



# Welfare Reform and Work Act 2016

## 2016 CHAPTER 7

An Act to make provision about reports on progress towards full employment and the apprenticeships target; to make provision about reports on the effect of certain support for troubled families; to make provision about life chances; to make provision about the benefit cap; to make provision about social security and tax credits; to make provision for loans for mortgage interest and other liabilities; and to make provision about social housing rents. [16th March 2016]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### *Reports*

#### **1 Full employment: reporting obligation**

- (1) The Secretary of State must lay a report before Parliament annually on the progress which has been made towards full employment, and the report must set out how the Secretary of State has interpreted “full employment” for these purposes.
- (2) This section is repealed on the date of the first dissolution of Parliament after this section comes into force.

#### **2 Apprenticeships reporting obligation**

- (1) In Chapter A1 of Part 1 of the Apprenticeships, Skills, Children and Learning Act 2009 (apprenticeships: England), after section A7 insert—

##### **“A8 Progress reports**

- (1) No later than nine months after the end of each reporting period the Secretary of State must publish—

- (a) information about the progress made in the reporting period towards the apprenticeships target, and
- (b) any other information about apprenticeships that the Secretary of State considers appropriate,

and must lay before Parliament a report setting out the information or indicating how it may be accessed.

- (2) “The apprenticeships target” is that three million apprenticeships are entered into in England during the period beginning with 1 May 2015 and ending with 31 March 2020.
- (3) The reporting periods are—
  - (a) the period beginning with 1 May 2015 and ending with 31 July 2016;
  - (b) the period beginning with 1 August 2016 and ending with 31 July 2017;
  - (c) the period beginning with 1 August 2017 and ending with 31 July 2018;
  - (d) the period beginning with 1 August 2018 and ending with 31 July 2019;
  - (e) the period beginning with 1 August 2019 and ending with 31 March 2020.
- (4) In this section “apprenticeships” means—
  - (a) approved English apprenticeships;
  - (b) apprenticeship agreements within the meaning given in section 32;
  - (c) arrangements to undertake any other kind of working—
    - (i) in relation to which alternative English completion conditions apply under section 1(5), and
    - (ii) in connection with which training is to be provided in accordance with an apprenticeship framework within the meaning given in section 12.

A reference to a section in paragraph (b) or (c) is to the section as it applies in relation to England by virtue of provision made under section 115(9) of the Deregulation Act 2015.”

- (2) The duty under the section inserted by subsection (1) to publish information relating to the reporting period ending with 31 July 2016 may be discharged, wholly or partly, by the publication of information before the day on which this section comes into force.
- (3) Section A8 of the Apprenticeships, Skills, Children and Learning Act 2009, and this section, are repealed on 31 March 2021.

### **3 Support for troubled families: reporting obligation**

- (1) Before the start of each financial year, the Secretary of State must issue a notice—
  - (a) specifying the descriptions of relevant households as regards which support provided by a local authority may constitute relevant support;
  - (b) specifying the matters by reference to which the progress made by a household that receives relevant support from a local authority in that year will be measured.

- (2) The ways in which relevant households may be described under subsection (1)(a) include describing relevant households by reference to problems that they have.
- (3) In each financial year, the Secretary of State must prepare a report about the progress made by relevant households to which local authorities have provided relevant support.
- (4) A report prepared under this section may include material about progress made by relevant households to which local authorities have provided support similar to relevant support in periods falling before the coming into force of this section.
- (5) A report prepared under this section may compare the progress made by such relevant households as are described in subsection (3) or (4) relative to other households in England.
- (6) The Secretary of State must lay before Parliament a report prepared under this section.
- (7) A report prepared under this section must be laid before Parliament before the end of the financial year in which it is prepared.
- (8) For the purposes of this section, support provided by a local authority in a financial year is relevant support if—
  - (a) it is provided to a relevant household of a description specified under subsection (1)(a) in respect of that financial year,
  - (b) it is directed towards achieving progress in respect of the matters specified under subsection (1)(b) in respect of that financial year, and
  - (c) the Secretary of State pays a grant to the local authority under section 31 of the Local Government Act 2003 in respect of expenditure incurred or to be incurred on that support.
- (9) In this section—
  - (a) a reference to support provided to a household includes a reference to support provided to a member of a household;
  - (b) a reference to support provided by a local authority includes a reference to support provided under arrangements made by the local authority.
- (10) In this section—

“child” means—

  - (a) a person who has not attained the age of 16;
  - (b) a person who is 16, 17 or 18 and is in full-time education;
  - (c) a person who is 16, 17 or 18, is not in employment or full-time education and is a member of the same household as the person’s parent;
  - (d) a person who has attained the age of 16 but not the age of 25 and for whom an EHC plan is maintained under section 37 of the Children and Families Act 2014 or a statement of special educational needs is maintained under section 324 of the Education Act 1996;

“education” includes training;

“financial year” means—

  - (a) a period starting with the day on which this section comes into force and ending with the following 31 March;
  - (b) except where paragraph (a) applies, a period of 12 months ending with 31 March;

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“household” means a group of two or more persons who—

- (a) have the same only or main residence, and
- (b) share living accommodation or one meal each day;

“local authority” means—

- (a) a county council in England;
- (b) a district council for an area in England for which there is no county council;
- (c) a London borough council;
- (d) the Common Council of the City of London, in its capacity as a local authority;
- (e) the Council of the Isles of Scilly;

“parent”, in relation to a person, includes an individual—

- (a) who is not a parent of the person but does have parental responsibility for the person, or
- (b) who has care of the person;

“relevant household” means a household that includes—

- (a) a child, and
- (b) a person who is that child’s parent.

(11) In relation to the first financial year in which this section is in force—

- (a) the requirement in subsection (1) to issue a notice before the beginning of a financial year is to be treated as a requirement to issue a notice after this section comes into force;
- (b) the requirement in subsection (3) may be satisfied by a report that includes only such material as is described in subsection (4).

#### *Children living in low-income households*

#### **4 Publication of data on children living in low-income households**

(1) Before the end of the financial year beginning with 1 April 2016 and each subsequent financial year the Secretary of State must publish data on the percentage of children in the United Kingdom—

- (a) who live in households whose equivalised net income for the relevant financial year is less than 60% of median equivalised net household income for that financial year;
- (b) who live in households whose equivalised net income for the relevant financial year is less than 70% of median equivalised net household income for that financial year, and who experience material deprivation;
- (c) who live in households whose equivalised net income for the relevant financial year is less than 60% of median equivalised net household income for the financial year beginning 1 April 2010, adjusted to take account of changes in the value of money since that financial year;
- (d) who live in households whose equivalised net income has been less than 60% of median equivalised net household income in at least 3 of the last 4 survey periods.

(2) The published data must be accompanied by information on how the Secretary of State has approached the following for the purpose of the data—

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- (a) the meaning of “child”;
  - (b) the meaning of “household”;
  - (c) when a child is or is not living in a household;
  - (d) what is the income of a household for a financial year;
  - (e) what deductions are made in calculating the net income of a household;
  - (f) how net household income is equalised;
  - (g) when a child experiences material deprivation;
  - (h) how household income is adjusted to take account of changes in the value of money since the financial year beginning 1 April 2010;
  - (i) the meaning of “survey period”.
- (3) The published data may be accompanied by information as to how and when the references in subsections (1) and (2) to the financial year beginning 1 April 2010 are to be read as references to a later financial year.
- (4) In this section—
- “equalised”, in relation to household income, means adjusted to take account of variations in household size and composition;
  - “financial year” means the 12 months ending with 31 March;
  - “relevant financial year”, in relation to a financial year in which data is to be published, means the most recent financial year for which the data is available.

### *Life chances*

## **5 Workless households and educational attainment: reporting obligations**

In the Child Poverty Act 2010, before section 1 insert—

### **“PART A1**

### **LIFE CHANCES**

#### *Children: reporting obligations*

#### **A1A Workless households and educational attainment**

- (1) The Secretary of State must publish and lay before Parliament a report containing data on—
- (a) children living in workless households in England;
  - (b) children living in long-term workless households in England;
  - (c) the educational attainment of children in England at the end of Key Stage 4;
  - (d) the educational attainment of disadvantaged children in England at the end of Key Stage 4.
- (2) The report must set out how the Secretary of State has interpreted the following terms for the purposes of the report—
- (a) child;

- (b) household;
  - (c) worklessness;
  - (d) long-term worklessness;
  - (e) educational attainment;
  - (f) disadvantage.
- (3) The data contained in the report, and the provision about how the terms used in it are to be interpreted, must, so far as practicable, be derived from any relevant official statistics.
- (4) The first report must be published before the end of the financial year ending with 31 March 2017.
- (5) Later reports must be published before the end of each subsequent financial year.
- (6) In this section—
- “Key Stage 4” means the fourth key stage, within the meaning of Part 6 of the Education Act 2002;
  - “official statistics” has the meaning given by section 6(1) of the Statistics and Registration Service Act 2007.”

## **6 Social Mobility Commission**

- (1) After section A1A of the Child Poverty Act 2010 (inserted by section 5) insert—

### *“Social Mobility Commission*

#### **A1B Social Mobility Commission**

- (1) The body established by section 8 of this Act continues in existence.
- (2) On and after the commencement date the body is to be called the Social Mobility Commission (in this Act referred to as “the Commission”).
- (3) “The commencement date” is the date on which section 6 of the Welfare Reform and Work Act 2016 comes into force.
- (4) The Commission’s functions are those conferred on it by or under this Act.
- (5) Schedule 1 contains further provision about the Commission.

#### **A1C Promotion of social mobility, advice and reports**

- (1) The Commission must promote social mobility in England.
- (2) The Commission must on request give advice to a Minister of the Crown about how to improve social mobility in England.
- (3) Advice given under subsection (2) must be published.
- (4) The Commission must publish a report setting out its views on the progress made towards improving social mobility in the United Kingdom.

- (5) The report must also describe, in the case of a report made after the appointed day for Northern Ireland, the measures taken by the Northern Ireland departments in accordance with a Northern Ireland strategy.
  - (6) The report may be published as one or more documents as a Minister of the Crown may direct.
  - (7) The first report must be published before the end of the financial year ending with 31 March 2017.
  - (8) Later reports must be published before the end of each subsequent financial year.
  - (9) A Minister of the Crown must lay a report under this section before Parliament.
  - (10) A Minister of the Crown may direct the Commission to carry out any other activity relating to improving social mobility in England or Northern Ireland.”
- (2) In Schedule 1 to the Child Poverty Act 2010, for the title substitute “Social Mobility Commission”.

