

Universal Credit: Implications for devolved policies and services

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FOUNDATION
OCTOBER 2018



UNIVERSAL CREDIT: IMPLICATIONS FOR DEVOLVED POLICIES AND SERVICES

October 2018

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Published by the Bevan Foundation, 145a High Street, Merthyr Tydfil CF47 8DP

October 2018

The Bevan Foundation gratefully acknowledges the contributions of people who attended our conference on Universal Credit in March 2018, and the views and experiences of people interviewed as part of this project.

The views in the report, and the responsibility for any errors, are however our own.

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Summary

Universal Credit is a new benefit for people who are in or out of work on a low income. As well as bringing together a range of benefits, UC involves monthly payments, places conditionality requirements on those in work as well as those out of work and is 'digital by default'. UC is expected to be less generous overall than the benefits and tax credits it replaces.

Around 400,000 households in Wales are likely to be on UC once the policy is fully implemented, comprising nearly a third of all households in Wales. A relatively small proportion of households is currently in receipt of UC.

The impacts of moving to UC include loss of income for many households, difficulties with timing of payments/monthly budgeting, single payments per household, incurring debts and rent arrears, skewing work incentives and difficulties in paying childcare costs. Case studies of individuals who have moved from legacy benefits to UC show use of food banks, Discretionary Housing Payments and a requirement for significant support.

UC is not devolved but the Welsh Government will inevitably pick up many of the consequences of its implementation. There is both an opportunity and an obligation for the Welsh Government to provide leadership and co-ordination and ensure that that relevant policies and services take account of the implementation of UC.

Our analysis has identified:

- four categories of implications of UC for devolved policies and services:
 - potential undermining of Welsh Government strategies, policies and targets
 - interface issues/passporting
 - (potential) increase in demand for services/help
 - potential to support households on/moving to UC and achieve better alignment of policies and services

- ten clusters of devolved policy areas on which UC will have an impact:
 - housing
 - child poverty
 - well-being
 - advice and support services
 - childcare
 - care leavers
 - domestic abuse
 - economic development
 - business advice and support
 - digital and financial inclusion

We review the experiences of organisations that have already responded to the introduction of UC, and identify a number of roles for the Welsh Government and specific actions that should be taken in relation to each.

We conclude by arguing that the introduction and roll-out of UC is so significant that there needs to be a national response. We call on the Welsh Government to exercise leadership, to assess impact, co-ordinate the efforts of others, change what it does itself to reflect the reality of UC and continue to lobby for change.

1. Background

Universal Credit is in the spotlight, not only because it is the biggest shake-up in social security benefits in a generation but because of the challenges it raises for hundreds of thousands of recipients in Wales and the rest of the UK.

UC is not a devolved matter, but despite this the changes it brings have major implications for many devolved policies and services. This report aims to identify which devolved policy areas might be affected by Universal Credit and the issues that need to be considered by Welsh Government, local authorities and other public bodies, by businesses and the third sector.

In order to do this, this report:

- provides an overview of Universal Credit, how it differs from the benefits it is replacing, how it is being introduced in Wales, how many households will be affected;
- considers the potentially wide-ranging impacts of Universal Credit on individuals/households;
- draws on some examples of organisational response to the implementation of Universal Credit to date.

This report draws on a review of relevant published reports, interviews with a small range of stakeholders and Universal Credit claimants and a conference held in March 2018. It does not set out to provide definitive solutions, rather it aims to propose an agenda and stimulate discussion about the implications of Universal Credit for policies and services devolved to Wales.

Universal Credit is a lively policy area on which many organisations and individuals are campaigning. It is also subject to changes in UK Government policy. In putting this report together, we have aimed to take account of major policy developments up to September 2018. However it does not take into account the impact of the increase in the earnings allowance announced in the UK Government budget on 29th October 2018.

2. What is Universal Credit?

Universal Credit (UC) is a new benefit for people who are in or out of work on a low income. It replaces the following means-tested benefits and tax credits for working-age people and families:

- Housing Benefit
- Working Tax Credit
- Child Tax Credit
- Income-Based Jobseekers' Allowance
- Income-Based Employment and Support Allowance, and
- Income Support¹

When introduced, UC was underpinned by a number of principles:

- simplification of what was seen as an overly complex benefits system which would make claiming and administration easier and help reduce error and fraud
- encouraging people into work and making sure that people will always be better off in work
- providing a more generous benefit system than the one UC replaced, tackling poverty amongst low income families

In addition, provision was made for universal support comprising support for the digital nature of UC and personal budgeting support, to help people make and manage their UC claim and to manage their financial affairs. Contractual arrangements for this support to be delivered locally were put in place by the Department of Work and Pensions (DWP). Claimants have to request universal support and DWP guidance notes *'If you prefer, you can directly approach your local authority, landlord or Citizens Advice for support.'*

UC is different to the benefits it replaces in several important respects:

- it has different payment arrangements, with only one claim per household in most cases, and just one monthly payment in arrears, as opposed to potentially multiple payments weekly or fortnightly
- the payment received is calculated using a monthly assessment period as opposed to a mixture of annual income and current income depending on the benefit type
- there is no minimum number of hours that claimants have to work to be eligible for UC. Instead, there is a work allowance which is the amount that can be earned before it affects UC
- it places additional 'conditionality' requirements on claimants, including, for the first time, people who are in work. Conditionality is accompanied by a sanctions regime for non-compliance which covers all adult members of households. Claimants have access to a work coach who can assist with finding work, increasing hours and increasing work readiness/preparedness
- a housing allowance is also included as an additional option for those eligible for support with housing costs. In contrast to Housing Benefit, this is also included in claimants'

monthly payment as opposed to being paid direct to the landlord unless Alternative Payment Arrangements are in place

- all claimant accounts will be managed online by the claimant² (although face-to-face meetings with work coaches will occur in Job Centre Plus's)

A number of changes to UC have been made since its introduction as part of the wider programme of changes to welfare which has reducing costs at its heart (e.g. freezing of monthly allowances, significant reduction of work allowances, two-child limit). Analysis by the Institute for Fiscal Studies³ concluded that introducing UC will cut annual benefit spending by £2.7billion, on top of other benefit cuts such as the freeze to most benefits. For individuals/households, UC is now expected to be less generous overall than existing benefits and tax credits.

2.1. How is Universal Credit being introduced?

UC is gradually being introduced across the UK, with the benefit due to be fully implemented by 2022 (this date may change). The benefit has so far been rolled out via two types of service: 'Live Service' and 'Full Service'⁴.

Since March 2016, all job centres in Wales have been operating 'Live Service' for any new benefits claimants who were single, unemployed and childless. As of January 2018, 'Live Service' is no longer available for any new claimants; they are being directed to claim UC via 'Full Service' or to claim alternative benefits (e.g. working tax credits) until 'Full Service' is available in their area. Existing 'Live Service' claimants will be able to continue to claim UC via 'Live Service' until they are moved over to 'Full Service'.

As can be seen from Table 1, as at October 2018 the vast majority of Job Centre Plus areas had become 'Full Service' areas. Here, all new claimants, irrespective of their employment or household status (provided they have no more than 2 children), will be placed on UC. The timetable for the rest of Wales as announced in March 2018 is shown in the table: although there are reports the roll-out will be paused, the Minister for Employment has stated that the plans to have full service in all areas for new claimants by December 2018 remain. After this, claimants already receiving benefits claimants will be gradually moved onto UC 'Full Service'. This phase is called 'Managed Migration' and is currently scheduled for between July 2019 and March 2022.

