

Discretionary Welfare Payments

SUMMARY

- 1.1 The Welfare Reform Act 2012 legislated for the biggest change to the welfare system in over 60 years, with the Government stating its commitment to deliver a total saving of £18 billion over five years. A number of these reforms – abolition of Council Tax Benefit; changes to Local Housing Allowance; Local Authority local assistance scheme and the bedroom size criteria – came into force on 1 April 2013. The benefit cap was implemented from 15 July 2013.
- 1.2 The impact of these welfare reforms is a financial reduction in the benefits previously paid to Derby residents to help with rent and council tax liabilities. Consequently there are significant impacts on affected Derby residents and discretionary funds have been made available to ease those impacts:
 - Discretionary Housing Payments – DHP
 - Discretionary Council Tax Hardship - CTH
- 1.3 The Council must ensure that decisions around discretionary fund allocations meet the needs of the most vulnerable whilst not creating a financial pressure. The policies were reviewed in July 2013 to ensure the Council can flex support and react to learning from the applications made.

RECOMMENDATION

- 2.1 To note the enhancements to the discretionary housing payment awards following the review in July 2013 as set out in paragraph 4.5.
- 2.2 To note the promotion of discretionary housing payments as set out in paragraph 4.7.
- 2.3 To note the applications received and spend to date from the discretionary funds as detailed in paragraphs 4.6 and 4.10.

REASONS FOR RECOMMENDATION

- 3.1 To provide the Resources and Governance Board an update on the enhancements made to the DHP and CTH policies as requested on 8 July 2013.

SUPPORTING INFORMATION

Discretionary Housing Payments – DHP

- 4.1 The DHP funds are available to support residents with a shortfall between Housing Benefit and rent payable. This shortfall can arise for a number of reasons including welfare reforms:
- shortfall in Housing Benefit as a result of Local Housing Allowance (LHA) limitations
 - shortfall in rent faced by a private sector tenant where the rent is restricted to the Rent Officer's valuation
 - shortfall in Housing Benefit where the claimant's income is higher than their applicable amount and there is a taper deduction made
 - shortfall created by a non-dependant deduction to Housing Benefit
 - reduction in Housing Benefit as a result of the under occupancy bedroom cap legislation
 - reduction in Housing Benefit as a result of the household benefit cap.
- 4.2 The Government sets a limit on how much Councils can spend on DHP and makes a contribution to that limit, Derby's allocation being £560,754. Given the significant volume of DHP applications this financial year it has been important to balance the intention of ensuring the funding assists Derby residents appropriately whilst managing payments within the allocated budget.
- 4.3 To calculate the projected spend on DHP the Council assessed the potential applications based on residents impacted by Housing Benefit reductions. This formed the basis for a priority hierarchy assessment used to prioritise the funding to those most in need, details of which were shared with the Board on 8 July, and are included in appendix 2.
- 4.4 To receive a DHP award, applicants must complete an income and expenditure form and be able to prove demonstrable financial hardship. The income and expenditure allowances were determined with Derby Advice and reflect those used by Money Advice. Applicants must also demonstrate steps taken to achieve financial independence, for example, requesting and acting on advice from the Money Advice service.
- 4.5 A review of the DHP policy, including the priority hierarchy, award percentages and period of award, was carried out in July 2013. At that point a third of the received applications had been assessed. This enabled the Council to make changes based on insight of the demand, financial need and awards which helped give more informed predictions of likely spend. As a result the following enhancements were applied to DHP awards:

- The duration of award for all priority groups increased to 6 months.
- The percentage of award increased to 100% for the majority of priority groups.
- Applicants whose properties have been substantially adapted to meet disability needs receive awards for up to 12 months, with the award subject to a rolling review. This priority group will continue to be a high priority into 2014/15.
- Increased priority for those applicants subject to the Benefit Cap.
- Applying a disposable income ratio to enable those with a comparatively small amount of disposable income remaining, once their essential expenditure has been allowed, to qualify for an award.
- Residents are able to reclaim DHP after 6 months if their circumstances have not changed; a rapid reclaim process has been developed for this.

