Response from: Community Housing Cymru

1. Since 2010, welfare reform has had a significant impact on tenants in social housing. The removal of the spare room subsidy (bedroom tax), benefit cap and Universal Credit have reduced income and increased vulnerability of housing through erosion of housing support through the benefit system.

2. Although the decision to impose the Local Housing Allowance cap on social housing tenants was reversed by UK Government, the bedroom tax, benefit cap and instability caused by Universal Credit continue to place tenants claiming housing support through the benefits system at risk of developing rent arrears.

3. Welsh Housing Association tenants claiming Universal Credit are carrying an average of £434 in rent arrears, compared to £108 for those claiming Housing Benefit and £133 for tenants claiming no housing support through social security. This is due to a number of factors, including the initial five-week wait for payment and instability in Universal Credit payments due to fluctuating income.

4. The benefits system in Wales is fragmented, with multiple benefits being delivered at local authority, Welsh Government and UK Government level. The links between UK Government benefits and locally delivered support have been broken. This creates significant risk of claimants failing to claim eligible benefits including Council Tax Reduction, previously linked to Housing Benefit delivered by local authorities. If benefits in Wales are to work for claimants, they must be integrated as far as possible to ensure that claimants are receiving all their entitlement.

Arguments for and against the devolution of administration of Universal Credit

5. Universal Credit is replacing six large working age benefits, including support for housing costs, and tax credits with one single payment. In England and Wales, this payment is made monthly, in arrears. This differs from the legacy benefit system, where the majority of payments are made weekly and in advance.

6. Only claimants under the pension age are eligible for Universal Credit. Legacy benefits remain in place for those above pension age.

1 CHC Impact of Universal Credit Survey (Opinion Research Service) October 2018
7. Universal Credit is in the process of being rolled out, replacing the six legacy benefits for working age claimants. Since December 2018 across Wales, eligible new claimants, and those facing a change in circumstances, will need to claim Universal Credit. The movement of legacy benefits to Universal Credit following a change in circumstances is referred to as ‘natural migration’.

8. In addition to the natural migration of legacy benefit claimants, and new claims to Universal Credit, UK Government intend to transfer remaining legacy benefit claimants onto Universal Credit, through a process referred to as ‘managed migration’. This process is intended to begin with a small pilot in England in July 2019, and complete across the UK by the end of 2023. By this point, it is projected that around 400,000 households will be in receipt of Universal Credit in Wales.

9. The administration of Universal Credit in Scotland and Northern Ireland differs from the system common across England and Wales.

10. In Scotland, some powers over social security have been devolved, including powers over 10 UK benefits and powers over the administration of Universal Credit. In Scotland, Universal Credit claimants are eligible for ‘Scottish Choices’. This allows claimants flexibility over two, and one additional future, flexibility not allowed to English or Welsh claimants. These are:

- Increased frequency of payments (fortnightly instead of monthly)
- Flexibility over whether the housing element of UC is paid directly to their landlord
- Ability to split the household UC payment between couples (not yet delivered)

11. The two current flexibilities have been in place since October 2017. Based on the latest available data, from August 2018, 48% of claimants were taking up the offer of one or more of the Scottish Choices.

12. However, there are issues caused by the Scottish Choices. The current system for direct payments to landlords is common across Great Britain and is unfit for purpose, leading to payment delays to landlords which, in some cases, can lead to technical rent arrears. Direct payment to landlord can also create confusion where a claimant is sanctioned, leading to less than the full rent
being paid to the landlord. Welsh Housing Associations understand these issues and are flexible with tenants claiming Universal Credit forced into arrears due to the direct payment system. However, landlords with a less developed understanding of the system may struggle to absorb these technical rent arrears.

13. The Scottish Choice allowing more frequent payments is the most popular choice taken up by claimants. However, there have been cases of claimants choosing to switch back to monthly payments. This is due to only a fortnight’s payment being delivered at the end of the five week wait, as opposed to a full monthly payment.

14. Scottish Choices have been in place for 19 months and their true impact is still under assessment.

15. Scottish Choices required a payment by Scottish Government to DWP of £529k for the initial set up, followed by an annual running payment. The same cost to Welsh Government for DWP to provide the same choices to Welsh Universal Credit claimants would likely be lower, due to the lower number of claimants in Wales. However, this figure is still likely to be of the order of hundreds of millions of pounds, which should be justified in terms of poverty reduction as a result of these additional choices.

