

A National Offer for care leavers: helping care leavers avoid financial difficulty

Last year 10,830 young people - aged 16 or over - left the care of their local authority and began the difficult transition out of care and into adulthood.¹ Often when care leavers move into independent living they begin to manage their own budget fully for the first time. Evidence from our own services shows how challenging care leavers can find managing a budget due to the lack of financial support they receive, and a lack of financial education.

Our research, alongside that undertaken by the Centre for Social Justice and the Joseph Rowntree Foundation, has identified that these young people struggle with their finances and are at increased risk of falling into financial difficulty.

We aspire for all care leavers to reach their full potential in life through having the strongest possible start to adulthood coupled with high quality education, training and employment opportunities. This 'National Offer' aims to lay a solid foundation of support upon which care leavers can build; a foundation which proportionately recognises their additional vulnerabilities and better supports them.

- A study undertaken by the Joseph Rowntree Foundation, has outlined how 'accumulation of debt, threats to their tenancies and their inability to avoid this through careful budgeting' were issues of continuing concern for care leavers'.²
- Over half (57%) of young people leaving care have difficulty managing their money and avoiding debt when leaving care and yet almost half of local authorities in England fail to offer adequate financial education for care leavers.^{3, 4}
- Care leavers are more three and a half times more likely to not be in employment, education or training (NEET) than the general population.⁵
- Care leavers are three times more likely to receive a benefit sanction than the general population. Between October 2013 and September 2015, 4000 sanctions were applied to care leavers— one for every 13 care leavers.⁴
- A 22-year-old care leaver may lose up to £31 per week from their housing benefit as a result of the existing rules on the Shared Accommodation rate of Local Housing Allowance.

The National Offer should include:

- A limit to the application of sanctions under Universal Credit.

¹ DfE Children looked after statistics, 2014-15 (Table D4) <https://www.gov.uk/government/statistics/children-looked-after-in-england-including-adoption-2014-to-2015>

² The experiences of young care leavers from different ethnic groups, Joseph Rowntree Foundation, 2005 <http://www.jrf.org.uk/sites/default/files/jrf/migrated/files/0285.pdf>

³ Survival of the fittest, Centre for Social Justice, 2014 http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJ_Care_Report_28.01.14_web.pdf

⁴ The cost of being care free, The Children's Society, 2016 http://www.childrensociety.org.uk/sites/default/files/pcr073_care-leavers-financial-exclusion-final.pdf

⁵ This is based on a comparison between [DfE data return](#) on care leavers (38% of care leavers 19-21 NEET) and on [ONS NEET data](#) (11% of 16-24 year olds NEET).

- An extension of Working Tax Credit to care leavers under the age of 25 to make sure that work always pays for this group, or the equivalent under Universal Credit
- Extension of the exemption from the Shared Accommodation rate of housing benefit care leavers until 25.
- A council tax exemption for care leavers.

The purpose of this briefing is to explain the key arguments for a greater package of support for care leavers. Throughout it is worth bearing in mind that:

- 62 per cent of care leavers will have entered the care system because of abuse or neglect.⁶
- Two thirds of looked after children have at least one physical health complaint, and nearly half have a mental health disorder.⁷
- 52 per cent of 21-year-old young people still live at home with their parents. In comparison only 9 per cent of 21-year-old care leavers return home to live with parents or relatives upon leaving care.⁸
- 41 per cent of 19-year-old care leavers were not in education, employment or training (NEET) in 2013-14 compared with 15 per cent of the general 19-year-old population.
- Almost 2,000 19-21 year old care leavers (7 per cent of all 19-21 care leavers) are deemed to live in 'unsuitable' accommodation.^{Error! Bookmark not defined.} According to government guidance, this is accommodation which does not meet their needs and may not take into account their need to be located close to work or education.⁹
- According to the National Audit Office, 6 per cent of care leavers are in higher education compared with one third of all 19 year olds⁶

Estimated costings of different aspects of the local offer are included in Appendix 2.

The 'National Offer for care leavers'

'I was a little bit ready [to leave care], because I lived on the streets before I went into care. So I've got a good head on my shoulders. But it was hard.' – care leaver supported by The Children's Society

Care leavers typically do not have the same framework of support enjoyed by their peers which is why it is crucial that they receive extra protection and appropriate support from government, both at local and national levels.

