sized property. The current DHP policy will be operated in light of this initiative and reflect that long term support for the shortfall will be provided for those who are most in need and who cannot move because of their adapted properties. It will also provide short term awards for those who do have the ability to move to alternative accommodation. The broad principles of the criteria for awards of DHP in respect of local authority tenants are as follows:
20. Tenants will only receive short term support of approximately 13 weeks to enable tenants to move through the SMART moves initiative, and obtain Financial Inclusion advice from the Homelessness and Housing Options service. This advice will include employment advice and support from the Job Centre Plus.
21. The award of a Discretionary Housing Payment is a short term measure that allows the service to consider the following solutions in the 13 week period:
  - Moving to smaller accommodation via the SMART move framework
  - Mutual Exchange
  - Lodging scheme to occupy spare rooms

- Employment and Training Opportunities
- Money Advice
- Affordable banking solutions via the Credit Union and moving away from Loan Sharks and pay day money lending with high interest

22. This is not a prescriptive list and each application will be considered on a case by case basis.

### **Aims**

23. The release of funds from the Housing Revenue Account (HRA) aims to support Southwark Council Housing tenants suffering hardship following the introduction of the social sector size criteria housing benefit reductions by supplementing the existing Discretionary Housing Payments (DHP) fund and process. The council aims to develop a support package through the use of funds from the HRA account to assist tenants through the transition from previous levels of Housing Benefit to the revised levels as a result of the introduction of the size criteria restrictions (14% reduction for one room over accommodated and 25% reduction for 2 or more rooms over accommodated).

### **Objectives**

24. The fund will complement and operate alongside the Government provided Discretionary Housing Payment Scheme (DHP) that provides Councils with ring-fenced annual funding to administer to vulnerable residents in receipt of housing benefit. For 2013/14 Southwark Council has received a DHP grant of £1.1m, to be used across all tenancy groupings.

25. The funding arrangements of the HRA will enable additional support to council tenants not only to keep vulnerable people in their properties by supporting the shortfall but perhaps more importantly to satisfy qualifying criteria that enables the tenant to seek more appropriately sized accommodation or supporting vulnerable tenants with a phased transition into paying rent shortfalls.

26. Applications will be subject to an income and expenditure assessment (including looking at levels of savings) as part of the assessment of entitlement to an award and the value and length of any award.

27. Whilst the policy will not be prescriptive in terms of its use and all cases will be considered on their merits, the key priorities in the use of the HRA fund can be summarised as follows:

28. Tenants living in properties specifically adapted due to a disability will be awarded the full shortfall due to the social sector size criteria.

29. Tenants in arrears will be assisted through the fund in order to facilitate a move to more suitably sized accommodation.

30. If there is a shortfall in rent payments which is expected to last for only a short time pending a change in circumstances, in such cases, the council will be expected to agree a rent payment schedule that recognises the imminent reinstatement of full Housing Benefit. This recognises that some tenants will be under-occupying a property for only a short time until, for example, a baby is born, a child reaches a significant birthday or a tenant reaches pension-age.

31. The release of funds from the HRA will operate in line with the existing DHP policy and awards are to be made to applicants irrespective of age, disability, gender re-assignment, race, religion or belief, sex and sexual orientation, marital status or whether the claimant is pregnant. The defining factor for an award is a shortfall between contractual rent and Housing Benefit entitlement as a result of the size criteria and the inability to meet the shortfall from income levels. All applicants must be in receipt of some Housing Benefit to qualify.
32. For tenants with disabilities who rent a property that has been significantly adapted the full reduction in Housing Benefit will be met through a payment from the funds released from HRA. The primary reasoning behind this is that the practicality and overall cost of moving tenants from a specifically adapted property to a smaller property which would also need to be specially adapted is not a cost effective option, not to mention the hardship and disruption that would be caused to those severely disabled adults as a result. Each case will be considered on its merits and other housing options explored where appropriate.
33. Failure to assist those tenants in the most need will lead to a substantial increase in Local Authority rent arrears. Current analysis indicates that 2,807 Southwark Local Authority tenants continue to be affected by the size criteria with a potential loss of £60,760 Housing Benefit/rent per week. This equates to an annual loss of £3,159,520.00

#### **Policy implications**

34. Most of the recommendations are providing further definition and clarification to existing policy. There are no proposed policy changes to the existing Discretionary Housing Payment policy. DHP is discretionary and DWP guidance allows local authorities to work within guidelines to meet local needs and priorities and our policy has provision for this.
35. The recommendations are in line with the council's "Fairer Future Principles" and in particular seek to ensure that the council is open, honest and accountable.
36. The drivers for these changes are the Welfare Reform Act 2012.