Table 1: Full-Service roll-out timetable for Wales

Month/year	Job Centre Plus Area
April 2017	Flint, Mold, Shotton
July 2017	Cwmbran, Pontypool
October 2017	Neath Port Talbot, Wrexham
November 2017	Newport
December 2017	Gorseinon, Morriston, Swansea
February 2018	Cardiff 1, Cardiff 2
April 2018	Rhyl
June 2018	Abergavenny, Caldicott, Chepstow, Colwyn Bay, Bridgend, Llandudno, Maesteg, Merthyr Tydfil, Porthcawl
July 2018	Abertillery, Ebbw Vale
September 2018	Bargoed, Blackwood, Caerphilly, , Haverfordwest, Milford Haven, Pembroke Dock
October 2018	Barry, Brecon, Llandrindod Wells, Machynlleth, Newtown, Penarth, Welshpool, Ystradgynlais
November 2018	Aberdare, Llantrisant, Pontypridd, Porth, Tonypany, Treorchy
December 2018	Aberystwyth, Amlwch, Ammanford, Bangor, Cardigan, Caernarfon, Carmarthen, Dolgellau, Holyhead, Llanelli, Llangefni, Porthmadog, Pwllheli

Source: DWP Transition roll-out schedule March- December 2018⁵

2.2. How many households/people are affected?

Latest available figures from the DWP show that, as at December 2017, 27,844 households in Wales were on UC, up from 20,149 in January 2017⁶. Given the timetable for ‘Full Service’ roll-out, it is unsurprising that there are large variations in the number of households on UC between local authority areas. As at December 2017, the lowest number was in Ceredigion (335) and the highest in Flintshire (2,767).

Through analysis of DWP projections and benefit take-up rates, Citizens Advice has estimated the number of households in Wales that are likely to be claiming UC by the time it is fully implemented across the county. They estimate that more than 400,000 households in Wales are likely to be on UC⁷, comprising nearly a third of all households in Wales and that around half of these households will be in work. So, as of December 2017, only around 7 per cent of all the households likely to claim UC when it is fully implemented were doing so.

More recent figures are available for people on UC⁸ (as opposed to households). As at June 2018, 44,179 people in Wales were on UC. Again, there were significant differences between local authority areas; the highest number of people on UC in June 2018 was in Swansea (6,227) and the lowest in Ceredigion (262).

28,455 of people on UC in June 2018 were not in employment (64 per cent) and 15,724 were in employment (36 per cent). The proportion of UC claimants in Wales not in employment increased from 60 per cent in January 2018.

2.3. A state of flux

The roll-out of UC to date has been characterised by significant change. The timescale for roll-out of 'Live Service' has been extended on a number of occasions and, following a highly critical National Audit Office report published in June 2018⁹, there may be change to the anticipated start and finish dates (July 2019-March 2022) for 'Managed Migration'.

There have also been some positive changes in the detail of how UC is administered and paid. In the autumn 2017 budget, waiting times for first payments were reduced from 6 to 5 weeks, advance payments were increased to a full month's payment, for those receiving housing benefit before moving on to UC, they will continue to receive housing benefit for two weeks and the UC telephone lines were changed to a Freephone number. Prior to this, housing benefit was instated for 18 to 21 year olds and kinship carers were exempted from tax credit changes.

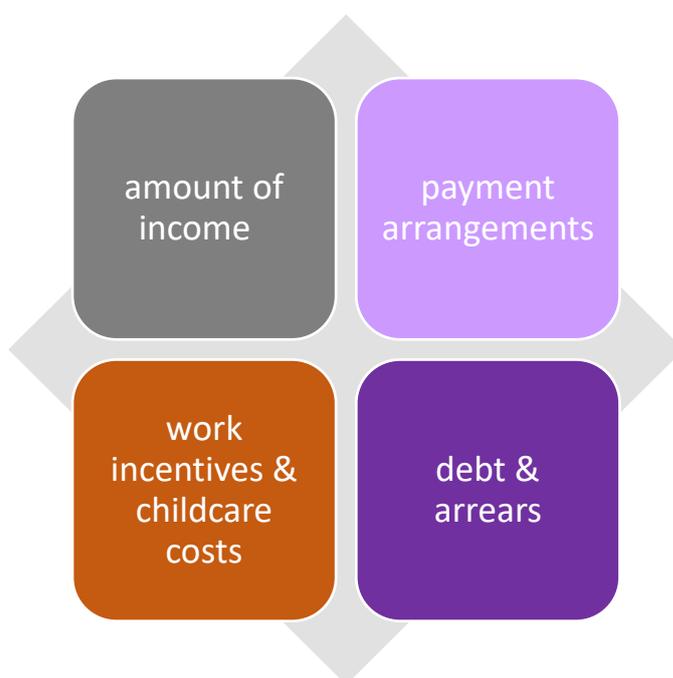
More recently, in July 2018, Secretary of State for Work and Pensions, Esther McVey, stated that changes in a number of areas are being 'worked on', including changes to debt payments, support for self-employed people, benefit payment cycles for working claimants, outreach and flexible support for claimants and possible consideration of the taper rate by which UC is withdrawn as income increases¹⁰. However, as one stakeholder in this research noted, changes have often come after significant lobbying; 'suffering precedes system changes'.

However, and it is a big however, none of the changes apply to applicants whose claims are ongoing; they only apply to new applicants as of specified dates. This is building major unfairness into UC by design.

3. Universal Credit: impact on individuals/households

Despite the numbers of people currently on UC being a small proportion of all those potentially affected by UC, the introduction and roll-out of UC has had significant impact to date. Some of the impacts are due to the design of UC, e.g. online being the preferred mode of accessing and managing UC, and the changes that have been made since the UC was originally conceived, e.g. a less generous benefit. Other impacts have resulted from how UC has been implemented, e.g. the limited resources available for the provision of universal support.

The financial impact of UC on individuals/households is potentially multi-faceted:



3.1. Income

The starting point for impact on individuals is the amount of income they receive through the benefits system. The impact of moving onto UC from other benefits is variable for different households in different circumstances; there are winners and losers. Analysis by the Institute for Fiscal Studies (IFS)¹¹ concluded that, across the UK:

- among working households, 2.1 million will get less in benefits as a result of the introduction of UC (an average loss of £1,600 a year) and 1.8 million will get more (£1,500 average gain)
- among the 4.1 million households of working age with no-one in paid work, 1.1 million will get less (average loss of £2,300 a year) and 0.5 million will get more (average gain of £1,000 a year)

On average, working single parents currently receiving one of the benefits being replaced by UC will be over £1,000 a year worse off, compared to one-earner couples with children gaining over £500 a year on average. Owner-occupiers and those with assets or unearned income are relatively likely to lose, whereas working renters are relatively likely to gain.