"Current labour market conditions, such as unreliable hours due to zero hour contracts and low pay for entry level jobs, mean that most 18–25 year olds rely financially, at least to some extent, on either their parents or the benefit system for support. As care leavers are unlikely to have substantial family support, they are much more likely to rely on the benefit system" - Survival of the Fittest ,Centre for Social Justice, p. 36³

⁶ <https://www.nao.org.uk/wp-content/uploads/2015/07/Care-leavers-transition-to-adulthood.pdf>

⁷ Care Leaver Strategy, 2013 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266484/Care_Leaver_Strategy.pdf

⁸ <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents>

⁹ The Children Act 1989 guidance and regulations vol. 3: planning transitions to adulthood for care leavers p. 58

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/397649/CA1989_Transitions_guidance.pdf

The proposals in this document are about extending support for care leavers up to the age of 25 as is already the case with other aspects of support in the Bill such as the extension of the Personal Adviser; and in the recognition of the assumptions built into the system which disadvantage care leavers.

Progress on the National Offer in the House of Lords

The National Offer for care leavers received cross-party support in the House of Lords at committee and report stages. At report, the Earl of Listowel pushed this to a division which was defeated by nine votes. Subsequently the Minister committed to continuing conversations with the Department for Work and Pensions about the impact of benefit sanctions on care leavers in particular.

A limit on the application of sanctions under Universal Credit

'Once, I got my benefits stopped and then I couldn't pay the bills' – care leaver supported by The Children's Society

The problem

- 4000 benefit sanctions were applied to care leavers between October 2013 and September 2015 – one for every 13 care leavers.⁴
- Care leavers are three times more likely to receive a benefit sanction but were found to be less likely to challenge a sanction. However, when they did challenge a sanction 62 per cent of these were overturned. The rate of sanction reversal for care leavers is 12 per cent higher than the rate for the general population.⁴
- Sanctions under Job Seekers' Allowance can last for 4-13 weeks or up to three years.
- The National Audit Office estimate that the administration of sanctions and distribution of hardship payments cost the Treasury £85 million per year.¹⁰
- Almost two thirds of leaving care managers consider Job Centre Plus as a 'poor' or 'very poor' corporate parent.¹¹

Limiting the level of sanctions

- The National Offer would not take care leavers out sanctioning altogether.
- The proposals recognise the need for care leavers to engage with their work-related activities, but take into consideration their additional vulnerabilities and complexities in their lives.
- Under these proposals, care leavers under the age of 25 would be placed on the same sanction regime of 16 & 17 year olds in recognition of their early independence and lack of a family to fall back on. This would mean that the maximum sanction period under these proposals would be four weeks.
- There also needs to be a change in practice and the extension of personal adviser provision up to 25 is an important step towards this. Importantly, personal advisers need to be equipped with the right knowledge and skills to help care leavers navigate the welfare system by helping them to engage with their responsibilities.

¹⁰ National Audit Office, 2016 – Benefit sanctions <https://www.nao.org.uk/report/benefit-sanctions/>

¹¹ Finding their feet: Equipping care leavers to reach their potential, January 2015, Centre for Social Justice <http://www.centreforsocialjustice.org.uk/core/wp-content/uploads/2016/08/Finding.pdf>

Extension of in-work financial support to care leavers under the age of 25

'I couldn't do the apprenticeship when I was younger because I lived by myself and the bills were too much. I tried to talk to the council, to the job centre, but they all shut the door in my face. Any move I made, it was slammed shut. It was well annoying.' – care leaver supported by The Children's Society

The problem

- Currently, young people under the age of 25 cannot claim Working Tax Credit unless they have a child or a disability and under Universal Credit they receive lower levels of standard allowance.
- There is an assumption built into the system that many of those under the age of 25 and on low incomes will be living at home with their family, or able to receive other forms of financial support from family members to help if their earnings are low – for care leavers this does not apply and therefore they should be eligible to receive additional support to bolster a low income.
- A care leaver in their first year of an apprenticeship could be earning £3.40 per hour before being put onto the appropriate minimum wage in their second year onwards, which is insufficient to cover the costs of independent living.
- For non-care leavers, restricting higher levels of support until the age of 25 may have some rationale, since as they get older they are less likely to be able to fall back on family if they are in difficulty or need additional help. By virtue of having been in care and starting independent life in their late teens, care leavers are very unlikely to have access to such a support network to help them out if they fall into difficulty.

Extending in-work support to care leavers under the age of 25

- This amendment will seek to extend eligibility to claim Working Tax Credit to all care leavers in full time work of more than 30 hours per week in recognition of their risk of falling into debt as a result of being liable for full household expenses (such as rent, energy bills and basics) where many young people would not cover these costs in full if living with family members. It would also recognise the particular importance of providing clear incentives to this group to move into and stay in work.
- Under Universal Credit, care leavers should be able to claim higher levels of standard allowance or work allowance in recognition of their additional financial responsibilities.
- In the latest care leaver strategy the government have committed to cover the training costs usually taken on by businesses when they recruit a care leaver into an apprenticeship role.¹² This is very welcome, but more needs to be done to make sure that care leavers can afford to take up these great opportunities.

