EXPLANATORY MEMORANDUM TO

THE RENT OFFICERS (HOUSING BENEFIT AND UNIVERSAL CREDIT FUNCTIONS) (AMENDMENT) ORDER 2024

2024 No. 11

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. Purpose of the instrument

2.1 This instrument amends how Rent Officers will determine Local Housing Allowance (LHA) rates from 31 January 2024. It provides for LHA rates from April 2024 to be set at the 30th percentile of market rents with increased national caps. The amendment also ensures that no revised LHA rates will be lower than they were in 2023/24.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is Great Britain.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is Great Britain.

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 Each year Rent Officers at the Valuation Office Agency (VOA) and Rent Services for Scotland and Wales determine LHA rates for the coming financial year. The method by which they do this is set out in the Rent Officers (Housing Benefit Functions) Order 1997 (S.I. 1997/1984)[1], the Rent Officers (Housing Benefit Functions) Scotland Order 1997 (S.I. 1997/1995)[2] and the Rent Officers (Universal Credit Functions) Order 2013 (S.I. 2013/382)[3] (collectively referred to as the "Rent Officers Orders").

6.2 In March 2020, as part of the response to Covid-19, the Government amended the Rent Officers Orders by regulation 4 of the Social Security (Coronavirus) (Further Measures) Regulations 2020 (S.I. 2020/371)[4] to increase LHA rates to the lower of

[1] https://www.legislation.gov.uk/uksi/1997/1984
[2] https://www.legislation.gov.uk/uksi/1997/1995
[3] https://www.legislation.gov.uk/uksi/2013/382
[4] https://www.legislation.gov.uk/uksi/2020/371

the 30th percentile of market rents from 1st April 2020 and the revised maximum Local Housing Allowance (LHA) for the relevant category of dwelling or accommodation (the national caps). In 2021 the legislation was modified to temporarily freeze LHA rates for 2021/22 (The Rent Officers (Housing Benefit and Universal Credit Functions) (Modification) Order 2020) (S.I. 2020/1519)).[5] The freeze was continued for 2022/23 (The Rent Officers (Housing Benefit and Universal Credit Functions) (Amendment and Modification) Order 2021)(S.I. 2021/1380))[6] and 2023/24 (The Rent Officers (Housing Benefit and Universal Credit Functions) (Modification) Order 2023) (S.I. 2023/6))[7] and so rates were maintained at the same cash levels.

6.3 On 22 November 2023 the Chancellor announced in the Autumn Statement that the Government will raise LHA rates in Great Britain to the 30th percentile of local market rates in April 2024.[8] This instrument delivers that commitment for 2024/25.

7. Policy background

What is being done and why?

7.1 The LHA scheme was introduced in 2008 as a fair and transparent way of calculating the maximum amount of Housing Benefit (HB) for claimants living in the private rented sector. From 2013 LHA rates have also been used to calculate the housing element of Universal Credit (UC) for claimants who are privately renting.

7.2 The scheme ensures that claimants in similar circumstances living in the same area are entitled to the same maximum rent allowance, regardless of the contractual rent paid. LHA is intended to provide a reasonable level of support towards rental costs and is not intended to cover all rents in all areas.

7.3 Across Great Britain there are 192 Broad Rental Market Areas (BRMA), each with five size categories of dwelling or accommodation: a shared dwelling or accommodation rate and one, two, three and four bedroom rates.

7.4 The Secretary of State has committed to reviewing the level of LHA rates annually.

7.5 The rates were last increased in April 2020, as part of the response to the Covid-19 pandemic. The Government amended the Rent Officers Orders to increase LHA rates to the lower of the 30th percentile of market rents and the revised maximum LHA for the relevant category of dwelling or accommodation (the national caps). In 2021/22, 2022/23 and 2023/24 the rates were maintained at the same cash levels.

7.6 The cost of renting has increased significantly since LHA rates were last increased. Increasing the LHA to the 30th percentile of market rents will make housing more affordable for private renters who receive housing support through social security benefits. This significant investment will ensure 1.6 million private renters in receipt of HB or UC will gain on average nearly £800 per year in additional help towards their rental costs in 2024/25.

