

Written evidence submitted by the Joseph Rowntree Foundation (BSW0019)

Summary

1. This submission focuses on the Committee's questions around: key challenges for the benefits system in Wales and how they differ from the rest of the UK; the effectiveness of the UK benefits system at tackling poverty in Wales and the impact of the pandemic; how effectively the UK benefits system responded to these needs and what else the UK Government should do to deliver the right support in Wales; how effectively the Welsh Government's allowances and grants meet people's needs; reforms needed to the benefits system and the question of further devolution of powers.
2. Pre-pandemic, poverty levels in Wales were high for both adults (highest of the four nations at 21% in 2017-2020) and children (highest of the four nations at 31%), with some groups (e.g. single parents) particularly at risk. Low pay and inadequate childcare and benefit entitlements were making it difficult for families to escape poverty. Increasing proportions of families in Wales are living in expensive private rented accommodation, and looking across the regions of the UK, Wales has the third-highest rate of poverty amongst privately renting individuals.
3. Wales has been badly impacted by the pandemic and this is unevenly distributed: areas with higher rates of at-risk jobs and higher proportions of Universal Credit ('UC') claimants - such as Rhondda Cynon Taf and Merthyr Tydfil - have been particularly badly hit. Some 200,000 renters fell into arrears.
4. The Welsh Government has significant local social security levers and has used these to protect families from financial hardship through the pandemic. But these consist of a complex web of local support and people face a disjointed system that is hard to access and navigate, and that can be insufficient to meet families' needs. Local support could add up to more if better integrated, designed and funded, bringing together existing devolved grants and allowances into a coherent and effective 'Welsh Benefits System'.
5. Nonetheless, it is impossible to ignore that the livelihoods of people in Wales are fundamentally affected by social security policies of the UK Government. Wales has the highest proportion of working-age families (27%) out of all regions of the UK who are set to lose from the planned £20 per week cut to UC and Working Tax Credit ('WTC') in October. Around 7 in 10 families receiving UC in Wales are facing a shortfall between their rent and Local Housing Allowance ('LHA'). The UK Government should not take away £20 a week from the already-precarious incomes of hundreds of thousands of families in Wales by cutting UC/WTC. It should also maintain the link between LHA rates and local rents, rather than freezing them as it did this year.
6. Finally, governments at different levels share responsibility for addressing poverty in Wales - and this will remain so even if further social security powers were to be devolved to Wales. We draw lessons from devolution elsewhere in the UK. In particular, if the UK Government remains unwilling to make the administration of UC payments more flexible for claimants UK-wide, then Wales should continue exploring with the UK Government the devolution of powers to allow these flexibilities in Wales. More broadly, Scotland and Northern Ireland have used devolved powers not currently available to Wales to mitigate specific UK benefit reforms and have set their own social

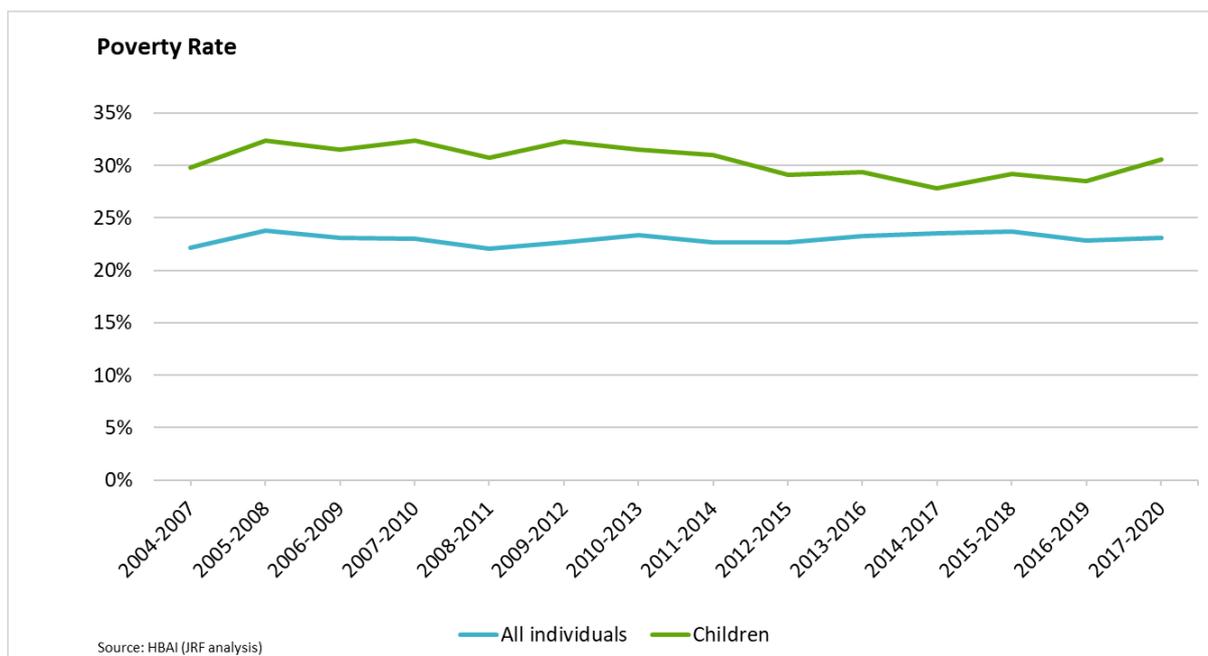
security direction and approach. But it is important to be aware of the financial and administrative implications of this.