¹²Keep on Caring 2016 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535899/Care-Leaver-Strategy.pdf

Exemption from the Shared Accommodation rate until the age of 25

'When you move to a new house, you don't know what to expect sometimes, it wasn't explained properly. I didn't know really.' – care leaver supported by The Children's Society

The problem

- At the age of 22, care leavers can expect to have their Local Housing Allowance cut by approximately £31 per week as they move from the single bedroom rate (enough for a one-bedroom property) to the shared accommodation rate (enough for a room in a shared property). This could mean that they would be at increased risk of falling into rent arrears, or having to move out of their home into a potentially risky environment.
- Instability is a real issue for children in the care system. At current rates, almost one in three children in the care system can expect to have two or more placement moves within a year.¹³
- Transitioning into independence could be the first time a care leaver has had the chance to achieve stability.
- It is made much more difficult for Local Authorities discharge their corporate parenting responsibilities set out in Clause 1 of the Bill if care leavers are not exempted from the Shared Accommodation rate, since this can make it much harder to find them suitable and affordable accommodation for care leavers.

Extending the higher rate until the age of 25

- In the latest cross-departmental care leavers' strategy, the government have committed to explore allowing care leavers to claim the higher rate of Local Housing Allowance until the age of 25.¹²
- Ability to take up work and employment opportunities often follows having a stable place to live. We believe that it is reasonable to allow care leavers to claim the higher rate until they are of such an age where they can be paid the National Living Wage, and therefore be better equipped to cover the cost of the cut.

Council tax exemption for care leavers under the age of 25

'I kept on being charged for council tax. I couldn't pay it. I was just falling further and further behind. And then... I tried telling them that I couldn't pay that per month, they weren't having none of it ... and then I ended up just leaving it. Even though I didn't have any money, they weren't willing to do anything' – care leaver supported by The Children's Society

The problem

- Research undertaken by The Children's Society has found that council tax arrears are a particular issue for care leavers due to recent changes to council tax benefit meaning that even those on very low levels of income are liable for some level of council tax contribution.
- Local authorities deploy rapid escalation of enforcement methods to reclaim arrears¹⁴, such as court summons and bailiffs, in direct conflict with their corporate parenting responsibilities.

¹³ [Children looked after in England including adoption: 2015 to 2016](#)

¹⁴ The Wolf at the Door, The Children's Society, 2015 https://www.childrenssociety.org.uk/sites/default/files/wolf-at-the-door_council-tax-debt-collection-is-harming-children_PCR027a_WolfAtTheDoor_Web.pdf

The solution

- A number of other Local Authorities are currently exploring similar exemptions and we estimate that across the local authorities listed above, over 2,000 care leavers have been exempted from council tax.¹⁵
- A national exemption from Council Tax for care leavers under 25 would ensure that there was a consistent framework of support for this group - wherever they lived in the country.
- The cost of such a national exemption would be low since in most cases where care leavers are liable for Council Tax, they are already likely to be receiving much of this covered through Council Tax Reduction provision. Local Authorities are also likely to make significant savings by not having to pursue the collection of small amounts of council tax debt from care leavers.

Questions to the Minister

- What progress the government are making in helping care leavers to achieve financial stability?
- Whether government departments will be seeking to extend financial support to care leavers as part of their commitments under the care leaver covenant?
- What steps are being taken to make sure that care leavers can engage in employment and training opportunities such as apprenticeships?
- What assessment has the Minister made of the number of sanctions applied to care leavers, and what steps will he take to address this?
- If the government are unwilling to universally exempt care leavers from council tax, what steps is he taking to ensure that more local authorities exempt care leavers from council tax?

***For more information please contact Matt Hussey on
matthew.hussey@childrenssociety.org.uk or 0207 841 4485***

¹⁵ Cheshire East (219); Birmingham (1,300); North Somerset (110); Wolverhampton (90); Milton Keynes (115); Hammersmith and Fulham (270).

Appendix 1: National Offer amendment

Insert the following new Clause—

“National offer for care leavers

- (1) The Universal Credit Regulations 2013 are amended as follows.
- (2) In regulation 102(2) —
 - (a) in paragraph (a) after “18 or over” insert “and paragraph (b) does not apply”;
 - (b) in paragraph (b) after “16 or 17” insert “or is a care leaver within the meaning given by section 2 of the Children and Social Work Act 2016 and is under the age of 25”.
- (3) In regulation 103(2) —
 - (a) in paragraph (a) after “18 or over” insert “and paragraph (b) does not apply”;
 - (b) in paragraph (b) after “16 or 17” insert “or is a care leaver within the meaning given by section 2 of the Children and Social Work Act 2016 and is under the age of 25”.
- (4) In regulation 104(2) after “18 or over” insert “and section (3) does not apply”.
- (5) In regulation 104 (3) after “16 or 17” insert “or is a care leaver within the meaning given by section 2 of the Children and Social Work Act 2016 and is under the age of 25”.
- (6) The Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002 are amended as follows.
- (7) In regulation 4(1), Second Condition, after paragraph (b) insert—

