Second Reading of the Universal Credit (Standard Allowance Entitlement of Care Leavers Bill)

House of Lords, 17 January 2024

Summary

- There are over 80,000 children in the care system and every year around 13,000 young people leave care. **While around half of 24-year-olds still live with their parents, most young people leave care at the age of 18 or earlier.**
- Outcomes for these young people are poor. Care leavers are less likely to gain good qualifications, nearly half of them have a mental health disorder and it is estimated that 25% of homeless people have been in care at some point in their lives.
- Many care leavers are living on a low income, often surviving on or near the poverty line. A report published in November 2023 found that 82% of care leavers said that they struggled to afford food some or all of the time, with 64% saying that their debt was increasing.
- Care leavers under the age of 25 who are claiming Universal Credit receive the same rate as their peers who are far more likely to be able to access support from their parents. **This means that young people under 25 receive £81.77 less in Universal Credit per month compared to those over 25 – a 21% penalty.**
- The Government has committed to improving support for care leavers and the recently published Children and Wellbeing Bill will provide important new entitlements to young care leavers – particularly when accessing accommodation. **This Bill would complement these proposals by providing increased financial support for care leavers currently living on the lowest incomes. It would mean that care leavers claiming Universal Credit would see their monthly payment increase to a total of £393.45.**

1. Care leavers and the impact of living on a low income.

Research over many decades has shown that many care leavers are financially vulnerable. These young people don't have the financial cushion of 'the bank of mum and dad' if they face a sudden and unexpected increase in their outgoings, which makes them more vulnerable to sudden financial shocks.

When the cost of living increased sharply across the UK during 2021 and 2022 – the annual rate of inflation reached a 41-year high of 11.1% in October 2022 – young people who had just left care were particularly badly impacted. The extent to which care-experienced young people have struggled in the wake of the crisis was confirmed in a survey conducted by the National Leaving Care Benchmarking Forum in December 2022[1]. Their survey revealed that

[1] National Leaving Care Benchmarking Forum (2022) Survival-Is-Not-Easy-Full-Report-NLCBF-December-2022-2.pdf

- **82%** of care-experienced young people said they were struggling to afford food all or some of the time;
- **64%** had seen their levels of debt increase;
- **31%** said they were at risk of homelessness;
- **14%** said they had put themselves in a vulnerable position, such as shoplifting, to afford the essentials

> "I found it's cheaper to find food that's not that great for you. I used to like to think that I tried to eat quite healthy, and I have noticed it's cheaper to buy a packet of like fried chicken nuggets and chips than it is to cook food that is actually good for you."
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> **Care leaver, aged 20, supported by Barnardo's**

Barnardo's research[2] directly with care leavers also demonstrated how care-experienced young people had had to make significant cutbacks. **This included limiting meals, not putting the heating on as often, and cutting back on things such as driving lessons that would significantly improve their employment chances in the longer term.**

Many care leavers also said that they were resorting to borrowing money to enable them to meet essential costs. As most care leavers have limited credit histories and many are either out of work or in very low paid jobs, access to lower cost credit is limited. Many therefore found themselves resorting to high-cost lenders, often getting trapped in a debt cycle that is difficult to escape from.

In a meeting with peers in advance of the Bill young care leavers reported a range of benefits that being able to claim the higher rate of Universal Credit would have on their lives and their ability to live independently. These include:

- *"I would of had more stability and not been in debt. my mental health would of been better."*
- *"It would mean that care leavers may have food on the table and that they are more likely to be fed! More likely to be able to have some heating on in these freezing weathers!"*
- *"It could go towards food and [care leavers] could be more motivated to go to college or even see a friend."*

2. The Role of the Department for Work and Pensions in Supporting Care Leavers

There are no official estimates of the number of care leavers who are claiming Universal Credit. While the Department for Work and Pensions stated routinely collecting data on care leavers claiming Universal Credit in February 2022 this data does not yet meet the quality assurance standards for official statistics – the DWP reports that it hopes that this that information will be available for publication in 2027.[3]

However, it is known that young care leavers are significantly more likely to not be in education, employment or training compared to the general population – a consequence of the state's failure to adequately support these children. Current statistics show that in 2024 **39% of care leavers aged 19 to 21 were not in education, employment or training (NEET), compared to an estimated 13% of all young people in that age range**. Given that we also know that only 11% of care leavers aged 19 to 21 are living with parents and relatives and 9% with former foster carers[4] we can assume that a high number are living independently, with a high reliance on social security.

