

Universal Credit and Related Regulations – Call for Evidence

Social Security Advisory Committee

Response from YMCA England, July 2012

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1. YMCA England

- 1.1. Working with some of the most disadvantaged young people in local communities, the YMCA provides a place to stay and range of support services to help young people manage the transition to independence. The YMCA is the largest provider of supported housing for young people in England, helping over 9000 young people every night.
 - 1.2. Every year the YMCA intensively supports nearly 215,000 young people and serves over 530 communities across the country. The YMCA will always seek to support a young person holistically, whether it be through providing support programmes for those in our residential accommodation, or by providing access to counselling and training to those who come along to local youth clubs. The YMCA supports nearly 24,000 people every year to engage in education, skills and training to enable them to improve their opportunities in the job market.
 - 1.3. We also work with parents and families and provide a range of services including children's centres, family mediation services, respite for young carers and general advice services.
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2. Summary

- 2.1 YMCA England welcomes the simplification of the welfare benefits system to make it easier for claimants to understand and access the support that they need. We also welcome the emphasis on stronger work incentives and a more flexible Real Time Information (RTI) system that will support claimants with fluctuations in income and encourage temporary work.
- 2.2 YMCA England responded to the Government consultation on Housing Benefit reform in supported housing in October 2011¹. The Government has not yet published a response to this consultation. We would like the Government to urgently clarify their position on how the housing element of Universal Credit will work for benefit claimants living in supported housing. Supported housing for young people offers additional support services, such as budget management, life skills, confidence building and employment advice, helping some of the most disadvantaged young people get their lives back on track. Payments for supported

¹ YMCA Response to the Consultation on Housing Benefit Reform: Supported Housing, October 2011, <http://www.ymca.org.uk/newsmedia/responses> Accessed 20/07/2012.



housing should be treated separately from the housing element of Universal Credit for normal private rented or social housing tenancies.

2.3 We also have several concerns about specific elements of the Regulations relating to Universal Credit and working age claimants. Specifically, our concerns focus on the following:

- Lower rates and assumption of lower living costs for young people under the age of 25
- Limiting service charges to three basic criteria
- The monthly payment period and how this will impact on the most disadvantaged young people leading chaotic lifestyles, as well as benefit recipients who are used to managing finances weekly or fortnightly and having their benefits paid directly to the landlord.
- The impact of lower rates for Local Housing Allowances (LHA); uprating LHA at the Consumer Prices Index; and of changes to service charge criteria on the finances of providers of supported housing, and also on the young people who are receiving intensive support through supported housing services to get their lives back on track.
- How the Department for Work and Pensions (DWP), Department for Communities and Local Government (DCLG), as well as local authorities will work with providers of supported housing, and other services supporting young people, to mitigate against the negative impacts of Universal Credit on supported housing services, as well as communicating the changes to young people
- How the impact of Universal Credit will be monitored and evaluated, particularly the impact of changes to Housing Benefit and how this will impact on young people and providers of supported housing services.

2.4 We recommend that:

- The Universal Credit rate is based on need, rather than age. Young people under the age of 25 who are living independently have many of the same costs as older claimants of benefits.
- Housing Benefit should be paid directly to landlords where young people are living in supported housing. Many of the young people that YMCA works with, if given a month's rent as part of their benefit payment will struggle to ensure that it is paid to the landlord. This could lead to consequences of increased homelessness and rough sleeping, as well as financial implications for providers of supported housing and social landlords. Housing Benefit payments could be staggered during the course of a supported tenancy, so that the claimant can begin to take responsibility for their Housing Benefit in managed stages. A young person can begin to take on more responsibility as they make the transition to independent living and improve their budgeting skills at a later stage in their supported housing tenancy.
- The Government should work with the Post Office, Credit Unions and banking industry to provide 'jam-jar' bank accounts for benefit recipients who may struggle to manage their finances on a monthly basis. Many young people will struggle to manage monthly payments, and a bank account that limits access to their funds will enable them to manage their finances more effectively.
- With regards to service charge criteria, the Government must ensure that there are exemptions for providers of supported housing, as there can be various different interpretations of how the 'fabric of a building' can be maintained.
- The DWP, DCLG and local authorities must ensure that there is an effective communication strategy that engages with providers of services for young people and the social and supported housing sector.
- The Government should ensure robust monitoring and evaluation of the impact of



changes to Housing Benefit. We are particularly keen that the impact of planned changes to service charges, changes to the Local Housing Allowance (LHA) rates and uprating at Consumer Prices Index (CPI), rather than Retail Prices Index (RPI) on providers of supported accommodation is monitored. We would also expect that the impact on young people under the age of 25 who are claiming Universal Credit is analysed, as these young people will face lower rates of Universal Credit than other age groups and also face different sanctions and hardship allowances.

