Centrepoint Spring Budget Submission 2023: making work pay for vulnerable young people

About Centrepoint

Centrepoint is the leading national charity working with homeless young people aged 16 to 25. We are a registered social housing provider, a charity enterprise and a company limited by guarantee. Established 50 years ago, we provide accommodation and support to help homeless young people get their lives back on track.

Every year, alongside our partner organisations, we work with around 14,000 young people, providing tailored support to help them address their support needs, with a particular focus on health, learning, and move on to independent accommodation in both the social and private rented sectors. We also run a national helpline for young people at risk of homelessness.

Summary

The recent focus on the cost of living crisis is nothing new for young people with experiences of homelessness. While inflationary pressures have undoubtedly increased costs and made it harder to maintain living standards, existing issues inherent within the nation's social security regime and housing market have meant that vulnerable young people have long been at a disadvantage.

For the young people that Centrepoint supports, complicated benefit rules and high housing costs can mean that they face a double disparity of unemployment and housing instability. At a time of rising economic inactivity amongst young people, the continued implementation of policies that discourage young people living in supported accommodation from entering the workforce should be questioned. Equally, policies that contribute to and sustain the enduring housing instability experienced by many vulnerable young people should be reviewed.

To give young people the help they need, and to ensure that those facing homelessness can both enter the workforce and experience long term housing stability, Centrepoint are calling on the Government to use the Spring Budget to level up the social security system for homeless young people. This means:

1. **Making work pay for young people in supported accommodation**
2. **Restoring the Local Housing Allowance to the thirtieth percentile**

1. Making work pay for young people in supported accommodation

For young people living in supported accommodation, such as care leavers and those who have experienced homelessness, access to employment can be a critical step in their journey to independence.

However, high housing costs and complicated benefits rules for young homeless people in supported accommodation can mean that taking on more than minimal hours at work can drastically reduce the amount of housing benefit they are entitled to. This can quickly see young people running into rent arrears and debt, and in some cases young people's overall income can reduce significantly.

This situation leaves young people in supported accommodation at a disadvantage compared to other young people, and acts as a major disincentive for young people to take on and progress in work.

The Problem

For young homeless people in supported accommodation, high housing costs and complicated benefit rules acts as disincentives to take on and progress in work. Unlike young people living in general needs social housing or private rented housing, tenants in supported accommodation receive Housing Benefit (HB) rather than the housing element of Universal Credit (UC). Thus, once a young person in supported accommodation starts working, their UC is tapered off at a rate of 55p in every pound. This means that a young person will be able to earn up to £111.32 per week, roughly equivalent to about 11 or 12 hours on the minimum wage depending on age, and still be entitled to receive UC.

However, any earnings beyond £111.32 will taper their award to nil, meaning they are no longer in receipt of UC and not 'passported' to a full HB award. When this happens, a young person's income is reassessed under the HB rules and any earnings above their applicable amount, minus a £5 disregard, are tapered at a higher rate of 65 per cent. Under the HB rules the higher 65 per cent taper is applied on any income above £66.05, rather than at the point at which they come off Universal Credit - £111.32. This leads to a cliff edge where more of their benefit is withdrawn at a faster rate than someone claiming UC for both their living and housing costs.

In practice, this means that a young person aged 23 in supported accommodation working 12 hours per week would actually be £26.10 worse off if they started working an extra hour per week (a total of 13 hours), and only £23.48 better off a week than if they were not working at all.

The Impact on Young People

Young people living in supported housing who choose to work often try to keep their hours and their earnings below a certain level in order to avoid the cliff edge mentioned above. This is because small fluctuations in hours and levels of pay can leave young people owing significantly increased amounts of rent – due to the high costs associated with supported housing and their reduced HB earnings. As such, young people living in supported housing who choose to work can be at risk of arrears and budgeting difficulties.

Accordingly, young people in supported accommodation face a difficult choice between stable housing and employment. Centrepoint research into the benefits system in October 2021 found that of 215 homeless young people across the UK, almost half (48 per cent) reported that they had to turn down a job or more hours due to the impact this would have on their benefits.

In this way, young people living in supported accommodation can experience significant barriers to living independently. The fact that they are discouraged from entering the workforce can mean that, when they are ready to move on, they have limited experiences of employment and little or no access to savings. This can result in fewer opportunities to access independent accommodation – due, in part, to the inadequate LHA rate, discrimination from private landlords and the dearth of appropriate general needs social housing.

Solutions and Policy Recommendations

To ensure that work always pays and that young people can start their careers, we believe two targeted changes to the Housing Benefit system can remove the cliff edges faced by young people and promote a smoother transition from benefits to work:

- ***Increase the applicable amount within Housing Benefit for young people in supported accommodation to £111.32 a week, either by raising the personal allowance or introducing a new premium.***

This would mean that a young person's HB would begin to be tapered after they earn £107.97 per week (with the £5 earnings disregard), rather than £66.05, and remove the steep drop off between entitlements.

By giving parity with UC claimants, HB would only be tapered from the point that their UC claim finished and more work would always mean more pay for young people in supported housing.