Citizens Advice Torfaen have produced some useful examples which demonstrate clearly winners and losers in respect of moving from legacy benefits to UC.¹²

Table 2: Examples of winners and losers

Winners	
A carer who works 20 hours a week £60.21 per month better off	UC = £60.21 per month Legacy benefits = £0 per month
A single person working 12 hours a week at National Minimum Wage £72.12 per month better off	Universal Credit = £72.12 per month Legacy benefits = £0 per month
Losers	
Single parent aged under 25 £64.55 per month worse off	Universal Credit = £528.85 per month Legacy benefits = £593.40 per month (Income Support/Child Tax Credit)
Single person working 30 hours per week at National Minimum Wage £49 per month worse off	Universal Credit = £0 per month Legacy benefits = £49.27 per month (Working Tax Credit)
Couple with 2 children, both adults working 35 hours per week at National Minimum Wage £191 per month worse off	Universal Credit = £0 per month Legacy benefits = £191.18 per month (Child Tax Credit)

Low-waged self-employed claimants are also likely to lose out under UC. After being self-employed for 12 months, the amount of support a self-employed claimant is entitled to is calculated using the Minimum Income Floor¹³, which assumes that a self-employed individual will work full-time (35 hours per week) earning the minimum wage, irrespective of whether this is the case. This means that people who are self-employed working less than full-time hours are likely to lose income under the benefit. Drawing on local authority administrative data, Policy in Practice found that 78 per cent of self-employed households on low-income in London report earnings below the National Living Wage, and are set to become £344 per month worse off under UC compared to Tax Credits.¹⁴ The nature of self-employment is changing; not everyone who is self-employed chooses to be; self-employment can mean a precarious work situation and how it interfaces with UC could make things worse.

3.2. Payment arrangements

The way that UC is paid also has an impact on households. UC is paid monthly in arrears to one member of the household. New claimants will receive their first payment 5 weeks after their initial claim if there are no delays. While statistics indicate that around 80 per cent of claimants receive their full payment 'on time', the statistics do not take into account the time that claimants take to register and make necessary declarations¹⁵. If claimants do not have a passport or driving licence, then they will need to have a face-to-face appointment to complete their claim. A recent news story quoted the Pobl Group as indicating that only around a third of claimants were completing their claim online, creating a backlog of people waiting for appointments¹⁶.

As well as creating cash-flow problems for households, delays in accessing UC can have a knock-on effect on people's ability to access other benefits such as Individual Assistance Payments under the Discretionary Assistance Fund and free school meals. Both of these require that an individual is on the DWP system as being in receipt of a relevant benefit.

The Trussell Trust have been tracking use of its food banks in Wales. In areas that have had UC roll-out for 6 months or more, there has been a 30 per cent increase in the use of food banks, compared to a 12 per cent increase in other areas. The larger increase is primarily attributed by the Trust to the wait for a first payment of UC.¹⁷

An advance payment of some or all of the first payment is available for those deemed in severe financial need and is paid back over 12 months through deductions from UC. The maximum proportion of UC that can be deducted for repayment of loans and payment of debts is 40 per cent, higher than that for previous benefits meaning that claimants may have insufficient money for other essential outgoings.

Evidence is mixed about the impact of monthly payment on claimants' budgeting. Research for the DWP found that three-quarters of families felt confident in their ability to manage their budgets monthly.¹⁸ However, households with fluctuating income and existing debt encountered more problems with budgeting.¹⁹

The monthly payment schedule that forms the core of Universal Credit is problematic for some households. Analysis from the Resolution Foundation indicates that only 14 per cent of working age households for whom income from benefits is the main source of income have more than a month's-worth of income to fall back on²⁰. Where people are paid weekly, at four points during the year, they will get five sets of wages in one assessment period which may make them ineligible for UC, requiring them to reapply. Further analysis from the Resolution Foundation found that most new claimants moving onto UC as a result of moving from employment were paid either fortnightly or weekly in their previous jobs²¹.

For self-employed people, monthly reporting and assessment periods mean that UC is poorly matched as a system with self-employed people who have uneven earnings and expenses through the year or period when losses are made.

Concerns about UC's single payment per household have been raised by Welsh Women's Aid.²² The organisation noted that 38 per cent of women accessing specialist violence services in Wales in 2016-17 were identified as victims of financial abuse and that the way UC was paid made it easier for abusive partners to withhold money.

3.3. Debt and rent arrears

The impact of UC on rent arrears and debt is an area on which there is substantive evidence. Citizens Advice data enables the organisation to compare those seeking advice who are in receipt of UC with those in receipt of legacy benefits. Across England and Wales, UC clients were found to be more likely to have problems with priority debts such as rent arrears, council tax arrears and water debts, than those on legacy benefits²³. This higher incidence of priority debts is of particular concern to Citizens Advice as the ultimate sanction for non-payment of these debts can be loss of a home, essential services, or even imprisonment.

Evidence to date suggests that, as well as UC claimants being more likely to be in rent arrears than those on legacy benefits, there are also more likely to owe more in arrears. Citizens Advice data indicated that 47 per cent of all UC clients had rent arrears compared to 30 per cent of legacy benefit clients.²⁴ The research for the DWP looking at the experience of families in receipt of UC found 41 per cent of renters in arrears at Wave 1 of the study and 31 per cent at Wave 2. For the majority of these families, they reported that this was the first time they had been in arrears in their current accommodation²⁵.

Research specific to Wales identified that the total arrears for 933 housing association tenants known to be on UC as at the end of June 2016 was £419,818.28 – an average of £449.97 per tenant.²⁶ A recent survey of Welsh housing associations by Community Housing Cymru found that tenants on UC are already in over £1million of rent arrears, an average of £420 per tenant.²⁷

3.4. Work incentives and childcare costs

Given that there are winners and losers from UC, it is not surprising that the potential impact of UC on work incentives is also mixed. The Institute for Fiscal Studies identified that UC will increase incentives to work for those who have the weakest incentive to work under legacy benefits (low earning single people and primary earners in couples), but it may weaken the incentive to work for potential second earners in couples with children.²⁸

Lone parents will also have a weaker incentive to work than under legacy benefits. The Resolution Foundation argue that this may mean that significant numbers of lone parents chose not to work at all, or to earn no more than the work allowance (around 5 to 10 hours a week at National Minimum Wage) potentially making this group more dependent on state support than under legacy benefits.²⁹ The Joseph Rowntree Foundation notes that, for lone parents and second earners with children, the work incentive is reversed once they work over 30 hours a week at the National Minimum Wage because they will cross the income tax threshold, lose their UC and have extra childcare costs.³⁰ This shows the importance of how

UC interfaces with other financial support and costs incurred by working families and how this might impact on behaviour.

The DWP research on families in receipt of UC found that 35 per cent were in work at the time of the Wave 2 survey compared to 23 per cent at Wave 1.³¹ Participants in work were also looking for ways to increase their earnings either through working more hours or earning more. Despite the indication of a positive correlation between UC and work incentives, the authors of the research caution against concluding that the impact of UC was to increase the percentage of families working.

Support for childcare costs under UC is more generous than that under the Tax Credit system (up to 85 per cent of childcare costs as opposed to 70 per cent). However, accessing support is harder, with claimants having to claim costs monthly in arrears. Advance Payments are available but, as the Resolution Foundation argues, advances rely on having accurate prediction of work patterns, increasing the likelihood of errors³². The DWP research found that around half of the families had positive experiences of claiming for childcare costs and half had negative experiences³³. Citizens Advice found that some of their clients on UC were struggling with claiming back childcare costs. Some claimants owed money to childcare providers as a result, reducing work incentives and, in some cases, claimants stopped work.³⁴

3.5. Beyond money

The examples overleaf show that the impact on individuals moving on to UC goes beyond financial issues and include health and social impacts, including poorer mental health, loss of social support networks and demand for considerable additional support from a range of organisations including charities, local authorities, landlords, and utility companies.