3. Universal Credit Regulations (2012)

3.1 Lower living costs for the under 25s

Whilst we recognise that Universal Credit aims to be a simpler system of benefits and tax credits, that sets clear incentives for people to work, we are concerned about the distinction between those who are aged 25 and under and those who are older than 25. A young single person aged 21 years old would face the same outgoings and rental levels and costs as a person aged 26. The arbitrary age categorisation seems to focus on limiting support for young people aged under 25. Many of the young people that the YMCA works with who are in receipt of benefits are vulnerable, disadvantaged and have complex issues and support needs. Lowering their living standards further will only lead to compound the problem. We would like to see that the rates of Universal Credit have a sensible link with the National Minimum Wage for young people. Both Universal Credit and the National Minimum Wage need to ensure that they reflect the actual living costs and challenges faced by young people. We would recommend that the different rates are based on need, rather than age. The Government should work with voluntary sector organisations that provide services for young people to ensure that their needs are fully understood.

CASE STUDY

Birmingham YMCA provides over 200 units of supported accommodation to people who have been homeless, helping them to live independently, as well as providing affordable childcare from three nurseries, trying to give children the very best start in life.

Birmingham YMCA recently supported one young man who was 23 years old. The young man left school at 16 and joined the army, where he worked for over 5 years. For the duration of his time in the army he paid tax at the basic rate of 20%. After leaving the army his relationship with his partner broke down, and he suffered problems with drink and drugs. He spent time living in supported housing at Birmingham YMCA, and was helped to get his life back on track. He now lives independently and has gained employment. For this young man who had paid taxes and had served his country in the armed forces, the welfare benefits system supported him when he needed it and without which he would have been made homeless.

This young man was deemed old enough to undertake service in Afghanistan and pay tax at the full rate. Given his service to the country then we do not believe that young people should be singled out for lower rates of Universal Credit when they pay tax into the system at the same rate as other adults who are over the age of 25.



3.2 **Service charges**

The YMCA is concerned about the proposed changes to Regulations regarding Housing Benefit for service charges. Under the current Regulations² there are ten circumstances whereby Housing Benefit does not cover certain elements of service charges. This enabled a reasonable degree of local discretion and flexibility about what service charges could cover. YMCAs across the country are anxious about the impact that allowing only three circumstances in which Housing Benefit will be paid for service charges will have on their work and on the young people that they support.

3.3 The criteria for service charges should be sufficiently flexible to interpretation. For example, we would like the Government to make clear how flexible the 'protection of the fabric of a building' will be. Would this provision allow for a service charge to include provision for a night concierge service to protect their buildings from vandalism and damage? We would recommend that the listed services within the service charge payments are sufficiently flexible to allow for this kind of property protection and other similar activities.

3.4 **Sanctions and the Claimant Commitment**

Sanctions for failure to satisfy the DWP that sufficient efforts are being made by a claimant to find work are likely to be a major problem for YMCA clients. Often residents who receive sanctions are lacking in confidence and self-esteem and a total loss of income is actually damaging to their chances of moving their lives forward as it leaves the claimant under-nourished and unable to buy clothes for interview or afford travel costs for looking for work. For the sanction regime to work effectively there needs to be a more effective support mechanism for getting young people into work. The Government needs to work with and enable the voluntary sector to provide the support that many disadvantaged young people need, to ensure that sanctions are a last resort.

3.5 **Housing element of Universal Credit**

The YMCA has concerns over Housing Benefit payments being capped at Local Housing Allowance rates with fixed rate additions for young people living in supported accommodation. Young people living in supported accommodation tenancies at YMCAs around England receive a range of additional support services, including life skills training, employment and back to work support and training, budgeting skills and rent management skills. Capping Housing Benefit to LHA rates with fixed additions for young people in supported housing will have severe implications for the services that can be offered and sustained. YMCA responded to the Government's consultation on Housing Benefit reform in supported housing in 2011³, and are still awaiting the Government response to that consultation.

