EXPLANATORY MEMORANDUM TO

THE HOUSING BENEFIT (EARNED INCOME DISREGARDS) (AMENDMENT) REGULATIONS 2026

2026 No. 753

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 His Majesty.

2. Declaration

2.1 Sir Stephen Timms MP, Minister for Social Security and Disability at the Department for Work and Pensions confirms that this Explanatory Memorandum meets the required standard.

2.2 Libby Cooklin, Deputy Director for Housing Division, at the Department for Work and Pensions confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Joanne Bell at the Department for Work and Pensions can be contacted by email at the following address with any queries regarding the instrument: HOUSING.POLICYENQUIRIES@DWP.GOV.UK.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 These regulations make amendments to The Housing Benefit Regulations 2006[1] by introducing five targeted earned income disregards for working-age residents living in Supported Housing and Temporary Accommodation.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England, Wales, and Scotland.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England, Wales, and Scotland.

5. Policy Context

What is being done and why?

5.1 The amendments introduce new earned income disregards for those who live in Supported Housing[2] and Temporary Accommodation.[3]

5.2 Low income working-age residents in Supported Housing and Temporary Accommodation receive housing support through Housing Benefit and receive

[1] https://www.legislation.gov.uk/uksi/2006/213/contents
[2] https://www.legislation.gov.uk/uksi/2013/376/schedule/1/paragraph/3A
[3] https://www.legislation.gov.uk/uksi/2013/376/schedule/1/paragraph/3B

Universal Credit to support their daily living costs. This will remain the case once the move to Universal Credit is complete. As a result, claimants in general needs accommodation receive support for their housing costs through Universal Credit, while claimants living in Supported Housing or Temporary Accommodation continue to receive Housing Benefit for housing costs.

5.3 The interaction between Housing Benefit and Universal Credit creates a work disincentive when an individual's Universal Credit award reduces to zero as they work more and increase their earnings. This causes Housing Benefit to become means tested and may result in overall loss of income during the transition from getting both benefits to only receiving Housing Benefit. This drop in income is referred to as the 'cliff-edge.'

5.4 This 'cliff-edge' was raised in the Work and Pensions Committee's Eighth Report Plans for Jobs and Employment Support[4] which was published in July 2023. It had also been raised by stakeholders, MPs on behalf of their constituents and DWP staff.

5.5 Around 300,000 households claiming Housing Benefit live in Supported Housing or Temporary Accommodation and face greater challenges when transitioning into work, in comparison to those who reside in 'general needs' accommodation and receive the housing element of Universal Credit rather than Housing Benefit.

5.6 At the Autumn Budget[5] in November 2025, the Government announced the introduction of new earned income disregards in Housing Benefit for residents in Supported Housing and Temporary Accommodation.

5.7 The earnings disregard is calculated to offset the reduction in household income that arises when a claimant moves from receiving Universal Credit support into a position where Housing Benefit entitlement is assessed based on earnings.

5.8 The calculation considers the level of earnings required for a claimant to no longer be entitled to the Universal Credit standard allowance. It then compares this earnings level with the combined value of the basic Housing Benefit earnings disregard and the applicable Housing Benefit personal allowance.

5.9 The difference between these amounts determines the additional earnings disregard required within Housing Benefit to smooth the transition and reduce the financial disincentive to enter work or increase hours.

5.10 These reforms aim to reduce the financial cliff edge currently faced by working age claimants in Supported Housing and Temporary Accommodation. This ensures the system better supports those seeking work or increasing their hours to earn more. The amendments to Housing Benefit regulations will improve this systemic issue. This supports the Government's ambition to ensure that work pays[6].

What was the previous policy, how is this different?

5.11 Whilst in receipt of any amount of Universal Credit, the claimant is entitled to full Housing Benefit. However, once Universal Credit entitlement ceases, Housing Benefit is means tested based upon income and capital, and future awards are calculated using the Housing Benefit rules.

[4] https://committees.parliament.uk/work/1697/plan-for-jobs-and-employment-support/publications/reports-responses/
[5] https://assets.publishing.service.gov.uk/media/692872fd2a37784b16ecf676/Budget_2025-Policy_Costings.pdf
[6] https://www.gov.uk/government/collections/make-work-pay

5.12 Housing Benefit treatment of earnings rules[7] are less generous than those of Universal Credit. Those who are already working and incrementally increase their hours may experience a drop in their weekly income at the point of transition from receiving Universal Credit and Housing Benefit to Housing Benefit only. This may result in a significant drop in income.

5.13 By adjusting how earnings are treated in Housing Benefit, the new earned income disregards will enable most claimants to retain more of their income as they progress in employment, supporting smoother transitions between Universal Credit and Housing Benefit and greater financial independence. The level of financial gain will vary depending on individual circumstances and may be lower for those with higher total award.

6. Legislative and Legal Context

How has the law changed?

6.1 The new earned income disregards will apply to both existing and new Housing Benefit claimants residing in Supported Housing or Temporary Accommodation from 5 October 2026.

