EXPLANATORY MEMORANDUM TO

THE INCOME-RELATED BENEFITS (SUBSIDY TO AUTHORITIES) AMENDMENT ORDER 2026

2026 No. 1079

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 Clare Elliott, Deputy Director, Local Authority Partnership, Engagement and Delivery division at the Department for Work and Pensions confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 David Ormond at the Department for Work and Pensions can be contacted by email at the following address with any queries regarding the instrument: David.Ormond@dwp.gov.uk. Alternatively, the department can be contacted by telephone: 0300 082 6872.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument amends the Income-related Benefits (Subsidy to Authorities) Order 1998[1] ("the 1998 Order") which makes provision for the claims for, and the calculation and payment of, Housing Benefit Subsidy.

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 Each year, Local Authorities (LAs) have a legal duty to administer and pay claims for Housing Benefit. A subsidy is paid by the 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.

[1] https://www.legislation.gov.uk/uksi/1998/562/contents

What was the previous policy, how is this different?

5.2 In advance of each relevant financial year, including the financial years ending 2026 and 2027, DWP officials consult representatives of local authorities and subsequently notify them of the arrangements for the forthcoming year. During the year, subsidy is paid in instalments. Final audited claims are settled after the year has ended, following the coming into force of the Income-Related Benefits (Subsidy to Authorities) Amendment Order which sets out the financial arrangements for the relevant year. For the financial years ending 2026 and 2027, this will be the Income-related Benefits (Subsidy to Authorities) Amendment Order 2026 ("the 2026 Amendment Order").

5.3 Article 4 of the 2026 Amendment Order revokes provisions relating to the payment of additional funding for administering the Verify Earnings and Pensions ("VEP") Alerts Service. Until April 2025, additional funding was paid to LAs to administer the VEP Alerts Service. This funding has now been absorbed into the Housing Benefit Administration Subsidy and is no longer paid as a separate amount.

5.4 Article 5 and the Schedule to the 2026 Amendment Order set out the amounts of subsidy due to each LA for the financial year beginning 1 April 2025 towards their costs for administering Housing Benefit. Schedule 1 of the 1998 Order is substituted each year to make provision for this. The amounts of subsidy are different for each LA and are calculated based on methodologies agreed with Local Authority Associations (LAAs).

5.5 Article 6 updates Schedule 1ZC to the 1998 Order to prescribe additional amounts of subsidy payable to LAs for the Housing Benefit Award Accuracy Initiative from 1 April 2025, which requires LAs to carry out specific actions on cases to improve award accuracy.

5.6 Article 7 amends Schedule 4A to the 1998 Order to update the rent rebate proportion figure from 0.369 to 0.332 and provides specified amounts for each LA in Wales with social housing stock. These figures are used in part of the calculation to limit subsidy payable on high rents. This regime was introduced in 2003 to encourage LAs in Wales to control rent rebate expenditure and the level of rent increases.[2] When an LA in Wales increases its average weekly rent above the relevant 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.

6. Legislative and Legal Context

How has the law changed?

6.1 The 2026 Amendment Order amends and updates the 1998 Order by revising the annual amounts that the DWP pays to LAs in Great Britain for administering Housing Benefit in their respective areas. This 2026 Amendment Order also provides for any policy changes which affect Housing Benefit subsidy.

6.2 Article 3 ensures that the 1998 Order refers to the up-to-date version of the Housing Benefit Assurance Process,[3] which is a DWP framework used to assure Housing Benefit subsidy is paid by LAs in accordance with relevant legislation.

6.3 Article 4 reflects changes to the funding of the VEP Alerts Service. For relevant years beginning on or after 1 April 2025, VEP alerts service funding will be included in the

[2] https://www.legislation.gov.uk/ukpga/2003/26/contents
[3] https://www.gov.uk/government/publications/housing-benefit-assurance-process-hbap

Housing Benefit Administration Subsidy amounts, and no separate amount will be paid.

6.4 Figures for the average rent limits for Wales have also been updated for the relevant year beginning on 1 April 2026 (see paragraph 5.6 of this memorandum and article 7 of the 2026 Amendment Order).

Why was this approach taken to change the law?

6.5 This is a routine annual Amendment Order used to update subsidy amounts and make any relevant policy changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 Formal targeted consultation regarding this Order has been carried out with Local Authority Association (LAA) representatives during July 2026. All responses received agreed with the 2026 Amendment Order; no adverse comments have been received.

8. Applicable Guidance

8.1 Relevant guidance is set out at paragraphs 8.2, 8.3 and 8.4 below and can be accessed on GOV.UK. It is in the form of circulars setting out the amounts to be paid to each LA. This guidance is provided for Housing Benefit managers and staff, fraud managers and staff and officers preparing subsidy claims and estimates.

8.2 Guidance relating to Housing Benefit Administration Subsidy for the Financial Year Ending (FYE) 2026 was issued in circular S2/2025.[4]

8.3 Guidance relating to the Housing Benefit Award Accuracy Initiative for the FYE 2026 was issued in circular A7/2025.[5]

8.4 Guidance relating to Rent Rebate Subsidy Limitation (Wales Only) for the FYE 2027 year was issued in circular S3/2026.[6]

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because this instrument relates to an annual process of allocating and reconciling subsidies to LAs, with a low-level impact.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because current legislation relates to the reconciling and allocating of subsidies to LAs to ensure the 1998 Order is updated annually with the correct information.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because current legislation does not impact how, or to whom the payment of Housing Benefit is made.

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[4] https://www.gov.uk/government/publications/housing-benefit-subsidy-circulars-2025/s22025-housing-benefit-administration-subsidy-arrangements-for-english-scottish-and-welsh-local-authorities-for-the-financial-year-ending-march-202

[5] https://www.gov.uk/government/publications/housing-benefit-adjudication-circulars-2025/a72025-housing-benefit-award-accuracy-initiative-for-the-financial-year-ending-march-2026

[6] https://www.gov.uk/government/publications/housing-benefit-subsidy-circulars-2026/s32026-rent-rebate-subsidy-limitation-information-for-the-financial-year-ending-march-2027-wales-only

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that the DWP meets with representatives from the LA and LA Associations 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.

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.

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").