## **7 Other amendments to Child Poverty Act 2010**

- (1) Sections 1 to 11, 15, 17 and 19 to 25 of, and Schedule 2 to, the Child Poverty Act 2010 are repealed.
- (2) In the italic heading before section 11, omit “Scottish Ministers and”.
- (3) In section 12 (Northern Ireland strategies)—
  - (a) in subsection (2), omit paragraph (a) (and the “and” immediately after it);
  - (b) in subsection (3), for “after the beginning of the target year” substitute “after 31 March 2020”;
  - (c) in subsection (4)(a), for “before the end of the target year” substitute “before 1 April 2021”;
  - (d) in subsection (4)(a), omit sub-paragraph (i);
  - (e) in subsection (4)(a)(ii), omit “other”;
  - (f) in subsection (4)(b), for “by the end of the target year” substitute “by 31 March 2021”;
  - (g) in subsection (4)(b), omit “otherwise than by contributing to the meeting of the targets”;
  - (h) in subsection (5), omit paragraph (b) (and the “and” immediately after it);
  - (i) in subsection (5)(c), for “other” substitute “the”;
  - (j) in subsection (7), omit paragraph (b) (and the “and” immediately after it);
  - (k) in subsection (7)(c), for “other” substitute “the”;
  - (l) in subsection (8)(b), for “after the end of the target year” substitute “after 31 March 2021”;
  - (m) in subsection (9)(a), for “before the beginning of the target year” substitute “before 1 April 2020”;
  - (n) in subsection (9)(b), for “ending with the target year” substitute “ending with 31 March 2021”.
- (4) In section 13 (consultation: Scotland and Northern Ireland)—

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- (a) in subsection (3), omit “a Scottish strategy or”;
  - (b) in subsection (3), for “devolved administration”, wherever occurring, substitute “relevant Northern Ireland department”;
  - (c) omit subsection (3)(a);
  - (d) omit subsection (4);
  - (e) in the section heading, omit “Scotland and”.
- (5) In section 16 (economic and fiscal circumstances)—
- (a) omit subsections (1) and (2);
  - (b) for subsection (3) substitute—
    - “(3) In preparing a Northern Ireland strategy, the relevant Northern Ireland department must have regard to—
    - (a) the resources that are or may be available to the Northern Ireland departments, and
    - (b) the effect of the implementation of the strategy on those resources.”
- (6) In section 18 (interpretation of Part 1)—
- (a) for subsection (1) substitute—
    - “(1) In this Part—
    - “child” means—
    - (a) a person under the age of 16, or
    - (b) a person who is a qualifying young person for the purposes of Part 9 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (child benefit);
    - “parent” means—
    - (a) any individual who has parental responsibility for a child, or
    - (b) any other individual with whom a child resides and who has care of the child.”;
  - (b) after subsection (1) insert—
    - “(1A) In paragraph (a) of the definition of “parent” in subsection (1), the reference to “parental responsibility” is to be read in accordance with the Children (Northern Ireland) Order 1995.”;
  - (c) omit subsections (2) and (3).
- (7) For the heading to Part 1 substitute “Strategies: Northern Ireland”.
- (8) For section 27 (general interpretation) substitute—

### **“27 General interpretation**

- (1) In this Act—
- “the Commission” means the Social Mobility Commission;
- “financial year” means the 12 months ending with 31 March;
- “Minister of the Crown” has the same meaning as in the Ministers of the Crown Act 1975;



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“Northern Ireland strategy” has the meaning given by section 12(2);

“the relevant Northern Ireland department” means the Office of the First Minister and deputy First Minister.

(2) In this Act “appointed day for Northern Ireland” means such day as a Minister of the Crown may by order with the consent of the Northern Ireland Assembly appoint (and different days may be appointed for the purposes of different provisions of this Act).”

(9) In section 28 (regulations and orders)—

- (a) in subsections (1), (2) and (3), omit “regulations or”;
- (b) omit subsections (4) and (5);
- (c) in the section heading, omit “Regulations and”.

(10) In section 30 (extent)—

- (a) omit subsection (2);
- (b) in subsection (3), for “Section 12” substitute “Part 1”;
- (c) in subsection (4), for “Part 2 and section 26 extend” substitute “Section 26 extends”.

(11) In Schedule 1 (Social Mobility and Child Poverty Commission), in paragraph 1(1) (membership), omit paragraphs (b) and (c).

(12) The Child Poverty Act 2010 may be cited as the Life Chances Act 2010, and accordingly, in section 32 of that Act (short title) for “Child Poverty” substitute “Life Chances”.

### *Welfare benefits*

## **8 Benefit cap**

(1) Section 96 of the Welfare Reform Act 2012 (benefit cap) is amended as follows.

(2) For subsection (5) (meaning of the “relevant amount”) substitute—

“(5) Regulations under this section may make provision for determining the “relevant amount” for the reference period applicable in the case of a single person or couple by reference to the annual limit applicable in the case of that single person or couple.

(5A) For the purposes of this section the “annual limit” is—

- (a) £23,000 or £15,410, for persons resident in Greater London;
- (b) £20,000 or £13,400, for other persons.

(5B) Regulations under subsection (5) may—

- (a) specify which annual limit applies in the case of—
  - (i) different prescribed descriptions of single person;
  - (ii) different prescribed descriptions of couple;
- (b) define “resident” for the purposes of this section;
- (c) provide for the rounding up or down of an amount produced by dividing the amount of the annual limit by the number of periods of a duration equal to the reference period in a year.”

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- (3) Subsections (6) to (8) (provision about estimated average earnings) are omitted.
- (4) In subsection (10), in the definition of “welfare benefit”, for the words from “means” to the end substitute “means—
- (a) bereavement allowance (see section 39B of the Social Security Contributions and Benefits Act 1992),
  - (b) child benefit (see section 141 of the Social Security Contributions and Benefits Act 1992),
  - (c) child tax credit (see section 1(1)(a) of the Tax Credits Act 2002),
  - (d) employment and support allowance (see section 1 of the Welfare Reform Act 2007), including income-related employment and support allowance (as defined in section 1(7) of the Welfare Reform Act 2007),
  - (e) housing benefit (see section 130 of the Social Security Contributions and Benefits Act 1992),
  - (f) incapacity benefit (see section 30A of the Social Security Contributions and Benefits Act 1992),
  - (g) income support (see section 124 of the Social Security Contributions and Benefits Act 1992),
  - (h) jobseeker’s allowance (see section 1 of the Jobseekers Act 1995), including income-based jobseeker’s allowance (as defined in section 1(4) of the Jobseekers Act 1995),
  - (i) maternity allowance under section 35 or 35B of the Social Security Contributions and Benefits Act 1992,
  - (j) severe disablement allowance (see section 68 of the Social Security Contributions and Benefits Act 1992),
  - (k) universal credit,
  - (l) widow’s pension (see section 38 of the Social Security Contributions and Benefits Act 1992),
  - (m) widowed mother’s allowance (see section 37 of the Social Security Contributions and Benefits Act 1992), or
  - (n) widowed parent’s allowance (see section 39A of the Social Security Contributions and Benefits Act 1992).”
- (5) Subsection (11) (benefits that regulations may not prescribe as welfare benefits) is omitted.
- (6) In section 97 of the Welfare Reform Act 2012 (benefit cap: supplementary)—
- (a) subsection (3) (procedure for first regulations under section 96) is omitted;
  - (b) in subsection (4), omit “other”.
- (7) Paragraph 52 of Schedule 12 to the Pensions Act 2014 is omitted.
- (8) Regulations made by the Secretary of State may make such transitional or transitory provision or savings as the Secretary of State considers necessary or expedient in connection with the coming into force of subsections (1) to (6).
- (9) Regulations under subsection (8) may in particular—
- (a) provide for section 96 to have effect as if the amendments made by subsections (2) to (5) and (7) had not been made, in relation to such persons or descriptions of persons as are specified in the regulations or generally, until a time or times specified in a notice issued by the Secretary of State;

- (b) provide for the Secretary of State to issue notices under paragraph (a) specifying different times for different persons or descriptions of person;
  - (c) make provision about the issuing of notices under paragraph (a), including provision for the Secretary of State to issue notices to authorities administering housing benefit that have effect in relation to persons specified, or persons of a description specified, in the notices.
- (10) Section 176 of the Social Security Administration Act 1992 (consultation with representative organisations) does not apply in relation to regulations under subsection (8).
- (11) Regulations under subsection (8) must be made by statutory instrument.
- (12) A statutory instrument containing regulations under subsection (8) is subject to annulment in pursuance of a resolution of either House of Parliament.

## 9 Review of benefit cap

- (1) After section 96 of the Welfare Reform Act 2012 insert—

### “96A Benefit cap: review

- (1) The Secretary of State must at least once in each Parliament review the sums specified in section 96(5A) to determine whether it is appropriate to increase or decrease any one or more of those sums.
- (2) The Secretary of State may, at any other time the Secretary of State considers appropriate, review the sums specified in section 96(5A) to determine whether it is appropriate to increase or decrease any one or more of those sums.
- (3) In carrying out a review, the Secretary of State must take into account—
  - (a) the national economic situation, and
  - (b) any other matters that the Secretary of State considers relevant.
- (4) After carrying out a review, the Secretary of State may, if the Secretary of State considers it appropriate, by regulations amend section 96(5A) so as to increase or decrease any one or more of the sums specified in section 96(5A).
- (5) Regulations under subsection (4) may provide for amendments of section 96(5A) to come into force—
  - (a) on different days for different areas;
  - (b) on different days for different cases or purposes.
- (6) Regulations under subsection (4) may make such transitional or transitory provision or savings as the Secretary of State considers necessary or expedient in connection with the coming into force of any amendment made by regulations under subsection (4).
- (7) Regulations under subsection (6) may in particular—
  - (a) provide for section 96(5A) to have effect as if the amendments made by regulations under subsection (4) had not been made, in relation to such persons or descriptions of persons as are specified in the regulations or generally, until a time or times specified in a notice issued by the Secretary of State;

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- (b) provide for the Secretary of State to issue notices under paragraph (a) specifying different times for different persons or descriptions of person;
  - (c) make provision about the issuing of notices under paragraph (a), including provision for the Secretary of State to issue notices to authorities administering housing benefit that have effect in relation to persons specified, or persons of a description specified, in the notices.
- (8) Section 176 of the Social Security Administration Act 1992 (consultation with representative organisations) does not apply in relation to regulations under subsection (4).
- (9) If an early parliamentary general election is to take place in accordance with section 2 of the Fixed-term Parliaments Act 2011, the duty in subsection (1) is to be disregarded.”
- (2) Section 97 of the Welfare Reform Act 2012 (benefit cap: supplementary) is amended as follows.
- (3) In subsection (1), after “96” insert “or 96A”.
- (4) In subsection (2), after “96” insert “or 96A”.
- (5) After subsection (4) insert—
- “(4A) A statutory instrument containing regulations under section 96A may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, each House of Parliament.”
- (6) Subsection (5) is omitted.
- (7) In section 150 of the Social Security Administration Act 1992 (annual up-rating of benefits), subsection (7A) (review of the benefit cap) is omitted.

## **10 Benefit cap: Social Security Advisory Committee**

- (1) In section 170 of the Social Security Administration Act 1992 (Social Security Advisory Committee), in subsection (5)—
- (a) in the definition of “the relevant enactments”, after paragraph (al) insert—
    - “(ala) sections 96 to 97 of that Act;”;
  - (b) in the definition of “the relevant Northern Ireland enactments”, after paragraph (al) insert—
    - “(ala) any provisions in Northern Ireland which correspond to sections 96 to 97 of that Act;”.
- (2) In Schedule 7 to the Social Security Administration Act 1992 (regulations not requiring prior submission), in Part 1 (Social Security Advisory Committee), after paragraph 3 insert—

### *“Benefit cap*

- 3A Regulations under section 96A of the Welfare Reform Act 2012.”