3.6 The uprating of LHA rates at the lower rate of the Consumer Prices Index rather than the Retail Prices Index, which more accurately reflects rental costs, is also a concern for the YMCA. The DWP's own impact assessment states that between 2000 and 2007 private rent levels increased by an average of 4% a year, whilst CPI increased on average 2% a year between 2000 and 2010.⁴ The housing element of Universal Credit is likely to grow increasingly separated from the cost of both providing social housing and supported accommodation; as well as for

² The Housing Benefit Regulations 2006

http://www.legislation.gov.uk/ukxi/2006/213/pdfs/ukxi_20060213_en.pdf Accessed 20/07/2012.

³ YMCA Response to the Consultation on Housing Benefit Reform: Supported Housing, October 2011, <http://www.ymca.org.uk/newsmedia/responses> Accessed 20/07/2012.

⁴ DWP Impact Assessment: Housing Benefit uprating Local Housing Allowance Rates by CPI from April 2013. <http://www.dwp.gov.uk/docs/hb-lha-cpi-uprating-wr2011-ia.pdf> Accessed 24/07/2012.



claimants who need supported accommodation, and for those who are looking to move to independent living in the social housing or private rented sectors.

- 3.7 The YMCA is concerned that existing contracts with the Homes and Communities Agency (HCA) regarding rent levels and service charges for supported housing will be reviewed retrospectively, and that business plans for YMCAs will be impacted as a result. The YMCAs have agreed supported accommodation plans with the HCA at current Local Housing Allowance levels, and are concerned that new rates of Local Housing Allowance and service charges will be revised downwards and backdated to the start of their agreed contracts. If this were to happen then there would be serious negative impacts for YMCAs that provide supported accommodation.
- 3.8 The Regulations highlight exemptions to the Shared Accommodation Rate for single 25 – 35 year olds who have spent 3 months living in a homeless hostel and received support services during that time. Whilst we welcome this exemption, many of our emergency hostels provide accommodation for this client group for a period of 6 weeks. These are extremely vulnerable people who have reached a crisis point in their lives, who would benefit from the same exemption to the Shared Accommodation Rate as those who have spent 3 months in a hostel.

4 Universal Credit, Personal Independence Payment and Working-age Benefits (Claims and Payments) Regulations 2012

4.1 The implications of a substantial shift to online claiming

The most disadvantaged young people, particularly those who are living in temporary accommodation and are NEET, may not have regular access to the Internet. Whilst most young people are web savvy, for the most disadvantaged, access can be a problem. This may be particularly prevalent in more rural areas, where there are fewer services, or in areas where local library services offering free use of the Internet have closed down. Transport networks can also pose a barrier to access, where in small rural communities bus travel can be expensive, and irregular, and may be the only means to access essential services in neighbouring larger towns.

- 4.2 The Government should ensure that Internet access is funded in public and community facilities, such as libraries, community centres, supported housing, children’s centres, GP clinics and health centres, the Post Office, youth clubs and schools. Claimants without regular access to the Internet should be able to access Internet points easily in their communities. The Government should also ensure that there are adequate face to face and telephone services for handling Universal Credit claims, particularly for disadvantaged young people and young parents with literacy problems and may therefore have difficulties in managing their claims online.

4.3 The payment period

YMCAs are concerned about how monthly payments will impact on young people who are claiming benefits. If young people are given a monthly payment they may struggle to manage their money over the course of the month, which would have negative consequences for their health and wellbeing, managing their bills, and also for their tenancies.



CASE STUDIES

YMCA England National Residents Forum

YMCA England is a Registered Social Landlord and provides over 1000 units of accommodation in 29 locations in England. This accommodation is owned centrally by YMCA England, but is managed by local YMCAs around the country, and provides safe, secure and affordable accommodation to young people.

Young people from the YMCA England National Residents Forum discussed the changes to Housing Benefit only this month (July 2012) and have indicated themselves that they have concerns about receiving direct payments of their housing benefits. The concern expressed was that if vulnerable young people were to receive £400 - £600 themselves, they were going to find it very difficult to actually ensure that this was paid across to their landlords for rent. They discussed how this was likely to cause further evictions, and increase homelessness, which they thought would be a disservice to the vulnerable young people housed by the YMCA. This also relates to the payment period, as young people will receive a lump sum for their benefits on a monthly basis, rather than weekly chunks that can be easier to manage.

