

Written evidence submitted by the Welsh Government (BSW0036)

Introduction

Officials across the Welsh Government have considered the initial questions posed by the Welsh Affairs Committee's Inquiry into the Benefits System in Wales. Rather than send several responses through the online portal, the information has been collated within this response.

Key Questions

1. *What are the key challenges for the benefits system in Wales and how do they differ from the other nations and regions of the UK?*

The changes to the Social Security system have raised significant issues in Wales and Welsh Ministers continue to make representation to UK Government over these changes and implement policy to protect those most at risk in our communities. The Welsh Government report [Impact of the Welfare Reforms on Households in Wales](#) published in March 2019, builds on earlier Welsh Government analysis. It brought together latest key statistics, analysis and evidence on the impact of implemented and proposed welfare reforms in Wales.

We know the overall effect of these benefit changes has been regressive, with the largest impacts felt by people on the lowest incomes, and especially those with children. In 2018, the [Equality and Human Rights Cumulative Impact Assessment](#) reported the UK Government's tax and welfare reforms would push an extra 50,000 children in Wales into poverty by 2021-22. There is also a disproportionately negative impact on the incomes of several protected characteristic groups including disabled people, certain ethnic groups and women. These negative impacts are for the most part a result of changes to the benefit system, in particular, the freeze in working-age benefit rates, the two-child limit in tax credits and Universal Credit, the abolition of the family element, and changes to disability benefits.

Our research identified as at August 2018, 25,890 or 12 per cent of recipients of Housing Benefit in Wales had a reduction in their weekly award amount due to this policy compared to 35,710 in May 2013. This is higher than the equivalent proportion for Great Britain (GB) (9 per cent) in August 2018. The majority (81 per cent) of affected recipients in Wales were deemed to be under-occupying their property by one room. The mean weekly spare room reduction amount in Wales in August 2018 was £15.83 compared to £15.33 in GB. With a shortage of one bedroom properties meant there are more people in Wales affected by the spare room subsidy tax as they were unable to downsize. This policy also impacted on disabled people and those with long-term health conditions.

There was also strong concerns in the research in regard to Personal Independence Payment (PIP). DWP statistics show at the end of July 2018, 138,370 people in Wales had a PIP claim in payment, an increase of 4,340 (or 3 per cent) on the previous quarterly figure (April 2018). Of these claims in payment, 81,380 were reassessment claims from Disability Living Allowance, which is equivalent to 59 per

cent of the total PIP caseload (53 per cent in GB). Unfortunately, significant issues over PIP still remain in Wales.

The five-week wait for Universal Credit claimants to receive their first payment has also brought challenges for Welsh claimants. We have repeatedly made calls for a reduction to the five-week wait by introducing a shorter and more flexible assessment period, and by offering a one-off non-repayable grant at the start of the claimant's application for Universal Credit. We are concerned that the use of 'advance payments' is generating an increased risk of over indebtedness within low income households in Wales claiming Universal Credit.

The Welsh Government continue to monitor statistics, research and analysis following the impact of welfare reform and benefit changes and have regular discussions with key stakeholders about their experience of such impacts.

2. *Pre-pandemic, how effectively did the UK benefits system tackle poverty and socio-economic inequalities in Wales as compared to England and Scotland?*

Between 2017-18 and 2019-20, 23% of all people in Wales were living in relative income poverty. This figure has remained relatively stable (between 22 and 24 per cent) for over 15 years. The percentage has also been steady for all other UK countries in recent years; however their rates have been lower. In England the percentage of people living in relative income poverty was 22% between 2017 and 2020; in Scotland and Northern Ireland the figures were 19% and 18% respectively.

The UK Government welfare reforms have had considerable impact for the people of Wales. As referred to above, the report *Analysis of the impact of the UK Government's welfare reforms on households in Wales* made clear a number of issues on concern with the roll out of Universal credit, focusing on three areas; the impact on rent arrears, foodbanks and applying for universal credit on-line.