## **11 Freeze of certain social security benefits for four tax years**

- (1) For each of the tax years ending with 5 April 2017, 5 April 2018, 5 April 2019 and 5 April 2020, the amount of each of the relevant sums is to remain the same as it was in the tax year ending with 5 April 2016.
- (2) For each of the tax years ending with 5 April 2017, 5 April 2018, 5 April 2019 and 5 April 2020, the rates of child benefit are to remain the same as they were in the tax year ending with 5 April 2016.
- (3) A review under section 150(1) of the Social Security Administration Act 1992 (review of whether certain benefits have retained their value) in the tax years ending with 5 April 2016, 5 April 2017, 5 April 2018 and 5 April 2019 need not cover any of the relevant sums or the rates of child benefit.
- (4) A draft up-rating order which is laid before Parliament under section 150(2) of that Act in the tax years ending with 5 April 2016, 5 April 2017, 5 April 2018 and 5 April 2019 need not cover any of the relevant sums or the rates of child benefit.
- (5) In each of the tax years ending with 5 April 2016, 5 April 2017, 5 April 2018 and 5 April 2019, the Secretary of State must lay before Parliament a copy of a report by the Government Actuary or the Deputy Government Actuary giving that Actuary's opinion on the likely effect of the provision in subsection (1) on the National Insurance Fund in the following tax year, so far as that provision relates to any sums payable out of the Fund.
- (6) In this section—
  - “child benefit”—
    - (a) in relation to England and Wales and Scotland, has the same meaning as in Part 9 of the Social Security Contributions and Benefits Act 1992;
    - (b) in relation to Northern Ireland, has the same meaning as in Part 9 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992;
  - “the relevant sums” means the sums described in paragraph 1 of Schedule 1;
  - “tax year” means a period beginning with 6 April in one year and ending with 5 April in the next.

## **12 Freeze of certain tax credit amounts for four tax years**

- (1) For each of the tax years ending with 5 April 2017, 5 April 2018, 5 April 2019 and 5 April 2020, each of the relevant amounts is to remain the same as it was in the tax year ending with 5 April 2016.
- (2) A review under section 41 of the Tax Credits Act 2002 (review of whether certain tax credit amounts have retained their value) in the tax years ending with 5 April 2016, 5 April 2017, 5 April 2018 and 5 April 2019 need not cover any of the relevant amounts.
- (3) In this section—
  - “the relevant amounts” means the amounts described in paragraph 2 of Schedule 1;
  - “tax year” means a period beginning with 6 April in one year and ending with 5 April in the next.

### 13 Changes to child tax credit

- (1) Section 9 of the Tax Credits Act 2002 (maximum rate of child tax credit) is amended as follows.
- (2) In subsection (2)—
  - (a) in paragraph (a), for “all persons entitled to child tax credit, and” substitute “every person or persons entitled to child tax credit who is, or either or both of whom is or are, responsible for a child or qualifying young person who was born before 6 April 2017,”;
  - (b) at the end insert “, and
    - (c) an element which is to be included in the case of a child or qualifying young person who is disabled or severely disabled.””
- (3) In subsection (3), at the end insert “and that specified in paragraph (c) of that subsection is to be known as the disability element of child tax credit”.
- (4) After subsection (3) insert—

“(3A) Subsection (3B) applies in the case of a person or persons entitled to child tax credit where the person is, or either or both of them is or are, responsible for a child or qualifying young person born on or after 6 April 2017.

(3B) The prescribed manner of determination in relation to the person or persons must not include an individual element of child tax credit in respect of the child or qualifying young person unless—

  - (a) he is (or they are) claiming the individual element of child tax credit for no more than one other child or qualifying young person, or
  - (b) a prescribed exception applies.”
- (5) In subsection (5), for paragraph (c) substitute—

“(c) may include provision for the amount of the disability element of child tax credit to vary according to whether the child or qualifying young person is disabled or severely disabled.”

### 14 Changes to child element of universal credit

- (1) Section 10 of the Welfare Reform Act 2012 (responsibility for children and young persons) is amended as set out in subsections (2) to (4).
- (2) After subsection (1) insert—

“(1A) But the amount mentioned in subsection (1) is to be available in respect of a maximum of two persons who are either children or qualifying young persons for whom a claimant is responsible.”
- (3) In subsection (2)—
  - (a) for “if such a” substitute “for each”;
  - (b) after “person” insert “for whom a claimant is responsible who”.
- (4) In subsection (4), at the end insert “or (1A)”.
- (5) In the Universal Credit Regulations 2013 (S.I. 2013/376)—

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- (a) in regulation 24(1) (the child element), after “responsible” insert “and in respect of whom an amount may be included under section 10”;
  - (b) in regulation 36 (table showing amount of elements), in the table—
    - (i) omit the row under “Child element” showing the amount for first child or qualifying young person;
    - (ii) in the row under “Child element” showing the amount for second and each subsequent child or qualifying young person, for “second and each subsequent” substitute “each”.
- (6) The Secretary of State may by regulations make such transitional or transitory provision or savings as the Secretary of State considers necessary or expedient in connection with the coming into force of this section.
- (7) Regulations under subsection (6) must be made by statutory instrument.
- (8) A statutory instrument containing regulations under subsection (6) is subject to annulment in pursuance of a resolution of either House of Parliament.

## **15 Employment and support allowance: work-related activity component**

- (1) Part 1 of the Welfare Reform Act 2007 (employment and support allowance) is amended as follows.
- (2) In section 2 (amount of contributory allowance)—
- (a) in subsection (1)(b), omit “or the work-related activity component”;
  - (b) omit subsection (3);
  - (c) in subsection (4), in each of paragraphs (a), (b) and (c), omit “or (3)”.
- (3) In section 4 (amount of income-related allowance) (so far as it remains in force)—
- (a) in subsection (2)(b), omit “or the work-related activity component”;
  - (b) omit subsection (5);
  - (c) in subsection (6), in each of paragraphs (a), (b) and (c), omit “or (5)”.
- (4) The Secretary of State may by regulations make such transitional or transitory provision or savings as the Secretary of State considers necessary or expedient in connection with the coming into force of subsections (1) to (3).
- (5) Regulations under subsection (4) may in particular make provision about including a work-related activity component in an award of employment and support allowance that is converted under paragraph 7 of Schedule 4 to the Welfare Reform Act 2007 from an award of incapacity benefit, severe disablement allowance or income support after the coming into force of subsections (1) to (3).
- (6) Regulations under this section must be made by statutory instrument.
- (7) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.

## **16 Universal credit: limited capability for work element**

In section 12(2) of the Welfare Reform Act 2012 (universal credit: particular needs or circumstances), omit paragraph (a).

**17 Universal credit: work-related requirements**

- (1) In Chapter 2 of Part 1 of the Welfare Reform Act 2012 (claimant responsibilities)—
  - (a) in section 20(1)(a) (claimants subject to work-focused interview requirement only), for the words from “at least 1” to “3” substitute “1”;
  - (b) in section 21(1) (claimants subject to work preparation requirement), after paragraph (a) (but before the “or” immediately after it) insert—
    - “(aa) the claimant is the responsible carer for a child who is aged 2,”;
  - (c) omit section 21(5) (claimants of prescribed description to include responsible carers of children aged 3 or 4).
- (2) In the Universal Credit Regulations 2013 (S.I. 2013/376)—
  - (a) in regulation 91 (claimants subject to work-focused interview requirement only), omit paragraph (1);
  - (b) regulation 91A (claimants subject to work preparation requirement) is revoked.

*Loans for mortgage interest etc***18 Loans for mortgage interest etc**

- (1) The Secretary of State may by regulations provide for loans to be made in respect of a person’s liability to make owner-occupier payments in respect of accommodation occupied by the person as the person’s home.
- (2) The regulations may make provision about eligibility to receive a loan under the regulations.
- (3) Regulations under subsection (2) may in particular require that a person—
  - (a) is entitled to receive income support, income-based jobseeker’s allowance, income-related employment and support allowance, state pension credit or universal credit;
  - (b) has received such a benefit for a period prescribed by the regulations.
- (4) The regulations may make provision about the liabilities in respect of which a loan under the regulations may be made.
- (5) Regulations under subsection (4) may in particular provide that a loan under the regulations may only be made if, and to the extent that, a person’s liability to make owner-occupier payments was incurred for purposes prescribed by the regulations.
- (6) Regulations under subsection (4) may in particular make provision about—
  - (a) determining or calculating the amount of a person’s liabilities;
  - (b) the maximum amount of a person’s liabilities in respect of which a loan under the regulations may be made.
- (7) The regulations may—
  - (a) make provision about determining or calculating the amount that may be paid by way of loan under the regulations;
  - (b) require that a loan under the regulations be secured by a mortgage of or charge over a legal or beneficial interest in land or, in Scotland, by a heritable security.



- (8) The regulations may define “owner-occupier payment”.
- (9) Regulations under this section may make different provision for different purposes.
- (10) Regulations under this section must be made by statutory instrument.
- (11) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.

## **19 Section 18: further provision**

- (1) This section makes further provision about regulations under section 18.
- (2) The regulations may make provision about—
  - (a) circumstances in which a person is to be treated as liable or not liable to make owner-occupier payments;
  - (b) circumstances in which a person is to be treated as occupying or not occupying particular accommodation as a home.
- (3) The regulations may include—
  - (a) provision about applying for a loan;
  - (b) provision requiring a person to satisfy requirements prescribed by the regulations before a loan may be made under the regulations, including requirements about receiving financial advice;
  - (c) provision about entering into an agreement (which may contain such terms and conditions as the Secretary of State thinks fit, subject to what may be provided in the regulations);
  - (d) provision about the time when, and manner in which, a loan must be repaid;
  - (e) provision about other terms upon which a loan is made;
  - (f) provision about the payment of interest, including provision prescribing or providing for the determination of the rate of interest;
  - (g) provision enabling administrative costs to be charged;
  - (h) provision about adding administrative costs to the amount of a loan;
  - (i) provision about accepting substituted security.
- (4) The regulations may make provision—
  - (a) requiring that, in circumstances prescribed by the regulations, money lent in respect of a person’s liability to make owner-occupier payments—
    - (i) is paid directly to the qualifying lender;
    - (ii) is applied by the qualifying lender towards discharging the person’s liability to make owner-occupier payments;
  - (b) for the costs of administering the making of payments to qualifying lenders to be defrayed, in whole or in part, at the expense of the qualifying lenders, whether by requiring them to pay fees prescribed by the regulations, by deducting and retaining such part as may be prescribed by the regulations of the amounts that would otherwise be paid to them or otherwise;
  - (c) for requiring a qualifying lender, in a case where by virtue of paragraph (b) the amount paid to the lender is less than it would otherwise have been, to credit against the liability in relation to which the amount is paid the amount of the difference (in addition to the payment actually made);