About the Joseph Rowntree Foundation

7. The Joseph Rowntree Foundation ('JRF') is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty. We draw on our published research, learning from partnership working and what people we work alongside in local communities tell us.

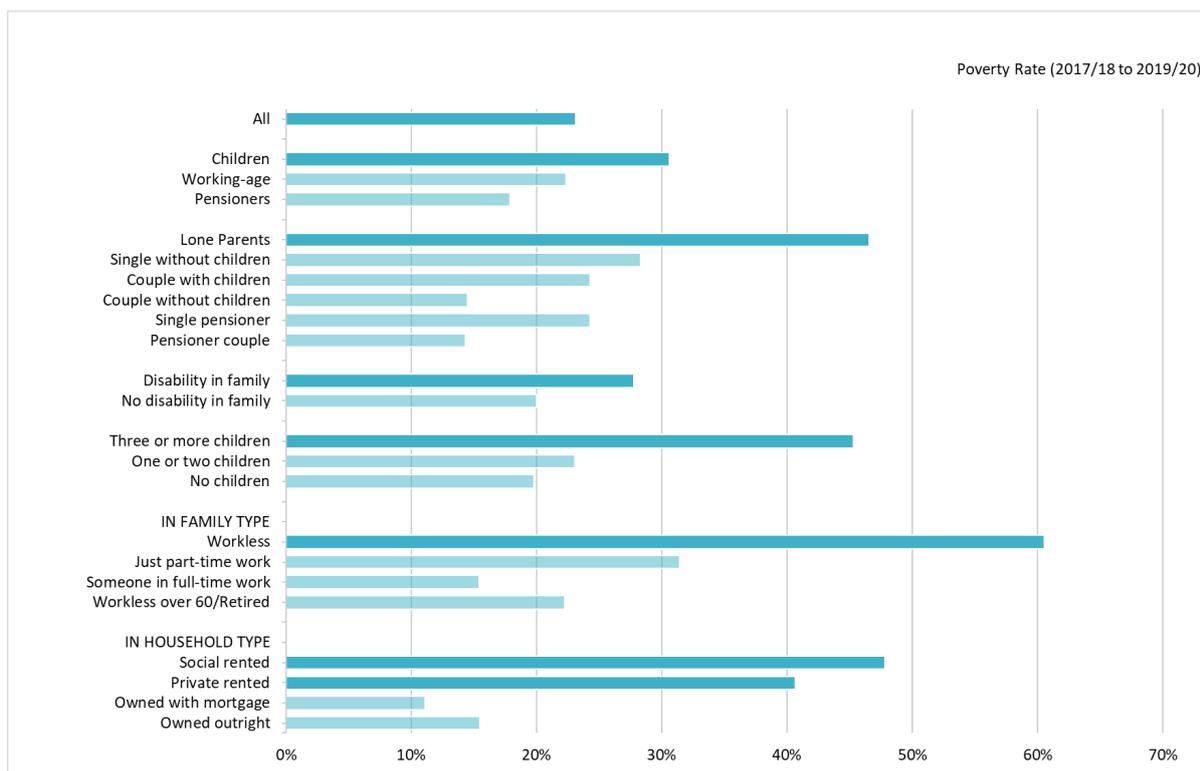
Poverty in Wales going into the pandemic was already too high

8. Going into the pandemic¹, a combination of low pay, unaffordable housing and an inadequate social security system was trapping 700,000 people in Wales in poverty – almost a quarter of the population. Children were at even higher risk of poverty, with around 3 in 10 (190,000) living in poverty pre-pandemic. After initially falling until 2014/16, the poverty rate among children has been increasing, while there has been no progress in reducing poverty across the whole population, as shown in this chart:



9. The chart below illustrates the proportion of specific groups that were living in poverty in Wales just before the pandemic. Groups with a higher poverty rate (darker bar) may represent a low proportion of the population in poverty (e.g. people in lone parent families – who have a high poverty rate of over 40% - only make up around a seventh of everyone in poverty due to the small size of the group in the population, although around a third of all children in poverty are in lone parent families).

¹ Combining data for the three years 2017/18, 2018/19 and 2019/20 from DWP's Households Below Average Incomes (HBAI) dataset <https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020>



10. A significant barrier to escaping poverty through work for families in Wales is a lack of affordable and accessible childcare. Two in five local authorities in Wales report that there is not enough childcare for those working atypical hours. The cost of a nursery place in Wales for a child under two comes in at £114.76 (for a 25-hour week) which outstrips the resources of many low-income families². Whilst families on UC can claim up to 85% of the costs of childcare, many cannot meet the requirement to pay upfront and then claim back.
11. The Welsh Government’s 30 hours of free childcare for three and four year olds is only available for those who work an average of 16 hours per week at minimum wage (although all three and four year olds are entitled to 10 hours per week of nursery or school-based early education during term time). This risks locking those who work fractionally lower hours out of the opportunity to develop valuable experience and skills. Coverage of this entitlement has declined over the last year, with only 23% of local authorities reporting enough childcare for eligible children compared to 33% in 2019³.
12. However, work isn’t always enough to help people escape poverty. In Wales, families are less likely to be able to escape poverty through paid employment, having lower pay for people in every sector than in the rest of the UK. In the first quarter of 2020, Wales had the lowest median hourly pay, compared to all other nations and regions, at £10.73. Four in ten households in poverty in Wales contain a full-time worker and over half have someone in work. Compared to other nations and regions in the UK, it had one of the higher in-work poverty rates (18% of individuals in households containing a

² Coram Family and Childcare (2021) Childcare survey 2021 <https://www.familyandchildcaretrust.org/childcare-survey-2021-0>

³ JRF (2020) Poverty in Wales 2020 <https://www.jrf.org.uk/report/poverty-wales-2020>

worker were in poverty as of 2017/18 to 2019/20) with only London (22%), North-East England (20%), West Midlands (20%) and Yorkshire and Humberside (20%) having higher rates.

