**Work and Pensions Select Committee: Welfare safety net inquiry**

**Depaul UK submission**

**December 2018**

**Summary of submission**

* **The growing gap between basic living costs and the amount of support available from the welfare system - caused by the benefits freeze - is a key factor in the increase of deprivation.**
* **Out-of-work benefit payments including JSA, ESA and the Universal Credit Standard Allowance have not increased since they were uprated in April 2015. This freeze is in fact a substantial real terms cut, which hits young people especially hard.**
* **Unemployed single people aged under-25 without serious health problems have received £58 a week to pay all of their non-housing costs since 2015. It is extremely difficult for young people Depaul works with to survive on £58 a week. They are often left with as little as £12 a week to spend on food.**
* **The capping and freezing of housing benefit rates while rents have gone up has contributed to an increase in homelessness. Government statistics show that 225 young people slept rough in 40 areas on a single night. Depaul UK could find only 57 private rented rooms in these areas available to young people claiming benefits.**
* **The five week wait for the first Universal Credit payment and deductions made to pay back advances also explain the increase in food bank usage and homelessness.**
* **The welfare safety net could better prevent young people falling into deprivation if:**
* **the five week wait for Universal Credit was abolished, and;**
* **the benefits freeze was lifted and benefits increased to reflect the growing cost of living and rents.**

**Why do some households fall into poverty and deprivation?**

1. Depaul UK works with young people who are homeless or at risk of homelessness. Our answers to this and other questions are therefore focused on this particular group.
2. Young people often become homeless when they cannot find affordable rented accommodation or when they are unable to stay with their family.
3. Young people often cannot find accommodation they can afford to rent because they are unemployed or in low paid work and do not have timely access to adequate housing benefits. This may be because there is no accommodation available within the maximum housing benefit rate, or because they cannot find a landlord willing to let their property to people claiming benefits.
4. Young people who are homeless cannot stay with their family for a variety of reasons. These include not being in contact with their parents after having been taken into care, having been abused by family members, not being welcome after spending time in prison, having been asked to leave after family relationships have broken down or due to overcrowding in the household.

**What factors best explain the reported increases in indicators of deprivation like homelessness, rough sleeping and increased food bank use**?

Increases in food bank use

1. The growing gap between basic living costs and the amount of support available from the welfare system, caused by the benefits freeze, is a key factor in the increase of deprivation.
2. Out-of-work benefit payments including JSA, ESA and the Universal Credit Standard Allowance have not increased since they were uprated in April 2015. This freeze is in fact a substantial real terms cut, with CPI showing a 6.7 per cent increase in prices since 2015 and RPI giving a 9.6 per cent increase over this period.[[1]](#footnote-1)
3. This significant cut in the real-terms value of benefits is compounded for young people because the welfare system is considerably less generous to them than to older people. Unemployed single people, aged under-25, without serious health problems have received £58 a week to pay all of their non-housing costs since 2015, compared to £73 for those aged 25 and over.[[2]](#footnote-2)
4. George, a young person who Depaul UK worked with, has kindly agreed to share his weekly budget with the committee. His is a typical weekly budget for young people using Depaul’s services, with £12 a week for food.

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| Item | Average weekly costs to meet with £58 UC Standard Allowance |
| Food | £12 |
| 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. | £11 |

1. To keep to this budget George used a torch instead of electric house lights and took cold showers. Being on such a tight budget leaves people vulnerable to being unable to afford food if they have to unexpected, costs, such as a higher than expected utility bill or essential clothing.
2. The Trussell Trust reports that the biggest single and fastest growing reason for referral to a foodbank is people who rely on benefits having too low an income to afford food.[[3]](#footnote-3) Unless the benefits freeze is lifted people will remain without sufficient income

Increases in homelessness and rough sleeping

1. Caps and freezes to Housing Benefit rates at the same time as rents have gone up, has contributed to an increase in homelessness. Housing benefit in the private rented sector has generally been frozen since 2015, during which time average rents have increased by 6.7 percent across the UK and by much more in some regions. This has contributed to a reduction in the availability of accommodation for people on low incomes. The National Audit Office has found that “*it appears likely that the decrease in affordability of properties in the private rented sector, of which welfare reforms such as the capping of Local Housing Allowance are an element, have driven this increase in homelessness.”[[4]](#footnote-4)*
2. Again, problems caused by freezes to benefits while prices have risen are compounded by a less generous welfare system for young people. Single people aged under-35 are generally limited to the shared accommodation rate (SAR) of housing benefit, i.e. a rate intended to be enough to rent a room in a shared house rather than self-contained accommodation.
3. The number of young people sleeping rough increased by 28 per cent last year, compared to a 15 per cent increase in the number of people of all ages sleeping rough. Depaul UK has found evidence which links young people sleeping rough the fact that SAR rates are now too low to pay for a shared room.
4. Depaul UK looked at how many shared rooms were available to young people claiming SAR in the 40 areas with the highest numbers of people aged under-25 sleeping rough. Government statistics show that 225 young people slept rough in these areas on a single night. We could only find 57 rooms in these areas that were rented within SAR and available to people claiming benefits. Young people who cannot live with their parents and cannot find a private, shared room to rent will likely struggle to find anywhere else to live and are therefore at a high risk of homelessness and rough sleeping.
5. As shown below, the five week wait for the first Universal Credit payment and deductions made to pay back advances also explain food bank use and homelessness.

