EXPLANATORY MEMORANDUM TO

THE RENT OFFICERS (HOUSING BENEFIT AND UNIVERSAL CREDIT FUNCTIONS) (MODIFICATION) ORDER 2025

2025 No. 5

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

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

3. Contact

3.1 Katie Grogan at the Department for Work and Pensions email: katie.grogan@dwp.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument makes changes to how rent officers will determine Local Housing Allowance (LHA) rates which will apply for 2025/26. It provides for LHA rates in 2025/26 to be maintained at the same levels as applied from April 2024.

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 Great Britain.

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

5. Policy Context

What is being done and why?

5.1 The LHA scheme was introduced in 2008 as a fair and transparent way of calculating the maximum amount of Housing Benefit (HB) for households living in the private rented sector. It applies to most private renters in receipt of Government housing support which means a proportion of tenants claiming HB and all private rented sector tenants claiming housing support in Universal Credit. With LHA being maintained at

current levels and not being increased, there is potential for households to have increased shortfalls between their rents and the relevant Local Housing Allowance (LHA) rate. DWP's most recent data (August 2024) shows 45% of people on Universal Credit (UC) receiving housing support have a shortfall.

5.2 The LHA scheme ensures that people in similar circumstances living in the same area are entitled to the same maximum rent allowance, regardless of the contractual rent paid. LHA is not intended to cover all rents in all areas.

5.3 In 2021/22, 2022/23 and 2023/24, LHA rates were frozen at the 2020/21 levels. In April 2024, LHA rates were restored to the 30th percentile of local market rents for 2024/25. This means the LHA rates were calculated to ensure that the lowest 30% of private rents within each Broad Rental Market Area (BRMA) are affordable for those claiming either Housing Benefit or Universal Credit (subject to LHA national caps or deductions such as the benefit cap). In London, national caps apply to protect the taxpayer from exceptional high rental prices. These were increased to equal maximum LHA rates for outer London, plus an additional 20%, which was consistent to previous calculations of the LHA national caps.

5.4 The Secretary of State for Work and Pensions has reviewed LHA rates for 2025/26 and confirmed in her written ministerial statement, in line with Autumn Budget on 30th October 2024, that rates will be maintained at the same levels as 2024/25. The Secretary of State made the decision within the current challenging fiscal context, including the April 2024 increase which costs £7bn over 5 years. Her consideration also included the impact of rising rents balanced against her priorities on strategies such as Child Poverty and the Long-Term Housing strategy.

5.5 Discretionary Housing Payments (DHPs)[1] administered via local authorities provide additional support for households who need help with their rental costs. DHPs can be used to stabilise tenancies, preventing the need for households to access homelessness services. The 2024 spending review confirmed that £100m is available for local authorities for DHPs for 2025/26.

What was the previous policy, how is this different?

5.6 In 2024/25, the LHA rates were increased to the 30th percentile of market rents. This year rates will be maintained from April 2025 for the year 2025/26 at the same level as 2024/25. The impact on those claiming housing support will vary depending on what is happening to rents in their area and to whether they are maintaining, renewing or moving tenancy.

6. Legislative and Legal Context

How has the law changed?

6.1 This Order makes changes to the following: the Rent Officers (Housing Benefit Functions) Order 1997 (S.I. 1997/1984)[2], the Rent Officers (Housing Benefit Functions) Scotland Order 1997 (S.I. 1997/1995)[3], and the Rent Officers (Universal Credit Functions) Order 2013 (S.I. 2013/382)[4] (collectively referred to as the ''Rent Officers Orders'').

[1] https://www.gov.uk/government/publications/claiming-discretionary-housing-payments/claiming-discretionary-housing-payments
[2] https://www.legislation.gov.uk/uksi/1997/1984
[3] https://www.legislation.gov.uk/uksi/1997/1995
[4] https://www.legislation.gov.uk/uksi/2013/382

6.2 This Order modifies the Rent Officers Orders by instructing Rent Officers at the Valuation Office Agency and Rent Services for Scotland and Wales to set Local Housing Allowance (LHA) rates at the same levels for 2025/26 as the rates were set for 2024/25. They then apply the specific LHA rates for each of the 192 Broad Rental Market Areas (BRMA) for 2025/26 and make a determination on 31st January 2025 which will take effect from 1st April 2025. For each BRMA there are five rates which include a shared accommodation rate and a 1, 2, 3 and 4 bedroom rate.

Why was this approach taken to change the law?

6.3 If this Order is not made, the Rent Officers Orders currently state that LHA rates will remain at the 30th percentile of market rents. This would apply for 2025/26, resulting in unfunded additional expenditure to Government.

6.4 The Rent Officers Orders are annually modified or amended to set Local Housing Allowance (LHA) rates for the following year. A Modification Order is used where rates are maintained at the same levels as previous years so that the legislation does not revert back to the 30th percentile of market rents. Therefore, in 2025/26 all rates will be set at the same rates that applied in 2024/25.

7. Consultation

Summary of consultation outcome and methodology

7.1 Modifications to the Rent Officers Orders are exempt from formal referral to the Social Security Advisory Committee.

7.2 Rent officers were consulted about the changes and provided an opportunity to comment on the draft legislation and were, following consultation, content with the modifications made.

8. Applicable Guidance

8.1 Local Authority and Universal Credit administration will not be directly affected by the changes to the Rent Officers Orders, but the Department will notify them of the rates via written communication.

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 or voluntary organisations lobby on LHA policy.

9.3 This legislation does not impact small or micro businesses.

9.4 There is no, or no significant impact on the public sector although Local Authorities will often publish the relevant LHA rates on their websites and may receive enquiries linked to the availability of affordable accommodation within LHA rates.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The Department continues to monitor the Local Housing Allowance rates and the local market rents.

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 resolution procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 The 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 Acts'').