13. Housing unaffordability has historically been lower in Wales than some other parts of the UK due to higher rates of homeownership and slow private rental price growth⁴. However, homeownership rates are falling in Wales and social housing supply remains inadequate, resulting in more households renting from private sector landlords.
14. Despite rental prices falling between 2009-12 and 2016-19, 41% of individuals privately renting in Wales still live in poverty. This is the third highest rate out of all regions of the UK other than the north east of England (44%) and Yorkshire and the Humber (42%)⁵. In the most part, this is a story of low incomes and inadequate social security provision rather than a story of high housing costs. However, the problem does have a particular spatial distribution, with private renters in Cardiff facing the highest costs and higher rates of housing unaffordability⁶.

The pandemic hit incomes, employment and housing affordability in Wales

15. Overall, one in five Welsh households saw their incomes decrease between January and May 2021, on top of nearly a quarter of households experiencing an income fall between March and December 2020. Some households will have been hit by income losses in both time periods. In 2021, one in three households in Wales reported that they do not have enough money to buy anything beyond everyday essentials.⁷
16. This overall picture masks some notable variation within different local authorities in Wales. Prior to the outbreak, areas with higher deprivation (on employment and income scales) had higher proportions of UC claimants. Such areas face a double-edged sword, simultaneously having large numbers of at-risk jobs (jobs in sectors that were more likely to be negatively impacted by the pandemic) and high numbers of unemployed claimants per job vacancy – while this has fallen over the last year as of 21st June 2021, the Vale of Glamorgan (9.4 claimants per vacancy), Merthyr Tydfil (9.1 claimants per vacancy) and Rhondda Cynon Taff (8.6 claimants per vacancy)⁸ are still in the top 40 local authorities in the UK with the highest number of claimants per vacancy. Some of the areas with high percentages of workers in at risk sectors (shown on the purple map below) experienced high rates of furlough (pink map below) and greater increases in UC claims (green map below).

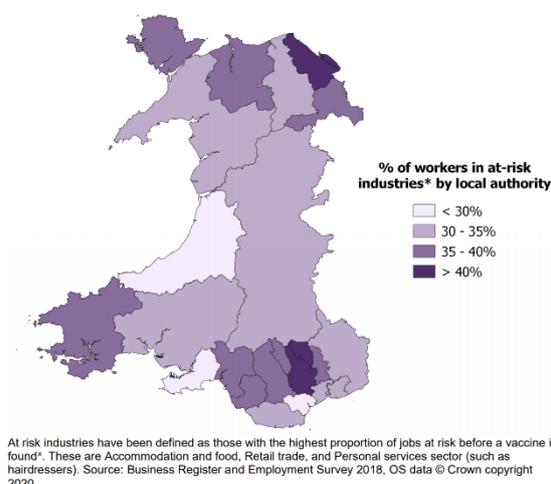
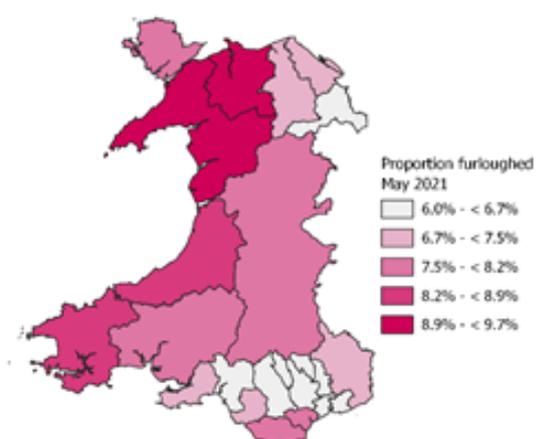
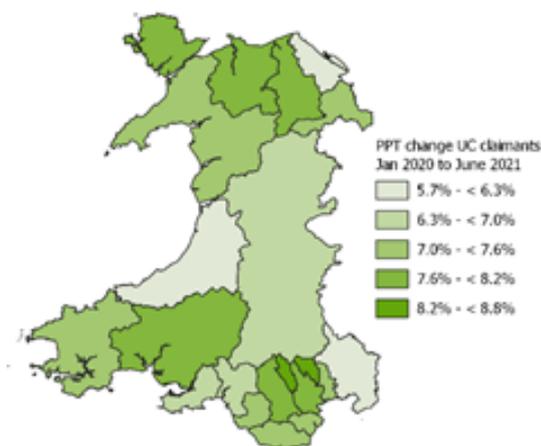
⁴ JRF (2020) Poverty in Wales 2020 <https://www.jrf.org.uk/report/poverty-wales-2020>

⁵ Derived from the Households Below Average Income tables on DWP Stat-Xplore at <https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml>

⁶ JRF (2020) Poverty in Wales 2020 <https://www.jrf.org.uk/report/poverty-wales-2020>

⁷ Bevan Foundation (2021) - A snapshot of poverty in spring 2021 <https://www.bevanfoundation.org/resources/poverty-in-spring-2021/>