7.7 Indicative LHA rates have been published alongside this explanatory memorandum using 2022/23 market rental data, compiled for the 12 months ending on 30 September 2023 and provided by the Valuation Office Agency (VOA) and Rent

[5] https://www.legislation.gov.uk/uksi/2020/1519
[6] https://www.legislation.gov.uk/uksi/2021/1380
[7] https://www.legislation.gov.uk/uksi/2023/6
[8] https://www.gov.uk/government/publications/autumn-statement-2023

Services for Scotland and Wales in October 2023. These rates will be confirmed once the legislation comes into force.

7.8 The policy intention is that no Local Housing Allowance (LHA) rate will decrease because of this measure. The 2022/23 market rental data show that at least one 2023/24 LHA rate is higher than it would be if the 30th percentile of the 2022/23 data is used. An amendment is being inserted into the legislation to ensure that no claimant has their LHA rate reduced.

7.9 For those who still face a shortfall in meeting their housing costs and need further support, Discretionary Housing Payments (DHPs) are available from local authorities. DHPs can be paid to those entitled to Housing Benefit or the housing element of Universal Credit who face a shortfall in meeting their housing costs. Local authorities administer the Discretionary Housing Payments scheme as they are best placed to make informed judgements about relative priorities and needs in their area to ensure that the most vulnerable are supported and the funds are targeted effectively. Since 2011 the Government has provided nearly £1.7 billion in DHP funding to local authorities.

Explanations

What did any law do before the changes to be made by this instrument?

7.10 The current legislation was amended in March 2020, and instructs Rent Officers at the Valuation Office Agency (VOA) and Rent Services for Scotland and Wales to determine Local Housing Allowance (LHA) rates on the last working day in January.

7.11 The legislation instructs Rent Officers to set the rates at the lower of the 30th percentile of local market rents compiled for the 12 months ending on 30 September preceding the date of the determination and the national caps for each LHA category. The national caps were last set in 2020, based on the 30th percentile of market rents for the highest outer London Broad Rental Market Area (BRMA) as compiled for the 12 months ending on 30 September 2019, plus an additional 20%.

7.12 In 2021/22, 2022/23 and 2023/24 the legislation was temporarily modified to freeze rates at the 2020/21 levels.

Why is it being changed?

7.13 The amendments of this instrument apply for the purposes of determining LHA rates in 2024/25.

7.14 If the Order is not made, the national caps will remain at the levels set in March 2020. Latest rental data show that the Outer London rates have increased and so the national caps should be uprated to ensure that claimants living in central and inner London will see an increase to their LHA rates.

What will it now do?

7.15 An amendment in this Order provides that from April 2024, new national caps will be inserted into the legislation. These caps are set as a monetary value, calculated using the supplied 2022/23 market rental data at the 30th percentile of market rents for the highest Outer London BRMA for the one, two, three and four bedrooms rates, plus an additional 20%.

7.16 An amendment also inserts a provision which ensures that no revised Local Housing Allowance (LHA) rates will be reduced compared to the last time they were set on 31 March 2020, to ensure that no claimant is worse off by having an LHA rate reduced.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 Informal consolidated text of instruments is available to the public free of charge via 'The National Archives' website.[9]

10. Consultation outcome

10.1 Amendments to the Rent Officers Orders are exempt from formal referral to the Social Security Advisory Committee.

11. Guidance

11.1 Local Authority and Universal Credit administrations will be notified of the changes to the Rent Officers Orders and will be informed of the new rates.

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.

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

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 Department will continue to monitor LHA rates and the local market rents.

14.2 The instrument does not include a statutory review clause.

15. Contact

15.1 Sarah Ventress, Policy Adviser at the Department for Work and Pensions, can be contacted with any queries regarding the instrument by email at Housing.PolicyCorrespondence@dwp.gov.uk.

15.2 Vicki Kennedy, Deputy Director for Housing Policy Directorate, at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.

15.3 Mel Stride MP, Secretary of State at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.

[9] www.legislation.gov.uk