

Written evidence submitted by Community Housing Cymru (BSW0040)

About CHC

Community Housing Cymru (CHC) is the representative body for housing associations (HAs) and community mutuals in Wales, which are all not-for profit organisations. Our mission is to enable Welsh HAs to be brilliant.

Our members provide around 165,000 homes and related housing services across Wales for around 10% of the population. In 2019 our members spent £1.3bn directly in the Welsh economy with 85p in every pound spent remaining in Wales.

HAs provide support and advice services to tenants who claim benefits. They also play a key role in the system of alternative payments arrangements under Universal Credit (UC), helping vulnerable tenants who require managed payments to landlords. Our members have data on the impact of benefit changes on the level of rent arrears experienced by social housing tenants, and they also have a detailed understanding of the financial challenges that tenants face.

Introduction

We will be basing our response on input from welfare support teams within HAs throughout Wales, and on two specific CHC research reports:

- *Monitoring the Impact of Universal Credit on Rent Arrears in Wales; and*
- *A lot to lose: The £20 per week increase to Universal Credit.*

CHC response to the Welsh Affairs Committee call for evidence

What are the key challenges for the benefits system in Wales?

In Wales, 23% of the population live in relative income poverty. The COVID-19 pandemic has had a negative impact on employment levels in Wales, and between March 2020 and March 2021 UC Universal Credit claims among Welsh HA tenants rose by approximately 44%.

Wales has higher levels of people who are older, in poor health, and living in poverty than the rest of the UK. The gap in the number of years people live in good or very good health, between the most and least deprived areas in Wales, is 19 years for men and 18 years for women.

According to the National Survey for Wales 2019-20, 17% of social housing tenants in Wales say they do not access the internet, compared with 10% of the general population. This is particularly concerning given the recent rise in the number of HA tenants in Wales claiming Universal Credit, which is digital by default.

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

Learning from Scotland

In order to assess the differences in the effectiveness of the benefits system between the nations of the UK, CHC recommends that the Committee examine any evidence related to impact of the

differences in benefit delivery in Scotland, particularly with regard to UC payments to landlords, increased frequency of UC payments and mitigation of the under occupancy charge (sometimes known as the bedroom tax).

The five week wait for UC and the impact of repayable advances

Since the introduction of Universal Credit (UC), HAs in Wales have worked alongside the DWP to support tenants who move onto the benefit. They have also worked collectively with CHC to provide evidence to Ministers and DWP senior civil servants of what elements of UC work well, and on the challenges and difficulties that its design and delivery have created.

Between January 2018 and May 2019, CHC commissioned Opinion Research Services to conduct a study of the impact of moving to UC for HA tenants in Wales. Its final report, entitled *Monitoring the Impact of Universal Credit on Rent Arrears in Wales*¹ found that, within the 24 HAs surveyed:

- 84% of HA tenants in Wales claiming UC were in rent arrears
- HA tenants in Wales who claimed UC were more likely to fall behind in their in rent than non-UC tenants
- Average rent arrears for HA tenants in Wales who claimed UC were more than double the amount who claimed Housing Benefit.
- Total arrears reported were £4.6 million, with around £1.1 million of this felt to have arisen since the start of these tenants' UC claims.

Alongside this quantitative research, Opinion Research Services carried out six in-depth case study interviews with HA staff. Interviewees explained that arrears often increase when tenants initially transition to UC. This is because they are required to wait five-weeks before receiving the money needed to pay their rent.

Unintended consequences of advance payments

Since the introduction of UC, the Government has introduced advance payments in order to reduce the impact of the initial waiting period. These advance payments function as loans which claimants pay back through deductions from their monthly UC payments over twelve months. The maximum advance amount that can be claimed is equivalent to an estimation of the monthly UC payment a claimant is likely to receive.

Opinion Research Services' in-depth interview participants explained that these advances can be very problematic for HA tenants. Indeed, advances can exacerbate the issues caused by the delay in payment for some claimants. This is because claimants can '*struggle to pay the money back (especially single tenants who do not receive much money from benefits and those on zero-hour contracts)*'².

One interviewee explained, "*Someone is offered money and it seems brilliant, but they don't understand the impact of having to pay it back over 12 months. The fact that this money is supposed to go towards their rent is not being explained to them thoroughly enough and it almost gives them a false impression of how much money they're going to be getting.*"³ We recognise that the payment period for these loans has subsequently been extended to 24 months by the DWP for claims made after April 2021. However, this still means that claimants receive less money than their UC assessment has determined that they require.

¹ [Monitoring the Impact of Universal Credit on Rent Arrears in Wales](#), Opinion Research, September 2019

² Ibid

³ Ibid

What is the best way of offsetting the impact of the five week wait?

The following adjustments to the system would help HA tenants in Wales to transition onto Universal Credit:

- **Better support before the first payment:** We could stop people falling into real hardship if people could get a payment (not a loan) before the end of a 5 week wait and if people were given more support to claim on time.
- **Better data sharing with trusted partners and alignment of payment to landlords:** UC needs to work better for the millions of people who rely on it. With better data sharing between DWP and social landlords we all could provide more support to the people that need it. This could help prevent fraud, homelessness and situations that escalate into crisis and become more costly to the state over time.

