



Department for  
Communities and  
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4<sup>th</sup> March 2017.

Dear Colleagues,

Following the Second Reading debate on the Homelessness Reduction Bill, on 24<sup>th</sup> February 2017, I committed to write providing further information on specific areas raised in the debate. I would like to start by thanking all Peers for their well-informed and positive contributions to the debate.

### **Supported Housing and Social Investment Bonds**

Baroness Armstrong raised a number of points on funding for supported housing and social investment bonds.

The Government's plans for the future funding of supported housing are aimed at ensuring that the most vulnerable in our society will be protected and supported through welfare reforms. To this end we announced on 15 September 2016 that we would fully exempt supported housing from the Local Housing Allowance (LHA) measure under Housing Benefit until 2019-20, when a new long-term funding model will be introduced. This will see core rent and service charges up to the level of the LHA rate provided through Housing Benefit or Universal Credit, with costs above this being met, in England, through a locally delivered top-up fund. This will allow local authorities to take into account local need and tailor funding appropriately. We have been clear we will ensure that the supported housing sector continues to be funded at the same level it would otherwise have been in 2019-20 through the benefit system if the LHA measure had not been introduced (taking into account Government policy on social sector rents).

We recognise many stakeholders have concerns about the new model. The Government has been working with charities, housing associations and colleagues across the public sector on how we can ensure the model works for the range of vulnerable client groups and promote supply. Our recent consultation (closed on 13 February) was very much with the aim of gaining a closer understanding of the issues. We are continuing to listen as well as analysing very carefully the consultation and other feedback we have received. We will provide more detail on funding in a Green paper which will be published soon.

Since the first Social Impact Bond (SIB) was set up in Peterborough in 2010, 32 SIBs have been launched in the UK. For more information on these, see [https://data.gov.uk/sib\\_knowledge\\_box/home](https://data.gov.uk/sib_knowledge_box/home). These SIBs are demonstrating how a focus on outcomes can create better public services and better value for money for the taxpayer. They

include the Department for Communities and Local Government's seven Fair Chance Fund SIBs that help turn around the lives of 1,900 of the most vulnerable young homeless people, and the London Rough Sleeping SIB, which was set up to address the needs of identified entrenched rough sleepers in London.

The Voluntary, Community and Social Enterprise (VCSE) Sector and smaller charities can directly benefit from being involved in Social Impact Bonds. Providers from the VCSE sector are often precluded from involvement in outcomes based contracts because they do not have the financial resources to wait until outcomes are achieved before they are paid. Entering into a SIB means that the VCSE sector and especially smaller charitable sector service providers can access the upfront capital they need to deliver interventions. In addition, they can become involved in SIBs as specialists in the needs of service-users and their communities and project managers on behalf of commissioners. Given the broad range of expertise the VCSE sector can bring to SIBs, we strongly advise lead organisations involved to engage with local VCSE organisations and smaller charities from an early stage.

### **Victims of Trafficking and Modern Slavery**

Baroness Butler-Sloss raised the issue of how victims of slavery and trafficking will be treated under the provisions contained in the Bill and, in particular, whether they would be a group considered to be at particular risk of homelessness under clause 2(2)(g).

Clause 2 introduces an expanded duty on local authorities to provide advisory services, free of charge, to any person in their district. This service must include information and advice on preventing homelessness, securing accommodation and the rights of those who are homeless or threatened with homelessness. They must also provide information on any help that is available from the authority or anyone else and how to access that help.

This service must be designed to meet the needs of the people in the local authority's district, including the needs of particular listed groups. One of the listed groups are those who the authority identify as being at particular risk of homelessness in their district – trafficked people may well be identified as such a group.

It should also be recognised that where an applicant is eligible for assistance the new prevention and relief duties will provide further help. The assessment and personalised plan introduced through Clause 3 should look at the individual circumstances of the person and the particular support they may need to have and retain suitable accommodation. Victims of slavery and trafficking may well be in priority need as a result of vulnerabilities arising from their experience – in which case they will be owed the main homelessness duty and the local authority will be required to ensure that suitable accommodation is available.

### **Responding to the Crisis Campaign on Help to Rent and Rent Guarantee Schemes**

The Earl of Listowel asked that I write to outline the progress made in responding to the Crisis Campaign for funding to support Help to Rent schemes and rent guarantees. Crisis have made a submission to the consultation on the 2017 Spring Budget on this subject, which I noted with interest. However, at this point it would not be appropriate to respond in detail to the points made in that submission.

The Government is determined to make the private rented sector more affordable and secure for people. On Tuesday 7 February we published the Housing White Paper, "Fixing our broken housing market": [www.gov.uk/government/collections/housing-white-paper](http://www.gov.uk/government/collections/housing-white-paper). The

White Paper sets out a broad range of reforms that the Government plans to introduce to help reform the housing market and increase the supply of new homes.

