

## Written evidence submitted by CIH Cymru (BSW0045)

This is a response to the call for evidence by the UK Parliament Welsh Affairs Committee focussing on the benefits system in Wales.

### Introduction

The welfare benefits system is an area of huge focus and activity for housing professionals/organisations working across Wales. These benefits play a vital role in supporting a variety of people in a wide range of circumstances; including people living with disabilities, people seeking employment, and families requiring support with living costs.

However, research by a range of bodies (including CIH) and individual stories combine to create a concerning picture of the effectiveness of UK-wide reforms to the welfare benefits system. Our response reflects on aspects of the terms of reference for this inquiry which correspond with the work of our members in Wales.

### The effectiveness of the benefits system in Wales

Reform of the welfare benefits system has changed the face of how housing professionals and organisations work with people in receipt of benefits. This has been particularly true since the creation of Universal Credit (UC), and whilst we agree with the principle of simplifying the welfare system; these changes are often having a detrimental impact on the lives of tenants and those organisations tasked with implementing the system.

Our members have reported that since the introduction of UC and the initial roll out of the live system, and then full service (over the course of 2018), aspects of housing management and the role of housing officers has changed considerably. Our members report the need to invest time in more intensive activities at the front-end of tenancies, working with individuals to identify any factors that could lead to a delay in payment, the need for increased support or requirement that an alternative payment arrangement be made to ensure an individual feels able to meet and manage their housing costs.

The negative experiences of claimants on UC has demonstrated the ways through which many people aren't well served by the current programme of reforms. The Audit Office report focussing on UC reflected:

- 1 in 5 claimants do not receive their payments on time
- UC has created additional costs for organisations responsible for delivering the welfare benefits system and supporting those navigating it.
- Some claimants have struggled to adjust to UC<sup>1</sup>

In two roundtables held for housing professionals in Wales during 2019 to engage with DWP staff involved in managing the roll-out, a number of issues reflecting these findings were highlighted, including:

- Verifying a claimant's identity causing delays in processing claims
- Third-party consent to discuss each aspects of a claim meaning holdups in addressing delays to payments

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<sup>1</sup> <https://www.nao.org.uk/report/rolling-out-universal-credit/> (Accessed 02/08/21).

- Issues for private landlords being able to access information / engage with the process fully – different from the experience of social landlords with access to the online portal
- More awareness is needed of the role partnership managers can play in highlighting issues and the system through which the DWP prioritises these changes internally
- The feeling that the voice of claimants were not a prominent force behind the changes being made in an effort to improve the system

### **The impact of the COVID-19 pandemic on benefits in Wales**

The COVID-19 pandemic has had a considerable impact on the numbers of people claiming Universal Credit in Wales. At March 2020 there were 154,948 UC claimants in Wales by May 2020 this had risen to 253,221 a 63% increase since March, far above the usual rate of organic growth in claimants<sup>2</sup>. Coupled with this since March 2020 26,000 fewer people are in paid employment and 280,000 people have fallen behind on household bills.<sup>3</sup> Between February 2020 and February 2021 the number of households in Wales receiving the UC housing costs element increased 59% from 80,772 to 128,701 comprising of a 45% increase in social tenants and a 77% increase in private tenants. The number of private tenants and social tenants on UC in Wales is now roughly in balance (64,000 and 65,000 respectively).

Despite the Welsh and UK government's measures, millions of households have reason to fear a financial cliff edge when the protections (such as furlough and the UC uplift) come to an end. In addition, current measures still leave significant gaps in the protection offered. These include:

- Universal credit's five-week waiting period and other delays in accessing it allow arrears to build up.
- LHA rates, though now improved, still fall short of covering many rents. Our work with Crisis highlighted that 87% of areas in Wales were unaffordable to single people, couples and families.<sup>4</sup>
- Add to that single person households are also likely to be at high risk because of lower standard allowances in UC. For those under 25, the absence of a UC work allowance (earned income disregards), LHA rates for under 35s based on shared accommodation (even for those living in self-contained dwellings), and lower minimum age rates for people aged under 23 compound the affordability issue further.
  - For example, in Cardiff and Swansea – 23% of private renters are on UC in Wales – the difference between the shared rate and the one-bedroom rate is over £41 per week, which is higher than any other LHA interval other than the three-to-four-bedroom rate in Swansea<sup>5</sup>
- In Wales 71% of private renters on UC have a shortfall between their rent and the LHA rate, greater than either Scotland (67%) or England (54%). The proportion of social tenants on managed payments is also highest in Wales at 42% (compared with England, 32% and Scotland, 40%)<sup>6</sup>

<sup>2</sup> <https://stat-xplore.dwp.gov.uk/webapi/jsf/dataCatalogueExplorer.xhtml> (Accessed 04/08/21).