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

The under-occupancy charge (also known as the 'bedroom tax')

The under-occupancy charge is a cut in housing benefit or UC housing costs for claimants who live in a council or HA home and are classed as having a spare bedroom. Housing benefit/housing element of UC is reduced by: 14 per cent for one spare bedroom and 25 per cent for two or more spare bedrooms.

According to Welsh government research, '*by August 2018, 25,890 (12 per cent) recipients of Housing Benefit in Wales had a reduction to 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*'.⁴

Due to the COVID-19 pandemic, the way we use our homes has changed and the ability to work from home has become critical to finding work for many. As a result, a review of the impact of the under-occupancy charge in Wales is vital, to identify and remove any unintended barriers it creates for people seeking to work from home.

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

The importance of the £20 per week increase to the Universal Credit standard allowance

HAs in Wales provide financial and wellbeing advice and support to their tenants.

This includes:

- Support to navigate the welfare system, and to access UC and other benefits that people are entitled to
- Directly delivering, and supporting people to access, services supporting employability, wellbeing and health
- Support to access other emergency grants and support that may be available, including food banks

⁴ [Analysis of the impact of the UK Government's welfare reforms on households in Wales](#), Welsh Government, 2019

As a result, they have a clear understanding of the financial challenges their tenants face.

HA welfare teams in Wales have highlighted the fact that the £20 per week increase to UC has been fundamental to the ability of many of their tenants to manage their finances, find work and stay out of debt during the COVID-19 pandemic. Prompted by this, CHC has been working with member HAs to draw together the views and experiences of tenants in order to make recommendations for the future of UC.

HAs in Wales reached out to tenants who claim UC using a variety of engagement techniques, including surveys, polls, social media, text messages and events.

They asked two very simple questions:

- What has the £20 extra per week meant for you?
- What would it mean for you if it was taken away?

Responses were received from 1030 tenants, across 24 HAs (see list below). This included HAs from all regions of Wales, encompassing both rural and urban areas:

- The Cwm Taf Regional Welfare Network, which includes Aelwyd, Linc, Merthyr Valleys, Newydd, RHA, Trivallis and Valleys to Coast
- The Hywel Dda Regional Welfare Network, which includes ateb, Barcud, Bro Myrddin, Coastal, Family, Pobl and Wales & West
- Bron Afon
- Cadwyn
- Grwp Cynefin
- Hafan
- Hafod
- Melin
- Monmouthshire
- Taff
- Tai Tarian

They shared their findings with CHC, and we compiled them into a report entitled *A lot to lose* which was published on 10th August 2021. The key findings and recommendations of this report are included below.

Key findings

‘What has the £20 extra per week meant for you?’

Tenants explained the challenges they face on a day to day basis and why the extra £20 was so important.

Coping financially when income reduced due to being out of work or on furlough

“It would be horrendous to lose that much money per month as income is low already. Struggling to find a job at present.” Tenant

Many people told us that the extra £20 had been vital in helping them to make ends meet when their income reduced or they lost their jobs due to the COVID-19 pandemic. They also made it

clear that this situation is ongoing, and that they are finding it difficult to find work despite their best efforts.

Able to look for work or work from home

“It has assisted them whilst they have looked for employment, as they lost their job during the pandemic.” HA

The pandemic helped to demonstrate the importance of UC in providing a stable foundation from which to look for work. Tenants described the contribution of the additional £20 per week to ensuring that they were able to do this.

Of the 80 people who shared their views with one HA, 54% said the extra £20 a week has enabled them to afford bills. This has helped people to achieve a basic standard of living which is conducive to looking for work, and avoided them falling into crisis and debt.

Some people said that they were now able to afford to pay for wifi and to sign up to broadband contacts. One HA explained, *“It has enabled some residents to pay for Wi-Fi so they can manage their UC claims as well as be able to job search from their home and undertake courses online.”*

Tenants described the barriers they had previously faced when seeking work, particularly through using the internet, because their Universal Credit payments had not gone quite far enough. For example, one tenant told us, *“The extra £20 all goes on electric.”*

One HA described the particular challenges for people living in rural areas who are looking for work. They told us that *“...the past year has brought new challenges to our tenants in rural areas especially with access to services, e.g. shopping locally including food, rural transport costs and lack of opportunities – and that receiving the uplift has made a huge difference.”*

Able to pay living costs and live in a healthy way while on Universal Credit

“The overwhelming majority of people said that the uplift had been really welcome and helpful, and many people said that they had put that money towards household bills, specifically utilities and food.” HA

Tenants, many of whom had previous experience of claiming UC, described the ways in which the extra £20 has made a real difference to their health and wellbeing. In many cases, it had meant that they were able to pay for the absolute essentials such as food. One tenant said, *“The extra money has meant I haven't had to go to the food bank.”*

‘What would it mean for you if £20 per week was taken away?’