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- (d) for enabling a body which, or person who, would otherwise be a qualifying lender to elect not to be regarded as a qualifying lender for the purposes of this section (other than this paragraph);
  - (e) for the recovery from any body or person—
    - (i) of any sums paid to that body or person by way of payment under the regulations that ought not to have been so paid;
    - (ii) of any fees or other sums due from that body or person by virtue of paragraph (b);
  - (f) for cases where the same person is liable to make owner-occupier payments under more than one agreement to make such payments.
- (5) The regulations may provide for the Secretary of State to make arrangements with another person for the exercise of functions under the regulations.
- (6) The regulations may include—
- (a) provision requiring information and documents to be provided;
  - (b) provision authorising the disclosure of information.
- (7) The bodies and persons who are “qualifying lenders” for the purposes of this section are—
- (a) a deposit taker;
  - (b) an insurer;
  - (c) a county council, a county borough council, a district council, a London Borough Council, the Common Council of the City of London or the Council of the Isles of Scilly;
  - (d) a council constituted under section 2 of the Local Government etc. (Scotland) Act 1994;
  - (e) a new town corporation;
  - (f) other bodies or persons prescribed by regulations under section 18.
- (8) In this section—
- “deposit taker” means—
- (a) a person who has permission under Part 4A of the Financial Services and Markets Act 2000 to accept deposits, or
  - (b) an EEA firm of the kind mentioned in paragraph 5(b) of Schedule 3 to that Act which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12 of that Schedule) to accept deposits;
- “insurer” means—
- (a) a person who has permission under Part 4A of the Financial Services and Markets Act 2000 to effect and carry out contracts of insurance, or
  - (b) an EEA firm of the kind mentioned in paragraph 5(d) of Schedule 3 to that Act which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12 of that Schedule) to effect and carry out contracts of insurance.
- (9) The definitions of “deposit taker” and “insurer” in this section must be read with—
- (a) section 22 of the Financial Services and Markets Act 2000;
  - (b) any relevant order under that section;
  - (c) Schedule 2 to that Act.

## 20 Consequential amendments

- (1) Section 15A of the Social Security Administration Act 1992 (payment out of benefit of sums in respect of mortgage interest) is repealed.
- (2) In section 170 of the Social Security Administration Act 1992 (Social Security Advisory Committee), in subsection (5)—
  - (a) in the definition of “the relevant enactments”, after paragraph (an) insert—
    - “(ao) sections 18, 19 and 21 of the Welfare Reform and Work Act 2016;”;
  - (b) in the definition of “the relevant Northern Ireland enactments”, after paragraph (an) insert—
    - “(ao) any provisions in Northern Ireland which correspond to sections 18, 19 and 21 of the Welfare Reform and Work Act 2016;”.
- (3) In section 2 of the Social Security Act 1998 (use of computers), in subsection (2)—
  - (a) omit the “or” after paragraph (m);
  - (b) after paragraph (n) insert “or”
    - (o) sections 18 to 21 of the Welfare Reform and Work Act 2016.”
- (4) In section 8 of the Social Security Act 1998 (decisions by Secretary of State)—
  - (a) in subsection (3) (meaning of “relevant benefit”), after paragraph (bb) insert—
    - “(bc) a loan under section 18 of the Welfare Reform and Work Act 2016;”;
  - (b) in subsection (4) (meaning of “relevant enactment”), for “or section 30 of that Act” substitute “, section 30 of that Act or sections 18 to 21 of the Welfare Reform and Work Act 2016”.
- (5) In section 11 of the Social Security Act 1998 (regulations with respect to decisions), in subsection (3), in the definition of “the current legislation”, for “and section 30 of that Act” substitute “, section 30 of that Act and sections 18 to 21 of the Welfare Reform and Work Act 2016”.
- (6) In section 28 of the Social Security Act 1998 (correction of errors and setting aside of decisions), in subsection (3)—
  - (a) omit the “or” after paragraph (i);
  - (b) after paragraph (j) insert “; or”
    - (k) sections 18 to 21 of the Welfare Reform and Work Act 2016.”
- (7) In section 39 of the Social Security Act 1998 (interpretation etc of Chapter 2 of Part 1), after subsection (1) insert—

“(1A) In this Chapter—

  - (a) a reference to a benefit includes a reference to a loan under section 18 of the Welfare Reform and Work Act 2016;
  - (b) a reference to a claim for a benefit includes a reference to an application for a loan under section 18 of the Welfare Reform and Work Act 2016;
  - (c) a reference to a claimant includes a reference to an applicant for a loan under section 18 of the Welfare Reform and Work Act 2016 or, in relation to a couple jointly applying for a loan under that section, a reference to the couple or either member of the couple;

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- (d) a reference to an award of a benefit to a person includes a reference to a decision that a person is eligible for a loan under section 18 of the Welfare Reform and Work Act 2016;
  - (e) a reference to entitlement to a benefit includes a reference to eligibility for a loan under section 18 of the Welfare Reform and Work Act 2016.”
- (8) In section 3A of the State Pension Credit Act 2002 (housing credit), in subsection (5) (a), omit the words from “(and,” to “payments)”.
- (9) In section 11 of the Welfare Reform Act 2012 (universal credit: amount in respect of housing costs), in subsection (3)(a), omit the words from “(and,” to “payments)”.
- (10) In section 131 of the Welfare Reform Act 2012 (information-sharing in relation to welfare services etc), in subsection (12), in the definition of “relevant social security benefit” for the words from “has” to the end substitute “means—
- (a) a relevant social security benefit as defined in section 121DA(7) of the Social Security Administration Act 1992, or
  - (b) a loan under section 18 of the Welfare Reform and Work Act 2016 (loans for mortgage interest etc);”.
- (11) The following provisions are repealed—
- (a) in the Social Security (Mortgage Interest Payments) Act 1992—
    - (i) section 1;
    - (ii) Schedule 1;
  - (b) in the Jobseekers Act 1995, paragraph 40(3)(b) and (4) of Schedule 2;
  - (c) in the State Pension Credit Act 2002, paragraph 9 of Schedule 2;
  - (d) in the Civil Partnership Act 2004, paragraph 57 of Schedule 24;
  - (e) in the Welfare Reform Act 2007, paragraph 10(5) of Schedule 3;
  - (f) in the Welfare Reform Act 2012—
    - (i) in Schedule 2, paragraph 6;
    - (ii) in Schedule 4, paragraph 11;
  - (g) in the Financial Services Act 2012, paragraph 74(2) of Schedule 18.

## **21 Transitional provision**

- (1) Regulations made by the Secretary of State may make such transitional or transitory provision or savings as the Secretary of State considers necessary or expedient in connection with the coming into force of sections 18 to 20.
- (2) The regulations may include provision for temporarily excluding the making of a loan under regulations under section 18 after the coming into force of sections 18 to 20.
- (3) Regulations under subsection (2) may in particular—
  - (a) provide for a temporary exclusion to continue until a time or times specified in a notice issued by the Secretary of State;
  - (b) enable the Secretary of State to issue notices under paragraph (a) specifying different times for different persons or descriptions of person.
- (4) The regulations may include provision for enabling assistance with payments in respect of accommodation occupied as a home to be given by means of a qualifying

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benefit after the coming into force of sections 18 to 20 (including where the making of loans is temporarily excluded).

- (5) Regulations under subsection (4) may in particular—
- (a) provide for legislation that has been repealed or revoked to be treated as having effect;
  - (b) provide for assistance by means of a qualifying benefit to continue until a time or times specified in a notice issued by the Secretary of State;
  - (c) enable the Secretary of State to issue notices under paragraph (b) specifying different times for different persons or descriptions of person.
- (6) In this section “qualifying benefit” means income support, income-based jobseeker’s allowance, income-related employment and support allowance, state pension credit or universal credit.
- (7) Regulations under this section may make different provision for different areas, cases or purposes.
- (8) Regulations under this section must be made by statutory instrument.
- (9) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.

#### *Social security administration*

## **22 Expenses of paying sums in respect of vehicle hire etc**

In the Social Security Administration Act 1992, after section 15A insert—

### *“Expenses in respect of vehicle hire etc.*

#### **15B Expenses of paying sums in respect of vehicle hire etc.**

- (1) This section applies where—
- (a) a relevant benefit component is payable in respect of a person (“the beneficiary”),
  - (b) an agreement has been entered into by or on behalf of the beneficiary with a relevant provider for the lease or hire purchase of a motor vehicle, and
  - (c) by virtue of regulations under section 5(1), the Secretary of State pays all or part of the relevant benefit component to the relevant provider for the purpose of discharging, in whole or in part, an obligation of the beneficiary under the agreement.
- (2) Regulations may make provision—
- (a) for the expenses of the Secretary of State in administering the making of payments to relevant providers to be defrayed, in whole or in part, at the expense of relevant providers, whether by requiring them to pay prescribed fees or by deducting and retaining a prescribed part of the payments that would otherwise be made to them or by such other method as may be prescribed;

- (b) for the recovery from a relevant provider of any fees or other sums due from that provider under paragraph (a).

(3) In this section—

“relevant benefit component” means—

- (a) the mobility component of disability living allowance, if it is payable at the higher rate (see section 73(11)(a) of the Contributions and Benefits Act), or
- (b) the mobility component of personal independence payment, if it is payable at the enhanced rate (see section 79(2) of the Welfare Reform Act 2012);

“relevant provider” means a person whose business consists of or includes the supply by way of lease or hire purchase of motor vehicles to persons in respect of whom a relevant benefit component is payable.”

### *Social housing rents*

## **23 Reduction in social housing rents**

- (1) In relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months.
- (2) If—
- (a) the tenancy of particular social housing comes to an end after part of a relevant year has elapsed, or
- (b) this section ceases to apply in relation to the tenancy of particular social housing after part of a relevant year has elapsed,
- the requirement in subsection (1) has effect in relation to the part of the relevant year falling before that time with a proportionate reduction in the maximum amount of rent payable to the registered provider by the tenant.
- (3) The amount of rent payable to the registered provider by the tenant in respect of the 12 months preceding the first relevant year is to be treated for the purposes of subsection (1) as having been the greater of the following amounts—
- (a) the amount of rent that would have been payable in respect of those 12 months if the rate of rent applicable at the beginning of 8 July 2015 had applied during those 12 months, and
- (b) if the Secretary of State consents to the use by the registered provider of a different day (“the permitted review day”), the amount of rent that would have been payable in respect of those 12 months if the rate of rent applicable at the beginning of the permitted review day had applied during those 12 months.
- (4) A consent given for the purposes of subsection (3) may be a consent given for a particular case or for a description of cases.
- (5) If a tenancy existing in the first relevant year began at or before the beginning of 8 July 2015 but less than 12 months before the beginning of the first relevant year, the tenancy is to be treated for the purposes of subsection (1) as having begun at least 12 months before the first relevant year (and subsection (3) is to have effect accordingly).