#### **Community impact statement**

37. The responsibility for the changes in legislation lies with central Government. The Government has produced an equality impact assessment to support the introduction of these changes.
38. However, within equality characteristics certain groups may be adversely affected by the Government legislation changes. Penalties for under-occupation will affect disabled people living in significantly adapted accommodation – including any adaptations made for disabled children.
39. Similarly, people with disabilities who need to use a spare bedroom for storage of medical equipment will be subject to the penalty. The release of these funds to supplement DHP funds recognises and addresses the needs of these particular groups. It will target support within these areas and will continue to monitor the impact on them.
40. Council tenants who were under-occupying a council owned property as at June 2013 live in the following areas: Brunswick Park 144 tenants, Camberwell Green

228 tenants, Cathedrals 94 tenants, Chaucer 178 tenants, College 115 tenants, East Dulwich 43 tenants, East Walworth 140 tenants, Faraday 199 tenants, Grange 120 tenants, Livesey 249 tenants, Newington 263 tenants, Nunhead 106 tenants, Peckham 232 tenants, Peckham Rye 72 tenants, Riverside 171 tenants, Rotherhithe 160 tenants, South Bermondsey 140 tenants, South Camberwell 135 tenants, Surrey Docks 44 tenants, The Lane 167 tenants, and the Village 38 tenants. Therefore all electoral wards in Southwark have tenants that are affected by the change in the social size criteria and housing benefit reductions. This is the full quantum of people affected by the bedroom tax at the time of writing although this picture changes day to day.

### **Resource implications**

41. The administration of the HRA contribution to the DHP budget can be undertaken within existing officer and IT resource.

### **Consultation**

42. No consultation has taken place with tenants, residents, community groups, or stakeholders.

### **Implementation**

43. The HRA contribution to the DHP budget can be implemented immediately as approval has been granted by the Secretary of state for the Department of Communities and Local Government.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

44. The Discretionary Financial Assistance Regulations 2001, as amended, provide local authorities with the power and framework to make discretionary payments to benefit recipients that need further financial assistance.
45. The accounting framework applicable to the HRA is set out in the Local Government and Housing Act 1989. As it is proposed to use HRA funds to support the DHP fund and there is no express provision in the legislation relating to the funding of DHP's from the HRA, it will therefore be prudent to obtain Secretary of State consent as recommended in this report.

### **Strategic Director of Finance and Corporate Services**

46. The report sets out the potential volumes and HB reductions for tenants arising from these changes and the indicative budget impact. Activity analysis for the first two months of 2013/14 shows a caseload of 500, of which 304 have been accepted at a cost of £177k. Extrapolation of these figures gives rise to a full-year cost of £1.065m, but this takes no account of accepted cases that remain eligible for assistance after the initial 13 week period has lapsed and therefore the commitment is likely to be greater than that shown.
47. The council's DHP allocation for 2013/14 is £1,120m plus £166k towards the administrative costs arising from the introduction of welfare reform, all of which is in the general fund. Given the impending government spending review, there can

be no certainty over the continued level of central government support for DHP going forward.

48. It is recognised that these reforms and the wider economic conditions are having a detrimental effect on people's income and their ability to pay their rent and charges to the council. There is clearly a case to be made that the wider application of DHP (funded through the HRA) and targeted at those in most severe need would also help mitigate the budget impact by reducing arrears and avoiding evictions and any subsequent re-housing liability under the council's homeless duty.
49. In the context of the wider HRA, one of the key underlying principles of self-financing was the continued adherence to formula rent policy, the premise being that surpluses generated over the life of the 30 year business plan would be sufficient to meet the investment needs of the housing stock over that period. Deviating from the rent policy would have serious long-term financial implications for the sustainability of the business plan and the council's ability to deliver the investment required in the stock.
50. Furthermore, around 59% of tenants are currently in receipt of HB, therefore the effect of mitigating the formula rent increase would proportionally be of greater benefit to the exchequer rather than to tenants directly and would be to the long-term detriment of service delivery and the provision of good quality and affordable housing in the future.
51. At this stage it is not possible to accurately assess the full cost to the council of implementing the welfare reforms, but this measure is expected to reduce the cost pressure to some extent and assist residents manage the changes. Cabinet approved the 2013/14 HRA budget in January 2013 and made prudent provision in the base for the potential impact of the welfare reforms (and direct payment) on the council's HRA income stream. It was not envisaged at that point that this freedom would become available, but subject to Secretary of State approval, resources could now be top-sliced for this purpose.

## BACKGROUND DOCUMENTS.

Background Papers	Held At	Contact
None		

## APPENDICES

No.	Title
Appendix 1	Department of Communities and Local Government Direction of Approval – Item 9 Credit and 10 Debit Direction Discretionary Housing Payments scheme and the Housing Revenue Account

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	
<b>Lead Officer</b>	Gerri Scott, Strategic Director of Housing and Community Services	
<b>Report Author</b>	Ian Swift, Service Group Manager Housing Options & Homelessness	
<b>Version</b>	Final	
<b>Dated</b>	5 September 2013	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	5 September 2013	