This simple change could be made by adding a separate personal allowance category for young people in supported accommodation, as already exists for ESA claimants, or introducing a new premium in their applicable amount.

Independent costings provided by Oxera Consulting in autumn 2021 found that aligning these rates for young people in supported accommodation could come at an initial cost of £8m per year to the Treasury. However, when taking into account the estimated benefits of more young people accessing employment, such as reduced social security spending, greater tax receipts and improved health and criminal justice outcomes, Oxera estimated that the policy change could produce a net positive of £2.2m per year for the Government.

- ***Reduce the Housing Benefit taper rate to 55p to bring it in line with Universal Credit.***

In order to ensure that young people in supported accommodation are not worse off than young people in other forms of accommodation, we encourage the government to reduce the HB taper rate to 55p to bring it in line with UC.

This measure could either be applied across the board or targeted at those in supported accommodation.

While the national HB caseload will continue to fall over time as more claimants move over to UC, HB will continue be paid to claimants in supported accommodation as it is outside the scope of UC. It is therefore vital that the HB rules are addressed to ensure that young people in supported accommodation can afford to take on and progress in work.

2. Restoring the Local Housing Allowance to the thirtieth percentile, and keeping it linked to real rents through regular uprating

Between 2016 and 2020 LHA rates were frozen, leading to a growing gap between rents and entitlements, more households unable to meet housing costs and local authorities facing difficulties in preventing and relieving homelessness. Rates were restored to the thirtieth percentile in April 2020, but frozen again in cash terms in 2021.

For young people on low incomes, the failure for LHA rates to keep track with rents has made it likely that they will experience shortfalls in their income. Not only are Local Housing Allowance rates substantially lower than most private rents, entitlement for single people under 35 is usually paid at a Shared Accommodation rate leaving an even greater shortfall if people are renting a one-bedroom flat.

This means that vulnerable young people often have to pay for parts of their rent from their own income, and that those individuals in receipt of the UC standard allowance will have limited finances to pay for bills and essentials.

The Problem

The LHA rate should enable a young person claiming UC to afford the cheapest 30 per cent of rooms in the private rented sector. However, Centrepoint has found the lowest form of the LHA rate – the Shared Accommodation Rate - only covers the full cost of renting the cheapest 25 per cent of private sector rooms in 17 out of 226 Local Authorities.

The average shortfall between the LHA rate and the accessible cheapest 25% of the rental market for young people across England – where the LHA rate is less than the cheapest rental costs – is nearly £95 per month, compared to £70 per month in last year's analysis. However, in some local authorities the shortfall is hundreds of pounds. Furthermore, in one local authority area, a young person could be forced to make up over £275 to cover the rent.

Local authority	**% increase**	**Abs increase**
Wandsworth	50%	£225.00
Slough	31%	£151.00
Haringey	30%	£150.00
Bromley	26%	£145.00
Harrogate	33%	£125.00
St Albans	34%	£125.00
Gosport	28%	£110.00
Blackpool	36%	£109.00
Chesterfield	30%	£105.00
Watford	21%	£104.00
Bexley	22%	£100.00
Gedling	25%	£100.00
Tunbridge Wells	22%	£100.00

(ONS, 2022. Private rental market summary statistics in England)

The Impact on Young People

According to the latest stats from the Office for National Statistics, private rents have increased by 4.2 per cent in the year to December 2022. Despite this, LHA rates have been frozen since before the pandemic.

Centrepoint has warned that continued Government inaction in the wake of increasing rents could risk more and more young people becoming homeless. The charity's Helpline has seen its busiest months since it opened five years ago, with record numbers of callers in October and November 2022 – much of which is attributable to increasing private sector rents and inadequate social security provision. Moreover, helpline Advice Workers have noticed a considerable increase in the number of young people working full-time who cannot afford private rents. In the last few months, for example, Centrepoint Helpline has been "*catching people who wouldn't normally use the service"*.

Solutions and policy recommendations

In the long term, Government, Local Authorities and sector stakeholders need to invest in delivering genuinely affordable homes that young people can afford to rent, such as social rented housing and innovative housing models such as Centrepoint's Independent Living Project. However in the short term - to prevent homelessness and help those on low incomes access private rented accommodation – the Government must ensure that housing support through the benefits system is linked to the real costs of renting. This can be done by:

- ***Uprating the current Local Housing Allowance rates, taking into account latest data on inflation in the private housing market.***

In the preceding 6 months, the Government has confirmed its opposition to increasing LHA rates on a number of occasions. In doing this, they have highlighted the high cost of Housing Benefit to the tax payer, while concurrently ignoring rising rates of homelessness in England – In London, for example, 29% more young people were sleeping rough between October and December last year compared to the same quarter in 2021.

Therefore, the Government should realign LHA rates (which determine the amount of housing costs covered by Universal Credit in the private rented sector) with actual rents. This could be achieved by making sure that LHA rates are aligned with the 30th percentile in all the broad rental market areas (BRMA).

By doing this, the Government could make the private rented sector accessible to a larger proportion of young people, particularly those who would be happy to live in shared accommodation. Moreover, it would reduce anxiety around the affordability of private rented housing, enabling young people to concentrate on building careers and leading meaningful lives.