All previously determined claims were reassessed under the revised criteria. The Council's DHP policy has been updated and a link to it is contained in this report.

4.6 Given the impact of the welfare reforms, the Council continues to receive high volumes of DHP applications compared to previous years and expects to receive more as the year progresses. In 2012/13 the Council received 536 applications (106 in March from residents wanting to claim from 1 April 2013). The volume of 2013/14 applications at 1 November 2013 is 1047. Of these, 850 have been processed with 543 awards made at an average value of £443.74. Overall spend to date is £240,953.42 - 42.97% of the allocation. It is important the Council can demonstrate that decision making is consistent throughout the year. Awards up to and including 31 March 2014 should be determined promptly before the end of the financial year as payments after this date are paid from next year's allocation. It would be misleading to apply a simple monthly profile formula to spend against year elapsed as the Council must exercise due diligence in the allocation of awards and ensure accessibility to financial support to residents throughout the whole of the year.

4.7 Despite the high volume of applications, in real terms the number of Derby residents affected by welfare reforms or other factors that present a shortfall between Housing Benefit and rent liability is approximately 19,300, see appendix 4. This excludes residents who may have to claim benefit in future months of this financial year. Whilst there will always be those that will not claim DHP, adjusting their money management accordingly, the Council has undertaken significant work to promote take up of DHP including:

- Promotion and take up work with foster carers prior to April 2013
- Targeted mail shots to residents impacted by Benefits Cap; those under 35 restricted by LHA rates and disabled residents affected by under occupancy
- Derby Advice visits to 30 families most affected by the Benefits Cap to offer advice and support
- Promotion of DHP on front page of Council website
- Encouraging reclaims for those whose awards have expired

- Engagement with Registered Social Landlords to promote DHP to their residents subject to under occupancy restrictions who are not claiming
- Reminders on how to claim DHP issued to voluntary groups
- Customer Service, Derby Advice and Derby Homes Advisers promoting DHP to customers with a shortfall between their Housing benefit and rental liability
- Offering dedicated DHP appointments to assist completion of application
- Further take up promotions will be targeted at the following groups:
 - non-disabled residents affected by under occupancy
 - over 35s affected by LHA restrictions
 - over 35s restricted by rent officer decision
 - over 35s subject to income taper

Discretionary Council Tax Hardship – CTH

4.8 The Government prescribed that from 1 April 2013 DHPs cannot be used to support customers who require help with their council tax liability. In response to this Cabinet agreed funding and a Discretionary CTH policy on 20 March 2013. The funding is to be used to help those citizens affected by the following council tax changes:

- Abolition of council tax benefit and replacement with local council tax support scheme
- Changes to the amount of council tax charged on empty properties

4.9 Demand for CTH is not as high as that for DHP and the awards are lower on the basis that residents with low incomes are able to receive 80% discount towards their council tax liability. The priority groups mirror those for DHP with an additional priority 1 category for bereaved residents impacted by the changes to the amount of council tax charged on empty properties.

4.10 The volume of CTH applications received is 189. Of these, 119 have been processed with 45 awards made at an average value of £94.08. Overall spend to date is £4,233.43.

OTHER OPTIONS CONSIDERED

5.1 Not applicable

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Toni Nash Not applicable John Massey – Head of Benefit and Exchequer Services Dawn Hallsworth – Benefits Transition Manager Beverley Parks - Benefit Processing Manager
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For more information contact: Background papers: List of appendices:	Kath Gruber 01332 643777 kath.gruber@derby.gov.uk Discretionary Welfare Payments report dated 8 July 2013. Link to updated DHP policy: http://www.derby.gov.uk/advice-and-benefits/benefits/discretionary-housing-payments/ Appendix 1 – Implications
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	Appendix 2 – Priority criteria - DHP fund Appendix 3 – Priority criteria - CTH fund Appendix 4 - Potential DHP applicants
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IMPLICATIONS

Financial and Value for Money

- 1.1 The level of vulnerability within the customer base means that the discretionary funds must be carefully managed to ensure that the most vulnerable are prioritised for support and also to ensure requests later in the financial year can still be covered within budget.
- 1.2 The Government contribution for the Discretionary Housing Payment fund for 2013/14 is £560,754.
- 1.3 The Council has set aside £200,000 from its own reserves for the Discretionary Council Tax Hardship fund for 2013/14.
- 1.4 In September 2013 the Government made a further £20M available for DHP and the Council is preparing a bid for a share of this.

