

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee - 1 December 2020

Subject: Discretionary Housing Payments

Report of: Deputy Chief Executive and City Treasurer

Summary

This report was requested by members and provides an update on the Council's Discretionary Housing Payment scheme and the potential impact of anticipated budget cuts. The officer proposal that members were considering as part of the budget consultation was to remove £1.5m of the £2m additional Council contribution to the Discretionary Housing Payment Scheme Budget.

The report shows that the Council's contribution has supported the policy objective to sustain tenancies and avoid further intervention and support costs. Taking money out of the system will mean that decisions will have to be carefully managed to ensure that we can continue to support our most vulnerable residents.

The report does show that the Council could if required, reduce the budget and still provide valuable, additional support to residents in the city that need extra support with rent costs with a reduced contribution of between £500,000 and £1m. The impact of which would depend upon what the government does with the, at present, temporary changes to Universal Credit and Local Housing Allowance (subject to what government does with UC and LHA).

Recommendations

Members are requested to note the information provided and consider the officer proposals to reduce the Council's contribution in the context of the Council's wider financial position.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
Not applicable within this report.

Our Manchester Strategy outcome	Summary of how this report aligns to the Our Manchester Strategy
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A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Discretionary Housing Payment supports people through difficult periods and allows tenancies to be sustained.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	As above
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	As above
A liveable and low carbon city: a destination of choice to live, visit, work	N/a
A connected city: world class infrastructure and connectivity to drive growth	N/a

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Discretionary Housing Payments Guidance Manual
<https://www.gov.uk/government/publications/discretionary-housing-payments-guidance-manual>

Manchester City Council's Discretionary Housing Payments Policy Document
https://secure.manchester.gov.uk/info/200008/benefits_and_support/1342/discretionary_housing_payments

1.0 Introduction

This report has been requested by members following an officer proposal to reduce the budget as part of the 2021 savings options. This was on the basis that savings of more than £50m had to be found and that this was discretionary spend that the Council has provided in recent years and has the power to withdraw if agreed.

This report provides details of:

- What a Discretionary Housing Payment (DHP) is;
- How it is funded, including the contribution from the government and the Council;
- Spend in recent years and the support it provides;
- Current years spend and what has impacted on this; and
- Further detail on the proposal to remove some of the Council contribution and the impact of this on the scheme and how it will operate during the 2021/22 financial year

2.0 Background

2.1 Government Policy intention and legislative framework

A DHP may be awarded when a local authority considers that a resident requires further financial assistance towards housing costs and is entitled to either Housing Benefit (HB) or UC including the housing cost element towards rental liability. Please note that while the housing costs of the UC award notification may refer to support for mortgage interest payments, owner-occupiers are not eligible to receive DHPs.

The DHP scheme is set out in the DFA regulations (S.I.2001/1167) as amended by the Council Tax Benefit Abolition (Consequential Provisions) Regulations 2013 (S.I. 2013/458), which came into force on 1 April 2013; and the Universal Credit (Consequential, Supplementary, Incidental and Miscellaneous Provisions) Regulations 2013 (S.I. 2013/630), which came into force on 29 April 2013.

Although the regulations give LAs very broad discretion, decisions must be made in accordance with ordinary principles of good decision making i.e. administrative law. In particular, LAs have a duty to act fairly, reasonably and consistently. Each case must be decided on its own merits, and decision making should be consistent.

LAs can use their own funds to top up their Government contribution by an additional 150 per cent in England and Wales. Once an authority's overall cash limit is met, no additional DHPs can be awarded in that tax year. If a Council awards DHP above this limit, it is breaking the law.

Any unspent DHP funding from the Government contribution is returned to the Department for Work & Pensions (DWP) at the end of the financial year.

2.2 Discretionary Housing Payments - the Council's policy and administration

2.2.1 Policy Intention

At Appendix 1 is a copy of the Council's policy document. This was reviewed and updated for 2019/20. The scope and intent of the policy has ensured that it has continued to meet resident need in 2020/21.