6.2 To achieve this, the amendments will add a new paragraph (18) in Schedule 4 of the HB Regulations 2006[8], which sets out the amounts to be disregarded when calculating earnings, and makes changes to existing provisions on the treatment of earnings for employed earners and self-employed earners. The new disregards will operate consistently across different types of working age claimants and claim status. The values of the new disregards will be annually reviewed to align with any uprating of Universal Credit as well as any future changes made to the Universal Credit taper.

6.3 Under the Social Security Administration Act 1992, the Secretary of State for the Department for Work and Pensions is required to conduct an annual review of benefit and state pension rates to assess whether they have maintained their value relative to overall price levels and earnings. This obligation is specified in section 150 of the Social Security Administration Act 1992[9].

Why was this approach taken to change the law?

6.4 The Government recognises that Supported Housing and Temporary Accommodation serve groups with more complex needs and more varied living arrangements than those in general needs accommodation. These settings operate differently in how support is provided and how housing costs are met and have therefore historically been supported through tailored arrangements outside the Universal Credit Housing Element. This measure addresses a specific work disincentive within the existing framework. The Government will continue to keep the longer-term approach to providing housing support for residents of Supported Housing and Temporary Accommodation under review, to ensure it remains responsive to the needs of these groups.

6.5 As a result of the nature of the current interaction between Universal Credit and Housing Benefit, the scale of the financial disincentive is dependent on an individual or couple's Universal Credit award - based on their age, claim status and personal

[7] https://www.legislation.gov.uk/uksi/2006/213/schedule/4
[8] https://www.legislation.gov.uk/uksi/2006/213/schedule/4
[9] https://www.legislation.gov.uk/ukpga/1992/5/section/150

circumstances. This change does not remove all differences between Universal Credit and Housing Benefit for all claimants in all circumstances.

6.6 In developing the new earned income disregards, our goal was to ensure people in Supported Housing and Temporary Accommodation had a similar customer experience to those in general needs accommodation, who receive housing support through the Universal Credit Housing Element. The new earned income disregards have been designed to better align when Universal Credit rolls off occurs, smoothing the transition between the two benefit systems. This approach provides proportionate work incentives to those delivered through Universal Credit's single taper, so that affected claimants can retain more of their earnings as they increase their hours and progress in work.

7. Consultation

Summary of consultation outcome and methodology

7.1 The Department has engaged with external stakeholders representing residents, homelessness charities, and specialist housing providers. Stakeholders such as St Mungo's, Centrepoint, Cardinal Hume Centre, Crisis, BHT Sussex, YMCA and Your Place have regularly raised concerns about the Housing Benefit "cliff edge" and its impact on work incentives for affected claimants.

7.2 Engagement has taken place through our stakeholder forums, direct bilateral meetings, and contributions to Parliamentary evidence sessions. These organisations provided operational insight, case studies and analysis illustrating how the current interaction between Housing Benefit and Universal Credit can discourage employment among residents in Supported Housing and Temporary Accommodation.

7.3 Stakeholders expressed broad support for action to improve work incentives and welcomed the Department's proposal to introduce targeted earned income disregards. Their feedback has informed the policy development process, particularly around claimant groups most affected and the practical issues faced by providers.

7.4 Engagement with wider representative bodies, including National Housing Federation and Homeless Link, continues to ensure consideration of delivery implications for local authorities and housing providers, although some organisations had not previously raised this specific issue directly.

7.5 No formal public consultation was undertaken as the measure responds to operational issues already well-evidenced through sustained stakeholder engagement, Parliamentary scrutiny and the Work and Pensions Committee in 2023[10]. The Department considers that the engagement outlined above has provided sufficient evidence to inform the development of the amendment to Housing Benefit regulations.

7.6 The Department has a statutory duty to consult the Local Government Association on amendments to Housing Benefit regulations that concern local authorities. The Local Government Association were content with this instrument and did not share any comments with the Department.

7.7 In accordance with section 170(3) of the Social Security Administration Act 1992[11] the Department presented a draft of the instrument to the Social Security Advisory

[10] https://committees.parliament.uk/publications/41775/documents/206946/default/
[11] https://www.legislation.gov.uk/ukpga/1992/5/section/170

Committee on 22 April 2026. The committee did not take the regulations on formal reference. The minutes of the meeting will be published on GOV.UK.[12]

8. Applicable Guidance

8.1 The Department will publish an adjudication circular providing relevant guidance for local authority staff before the instrument comes into force. Adjudication circulars[13] on Housing Benefit for local authorities can be found on GOV.UK.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because it has no, or no significant, impact on business or the public sector.

Impact on businesses, charities, and voluntary bodies

9.2 There is no, or no significant, impact on business, charities, or voluntary bodies. Some charities and voluntary organisations have lobbied for this change.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector. Local authorities will be required to include the new Supported Housing and Temporary Accommodation earnings disregards within their Housing Benefit systems to support delivery. This automated IT change does not add any new administrative burdens for local authorities.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is for the Department to monitor the impacts of the new rules on an ongoing basis, using internal Housing Benefit and Real Time Information administrative data and will be commissioning independent mixed-methods research as part of the Department's evaluation strategy to understand the ongoing impacts of the policy.

10.2 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

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

[12] https://www.gov.uk/government/collections/social-security-advisory-committee-minutes-of-meetings
[13] https://www.gov.uk/government/collections/housing-benefit-for-local-authorities-circulars

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").