



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Finance and Economic Overview and Scrutiny Committee

Thursday, 24 July 2025

Report of Councillor Ashley Baxter,
Leader of the Council, Cabinet Member
for Finance, HR and Economic
Development

Discretionary Housing Payment Policy 2026/27

Report Author

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Purpose of Report

To provide an update on Discretionary Housing Payment (DHP) expenditure to review the scheme ahead of the Financial Year 2026/27, to seek feedback from the Committee regarding the proposed public consultation.

Recommendations

The Committee is asked to:

- 1. Consider and comment on the proposed Discretionary Housing Payment Policy prior to its inclusion within the consultation on the Localised Council Tax Support Scheme 2026/27.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Enabling economic opportunities Effective council
Which wards are impacted?	All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 Funding for Discretionary Housing Payment is determined by the Department for Work and Pensions on an annual basis. Funding for 2025/26 was received on 15 March 2025.
- 1.2 Given the demands on the General Fund it is not recommended that any significant expenditure above the DHP grant allocation is made.
- 1.3 When HRA tenants apply for and are successful in their application for DHP grant this is beneficial for the HRA as the payment of the grant towards housing costs can stop arrears from forming or reduce the level of arrears.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.4 The Council's practices, in relation to the allocation of DHP payments, are in line with its legal duties. The Council is not obliged to contribute any additional funding from its own resources.
- 1.5 As the proposed policy for 2026/27 does not contain any material amendments, there are no legal implications. However, the Council is adhering to best practice by reviewing the policy and keeping it up-to-date.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

- 2.1. The Council's Corporate Plan 2024-2027 has a clear commitment to healthy and strong communities and being a high performing council. The Discretionary Housing Payment Scheme is designed to support delivery of these priorities.
- 2.2. The Department for Work and Pensions (DWP) provides extra funding to Local Authorities (LA) to provide claimants in receipt of Housing Benefit (HB) or Universal Credit (UC) further financial assistance with their housing costs in cases where there is a shortfall between the HB entitlement and the rent payable.

- 2.3. The Discretionary Financial Assistance Regulations 2001 (SI 2001/1167) as amended by the Discretionary Financial Assistance (Amendment) Regulations 2008 SI 2008/637 provide a statutory framework for the administration of Discretionary Housing Payments (DHP). However, these regulations provide very broad discretion in respect of how these payments should be administered. Further, local authorities have a duty to act fairly, reasonably and consistently. Each case must be considered on its own merits, and the decision making should be consistent throughout the financial year.
- 2.4. The amount of DHP that a council can provide in a financial year is cash limited by the Secretary of State. Each council receives a grant from the Government to fund part of this amount but also has the option to pay over and above this amount, up to a maximum of two and a half times the grant allocation. However, any additional funding on this basis would have to be made from the Council's own finances.
- 2.5. The administration and payment of DHP is at the discretion of each LA. South Kesteven District Council have a DHP Policy which sets out eligibility and the application process. This is detailed further in the 'Discretionary Housing Payments Policy' section of this report in paragraphs 2.15 to 2.21
- 2.6. Since 2011/2012, additional DHP government contribution funding has been made available to LAs to provide transitional support to claimants as they adjusted to the Housing Benefits (HB) Welfare Reforms.
- 2.7. The likelihood of an increased demand on DHPs to assist households affected by welfare reform changes made to the National Benefits System, which began in 2013, was recognised by the Government. As a result, there was a significant increase in DHP allocations from 2013/14 onwards.
- 2.8. Discretionary Housing Payments (DHPs) are intended to help people with housing costs, providing financial assistance in situations where the Council considers that additional help is required. This may include situations where a claimant is affected by one or more of the welfare reform measures (such as the benefit cap, removed of the spare room subsidy in the social rented sector and those affected by Local Housing Allowance Rates). In these circumstances it is possible the benefits the claimant receives are insufficient to cover their housing costs even after Housing Benefit or the housing costs element of Universal Credit have been awarded.

Expenditure

- 2.9. DHP funding for 2025/26 was confirmed at a national level of £100 million per year. The DWP has stated this is consistent with the total funding provided to LAs in previous years (since 2022/23). As a result of this decision, in 2025/26 South

Kesteven will receive the same allocation level as received in 2024/25 – this being £155,861.

- 2.10. The Government has previously made it clear that DHPs are not intended to replace lost benefits but instead to provide extra resources that local authorities can use to assist those most affected by the changes to adjust to a long term, sustainable and affordable approach.
- 2.11. The table below shows: the amount of government contribution received in recent years; the total permitted spend (top-up limit) that the Council could make in each year; and the actual level of expenditure. The 'remaining' figure in the table is the difference between the government contribution and the expenditure. The remaining amount for 2025/2026 is as at 30 June 2025.