“(c) is aged at least 18 and is a care leaver within the meaning given by section 2 of the Children and Social Work Act 2016, and is under the age of 25, and undertakes not less than 30 hours work per week.”
- (8) The Housing Benefit Regulations 2009 are amended as follows.
- (9) In regulation 2, in the definition of “young individual”, in each of paragraphs (b), (c), (d), (e) and (f), for “22 years” substitute “25 years”.
- (10) The Local Government Finance Act 1992 is amended as follows.
- (11) In section 6(4) (persons liable to pay council tax), after “etc)” insert “or 10A (care leavers)”.
- (12) In Schedule 1 (persons disregarded for purposes of discount), after paragraph 10 insert—

“Care leavers
10A A person shall be disregarded for the purposes of discount on a particular day if on the day the person is—
 - (a) a care leaver within the meaning given by section 2 of the Children and Social Work Act 2016; and
 - (b) under the age of 25.”
- (13) The Council Tax (Exempt Dwellings) Order 1992 is amended as follows.
- (14) In Article 3, Class N, after paragraph 1(b) insert—

“(c) occupied only by one or more care leavers within the meaning given by section 2 of the Children and Social Work Act 2016 who are under the age of 25.”

(15) The Secretary of State may by regulations made by statutory instrument make additions to the national offer for care leavers beyond those elements prescribed in the Income Support (General) Regulations 1987, the Working Tax Credit (Entitlement and Maximum Rate) Regulations, the Housing Benefit Regulations, the Local Government Finance Act, and the Council Tax (Exempt Dwellings) Order.

(16) A statutory instrument containing regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, each House of Parliament.

Appendix 2: Estimated costing of the National Offer

We estimate the total cost of the National Offer for Care Leavers to be **£51.6m** per year.

Care leaver council tax exemptions

Care Leaver circumstances	Number of care leavers aged 18-25 affected ¹⁶	Level Council Tax liability CTR = Council Tax Reduction	% of Council Tax paid by care leaver	Cost of removing liability from care leavers
Living alone working full-time ¹⁷	4220	100% liability, since working and no CTR	75%	£4.9m
Living with someone else, both working full-time	4220	Care leaver working, no CTR, and bill split 2 ways	50%	£3.2m
In FT education	11500	No liability	0%	£0m
Other ¹⁸ Living Alone	16530	Assume 91% CTR	9%	£2.3m
Other Partner working FT	8265	Partner working therefore no CTR, bill split 2 ways	50%	£6.3m
Other Partner not working	8265	Neither partner working, 91% CTR, and remaining bill split 2 ways	4.50%	£0.6m
Total	53,000			£17.3m

Shared Accommodation rate, extended exemption (for 22-24 year olds)

Number care leavers aged 22-24 in independent living ¹⁹	Number in private rental accommodation ²⁰	Estimated number receiving Housing Benefit ²¹	Average difference between SAR and 1 bedroom rate (annual) ²²	Estimated total cost of SAR exemption extension ²³
12,000	8000	4000	£1632	£6.5m

¹⁶ <https://www.gov.uk/government/statistics/children-looked-after-in-england-including-adoption-2014-to-2015>.

¹⁷ We have estimated that half of the care leavers working full-time will be living alone, and half with someone.

¹⁸ We have assumed that all other care leavers will be eligible for council tax reduction. We have broken the "other category" into 50% living alone, 25% living with someone in fulltime employment and 25% living with someone else eligible for council tax reduction.

¹⁹ <https://www.gov.uk/government/statistics/children-looked-after-in-england-including-adoption-2014-to-2015>.

²⁰ Based on estimated 2/3 of those in independent living in PRS

²¹ Based on half those renting in PRS in receipt of HB (other half earnings too high)

²² Based on data on English average difference from the VOA

²³ Estimated care leavers receiving HB in PRS * average difference between SRR and one bed rate

Provision Working Tax Credit

Care Leaver circumstances	Number of care leavers aged 18-25 affected ²⁴	Maximum Working Tax Credit entitlement (pa)	Typical WTC entitlement received (based on earnings £12k per worker)	Cost of providing WTC entitlement
Living alone working full-time ²⁵	4220	£2770	£900	£3.8m
Living with someone else, both working full-time	4220	£4780	£0	£0
Living with someone else, one working full time	8265	£4780	£2900	£24m
Total	16705	-	-	£27.8m

²⁴ Based on same estimates as care leaver council tax exemption

²⁵ We have estimated that half of the care leavers working full-time will be living alone, and half with someone.