

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

In Wales, we aim to provide a professional and impartial voice for housing across all sectors to emphasise the particular context of housing in Wales and to work with organisations to identify housing solutions.

## General Comments

CIH Cymru welcomes the opportunity to provide a information to support the Equality, Local Government & Community committee as it undertakes its inquiry into Benefits in Wales: Options for better delivery

Our response is informed by feedback from our members, our knowledge of the housing industry and expertise from our policy and practice teams.

CIH Cymru supports the development of Welsh policies, practices and legislation that aim to address the key housing challenges we face, to improve standards and supply, promote community cohesion, tackle poverty and promote equality. We promote a *one housing system* approach that:

- places the delivery of additional affordable housing at the top of national, regional and local strategies as a primary method of tackling the housing crisis;
- secures investment to ensure the high and sustainable quality of all homes in a sustainable framework;
- improves standards and develops the consumer voice within the private rented sector
- promotes the concept of housing led regeneration to capture the added value that housing brings in terms of economic, social and environmental outcomes;
- recognises that meeting the housing needs of our communities is a key aspect of tackling inequality and poverty;
- ensures that that there are properly resourced support services in place to prevent homelessness and protect the most vulnerable;
- uses current and potential legislative and financial powers to intervene in housing markets and benefit schemes;
- promotes consumer rights & tenant involvement;
- and supports the continued professional development of housing practitioners.

## **1. Introduction**

- 1.1 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 Welsh Assembly'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 in the future<sup>1</sup>.
- 1.2 With Wales gaining further tax making powers in recent times, we believe this inquiry provides a timely opportunity to revisit and explore contemporary evidence in relation to welfare benefits that could improve its delivery and positive impact on people's lives in Wales.
- 1.3 It is a timely area of focus given that welfare is by far and away the largest item of UK expenditure being (historically) between 30% and 40% of UK spending (currently a low at 30%). By comparison the next biggest item (health) is around 22%. By comparison the whole of the Welsh block is about 1.5% of UK spending.
- 1.4 The welfare benefits system is an area of huge focus 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.
- 1.5 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 both the merits and drawbacks of devolution and also highlights where at present the system of delivering benefits is having a potentially damaging impact on people's lives.

## **2. The current picture**

- 2.1 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.
- 2.2 Our members have reported that since the introduction of UC and the roll-out of the live system initially, and the 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 require that an alternative payment be made to ensure an individual feels able to meet their housing costs.

2.3 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 of organisations delivering or supporting those navigating the welfare benefits system
- Some claimants have struggled to adjust to UC

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

- Verifying a claimant's identity is causing delays in processing claims
- Third-party consent to discuss each aspect of a claim resulting in delays
- Issues for private landlords accessing information / engaging 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 areas to be addressed
- The feeling that the voice of claimants was not a prominent force behind the changes being made in an effort to improve the system

2.5 These challenges have been exacerbated for many through the implementation of the benefit cap. The Work and Pensions Select Committee inquiry into this area revealed that the cap is having little benefit in incentivising people into employment, highlighting:

*“The cap works by taking away some of the money that the Department has calculated that people need to live on. Even without the cap, families on benefits have been left behind: because of the freeze on working-age benefits, income has reduced compared to the cost of living. It is therefore not surprising that the benefit cap often leaves people without enough money to meet their basic needs. As a result, many families face unspeakable hardship and are left with the impossible choices of deciding, for example, whether to pay their rent and not have enough to feed their children, or to feed their children and risk losing their homes.”<sup>2</sup>*

The report also reflects that only 5% of those households capped move into employment as a result. Which in our views does not indicate that this measure is an effective means of incentivising or enabling individuals to gain employment.

2.6 These measures combined are increasing the pressure on local authority services (broadly speaking) and impacting the ability of those services to provide support at a time where local authorities in Wales are experiencing their eighth consecutive year of budget cuts. Local authorities play an important role in supporting people to

<sup>2</sup> <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2017/benefit-cap-report-published-17-19/>

access digital skills vital to the online process of completing a claim for UC. Despite the ability to claim back the cost of providing this support, last year local authorities in Wales reported a cost of £1.2m in 2018 associated with this activity, after the overall reclaim cost was deducted from their spending.<sup>3</sup>

- 2.7 With progress towards placing all claimants on to UC at around 11% in Wales, we are concerned that the current operational challenges being experienced will only intensify under the process of managed migration; which in itself will be complex particularly given that the pilot in Harrogate will deal with those regularly engaged with the job centre – rather than more complex cases.

### **3. The Scottish experience**

- 3.1 The Scotland Act 2016 devolved responsibility for a range of benefits such as personal independence payments and disability living allowance. The combined package of benefits account for a small proportion of expenditure in Scotland. The underpinning principles put forward at the time are those we would welcome seeing broadly underpinning the welfare benefits system as a whole. The approach talks of seven principles:

- Social security is an investment in the people of Scotland.
- Social security is itself a human right and essential to the realisation of other human rights.
- The delivery of social security is a public service.
- Respect for the dignity of individuals is to be set at the heart of the Scottish social security system.
- The Scottish social security system is to contribute to reducing poverty in Scotland.
- The Scottish social security system is to be designed with the people of Scotland on the basis of evidence.
- Opportunities are to be sought to continuously improve the Scottish social security system in ways which put the needs of those who require assistance first, and advance equality and non-discrimination.
- The Scottish social security system is to be efficient and deliver value for money.