- (6) For the purposes of this section a relevant year, in relation to a registered provider, is—
- (a) in the case of a private registered provider whose practice as regards the greater number of its tenancies is to change rent payable no more than once a year and with effect from a single date other than 1 April (“the review date”)—
    - (i) a year beginning on the first review date to occur after 1 April 2016, or
    - (ii) a year beginning on the first, second or third anniversary of that date;
  - (b) in any other case, a year beginning on 1 April 2016, 1 April 2017, 1 April 2018 or 1 April 2019.
- (7) For the purposes of subsection (6), a private registered provider’s practice as regards its tenancies is to be determined by reference to its practice as regards the tenancies of its social housing in the year ending with 31 March 2016 (and a private registered provider which has no tenancies of its social housing in that year is to be regarded as having no practice as regards its tenancies).
- (8) A private registered provider whose practice is as described in subsection (6)(a) is to be regarded as having complied with the preceding subsections if it treats tenants in its social housing as if its relevant years were the years mentioned in subsection (6)(b).
- (9) This section is subject to—
- (a) section 27 (provision about excepted cases);
  - (b) Schedule 2 (further provision about social housing rents).

## **24 Exceptions**

- (1) Section 23 does not apply in relation to a tenant of social housing if—
- (a) the accommodation is low cost home ownership accommodation;
  - (b) the accommodation is both low cost rental accommodation and low cost home ownership accommodation (see section 71 of the Housing and Regeneration Act 2008).
- (2) Section 23 does not apply in relation to social housing of a registered provider if, where the registered provider’s interest in the property that consists of or includes the social housing is subject to a mortgage—
- (a) the mortgagee is in possession of the interest in the property or the part of the property that includes the social housing, in the exercise of the mortgagee’s powers to enforce the mortgage,
  - (b) a receiver has been appointed in relation to the interest in the property or the part of the property that includes the social housing by—
    - (i) the mortgagee, in the exercise of the mortgagee’s powers to enforce the mortgage, or
    - (ii) the court, in connection with enforcing the mortgage,and that appointment is in force, or
  - (c) a person has been appointed by the mortgagee, in the exercise of the mortgagee’s powers to enforce the mortgage (including, in the case of a floating charge which relates to the interest in the property, the power under paragraph 14 of Schedule B1 to the Insolvency Act 1986), to exercise powers that include a power to sell or otherwise dispose of the interest in the property or the part of the property that includes the social housing and that appointment is in force.

- (3) If—
- (a) a registered provider’s interest in property that consists of or includes social housing was made subject to a mortgage, and
  - (b) the interest in the property, or the interest in the part that includes the social housing, is sold or otherwise disposed of after the coming into force of section 23 by—
    - (i) the mortgagee, in the exercise of the mortgagee’s powers to enforce the mortgage,
    - (ii) a receiver appointed by the mortgagee or by the court as described in subsection (2)(b), or
    - (iii) a person appointed by the mortgagee as described in subsection (2)(c),
 section 23 ceases to apply in relation to that social housing at the time of that sale or other disposal.
- (4) In subsections (2) and (3)—
- “mortgage” includes a charge or other security;
  - “mortgagee” includes a person who is entitled to take steps to enforce a charge or other security.
- (5) The Secretary of State may by regulations provide for section 23 not to apply in cases prescribed by the regulations.
- (6) Regulations under subsection (5) may in particular make provision about—
- (a) tenants of a description prescribed by the regulations;
  - (b) tenancies of a description prescribed by the regulations;
  - (c) accommodation of a description prescribed by the regulations;
  - (d) accommodation which satisfies conditions prescribed by the regulations, including conditions relating to the funding of its building or refurbishment;
  - (e) events of a description prescribed by the regulations.
- (7) Regulations made by virtue of subsection (6)(a) may include provision about tenants whose income exceeds, or whose household’s incomes exceed, an amount prescribed by the regulations during a period prescribed by the regulations.
- (8) Regulations made by virtue of subsection (6)(e) may include provision about periods during a tenancy when the rent payable is temporarily reduced or waived.
- (9) Regulations under this section must be made by statutory instrument.
- (10) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.

## **25 Exemption of a registered provider of social housing**

- (1) The regulator may issue a direction mentioned in subsection (2) in respect of a private registered provider if—
- (a) the condition in subsection (4) or (5) is satisfied, and
  - (b) the Secretary of State consents.
- (2) The directions are—
- (a) a direction that section 23 does not apply in relation to a private registered provider specified in the direction;



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- (b) a direction that section 23 is to have effect in relation to a private registered provider specified in the direction as if in section 23(1) for “at least 1% less than” there were substituted “no more than”;
  - (c) a direction that section 23 is to have effect in relation to a private registered provider specified in the direction as if section 23(1) required at least the lesser reduction specified in the direction;
  - (d) a direction that section 23 is to have effect in relation to a private registered provider specified in the direction as if section 23(1) required the private registered provider to secure that the amount of rent payable by a tenant of their social housing increased by no more than the percentage specified in the direction.
- (3) The regulator may specify in a direction—
  - (a) the period during which it is to have effect, and
  - (b) the social housing in relation to which it is to have effect.
- (4) The condition in this subsection is that the regulator considers that complying with section 23 would jeopardise the financial viability of the private registered provider.
- (5) The condition in this subsection is that the circumstances of the private registered provider satisfy requirements prescribed in regulations made by the Secretary of State.
- (6) The regulator may publish a document about the measures that the regulator considers could be taken by a private registered provider to comply with section 23 and to avoid jeopardising its financial viability.
- (7) The Secretary of State may issue a direction mentioned in subsection (8) in respect of a local authority if the condition in subsection (10) or (11) is satisfied.
- (8) The directions are—
  - (a) a direction that section 23 does not apply in relation to a local authority specified in the direction;
  - (b) a direction that section 23 is to have effect in relation to a local authority specified in the direction as if in section 23(1) for “at least 1% less than” there were substituted “no more than”;
  - (c) a direction that section 23 is to have effect in relation to a local authority specified in the direction as if section 23(1) required at least the lesser reduction specified in the direction;
  - (d) a direction that section 23 is to have effect in relation to a local authority specified in the direction as if section 23(1) required the authority to secure that the amount of rent payable by a tenant of their social housing increased by no more than the percentage specified in the direction.
- (9) The Secretary of State may specify in a direction—
  - (a) the period during which it is to have effect, and
  - (b) the social housing in relation to which it is to have effect.
- (10) The condition in this subsection is that the Secretary of State considers that the local authority would be unable to avoid serious financial difficulties if it were to comply with section 23.
- (11) The condition in this subsection is that the circumstances of the local authority satisfy requirements prescribed in regulations made by the Secretary of State.

- (12) The Secretary of State may publish a document about the measures that the Secretary of State considers could be taken by a local authority in order to comply with section 23 and to avoid serious financial difficulties.
- (13) Regulations under this section must be made by statutory instrument.
- (14) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.

## **26 Further provision about social housing rents**

In Schedule 2—

- (a) Part 1 makes further provision about the maximum amount of rent that registered providers must secure is payable in respect of a relevant year or part of a relevant year by a tenant of their social housing in England;
- (b) Part 2 contains provision about exceptions and exemptions;
- (c) Part 3 contains general provision.

## **27 Provision about excepted cases**

- (1) The Secretary of State may by regulations make provision about the maximum amount of rent payable to a registered provider in respect of a relevant year, or a part of a relevant year, by a tenant of social housing in relation to whom—
  - (a) section 23 does not apply because of an exception in regulations under section 24;
  - (b) a provision about levels of rent in Part 1 of Schedule 2 does not apply because of an exception in regulations under paragraph 5 of that Schedule.
- (2) The Secretary of State may by regulations make provision about the maximum amount of rent payable to a registered provider by a tenant of social housing—
  - (a) in respect of the part of the relevant year after an exception in regulations under section 24 ceases to apply;
  - (b) in respect of the part of the relevant year after an exception in regulations under paragraph 5 of Schedule 2 ceases to apply;
  - (c) in respect of the following relevant year (if any).
- (3) Regulations under subsection (1) or (2) may, in particular, require registered providers to secure that the maximum amount of rent payable in respect of a relevant year, or part of a relevant year, is an amount determined as specified in the regulations.
- (4) Regulations made by virtue of subsection (3) may, in particular, provide for section 23 or Part 1 of Schedule 2 to have effect with modifications.
- (5) The modifications that may be made by virtue of subsection (4) include (but are not limited to) modifications that—
  - (a) provide for the maximum amount of rent to be increased from year to year by no more than a percentage specified in the regulations;
  - (b) provide for the maximum amount of rent to be determined by disregarding the effect of a temporary reduction or waiver of rent;
  - (c) provide for the maximum amount of rent to be determined by reference to a different period;

- (d) provide for section 23(1) or paragraph 1(4)(c) or (5)(c) or 3(5) of Schedule 2 to have effect as if it referred to a different percentage;
  - (e) provide for paragraph 1, 2 or 3 of Schedule 2 to have effect as if the social rent rate were uplifted by a percentage specified in the regulations;
  - (f) provide for paragraph 3(2) or (3) of Schedule 2 to have effect as if paragraph 3(2)(a)(ii) or (4)(a)(ii) referred to a different percentage;
  - (g) provide for the maximum amount of rent to be determined by reference to what would have been the amount if an exception in regulations under section 24 or paragraph 5(5) of Schedule 2 (including an exception making such provision as is described in section 24(7) or paragraph 5(7)) had not applied.
- (6) Regulations made by virtue of subsection (5)(d) may not provide for a higher percentage to have effect.
- (7) Regulations made by virtue of subsection (5)(e) may, in particular, make provision in relation to cases where an exception in regulations under paragraph 5(5) of Schedule 2 making provision about social housing which satisfies conditions prescribed by the regulations as to design, facilities, use or the provision of support to tenants applies.
- (8) Regulations under subsection (1) may not provide for a maximum amount of rent payable by a tenant of social housing in respect of a relevant year, or a part of a relevant year, which is less than the amount that would be payable by the tenant in respect of that period if the rent was payable at the social rent rate in that period, in a case where an exception in regulations under paragraph 5(5) of Schedule 2 applies.
- (9) Regulations under subsection (1) or (2) may make provision about disapplying or modifying a requirement in the regulations as it relates to a registered provider.
- (10) Regulations made by virtue of subsection (9) may, in particular, enable the Secretary of State or the regulator to issue a direction that disapplies or modifies a requirement as it relates to a registered provider.
- (11) Regulations made by virtue of subsection (10) may provide for a direction to specify—
- (a) the period during which it has effect;
  - (b) the social housing in relation to which it has effect.
- (12) Regulations made by virtue of subsection (10) may—
- (a) provide for conditions to be satisfied before a direction is issued;
  - (b) provide for the regulator to obtain the consent of the Secretary of State before issuing a direction.
- (13) Regulations under this section must be made by statutory instrument.
- (14) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.

## 28 Implied terms

- (1) A lease or other agreement by virtue of which a person is a tenant of a registered provider contains, by virtue of this subsection, an implied term enabling the registered provider to reduce the amount of rent payable by the tenant, without giving prior notice, where the reduction is made for the purpose of complying with a requirement imposed by or under section 23 or 27 or Part 1 of Schedule 2.

- (2) Subsection (1) has effect notwithstanding any express provision in a lease or other agreement.
- (3) Section 102 of the Housing Act 1985 (variation of terms of a secure tenancy) has effect subject to subsection (1).