16. Despite the flexibilities available to Scottish and Northern Irish claimants, fundamental principles of Universal Credit remain consistent across UK nations, as they are reserved to Westminster. These include:

- The base rate of each of component of Universal Credit
- The initial five week wait
- The system used to calculate the UC award, over a monthly period

17. These fundamental principles are the key drivers of poverty and hardship caused by Universal Credit, and powers to change them would be unlikely to be devolved to Welsh Government, as they have not been to Scottish Government.

18. Scottish Government has the power to supplement reserved UK benefits, including Universal Credit. However, funding for this must be provided by Scottish Government.
19. Housing associations want to see a system that operates in the best interests of claimants, making it easy for them to claim integrated benefits. CHC believes that further experience of Scottish Choices and analysis of their real terms impact on reducing poverty by supporting accessibility and integration of the benefits system are required before exploring further the possibility of calling for similar devolution to Wales. This would support a full appreciation of the possible benefits alongside the risks involved in the devolution of administration of Universal Credit, including the cost of set up and annual running costs, which would need to be borne by Welsh Government.

20. Finally, it is absolutely crucial that a debate about future devolution of the administration of Universal Credit does not crowd out the crucial debate we need to have now about the changes that are necessary to the operation of Universal Credit. CHC has worked with its sister organisations across the UK to call for a range of changes to policy and practice\(^2\)

**Lessons learned from the devolution of some social security powers to Scotland**

21. The devolution of social security powers to Scotland is at an early stage, following the creation of Scottish Choices under Universal Credit in October 2017 and the Social Security (Scotland) Act 2018, which legislated to deliver on the social security powers devolved through the Scotland Act 2016.

22. The Act includes principles for welfare benefit delivery in Scotland and includes a duty on Scottish Ministers to increase take up of benefits. The Act also provided for the creation of Social Security Scotland, an agency to deliver welfare benefits.

23. The Act also allows for the creation of new benefits to be delivered in Scotland by the Scottish Government, in addition to the ten UK benefits devolved under the Scotland Act 2016:

- Carer’s assistance (replacing carer’s allowance (CA)).
- Cold-spell heating assistance (replacing cold weather payments).
- Winter heating assistance (replacing winter fuel payments).

Disability assistance (replacing disability living allowance, personal independence allowance, attendance allowance and severe disablement allowance).

Best Start Grants (replacing Sure Start maternity grants).

Employment-injury assistance (replacing industrial injuries benefits).

Funeral expense assistance (replacing funeral payments).

24. These benefits are due to be rolled out over years, with only Best Start Grants and a supplement to the Carers Allowance are currently in payment. Therefore, there is limited evidence at this time over the impact of these devolved benefits on reducing poverty.

25. Discretionary Housing Payments (DHPs) were devolved to Scotland in 2017, and a decision was taken to practically end the bedroom tax for tenants claiming UC or HB in social housing, through making DHP available for this purpose. The Scottish DHP budget sat at £61m in 2018/19, with £50.1m of this budget dedicated to practically ending the bedroom tax. This compares to an overall DHP budget of £9.34m in Wales in the same year. Although the funding for DHP has been devolved to Scotland through the Block Grant, in practice the £50.1m dedicated to end the bedroom tax is additional to that provided from Westminster.

26. Discretionary Housing Payments are administered by local authorities in Scotland, as is the case in Wales. They are available to claimants of HB or in receipt of housing support through UC and are intended to support claimants with housing costs not met through their UC or HB.

27. Although DHPs in Wales remain reserved to Westminster. It is within the power of Welsh Government to top up the Welsh DHP budget, an action which has been taken in the past. CHC has suggested the use of DHP to partially mitigate some aspects of welfare reform, including the lack of funding under UC for the 53rd rent week in 2019/20.

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28. Scottish Government administer the Scottish Welfare Fund, similar to the Discretionary Assistance Fund in Wales. Scottish Government have used this fund to mitigate past welfare reforms. This included the ending to automatic entitlement to housing costs through Universal Credit for claimants aged 18-21, which although has now been reinstated by UK Government, Scottish Government altered the Scottish Welfare Fund guidance to allow for payments to be made to cover housing costs for 18-21 year olds.

29. Scottish Government action to mitigate the impact of welfare reform and reduce poverty have, in the most part, taken the form of providing additional budget to welfare benefits already in existence in Scotland prior to the Scotland Act 2016. We believe that similar action could be taken in Wales with or without any additional powers. However, this would require significant investment from Welsh Government, which could prove difficult without actions taken over income generation, similar to those taken in Scotland.

Options for different forms of devolution and practical considerations of devolution

30. We believe that various options exist for devolution of welfare benefits to Wales. These options could be taken in combination.