Since its inception, the Council has used Discretionary Housing Payment funding primarily to make short term awards to ease transitions and to give residents time to seek resolution of their difficulties.

From April 2013 the government has provided extra DHP funding to ease the introduction of the household benefit cap; and to meet continuing and unavoidable needs resulting from the application of size criteria in the social rented sector. Many people have difficulty paying their rent. Among these are:

- those whose benefit is restricted because their rent is considered too high;
- those whose benefit is restricted because their home is considered too large under the government's size criteria;
- those whose benefit is reduced by deductions for non-dependents who may not contribute adequately to cover those deductions;
- those whose benefit is reduced by the taper for excess income;
- those who because of a change of circumstances during a UC assessment period have a period of rent liability not covered by the UC(HE);
- those who for all sorts of reasons have other calls on their income (additional expenses or outstanding debts) which they prioritise ahead of rent;
- those who have general difficulty managing the income they have, including those residents that are subject to the household benefit cap;
- those who are returning to work after a long period of unemployment who have difficulty in managing finances during the transition from benefit to a stable in-work income; and
- those who are in affordable housing but at risk of becoming homeless due to difficulty in meeting their full rent liability because of severe financial difficulties resulting from the effects of the current economic climate or their attempts to take up paid employment.

The Council's policy sets out that awards of DHP should focus on enabling residents to secure or retain and pay for appropriate and sustainable accommodation through temporary difficulties or in anomalous circumstances not addressed by the benefit system. This is in order to reduce the risk of homelessness and support the stability of families and communities.

Discretionary Housing Payments should not be used to undermine the purpose and nature of the Housing Benefit or UC scheme, nor support irresponsible behaviour, nor should they assist in situations so common that a consistent approach to such payments would involve expenditure above the maximum permissible.

2.2.2 Situations where assistance may be provided by the scheme

Because we have to effectively manage the budget, the Council expects payments to be made in unusual or extreme circumstances where additional help with current rent or provision of a deposit will have a significant effect in alleviating hardship, reducing the risk of homelessness or alleviating difficulties that may be experienced in the transition from long term benefit dependence into work, for example:

Circumstances unusual/exceptional among residents in that tenure;

Costs that are beyond their control and do not arise through the actions or failures of others;

- Housing choices which are forced on or required by the resident because of urgency, care needs or significant health requirements;
- Extreme and temporary situations which make it difficult to move in the short term or where decisions had to be made in an emergency;
- Imminent loss of the home where meeting some or all of the current shortfall between the benefit and eligible rent will prevent the resident from becoming homeless.

However, in considering awards under this provision the Council will have regard to:

- the reasons that the debts arose.
- the involvement of other advisory services engaged in providing assistance to the resident to manage debt in order that any arrangement to accommodate agreements for repayment of debt might be realistically obtained and sustained.
- whether any proposed Discretionary Housing Payment award will have the desired effect of preventing the resident from becoming homeless.
- the consequences of any potential increased demand on the fund in the event that the award was not made (such as having to move from affordable accommodation into highly priced private sector accommodation with reduced security of tenure).
- temporary hardship and difficulties which may arise during the transition for those who are coming off long term benefits into work.

In addition, in the context of national welfare reforms that are reducing levels of Housing Benefit or UC(HE), the Council expects to make payments to mitigate or delay the effects of those changes in cases of particular difficulty to ease the transition. In particular, the Council expects to make payments to mitigate the most severe effects of the household benefit cap where other solutions are not practical in the short term.

The Council may also provide:

- Temporary assistance in the early months of a tenancy where a resident has moved from homelessness provision and additional help is likely to increase the chances that the resident will sustain a stable and secure home.

- Assistance for tenancies taken on by care leavers up to the age of 25 and ex-members of the Armed Forces where additional help is likely to increase the chances that the resident will sustain a stable and secure home.
- Assistance for residents in short-term homelessness accommodation to address rent arrears that may otherwise constrain move on options.

