

# Budget Representation from Depaul UK

February 2020



## About Depaul UK

Depaul UK is a charity that prevents homelessness and provides support to vulnerable young people. Last year we provided services including emergency accommodation, longer-term housing and community outreach to over 3,000 young people. Our Nightstop emergency volunteer hosting network operates across the UK and we deliver many other services across London, the North East, Greater Manchester, South Yorkshire and Hertfordshire.

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## Recommendations

### The government should:

- **Set local housing allowance, including the shared accommodation rate, at the 30<sup>th</sup> percentile of local rents, as it was until 2012**
- **Scrap the five week wait for Universal Credit. Claimants should receive their first payment after two weeks, as is the case with benefits that Universal Credit is replacing**
- **Reduce Universal Credit automatic deductions for claimants aged under-25. Deductions for under-25s should be limited so they are never left with less standard allowance than claimants aged over-25 subject to the maximum deduction**
- **Invest in services that prevent young people sleeping rough, including emergency hosting schemes.**

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## Submission in detail

**The government should set local housing allowance, including the shared accommodation rate, at the 30<sup>th</sup> percentile of local rents, as it was until 2012.**

Young people who are homeless, including young people sleeping rough, are often unable to find a room at a rent that the shared accommodation rate will cover. In many areas, the shortfall between the shared accommodation rate and rents is trapping young people in homelessness.

In 2018, Depaul looked at rooms available to rent in shared houses in areas where official statistics<sup>i</sup> showed a total of 225 young people sleeping rough on a single night. Across these 40 areas, we could only find 57 rooms available for young people claiming benefits at or below a rent that the shared accommodation rate would cover.<sup>ii</sup> If young people can't afford to move into a room in a shared house, it's very unlikely that they'll be able to afford any other type of accommodation.

Since Depaul did the research in 2018, rents have gone up but the shared accommodation rate freeze has remained. Crisis research in 2019 found that shared accommodation was unaffordable within the shared accommodation rate in 81 per cent of areas in England.<sup>iii</sup>

Independent economic analysis, commissioned as part of this Crisis research, calculated that increasing local housing allowance (LHA) rates to the 30<sup>th</sup> percentile of rents would cost £3.3 billion over three years with overall benefits of £5.5 billion, giving a net benefit of £2.1 billion. Matching LHA to local rents would mean that housing is affordable for claimants in all areas.

Government set local housing allowance at the 30<sup>th</sup> percentile of rents until 2012, then a Consumer Price Index (CPI) uplift and one per cent increase were applied. From 2016, local housing allowance, including the shared accommodation rate, was frozen for four years. The National Audit Office found that changes to LHA were a factor in the increase in homelessness over this period.<sup>iv</sup>

Instead of re-establishing the link between local housing allowance and local rents, the government has decided to increase them by a CPI increase of 1.7 percent in April 2020. The 1.7 per cent increase in the LHA from April is likely to maintain the current shortfall between the shared accommodation rate and rents. The CPI increase will generally be absorbed by inflation, rather than making housing more affordable.

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**The government should scrap the five week wait for Universal Credit. Claimants should receive their first payment after two weeks, as is the case with benefits that Universal Credit is replacing.**

Young people who are homeless rarely have any savings or a paycheque to rely on when they are waiting for their first payment. The five week wait leaves young people having to choose between trying to survive with no money - relying on handouts, or borrowing money. They can ask the Jobcentre for an advance, which means they get up to 100 per cent of their monthly entitlement to cover the five weeks on credit. This advance has to be paid back through automatic deductions from future Universal Credit payments.

Benefits that Universal Credit is replacing were paid within two weeks of a claim being made. Universal Credit should also be paid within two weeks of a claim being made. The mechanism that is used to estimate people's entitlement for the purpose of paying an advance could be instead be used to estimate a first payment within two weeks. Future Universal Credit payments could be adjusted to take account of any over or underpayments made in this first, estimated payment.

**Universal Credit automatic deductions for claimants aged under-25 should be reduced. Deductions for under-25s should be limited so they are never left with less standard allowance than claimants aged over-25 who are subject to the maximum deduction.**

Automatic deductions from Universal Credit are leaving young people with just £41 a week to live on. This is forcing young people in our services into debt and to use foodbanks.

Up to 30 per cent of young people’s Universal Credit standard allowance can be automatically deducted before it is paid to them. Automatic deductions are taken to pay back advances, as well as money owed for rent arrears, electricity, gas, water and court fines. Deducting 30 per cent of the £58 Universal Credit standard allowance leaves young people with just £41 with which to try and pay for everything apart from rent.<sup>1</sup>

Below is a weekly budget provided by a young person using Depaul’s services, it shows how difficult it is to survive on £58 a week.

<i>Item</i>	<i>Allocation in weekly budget (Based on £58 UC Standard Allowance)</i>
Food	£10
Gas and electricity	£11
Three days travel, including to Jobcentre and volunteering	£10
Water	£6
Mobile phone	£5
Council tax	£3
Everything else - including clothing, toiletries, household supplies.	£13

Young people who Depaul works with, trying to survive on £41 a week cannot meet all of their essential living costs with such a small weekly payment. They have to use foodbanks and often end up getting into more debt. Young people in our projects across England have the maximum amount of deductions taken from their Universal Credit. Most Universal Credit claimants have at least one deduction taken from their payments.