We appreciate the UK Government has made some revisions to their Universal Credit processes but we believe the UK Government should commit more to targeting support to lift people out of poverty. One such example (see response to Q4 below) is to work proactively with the devolved nations to deliver a coordinated United Kingdom wide strategy focusing upon income maximisation.

The Welsh Government has a whole government approach to tackling poverty. Delivering on our commitment to tackle the root causes of poverty and improve outcomes for low income households is the responsibility of every Ministerial portfolio. Welsh Government published its spending on specific poverty programmes in an annex to its [2019 Child Poverty Strategy Progress Report](#). However, total funding on initiatives that improve outcomes for low income families is far greater than this and it is not possible to disaggregate this significant investment from other spending.

Whilst the Welsh Government does not hold the key policy levers required to make a significant difference to poverty levels in Wales, there is much we have done to

break the cycle of deprivation and focus on areas where we can have the most impact. We continue to focus on our objectives to reduce the number of children living in workless households, increase the skills of parents and young people, reduce inequalities in education, health and economic outcomes and action to increase household income.

3. How has the COVID-19 pandemic changed the type and amount of support needed by people in Wales?

The Council Tax Reduction Scheme

In Wales in March 2021, 226,482 of households were in receipt of a full Council tax Reduction (CTR) award and paid no council tax at all. Over the past year, the working-age caseload has increased significantly due to the impact of the pandemic. There were 177,911 working-age cases in March 2021. This is an increase of 12,268 cases compared to March 2020 (7.4%). Conversely, there were 106,988 pensioner households receiving a CTR as at March 2021 compared to 110,744 in March 2020. This is a 3.4% decrease. The Welsh Government provided local authorities with an extra £10.9million to cover the increased cost of applications received for the scheme as a result of the covid-19 pandemic.

Free School Meals

In recognition of the increased hardships eligible families were experiencing during the pandemic the Welsh Government allocated an additional £60million to help local authorities with the additional costs they were incurring in providing a free school meal provision during the 2020-21 financial year. Most local authorities provided supermarket vouchers or made direct payments to parents, but a smaller number provided food parcels to eligible families. Wales has led the way in ensuring that during these times of great uncertainty, those who rely on free school meals have still been able to receive them during the school holidays. We have now allocated additional funding of up to £23.3m to ensure that free school meal provision will be made available during all school holidays in the 2021-22 financial year.

Universal Credit

The Covid-19 pandemic has led to a significant increase in people in Wales claiming universal credit (UC). In June 2021, there were around 280,940 people on UC in Wales, a net increase of around 125,500 people since March 2020.

Housing

The Tenancy Saver Loan (TSL) scheme was introduced to assist private rented sector (PRS) tenants who have struggled to pay their rent as a result of Covid-19. This scheme ceased when the Tenancy Hardship Grant (THG) was introduced from 15th July 2021. All outstanding loans are being converted to grants and any

repayments made by tenants are being reimbursed. There were approximately 50 successful applications to the TSL scheme.

Pupil Development Grant Access (PDG – Access)

In 2020-21 PDG-Access was raised to £10.354m to enable the extension of the grant to further years in response to the pandemic and recognising the extreme pressures facing many families, and the subsequent rise in entitlement to Free School Meals. Welsh Government also amended the terms and conditions of the grant to allow families to purchase IT equipment such as laptops/tablets to help families with home schooling and we continue to offer the same amendment for 2021-22

Discretionary Assistance Fund Payments

The [Discretionary Assistance Fund](#) (DAF) is a Wales-wide scheme that was established in April 2013 following the devolution of discretionary elements of the Department for Work and Pensions (DWP) Social Fund to the Welsh Government. The DAF offers support people experiencing extreme hardship. The fund is not designed to cover ongoing financial shortfalls but is a grant of last resort when all other access to cash has been exhausted.

The DAF Emergency Assistance Payments (EAPs) were adapted to meet the increased demand due to Covid-19. This allowed those who had lost their job or had reduced working hours and were impacted financially by the pandemic to receive up to 5 EAP's in a 12 month period (an increase from 3 prior to Covid). Welsh Government also allowed claims to be made at weekly intervals, as opposed to 28 day intervals, meaning people could get more support whilst waiting for first Universal Credit payment. These flexibilities have been extended up to 30 September 2021. We will also be funding expert advisors to identify and support people who may be eligible for more benefits than they are currently claiming when they apply to the DAF.