<sup>3</sup> <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Wales/Wales%20Policy%20and%20Campaigns/Benefits%20issues%20in%20Wales%20during%20CV-19.pdf> (Accessed 04/08/21).

<sup>4</sup> [https://www.crisis.org.uk/media/240377/cover\\_the\\_cost\\_2019.pdf](https://www.crisis.org.uk/media/240377/cover_the_cost_2019.pdf)

<sup>5</sup> DWP (2021) Stat-Xplore, February 2021

<sup>6</sup> Ibid

- Between February 2020 and February 2021, the number of UC claimants subject to the benefit in Wales increased from 1,724 to 4,867 a 282% increase<sup>7</sup>
- UC is not available to all those at risk, because of income limits that relate to pre-crisis conditions on some workers not being eligible for UC if they lose their jobs. The furlough scheme helps to sustain incomes but has a shortfall of 20 per cent if not made good by employers.

When the furlough scheme ends people may lose jobs, have lower earnings than before or have used up their savings. Measures to mitigate against evictions in Wales (the six-month notice period implemented by Welsh Government) ends in on September 30<sup>th</sup>, and even if it is extended landlords are still able to service notices to start the process if arrears accrue, resulting in a potentially massive number of eviction actions within a short period. The burden cannot simply be put onto landlords. While they can be expected to play a role, the diverse nature of landlords means that blanket solutions (such as a freeze on all rent payments during the crisis) are not practicable: they could lead to defaults on mortgages and enforced sales which could deplete the sector just when tenancies are most needed.

### **The risks and opportunities of devolving further powers**

The devolution, either in part or in full, of the welfare benefits system to Wales has been a consistent feature of the debate around public policy for many years, particularly following the devolution of powers over council tax. In 2012 the Silk Commission tasked with reviewing the Senedd's powers concluded at that time it would not recommend the devolution of the social security system, suggesting that developments in this area should continue to be monitored and options for Wales explored further as developments progress<sup>8</sup>.

At present, we do not believe the evidence base exists upon which to conclude that devolution of the full welfare benefits system would bring the desired outcomes to negate and offset some, or all, of the challenges highlighted in the previous section. There is however a compelling case for exploring the opportunity to introduce greater powers to allow for flexibility in the delivery of benefits similar to the Scottish model operating on a top-up basis – but with the caveat that this must be sufficiently resourced in its implementation with a package of funding that is demand-led.

Wales accounts for 4.8 per cent of the UK populations as a whole. The nature of the tax base in Wales is an important factor in this discussion. The Wales Centre for Public Policy note the distinguishing features of the tax base in Wales as being:

- A much higher share of the Welsh income tax base derives from public sector employment and pension incomes than the UK.
- Wales has a heavier reliance on the manufacturing industry which account for 22 per cent of employment income through the tax base compared with 13 per cent in the rest of the UK
- Wales has higher levels of economic inactivity, rather than higher levels of unemployment which has created an employment gap rate of 3.6 percentage points over the past decade between Wales and the rest of the UK.<sup>9</sup>

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<sup>7</sup> Ibid

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<https://webarchive.nationalarchives.gov.uk/20140605075122/http://commissionondevolutioninwales.independent.gov.uk/>

The current social security system is predicated on spreading the cost across a large population. The share of UK tax revenues raised in Wales is smaller than its share of the UK population largely because there are proportionately fewer contributors with higher wage. For example, on income tax Wales represents 2.7 per cent, national insurance 3.5 per cent and VAT 4.2 per cent – these three taxes account for 79.7 per cent of HMRC revenues UK wide.<sup>10</sup> We believe that the current approach, which spread social security spending over a larger demographic base is one that at present is advantageous to Wales. Full devolution of welfare spending onto the Welsh tax base would in effect be a transfer of funds from Wales to England.