As can be seen from this section of the report, the financial and related impacts of UC on individuals can be significant. Some households will be better off financially, will manage and have the means to use the online interface and will have financial and other buffers to support them through any issues with transition on to UC. For households without savings, digitally excluded and with other characteristics of vulnerability, the transition on to UC can be difficult and result in them needing to access a range of services and financial support from Welsh Government, local government, the third/charitable and business sectors.

Claimant A Severe Disability Allowance and ESA transfer to UC

Ms A was on Employment and Support Allowance (ESA). She was advised by a member of staff at Jobcentre Plus that she would be better off on UC as she would not have to undertake job search activity due to her ill health. ESA was paid fortnightly and the move onto monthly payments was difficult - Ms A accrued rent arrears and other debts during the change.

A support worker from the housing association where she lives helped Ms A to access the food bank, and to contact utilities regarding missed payments. She also helped to secure a one-off Discretionary Housing Payment to reduce rent arrears and returned white goods to Brighthouse who were charging £12 for each missed payment.

Ms A attends a local Mind service and needed to go more frequently during the change from ESA to UC. Ms A is no longer in receipt of Severe Disability Allowance and as a result is £60 a week worse off than when she was on ESA. Four months into UC, Ms A feels that she is starting to get on top of things, has re-established direct debits for rent and bills and has arrangements to pay debts/arrears.

Ms B, First benefit claim

Ms B has been on UC since August 2017 after experiencing a breakdown associated with an abusive relationship. As an adult, B had always been employed; this is the only time that Ms B has claimed benefits. Ms B received her first UC payment after three months and had to use food banks while waiting.

Ms B received support from her landlord's employability team and Women's Aid. B secured employment but had to wait for checks to be carried out before she could start. During this time, she came under pressure from Jobcentre Plus to take temporary employment which she did not do. She felt that there was little consideration given to her mental health – *'some people's circumstances are bad, you can't give a specific timescale for how long it will take you to get back on track'*.

Ms C, ESA claimant moved to UC

C was on Employment and Support Allowance and moved on to UC in December 2017. She had an emergency payment and accessed the food bank at the start. She has found it difficult to contact UC by phone and has also found using technology challenging. Her work coach at Jobcentre Plus helps her to complete her journal on her phone.

C has difficulty in working out when the best time to pay her rent is as she receives UC and DHP at different times of the month. She has received letters from her landlord about rent arrears which transpired to be timing issues rather than actual arrears. She finds it difficult to manage financially, often running out of money during the last week before her next payment.

4. Universal Credit: implications for devolved services and policies

The rationale for introducing UC was to encourage behaviour change amongst households receiving a range of in-work benefits. It will affect nearly a third of Welsh households. The potential impact on individuals/households and on organisations that provide services is wide-ranging.

Wales has particular characteristics that mean the impact of UC may be greater than in England or Scotland. For example, compared to England and Scotland, Wales has:

- a higher dependence on working age social security benefits
- higher rates of overall poverty, working-age poverty and child poverty
- a greater level of over-indebted adults³⁵

The Welsh Government has fewer devolved and tax-raising powers than the Scottish Government, so there is an argument that it has less it can do to directly respond to the roll-out of UC or to mitigate its impact. However, our contention is that there is both an opportunity and an obligation for the Welsh Government to provide leadership and co-ordination and ensure that that relevant policies and services take account of the implementation of UC. It is also essential that a strategic approach is taken as the Welsh Government will inevitably pick up many of the consequences of the implementation of UC. In essence, the roll out of UC represents a significant transfer of responsibility from Westminster to the Welsh Government without any financial recompense. However, this should not be an excuse for inaction; rather a stimulus to the Welsh Government to demonstrate leadership. A 'reform' that affects a third of households is simply too significant and all-encompassing for the Welsh Government not to take action.

4.1. What kind of response?

A range of organisations in Wales has already responded to the introduction of UC in various ways. Below, we draw on two examples to identify the range of types of response evident to date at a local level. The examples come from the first two local authority areas in Wales to experience UC 'Full Service'.

Much of the work to mitigate the impact of UC to date has fallen on local authorities. They have had the most direct interaction with the DWP around UC and the (inadequate) funding for the universal support component of UC has been awarded by the DWP to local authorities. Taking the example of Flintshire, the first local authority in Wales to experience UC 'Full Service', the authority's response has included:

- undertaking a **strategic assessment** of the likely impact of UC, including assessment of the financial resilience of households
- taking a **leadership role** in working with other organisations, bringing together services in a multi-agency early help hub

- **changes to the way that the authority does things:**
 - service delivery, establishing working groups to look at fresh approaches to allocations, rent arrears management and alternatives to eviction
 - deployment of financial and other resources, targeting support on those households most affected and establishing a welfare reform response team
 - use of data, ensuring the changing circumstances of households are captured on an ongoing basis in order that advice and services can be effectively targeted

Bron Afon Community Housing is based in Torfaen, the second local authority area to experience roll-out of UC ‘Full Service.’ During 2012-13, Bron Afon was a pilot organisation for direct payment of housing benefit to tenants. The organisation therefore had some prior experience of the changes that UC seeks to bring about. Like Flintshire, Bron Afon’s response to UC can be categorised into a number of areas:

- a **strategic assessment** of the likely impact, including using knowledge from the direct payment pilot
- a **change in focus** from ‘getting the rent in’ to building/sustaining relationships with citizens that address broad needs
- **changes in processes and use of resources:**
 - redeployment of resources, e.g. creating pre-tenancy and existing tenants support teams, targeting the work of the organisation’s investment and involvement teams on those affected by changes to welfare and creating a hardship fund
 - remodelling of processes, starting pre-tenancy work earlier and basing it around how risk might be reduced
 - investing in a new IT system, built in-house
- an **increased emphasis on joint working**, including members of staff being co-located in Jobcentre Plus’s and being an active participant in the Torfaen Welfare Reform Group
- **lobbying for change**, using evidence of the impact of UC in Torfaen, both as an individual organisation and through the membership body for housing associations in Wales, Community Housing Cymru

What these two local examples show (there are many more that could be cited) is a range of types of response to UC which, we contend, should also be evident at a national level. These include: leadership, strategic analysis and thinking, bringing organisations together to co-ordinate activity, making changes to how things are done and how resources (such as people, money and IT) are deployed and used to meet new, additional or different demand, and using the evidence of impact of UC to lobby and campaign for change.

4.2. Implications for devolved policies and services

We have identified that UC has implications for a wide range of devolved policies and services. Table 3 below categorises these implications. The categories are not mutually exclusive but serve as a useful framework. The policies and services identified do not comprise a definitive list and can be added to. The table is followed by a narrative setting out specific issues for ten clusters of policy areas.