- Devolution of the administration and resourcing of certain benefits
- Welsh flexibilities over Universal Credit
- No further powers sought but further investment made in Wales

31. The risks and benefits of seeking Welsh flexibilities over Universal Credit have been discussed above from paragraph 4 onwards.

32. The devolution of administration and resourcing of any number of welfare benefits to Wales carries significant risks. Wales has an increasingly ageing and disabled population in comparison to England. CHC’s Housing Horizons Data Resource identified projections that in 2036, compared to 2016, the Welsh population will contain an additional 227,000 people aged over 65, and 96,000 fewer of working age.\(^5\) This demographic shift, in addition to an

\(^5\) https://chcymru.org.uk/uploads/general/Housing_Horizons_Data_Resource_-_Establishing_the_Challenge_FINAL.pdf
increasing number of people with disabilities, could create an increasing welfare benefit demand, compared to England.

33. This could create additional burden on the Welsh Government budget if these demographic shifts follow a devolution of the resourcing and administration for certain benefits, which inevitably ends the reliance on funding these benefits from UK Government AME and places the funding responsibility on the Welsh Government budget.

34. An option for devolution of benefits which could enhance Welsh Government poverty reduction strategies could be the power to administer and resource Housing Benefit in Wales. Beyond the completion of the roll out of Universal Credit, planned for the end of 2023, only pensioners and people living in certain types of supported accommodation would be eligible and/or eligible for this benefit. The benefit of devolution of Housing Benefit would be the clear links available between housing policy, including capital finance and rent policy, and the revenue of HB. This would enable more strategic use of Welsh Government funds in delivering older persons’ and supported accommodation. The risk involved in the devolution of Housing Benefit is the increasingly ageing population, as discussed in paragraph 32, which could place a strain on the revenue of Housing Benefit.

35. During the initial consultations around the development of Universal Credit, CHC was clear that housing costs should remain separate from Universal Credit and retained at a local or Welsh Government level.

36. Recent research undertaken by the Wales Governance Centre projects that Wales could in fact benefit financially following the devolution of the ten benefits currently devolved to Scotland, citing the reducing ratio of benefit cost per head of population in Wales compared to England. We agree that there could be a financial benefit to the devolution of the ten benefits currently devolved to Wales. However, we are unsure if the full implications and costs of setting up a social security agency to administer these benefits.

37. CHC believes that Wales should seek to integrate the existing benefits systems as far as possible and target funding into existing Welsh benefits or UK benefits that Welsh Government can supplement before calling for further powers over social security.
The principles that could underpin the delivery of benefits in Wales

38. CHC member housing associations have developed a set of principles under which we believe the Welsh benefits system should operate, regardless of level of devolution. These principles should govern every level of the system, from the eligibility and entitlement of individual benefits, to the processes and actions undertaken by members of staff working in the administration of benefits. The system should:

- Be accessible to all, through one entry point, regardless of whether an individual is requiring assistance with Council Tax, Discretionary Assistance Fund or Discretionary Housing Payments (or any other benefit). Initial enquiries should be able to be made through a single entry point. This entry point should be primarily online, but accessible through phone and face-to-face contact where necessary. The system should be clear and transparent with regards to decision making.

- The system should provide wider than purely financial support. Particularly where a prospective claimant is found to be ineligible for support, advice, support and/or signposting to support should be offered. All claimants should be provided with employment and/or wellbeing support where appropriate.

- The system should be integrated with other public services, particularly housing and health and social care, to enable holistic support including social prescribing and target the root causes of financial deprivation.

- Welfare benefits should, at a minimum, provide close-to-immediate financial support in crisis. This is crucial to the prevention of increased hardship through development of debts and rent arrears.

- The system should be developed in such a way as to promote independence and resilience. It should be cash based, with the understanding that the best person to make decisions over their outgoings is the claimant themselves. Excessive use of voucher
schemes can lead to an othering of benefit claimants and lead to disempowerment.

Conclusion

39. Community Housing Cymru believes that devolution of welfare benefits should be explored, but only sought if potential benefits are clearly identified and risks sufficiently reduced. The devolution of administration of Universal Credit is as yet unproven in terms of impact on poverty and hardship levels in Scotland. Further evidence is required before a decision should be made on pursuing similar devolution of the administration of Universal Credit.

40. Regardless of devolution of further powers, Welsh Government should pursue attempts to integrate and streamline the existing benefits system as far as practicable, in order to improve claimant experience and reduce unclaimed benefits.