Welsh Government has invested an extra £14.9m into the DAF to help support the increasing demands on the fund during 2020/21. On 2 March, we announced a further £10.5m for 2021/22 to continue the unprecedented support we have made available to those who need it most. This extra funding will cover the cost of the large increase in claims due to Covid-19 and the costs of a relaxation to the rules to 30 September 2021.

Between the periods 18 March 2020 when Covid-19 recording began, up to 25 June 2021, a total of 279,028 EAP DAF payments have been made totalling more than £18.5m, of which 216,126 quote Covid-19 as a cause, amounting to more than £14.4m.

Advice Services

Since 2014, in response to UK Government's austerity and welfare reform measures Welsh Government has consistently paid grants totalling £6 million a year to advice providers so we can feel confident some of the most vulnerable people in our society have access to the advice that they need on a range of social welfare problems. In the current financial year, through the Single Advice Fund (SAF) over £9 million grant funding has been made available to advice services. Through the SAF, the Welsh Government is funding six regional and one national advice consortia to ensure there is a coordinated framework of quality assured advice service provision across Wales. The SAF have an innovative collaborative delivery model enabling services to reach deep within local communities to help people resolve multiple and, often entrenched, social welfare problems. During the period 1 April 2020 – 31 March 2021, the SAF services helped over 127,000 people to deal with 286,666 social welfare problems¹. Those receiving advice on their welfare benefit entitlements were supported to gain additional income of over £43 million.

4. How effectively has the UK benefits system responded to these needs, and what else should the UK Government do to deliver the right support in Wales?

The Covid-19 pandemic has demonstrated that the UK social security system can be flexible and respond proactively to significant challenges. We welcomed the speed at which changes were introduced in key social security payments, such as Statutory Sick Pay and Universal Credit.

However, serious concerns remain that these positive and much needed changes will not permanently alter the social security safety net. For example, Welsh Ministers have consistently urged the UK Government to maintain the additional £20pw Universal Credit/Working Tax Credit uplift payment beyond the autumn. The recent announcement that it is the intent of the UK Government to cease the payment will negatively impact many people across Wales (and the UK) who are struggling financially because of the pandemic. We are keen to understand what assessment has been made on the impact of not maintaining the additional payment on poverty levels and the financial health and well-being of people in Wales.

The Department for Work and Pensions allocates a Discretionary Housing Payment (DHP) grant to each Welsh Local Authority. The funding for 2020/21 was £10.5m. Local authorities were informed at the end of February that the proposed funding for 2021/22 is being reduced by approximately £4m with a number of local authorities having reductions of 40 percent or more. This reduction will significantly undermine this scheme at a time when the need for such measures has never been greater.

Any welfare benefit system should be delivered with compassion, be fair in the way it treats people, and it should be designed to be as simple as possible, promoting efficient administration and helping people to easily understand and access their entitlements. Based on these values we have recently commenced work with our stakeholders to produce a set of key principles that, if approved by the Welsh

¹ Social welfare problems – debt, discrimination, employment, housing and welfare benefits.

Ministers, will become underpin the design and delivery of a coherent, integrated and compassionate Welsh benefits system.

It is more critical than ever that people eligible for financial support are aware of, and are accessing, the full range of entitlements available to them. In November 2020, a joint letter was sent to the Secretary of State for Work and Pensions signed by Ministers from Wales, Scotland and Northern Ireland. The letter called upon the Secretary of State to lead a more strategic approach to the take-up of DWP welfare benefits. With no response to the request for a UK wide strategy to promote take-up, the Welsh Government published the [Child Poverty – Income Maximisation Action Plan](#) (IMAP) that contains a series of actions to help maximise the incomes of families living in poverty in Wales. The [final report](#) summarises the achievements that include:

- I. *National Take-up Campaign* - the Welsh Government delivered its first national campaign from 1 March to 25 March. The campaign used creative messaging, delivered through online digital communications, newspaper advertisements and targeted leaflet drops, to engage with low-income families and a wider audience of people who now need support due to the financial impacts of the pandemic. People responding to the campaign were helped to claim £651, 504 of additional income.
- II. *Targeted Income Maximisation Advice and Support* – Single Advice Fund Advice and Access partners are collaborating in the delivery of tailored messages and support to encourage take-up amongst groups with protected characteristic, whom are least likely to be claiming all the financial support they are entitled to. Between October 2020 and March 2021, 1,440 households received targeted support and were helped to claim additional income of £2,468,052.
- III. *Frontline Worker Awareness Raising* – 2,200 frontline staff have attended free online training sessions to increase their understanding of social security payments and their ability to encourage their service users to claim their entitlement to additional financial support.

5. *How effectively do the Welsh Government's allowances and grants meet the particular needs of people in Wales?*

Free School Meals²

² In April 2019, the Welsh Government introduced an annualised net earned income threshold of £7,400 in Wales to assess the eligibility of Universal Credit claimants for free school meals. This was in response to the UK Government's rollout of welfare reform. Had Welsh Government not introduced the earnings threshold, it was estimated by the time Universal Credit was fully rolled out around half of all pupils would be eligible for free school meals, compared to 18.3% per cent in January 2018. No additional funding was provided for the Welsh Government to manage the impact of the UK Government's welfare reform agenda on free school meals.

The Welsh Government has had to allocate additional funding from existing budgets in order to help fund the increase in the number of children receiving free school meals due to the continued roll out of Universal Credit and the policy of transitional protection.

We provided additional funding of £5 million to local authorities in 2018-19, and have made an additional £7 million available annually since 2019-20 to meet the growing number of eligible learners.

Provisional Pupil Level Annual School Census (PLASC) 2021 data shows there are 108,203 pupils eligible for FSMs. This figure includes pupils who are transitionally protected and is an increase of almost 18,000 pupils since the 2020 PLASC.

The Welsh Government wants to ensure that free school meals are available to those who need them most. However, the Welsh Government has come under increasing pressure to extend the eligibility criteria for free school meals. Our Programme for Government includes a commitment to continue to meet the rise in demand for free school meals resulting from the pandemic, and to review the eligibility criteria for free school meals, extending entitlement as far as resources allow.

The Council Tax Reduction Scheme

On 1 April 2013, the Council Tax Reduction Scheme (CTRS) replaced Council Tax Benefit (CTB) in Wales. Eligible households were automatically transferred onto the new scheme. The regulations introduced in 2013 were closely based on the previous CTB rules to maintain entitlements to support. Local authorities were given certain areas of local discretion, allowing each to take the needs and priorities of its local area into account. £244m was provided in the local government settlement for CTRS for the financial year from April 2013 to March 2014. A fixed budget of £222 million was transferred from the UK Government. Welsh Government provided an additional £22 million to support local authorities in continuing to provide all eligible households with their full entitlement to support and has continued to maintain these arrangements each year since.

Housing

The Tenancy Hardship Grant (THG) is a one-off grant payable to landlords to offset rent arrears for those in the Private Rented Sector and eventually the Social Rented Sector. The grants are for tenants who are not in receipt of Universal Credit or Housing Benefit at the time of the claim and will cover arrears accrued as a consequence of Covid-19. It is too early to provide statistics on the uptake of the THG.

Pupil Development Grant Access (PDG – Access)

PDG-Access is a grant that provides direct funding to families to assist them with the cost of the school day i.e. purchasing school uniform and/or equipment. Eligibility for

PDG-Access is determined by a learner's eligibility for free school meals and families can apply for the grant via their local authority and most are paid directly into their bank account.

Year on year the funding for PDG-Access has increased and in 2019-20 it was significantly increased from £1.777m to £5.154m. The grant was increased further to £10.454m for 2021-22. The additional funding provided funding across all 22 local authorities in Wales to enable them to provide additional developmental support to children regardless of geography.