Table 3: Implications of UC for devolved policies and services

<p>undermining of Welsh Government strategies, policies and targets</p>	<ul style="list-style-type: none"> •Poverty/child poverty •Affordable homes target •Prevention of homelessness •Domestic abuse •Well-being of Future Generations (Wales) Act 2014
<p>Interface issues/ passporting</p>	<ul style="list-style-type: none"> •Council Tax Reduction Scheme •Free School Meals •Discretionary Assistance Fund •Discretionary Housing Payments •Care leaver allowances •Childcare offer
<p>increase in demand for services/help</p>	<ul style="list-style-type: none"> •Debt/financial advice •Food banks •Discretionary Assistance Fund •Discretionary Housing Payments •Welsh Water HelpU scheme •Domestic abuse •Mental health
<p>Support households and align policies/services</p>	<ul style="list-style-type: none"> •Business advice •Employment support/ skills development •Economic development •Childcare offer •Digital inclusion/literacy •Financial inclusion/ literacy •Finance education •Affordable housing review •Domestic abuse •Mental health •Adverse Childhood Experiences

Housing

The actual and potential impact of UC on social housing has been well-evidenced, with £1 million of rent arrears attributable to UC just for those housing association tenants in Wales in receipt of the benefit. Increasing rent arrears in the rented sectors may:

- impact the ability of housing associations to borrow private finance in order to build homes for social/affordable rent (or the cost of borrowing) and therefore the ability of the Welsh Government to meet its affordable homes target of 20,000 in this term of government;
- put tenancies at risk, result in more evictions and therefore increase homelessness, undermining the strong homelessness prevention focus of the Welsh Government;
- mean that private sector landlords are more reluctant to let their properties to people who are wholly or partially reliant on benefits to meet their housing costs. Implementation of Part 2 of the Housing (Wales) Act 2014 makes significant use of the private rented sector. If access to this sector reduces, further demand will be placed on social housing and the number of people living in often high cost temporary accommodation could increase.

This emphasises the need for a strategic and preventative approach to the use of Discretionary Housing Payments, with a focus on sustaining tenancies and preventing homelessness. Local authorities can top up DHP allocations and can also work to ensure access to the Discretionary Assistance Fund complements the use of DHPs.

The Welsh Government is currently undertaking a review of affordable housing supply looking to maximise the number of affordable homes built with the resources it has allocated for this purpose. The roll-out of UC and its impact on the social housing sector begs a number of questions. To what extent should/will the affordable housing review take account of:

- the reductions in income being experienced by many households on UC in making decisions on future rent policy for social/affordable housing and the degree of flexibility given to social landlords on rent setting? One factor within this is annual rent increases running at inflation or above when welfare benefits have been frozen for a number of years and are to remain so until 2020;
- the impact of UC on the level of housing need in different parts of Wales and from different groups of people? E.g the fact that conditionality under UC applies to all members of the household may mean more young adults are asked to leave the parental home.

Effectively supporting tenants on UC is resource intensive for social landlords; a recent survey by Community Housing Cymru identified that many housing associations are providing services that could be defined as universal support under UC such as financial inclusion, digital inclusion and money management as core services (not funded by the DWP)

as universal support). As part of its work on UC, Flintshire Council assessed the financial resilience of households, (using information on household size, number of children, rent levels, impacts of all welfare reforms, income vs expected expenditure and taking into account expected cost of living and inflation rises), and used this data both to better understand the relative poverty of residents and target assistance such as helping people into work and access free childcare. This was a significant piece of work that was essential in supporting the changes in service delivery and resource allocation that the authority has made.

If social landlords experience ongoing decreases in income and increases in costs, what will be the impact? Might they reduce or stop providing some services, reduce expenditure on repairs, or, change who they house? Shelter Cymru has already identified cases of housing associations deeming households not able to afford a social housing tenancy. The Welsh Government needs to be clear about who social housing is for and ensure that levels of capital grant mean social rents that are affordable.

The housing association sector has had UC, (along with other elements of changes to welfare), as a priority area of work for a number of years. The current focus for the member body for housing associations in Wales, Community Housing Cymru, is working with sister organisations in England, Scotland and Northern Ireland, on a campaign to ensure that UC is working well before the process of 'Managed Migration' starts³⁶. This is essential. However, our view is that, alongside significant improvements in the administration of UC, the Welsh Government should have the same powers over the administration of UC that are available to the Scottish Government. These are known as Scottish Flexibilities³⁷ and include people have the option of being paid twice a month rather than monthly and any UC housing element being paid directly to landlords (both social and private).

Child poverty

The Welsh Government has had a long-standing target to end child poverty by 2020 and a comprehensive child poverty strategy. However, over recent years, Ministers and officials have acknowledged that this target will not be achieved, with welfare reform cited as one of the significant reasons why this will not happen. The DWP originally stated that UC would take 350,000 children out of poverty. Due to a number of changes which have made UC less generous, the DWP have ceased to claim this. In fact, it has been identified that UC will have the opposite effect. Research by the Child Poverty Action Group concluded that cuts to UC will mean one million more children living in poverty across the UK by the end of the decade³⁸. Projections by the Institute for Fiscal Studies indicate that by 2020, 40 per cent of children in Wales are likely to live in poverty, with welfare reform a significant factor³⁹. This is a shocking statistic. Given what we know about the impact of living in poverty as a child on the children themselves and on society, this should prompt urgent action.

Welsh Government financial assistance to families on low income, including those living in poverty, include the Council Tax Reduction Scheme, Discretionary Assistance Fund, free school meals, School Uniform Grant, Education Maintenance Allowance and Welsh Government Learning Grant (FE). A budget for Discretionary Housing Payments is allocated by the DWP to each local authority and authorities can then add to this amount.

There is a major issue about the interface between UC and the financial assistance provided by the Welsh Government. The issue is one of both logistics and who is eligible for support (what is known as passporting from one part of the welfare system to another). On logistics, an example is the Council Tax Reduction Scheme, which needs to be applied for separately from UC. UC applicants therefore need to be informed that they have to apply separately.

Looking at passporting, those in receipt of UC are currently eligible to apply for an Individual Assistance Payment under the Discretionary Assistance Fund, while for Education Maintenance Allowance and Learning Grant (FE) for most households, there is means testing of household income.

On free school meals, we have recently seen a proposed change in Welsh Government policy as regards the interface with UC. From January 2019, children of parents earning up to £7,400 a year (not including benefits) will be entitled to free meals, i.e. the approach taken in England. Up until then, all households in receipt of UC are entitled to free meals. Overall, more children will be eligible for free school meals under the new arrangements, but the Welsh Government acknowledges that some people will lose their entitlement. The reason for the change is that, if all those on UC were entitled to free school meals in future years, this would mean an increase from 16 per cent of pupils to 50 per cent by 2022. This policy alignment with England is despite very different approaches to child poverty in the two countries. In addition, in England, free school meals are available in reception years 1 and 2. As of January 2019, Wales will therefore have less generous free school meals provision than England. And this change is likely to have a knock-on impact on which children are eligible for School Uniform Grant as one of the criteria is receipt of free school meals.

It remains to be seen whether the same principle ('we can't afford it') is applied by the Welsh Government to other passported benefits as UC rolls out. There is a danger that, in responding to interface issues, Welsh Government priorities such as child poverty, are skewed, diluted, or directly undermined. For example, poverty has been identified as a strong reinforcing factor in Adverse Childhood Experiences and some commentators consider that it may be considered an ACE in and of itself. So, increasing levels of child poverty may undermine the positive work on ACEs being undertaken by the Welsh Government through Public Health Wales. Another example is homelessness. Analysis of data has underlined the centrality of poverty, particularly child poverty, to the likelihood of homelessness as an adult⁴⁰. Failing to tackle child poverty could therefore undermine the Welsh Government's own aims and aspirations on homelessness.

Alongside the issue of whether all recipients of UC will continue to get access to other passported benefits in the future are a number of questions about the interface between benefits:

- how do the interfaces work/do they work at all or is there a disconnect between UC and these other benefits as is the case for the Council Tax Reduction Scheme?