The DCLG-led Private Rented Sector Affordability and Security Working Group is currently exploring options to reduce costs for tenants to access and move within the sector. Crisis is a valuable member of that Group and has also worked closely with Bob Blackman MP, and with the Government, to ensure that the Homelessness Reduction Bill progresses successfully and provides key safeguards for those offered tenancies in the private rented sector.

### **The Impact of the Government's welfare reforms**

A number of Noble Lords raised the connection between my Department's policies on homelessness and housing supply and those of the Department for Work & Pensions on Housing Benefit and the housing support provided through Universal Credit. This is an important question and, as I said during the debate, I agree there is a need to work well across Departments. I am pleased to reassure Noble Lords that there is extensive communication between DWP and DCLG, including joint analysis of policy impacts and processes to identify and mitigate any cross-cutting impacts where this is required. As well as daily contact between officials, Ministers meet regularly and sit jointly on Cabinet Committees and Implementation Taskforces. This includes the Housing Implementation Taskforce, which is chaired by the Secretary of State for Communities and Local Government and attended by the DWP Minister for Welfare Delivery and a number of other Government Ministers, ensuring the Government is joined up on its goal of increasing housing supply. In addition to these important forums, fiscal events in particular offer a mechanism to look at Government priorities in the round.

All Departments work together to achieve the Government's agenda. This includes two important manifesto commitments: increasing the supply of housing and reducing the cost of the welfare benefit bill by £12bn. While I understand the concerns raised about the interaction between these two aims, we remain confident we can achieve both. Through our reforms, we are bringing welfare spending under control, making work pay and ensuring our welfare system is fair to those who use it and those who pay for it. We are already seeing the positive impacts of this Government's approach on the labour market, with a record high employment rate of 74.6%.

I want to deal specifically with concerns raised by Lord Best, Baroness Armstrong, Lord Kirkwood, Lord Shipley and Lord Kennedy about the impact of freezing the Local Housing Allowance (LHA) for four years, in line with the freeze to other working age benefits and Tax Credits. LHA rates will either remain at the April 2015 rate or be set at the 30th percentile of local rents if this is lower. However, we recognise that rents in some areas will increase at different rates and therefore around 30% of the savings from the LHA Freeze will be used as Targeted Affordability Funding to increase LHA rates where rent increases are causing a shortage of affordable accommodation. This funding will be available from April 2017 onwards and in the forthcoming financial year is being used to increase 48 LHA rates by 3%.

We know that there are cases where people may need extra support, which is why we are continuing to provide funding for Discretionary Housing Payments of £870m between 2016/17 and 2020/21 to enable local authorities to protect the most vulnerable and support households adjusting to benefit changes.

Another specific concern raised by Lord Best, Baroness Armstrong and the Earl of Listowel was that landlords may be unwilling to let to benefit claimants. Over 1.4m private sector tenants in Great Britain receive Housing Benefit or Universal Credit Housing Support, and the Government is always keen to look at opportunities to increase landlords' confidence in the benefit system. DWP and DCLG both work closely with landlords and local authorities to ensure claimants are best supported, such as through the DWP-led Local Authority Associations Steering Group and DCLG's ongoing engagement with landlord and tenant groups.

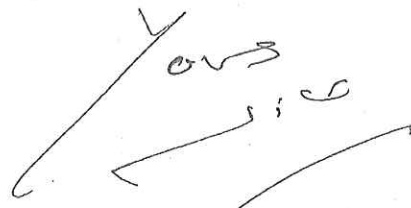
In Universal Credit, through the test and learn process, DWP has already made improvements to the service in response to feedback and joint working with both private and social sector landlords. This includes a more streamlined approach to paying the UC housing cost element through Managed Payments to Landlords in response to landlords' requests. In the next few months, DWP will also be trialling a new "landlord interface" in Universal Credit, which will enable landlords to login and interact securely with Universal Credit in support of their tenants.

### **Supply of social rented housing**

Lord Kennedy and Lord Shipley raised the issue of increasing the supply of housing for social rent. The Affordable Rent model allows us to deliver more homes for every pound of Government investment, so more people in housing need can have access to a good quality home with a sub-market rent. Affordable Rent can be set at up to 80 per cent of market rents. The average Affordable Rent in London is around 65 per cent of market rents, while outside London, they are around 80 per cent.

Over the last six years, we have built more than 313,000 affordable homes, including 225,000 homes for rent. At Autumn Statement 2016, we expanded the Shared Ownership and Affordable Homes Programme (SOAHP) 2016-21 to £7.1bn to deliver 225,000 affordable housing starts and we have relaxed restrictions on grant funding so that providers can deliver a mix of homes for affordable rent and low cost ownership. Providers will now have the flexibility and agility to respond to local needs; we believe this will result in more affordable homes for rent – in recognition that many of those in housing need who rent in the private rented sector will not be able to afford market rents.

I am copying this letter to all Peers and to Lord Henley, the cross-DWP House of Lords spokesperson. I will also place a copy in the House Library.

A handwritten signature in black ink, appearing to read 'L. Bourne', with a large, sweeping flourish underneath.

**LORD BOURNE OF ABERYSTWYTH**