3. Discretionary Housing Payments budget and spend in recent years

3.1 Manchester's contribution to the DHP budget

Table 1. shows the level of DHP expenditure in recent years, including the government grant, the Council's contribution, and the budget the Council set aside to support the scheme:

Year	Government Grant	Total expenditure	Final Council Contribution	Council Set Aside
2020/21	£2,538,308	£3,344,308 (estimate)	£806,000 (estimate)	£2.0m
2019/20	£2,192,166	£3,299,766	£1,107,600	£2.0m
2018/19	£2,432,920	£3,482,577	£1,049,657	£1.4m
2017/18	£2,557,484	£2,941,208	£383,724	£500,000
2016/17	£2,097,016	£2,131,683	£34,667	£0.00
2015/16	£1,874,257	£1,901,789	£27,532	£0.00
2014/15	£2,356,068	£2,390,249	£34,181	£0.00
2013/14	£2,222,105	£2,287,046	£64,941	£0.00
2012/13	£721,216	£395,675	£0.00	£0.00

(Table 1)

The table shows that the Council provided additional support in this area from 2017/18. This was as a result of pressure on the budget due to the impact of the benefit cap and the changes to HB funding for homeless families in dispersed accommodation whereby the level of housing benefit paid did not meet the full rent liability for these households. The service maintains a consistent approach to decision making in accordance with the policy objectives and spend has been well managed within the budget total with the Council maintaining and capturing any underspends

3.2 Awards by tenure type for 2018/19 & 2019/20

Table 2. shows the split in awards by tenure type for 2018/19 & 2019/20

Tenancy type	2018/19 Entitlement*	2018/19 %	2019/20 Entitlement*	2019/20 %
Council	£219,238	7.2	£310,572	11.3
Council (homeless)	£1,524,106	49.9	£1,007,554	36.7
Private Tenant	£566,592	18.5	£606,526	22.1
Registered Provider	£747,592	24.4	£821,126	29.9
Total	£3,057,528		£2,745,782	

(Table 2) *Note – this is based on entitlement rather than in year payments so does not match the DHP spend figures for these years.

This shows that homeless cases for 2019/20 accounted for 36.7% of the budget, down from 49.9% the previous year.

3.3 Council contribution before 2020/21

3.3.1 Homelessness / Temporary Accommodation

The rise in homelessness and the number of households placed in Temporary Accommodation that started to show during 2017/18 resulted in more HB claims. This increased the pressure on the DHP budget to address rent shortfalls for these households. A proportion of the DHP budget and the additional injection of £383,724 in 2017/18 was used to help redress this pressure. Council contributions to increase the DHP budget have remained necessary in the following years.

The two biggest issues were firstly the Benefit Cap (the set rent of £202.68 for short-term leased accommodation resulted in many households being caught by this); and secondly that Temporary Accommodation new claims were paid through Universal Credit until April 2018 applying the standard LHA rate which for most cases caused a large shortfall.

DHP awards were also paid in support of claims with non-dependent deductions, or in receipt of partial HB due to their earned income.

Increased DHP spend is also attributable to DHP awards made for deposits to enable households in Temporary Accommodation to secure new tenancies. In 2019/20 551 dispersed and B&B homeless claims had some 19/20 DHP entitlement, with a total value of £1,007,554.

The pressure on DHP from households in Temporary Accommodation is reducing in the current year as described at section 5.2.

3.3.2 Other areas of focus

In 2019/20, we dealt with 4,099 applications for DHP of which 2,773 (68%) were paid. Of these 4,099 applications, 1,519 were because of the Under Occupation Deduction and 418 were because of the Benefit Cap. 1,130 of the Under Occupation applications were paid and 379 of the Benefit Cap applications were paid.

A high-level breakdown of spend for 2019/20 (collected for DWP reporting) is shown at Table 3.