- do the interfaces and the way that they work mean that individuals/households do not get additional income/support that Welsh Government intends they should receive and if so, how can this be rectified? For example, if while waiting for their first UC payment, people have nothing to prove they are in receipt of UC, how do they access other benefits that are passported from UC?
- how do claimants find out about different application processes beyond UC?

As publicised by the Trussell Trust, food banks have been experiencing unprecedented demand. This is a clear demonstration that the current systems of financial and other support are simply not adequate or effective in preventing poverty.

The big question for the Welsh Government on child poverty is whether it will take a clear leadership role in combatting child poverty, using the powers it has and focusing resources on effective measures, or whether it will preside over increasing levels of child poverty.

Well-being

The negative impact of UC on well-being and mental health is becoming increasingly obvious. Levels of sanctions under UC are much higher than under legacy benefits (leaving people with no money at all), disability payments are increasingly hard to access and the conditionality requirements of UC can be extremely difficult for those with variable physical or mental health conditions.

The Mental Health Foundation has raised concerns about worsening mental health outcomes for service users due to the rigid payment structure and assessment methods used as part of UC⁴¹. The substance misuse support organisation Addaction notes that receiving lump sums of money can act as a trigger for people in substance misuse treatment to consume drugs or alcohol⁴². The most extreme examples of negative impact on well-being are a number of suicides that have been reported in the mainstream press as being linked to insurmountable difficulties people have experienced with UC. And organisations providing support to people report that workers are spending increasing amounts of their time helping people navigate the welfare system as financial difficulties are a barrier to making progress with other issues such as mental or physical health, substance misuse or domestic abuse etc.

The potential impact on devolved services is huge, including increased demand for support services, a skewing of the focus of those services towards helping people with the welfare system.

The Welsh Government has passed ground-breaking legislation in the form of the Well-being of Future Generations (Wales) 2015 Act. UC has the potential to undermine a number of the well-being goals set out in the Act, e.g. a healthier, resilient and more equal Wales. However, in the five ways of working (long-term, integration, involvement, collaboration and prevention), the Act also provides a framework for how the Welsh Government might respond to UC:

- long-term – not just dealing with the immediate issues
- integration – ensuring the response to UC and other aspects of welfare ‘reform’ are genuinely cross-government and that decisions on passporting have taken into account the impact on households as well as on government objectives, strategies and targets
- involvement – really listening to the experiences of people in receipt of UC
- collaboration – taking a leadership role in co-ordinating action
- prevention – ensuring Welsh Government financial and other assistance is strategic and not just used as a sticking plaster.

Advice and support services

The introduction of UC has had a significant impact on Citizens Advice and other advice services, requiring organisations to (re)deploy resources to meet demand from this new area of work. Citizens Advice Cymru has analysed information from the provision of advice to provide evidence on the impact of UC and produced comprehensive online information for the general public about UC and how to claim.

As the roll out of UC continues, demand for advice and advocacy in this area will increase. There is a question as to whether the existing Welsh Government strategies and policies on advice and associated funding adequately take account of UC and related changes to welfare. Advice provision is one of the policy areas on which an explicit assessment of the implications of UC might be expected to inform strategy, delivery and funding.

Robust referral arrangements need to be in place between specialist support agencies and financial/debt advice providers for people experiencing problems with UC so that issues can be resolved promptly. However, there is also an issue about the capacity of advice services. It is likely that if people are seeking help with UC, they will not be in a position to wait weeks for an appointment with an advice agency. The National Advice Network is the appropriate place for advice providers to be able to reflect on issues such as access to, and capacity of, services and feed this back to the Welsh Government.

Most local authorities in Wales have provided the funding for the universal support element of UC to their Citizens Advice agency, or have retained the money and provided support service in-house. An exception is Neath Port Talbot which has awarded funding to the housing association Tai Tarian to provide universal support to their tenants. There are two immediate issues with universal support. Firstly the inadequacy of the funding to meet the support needs to those moving on to UC. In this context, Citizens Advice Cymru has undertaken work and has run a campaign calling on the DWP to publish a minimum standard of support to help people adapt to UC wherever they live⁴³. Secondly, there is a need for co-ordination of advice, advocacy and support services at local level in order to prevent duplication and/or gaps in provision. In both Flintshire and Torfaen, the local authority has shown strong leadership in taking on this role.

As noted earlier, many housing organisations are providing relevant support outside of the UC framework. Such services can be dispersed and may be hard for individuals to find out

about. A positive example of co-ordination at a regional level is the Gwent Welfare Reform Partnership which has developed a matrix for local Jobcentre Plus's use highlighting support services provided by each of the eight housing associations involved in the partnership.

Further questions about UC, advice and support include:

- in the light of the emerging work on ACEs, is there scope for better linkage between this and the provision of appropriate and effective support for households experiencing difficulties with UC?
- advice and support can come from many directions, formal and informal. For people in work and currently in receipt of tax credits, what might the role of employers be in advising such employees about UC or signposting them to sources of advice?

Childcare

Under UC, parents of three and four year olds are required to look for work or face sanctions. DWP guidance sets out cases where sanctions should not be applied due to a parent not taking up work or changing work due to childcare issues, but the DWP has significant discretion to determine whether the childcare need is sufficient to justify the sanctionable action.

The strengthening of conditionality under UC means that the earnings threshold is 'gross taxable pay' set at the national minimum wage for a 35 hour week (£213 a week - £120 for lone parents). Anyone earning below these thresholds could be subject to conditions which could include seeking full-time work. It is possible that parents could be sanctioned or required to seek full-time work in the absence of full-time childcare.

For those paying for childcare, payments are made upfront to providers by parents who will then wait for UC to reimburse them. This could mean falling behind with rent or other bills.

Access to free/affordable childcare is essential for parents who want to access work or to increase their working hours. The Welsh Government childcare offer commits to providing 30 hours a week of government-funded early education and childcare for working parents, (defined as earning an equivalent of 16 hours a week at national minimum wage) of three and four year olds, for up to 48 weeks of the year. It is currently being piloted in 14 local authority areas.

Given the regime of conditionality and sanctions under UC outlined above, is there potential for the Welsh Government childcare offer to have some flexibility around the level of support provided to parents in receipt of UC? In the longer-term is there scope for a more comprehensive childcare offer to be put in place in Wales?

Care leavers

One group for whom there has been specific work carried out on interface issues between UC and other benefits is care leavers.

Regulations were passed in 2016 to address the interaction of UC entitlement and devolved responsibilities in relation to care leavers⁴⁴. In summary, care leavers are entitled to UC once they are 18 and up to the age of 21 and they are exempt from the shared accommodation rate for the housing element.

The work that the Welsh Government is doing to improve the outcomes for young people who are, or have been, in the care of local authorities reduces the complexity of the interface. For example, care leavers can be exempted from council tax although only some local authorities have implemented this measure. For other support such as Education Maintenance Allowance and Learning Grant (FE), no means testing is applied to care leavers.

However, Personal Advisers working with looked after young people and care leavers will need to be conversant with UC and how it interfaces with the other financial support received by care leavers.

Domestic abuse

Concern has been expressed by both domestic abuse charities and the House of Commons Work and Pensions Select Committee that single payments of UC to households can make it easier for perpetrators to abuse and control their victims. There is the scope for claimants to request split payments but in the context of domestic abuse, this is not an adequate or effective safeguard that is likely to be used by individuals experiencing abuse.