⁸ Institute for Employment Studies (2021) Situations vacant: online job adverts during the crisis and recovery <https://www.employment-studies.co.uk/system/files/resources/files/Adzuna%20IES%20online%20vacancy%20analysis%20June%202020.pdf>



17. The pandemic also resulted in many people in Wales falling into arrears. By June 2020, approximately 400,000 adults (16%) in Wales had fallen behind on at least one bill, with 200,000 (8%) falling behind on their rent or mortgage payments. The proportion of adults in arrears was higher in Wales than much of the UK, with only London facing similar levels.⁹

Wales has provided significant local support during the pandemic

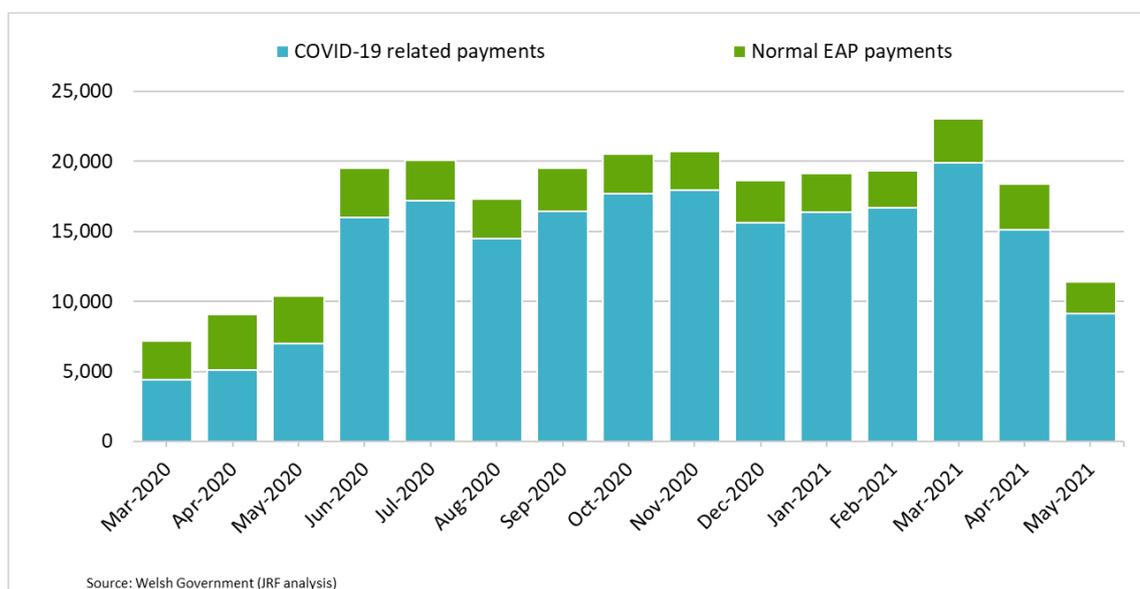
18. The importance of Wales-specific social security measures should not be underestimated and the Welsh Government has made its willingness to use its devolved powers to mitigate financial hardship apparent during the pandemic. For example, going into the pandemic the Welsh Government was responsible for providing deprivation-based Free School Meals ('FSM') to around 75,000 pupils in January 2020 (excluding those transitionally protected under the new UC eligibility rules – see footnote). Provisional data suggests this had increased by around 13,000 pupils by April 2021 (again, excluding transitionally protected pupils) as the impact of the pandemic took hold.¹⁰ The Welsh Government committed an extra £60 million in 2020/21 and a

⁹ JRF (2020) Poverty in Wales 2020 <https://www.jrf.org.uk/report/poverty-wales-2020>

¹⁰ The number of pupils eligible for FSM has also been increasing as a result of transitional protections brought in alongside the introduction of a £7,400 earnings limit for FSM eligibility in UC in Wales in 2019. These transitional protections were

further £23 million for 2021/22 to provide additional FSM for pupils not able to attend school during the pandemic and during the school holidays.¹¹

19. By far the most significant devolved support (in terms of aggregate expenditure) in Wales is the Council Tax Reduction Scheme ('CTRS'). Primarily as a result of the pandemic-related economic hit, the number of working-age households receiving help from CTRS in Wales increased by 5% between November 2019 and September 2020 (from around 172,000 working-age households to 181,000 households). This accounted for a £17.6 million (11%) increase in the total annual value of the scheme over that period.¹²
20. The Welsh Government also administered around 210,000 Covid-related Emergency Assistance Payments (averaging around £60 to £70) from its Discretionary Assistance Fund ('DAF') between March 2020 and May 2021 (shown in the chart below).¹³



21. The Welsh Government recently put in place a new £10 million Tenancy Hardship Grant¹⁴ to help those with rent arrears and at risk of homelessness to clear their arrears and stay in their homes. This could be a vital lifeline for people who have got behind on their rent as a result of the pandemic, but the scheme lacks clarity. We echo questions raised by the Bevan Foundation on whether the scheme is adequate to meet demand, whether protections will be put in place to ensure evictions are prevented, and on what

expected to increase FSM eligibility significantly over the period 2019 to 2022 regardless of underlying economic conditions. The figures we have cited here exclude pupils who are only eligible as a result of transitional protection, so indicate the underlying rise in FSM eligibility arising from economic conditions. The same data suggests that the raw increase in FSM-eligible pupils between January 2020 and April 2021 was around 19,000. See: Welsh Government (2021) Schools' census results: April 2021 (provisional) <https://gov.wales/schools-census-results-april-2021-provisional>