	2023/24	2024/25	2025/26
Government Contribution	£155,861	£155,861	£155,861
Top-up limit	£389,653	£389,653	£389,653
Expenditure	£84,588	£155,861	£20,645
Remaining	£71,273	£0	£135,216

- 2.12. Any underspend in DHP below the level of government contribution received is known to have an adverse effect on the allocation of future grants. It is, therefore, essential to carefully balance the risk of underspending the grant allocation versus any overspend that results in a contribution from the Council's own funds. Rigorous monthly budget monitoring is crucial to managing the risks involved.
- 2.13. DHP funding increased in 2020-21 as it included rolled over funding from 2019-20 (national amount of £139.5m) and additional funding allocated at the Spending Round (national amount of £40m).
- 2.14. The distribution of the rollover of DHP government funding comprises four separate areas of support:
- Core Funding;
 - Local Housing Allowance;
 - Removal of the Spare Room Subsidy; and
 - Benefit Cap
- 2.15. The additional £40m was allocated based on affordability pressures in the private rented sector.

Proposed Discretionary Housing Payments Policy – 2026/27

- 2.16. The administration and payment of DHP is at the discretion of each LA. South Kesteven District Council has a DHP Policy which sets out eligibility for the scheme and the application process. The proposed policy for 2026/27 is outlined in Appendix 1.
- 2.17. Awards of Discretionary Housing Payments may be made where a resident has a short-term financial difficulty or has continuing and unavoidable needs that mean they are unable to pay their rent. Awards will normally be for a defined period.
- 2.18. Consideration will be given to whether all other discounts and sources of help have been exhausted. Where appropriate, decisions will be deferred until other avenues have been explored.
- 2.19. There is a need for proactive work and support due to the ongoing financial pressures residents are facing. Whilst the effects of Welfare Reform have impacted a significant number of people and increased the need for DHP, it is important to note that DHP is also payable to people who require further financial assistance that have not been impacted by these changes. The ongoing reduction in DHP funding will inevitably have an impact on the level and duration of DHP awards. However, it is intended that, by working with customers in line with the policy, these impacts can be managed and mitigated with longer term sustainable solutions.
- 2.20. It is important DHP is recognised as support for people with short-term crises. Where longer term support is required, this is achieved through identification of additional longer term financial support – such as income top-ups, referrals to the Councils Welfare and Financial Advice Team, referrals to external support agencies such as Citizens Advice and Money and Pensions Service. For South Kesteven tenants, liaison with our Housing Team is important to ensure a holistic approach to prevent homelessness and ensure the resident is supported through our Tenancy Support Team.
- 2.21. The current policy has been reviewed to ensure it is fit for purpose and achieves the aim to enable our most vulnerable residents, who cannot access any other income, to sustain their home and health.
- 2.22. There are no proposals to make any changes to the policy. The proposed policy for 2026/27 is included within Appendix One to this report.

New Crisis and Resilience Fund (combining existing funds)

- 2.23. On 11 June 2025, Government announced the introduction of the Crisis and Resilience Fund (CRF) which is due to be launched from 1 April 2026. This would result in two existing funds being combined; DHP and the Household Support Fund (administered by the Welfare and Financial Advice Team)
- 2.24. This fund represents the first ever multi-year settlement for locally delivered crisis support in England. The Department for Work and Pensions (DWP) have stated that they “recognise the importance of having certainty when Councils are planning their services”. It is the DWP’s hope that this longer-term approach to funding will give the certainty needed to work with the community and voluntary sector to bolster preventative support to our citizens (with the goal of building financial resilience), whilst continuing to provide emergency support to those facing a financial crisis – building on our experience of Household Support Fund.
- 2.25. The DWP will be working with Local Authorities on the detailed design of the CRF and associated guidance.
- 2.26. This may mean changes to the existing DHP policy, eligibility and associated administrative process. It is hoped this work will proceed in time for the next scheduled update to this Committee on 18 November 2025.

3. Key Considerations

- 3.1. The Council’s current policy has been in place for some time and has been updated annually in line with delegated powers. It is appreciated this is an important policy, which provides detail of additional financial support available to our residents. Therefore, it is important this policy is reviewed on an annual basis, not only to ensure the policy is fit for purpose, but to be reactive to any issues our residents are facing.

4. Other Options Considered

- 4.1 There are no other options to consider.

5. Reasons for the Recommendations

- 5.1 The Committee are asked to comment and feedback on the contents of this report in readiness for the policy to be included within the public and stakeholder consultation as part of the Localised Council Tax Support Scheme 2026/27.

6. Consultation

- 6.1. The purpose and aims of the fund will be included within the public consultation for the Localised Council Tax Support Scheme 2026/27.

7. Background Papers

- 7.1 Department for Work and Pension Subsidy Circular – Discretionary Housing Payment government contribution for financial years ending March 2025 and March 2026: [S9/2024 Discretionary Housing Payment government contribution for English and Welsh local authorities for financial year ending March 2026 - GOV.UK](#)

8. Appendices

- 8.1 Appendix 1: Discretionary Housing Payment Policy – 2026/27