

Discretionary Housing Payments 2021-22 allocations: Frequently asked questions

Introduction

As detailed in circular HB S4/2021, the total Discretionary Housing Payments (DHP) funding for 2021-22 is £140 million and will be allocated in two parts.

The **£100 million initial allocation** was calculated using each local authority's (LAs) individual funding amount for 2020-21 as a starting point. This figure was then corrected to the amount LAs would have received if the errors for a small number of LAs in the 2020-21 allocation had not occurred. This amount was then reduced in line with the overall funding reduction from 2020-21 (£179.5 million) to the initial allocation (£100 million) for 2021-22 (The rural pot of funding is preserved).

The remaining **£40 million will be allocated at mid-year**. This will be calculated using each LAs individual and most recent information on the benefit cap and Removal of the Spare Room Subsidy deductions and Local Housing Allowance (LHA) shortfalls, for both Housing Benefit and Universal Credit.

This approach will ensure DHPs are targeted to areas with the greatest need as, by mid-year, we would expect an increase in DHP demand due to a number of factors including lifting the ban on evictions and other financial support coming to an end.

The below frequently asked questions (FAQs) provide some further clarification on the allocation for 2021-22:

FAQs

Q1. Why has our funding reduced so much?

A1. For 2020-21 the government provided £180 million in DHPs for LAs in England and Wales. This included an additional £40 million to help tackle affordability pressures in the private rented sector. The funding for 2021-22 is £140 million. This level of funding reflects the increase to LHA rates.

The overall reduction in DHP funding compared to 2020-21 is 22%. However, the figure you have been provided with is the **initial** allocation for 2021-22, which is based on £100 million of DHP funding (rather than £140 million), this makes it appear that the reduction in funding is greater than it will be.

At mid-year, when we allocate the remaining £40 million, this will see the difference in the funding level reduce.

Q2. We spent all our allocation for this year, why are you reducing our funding?

A2. We recognise that 2020-21 has been a challenging year for all LAs, with some unable to spend their allocation due to local restrictions, including office closures and

staffing and resource pressures as a result of LAs being at the forefront of the delivery of critical support measures during the pandemic. This allocation methodology seeks to balance the overall reduction of funding with the changing needs of LAs.

Q3. Why has funding been reduced when we have had an increase in claimants due to COVID-19?

A3. This level of funding reflects the increase to LHA rates as in 2020-21 an additional £40 million was made available to tackle affordability pressures in the private rented sector. Since the start of the pandemic, we have been closely monitoring the DHP spend and we will continue to do this throughout 2021-22.

Q4. What is the rationale for the split allocation?

A4. During 2020-21 we closely monitored spend as we expected the additional government support provided in response to the pandemic to be wound down and a potential increase in demand for DHPs. However, support such as furlough and extended notice periods were continued and will not be wound down until later on in the year (2021).

We now expect to see an increase in demand in 2021-22 and, therefore, we are reserving part of the funding until the mid-year point to ensure it is targeting the areas of most need.

Q5. How can we budget without an estimate of what we will receive at mid-year?

A5. We appreciate this may be challenging, however, the funding will be allocated based on your individual LAs need.

We have undertaken some exploratory work to estimate how funding could be allocated. Indicative benefits data suggests that most LAs would see a reduction in their total 2021-22 funding of around 20 to 30% from the 2020-21 level.

Q6. Will this award of the £40 million be made prior to the mid-year DHP estimate?

A6. We will aim to allocate the reserved funding by 1 September 2021 to align with the mid-year estimate process which will allow LAs to complete the mid-year mandatory claim form.

Q7. Will all LAs receive some of this or is this just for those who were directly impacted by the errors in the 2020-21 allocations?

A7. All LAs will receive a portion of the £40 million funding at mid-year. The amount each LA receives will be based on their caseload needs, for example, data on those impacted by LHA shortfalls and data on those impacted by benefit cap deductions.

Appendix 5

Q8. How will the £40 million be allocated?

A8. At mid-year, we will distribute the funding based on LAs caseload needs, for example, data on those impacted by both LHA shortfalls and benefit cap deductions.

Q9. Who were the 26 LAs who were directly impacted by the DWP errors in the 2020-21 DHP allocations?

A9.

Newport	Dorset
Pembrokeshire	Monmouthshire
Isle of Anglesey	Merthyr Tydfil
Gwynedd	Wrexham
Somerset West and Taunton	Caerphilly
Ceredigion	Neath Port Talbot
Blaenau Gwent	Flintshire
Torfaen	Carmarthenshire
Amber Valley	Powys
Conwy	Bridgend
Denbighshire	The Vale of Glamorgan
Swansea	Rhondda, Cynon, Taff
Bournemouth, Christchurch and Poole	Cardiff

Q10. My LA was overpaid in 2020-21 due to an DWP error. Will my LA be negatively impacted in 2021-22 because of this??

A10. In order to lessen the impact on the LAs who received too much funding for 2020-21, additional funding of £475,443 has been provided to ensure the maximum reduction that any LA faces, will be capped at the overall average reduction for the initial £100 million of funding. This takes the initial allocation total to £100,475,443.

Any questions should be sent to housing.benefitenquiries@dwp.gov.uk

This page is intentionally left blank