## **29 Change of registered provider**

- (1) This section applies if—
  - (a) particular social housing of a registered provider becomes social housing of another registered provider (“the transferee”), and
  - (b) the social housing is subject to a tenancy that began before the social housing became the transferee’s social housing.
- (2) Sections 23 to 27 and Schedule 2 have effect in relation to the amount of rent payable by the tenant under the tenancy as if—
  - (a) the transferee’s relevant years were the same as the initial registered provider’s relevant years, and
  - (b) rent payable by the tenant before the social housing became the transferee’s social housing were rent payable to the transferee in respect of such earlier periods.
- (3) Subsection (4) applies if, immediately before the social housing became the transferee’s social housing, a requirement imposed by or under section 23 or 27 or Part 1 of Schedule 2 was disapplied or modified as regards the social housing—
  - (a) by a direction under section 25 or paragraph 6 of Schedule 2, or
  - (b) under section 27(9).
- (4) If the social housing becomes the transferee’s social housing otherwise than at the beginning of a relevant year of the initial registered provider, the requirement continues not to apply or continues to apply as modified (as the case may be) until—
  - (a) the relevant year of the initial registered provider current when the social housing becomes the transferee’s social housing comes to an end, or
  - (b) if earlier, the tenancy comes to an end.
- (5) In this section a reference to a relevant year of an initial registered provider includes, in the case of an initial registered provider that has ceased to exist, a reference to what would have been a relevant year of an initial registered provider if it had not ceased to exist.
- (6) In this section “initial registered provider”, in relation to a tenancy of social housing, means the first registered provider which—
  - (a) was subject to a requirement imposed by or under section 23 or 27 or Part 1 of Schedule 2 as regards the tenancy, or
  - (b) would have been so subject but for its being disapplied—
    - (i) by or under section 24 or paragraph 5 of Schedule 2, or
    - (ii) by a direction under section 25 or paragraph 6 of Schedule 2 or under section 27(9).

## **30 Enforcement**

- (1) Part 2 of the Housing and Regeneration Act 2008 is amended as follows.

- (2) In section 220 (grounds for giving an enforcement notice to a registered provider), after subsection (11) insert—

“(11A) Case 11 is where the registered provider has failed to comply with—

- (a) section 23 of the Welfare Reform and Work Act 2016,
- (b) regulations under section 27 of that Act, or
- (c) Part 1 of Schedule 2 to that Act.”

- (3) In section 227 (grounds for imposing a penalty on a private registered provider), after subsection (7) insert—

“(7A) Case 7 is where the registered provider has failed to comply with—

- (a) section 23 of the Welfare Reform and Work Act 2016,
- (b) regulations under section 27 of that Act, or
- (c) Part 1 of Schedule 2 to that Act.”

- (4) In section 237 (grounds for requiring a private registered provider to pay compensation), after subsection (3) insert—

“(4) Case 3 is where the registered provider has failed to comply with—

- (a) section 23 of the Welfare Reform and Work Act 2016,
- (b) regulations under section 27 of that Act, or
- (c) Part 1 of Schedule 2 to that Act.”

- (5) In section 247 (management tender), in subsection (1), after paragraph (a) (and before the “or” following it) insert—

“(aa) a registered provider has failed to comply with—

- (i) section 23 of the Welfare Reform and Work Act 2016,
- (ii) regulations under section 27 of that Act, or
- (iii) Part 1 of Schedule 2 to that Act.”

- (6) In section 251 (appointment of manager of a private registered provider), in subsection (1), after paragraph (a) (and before the “or” following it) insert—

“(aa) a private registered provider has failed to comply with—

- (i) section 23 of the Welfare Reform and Work Act 2016,
- (ii) regulations under section 27 of that Act, or
- (iii) Part 1 of Schedule 2 to that Act.”

### **31 Transitional provision**

- (1) This section applies if, immediately before the rent restriction period ends—
- (a) a lease or other agreement by virtue of which a person is a tenant of a registered provider contains provision under which rent will or may be increased with effect from a date or dates specified in the lease or other agreement (“rent review dates”), and
  - (b) the registered provider is subject to a requirement imposed by or under section 23 or 27 or Part 1 of Schedule 2 as regards the tenant.
- (2) The lease or other agreement contains, by virtue of this subsection, an implied term enabling the registered provider to treat a date that falls—
- (a) after the rent restriction period ends, and

- (b) before the first rent review date to occur after the rent restriction period ends, as if that date were the first rent review date to occur after the rent restriction period ends (instead of the date provided for in the lease or other agreement).
- (3) Subsection (4) applies if, under the provision mentioned in subsection (1)(a), the intervals between rent review dates may only be intervals of 51 weeks or more.
- (4) The lease or other agreement contains, by virtue of this subsection, an implied term enabling the registered provider, if it acts as mentioned in subsection (2), to treat the relevant date as if it were the second rent review date to occur after the rent restriction period ends (instead of the date provided for in the lease or other agreement).
- (5) In subsection (4) “the relevant date” means the date that precedes the second rent review date by the same period as the date treated under subsection (2) as the first rent review date precedes the first rent review date provided for in the lease or other agreement.
- (6) The lease or other agreement contains, by virtue of this subsection, an implied term requiring the registered provider, if it acts as mentioned in subsection (4), to treat the date that precedes each subsequent rent review date by the same period as if it were that subsequent rent review date (instead of the date provided for in the lease or other agreement).
- (7) The lease or other agreement contains, by virtue of this subsection, an implied term providing that, if the registered provider treats an earlier date as if it were a rent review date because of a term implied by subsection (2), (4) or (6), other provision in the lease or other agreement is to have effect accordingly.
- (8) Nothing in this section prevents the registered provider and the tenant varying or excluding by agreement a term implied by virtue of this section.
- (9) Section 102 of the Housing Act 1985 (variation of terms of a secure tenancy) has effect subject to subsections (2), (4), (6) and (7).
- (10) In this section “rent restriction period”, in relation to a tenant of a registered provider, means the period during which the registered provider might be subject to a requirement imposed by or under section 23 or 27 or Part 1 of Schedule 2 as regards the tenant.

## **32 Rent standards**

Sections 194(2A) and 198(3) of the Housing and Regeneration Act 2008 (the powers of the regulator to set and revise standards relating to levels of rent) are subject to sections 23 to 25, 27 and 29 and Schedule 2.

## **33 Interpretation**

- (1) In sections 23 to 32, this section and Schedule 2—
- “local authority” has the same meaning as in the Housing Associations Act 1985;
  - “low cost home ownership accommodation” has the meaning given by section 70 of the Housing and Regeneration Act 2008;
  - “low cost rental accommodation” has the meaning given by section 69 of the Housing and Regeneration Act 2008;

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“private registered provider” means a private registered provider of social housing (see section 80 of the Housing and Regeneration Act 2008);

“registered provider” means a registered provider of social housing (see section 80 of the Housing and Regeneration Act 2008);

“the regulator” means the Regulator of Social Housing;

“relevant year” has the meaning given by section 23;

“rent” includes payments under a licence to occupy;

“service charge” means an amount payable by the tenant of particular accommodation as part of, or in addition to, the rent, and which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord’s costs of management;

“social housing” has the same meaning as in Part 2 of the Housing and Regeneration Act 2008 (see sections 68 and 72 of that Act);

“the social housing rents provisions” means sections 23 to 32, this section and Schedule 2;

“social rent rate” has the meaning given by Schedule 2;

“tenancy” includes a licence to occupy;

“tenant” includes a person who has a licence to occupy.

- (2) In the social housing rents provisions, a reference to the beginning of a tenancy is a reference to the day on which, under the terms of a lease or other agreement, the tenant is entitled to possession under the tenancy, subject to subsection (3).
- (3) For the purposes of the social housing rents provisions, a tenancy of particular social housing is to be regarded as having been assigned to the tenant under the following tenancy (and not as coming to an end) where—
  - (a) that tenancy is followed by another tenancy of that social housing and at least one person is both a tenant under the first tenancy when it comes to an end and a tenant under the following tenancy when it begins,
  - (b) that tenancy gives rise to another person’s statutory or assured tenancy of that social housing by virtue of Part 1 of Schedule 1 to the Rent Act 1977 (statutory tenants by succession), or
  - (c) that tenancy gives rise to another tenancy of that social housing by virtue of paragraph 13 of Schedule 1 to the Rent Act 1977 (change of statutory tenant by agreement and with consent of landlord),but a tenancy of particular social housing is to be regarded as coming to an end on being assigned by way of exchange (and the assignee is to be regarded as a tenant whose tenancy began at that time).
- (4) References to the tenant under a tenancy of particular social housing are to be read in accordance with subsection (3).
- (5) In determining the maximum amount of rent payable by a person who is a tenant of social housing for part of a relevant year, a fraction of a day during which the person is a tenant of that social housing is to be treated as a whole day during which the person is a tenant of that social housing.
- (6) Regulations made by the Secretary of State may specify cases in which a reference in the social housing rent provisions to an amount of rent payable to a registered provider includes, or does not include, a reference to—
  - (a) an amount payable by way of service charge, or

- (b) an amount payable by way of service charge that is of a description specified in the regulations.
- (7) Regulations under subsection (6) may, in particular, make provision by reference to—
- (a) guidance with respect to the principles upon which levels of rent should be determined issued by the Housing Corporation under section 36 of the Housing Act 1996;
  - (b) a standard set under section 193(1) of the Housing and Regeneration Act 2008 that includes provision under section 193(2)(c) (rules about levels of rent);
  - (c) a standard set under section 194(2A) of the Housing and Regeneration Act 2008 (the power of the regulator to set standards relating to levels of rent) that was published by the regulator before 8 July 2015;
  - (d) guidance relating to levels of rent issued by the regulator before 8 July 2015 (including guidance issued before 1 April 2012);
  - (e) guidance relating to levels of rent for social housing issued by the Secretary of State before 8 July 2015.
- (8) Regulations under this section must be made by statutory instrument.
- (9) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.

*Final***34 Power to make consequential provision**

- (1) The Secretary of State may by regulations make such amendments and revocations of subordinate legislation (whenever made) as appear to the Secretary of State to be necessary or expedient in consequence of any provision of this Act.
- (2) In this section “subordinate legislation” has the same meaning as in the Interpretation Act 1978.
- (3) Regulations under this section must be made by statutory instrument.
- (4) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.

**35 Extent**

- (1) The following provisions of this Act extend to England and Wales, Scotland and Northern Ireland—
  - (a) section 1 (full employment: reporting obligation);
  - (b) section 4 (children living in low-income households),
  - (c) sections 5, 6 and 7 (life chances);
  - (d) section 11(2) and (6) (freeze of rates of child benefit for four tax years);
  - (e) section 12 and paragraph 2 of Schedule 1 (freeze of certain tax credit amounts for four tax years);
  - (f) section 13 (changes to child tax credit);
  - (g) section 34, this section, section 36 and section 37.
- (2) The following provisions of this Act extend to England and Wales—



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- (a) section 2 (apprenticeships reporting obligation);
  - (b) section 3 (support for troubled families: reporting obligation);
  - (c) sections 23 to 33 and Schedule 2 (reduction in social housing rents).
- (3) The following provisions of this Act extend to England and Wales and Scotland—
- (a) sections 8, 9 and 10 (benefit cap and review of benefit cap);
  - (b) section 11(1), (3), (4) and (5) and paragraph 1 of Schedule 1 (freeze of certain social security benefits for four tax years);
  - (c) section 14 (changes to child element of universal credit);
  - (d) section 15 (employment and support allowance: work-related activity component);
  - (e) section 16 (universal credit: limited capability for work element);
  - (f) section 17 (universal credit: work-related requirements);
  - (g) sections 18 to 21 (loans for mortgage interest etc);
  - (h) section 22 (expenses of paying sums in respect of vehicle hire etc).

