

Housing and Social Security Group Meeting 3

Paper 1: 2017/18 DHP Funding (Item 3)

Owen D. Griffiths

Key Points

- From April 2017 DHPs are the responsibility of the Scottish Government
- Funding allocations have been made for 2017/18 for DHPs.
- Funding allocations will be announced as part of the Local Government Finance Order, and through letters to LAs.
- The total budget for DHPs in 17/18 is £57.9m This budget has been divided into two funds:
 - Bedroom Tax Mitigation: £47m of which 80% will be distributed based on the estimated cost of mitigating the bedroom tax, the rest will be held back to be allocated at the end of the year to fully fund all local authorities for the cost of fully mitigating the bedroom tax.
 - Other DHPs: £10.9m which will be fully distributed and is available for LAs to spend according to their discretion. This is a substantial increase on the funding available for non-bedroom tax DHPs.

Total Budget

Under the fiscal framework where responsibility for a programme or area of spend is devolved there will be a transfer of funds to reflect this. We negotiated with the UK Government to receive a share of what the DWP had projected to spend on UK Government DHPs. The proportion will be 10%, which is based on the average Scottish share over previous years. In the current UK spending review period the transfer amounts will be:

2017/2018	2018/2019	2019/20
£18.5m	£20m	£19.5m

These amounts are added to the SG block grant, and it is for Scottish Ministers to decide how much will be spent on DHPs in future years. The 2017/18 draft budget contains £57.9m for DHPs. The difference between that and the amount transferred from UKG is £39.4, members will note that this is an increase from the £35m that was budgeted to top up DHPs in 2016/17.

The £18.5m transferred from UKG cannot be associated with either individual LAs or with funding streams, as those will be based on decisions that are made by Scottish Ministers, however it is fair to say that the overall increase in UKG funding for DHPs is associated largely with changes made to the Benefit Cap, that will be reflected in our funding allocations.

We have divided the budget into two lines, Bedroom Tax Mitigation and Other DHPs, the latter fund we have divided into funding streams to mirror the UKG streams, (but obviously not including RSRs/RSRS rural). This split, and the decisions on the allocation reflect ministerial priorities and the agreement with COSLA

Funding allocations

The SG agreed the approach for funding allocations with COSLA, through the settlement and distribution process last year. Ministers had two objectives:

- That the mitigation of the bedroom tax would remain fully funded.
- That there would be a stable transfer to provide assurance to LAs and claimants.

It was agreed with COSLA that where possible we would continue to follow the practice of previous years in allocations, both in terms of how funding would be distributed to individual LAs and in how we split the overall pot. We did agree that it would provide greater transparency if we split the DHP fund to reflect that in Scotland it has two functions, mitigation of the bedroom tax and a discretionary fund. If we maintain this split in previous years it will make it easier to compare budgets across years. This is because in future years it is expected that the bedroom tax will be abolished at source, when this happens, and in any transitional period the funding required for mitigation through DHPs will fall – but this will not reflect a real cut in the amount of DHP that is available to those with other needs, or even a cut in the amount the SG spends on the bedroom tax. (As abolition will have a programme cost broadly equivalent to the savings in mitigation)

£47m for Bedroom Tax Mitigation. This is slightly higher than that budgeted last year, estimates account for projected rent increases and do include an estimate of the impact of the bedroom tax on UC cases. The main data source is from the DWP HB caseload statistics. The same HB caseload will determine the split between LAs. As in previous years we agreed with COSLA that 80% of this budget would be allocated up front, and the remainder will be held back to allow a reconciliation at the end of the year based on actual LA spend. We will be asking LAs to complete monitoring returns (LAs where already being asked to complete these for the DWP, so we will take this over) those returns will ask how much is spent on DHP mitigation, and we will use that to determine the end year reconciliation. (This gets around the increasing problem of UC cases.)

£10.9m for Other DHPs. This is significantly more than is available in the current year for DHPs to mitigate LHA, benefit cap or for other purposes. (Once SG contribution and the RSRS stream of the DWP funding is discounted just under £5m has been available.)

To calculate the allocations for LAs we split this fund into three streams. Core, LHA and BenCap. Core funding we rounded up a little, and this will be divided amongst LAs in proportion to their HB caseload, which is how DWP calculate this funding at a UK level. The LHA funding has been increased to reflect an estimated average increase in private sector rents, and this will be split according to the HB caseload in the PRS. The remainder of the £10.9m will be devoted to the benefit cap, this is a substantial increase on last year to reflect the impact of the lower cap. Obviously the data on the lower cap is not very robust, consisting mainly of DWP estimates – published data does not yet take it into account. Analysts have used the best data they have available, which is the data on the impact of the old cap, and broadly speaking the funding has been distributed accordingly.

LAs do not have to spend the money according to the SG funding split, but they will see the funding split at an LA level to help them understand how we have calculated the allocation. While the comparisons between years are a bit tricky to make we understand that all LAs will have more funding available to make non BT mitigation DHPs than they have this year.