Currently the benefit system does little to recognise the specific and unique needs of those who have grown up in care. The only specific recognition of the needs of these young people is a provision which enables them to

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[2] Barnardo's (2023) report-cost-living-crisis-care-experienced-young-people-bank-mum-dad-.pdf
[3] Written questions and answers - Written questions, answers and statements - UK Parliament
[4] Department for Education (2024) Children looked after in England including adoptions, Reporting year 2023 - Explore education statistics - GOV.UK

claim the higher one-bedroom Local Housing Allowance rate rather than the lower "shared accommodation" rate[5] - this was extended in 2021 so it applies to all care leaver up to the age of 25.

In its policy paper published in November 2024[6] the Government committed to introducing reform to extend the corporate parenting principles contained in the Children and Social Work Act 2017. This is with the aim of " *creat[ing] a culture change in which we realise our shared ambition to support children in care and care leavers*. As part of this we would like to see more recognition for the unique needs of care leavers for care leavers within the benefits system - including providing all care leavers in receipt of Universal Credit the over 25 rate. This would help improve the support and long-term outcomes of these young people and would recognise the specific role the Department for Work and Pensions has in supporting these young people as their corporate parents.

3. Giving Care Leavers the Over 25 Rate of Universal Credit.

Analysis by Joseph Rowntree Foundation and the Trussell Trust shows that the reduced rate for under 25s leaves young people with around half of what is needed to afford essentials like food, water and clothing,[7] This is despite the fact that under 25s generally are the age group at greatest risk of experiencing destitution (when an individual's most basic needs to stay warm, dry, clean and fed cannot be met).[8]

We do not know the exact numbers of care leavers currently in receipt of Universal Credit so it is difficult to establish exactly how much extending the over 25 rate to all care lavers would cost the public purse. **However current statistics show that there were around 25,000 care leavers aged 18 to 25 in 2024. Giving all of these care leaves who are not in work the over 25 rate would cost an additional £24.8m a year.** Note as this estimate does not include any calculation for the cost of Universal Credit paid for care leavers who are in work (but on a low income). Therefore, a further investment (which would need to be calculated) would be needed to provide comprehensive coverage – however we do not anticipate the additional investment for this group to be large.

By investing relatively small amounts in increased benefit payment the policy could have significant human and financial benefits in reducing poverty, mental ill health, homelessness and debt amongst care leavers and improve their long-term outcomes. **Research estimates that the costs to the state of poor outcomes for care leavers, such as providing ongoing mental health support, homelessness services, welfare support, and the consequences of engagement with the criminal justice system is around £1.816m.**[9]

Action you can take

- Please attend the Bill debate and speak in favour of this legislation which will significantly improve support for young people when they first leave the care system.
- Suggested questions:
    - Will the Minister conduct an assessment of the impact of extending the over 25 rate of Universal Credit to care leavers including the estimated costs to the public purse as well as any costs saving e.g. reduction in homelessness rates associated with the policy?
    - Will the Minister to commit to meeting directly with care-experienced young people to discuss the current impact that claiming a lower rate of Universal Credit is having on young care leavers?
- For more information or to arrange an oral briefing please contact Nicola Smith Nicola.smith4@barnardos.org.uk.

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[5] Care leavers and homeless people could receive extra housing support - GOV.UK

[6] Department for Education (2024) Keeping children safe, helping families thrive

[7] Josph Rowntree Foundation (2024) Guarantee our Essentials: reforming Universal Credit to ensure we can all afford the essentials in hard times | Joseph Rowntree Foundation

[8] Joseph Rowntree Foundation (2020) Destitution in the UK 2020 | Joseph Rowntree Foundation

[9] PWC, Home for Good (2021) https://www.pwc.co.uk/government-public-sector/assets/documents/investment-of-lifetime-delivering-better-children-care-outcomes.pdf

About Barnardo’s

At Barnardo's, our purpose is clear - changing childhoods and changing lives, so that children, young people, and families are safe, happy, healthy, and hopeful. Last year, we provided essential support to over 356,200 children, young people, parents and carers through 760 services and partnerships across the UK. For over 150 years, we’ve been here for the children and young people who need us most – bringing love, care and hope into their lives and giving them a place where they feel they belong.