## 36 Commencement

- (1) The following provisions of this Act come into force on the day on which it is passed—
- (a) section 9(6) and (7);
  - (b) sections 11 and 12 and Schedule 1;
  - (c) section 23(3) and (4);
  - (d) section 25;
  - (e) paragraphs 6 and 9 of Schedule 2 and section 26, so far as relating to paragraphs 6 and 9;
  - (f) section 34, section 35, this section and section 37.
- (2) The following provisions of this Act come into force at the end of the period of two months beginning on the day on which it is passed—
- (a) section 1;
  - (b) section 2;
  - (c) section 4;
  - (d) sections 5, 6 and 7.
- (3) Sections 8 and 9(1) to (5) come into force—
- (a) for the purposes of making regulations, on the day on which this Act is passed;
  - (b) for remaining purposes, on such day or days as the Secretary of State may by regulations appoint.
- (4) Section 13 comes into force—
- (a) for the purposes of making regulations, on the day on which this Act is passed;
  - (b) for remaining purposes, on 6 April 2017.
- (5) Sections 23, 24 and 26 to 33 and Schedule 2, so far as not brought into force by subsection (1), come into force—
- (a) for the purposes of making regulations, on the day on which this Act is passed;
  - (b) for remaining purposes, on such day or days as the Secretary of State may by regulations appoint.

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- (6) The remaining provisions of this Act come into force on such day or days as the Secretary of State may by regulations appoint.
- (7) Regulations under subsection (3), (5) or (6) may—
  - (a) appoint different days for different areas;
  - (b) appoint different days for different cases or purposes.
- (8) Regulations under subsection (3), (5) or (6) may make such transitional or transitory provision or savings as the Secretary of State considers necessary or expedient in connection with the coming into force of the provisions to which they relate.
- (9) Section 176 of the Social Security Administration Act 1992 (consultation with representative organisations) does not apply in relation to regulations under this section so far as relating to section 8 or 9.
- (10) Regulations under this section must be made by statutory instrument.

### **37 Short title**

This Act may be cited as the Welfare Reform and Work Act 2016.

## SCHEDULES

### SCHEDULE 1

Sections 11 and 12

#### MEANING OF “THE RELEVANT SUMS” AND “THE RELEVANT AMOUNTS”

- 1 “The relevant sums” for the purposes of section 11 are the sums—
- (a) specified in paragraph 1 of Schedule 2 to the Income Support (General) Regulations 1987 (S.I. 1987/1967);
  - (b) specified in paragraph 1 of Schedule 3 to the Housing Benefit Regulations 2006 (S.I. 2006/213);
  - (c) specified in paragraph 25 of Schedule 3 to the Housing Benefit Regulations 2006 (S.I. 2006/213);
  - (d) specified in regulations under section 4(2) of the Jobseekers Act 1995;
  - (e) specified in paragraph 1 of Schedule 1 to the Jobseeker’s Allowance Regulations 1996 (S.I. 1996/207);
  - (f) specified in regulations under section 2(1)(a) of the Welfare Reform Act 2007;
  - (g) specified in regulations under section 2(4)(c) of the Welfare Reform Act 2007, so far as relating to the component under section 2(3) of that Act;
  - (h) specified in paragraph 1 of Schedule 4 to the Employment and Support Allowance Regulations 2008 (S.I. 2008/794);
  - (i) specified in regulations under section 4(6)(c) of the Welfare Reform Act 2007, so far as relating to the component under section 4(5) of that Act;
  - (j) specified in regulations under section 9(2) of the Welfare Reform Act 2012;
  - (k) specified in regulations under section 10(3) of the Welfare Reform Act 2012 in respect of an amount to be included under section 10(2) of that Act (but where more than one sum is so specified, only the smaller or smallest of those sums is a “relevant sum”);
  - (l) specified in regulations under section 12(3) of the Welfare Reform Act 2012 in respect of needs or circumstances of a claimant prescribed by virtue of section 12(2)(a) of that Act (but not in respect of needs or circumstances prescribed by virtue of section 12(2)(b)).
- 2 “The relevant amounts” for the purposes of section 12 are the amounts—
- (a) specified in Schedule 2 to the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002 (S.I. 2002/2005) for the basic element, the 30 hour element, the second adult element and the lone parent element;
  - (b) specified in regulation 7(4)(c) and (f) of the Child Tax Credit Regulations 2002 (S.I. 2002/2007).

## SCHEDULE 2

Section 26

### FURTHER PROVISION ABOUT SOCIAL HOUSING RENTS

#### PART 1

#### PROVISION ABOUT LEVELS OF RENTS

##### *Tenancy of existing social housing*

- 1 (1) This paragraph applies in relation to a tenant of social housing in England if—
  - (a) the tenancy begins after the beginning of 8 July 2015, and
  - (b) the accommodation was social housing during the period starting with the beginning of 8 July 2015 and ending with the beginning of the tenancy.
- (2) This paragraph does not apply if paragraph 3 applies.
- (3) The registered provider must secure that the maximum amount of rent payable to the registered provider by the tenant in respect of—
  - (a) the first relevant year, where the tenancy begins before or at the beginning of the first relevant year,
  - (b) the part of the relevant year falling after the beginning of the tenancy, where the tenancy begins after the beginning of the first relevant year and not at the beginning of a later relevant year,
  - (c) the following relevant year, where the tenancy begins as described in paragraph (b), or
  - (d) the relevant year, other than the first relevant year, at the beginning of which the tenancy begins,

is no more than would be payable if the tenant were paying rent at the higher of the social rent rate and the assumed rent rate in respect of that relevant year or that part of a relevant year.
- (4) The social rent rate, in relation to the rent payable by a tenant of social housing in respect of the first or a subsequent relevant year, is the rate found by—
  - (a) determining what would have been the rate of formula rent for that social housing at the beginning of 8 July 2015,
  - (b) determining the rate of that rent when expressed by reference to a period of 12 months (if necessary), and
  - (c) at the beginning of each relevant year (up to and including the relevant year in question), making a 1% reduction in the rate.
- (5) The assumed rent rate, in relation to the rent payable by a tenant of social housing in respect of the first or a subsequent relevant year, is the rate found by—
  - (a) determining the rate of the rent that—
    - (i) was payable at the beginning of 8 July 2015 by the person who was the tenant of that social housing, in a case where 8 July 2015 is the relevant day,
    - (ii) was payable at the beginning of the relevant day by the person who was the tenant of that social housing, in a case where the relevant day falls after 8 July 2015 and the person who was the tenant at the

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- beginning of 8 July 2015 continued as tenant until at least that later time,
- (iii) is likely to have been payable at the beginning of the relevant day by the person who was the tenant at the beginning of 8 July 2015 if the person’s tenancy had continued until at least that later time, in a case where the relevant day falls after 8 July 2015 and the person who was the tenant at the beginning of 8 July 2015 ceased to be the tenant before that later time, or
  - (iv) is likely to have been payable at the beginning of the relevant day by a tenant of that social housing, in a case where there was no tenant at that time and sub-paragraph (iii) does not apply,
- (b) determining the rate of that rent when expressed by reference to a period of 12 months (if necessary), and
  - (c) at the beginning of each relevant year (up to and including the relevant year in question), making a 1% reduction in the rate.
- (6) If—
- (a) the tenancy comes to an end after part of a relevant year to which sub-paragraph (3) applies has elapsed, or
  - (b) sub-paragraph (3)(a), (b), (c) or (d) ceases to apply in relation to the tenancy after part of the relevant year in question has elapsed,
- sub-paragraph (3) has effect in relation to the part of the relevant year falling before that time with a proportionate reduction in the maximum amount of rent payable to the registered provider by the tenant.
- (7) The Secretary of State may by regulations define “formula rent” and may, in particular, provide that it is a rent set in accordance with a method specified in the regulations.
- (8) Regulations under sub-paragraph (7) may, in particular, make provision by reference to—
- (a) the standard published in January 2015 by the regulator under section 194(2A) of the Housing and Regeneration Act 2008 (the powers of the regulator to set standards relating to levels of rent),
  - (b) *Rent Standard Guidance* published in January 2015 by the regulator, or
  - (c) *Guidance on Rents for Social Housing* published in May 2014 by the Secretary of State.

### *Tenancy of new social housing*

- 2 (1) This paragraph applies in relation to a tenant of social housing in England if—
- (a) the tenancy begins after the beginning of 8 July 2015, and
  - (b) paragraph 1(1)(b) is not satisfied as regards the accommodation.
- (2) This paragraph does not apply if paragraph 3 applies.
- (3) If the tenancy begins before or at the beginning of the first relevant year, the registered provider must secure that the maximum amount of rent payable to the registered provider by the tenant in respect of the first relevant year is the amount that would be payable by the tenant if the social rent rate applied during that relevant year.
- (4) If the tenancy begins after the beginning of the first relevant year, the registered provider must secure that—

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- (a) the maximum amount of rent payable to the registered provider by the tenant in respect of the part of the relevant year falling after the tenancy begins, where the tenancy begins after part of a relevant year has elapsed,
- (b) the maximum amount of rent payable to the registered provider by the tenant in respect of the following relevant year, where the tenancy begins as described in paragraph (a), or
- (c) the maximum amount of rent payable to the registered provider by the tenant in respect of the relevant year, where the tenancy begins at the beginning of a relevant year,

is the amount that would be payable if the social rent rate applied during that period.

(5) If—

- (a) the tenancy comes to an end after part of a relevant year to which sub-paragraph (3) or (4) applies has elapsed, or
- (b) sub-paragraph (3) or (4)(a), (b) or (c) ceases to apply in relation to the tenancy after part of the relevant year in question has elapsed,

sub-paragraph (3) or (4) has effect in relation to the part of the relevant year falling before that time with a proportionate reduction in the maximum amount of rent payable to the registered provider by the tenant.