“Reducing food intake and disconnection of the internet.” Tenant

One group of associations conducted a survey of 93 people, across seven HAs. This survey found that without the extra £20:

- 51% felt they would struggle to make ends meet
- 33% would struggle with household costs
- 26% would struggle with food

Another HA said that 79% of the tenants they spoke to feel that removal of the £20 uplift would leave them in financial hardship.

Struggle financially and no longer be able to afford the basics

"I wouldn't be able to get as much baby milk or nappies for my daughter." Tenant

Most of the tenants we spoke to were concerned about the possibility of Universal Credit being reduced by £20 per week. Several said they are struggling on their current income and so any reduction would cause problems. Others felt that the cost of living had increased during the pandemic and were concerned about how they would make ends meet if their Universal Credit was reduced.

Some tenants have taken out contracts for broadband and phones which support them in seeking work, working from home and managing their benefits. These contracts tie them into making payments over specific periods of time, and it is not possible to cancel them before the contract period is up. This could affect their ability to cover other necessary bills, and/or could have a long term impact on their credit history. Losing broadband is particularly problematic for UC claimants, as the benefit is 'digital by default' and therefore internet access.

Tenants at one HA said that this cut would mean they would have to be cold in winter as they wouldn't be able to afford heating. Others said they would struggle to afford food, particularly healthy food, and that the change would have negative mental health implications.

One tenant said: *"It would mean I wouldn't have as much food or better quality of food such as fruit to feed the kids."*

Reduced ability to look for work

Tenants talked about the fact that their internet connection could be cut off if they could no longer cover the cost of their broadband contracts, and that lack of money to pay electricity bills would also stop them from applying for jobs online.

One tenant said that, without the £20 per week, *"I'd go back to having a week without electricity"*.

Financial pressures often increase in the autumn and winter

In addition to the end of furlough, people who are on low incomes often experience additional pressure on their budgets in September when children return to school.

This is compounded as winter begins when energy costs increase and people are required to spend more time inside.

Having to borrow money and more likely to need support via food banks, fuel vouchers etc

One tenant told us, *"I would end up in debt as I'd have to go and lend the money from elsewhere."*

Others said that they had just about been able to get onto an even keel during the past year, but that cutting £20 per week from their UC would push them back into financial crisis. One told us, *"It would put me in financial hardship leaving me unable to pay all my bills undoing all the work I have done in the months since it was increased."*

Impact on the ability to work part time hours

The uplift has meant more people are eligible for support from UC and has enabled people just outside of the threshold to claim the much-needed financial help required.

One tenant said that there would be a change to the way in which UC interacted with their part time work, saying “[I would be] worse off so I might have to consider giving up work.”

Recommendations to deliver the right support in Wales

In order to ensure the benefits system works effectively in Wales, we recommend the following:

1. The UK government should retain the £20 per week uplift as a permanent feature of UC for all current and future claimants.

In his statement on 20th March 2020, the Chancellor described the uplift as a way of strengthening the safety net. We believe that the need for a strong safety net continues, and that no one who falls into financial difficulty at any time should expect anything less.

UC has been tested over the past year by a sudden increase in claimants. The addition of £20 per week has been key to its success in helping people to cope financially.

For this reason, the £20 per week should be retained in order to ensure that UC meets its intended aims. This will mean that UC is fit for purpose as a benefit that helps people to find and keep work, and supports those who are on low incomes or cannot work to afford food, heating, water and clothing without falling into debt.

If this cut does go ahead, we urge the government to review the sufficiency of the UC standard allowance in Wales, based on learning over the past year and the evidence submitted to this Committee inquiry. The HA tenants in Wales that took part in our research were clear that the level at which the standard allowance was set prior to March 2022 was not sufficient to provide a stable foundation from which to seek work or increase their hours.

2 The Department of Work & Pensions should urgently prioritise communication with claimants and provide transitional protection if the standard allowance is changed.

Having been made aware that the uplift will be coming to an end, many HA tenants in Wales are anxious that their UC will change overnight. They have explained that this would provide a financial shock which could risk their chances of being able to seek work or pay the bills.

The DWP should ensure that they take action to mitigate the impact of any changes that are made to UC, and that they provide clear, accessible and timely communication to all claimants. Transitional protection should be provided for all those who are losing money – no one should face a financial cliff edge. Financial and budgeting advice should be offered to those who need help to adapt their budgets, and funding should be made available to third parties to provide this support.

Communications should take into account those who do not have access to the internet. They should also be developed in partnership with registered social landlords, in order to ensure that they can work effectively to support tenants who claim UC.

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

Alongside the Wales Anti-Poverty Alliance, CHC has welcomed the flexibilities to the Discretionary Assistance Fund (DAF) that Welsh government brought in as a response to the COVID-19 pandemic.

In addition, we fully support the Welsh government's income maximisation and benefit take up activity. We note that this has been successful in ensuring people who are at risk of not claiming benefits get access to vital support, and we hope that it will continue going forward.

In relation to housing more specifically, we recommend that the UK government should look again at whether the amounts provided within the settlement for Discretionary Housing Payments (DHPs) for Wales is sufficient at this time. Many people in Wales will be facing hardship this winter. Increasing the funding available through DHPs would be a useful addition to any packages of support available to those in critical need.

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