6. *What reforms are needed to the benefits system and should there be further devolution of powers?*

The social security system must be designed so it offers a positive contribution to reducing poverty in the UK. We are not convinced that in its current design the UK social security system can offer such a contribution. For example, the decision in 2016 to decrease the value of universal credit work allowances for disabled people and people with children and abolish work allowances for all other claimants, undermined the key policy aim that universal credit makes work pay. This change, along with the freeze on the annual uprating of most working age benefit payments for a four year period, the introduction of the benefit cap and the two child limit has supported the growth of both out of work and in-work poverty.

New analysis from the Joseph Rowntree Foundation (based on a range of illustrative families) demonstrates how adequacy of working-age social security has changed over time. For example, even with the £20pw universal credit uplift in place, families unable to find work are getting £1,600 less per year in social security support than they would have done in 2011. Families with children are even worse off, receiving around £2,900 less than ten years ago.

We have heard consistently from stakeholders that the assessment process for both personal independence payment and employment and support allowance is a major barrier for disabled people to overcome before they can access their entitlement to essential financial support from the social security system. We are pleased that the - Shaping Future Support: The Health and Disability Green Paper has recently been published and we carefully consider the proposed changes to the assessment process for disability benefits.

We have frequently expressed concerns regarding the fundamental flaws inherent within the design of universal credit and repeatedly called on the UK Government to address these. For example, the five week wait for the first payment that encourages people to seek an 'advance payment', simply increasing their risk of indebtedness.

Following the recommendations within ['Benefits in Wales: Options for Better Delivery'](#) published by the Welsh Government's Equalities, Local Government Committee in October 2019, we are improving take-up of devolved and non-devolved benefits and will continue to identify what aspects of the current UK social security system prevents us from making policy decisions that will deliver improvements to the

financial well-being for the most vulnerable people in Wales. However, it is important we carefully assess how any long-term changes to social security will be funded.

7. *How effectively do the UK and Welsh Governments work together in the delivery of benefits in Wales?*

Welsh Ministers have engagement, mainly via ongoing correspondence, with the UK Government's DWP Ministers and Secretary of State on a wide range of matters around social security, welfare reform, pensions for women etc. There is currently limited direct face to face engagement with DWP Ministers.

Officials from DWP and Welsh Government worked together to develop a Concordat. The Concordat has established an agreed framework to ensure close and trusted liaison between officials enabling business to be conducted in an efficient and effective manner on all matters arising from DWP's responsibilities, which impact on the functions of the Welsh Ministers.

Welsh Government officials have lots of successful partnerships and examples of joint working with the DWP Wales at a local level, particularly around the delivery of employability and skills training and community employment programmes. At a national level we welcome the joint working that puts 'those in need' at the centre of policy development. Recent examples of positive joint working is demonstrated in the development of the Welsh Government's Child Burial Payment and ensuring all measures undertaken by the UK Government to mitigate the impact of Covid-19 pandemic crisis were integrated with all new and current support provided by the Welsh Government. We hope this person centred approach to policy development will continue unabated.

8. *What are the implications of the UBI pilot in Wales?*

Over recent years, there has been a resurgence of interest in asset based approaches to welfare and, in particular, to Basic Income schemes. The World Health Organization (WHO) Regional Office for Europe is also considering the potential for basic income as a means to address health inequities, framing the debate as a matter of social justice.

The Welsh Government's Programme for Government 2021-2026 made a commitment to pilot the use of a basic income scheme in Wales. This commitment is an extension of the social wage and the model of progressive universalism that the Welsh Government has followed for many years. We are focused on how a small Basic Income pilot could be designed to support those in the greatest need, potentially involving people leaving care.

There is a lot of very complex work to do designing the pilot, including the consideration of how it would interface with the welfare benefits system and working out how it will be implemented and measured. We will be listening to key stakeholders as we build the model as well as drawing on the experience of other countries around the world.

Conclusion

Welsh Government officials welcome the opportunity to provide an initial response to the Welsh Affairs Committee inquiry and will work with the Committee's Secretariat as the inquiry progresses.

August 2021