¹¹ Welsh Parliament (2021) NDM7767 Plaid Cymru Debate - Free School Meals

<https://business.senedd.wales/ielssueDetails.aspx?Id=37565&Opt=3>; Welsh Government (2021) Response to freedom of information request <https://gov.wales/sites/default/files/publications/2021-07/atishn15267.pdf>

¹² Welsh Government (2021) Understanding the impact of Covid-19 on the Council Tax Reduction Scheme in Wales: Interim Findings <https://gov.wales/council-tax-reduction-scheme-and-covid-19-wales-interim-findings>

¹³ Welsh Government (2021) Summary data about coronavirus (COVID-19) and the response to it: 26 May 2021 <https://gov.wales/summary-data-about-coronavirus-covid-19-and-response-it-26-may-2021>

¹⁴ Welsh Government (2021) New £10 million grant scheme to help people struggling to pay their rent during the pandemic <https://gov.wales/new-10-million-grant-scheme-help-people-struggling-pay-their-rent-during-pandemic>

protections will be put in place to ensure that landlords will not be able to receive funds (via tenants) and proceed to eviction regardless¹⁵.

22. The Tenancy Hardship Grant is not available to those who received housing-related benefits when arrears were built up (the principle being that there should not be overlap with housing support already received through the benefits system). Renters in receipt of LHA are being directed towards Discretionary Housing Payments ('DHP's) but it is not clear how effective these have been at addressing rent arrears, nor whether those with No Recourse to Public Funds ('NRPF') would be eligible to claim through this route.
23. **Recommendation:** For DHPs to be adequate to meet demand they must be increased in line with demand. It is welcome that Welsh Government will increase DHP allocations by £4.1 million in 2021-22¹⁶ but it is not clear that this increase will meet the needs of those households who have fallen behind the most. More data from the Welsh Government on the effectiveness of DHPs in addressing rent arrears would be welcome.
24. **Recommendation:** DHPs need further reform to be effective¹⁷, for example ring-fencing a rent arrears fund within DHP allocations and providing guidance to councils making clear that DHPs can be used for arrears and that there is legal precedent for this.

Local support could add up to more if better integrated, designed and funded

25. Despite these welcome initiatives, the broader picture is one of a complex plethora of local support and grants in Wales, meaning people who need support face a disjointed system that is hard to access and navigate. This support can also often be insufficient to meet families' needs, for example, with concerns that FSM allowances in many secondary schools in Wales are not enough to cover the full cost of a lunch and drink.¹⁸
26. Families often have to make multiple applications to various local support schemes largely operating separately from one another, with complicated and sometimes intersecting eligibility criteria, which results in significant under-claiming¹⁹. Some households have to submit multiple applications even where different schemes are administered by the same body and/or have the same eligibility criteria²⁰.
27. For instance, there are concerns that people claiming UC from the Department for Work and Pensions ('DWP') having to make a separate application to the CTRS in Wales could put them at higher risk of missing out on this devolved support due to lack of awareness or greater challenges for local authorities in joining up support. Previously, for example, councils could more easily support claimants with joint applications to housing benefit and council tax support (before the locally administered housing

¹⁵ Bevan Foundation (2021) Solving our housing crisis <https://www.bevanfoundation.org/views/our-housing-crisis/>

¹⁶ Welsh Government (2021) Written Statement: Extension to the Tenancy Saver Loan Scheme and additional funding for Discretionary Housing Payments <https://gov.wales/written-statement-extension-tenancy-saver-loan-scheme-and-additional-funding-discretionary-housing>

¹⁷ JRF (2020) Struggling renters need a lifeline this winter <https://www.jrf.org.uk/report/struggling-renters-need-lifeline-winter>

¹⁸ Bevan Foundation (2020) Lifting children out of poverty, the role of the Welsh Benefits System <https://www.bevanfoundation.org/resources/children-out-of-poverty/>

¹⁹ Bevan Foundation (2020) A Welsh benefits system, how it can help solve poverty <https://www.bevanfoundation.org/resources/a-welsh-benefits-system/>

²⁰ Bevan Foundation (2020) Lifting children out of poverty, the role of the Welsh Benefits System <https://www.bevanfoundation.org/resources/children-out-of-poverty/>

benefit was replaced by the DWP-administered UC). There was a trend of falling CTRS caseloads between 2013/14 and 2019/20²¹. While this is likely to have been caused primarily by factors unrelated to UC (such as the economic context or broader welfare reforms), there is some evidence that the separation of applications for UC and CTRS could risk more people missing out on CTRS in the future.²²

28. Whilst integrating centralised data from the DWP with that of devolved agencies can be difficult, it is possible for the Welsh Government to streamline or automate applications to local benefits where eligibility criteria is similar. For example, in Scotland, Glasgow City Council has streamlined the application process for income-tested child benefits, merging the school clothing grant and free school meals application form. The council were also able to identify a further 5,400 people who were eligible for a school clothing grant by cross checking housing benefit and council tax records against receipt of school clothing grant. This was followed up with a barcoded letter, which enabled automated payment without need for application²³.
29. Given the significant support that the Welsh Government can offer its residents, it is important that it ensures it is providing a clear, effective and fair local system of benefits, which complements the social security system that already exists in the UK.
30. **Recommendation:** The Welsh Government should actively consider the merits of the Bevan Foundation's proposals to improve and bring together the existing devolved grants and allowances into a coherent and effective 'Welsh Benefits System'²⁴. This could mostly be established within the powers already devolved to the Welsh Parliament and would complement the UK social security system. It should aim to provide a single point of access across several benefits (including e.g. FSMs, the CTRS, DAF, DHPs and others). At a minimum, it should link together the various forms of devolved support but should also explore integration with centrally administered benefits, and DWP should cooperate to help achieve this. It must also ensure that it provides sufficient cash support to meet the needs of low-income families. Such a system should also have the voice of users at the heart of its design, codesigning the approach with them.