#### *Tenancy of affordable rent housing*

- 3 (1) This paragraph applies in relation to a tenant of social housing in England if—
- (a) the tenancy begins after the beginning of 8 July 2015, and
  - (b) the accommodation is affordable rent housing (see paragraph 4).
- (2) If the tenancy begins before or at the beginning of the first relevant year, the registered provider must secure that the maximum amount of rent payable to the registered provider by the tenant in respect of the first relevant year is the higher of—
- (a) the amount found by—
    - (i) determining the rate of the market rent for that social housing when the tenancy begins, and
    - (ii) determining the amount that is 80% of the amount that would be payable in respect of a year if that rate had applied during the year, and
  - (b) the amount that would be payable in respect of the first relevant year if the tenant were paying rent at the social rent rate.
- (3) If the tenancy begins after the beginning of the first relevant year, the registered provider must secure that—
- (a) the maximum amount of rent payable to the registered provider by the tenant in respect of the part of the relevant year falling after the tenancy begins, where the tenancy begins after part of a relevant year has elapsed, or
  - (b) the maximum amount of rent payable to the registered provider by the tenant in respect of the relevant year, where the tenancy begins at the beginning of a relevant year,
- is the higher of the amounts described in sub-paragraph (4).
- (4) The amounts referred to in sub-paragraph (3) are—
- (a) the amount found by—

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- (i) determining the rate of the market rent for that social housing when the tenancy begins,
      - (ii) determining the amount that is 80% of the amount that would be payable in respect of a year if that rate had applied during the year, and
      - (iii) (if necessary) reducing that amount in proportion to the part of that relevant year that elapsed before the tenancy begins, and
    - (b) the amount that would be payable in respect of the period in question if the tenant were paying rent at the social rent rate.
  - (5) If the tenancy begins after the beginning of the first relevant year and not at the beginning of the second or third relevant year, the registered provider must secure that the maximum amount of rent payable to the registered provider by the tenant in respect of the relevant year following the one in which the tenancy begins is the higher of—
    - (a) the amount that would be found under sub-paragraph (4)(a) if sub-paragraph (4)(a)(iii) were disregarded, and
    - (b) the amount that would be found under sub-paragraph (4)(b) if the period in question were the whole of the relevant year in which the tenancy begins, reduced by 1%.
  - (6) If—
    - (a) the tenancy comes to an end after part of a relevant year to which sub-paragraph (2), (3) or (5) applies has elapsed, or
    - (b) sub-paragraph (2), (3) or (5) ceases to apply in relation to the tenancy after part of the relevant year in question has elapsed,sub-paragraph (2), (3) or (5) has effect in relation to the part of the relevant year falling before that time with a proportionate reduction in the maximum amount of rent payable to the registered provider by the tenant.
  - (7) The market rent is to be determined using a RICS valuation method.
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- (1) This paragraph has effect for the purposes of paragraph 3.
  - (2) Affordable rent housing is accommodation identified by regulations made by the Secretary of State as accommodation that may be let as social housing at an affordable rent.
  - (3) Regulations under sub-paragraph (2) may, in particular, make provision for identifying accommodation that may be let as social housing at an affordable rent by reference to an agreement or arrangement relating to the provision of social housing by a registered provider.
  - (4) Regulations made by virtue of sub-paragraph (3) may, for example, make provision by reference to—
    - (a) an agreement relating to the exercise of a power under section 5 or 19 of the Housing and Regeneration Act 2008 (powers of the Homes and Communities Agency as regards the provision of housing or other land and financial assistance);
    - (b) an agreement relating to the exercise of a power under section 30 or 34 of the Greater London Authority Act 1999 (general and subsidiary powers of the Greater London Authority);

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- (c) an agreement between a local authority and the Secretary of State under section 11(6) of the Local Government Act 2003 (agreement about capital receipts payable to the Secretary of State);
  - (d) an arrangement between a local authority and the Homes and Communities Agency, the Greater London Authority or the Secretary of State under which rents for social housing may be set on a particular basis.
- (5) Regulations under sub-paragraph (2) may define “affordable rent” and may, in particular, provide that it is a rent set in accordance with a method specified, or of a description specified, in the regulations.
- (6) The methods that may be specified in the regulations include, but are not limited to, methods that provide for a maximum level of rent when accommodation is initially let to be a certain percentage of market rent in certain cases or circumstances.
- (7) A reference to an amount of market rent includes a reference to an amount payable by way of service charge.
- (8) “RICS valuation method” means a method for determining market rent that complies with standards for valuation published from time to time by the Royal Institution of Chartered Surveyors.

## PART 2

### EXCEPTIONS AND EXEMPTIONS

#### *Exceptions*

- 5 (1) Part 1 does not apply in relation to a tenant of social housing if—
- (a) the accommodation is low cost home ownership accommodation;
  - (b) the accommodation is both low cost rental accommodation and low cost home ownership accommodation (see section 71 of the Housing and Regeneration Act 2008).
- (2) Part 1 does not apply in relation to social housing of a registered provider if, where the registered provider’s interest in the property that consists of or includes the social housing is subject to a mortgage—
- (a) the mortgagee is in possession of the interest in the property or the part of the property that includes the social housing, in the exercise of the mortgagee’s powers to enforce the mortgage,
  - (b) a receiver has been appointed in relation to the interest in the property or the part of the property that includes the social housing by—
    - (i) the mortgagee, in the exercise of the mortgagee’s powers to enforce the mortgage, or
    - (ii) the court, in connection with enforcing the mortgage,
 and that appointment is in force, or
  - (c) a person has been appointed by the mortgagee, in the exercise of the mortgagee’s powers to enforce the mortgage (including, in the case of a floating charge which relates to the interest in the property, the power under paragraph 14 of Schedule B1 to the Insolvency Act 1986), to exercise powers that include a power to sell or otherwise dispose of the interest in the



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property or the part of the property that includes the social housing and that appointment is in force.

- (3) If—
- (a) a registered provider’s interest in property that consists of or includes social housing was made subject to a mortgage, and
  - (b) the interest in the property, or the interest in the part that includes the social housing, is sold or otherwise disposed of after the coming into force of Part 1 by—
    - (i) the mortgagee, in the exercise of the mortgagee’s powers to enforce the mortgage,
    - (ii) a receiver appointed by the mortgagee or by the court as described in sub-paragraph (2)(b), or
    - (iii) a person appointed by the mortgagee as described in sub-paragraph (2)(c),

Part 1 ceases to apply in relation to that social housing at the time of that sale or other disposal.

- (4) In sub-paragraphs (2) and (3)—
- “mortgage” includes a charge or other security;
  - “mortgagee” includes a person who is entitled to take steps to enforce a charge or other security.
- (5) The Secretary of State may by regulations provide for Part 1 not to apply in cases prescribed by the regulations.
- (6) Regulations under sub-paragraph (5) may in particular make provision about—
- (a) tenants of a description prescribed by the regulations;
  - (b) tenancies of a description prescribed by the regulations;
  - (c) accommodation of a description prescribed by the regulations;
  - (d) accommodation which satisfies conditions prescribed by the regulations, including conditions relating to the funding of its building or refurbishment;
  - (e) events of a description prescribed by the regulations.
- (7) Regulations made by virtue of sub-paragraph (6)(a) may include provision about tenants whose income exceeds, or whose household’s incomes exceed, an amount prescribed by the regulations during a period prescribed by the regulations.
- (8) Regulations made by virtue of sub-paragraph (6)(e) may include provision about periods during a tenancy when the rent payable is temporarily reduced or waived.

### *Exemptions*

- 6 (1) The regulator may issue a direction mentioned in sub-paragraph (2) in respect of a private registered provider if—
- (a) the condition in sub-paragraph (4) or (5) is satisfied, and
  - (b) the Secretary of State consents.
- (2) The directions are—
- (a) a direction that Part 1 does not apply in relation to a private registered provider specified in the direction;

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- (b) a direction that Part 1 is to have effect in relation to a private registered provider specified in the direction as if a reference in Part 1 to the social rent rate were a reference to that rate increased by the percentage specified in the direction;
  - (c) a direction that Part 1 is to have effect in relation to a private registered provider specified in the direction as if paragraph 1(4)(c) or (5)(c)—
    - (i) were omitted,
    - (ii) required the lesser reduction specified in the direction, or
    - (iii) required the increase specified in the direction;
  - (d) a direction that Part 1 is to have effect in relation to a private registered provider specified in the direction as if—
    - (i) in paragraph 3(5), “reduced by 1%” were omitted,
    - (ii) paragraph 3(5) required the lesser reduction specified in the direction, or
    - (iii) paragraph 3(5) required the increase specified in the direction.
- (3) The regulator may specify in a direction—
- (a) the period during which it is to have effect, and
  - (b) the social housing in relation to which it is to have effect.
- (4) The condition in this sub-paragraph is that the regulator considers that complying with Part 1 would jeopardise the financial viability of the private registered provider.
- (5) The condition in this sub-paragraph is that the circumstances of the private registered provider satisfy requirements prescribed in regulations made by the Secretary of State.
- (6) The regulator may publish a document about the measures that the regulator considers could be taken by a private registered provider to comply with Part 1 and to avoid jeopardising its financial viability.
- (7) The Secretary of State may issue a direction mentioned in sub-paragraph (8) in respect of a local authority if the condition in sub-paragraph (10) or (11) is satisfied.
- (8) The directions are—
- (a) a direction that Part 1 does not apply in relation to a local authority specified in the direction;
  - (b) a direction that Part 1 is to have effect in relation to a local authority specified in the direction as if a reference in Part 1 to the social rent rate were a reference to that rate increased by the percentage specified in the direction;
  - (c) a direction that Part 1 is to have effect in relation to a local authority specified in the direction as if paragraph 1(4)(c) or (5)(c)—
    - (i) were omitted,
    - (ii) required the lesser reduction specified in the direction, or
    - (iii) required the increase specified in the direction;
  - (d) a direction that Part 1 is to have effect in relation to a local authority specified in the direction as if—
    - (i) in paragraph 3(5), “reduced by 1%” were omitted,
    - (ii) paragraph 3(5) required the lesser reduction specified in the direction, or
    - (iii) paragraph 3(5) required the increase specified in the direction.

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- (9) The Secretary of State may specify in a direction—
  - (a) the period during which it is to have effect, and
  - (b) the social housing in relation to which it is to have effect.
- (10) The condition in this sub-paragraph is that the Secretary of State considers that the local authority would be unable to avoid serious financial difficulties if it were to comply with Part 1.
- (11) The condition in this sub-paragraph is that the circumstances of the local authority satisfy requirements prescribed in regulations by the Secretary of State.
- (12) The Secretary of State may publish a document about the measures that the Secretary of State considers could be taken by a local authority in order to comply with Part 1 and to avoid serious financial difficulties.

### **PART 3**

#### **GENERAL**

##### *Regulations*

- 7 (1) Regulations under this Schedule must be made by statutory instrument.
- (2) A statutory instrument containing regulations under this Schedule is subject to annulment in pursuance of a resolution of either House of Parliament.

##### *Guidance*

- 8 (1) The Secretary of State may issue guidance about determining, for the purposes of paragraph 1(5)(a)(iii) or (iv), what rate of rent is likely to have been payable by a tenant of particular social housing at a particular time.
- (2) Registered providers must have regard to guidance issued under sub-paragraph (1).

##### *Interpretation*

- 9 (1) In this Schedule “the relevant day”, in relation to social housing, means—
  - (a) 8 July 2015, or
  - (b) if the Secretary of State consents to the use of a different day (“the permitted review day”) in the case of that social housing, the permitted review day.
- (2) A consent given for the purposes of sub-paragraph (1) may be a consent given for a particular case or for a description of cases.