**Do Jobcentre Plus procedures and benefit delays play a role?**

**What role does Universal Credit play in relation to deprivation, or could it play in tackling it?**

1. The five week wait for Universal Credit (UC) are causing deprivation and homelessness. Young people come to Depaul UK’s homelessness services with no savings or income. They make a new claim for UC and have to wait five weeks for their first payment. This wait is causing huge problems. Young people end up relying on food banks, in debt to the DWP, in rent arrears and unable to pay for travel to find work.
2. ***Case study:*** *Phil is currently sleeping rough and has found a landlord willing to house him. Phil will have to make a new claim for UC to move into the accommodation. When the landlord discovered Phil would be making a new claim for UC they made the offer of accommodation conditional on a £400 upfront payment. This is because the landlord is concerned that Phil will not pay the first month’s rent due to the five week. Phil does not have £400 for an upfront payment and so is still sleeping rough.*
3. The Government has acknowledged the problems with this five week wait. People transferring to UC from other benefits can get an extra housing benefit payment to cover the five week gap. From July 2020 people transferring onto UC will also receive extra payments of other benefits during the five weeks. There are no plans to give new UC claimants access to similar payments, despite the fact that the five week wait causes the same problems for new and transferring (migrating) claimants.
4. ***Case study:*** *Bill made a claim for Universal Credit in October, two months later he still has not received his first payment. This is because of the five week wait and a DWP administrative error. He has received two advances, totalling around £700. This has not been enough to meet his essential living costs and pay his rent. His tenancy is now at risk as he is in two months’ rent arrears. When he receives his first payment he will have to pay back these arrears, as well as having automatic deductions made to pay back the advances.*
5. The Government’s current solution is to offer new claimants loans, called Universal Credit advances, to cover these five weeks. There are two main problems with these loans. They

are often not enough to cover rent, bills and food costs during the five weeks. They also cause continued hardship as they have to be paid back from UC payments made after the five weeks.

1. ***Case Study:*** *James lives in a Depaul accommodation project. He received a £200 Universal Credit advance to cover the five weeks he had to wait for his first payment. This was not enough to cover his essential living costs. He had to rely on food banks and financial support form Depaul UK staff to buy food and essential clothing over this period.*
2. Paying back these loans is particularly problematic for young people. If they have no children or serious health problems then they receive £58 UC a week, usually paid monthly, to cover everything apart from rent. Advances are repaid through automatic deductions from this £58. Deductions, to pay off debts including advances, leave young people without enough to live on for months. Up to 40 per cent of the £58 can be deducted, leaving young people with just £35 a week.
3. Debts that UC creates can prevent people escaping homelessness. The stress caused by debt makes it harder for young people to address problems that led to them becoming homeless. Some young people Depaul UK works with are unable to move into a council tenancy because of the rent arrears that they owe.
4. The Government has recognised that deductions are problematic. In the 2018 Budget it was announced that from 2021 advances will be paid back over a longer period of time, reducing the amount that has to be paid back each month. Depaul UK calls on the Government to act quickly and decisively to address this problem, which is causing so much hardship now.

**Is our welfare safety net working to prevent people falling into deprivation?**

1. No. The welfare safety net is not working. If it were working, the young people Depaul UK works with would not be dependent on food banks and there would not be so many people sleeping rough.

**If not, how could it better do so?**

1. The welfare safety net could better prevent young people falling into deprivation if:

* the five week wait for Universal Credit was abolished, and;
* the benefits freeze was lifted and benefits increased to reflect the increased cost of living and rents.

1. https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation [↑](#footnote-ref-1)
2. These are JSA and Universal Credit Standard Allowance rates [↑](#footnote-ref-2)
3. <https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/> [↑](#footnote-ref-3)
4. National Audit Office (2017) Homelessness, p.10 [↑](#footnote-ref-4)