Wales remains fundamentally impacted by UK social security decisions

31. Despite the significant difference that the Welsh Government can already make with existing powers, it is nonetheless impossible to ignore the fact that the livelihoods of people in Wales are fundamentally affected by social security policies of the UK Government.
32. Around one fifth of working-age adults in Wales live in a family receiving either UC or at least one of the means-tested 'legacy' benefits, and they are significantly more likely to be in poverty than those who aren't. In 2017-20, over half of working age adults in

²¹ Welsh Government (2020) Council Tax Reduction Scheme: annual report 2019 to 2020 <https://gov.wales/council-tax-reduction-scheme-annual-report-2019-2020>

²² Welsh Government (2020) Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales: Final Report <https://policyinpractice.co.uk/wales/>

²³ Scottish Parliament, Social Security Committee (2018) Inquiry on benefit automation <http://www.parliament.scot/parliamentarybusiness/report.aspx?r=11446&mode=pdf>

²⁴ Bevan Foundation (2020) A Welsh benefits system, how it can help solve poverty <https://www.bevanfoundation.org/resources/a-welsh-benefits-system/>

receipt of either UC or at least one of the means-tested 'legacy' benefits were in poverty.

The biggest overnight cut to the basic rate of social security since the Second World War

33. The UK Government's welcome decision to increase the standard allowance of UC and the equivalent component of Working Tax Credit ('WTC') by £20 per week at the start of the pandemic can be seen as an acknowledgement that the social security lifeline was not strong enough to adequately protect families from harm in difficult times. However, plans to reduce UC and WTC in October by £20 per week will represent the biggest overnight cut to the basic rate of social security since the birth of the modern welfare state and will be a real income shock to millions of families across the UK on low incomes in and out of work.
34. This will be a key challenge for Wales, as it is the part of the UK with the highest proportion of working-age families set to lose out from the move – 27%, or 400,000 families. This is at serious odds with the UK Government's intention of 'levelling up' across the UK.
35. **Recommendation:** It would be wrong of the UK Government to take away £20 a week from the already-precarious incomes of hundreds of thousands of families in Wales by cutting UC and WTC this October. Instead, it must keep the £20 increase and ensure that people who are still receiving legacy benefits, most of whom are disabled or carers, are no longer excluded from this vital lifeline.

UK support for housing costs

36. LHA should also be an anchor that prevents households being swept into poverty, rent arrears or homelessness, but it has faced several cuts over the last decade. In 2011, LHA was reduced from being set at the 50th percentile of rents in local areas, down to the 30th percentile and a national cap introduced. In 2012 the shared housing rate was extended to most single people under 35. In 2013, increases in LHA were limited to Consumer Price Index ('CPI') inflation instead of increases in local rents, and then in 2016 frozen altogether.
37. Going into the pandemic, these cumulative cuts to LHA had opened up a gap between local rents and the support available through the social security system. Analysis by Crisis found that in 2019 a small family renting in Cardiff would face a £67.86 gap between their rent and the amount of LHA they could claim²⁵. It was therefore welcome when the UK Government increased LHA rates at the start of the pandemic, realigning them with the 30th percentile of rents in local areas from April 2020.
38. JRF analysis finds that in January 2020, just one in five households in Wales receiving LHA as part of their UC payment found it covered their rent (compared to around one in three on average across Great Britain in January 2020). As LHA goes to families in and out of work some of the gap between LHA and rent will reflect that some families' will be renting more expensive properties than the maximum LHA available, using their earnings or other income to top up the difference. However, comparing this measure

²⁵ Crisis (2019) Cover the Cost: Restoring Local Housing Allowance rates to prevent homelessness <https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/benefits-and-employment/cover-the-cost-restoring-local-housing-allowance-rates-to-prevent-homelessness/>

over time can indicate how the level of support for housing costs within the benefit system has changed over time and how the situation varies between areas, and that even when a family's UC is tapered off it will be less adequate than prior to these reforms. Higher proportions of families who faced a gap between their rent and LHA were in those Welsh local authorities which have been disproportionately impacted by the pandemic (Gwynedd, Conwy, and the former mining valleys in the south).

39. Following the realignment of LHA in April 2020, the number of families in Wales facing a shortfall fell to just over seven in ten by February 2021 (compared to just over half across Great Britain on average), relieving financial pressure for some 45,000 households in Wales. However, many of those claiming LHA will still have an income that does not allow them to cover their rent. For many families, support falls even further below what's required because of the household benefit cap. As of February 2021, 6,000 households in Wales had their housing support capped, accounting for 2.1% of all households claiming housing benefit or the housing element of UC in Wales. The number of claimants capped has increased by 81% between February 2020 and February 2021, with an additional 2,700 households falling under the cap.
40. This situation is likely to start to worsen again. In the March 2021 Budget the UK Government confirmed plans to freeze LHA in cash terms again in subsequent years from April 2021. This is the wrong move and will lead to gaps re-emerging between actual rents and the amount of support available at a time when that support is most needed.
41. **Recommendation:** The link between local rents and LHA must be maintained. If not, the number of people struggling to afford their rent risks rising. At the same time, efforts need to be made to understand why such a proportion of households face a gap between their rent and LHA, and broader reforms considered to LHA to ensure it is adequately covering rents.
42. **Recommendation:** Modelling the impact of increasing the rate that LHA is set at would be an important step in determining how to close this gap, as would reforming the benefit cap which is currently suppressing the effectiveness of LHA payments.