Tackling domestic abuse has been a priority area for the Welsh Government, both in terms of legislation and policy. The direction of travel is to prevent domestic abuse and protect and support victims. The way that UC is currently provided to households has the capacity to directly undermine the progress being made in this area. Single payments of UC to households have the potential to leave women and children without the basics even though the household is not living in poverty. These arrangements have the scope to massively increase tensions that already exist within households and increase demand for relationship support services.

Change is needed in the arrangements for UC, with split payments being more common or the household payment going to the adult who cares for the children. The Welsh Government has a role in lobbying for such change.

Economic development

There are some potentially interesting interfaces between UC and the economy in Wales. For example, under UC, there is little or no financial incentive for second earners in households to enter or progress in paid work. The way that in-work conditionality operates may affect people's ability to take up or complete skills development programmes. Participating in such activity, rather than seeking work or additional hours, may result in sanctions, providing a significant disincentive. The difficulties for self-employed people and those starting their own businesses with respect to UC have been explored earlier on in this report. This is a significant cause for concern given the increases in self-employment which

are not always about a positive choice. Households with incomes that vary from month to month can also experience problems with UC making budgeting very difficult.

There are many differing views as to what the 'right' approach is to the Welsh economy. Some commentators emphasise the role of foreign investment, others anchor companies, others highlight the potential of particular sectors and there is a growing interest in the foundational economy. Along with the Wales Co-operative Centre, we published a report which sets out practical proposals that can help achieve an inclusive economy in Wales, its economic regions and diverse communities⁴⁵. For us, an inclusive economy means inclusive business, decent work for everyone (decent pay and conditions), supporting people to develop their knowledge and skills and people having a voice.

Despite these differing views, given the emphasis under UC of conditionality and sanctions, the need for good quality jobs with clear routes for progression becomes ever more important. This is reinforced by analysis by the Joseph Rowntree Foundation that shows that poor quality work is one of the drivers of rising poverty in Wales⁴⁶. In Wales, around one in fifteen workers is in a temporary role (83,000 employees) and about 46,000 workers are on zero hours contracts.

The Welsh Government has put inclusive growth at the centre of its Economic Action Plan which also includes a commitment to work with selected parts of the foundational economy. This is welcome. However, further thinking is needed about what the Welsh Government can do to support good quality work with a clear focus on delivery. In an inclusive economy, it is not just the number of jobs that is of concern, but the quality of work and the distribution of work between people and places. We need to reverse the trend of an increasing proportion of people living in poverty being in work.

Welsh economic policy cannot ignore a change that will affect a third of households; local economies will feel the direct impact of reduced incomes.

Business advice and support

As has been explained earlier in this report, UC poses a number of challenges for small businesses and self-employed people. These include the assumptions made about the amount earned by individuals to calculate their entitlement to UC (minimum income floor) and the start-up period where the minimum income floor does not apply being restricted to 12 months.

The Welsh Government, funds a range of business advice and support, some of it jointly-funded with the EU. It is essential that business advice and support services consider whether they are able to provide accurate advice about UC and how it will affect people in different employment situations, including self-employment, or whether they need to have close working relationships with one or more advice agencies that will take on this role.

Our view is, given that finances are a key element of business advice, the business advice and support agencies should skill themselves up on UC so that they can properly advise people about the full implications of starting or growing a business. This will be a

particularly pertinent issue for business support and advice agencies working with self-employed people, start-ups and small enterprises. There is also scope for the production of a series of information sheets to be produced at a national level on topics such as how UC works if you are self-employed.

Setting up as self-employed or in business is not an easy process. The way that UC is structured will make financial planning more difficult. It is therefore essential that this issue is addressed if we are not to set people up to fail.

Digital and financial inclusion

The expectation about how people access UC is 'digital by default'. There is also an expectation that people will be able to manage their money on a monthly basis, with only limited support for budgeting and money management within UC. This raises a number of issues; how comfortable people are with accessing services digitally, the availability and cost of reliable internet connections or accessibility of free terminals and how much support people have received to develop financial literacy and budgeting skills where they do not already have these.

These issues are central to Welsh Government digital and financial inclusion strategies. The Welsh Government has a Programme for Government target to help 95% of people to gain the basic digital skills needed for the 21st century. However, its **Digital Inclusion Progress Report and Forward Look 2018**⁴⁷ includes just one reference to welfare reform and makes no mention of UC.

The Welsh Government vision for financial inclusion is:

'for everyone living in Wales to have access to appropriate and affordable financial services, be supported by quality assured information and advice services and have the financial capability and motivation to benefit from the financial services available to them'.

However, the 2016 Financial Inclusion Strategy⁴⁸ does not go much further than describing the challenge posed by the introduction of UC and identifying the role to be played by local authorities.

The examples from Flintshire Council and Bron Afon Community Housing showed how they changed what their organisations did, putting in place clear targeting of certain services and resources towards those affected by welfare reform. There is an argument that the same approach needs to be taken at a national level by Welsh Government, i.e. targeting of programmes and services to those likely to be most negatively impacted by welfare reform, including those moving on to UC. On financial and digital inclusion in particular, it is clear that such targeting is urgent and vital and is needed in advance of the start of Managed Migration which is currently scheduled to start in July 2019.

4.3. Universal Credit – not so Universal

There is no universal story when it comes to UC. The experiences of those who have claimed UC are very different, with some encountering no problems at all, while others have found the process extremely difficult and have ended up with substantial debts and gone hungry, ably described by Mike Owen in his article about the experience of Merthyr Valleys Homes' tenants during the summer holiday of 2018⁴⁹. There is ample evidence to indicate that, for those who require support to claim UC and manage monthly budgets, UC can be problematic, and that the support provided under universal support is not adequate. And for those households that lose out financially under UC, the losses can vary from minor to catastrophic.

The way that changes have been made to UC as it has been rolled out also mean that there is a major issue of unfairness. In this sense UC is far from universal, with those individuals/households who happen to live in an area that was early in the roll-out timescale getting a worse deal than those living in areas later on in the roll-out timetable. There is no indication that this unfairness will be addressed by the DWP.

The issue of fairness extends beyond the detail of UC itself to what support services and policies are in place in any particular area and how well they are provided. Those local authorities which came first in the roll-out of 'Live Service' have developed strategic and multi-agency approaches to UC, alongside partner agencies including housing associations and advice providers. The local government, housing association and advice sectors have also collated and analysed data and made clear cases to the DWP for improvement in the way that UC to the DWP, as have research organisations and Parliamentary Select Committees. The DWP is listening, at least to some extent, to those who raise concerns about the implementation of UC and some positive changes have been made.

However, the consensus across a range of agencies is that many more improvements and changes are needed before Managed Migration starts. Most recently, the Resolution Foundation in its September 2018 report ***The Benefits of Moving: managing the transition of existing claimants to UC*** recommends that 'Managed Migration should only start at significant scale when the DWP is entirely satisfied that the system is ready'⁵⁰. This position was also taken by the Joseph Rowntree Foundation in its August 2018 response to the Social Security Advisory Committee consultation on regulations around Managed Migration⁵¹. The Welsh Government should continue to make its voice heard about its concerns with the working of UC and its impact on households in Wales, including unfairness between claimants.

