

**EXPLANATORY MEMORANDUM TO**  
**THE INCOME-RELATED BENEFITS (SUBSIDY TO AUTHORITIES)**  
**AMENDMENT ORDER 2020**

**2020 No. 976**

**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.

**2. Purpose of the instrument**

- 2.1 This instrument amends the Income-related Benefits (Subsidy to Authorities) Order 1998 ([S.I. 1998/562](#)) (“the 1998 Order”) which makes provision for claims for, and the calculation and payment of, Housing Benefit subsidy.

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

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

- 3.1 None

*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 England, Wales and Scotland.

**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**

- 6.1 This Order amends the 1998 Order which provides for subsidy to be payable to Local Authorities (LAs) towards their costs for administering Housing Benefit. Amendments are made each year to the 1998 Order to meet changing circumstances and policy.  
6.2 Article 3 of, and Schedule 1 to, this Order prescribe the amounts of subsidy paid to LAs towards those costs for the 2019-20 financial year. These amounts have already been paid to LAs in instalments throughout that year. The making of this Order enables LAs’ final audited claims for subsidy to be finalised and settled.

## 7. Policy background

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

- 7.1 Local Authorities (LAs) have a statutory duty to administer and pay claims for Housing Benefit. Subsidy is paid by Department for Work and Pensions (DWP) to reimburse them for both the actual Housing Benefit that they pay and as a contribution towards the administration costs involved in processing and maintaining Housing Benefit claims. Additional payments encourage LAs to be active in reducing fraud and error in such claims.
- 7.2 In advance of the relevant financial year, DWP officials consult representatives of the LAs and subsequently notify them of arrangements for the forthcoming year. During the year subsidy is paid in instalments. Final audited claims are settled after the year has ended, following laying of this Amendment Order, which sets out the financial arrangements. Amendments to the 1998 Order can be made before, during or after the year to which they relate<sup>1</sup>.

### *Amendments having effect for the purpose of determining the subsidy payable for the year beginning 1 April 2019*

- 7.3 Article 3 and Schedule 1 set out the amounts of subsidy due to each LA for that year towards their costs for administering Housing Benefit. A new Schedule 1 is inserted into the 1998 Order each year making provision for this. The amounts of subsidy are different for each LA and are calculated based on methodologies agreed with Local Authority Associations (LAAs).

### *Amendments having effect for the purpose of determining the subsidy payable for the year beginning 1 April 2020*

- 7.4 The amendments in Article 4 are made with a view to encouraging LAs in Wales to control rent rebate expenditure and the level of rent increases for 2020-21. The Rent Rebate Subsidy Limitation scheme is dis-applied for authorities in England from 1 April 2020 and the amendments in this article removes reference to those authorities. These amendments provide that the Rent Rebate Subsidy Limitation applies only to LAs in Wales. When a LA in Wales increases its average weekly rent above the limit set out in this instrument, they are liable to receive reduced subsidy on their Housing Benefit rent rebate expenditure for the relevant financial year. The rent limits are set each year in Wales by the Welsh Government.
- 7.5 Specifically, Article 4(2) amends the rent proportion figure in Wales from 0.66 to 0.574. This figure is used in part of the calculation to limit subsidy payable on high rents.
- 7.6 Article 4(2)(e) and Schedule 3 prescribe the table detailing the 2020-21 weekly rent limits for Wales.
- 7.7 From 2018, additional payments of subsidy have been paid to LAs administering Verify Earnings and Pensions (VEP) alerts relating to the earnings and pension paid to Housing Benefit claimants. The VEP scheme enables LAs to use information provided by DWP, which is received by DWP from HM Revenue and Customs, to

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<sup>1</sup>Section 140F of the [Social Security Administration Act 1992](#) allows for this.

verify the earnings and pension details of those claimants in order to help prevent fraud and error. Most LAs are participating in this scheme.

- 7.8 This Order continues the payments to LAs which are participating in this scheme. Article 5 substitutes paragraph 2 of Schedule 1ZB to the 1998 Order, setting out the additional amounts of subsidy to be paid to LAs participating in the VEP scheme in 2020-21.

## **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 2018.

## **9. Consolidation**

- 9.1 Informal consultation text of instruments is available to the public free of charge via The National Archive website: <http://www.legislation.gov.uk/>.

## **10. Consultation outcome**

- 10.1 Formal targeted consultation regarding this Order has been carried out with Local Authority Associations during June 2020. No adverse comments were received.

## **11. Guidance**

- 11.1 Guidance relating to Housing Benefit subsidy arrangements and administration subsidy for the 2019-20 year was issued in circular S2/2019<sup>2</sup>.
- 11.2 Guidance relating to Rent Rebate Subsidy Limitation for the 2020-21 year was issued in circular S3/2020<sup>3</sup>.
- 11.3 Guidance relating to the Verify Earnings and Pensions scheme for the 2020-21 year was issued in circular S6/2020<sup>4</sup>.
- 11.4 This guidance is directed at housing benefit managers and staff, fraud managers and staff and officers preparing subsidy claims and estimates. This guidance can be accessed on GOV.UK <https://www.gov.uk/government/publications> and is in the form of circulars setting out the amounts to be paid to each Local Authority.

## **12. Impact**

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is no new, significant, impact on the public sector.

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<sup>2</sup> <https://www.gov.uk/government/publications/housing-benefit-subsidy-circulars-2019/s22019-2019-20-housing-benefit-administration-subsidy-arrangements-for-english-scottish-and-welsh-local-authorities>

<sup>3</sup> <https://www.gov.uk/government/publications/housing-benefit-subsidy-circulars-2020/s32020-rent-rebate-subsidy-limitation-information-2020-21>

<sup>4</sup> <https://www.gov.uk/government/publications/housing-benefit-subsidy-circulars-2020/s62020-verify-earnings-and-pensions-alerts-service-2020-21-payments>

12.3 An Impact Assessment has not been prepared for this instrument because the instrument relates to an annual process of allocating and reconciling subsidies to Local Authorities.

### **13. Regulating small business**

13.1 The legislation does not apply to activities that are undertaken by small businesses.

### **14. Monitoring & review**

14.1 The approach to monitoring of this legislation is Department for Work and Pensions (DWP) meets with Local Authority and Local Authority Associations representatives at regular intervals throughout the year to discuss new, and review ongoing, policy and financial matters relating to Housing Benefit. Any issues of major concern are brought to the attention of DWP Ministers.

14.2 DWP is also committed to monitoring the impacts of its policies and to establishing the extent to which those policies have met their objectives.

### **15. Contact**

15.1 Carly Dykes at the DWP, Telephone: 0113 2089957 or email: Carly-Joanne.Dykes@dwp.gov.uk can be contacted with any queries regarding the instrument.

15.2 Clare Elliott, Head of Local Authority Partnership, Engagement and Delivery division at the DWP can confirm that this Explanatory Memorandum meets the required standard.

15.3 Will Quince, Parliamentary Under-Secretary for State (Minister for Welfare Delivery) can confirm that this Explanatory Memorandum meets the required standard.