

**EXPLANATORY MEMORANDUM TO**  
**THE RENT OFFICERS (HOUSING BENEFIT AND UNIVERSAL CREDIT**  
**FUNCTIONS) (AMENDMENT) ORDER 2020**

**2020 No. 27**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

**2. Purpose of the instrument**

- 2.1 This instrument provides for Local Housing Allowance (LHA) rates to be increased by 1.7% in line with the Consumer Price Index (CPI) of annual inflation, up to a maximum of the 30<sup>th</sup> percentile of rents for private rented sector tenants in receipt of housing benefit or the housing element of universal credit. This change also allows for a 1.7% CPI increase to the national maximum LHA “caps”.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Joint Committee on Statutory Instruments*

- 3.1 This instrument has breached the 21-day rule due to the reduced Parliamentary sitting time as result of the General Election. The instrument must come into force before the last working day of January which is when rent officers must calculate and publish the new LHA rates that will be effective from April 2020.

*Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)*

- 3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

**4. Extent and Territorial Application,**

- 4.1 The territorial extent of this instrument is England and Wales, and Scotland.
- 4.2 The territorial application of this instrument is Great Britain.
- 4.3 Corresponding provisions will be made for Northern Ireland.

**5. European Convention on Human Rights**

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

**6. Legislative Context**

LHA Rates

- 6.1 The method by which Rent Officers determine the LHA rates and when they do this is set out in the Rent Officers (Housing Benefit Functions) Order 1997 (S.I. 1997/1984)<sup>1</sup>, the Rent Officers (Housing Benefit Functions) Scotland Order 1997 (S.I. 1997/1995)<sup>2</sup> and the Rent Officers (Universal Credit Functions) Order 2013 (S.I. 2013/382)<sup>3</sup> (collectively referred to as the “Rent Officers Orders”).
- 6.2 The Government took steps to freeze LHA rates through amendments to the Rent Officers Order<sup>4</sup>, following the announcement at the Summer Budget 2015<sup>5</sup>. This instrument now delivers an increase in LHA rates for 2020.

## 7. Policy background

### *What is being done and why?*

#### LHA Rates

- 7.1 The Local Housing Allowance (LHA) scheme was introduced in 2008 as a way of calculating the maximum amount of Housing Benefit (HB) and the housing element of Universal Credit payable for tenants in the private rented sector. It applies to the majority of tenants claiming HB and all tenants claiming UC in that sector.
- 7.2 At the Summer Budget of 2015 it was announced that LHA rates would be frozen for four years. This announcement was part of a package of welfare reforms to make it fairer for the tax payer whilst continuing to support the most vulnerable. During the period April 2016 to April 2020 LHA rates were frozen at either the April 2015 rate or set at the 30<sup>th</sup> percentile of local rates, whichever was the lower.
- 7.3 The Government recognised that freezing LHA rates would have different effects across the county as rents in some areas may increase at different rates. In view of this, they committed to use a proportion of the savings from the freeze to create Targeted Affordability Funding. This funding was used to increase those LHA rates that had diverged the most from the 30<sup>th</sup> percentile of local rents. Initially this funding was based on 30% of the savings from the freeze but following the Autumn Budget 2017 this was increased to 50%. The freeze to LHA has now ended and this SI sets out how we intend to increase LHA rates from April 2020.
- 7.4 From April 2020 LHA rates will be set at the lower of:
- The 30<sup>th</sup> percentile of local rents;
  - The previous LHA rate uprated by 1.7% - the CPI inflation published the previous September, or;
  - The maximum local housing allowance (national cap).

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<sup>1</sup> <http://www.legislation.gov.uk/ukSI/1997/1984>

<sup>2</sup> <http://www.legislation.gov.uk/ukSI/1997/1995>

<sup>3</sup> <http://www.legislation.gov.uk/ukSI/2013/382>

<sup>4</sup> <http://www.legislation.gov.uk/ukSI/2015/1753>

<sup>5</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/443232/50325\\_Summer\\_Budget\\_15\\_Web\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443232/50325_Summer_Budget_15_Web_Accessible.pdf)

- 7.5 Increasing LHA rates by CPI ensures that most customers in the private rented sector paid within the LHA scheme will receive an increase in their LHA rate in 2020, unless their LHA rate is already at the 30 percentile of local rents.
- 7.6 This instrument also sets out the increases to the maximum LHA levels or national “caps”<sup>6</sup> which will all be increased by CPI (1.7%). This will ensure all rates that are currently capped at the maximum levels will receive a CPI increase.
- 8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union**
- 8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act
- 9. Consolidation**
- 9.1 Informal consolidated text of instruments is available to the public free of charge via ‘The National Archive’ website [www.legislation.gov.uk](http://www.legislation.gov.uk)
- 10. Consultation outcome**
- 10.1 Amendments to the Rent Officers Orders are exempt from formal referral to the Social Security Advisory Committee; however, we have notified the committee of our plans.
- 10.2 Rent officers were consulted about the changes and provided with an opportunity to comment on the draft legislation but were, following consultation, content with the amendments made.
- 11. Guidance**
- 11.1 No guidance will be issued by the Department. Rent Officers update their own guidance as appropriate. Local Authority and Universal Credit administration will not be directly affected by the amendments to the Rent Officers Orders but the Department will notify them of the changes in the usual way.
- 12. Impact**
- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is no, or no significant, impact on the public sector. There are no impacts on Local Authority systems or DWP systems and we will notify the relevant authorities accordingly when the new LHA rates are due to be published.
- 12.3 An Impact Assessment has not been prepared for this instrument because it has no impact on the private sector.
- 13. Regulating small business**
- 13.1 The legislation does not apply to activities that are undertaken by small businesses.

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<sup>6</sup> The LHA national “caps” were introduced in 2011 as one of the reforms to the LHA scheme to limit the amount of HB which could be paid.

**14. Monitoring & review**

- 14.1 The Department is continuing to monitor the LHA rates and the local market rents. Rent officers will publish the 30<sup>th</sup> percentile of market rents and the new LHA rates on 31<sup>st</sup> January 2020.

**15. Contact**

- 15.1 Please contact Kelly Flett at the Department for Work and Pensions via email: [correspondence.housingbenefitenquires@dwp.gov.uk](mailto:correspondence.housingbenefitenquires@dwp.gov.uk) if you have any queries regarding this instrument.
- 15.2 Natalie Keogh, Deputy Director for Housing Policy, at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Minister for Welfare Delivery at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.