Legal

- 2.1 The provision of Discretionary Housing Payments is legislated for under the Discretionary Financial Assistance Regulations 2001. The Council Tax Discretionary Hardship Payment Fund is legislated for section 13A (1) (c) of the Local Government Finance Act 1992.

Personnel

- 3.1 The discretionary funds outlined in this report are all delivered by the Customer Management department.

Equalities Impact

- 4.1 Equality impact assessments have been conducted.

Health and Safety

- 5.1 Customer Management employees have been trained in "delivering difficult messages".

Environmental Sustainability

- 6.1 None

Property and Asset Management

7.1 None

Risk Management

8.1 None

Corporate objectives and priorities for change

9.1 Changes arising from the Welfare Reform Act are linked to the Council's priority of delivering good quality services that meet local needs.

DHP Priority, Allocations and Awards Appendix 2

Priority 1/4/13 to 23/7/13	Customer profile	% of award granted & duration	Priority following 24/7/13 review	% of award granted & duration
1	<ul style="list-style-type: none"> • Foster carers • Those with a child placed prior to an adoption order being made • Armed Forces • Those going through the approval process to be a either a foster carer or adoptive parent 	100% 6 months	1	100% 6 months
2	Disabled, where substantial adaptations have been made to their home	100% 6 months	2	100% Rolling 12 month award period
3	Affected by 3 changes: Council Tax Support, under occupancy and Benefits Cap Note: and single pregnant women having their Housing Benefit restricted prior to birth of baby due to having more than one bedroom to receive equal support, regardless of tenancy type	100% 3 months	3	100% 6 months
14	Subject to Benefits Cap only Full award is conditional on employment support and advice being sought from DWP	100% 3 months	4	100% 6 months
5	Council tenant; willing to move but no suitable accommodation available Checks will be conducted to ensure customers are searching for alternative accommodation	60% 3 months	5	100% 6 months

4	Those affected by 2 changes: (either Council Tax Support, under occupancy or Benefits Cap). Note: single pregnant women having their Housing Benefit restricted prior to birth of baby due to having more than one bedroom to receive equal support, regardless of tenancy type	70% 3 months	6	100% 6 months
6	Those wanting to use DHP to facilitate a house move (rent in advance/rent deposit) These will be one-off lump sums	1 off lump sum determined by applicable LHA amount	7	1 off lump sum determined by applicable LHA amount
7	Aged under 35 and subject to Local Housing Allowance restriction	60% 3 months	8	60% 6 months
8	Other disabilities (on Disability Living Allowance)	100% 3 months	9	100% 6 months
9	Disabled adults unable to share a bedroom	100% 3 months	10	100% 6 months
10	Subject to under occupancy restriction	50% 3 months	11	60% 6 months
11	Subject to Local Housing Allowance restriction Time bound to allow re-negotiation of rent	60% 3 months	12	60% 6 months
12	Subject to Rent Officer Valuation restriction	50% 3 months	13	60% 6 months
13	Subject to income taper	40% 3 months	14	60% 6 months

Disposable Income

Disposable income band (amounts are weekly)	Weekly % of Rent or Council Tax shortfall to be awarded as a DHP or CTH
£0.00 - £4.99	100%
£5.00 - £9.99	75%
£10.00 - £14.99	50%
£15.00 - £19.99	25%
£20.00 - £24.99	10%
£25.00 +	0%