Learning from devolution and administrative flexibility elsewhere in the UK

43. Using devolved powers, both the Scottish Government and Northern Ireland Executive have embraced administrative flexibilities to deliver UC payments differently from England, better reflecting the reality of claimants' lives. They have also used devolved powers to directly mitigate specific UK social security reforms and are beginning to set out their own direction with entirely new benefits and different approaches to social security. We first provide some background to social security devolution in Scotland and Northern Ireland, before considering some practical and financial implications of the devolution of social security powers.

Devolution of social security powers in Scotland

44. A variety of social security powers (e.g. transfer of control over some existing benefits, the power to top up UK benefits and the power to create new benefits)²⁶ is available to

²⁶ For full details see the Scottish Government website <https://www.gov.scot/publications/responsibility-for-benefits->

the Scottish Government and Parliament although it currently totals only around 15% of social security spending in Scotland²⁷. This mainly covers the transfer of disability and carers benefits to Scotland.

45. The Scottish Government has also provided additional DHP funding to negate the impact of the under-occupancy charge (commonly known as the 'bedroom tax').
46. However, Scotland has also introduced a significant new benefit in the form of the Scottish Child Payment ('SCP')²⁸. The £10 per week payment began in early 2021 for families with children under 6 and eligibility is based on receipt of a variety of reserved benefits (in short, UC and the means-tested legacy benefits).²⁹ In the recent Scottish Parliament elections each party committed to doubling the payment to £20 a week (which would reduce child poverty by around 4 percentage points).
47. In addition, the Scottish Government has some administrative flexibilities in the delivery of UC, where claimants can make 'Scottish Choices' (delivered by the DWP on behalf of the Scottish Government). They can choose to receive payments twice a month instead of once a month and/or have the housing element of their UC paid directly to their landlord. Split payments also form part of Scottish Choices, but while technically possible, there is as yet no date as to when this will be delivered in practice.
48. The Scottish Parliament has also set a clear intent to take a different overall approach to social security. Importantly, the Social Security (Scotland) Act of 2018 set out principles to provide a system grounded in dignity, fairness and respect, which led to a Social Security Charter designed with users.

Devolution of social security powers in Northern Ireland

49. In theory, social security is almost fully devolved to the Northern Ireland Assembly. That being said, the longstanding policy aim has been to achieve 'parity' with the system elsewhere in the UK (as deviations from parity require funding from the devolved budget), meaning that the principal features (and payments) in Northern Ireland remain the same as the DWP system.
50. The introduction of various UK social security reforms of the last decade was, however, controversial, and more recently the Northern Ireland Executive has acted to mitigate some of these. For example, they have:
 - a) mitigated the impacts of the 'bedroom tax', the household benefit cap and changes to disability benefits;
 - b) introduced grants to help cover the minimum five-week wait for the first payment of UC³⁰; and

[overview/](#)

²⁷ Following the Scotland Act 2016.

²⁸ The Scottish Child Payment is technically a top-up to reserved benefits although it would not appear like this to applicants. This does create practical impacts, however, as if a person moves off of a reserved benefit they will lose all eligibility to the Scottish Child Payment without any tapering – creating a "cliff edge" effect.

²⁹ The Scottish Government website provides the full list <https://www.mygov.scot/scottish-child-payment/who-should-apply>

³⁰ This is particularly welcome, as our research shows that these waits cause destitution – see *Destitution in the UK 2020* - <https://www.jrf.org.uk/report/destitution-uk-2020>. The fact that these payments are grants rather than loans or advances is also key, often deductions from UC payments to repay advances to cover the 5-week wait are causing poverty and, in some cases, destitution elsewhere in the UK.

c) introduced up-front grants for childcare costs.

51. The Northern Ireland Executive also differed from the DWP in the administration of UC payments. In Northern Ireland, these are, as a matter of course³¹, paid twice monthly as default, as well as the housing element being paid directly to landlords. It is also technically possible to receive split payments but take up of those is very low³².

Challenges and opportunities from administrative practicalities arising from devolution

52. The devolution of significant social security powers has created administrative complications that have led to delay and challenges for the Scottish Government and DWP.
53. In designing the new devolved social security system, the Scottish Government has prioritised creating a system with and for people who will rely on it. A key part of that is prioritising both a secure transition and ensuring applicants do not need to repeatedly provide information they have already provided elsewhere. This necessitates Social Security Scotland looking to maximise data sharing and coordination with DWP where applicants are using both systems. The resulting complexity and limits of both DWP powers and capacity to share data and build accompanying IT systems has led to delay.
54. Similarly, the Scottish Government has made policy decisions that have created delay, partly necessitated by the pandemic, such as relying on better data sharing between relevant health and social care professionals for disability assistance payments.
55. This has led to significant delay in the start point of the new Scottish disability assistance payments and the full migration of people from the existing DWP benefits to the new Scottish equivalents.
56. In terms of the flexibilities in UC via Scottish Choices, the DWP are yet to commit to any timescale on when split household payments will be available. Issues have also arisen with the introduction of the SCP, with debates³³ over data sharing ability and capacity leading to a staggered roll out of the payment.
57. From a DWP perspective, despite good working relationships, it is not always possible for them to prioritise supporting Social Security Scotland at the speed that Scottish officials and ministers would prefer. From the Scottish Government's perspective, this does create a limit on policy freedom both in terms of substance and speed.
58. However, in spite of these challenges, the devolved governments in Scotland and Northern Ireland have both demonstrated the use of administrative flexibilities to deliver real improvements to claimants' experiences of UC. JRF has argued that everyone in the UK who needs to claim UC should have the choice to receive payments twice monthly, as in Scotland and Northern Ireland, and that non-repayable upfront grants should be available to smooth the move onto UC, as in Northern Ireland.³⁴