Purpose of DHP 2019/20					
	Ben Cap	Under-Occ	LHA reform	Multiple Reasons	(e.g. non-dep/partial HB)
	(£)	(£)	(£)	(£)	(£)
Support move to new property (rent deposit)	260,715	321,024	60,153	6,710	749,784
Help with rent shortfall while seeking cheaper property	38,280	55,613	45,236	0	66,228
Help with rent shortfall while seeking employment	153,638	72,165	13,089	6,871	141,030
Help with rent shortfall for disabled person in adapted property	1,658	171,261	1,585	1,200	21,560
Help with rent shortfall for foster carers	0	2,955	0	0	542
Help with rent shortfall -other reasons	450,806	189,370	91,462	513	576,993
Total	905,097	812,388	211,525	15,294	1,556,137

(Table 3)

3.4 Position in other councils

All local authorities are able to 'top up' the government grant by an additional maximum of 150% on top of the grant allocation. Appendix 2 provides a breakdown of grant allocations and Council 'top ups'. Manchester is the only one across Greater Manchester and one of a few Core Cities that have allocated significant additional funds to DHP.

4. Current year's DHP

4.1 Spend to date

This financial year has been exceptional and we have had to assess the impact that the pandemic has had on the housing market, residents' finances and employment status and moving property.

More than ever, the service has been acutely aware of the impact that the DHP award can have on sustaining a tenancy and meeting rent liabilities.

By 11 November 2020 we had spent £1,971,947.36 DHP and committed awards for the rest of the year of £604,543.03. This means that the total DHP spent or committed for the year so far is £2,576,490.39. The government allocation for Manchester this year is £2,538,308 and this has now been exceeded.

We made the decision earlier this year to extend DHP awards that were due to end between April to November. 1,036 cases have been extended by up to six months (Table 4). This was done because many tenants would find it difficult to take the steps they are advised to do when DHP is awarded (for example move, find employment or seek support with debts and budgeting). It is likely that many of these tenants would have reclaimed DHP had their awards not been extended automatically.

Month	Cases already extended	Total costs
April	40	£23,004.00
May	105	£82,183.66
June	92	£72,613.06
July	125	£98,186.92
August	141	£75,430.94
September	149	£121,107.40
October	146	£74,422.04
November	232	£171,670.72
Sub-Total		£718,618.74
Potential spend if December 2020 and January 2021 cases extend to year end		
Month	Cases extended	Total costs
December	177	£61,574.76
January	177	£41,418.00
Sub-Total		£102,992.76
Grand Total		£821,611.50

(Table 4)

4.2 Awards by tenure type

Table 5. showing the 2020/21 DHP awards to date (up to 15 November 2020) across tenure type.

Tenancy type	2020/21 to date Entitlement	2020/21 to date %
Council	£269,877	12.6
Council (homeless)	£449,395	21.2
Private Tenant	£501,045	23.6
Registered Provider	£902,306	42.5
Total	£2,122,622	

(Table 5) * Note – this is based on entitlement rather than in year payments so does not match the DHP spend figures for the year to date.

How does this compare to previous years?

This shows a continuing drop in the support provided to tenants in homeless accommodation, 21.2% of spend so far this year compared to 36.7% last year. Despite the reducing demand on DHP to support households in short-term leased accommodation the service continues to receive regular applications where there are rent arrears of over £500. Longstanding issues with submitting timely HB claims for Temporary Accommodation cases and the high rent levels that apply mean that arrears can develop rapidly. The Council's Rehousing Policy, which Registered Providers follow, prohibits people with rent arrears of over £500 from consideration for social tenancies. This means that a proportion of households are delayed or prevented from moving and remain longer in expensive Temporary Accommodation tenancies.

At the end of September 2020, 195 dispersed and B&B homeless claims have received some 2020/21 DHP entitlement, with a total value of £391,788. Subsequent weekly payments mean that by 11 November 2020, £438,177.13 had been received in DHP. This suggests a final expenditure figure of around £715K, indicating a decrease in 29% in comparison to 2019/20.