The government has recognised that deductions from Universal Credit can be a burden and has reduced the maximum deduction rate from 40 to 30 percent. As Table 1 shows, when the current maximum deduction of 30 percent is applied to under-25s, they are left with less Standard Allowance than over-25s who had 40 percent deducted.

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<sup>1</sup> Unless there is a shortfall between their Universal housing element and rent, in which case they may also have to spend some of the £41 on rent.

Table 1

	Over-25s subject to 40 percent automatic deduction (£)		Under-25 subject to 30 percent automatic deduction (£)	
	Month	Week	Month	Week
<b>Standard Allowance</b>	317.82	73.91	251.77	58.55
<b>Automatic deduction</b>	127.13	29.56	75.53	17.57
<b>Amount left after deduction</b>	190.69	44.35	176.24	40.99

From April 2020, after the 1.7 per cent increase in the Standard Allowance, over-25s will be left with £53 a week after maximum deductions are applied. Under-25s, however, will be left with just £42 a week. In fact, despite the 1.7 per cent increase, under-25s subject to the maximum deduction will still be left with less than over-25s had when subject to 40 per cent deductions.

### ***Fairer deductions for under-25s***

The government may have sought to find the best balance between two competing priorities when setting the maximum deduction rate:

- Priority 1) Claimants repay debts as quickly as possible.
- Priority 2) Claimants are not put under an excessive burden, i.e. are not left with an unreasonably small amount of standard allowance.

The best balance between these priorities could be achieved by setting the maximum deduction rate at the highest level that does not leave claimants an unreasonably small amount of standard allowance.

If government aims to achieve this balance, the fact that under-25s receive less standard allowance means that different maximum deduction rates should apply to the two age groups. Both under-25s and over-25s need the same amount to meet their basic living costs, so less should be deducted from under 25's lower level of standard allowance.

The current flat rate deduction across the two age groups leaves under-25 paying back debts more quickly than they can afford to, meaning they are unable to meet their basic living costs. Instead of applying a flat rate of maximum deductions, the government should calculate a minimum amount of standard allowance that both under and over-25s will be left with after deductions are applied.

## **The Government should emergency hosting schemes that prevent people sleeping rough and can be a first step off the streets for people who are sleeping rough**

Depaul UK welcomes the Government's commitment to end rough sleeping by 2024. Short-term, preventative services can help young people to remain in their family home or find alternative accommodation before they reach a crisis point and end up sleeping rough.

Emergency hosting schemes rely on volunteer hosts who give up their spare rooms and provide people who need a safe place to sleep with a bed and a warm meal for a few nights. Longer-term accommodation is found for people while they are staying with a host. Depaul's Nightstop Network accredits emergency hosting schemes, ensuring they have rigorous vetting and risk assessment procedures. In 2017, Nightstop provided 11,070 bed-nights to 1,403 people, most of whom were aged under-26.

Currently, less than half of the local authority areas in the UK are covered by a Nightstop service. **Depaul UK is calling on Government to invest £2.2 million over three years in five new sub-regional Nightstop services.** These services would then become financially self-sufficient, providing up to 7,500 nights of emergency accommodation a year. Depaul has provided MHCLG with a full costing for this policy, which is available on request. Depaul UK would also be interested in working with the government to develop Nightstop provision specifically targeted at people of all ages who are sleeping rough.

### *Annexe – Nightstop's Impact*

Depaul worked with Envoy Partnership to evaluate Nightstop's impact.<sup>v</sup> The evaluation found that Nightstop delivers positive outcomes for guests and hosts, and may have saved public services £1.6 million in 2017.

Thirty-five people who had used Nightstop were surveyed for the evaluation, 16 of them said that they would have slept rough or on public transport were it not for Nightstop. Nightstop prevented people from becoming homeless by enabling them to remain in their family home, other outcomes included:

- **Reduced risk of harm:** Many young people using the service had previously been rough sleeping and/or at risk of domestic abuse. Some had previously been staying in volatile environments where binge drinking and drug taking were common
- **Improved access to longer-term, secure accommodation:** Nightstop helps people access more secure accommodation.
- **Engagement with education, employment and training:** Having a stable place to sleep enabled people to stay or reengage in employment and education
- **Better relationships:** People who use Nightstop often see their relationships with family members (particularly parents) improve. The service gives people 'time out' that can help resolve arguments

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<sup>i</sup> Ministry of Housing, Communities and Local Government (2018) Rough sleeping in England: autumn 2017

<sup>ii</sup> Depaul UK (2018) Life on the Streets – Young people's experience of sleeping rough. These 40 areas were all in England

<sup>iii</sup> Crisis(2019) Cover the Cost: How gaps in Local Housing Allowance are impacting homelessness; and Crisis(2019)Cover the Cost: Restoring Local Housing Allowance rates to prevent homelessness

<sup>iv</sup> National Audit Office (2017) Report by the Comptroller and Auditor General: Homelessness

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<sup>v</sup> Envoy Partnership and Depaul UK (2018) More than bednights: An evaluation of the Nightstop Service