³¹ Unlike under Scottish Choices where people have to request a twice monthly payment and only after their first assessment period.

³² See Welfare Policy in Northern Ireland – House of Commons Northern Irish Affairs Committee – September 2019 <https://publications.parliament.uk/pa/cm201719/cmselect/cmniaf/2100/210008.htm>

³³ See the recent House of Commons Scottish Affairs Committee Report on Welfare in Scotland from June 2021 for further details <https://committees.parliament.uk/work/682/welfare-policy-in-scotland/publications/>

³⁴ JRF (2019) We need to end the five-week wait for Universal Credit – here's how <https://www.jrf.org.uk/blog/end-five-week-wait-universal-credit>

59. **Recommendation:** All claimants in the UK should be able to benefit from more flexible UC payments and we urge the UK Government to make this a reality. But the Scottish Government and Northern Ireland Executive have shown they can use flexibilities to do this themselves. The Welsh Government should continue exploring with the UK Government the devolution of powers to allow it to introduce greater administrative flexibilities over UC payments in Wales.

Impact of devolution of social security powers on devolved budgets

60. For those social security payments that have been devolved, the Scottish Government has funds transferred to them via their Block Grant from the UK Government³⁵. The Scottish Fiscal Commission must also forecast what they believe the Scottish Government will have to spend on those benefits³⁶.
61. This creates a risk in the Scottish Government budget as even small, and almost inevitable, forecasting errors will impact on the Scottish Government's spending power. Without the full flexibility of UK Treasury borrowing and accounting powers this level of social security spending puts a pressure on the Scottish Government's fixed budget³⁷. With around £3.5 billion of largely demand-driven social security payments, most of which is new to Scotland, even a 1% forecasting error means a £35 million difference.
62. On top of that forecasting risk, policy or administrative decisions made by the Scottish Government can increase (or, of course, decrease) the cost. Essentially this is the intended consequence of devolution, i.e. giving the Scottish Government flexibility to deviate from the UK Government system.
63. As noted, the Scottish Government also has the power to top up reserved benefits or create new benefits within devolved areas. These powers could be used for a variety of purposes but the most obvious uses are to mitigate changes in UK Government policy or to create new benefits within devolved areas such as health, education or justice. Unlike benefits that have been explicitly devolved, they attract no Barnett consequentials. For example, the SCP once fully rolled out and doubled will cost around £400 million per year that will have to be found from the Scottish Government budget.
64. The Northern Ireland Executive also has to balance the policy imperatives of making more generous social security provision in Northern Ireland against other budget priorities. Without Barnett formula cover for such additional payments, reductions in other spending or raising additional revenues are necessary.
65. In any considerations of devolution of social security powers to Wales, it is therefore important to be aware of the financial and administrative risks and implications described above.

³⁵ This is done via the Fiscal Framework agreed between the Scottish and UK Governments after the Smith Commission. In simple terms, the Scottish Government will receive a Barnett share of UK Government spending as they do with other devolved areas of spending, although with the introduction of greater tax powers in 2016 the link between the size of the block grant and the Scottish Government's spending power is weaker than previously.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/503481/fiscal_framework_agreement_25_feb_16_2.pdf

³⁶ The SFC, for example, recently published their methodology for forecasting disability and carers payments
<https://www.fiscalcommission.scot/wp-content/uploads/2021/05/How-we-forecast-social-security-disability-and-carers-payments-May-2021.pdf>

³⁷ The Fiscal Framework does give the Scottish Government modest borrowing powers to deal with forecasting errors and reconciliations are not required immediately but ultimately they will impact on its spending power in future years.

Devolution and responsibility for reducing poverty

66. There is a fundamental question as to who carries the responsibility for driving down the unacceptable levels of poverty across the UK and the answer isn't as simple as the UK and devolved governments often imply. For example, it's often argued that the Scottish Government's power to top up reserved benefits allows them to reverse UK Government policy decisions such as the 'two-child limit' or the proposed cut to UC.
67. While that is to an extent true, it masks the imbalance in social security and fiscal powers between the UK and Scottish governments. The UK Government still has the vast majority of social security powers and spending as well as far greater flexibility in borrowing and taxation.
68. That being said, it is also not credible for the Scottish Government to argue that there is nothing further they can do within social security, or other devolved areas, to ameliorate poverty in Scotland. As a result, it is important to remember that further devolution does not reduce any government's responsibility to reduce poverty, it merely strengthens another government to do more. If such a nuance, however, leads to inertia, the people who lose out are those that are experiencing poverty.
69. Governments at different levels share responsibility for addressing poverty in Wales - and this will remain so even if further social security powers were to be devolved to Wales.

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