Milton Keynes YMCA

Milton Keynes YMCA provides supported emergency accommodation for people in crisis. There is a homeless hostel with 15 emergency beds for people between the ages of 16 – 65 years. There are also 123 residential flats for young people 18 – 30 years seeking long term accommodation and offer 35 supported tenancies. Young people who have a supported tenancy can receive one to one support with rent management, budgeting skills, life skills, getting back to work as well as a range of other services.

Monthly payments will cause severe problems for many of the young people at Milton Keynes YMCA, as many already struggle to manage their finances over the course of a week. Staff are concerned that monthly payments will lead to destitution amongst young and vulnerable clients who have problems with budgeting and money management.

- 4.4 The YMCA recommends that the Government should work with the Post Office, Credit Unions and the Banking Industry, to provide 'jam-jar' bank accounts. These bank accounts would allow limit access to 'living allowance' funds on a weekly basis, to ensure that those who struggle to manage their money cannot spend all their monthly benefits in one go. We are concerned that the banking industry may charge poorer customers for a service such as this and that Credit Unions do not have coverage in all areas. Social Finance recommended extending the use of 'jam-jar' banking in April 2011 in their report 'A New Approach to Banking.'⁵ This is a view we would support that would alleviate our concerns about monthly payment, if the jam-jar accounts were accessible to young people in receipt of Universal Credit.
- 4.5 The YMCA also recommends a staggered system of Direct Payments for young people living in supported accommodation. At the beginning of a supported tenancy young people should have the housing element of their Universal Credit paid directly to the landlord. Later on in their supported tenancy, as the young person improves their budgeting skills and confidence, there should be a staggered transition to having their housing element of Universal Credit paid into their own bank accounts. This will allow for young people to have a managed transition to independent living.

⁵ Social Finance, April 2011, A New Approach to Banking, http://www.socialfinance.org.uk/sites/default/files/SF_JamJarAccountReport_FULLREPORT.pdf Accessed 20/07/2012



5 Expanded Consultation

- (i) The consequences for claimants and potential claimants not paid monthly or otherwise falling outside the real-time information (RTI) system;

As highlighted above, the YMCA has concerns over the impact of monthly payments on the finances of the most disadvantaged young people. We are supportive of the Real Time Information system as it will support fluctuations in income and seasonal work. However, we are concerned that there may be limitations for those young people who become self-employed or set up their own businesses and how the system will work for them.

- (ii) Any issues around service charges in the private rented sector and Universal Credit;

Again, the YMCA is extremely concerned over the implications for the changes of rules around payments for service charges. Whilst it may not be appropriate to make payments for service charges in the private rented sector, it will have massive ramifications for the work of YMCAs in England. We would like the Government to ensure that there are exemptions and flexibility for the payments for service charges for people living in supported housing and shorter-term tenancies.

- (iii) The implications for the communication strategy for Universal Credit given that a majority of claimants will be in-work recipients, with many moving from the receipt of tax credits, rather than those currently out of work;

In terms of a communications strategy, the YMCA would like to see engagement by DWP, at a national and local level with the YMCA. YMCAs need to understand the changes in detail so that they have time to put in place business plans for transition, particularly in relation to their finances; as well as prepare the young people and the families and communities that they work with. Without clear and timely information and messages from Government, many voluntary sector organisations around the country delivering vital support services will face an unprecedented double blow of increased demand for support and large strains on their finances as they adjust to cope with the changes. The Government needs to prepare front line delivery organisations with enough time to implement measures to prepare for Universal Credit. We are concerned that the Government has not yet published its response to the 2011 consultation on Housing Benefit for supported housing, as providers of supported housing need time to prepare adequately for the changes.

- (iv) Are there any cross-departmental issues that might need to be considered further?

We would like to see the DWP and DCLG work closely together, as well as local authorities, given that many of the changes are being led by the DWP and implemented at the local level by local authorities. Both local authorities and local Job Centre Plus networks need to keep local voluntary sector partners informed of their plans and progress, particularly in relation to local housing advice services, the localised Social Fund and new Council Tax Benefit.