5. Other issues affecting residents' benefits, spend this year and reasons for a potential drop in expenditure

5.1 LHA rates

The LHA rates were increased unexpectedly from April 2020 following an announcement by the Chancellor on 20 March 2020 due to Covid 19. The rates now meet the 30th percentile of the rented properties in the LHA area. This increase in the LHA rates resulted in an increase to the Housing Benefit and Universal Credit (Housing Element) awards. As a result, fewer people required DHP to top up their awards to help them pay their rent.

Table 6. below shows the result of the difference between the old and new rates for the two areas we use in Manchester. The majority of people fall within the 'Central' LHA area.

Table showing the LHA rates in Manchester for 2019/20 & 2020/21

Central	Shared	One bed	Two bed	Three bed	Four bed
April 2019	£67.20	£105.04	£123.58	£137.32	£186.47
April 2020	£75.50	£138.08	£149.59	£166.85	£218.63
Weekly increase	£8.30	£33.04	£26.01	£29.53	£32.16
Southern	Shared	One bed	Two bed	Three bed	Four bed
April 2019	£63.21	£105.32	£132.04	£156.33	£206.09
April 2020	£82.82	£120.82	£149.59	£172.60	£253.15

Weekly increase	£19.61	£15.50	£17.55	£16.27	£47.06
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(Table 6)

It is not possible to provide a definitive assessment of the impact that the change to these rates has had on demand for DHP. However, a sample of private tenant DHP cases in payment the week before the updated LHA rates were applied found that of 35 cases sampled, 25 had their DHP either ended or reduced because of the increase in the LHA rates. Looking at the weekly saving on these awards, multiplying this up to an annual figure and then applying it over all the private DHP cases in payment during this week this indicates a possible annual reduction in spend of £182,965.

It is important to note that the government has provided no commitment to retaining the uplift in LHA rates in future years.

5.2 Homeless families dispersed accommodation

2019/20 year saw a decrease of 34% against 2018/19 in the amount of DHP spent supporting people in homeless accommodation (£1,007,554 down from £1,524,106). One reason for this drop is that during 2019/20 the Benefits and Homelessness Services oversaw a process by which 194 short-term leased accommodation tenancies were transferred back to HB from UC. This meant that these cases could be paid at the full HB level instead of being subject to the LHA rate.

The continuing reduction in demand on DHP is also due to the change made by the DWP in April 2018 meaning that any UC award 'passports' tenants in Temporary Accommodation to full HB, regardless of whether they are working or benefit capped. In these cases the only reduction from an HB award for a resident in receipt of UC is where a non-dependent deduction applies.

Table 7. below reflects a downwards trend in the number of households on partial HB, despite the increase in the number of people in homeless accommodation, and there has been a corresponding decrease in the number of cases receiving DHP. It also illustrates that the increase in people in B&B accommodation has had little impact on DHP as 97% of those in B&Bs are in receipt of full HB.

	30/6/19	29/9/19	29/12/19	29/3/20	28/6/20	04/10/20
	19/20 Q1	19/20 Q2	19/20 Q3	19/20 Q4	20/21 Q1	20/21 Q2
Leased HB Cases	1364	1472	1547	1598	1701	1746
202.62 rent	1293	1385	1460	1517	1620	1168
200.00 rent	71	87	87	81	81	78
Full HB	1016	1148	1229	1323	1422	1526
% on Full HB	74.49%	77.99%	79.44%	87.79%	83.60%	87.40%
Partial HB	348	324	318	275	279	220
% on partial HB	25.51%	22.01%	20.56%	17.21%	16.40%	12.60%

UC (All)	731	892	1014	1108	1247	1327
UC (Full HB)	715	862	980	1070	1205	1294
UC (Partial HB)	16	30	34	38	42	33
Benefit Cap	136	118	102	80	69	60
DHP (All)	140	125	136	110	108	95
DHP (Benefit Cap)	84	70	80	52	52	45
% partial HP on DHP	40%	39%	43%	40%	39%	43%
B&L HB Cases	174	182	126	94	247	151
Full HB	160	165	117	85	242	147
% on Full HB	91.95%	90.66%	92.86%	90.43%	97.98%	97.35%
Partial HB	14	17	9	9	5	4
UC	69	87	58	49	162	100
Benefit Cap	1	1	3	2	2	2
DHP (All)	1	1	2	1	2	2
DHP (Benefit Cap)	1	1	1	1	2	2