Benefit expenditure for the UK is around £177bn and of that £94bn is accounted for by state pension expenditure alone.<sup>11</sup> In Wales £4.8bn represents the state pension spend set against an overall benefit expenditure of £9.8bn<sup>12</sup>. By 2041, the population of Wales is projected to increase by 4.6%, to 3.26 million, with the number of those aged 65 and older projected to increase by 36.6%, to 232,000. Wales has the highest proportion of older people when compared to the rest of the UK – the pressure this will set against pension expenditure and the broader ability of Welsh Government to effectively fund all areas of benefits effectively if devolved could be heavily hampered if the Welsh tax base is not resilient to this growing demand. Given this context, this is another reason why the funding package is so critical.

It is important to consider the pressure benefit devolution could place on Welsh Government budgets. We've seen a continuing trend in NHS spending in Wales, representing a growing proportion of the block grant, a trend which is difficult to reverse in the short-term. Add to this the impact of full benefit devolution and we may see a knock-on impact on other priority areas, such as housing, transport and community infrastructure.

### **Delivering the right support in Wales**

We welcome the committee's focus on steps to improve how the benefits system is delivered in Wales. We believe there are a number of steps that if taken, would considerably improve the way the benefits system impacts claimants for the better in Wales. These should include:

*Reforms to Universal Credit* – In our paper outlining the practical support needed to protect tenants from an evictions cliff-edge as a result of the pandemic we called for a number of practical changes to the benefits systems, these were:

- End to the five-week wait;
- temporary suspension of the benefit cap and the two-child limit;
- increase LHA to 50th percentile of rents for a limited period;
- reinstate three-month protection for claimants who could afford their rent when they entered into their agreement (available in HB but not UC);

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<sup>9</sup> <https://www.wcpp.org.uk/wp-content/uploads/2018/07/The-Welsh-Tax-Base- WCPP-Final-180627.pdf>

<sup>10</sup> <https://www.gov.uk/government/statistics/disaggregation-of-hmrc-tax-receipts>

<sup>11</sup> <https://www.gov.uk/government/collections/benefit-expenditure-tables>

<sup>12</sup> <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2018>

- end ‘shared accommodation rate’ for under 35s.

*Raising awareness of entitlements* – Whilst the pandemic has seen an increase in the amount of people claiming Universal Credit, we share concerns raised by Citizen’s Advice that awareness of entitlements and resources to enable people to understand what they may be able to claim requires improvements.

*Ensuring that alternative payment arrangements are well utilised* – APAs play a vital role for many households in ensuring rent is paid on time, and payments are well managed within the household. A recent study by Policy in Practice on behalf of Welsh Government found that there was often a focus, through regular review by the DWP, for these to be drawn back.<sup>13</sup> We believe they can and should continue to play an important role in supporting people, particularly more vulnerable households in meeting their housing costs.

*Improving awareness of advanced payments* – The same Policy in Practice study also found that the potential impacts of advanced payments on claimants (as these are clawed back) was often poorly communicated, resulting in a lack of awareness by claimants. Given the initial attractiveness of this arrangement to mitigate the impact of the five-week wait there is a real need to consider how information regarding their impact is thoroughly and transparently communicated.

*Improving collaboration between UK and Welsh Government* - The fragmented nature of the benefits system between Westminster and Wales can act as a barrier to raising concerns with issues that disproportionately impact benefit claimants in Wales. One option would be to **federalise in whole or in part the decision-making process** so that the devolved nations have a greater say on policy decisions that disproportionately affect them but which at present are solely taken at the Westminster level. There is an especially strong case for decisions that relate to welfare support for housing costs because housing is (and should be) a fully devolved competence, otherwise decisions taken by Westminster have the potential to undermine or even reverse Welsh policy initiatives.

### **The prospects of Universal Basic Income in Wales**

As an organisation committed to evidence based policy-making we are supportive of the Universal Basic Income pilot in Wales. Although the idea is not a new one, we believe there is merit in gaining evidence over how the approach could benefit people in Wales. Whilst we recognise there is significant momentum behind the approach, we believe considerable effort is needed to properly monitor the impact of the pilot over the short and longer-term, and consider the evidence it produces fully, before considering any changes to policy.

### **About CIH**

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in

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<sup>13</sup> <https://policyinpractice.co.uk/analysis-the-impact-of-universal-credit-in-wales/> (Accessed 05/08/21).

20 countries on five continents across the world. Further information is available at:  
[www.cih.org](http://www.cih.org).

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