

EXPLANATORY MEMORANDUM TO
THE INCOME-RELATED BENEFITS (SUBSIDY TO AUTHORITIES)
AMENDMENT ORDER 2006

2006 No. 54

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 The Income-related Benefits (Subsidy to Authorities) Amendment Order 2006 contains the amendments which are required to meet changes to the calculation and payment of subsidy for local authority expenditure on rent allowances, rent rebates, rent rebates for tenancies outside the Housing Revenue Account (HRA) and for council tax benefit.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Background

4.1 This Order amends the Income-related Benefits (Subsidy to Authorities) Order 1998 which provides for subsidy to be payable to local authorities administering housing benefit and council tax benefit. Regular amendments are made each year to meet changing circumstances and policy.

4.2 The Order is made retrospectively, and enables final payments of subsidy to be paid after the Order is made. Prior to the Order being made, local authorities are paid interim amounts of subsidy.

5. Extent

5.1 This instrument applies to Great Britain.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 Local authorities have a statutory duty to administer and pay claims for both housing benefit and council tax benefit. Subsidy is paid to reimburse them for both the actual benefit that they pay, and the administration involved in processing and maintaining claims. Policies have been set to encourage local authorities to be proactive in reducing fraud and error within such claims.

- 7.2 In advance of the financial year, officials consult with representatives of the local authorities and formally notify them of the arrangements for the forthcoming year. During the year, subsidy is paid by instalments, and final (balancing) payments are made after the year has ended following the laying of the relevant amendment Order which sets out the financial arrangements.
- 7.3 In September 2002, Ministers gave their agreement to the transfer to DWP of all housing benefit and council benefit subsidy funding from the Office of the Deputy Prime Minister, National Assembly for Wales and Scottish Executive from April 2004. The integration of the various aspects of subsidy funding called for a review, to produce a common system. This also provided the opportunity to carry out a wide ranging review of DWP's own subsidy rules. The review was completed by November 2003 and the changes were introduced in April 2004. DWP consulted extensively and worked in partnership with the local authority associations and other government departments during the review.
- 7.4 The outcome of the subsidy review and the associated transfers of funding, is that the DWP are responsible for funding local authorities for the payments of housing benefit and council tax benefit they make, replacing a complex set of arrangements whereby funding came from various different sources.
- 7.5 Since April 2004 subsidy has been paid at the rate of 100% to local authorities to reimburse them for correctly paid rent allowance, rent rebate and council tax benefit. Other amendments included in this Order are:
- increased subsidy for all properly backdated housing benefit/council tax benefit claims from 50% to 100%,
 - an incentive for local authorities to reduce levels of local authority error overpayments,
 - paying local authorities a contribution in recognition of discretionary local schemes for war pensions disregards,
 - to cushion the impact of implementing the subsidy reform package DWP introduced a transitional protection scheme.
- 7.6 The Order also makes a variety of minor amendments to the principal Order.
- 7.7 In addition to the consultation with the Local Authority Associations at the time of the review, the draft of these regulations has also been subject to consultation with the Local Authority Associations.

8. Impact

- 8.1 A full regulatory impact assessment has not been produced for this instrument as it has no impact on the cost of business.
- 8.2 The impact on the public sector is nil.

9. Contact

Andrew Curphey at the Department for Work and Pensions (Tel: 0207 712 2547 or e-mail: Andrew.Curphey@dwp.gsi.gov.uk) can answer any queries regarding the instrument.