5. So what's to be done about Universal Credit?

UC is not devolved. However, as this report has outlined, its introduction and roll-out means changes for nearly a third of families across Wales and implications for a wide range of devolved policies and services. UC has the potential to derail Welsh Government strategies and programmes and to require devolved areas to change in way that may not be in line with these strategies and programmes. We have already seen the Welsh Government change its approach to services in devolved areas as a result of UC.

The impact of UC to date has been significant. When Managed Migration starts, the numbers of people moving on to UC will increase significantly. There is a need to assess the preparedness and capacity of relevant services before this process starts; this is a role for Welsh Government.

It is telling that key Welsh Government strategies that are central to people being able to manage UC appear either totally silent on the issue or, at best, rather reticent or simply descriptive.

The need for an assessment of the implications of change in a non-devolved area is not unique to UC. Another example is the Immigration Act 2016 which introduced wide-reaching requirements on landlords, employers, schools and others. Where there are major interface issues between a policy/law in a non-devolved area and policies devolved to Wales, an assessment of the implications for devolved policies should be routine. Organisations in the public, private and voluntary sectors consider the external environment when developing and implementing their strategies; why should this not be the case for the Welsh Government?

Specifically in relation to UC, drawing on the examples of the local response to UC, we identify a number of roles for the Welsh Government – leadership, strategic analysis and thinking, co-ordination, making changes to how things are done and using evidence to lobby for change.

Below we provide examples of action we consider should be taken in relation to each role:

- **Leadership:**
 - a renewed emphasis on preventing and tackling child poverty.
- **Strategic analysis and thinking:**
 - assessment of the implications of UC
 - assessment of preparedness and capacity of relevant services to respond to Managed Migration
 - assessment of whether current deployment of Welsh Government resources (people, money and other assets) need to be changed in the light of the impact of UC

- taking account of UC in big picture strategies, including digital and financial inclusion
- taking account of the impact of UC in relevant areas of policy that are under review, e.g. affordable housing.
- **co-ordination**
 - the production of standard information for the general public, including those who are self-employed
 - a strategic information campaign on UC for those working in public and related services; everyone working in the public service (broadly defined) should be able to effectively signpost people to the specialist advice and support that is available
 - advice and support services
 - ensuring relevant networks and groups such as National Advice Network, Financial Inclusion Groups have UC as standing items on their agendas.
- **making changes to how things are done**
 - welfare reform proofing of policies and programmes; priority areas would include advice, digital and financial inclusion and business advice/support
 - consideration of the funding for, and co-ordination of, advice services to ensure there is sufficient capacity to respond to requests for assistance from those in receipt of UC and clarity of how this links to universal support
 - the inclusion of a clear strand on UC within digital inclusion/literacy and financial inclusion/literacy programmes and projects
 - greater focus on, and targeting of, those households which are losing most through the change to UC in anti-poverty and employment skills policy areas.
- **using evidence of impact of UC to lobby for change**
 - ongoing advocacy from Welsh Government to the DWP about what is and is not working with UC.

We have seen that the implications of UC go far wider than financial issues. However we need to come back to money. The scale of the financial loss from the introduction of UC alongside other aspects of welfare 'reform' is huge. Early analysis of the financial impact of changes to welfare for the Welsh Government published in 2014 by the Institute of Fiscal Studies identified a loss of over £600 million for Wales as a whole up to April 2015, an average of £9 per household per week⁵². The analysis identified that, once UC and Personal Independent Payments are rolled out, the package of changes will reduce household incomes across Wales by an average of £10.75 a week, equivalent to £718million a year for Wales as a whole. These averages mask differential impact, with the greatest losses

experienced by working age households with children. The greatest losses were identified as those for non-working couples with children who are set to lose an average of £55 per week, 12.8% of net income. This information and many other facts about the impact of UC are available to us all and many organisations and individuals have responded. And since this analysis was undertaken, further changes to UC have been announced that would increase these losses still further.

What we need now is a national response; for the Welsh Government to exercise leadership, to assess impact, co-ordinate the efforts of others, change what it does itself to reflect this reality and continue to lobby for change.

End Notes

¹ These benefits are referred to as legacy benefits

² Once fully implemented via 'Full Service'.

³ ***The (changing) effects of universal credit - chapter in IFS Green Budget 2016***

<https://www.ifs.org.uk/publications/8135>

⁴ 'Full Service' – on online service which will be available to all claimants once the benefit is fully implemented.

'Live Service' – claim is made online but managed over the telephone. It is only available for some groups of new claimants (single, childless and unemployed). As of January 2018, 'Live Service' is no longer available for any new claimants in Wales, these claimants will either be directed to other benefits, or if 'Full Service' has already been implemented in their area, will claim Universal Credit via 'Full Service'.

⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693928/universal-credit-transition-rollout-schedule.pdf, updated 29th October 2018 via DWP website

<https://www.gov.uk/guidance/jobcentres-where-you-can-claim-universal-credit>

⁶ Source: DWP Stat-Xplore (2018) Households on Universal Credit To be counted as a household on Universal Credit, there must be an assessment period spanning the 'count date'. Entitlement to Universal Credit must also have been calculated.

⁷ Quoted in <https://seneddresearch.blog/2017/10/24/universal-credit-in-wales-part-1-design-rollout-and-impact/>

⁸ Source: DWP Stat-Xplore (2018) People on Universal Credit. To be counted as a person on Universal Credit, an individual has to have completed the Universal Credit claim process and accepted their Claimant Commitment. This has to happen on or before the 'count date', with no record of a termination of their claim.

⁹ <https://www.nao.org.uk/report/rolling-out-universal-credit/>

¹⁰ The taper rate has already been reduced from 65 per cent to 63 per cent

¹¹ ***The (changing) effects of universal credit - chapter in IFS Green Budget 2016***

<https://www.ifs.org.uk/publications/8135>

¹² ***Our experience of Full Service Universal Credit during January, February and March of 2018***, Citizens Advice Torfaen

¹³ The Minimum Income Floor is only applied once someone has been self-employed for over 12 months (to take account of the time it takes to establish a new business). After 12 months, the expectation is that most self-employed individuals will earn over the Minimum Income Floor. If individuals earn more than the Minimum Income Floor, their calculation of the benefit will be based on their real earnings. Research indicates that it takes around 3 years for a new business to achieve break-even

¹⁴ ***Low income Londoners and Welfare Reform Phase Two Report***, 2017, Policy in Practice

<http://policyinpractice.co.uk/publications/>

¹⁵ ***Universal Credit roll-out Autumn/Winter 2017*** HoC briefing

<https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8096#fullreport>

¹⁶ <https://www.bbc.co.uk/news/uk-wales-44565680>

¹⁷ Presentation to March 2018 UC conference by Tony Graham, Director of Devolved Nations, Trussell Trust

¹⁸ ***Universal Credit Test and Learn Evaluation: Families Findings from qualitative and quantitative research with claimants***, 2017, DWP <https://www.gov.uk/government/publications/universal-credit-test-and-learn-evaluation-families>

¹⁹ ***Delivering on Universal Credit***, 2017, Citizens Advice

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Delivering%20on%20Universal%20Credit%20-%20report.pdf>

²⁰ ***Living Standards 2017: The Past, present and possible future of UK incomes***, The Resolution Foundation

<https://www.resolutionfoundation.org/publications/living-standards-2017-the-past-present-and-possible-future-of-uk-incomes/>

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