- 3.2 We believe language such as this could perform a positive role in addressing the stigma linked to people claiming some form of benefit. In addition, the approach is underpinned by a Charter, setting out what people can expect from the system and what is expected of individuals. This was a welcome development and CIH Scotland called for learning to be drawn from the experiences of social landlords in establishing similar charters underpinning tenant scrutiny and accountability – we would be supportive of a similar approach in Wales.

- 3.3 The approach in Scotland demonstrated how devolution could provide an instant benefit with the Scottish Government committing to offsetting the impact of the bedroom tax. Whilst strongly welcomed by the sector initially, CIH Scotland have voiced concerns over the longer-term sustainability of this approach. This is similar for short-term assistance where claimants may be challenging a claim but can receive short term support to ensure their finances are not harmed through this

<sup>3</sup> <https://www.bbc.co.uk/news/uk-wales-politics-47254382>

activity, however the same support is not available to those challenging a payment outside of the Scottish Government's competency.

- 3.4 The Scottish approach demonstrated that whilst some flexibility has shielded claimants and organisations from some of the worst effects of benefit changes felt more keenly elsewhere in the UK, the ability to provide long-term reassurance is still curtailed. Careful consideration is required over the capacity and resources available to Welsh Government to provide similar protections over the longer-term.

#### **4. Considerations for devolving welfare benefits in Wales**

- 4.1 At present, we do not believe the evidence base exists upon which to conclude that devolution of the full welfare benefit system would bring the desirable outcome in offsetting some or all of the challenges highlighted in the previous section. There is however a compelling case for exploring the opportunity to part-devolve the housing-cost element of Universal Credit and potentially the benefit cap, similar to the Scottish model operating on a top-up basis.
- 4.2 We believe these areas merit further exploration due to:
- Housing being a devolved matter and decisions about eligible housing costs inevitably have an impact on housing markets in Wales
  - Housing costs (unlike other living expenses) vary hugely according to location
  - A top up model would maximise the tax transfer payments from Westminster, while maintaining an ability to protect citizens in Wales from the impact of any future cuts
- 4.3 Wales accounts for 4.8 per cent of the UK population. 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>4</sup>
- 4.4 The current social security system is predicated on spreading the cost across a large population. The tax base in Wales makes up a relatively small proportion of the overall tax base. For example, on income tax Wales represents 2.7 per cent.<sup>5</sup> The income tax base in Wales also suffers as a result of possessing a lower number of contributors earning higher wages when compared to the rest of the UK. Taking three of the largest tax bases together (income tax, VAT and National Insurance) they account for 61% of overall expenditure with land-based taxes being much smaller in comparison, and given the lower land values in Wales, this is a factor further weakening the tax base. We believe that the current approach, which spreads social

<sup>4</sup> <https://www.wcpp.org.uk/wp-content/uploads/2018/07/The-Welsh-Tax-Base- WCPP-Final-180627.pdf>

<sup>5</sup> <https://www.gov.uk/government/statistics/disaggregation-of-hmrc-tax-receipts>

security spending over a larger demographic base is one that at present is advantageous to Wales.

- 4.5 Benefit expenditure for the UK is around £177bn and of that £94bn is accounted for by state pension expenditure alone.<sup>6</sup> In Wales £4.8bn represents the state pension spend set against an overall benefit expenditure of £9.8bn<sup>7</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 (if devolved) could be heavily hampered if the Welsh tax base is not resilient to this growing demand.
- 4.6 In this context it is important to highlight that Wales with its higher dependency on benefits effectively receives a transfer of income from England to Wales. However, there is a risk that this process could be reversed through a fully-devolved approach.
- 4.7 It is also 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 shorter 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.
- 4.8 We would also encourage the committee to consider leavers through which Wales could gain a greater say in how benefits are delivered on a non-devolved basis. One option we believe worth further consideration is exploring the potential to federalise the decision-making system so that nations could vote and equally veto decisions to provide greater equality and balance around how Wales is impacted by decisions taken at a Westminster level.

## **5. Broader considerations**

- 5.1 A clearer understanding is required of the administrative impact that part or full devolution will have on the block-grant to Wales and how the weaker tax-base and higher welfare-dependency in Wales would impact on the ability to maintain and wherever possible enhance the ability of the welfare benefits system to meet people's needs. With any large-scale systematic change of this kind, a clear timetable would be central to ensuring all services, and the public are well-prepared for what this could mean in practice.
- 5.2 The Scottish approach shows that powers to impact reserved benefits is an important aspect of any discussion in this area. This provision has provided the basis for discussions around more effective financial measures to top-up reserved benefits other than using Discretionary Housing Payments (DHPs). Members report that despite the effectiveness of utilising DHPs in Wales, this does not provide an

<sup>6</sup> <https://www.gov.uk/government/collections/benefit-expenditure-tables>

<sup>7</sup> <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2018>

effective means of certainty to households in terms of meeting their housing costs in the future.

- 5.3 Further measures could open possibilities of addressing some of the issues currently experienced through the implementation of UC. Such as the frequency of payments, standardising direct payment to the landlords (in some circumstances) and increasing the use of split payment where requested.
- 5.4 Any changes however small or large, if taken forward at a Welsh Government level need to be informed by the experiences of claimants. Experiences across the UK reflect that in some cases tenants are not aware of their rent liability, having always had this element paid directly to the landlord. And in a similar vein are not aware of the individual awards making up their overall UC claim – which in turn could cause issues in how readily claimants are able to highlight payment errors and manage their finances effectively. Preparing claimants for change should be a main consideration of any developments in this area.
- 5.5 Ultimately, if any changes in this area are to be realised we also need a clearer picture on the wider benefits to the housing sector and to society as a whole. To include how such changes could positively impact the supply of more social and affordable housing, local economic development and quality of life in Wales.