



Department
for Work &
Pensions

Minister for Welfare Delivery
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The Rt Hon Sir Stephen Timms MP
Chair, Work and Pensions Select Committee
House of Commons
London
SW1A 0AA

28 June 2022

Dear Sir Stephen,

Thank you for your letter of 9th March, highlighting the interaction between Housing Benefit (HB) and Universal Credit (UC) tapers for young people living in Supported Housing. We acknowledge Centrepoin't's research into 'Homeless Young People's Experiences of the Social Security System'.

Notwithstanding the impact of the interaction between HB and UC, we are clear that individuals are always financially better off in work, than not working at all. We have made permanent changes to the UC taper to ensure the benefit is more generous to people in work, as well as increased the National Living Wage.

Supported Housing, for a sizeable proportion of residents, is not intended to be a long-term housing solution and, for those residents able to seek and secure employment, work can be transformative. In addition to any financial advantage, there are important non-financial benefits of working which may benefit young people living in Supported Housing. These benefits include learning new skills, improved confidence and independence as well as a positive effect on an individual's mental and physical health. All of which can help support the resident to move on – where appropriate – to independent living in general needs housing.

As you note, a UC claim can passport an individual living in Supported Housing or Temporary Accommodation to full HB entitlement and once someone earns enough to flow off UC, their housing support is re-calculated using the HB rules, including the treatment of income.

Supported Housing and Temporary Accommodation are funded through HB as these accommodation types are not currently compatible with the design and structure of UC. In particular, the short-term nature of some of these homes can currently provide challenges with the monthly assessment structure of UC.

Under a whole month model, the UC award is calculated to reflect the claimant's circumstances at the end of their assessment period. To do this, we treat all changes as applying from the beginning of the assessment month in which they take place.

The award for that month is therefore wholly at the new rate, net of all changes in the period.

This would mean that if an individual moved home just before the end of a UC assessment period from Temporary Accommodation into regular rented accommodation which is cheaper, the UC would be re-assessed using the new accommodation for the whole month – with the difference between the higher Temporary Accommodation cost and new rent not covered.

In relation to the worked example drawn upon in your letter citing the effect on the HB taper of working 11 hours, we broadly recognise the modelling used by Centrepoint.

The impact of the interaction between these two benefits (HB and UC) can be amplified depending on an individuals' circumstance, including their age, ability to work and whether they have children.

Although the UC and HB rules are not aligned, the HB rules are nonetheless designed to ensure people are better off working than not working and that remains the case for this cohort.

Maintaining HB for people living in Supported Housing and Temporary Accommodation, has allowed most claimants to continue to receive more tailored financial support for their housing costs that is not subject to the same restrictions that apply in general needs housing. We have taken this approach in recognition of the higher costs that can be associated with these types of housing.

We firmly believe an individual is better off working than relying solely on benefits for the reasons outlined in this letter.

Kind regards,

A handwritten signature in black ink, appearing to read 'David Rutley', with a horizontal line underneath.

David Rutley MP

Minister for Welfare Delivery



Work and Pensions Committee

House of Commons, London, SW1A 0AA
Tel 020 7219 8976 Email workpencom@parliament.uk

David Rutley MP
Minister for Welfare Delivery
Department for Work and Pensions

9 March 2022

Dear David

I am writing about the interaction between housing benefit and Universal Credit for people living in supported accommodation. As you will know, housing benefit has been—or will be—replaced by Universal Credit for most people, but people in supported housing will continue to claim housing benefit alongside UC.

[Recent research by Centrepont demonstrated that, contrary to the aims of Universal Credit, this can lead to young people in supported housing being financially worse off if they start work, or increase their hours.](#) Once a young person in supported accommodation starts working, their UC is tapered off at a rate of 55p in every pound. Once they earn enough to come off UC (by tapering the award to nil), their claim is closed.

The UC claim, however, is their “passport” to a full housing benefit award that covers the cost of their supported accommodation. They then have to start contributing to housing costs. Since the UC award is closed, their income is reassessed under HB rules, where there is a less generous 65 per cent taper, applied at a much lower point in the earning scale. Centrepont says that “this leaves young people in supported accommodation at a disadvantage and with a lesser incentive to increase their hours of employment”.

Centrepont’s research provided a worked example:

Under the [previous] 63 per cent Universal Credit taper, a young person will be able to earn £94.26 per week before losing their full standard allowance and their housing element is affected. For those on UC in supported housing, when they start earning above the £94.26 tipping point, their UC claim is closed and their award is recalculated under HB rules.

Under the HB rules the higher 65 per cent taper is applied on any income above £64.20 rather than £94.26. This leads to a cliff edge where 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 in supported accommodation working 11 hours per week would actually be £16.57 worse off if they started working an extra hour per week, and only £17.46 better off a week than if they were not working at all.

I would appreciate if you would answer the following:

- 1. Does the Department recognise the modelling above? Is it accurate?**
- 2. Could you provide similar modelling demonstrating the effect of the current 55% UC taper?**
- 3. Is the Department aware of this problem? If so, what work are you carrying out or planning to carry out to address it?**

I would be grateful for a reply by 31 March.



Work and Pensions Committee

House of Commons, London, SW1A 0AA

Tel 020 7219 8976 Email workpencom@parliament.uk

Yours sincerely,

A handwritten signature in black ink that reads "Stephen Timms". The signature is written in a cursive style and is positioned to the left of a vertical line.

Rt Hon Stephen Timms MP

Chair, Work and Pensions Committee