Priority 1/4/13 to 23/7/13	Customer profile	Priority following 24/7/13 review
1	1 Bereaved see note 1 2 Foster carers 3 Those with a child placed prior to an adoption order being made 4 Armed Forces <ul style="list-style-type: none"> • Those going through the approval process to be a either a foster carer or adoptive parent 	1
2	Disabled, where substantial adaptations have been made to their home	2
3	Affected by 3 changes: Council Tax Support, under occupancy and Benefits Cap Note: and single pregnant women having their Housing Benefit restricted prior to birth of baby due to having more than one bedroom to receive equal support, regardless of tenancy type	3
14	Subject to Benefits Cap only Full award is conditional on employment support and advice being sought from DWP	4
5	Council tenant; willing to move but no suitable accommodation available Checks will be conducted to ensure customers are searching for alternative accommodation	5
4	Those affected by 2 changes: (either Council Tax Support, under occupancy or Benefits Cap). Note: single pregnant women having their Housing Benefit restricted prior to birth of baby due to having more than one bedroom to receive equal support, regardless of tenancy type.	6

6	Those wanting to use DHP to facilitate a house move (rent in advance/rent deposit) These will be one-off lump sums	7
7	Aged under 35 and subject to Local Housing Allowance restriction	8
8	Other disabilities (on Disability Living Allowance)	9
9	Disabled adults unable to share a bedroom	10
10	Subject to under occupancy restriction	11
11	Subject to Local Housing Allowance restriction Time bound to allow re-negotiation of rent	12
12	Subject to Rent Officer Valuation restriction	13
13	Subject to income taper	14

Note 1: The bereaved category is for residents impacted by the changes to the amount of council tax charged on empty properties.

Disposable Income

Disposable income band (amounts are weekly)	Weekly % of Rent or Council Tax shortfall to be awarded as a DHP or CTH
£0.00 - £4.99	100%
£5.00 - £9.99	75%
£10.00 - £14.99	50%
£15.00 - £19.99	25%
£20.00 - £24.99	10%
£25.00 +	0%

DHP – Potential applications and spend

Appendix 4

Priority number	Customer profile	Estimated applicants and spend
1	<ul style="list-style-type: none"> Foster carers Those with a child placed prior to an adoption order being made Those going through the approval process to be a either a foster carer or adoptive parent 	Applicants: 70 Spend: £51,870.00
2	Disabled, where substantial adaptations have been made to their home	Applicants: 398 Spend: £295,122.88
3	Affected by 3 changes: Council Tax Support, under occupancy and Benefits Cap Note: single pregnant women having their Housing Benefit restricted prior to birth of baby due to having more than one bedroom to receive equal support, regardless of tenancy type	Applicants: 4 Spend: £5,668.00
4	Those affected by 2 changes: (either Council Tax Support, under occupancy or Benefits Cap). Note: single pregnant women having their Housing Benefit restricted prior to birth of baby due to having more than one bedroom to receive equal support, regardless of tenancy type	Applicants: 2,472 Spend: £706,992.00
5	Council tenant; willing to move but no suitable accommodation available	Applicants: 299 Spend: £55,415.36
6	Those wanting to use DHP to facilitate a house move (rent in advance/rent deposit)	Applicants: 80 Spend: £97,760.00
7	Aged under 35 and subject to Local Housing Allowance restriction	Applicants: 359 Spend: £118,111.24
8	Other disabilities (on Disability Living Allowance)	Applicants: 13,554 Spend: £1,666,870.92
9	Disabled adults unable to share a bedroom	Applicants: 208 Spend: £38,455.17
10	Subject to under occupancy restriction	Applicants: 349 Spend: £64,549.81
11	Subject to Local Housing Allowance restriction	Applicants: 483 Spend: £158,921.49
12	Subject to Rent Officer Valuation restriction	Applicants: 561 Spend: £70,012.80
13	Subject to income taper	Applicants: 443 Spend: £54,480.14
14	Subject to Benefits Cap only	Applicants: 20 Spend: £19,565.00
Totals		Applicants: 19,300 Spend: £3,403,794.81