(Table 7)

5.3 Temporary Increase in UC and other benefits due to Covid

During 2020/21 in a direct response to Covid-19 the government introduced an extra amount of money within a number of core benefits as described below:

- Universal Credit - All the standard rates for single people & couples have been increased by £86.67 a month (£20 a week)
- Equivalent support to low-income households in work and receiving Working Tax Credit (rather than UC) was also provided. The basic rate of Working Tax Credit was increased, meaning that households receive up to £20 extra each week, depending on their circumstances.
- In order for these extra Working Tax Credit payments to be disregarded for Housing Benefit and Council Tax Support the Additional Earnings Disregard was increased from £17.10 to £37.10.

The changes to Working Tax Credit and the additional earnings disregard for Housing Benefit and Council Tax Support apply from 6 April 2020 to 4 April 2021. It is not clear whether the increase for Universal Credit will be permanent or also come to an end. It is difficult to identify the impact on the demand for, or awards of, DHP that these changes have made although they are likely to have been moderate.

6. Options to manage future spend

As a discretionary scheme the Council can choose whether to direct funding to top up the DWP DHP budget. We are unlikely to be told the government contribution until March 2021. It feels reasonable to assume that the 2021/22 budget may be funded to a similar level of the current year, £2.5m, but it is not possible to be certain of this.

As noted most other AGMA and Core Cities authorities do not top up the DWP DHP budget. Also, it is not possible to offer a confident assessment of the impacts that Covid-19 and Brexit may have on landlord behaviour. Financial pressures may cause some to be less accepting of rent arrears while others may find that the rental market changes as a result of fewer people having the means to pay current rent levels.

Taking £1.5m out of the additional £2m that has been allocated in the core budget would still provide a Council contribution of £500,000 to support the main government grant of circa £2.5m (next year's award not yet known).

Taking £1.0m out of the additional £2m that has been allocated would afford a greater level of ongoing flexibility. However, there is no definitive or credible way to assess the impact of choosing one level of reduction over another. While funding is available the service ensures that this is directed as effectively as possible. If this reduces, the same policy principles will be applied but generally award periods will be reduced; residents may need to find other ways of managing the pressures on their household budgets; and landlords may need to adjust their expectations about reasonable rent levels. Whatever decision is made officers would need to carefully manage awards to ensure that priority areas were still maintained. It would also mean that we were less generous in some areas.

The following approach would be taken within these principles:

- Maintain longstanding awards for people in adapted properties.
- Stop extending under-occupation awards and Ben Cap cases
- Award DHP for shorter periods
- Review our approach to reducing rent arrears other than in exceptional circumstances
- Work with the homelessness service to prioritise prevention cases.

7. Conclusions

The Council's DHP budget has been well managed for many years and supports residents with both maintaining tenancies and dealing with short term financial issues that mean that they are unable to meet their full rent liability, in some cases where they find alternative/lower cost housing that meets their needs.

Ultimately, how much we spend on DHP is up to the Council to determine. Since 2013 our award rate has stayed relatively flat at around 66% and we make fairly long awards, taking a generous approach to clearing arrears.

There is no doubt that taking money out of the system will mean that decisions will have to be carefully managed to ensure that we can continue to support our most vulnerable residents.

The Council's budget that was set aside last year did have an underspend and this is expected to be the case in 2020/21 as well, even though we have taken a more generous approach to awards and extended many throughout the Covid pandemic.

However, the nature of the economic situation is that it is impossible to predict the year ahead and future demand for this budget, as so much is outside of the control of the Council including the temporary changes to UC and benefit award levels and the LHA rates in the city.

8. Recommendations on managing DHP spend in the current financial year 2020/21

Members are requested to note the information provided and consider the officer proposals to reduce the Council's contribution in the context of the Council's wider financial position.