

Written evidence from Centrepoint [UCW0021]

Centrepoint response to Work and Pensions Committee inquiry – the wait for a first payment

1. About Centrepoint

2. Centrepoint is the leading national charity working with homeless young people aged 16 to 25. Established 50 years ago, we provide support and accommodation to help homeless young people and care leavers get their lives back on track. Together with our partners, we support around 15,000 young people each year.
3. Centrepoint is commissioned by local authorities to deliver supported (semi-independent) accommodation for young people aged 16 to 25. This includes looked-after 16 and 17 year olds, care leavers and homeless young people. Alongside accommodation, we offer a range of high quality support. Our health offer includes access to psychotherapy, dietetics, substance use support, healthy relationships advice and mental health support. Our learning offer supports young people back into training and employment with a range of programmes, traineeships and apprenticeships. Our engagement offer uses an innovative and empowering approach which blends practical, artistic and sports skills with important life skills. We are not just an accommodation provider; we ensure young people have the skills and confidence to move to independence.

4. Introduction

5. For young people experiencing or at risk of homelessness, the financial support through the benefits system provides a vital lifeline to meet essential living and housing costs. These are young people who are often unable to access support from family and friends, and face a range of barriers to getting into employment, training and education.
6. Timely access to a stable income is critical for homeless young people to be able to engage with support, to take part in EET, and to successfully move into their own accommodation. It is also crucial to safeguard mental and physical health, and to reduce vulnerability to exploitation and engagement in criminal activity.
7. However, the current design of the benefits system too often leave highly vulnerable young people – such as those experiencing homelessness - unable to access financial support when they need it. One key challenge is the five-week wait before a first Universal Credit payment.

8. Impact of the five-week wait

9. For young people with no income outside of the benefits system, having to wait over a month for money often has a serious impact on their health and wellbeing.
10. The consequences of the five week wait, as reported by key workers, range from being unable to afford food and basics through to struggling to self-care and maintain personal hygiene. Centrepoint has set up two

'social supermarkets' in our London services in response to young people not having the resources to buy food for themselves.

11. Key workers report that the impact of having to manage on a weekly budget of £30-£40 can put young people into 'survival mode', where they struggle to engage with support or access education, employment or training. Where young people cannot afford to top up their phones or afford to access the internet it becomes more difficult for a key worker to remain in contact, meaning a young person will miss out on support and key information. These challenges have been exacerbated during the COVID-19 pandemic, where remote and telephone contact is more important than ever
12. For young people leaving the care system and making a claim for Universal Credit at age 18, some local authority social service departments provide financial support to cover the gap between applying for and receiving a first Universal Credit payment.
13. Centrepont also has a bursary scheme and can provide emergency financial support in certain circumstances, and can signpost and support young people to access small grants and from networks of charitable trusts where these may be available.
14. However, there are limits on the direct financial support organisations like Centrepont can provide, and charitable trusts and local hardship schemes vary from area to area and are not always accessible. Those young people without access to a support worker or the capacity to search and apply for such schemes will be most heavily affected by the five week wait.
15. Interviews with young people in previous Centrepont research also highlight how the lack of income can act as a key driver towards criminality and exploitation, with 'survival crime' seen as one of few options of getting money.
- 16. To what extent have the mitigations the Government has introduced so far (e.g. Advance payments) helped to reduce the negative impact of the five week wait for UC claimants? What problems do claimants still experience during the five week wait?**
17. The mitigations introduced to support claimants during the five week wait have been useful, and in some cases have been the only option for vulnerable young people who need money straight away. Extensions to the repayment period and caps on maximum deductions are also welcome – although Centrepont staff report challenges to reducing deductions for third party debts, such as court fines and rent arrears, due to a lack of clarity over who has the authority to request deductions are amended.
18. However, the advance payment does put young people into further financial difficulty down the line. One Centrepont service manager describes the Advance Payments as a 'double edged sword' due to the fact that the payment will be reclaimed by lower awards in future. Several Centrepont residents, when given the option of accessing an advance

payment have chosen not to take it due to the reduction to their future income.

19. For under 25s, the standard allowance for Universal Credit is already below the level needed to meet basic expenses. Even with the uplift announced in response to COVID-19, younger claimants still have to get by on a reduced allowance, even though those living independently will have the same costs as someone of any age.
20. The following example budget highlights how deductions to an under 25s standard allowance can soon push a vulnerable young person into financial hardship and destitution:

Example Budget: Liam

21. Liam is 19 and living in supported accommodation in inner London. He is not working and is taking part in a functional skills course provided by Centrepoin't's training team.
22. Liam does not have any income or financial support so is claiming Universal Credit. As he is living in supported accommodation, Liam is in receipt of housing benefit which is paid directly to his landlord Centrepoin't.
23. Liam's standard allowance as an under 25 is 342.72pcm (as of April 2020). Liam applied for an advance payment of Universal Credit as he had no money at all when first leaving home. He is paying back an advance payment of 342.72 over 12 months, meaning his monthly award is reduced by 28.56 per month.
24. This leaves Liam with £314.16 a month, or £72.50 a week, to live on.
25. Liam has to pay a weekly personal service charge of £14. This charge is not covered by his housing benefit award and has to be paid out of his standard allowance.
26. After this is paid, Liam is left with £58 a week to pay for food, transport and other essential costs.

27. Claimants still face significant problems during the five week-wait, as highlighted in the previous section.
28. Centrepoin't key workers have also raised that young people can only access one advance payment, and if moving off and back on to Universal Credit after six months cannot access this support when making a new claim. For young people, who are more likely to be in temporary or insecure employment and so moving in and out of the benefit system, these barriers can leave them without income for long periods of time.
29. We do not think that it is fair for extremely vulnerable groups, such as young people experiencing homelessness, to have to choose between forgoing any income for five weeks or having to face deductions from already minimal benefit rates.

30. What is the best way of offsetting the impact of the five week wait?

31. Centrepoin't believes that there are several options available to the Department to offset the impact of the five week wait, as outlined in this inquiry's summary.

32. We would ultimately want to see the five week wait reduced for all claimants, so that all households can access the income they need, when they need it, without having to put themselves into debt. However one option which would massively benefit young people across the country, such as those supported by Centrepoin, would be to pay an upfront grant to claimants who are identified as vulnerable when first making a claim.
33. Setting up an additional 'hardship grant' system for vulnerable claimants who require additional support, such as those with dependents, health conditions which affect their ability to look for work, or those experiencing or at risk of homelessness, would recognise the additional challenges faced by these claimants and reduce the risk of severe financial hardship and destitution.
34. Another means of reducing the impact of the five week wait, especially for young people experiencing homelessness, would be to remove the under 25s rate of the Universal Credit standard allowance and pay a single working age adult rate for all those not receiving financial support from their household.
35. This higher allowance would help mitigate for any lack of income during the initial wait for first payment, reflect the fact that younger people are more likely to have lower and less regular earnings from work, and represent a sense of fairness in that younger people living independently face the same costs as anyone else.

36. Are different mitigating options needed for different groups of claimants?

37. Yes. While no claimants should be left without income or see their award reduced, there are several groups who will need financial support more urgently.
38. Homeless young people are one such group who will both need money as soon as possible and who will be more heavily impacted by future deductions from their award due to lower benefit rates across the board.
39. This is why we recommend that as a minimum, the DWP should make advance payments immediately payable and non-deductible for vulnerable groups, such as people experiencing homeless and under 25s without access to financial support from parents.

April 2020