

The Case for a Welsh Benefits System

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FOUNDATION

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Our vision is for Wales to be a nation where everyone has a decent standard of living, a healthy and fulfilled life, and a voice in the decisions that affect them.

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Contents

1. Introduction	1
2. The UK social security system	1
3. Devolved schemes for people on low incomes	1
4. Developing a Welsh Benefits System	3
5. Criteria	4
6. Core principles	4
7. What we are doing	5
8. Conclusions	5

The case for a Welsh Benefits System

1. Introduction

The social security system provides a vital anchor for people throughout their lives. From maternity allowance through statutory sick pay and job seekers' allowance to the state pension and winter fuel allowance, a range of different benefits provide people in certain circumstances with an income.

The social security system is complemented by a range of local and devolved benefits and services. Some are long-standing, such as the provision of free school meals, while others are relatively recent. Although neglected in policy terms, changes to UK social security have made these devolved benefits increasingly important in the lives of people on low incomes.

The Bevan Foundation has argued that there is potential to reform these devolved benefits so that they provide a coherent and seamless system of support that helps to lift people out of poverty. We have termed this a Welsh Benefits System.

2. The UK social security system

Social security is the responsibility of the UK Government. After council tax benefit and the crisis element of the social fund were devolved to the Welsh Government in 2013, the rest of the system was expressly reserved to the UK Government by the Wales Act 2017.

The social security system underpins the wellbeing of hundreds of thousands of people in Wales. In 2015, around 600,000 children and more than 650,000 pensioners received universal benefits, and around 400,000 working-age adults received either an out-of-work benefit or tax credits.¹ In 2018/19, total expenditure on Department for Work and Pensions benefits in Wales was more than £10 billion.²

Social security for people of working age has been radically reformed in recent years. Eligibility for many benefits has been limited and the value of most benefits frozen. The effects of these reforms, combined with changes in taxation and the National Living Wage have reduced household incomes for most people, with an especially severe impact on the least well-off. Lone parents are on average £3,720 worse off than they would have been without the reforms while families with three or more children are on average £4,110 a year worse off.³

3. Devolved schemes for people on low incomes

The UK social security system is not the only source of support for people on low incomes. There is also a wide range of Welsh Government and local authority schemes aimed at meeting a variety of different needs, from the provision of emergency financial and in-kind help via the Discretionary Assistance Fund, to the provision of Free School

¹ Bevan Foundation (2015) Can welfare work for Wales? <https://41ydv1cuyvlonsm03mpf21pub-wpengine.netdna-ssl.com/wp-content/uploads/2015/11/Baseline-draft-151115.pdf>

² Department for Work and Pensions (2019) Benefit and Caseload Tables, 2018/19 <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2019>

³ EHRC

Meals and help with the costs of housing and council tax. These schemes supplement the substantial universal support from devolved services received by people irrespective of income, such as concessionary bus passes or free prescriptions and health care. Whether provided in cash or in kind, these schemes raise the living standards of people on low incomes and can help to lift them out of poverty.

Most of the devolved schemes of assistance developed independently as a result of local, Welsh and UK governments' attempts to address specific social problems. The current provision of Free School Meals, for example, dates back to the 1944 Education Act and aimed to ensure children had a meal during compulsory education. The Disabled Facilities Grant was introduced in the 1989 Local Government and Housing Act as one of a number of grants aimed at improving the stock of housing,⁴ while the Education Maintenance Allowance was introduced in 1999 to increase the participation of young people in post-compulsory learning. Some schemes pre-date devolution and have been transferred to the National Assembly for Wales, while a few others have emerged since 1999.

As a result of their various origins, the schemes may have different eligibility criteria, different administrative systems and their own payment arrangements. They were neither conceived of as a coherent system nor do they operate as such. This may not matter to politicians and administrators charged with delivering, for example, a better education system or improving housing stock. But for people on low incomes who rely on the schemes to live independently or for a decent meal, it matters a great deal.

These schemes are relatively neglected in public policy. There have been few significant changes to most of them and relatively little data about their take-up or expenditure is in the public domain. Such is their neglect that a proposal to scrap School Uniform Grant was included virtually unnoticed in the Welsh Government's 2018/19 budget, and when it was revealed the Welsh Government initially justified its decision on the grounds that the cost of uniforms had fallen.⁵

Partly prompted by the attempt to withdraw School Uniform Grant, the Bevan Foundation decided in late 2018 to explore the importance of these devolved schemes to people on low incomes and to consider how they could be improved. We considered that the schemes had real potential collectively to boost household incomes and / or cut household costs. This potential is particularly important given the continued impact of welfare reform on many households and the stagnation of earnings. Put simply, devolved schemes ensure that even if a family has no income while waiting five weeks for Universal Credit, at least the children will have a hot meal at school.

We then began a programme of work to bring existing devolved schemes into a coherent system which would both provide a valuable anchor for low income households and which would be administratively efficient. We outlined our initial thinking in evidence to

⁴ Sheila Mackintosh, Paul Smith, Helen Garrett, Maggie Davidson, Gareth Morgan, and Rachel Russell (2018) Disabled Facilities Grant (DFG) and Other Adaptations– External Review https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/762920/independent_review_of_the_disabled_facilities_grant.pdf

⁵ 'Anger as Welsh Government cuts £700k school uniform grant' (BBC News, 5 April 2018) <https://www.bbc.co.uk/news/uk-wales-politics-43647152>

the National Assembly for Wales' Equality, Local Government and Communities Committee inquiry into how benefits could be improved.⁶ We argued:

“ ... there is already a Welsh safety net in place, but we just don't think about it. So, already, there are free school meals, help with school uniform costs, council tax support, education maintenance allowance, disabled facilities grants, help with home insulation—a huge number of means-tested schemes. ... And what we want to try and do is knit those together into a coherent whole that is within the Welsh Government's and local authorities' decision making.”

The Committee subsequently adopted the idea of a 'Welsh Benefits System' as its key recommendation to Welsh Government.⁷ Welsh Ministers responded by accepting this recommendation, as well as the Committee's recommendation that information about all means-tested benefits should be made available and that a new Welsh Benefits System should be underpinned by a set of principles that are co-produced by people on low incomes.⁸ The Welsh Government has already begun a review of support available for children.

The agreement to establish a Welsh Benefits System is a very important step forward. It shifts the emphasis to developing a system that helps to lift people on low incomes out of poverty, and how that might work in practice.

4. Developing a Welsh Benefits System

Our aim is to develop proposals for a system of devolved benefits and services that improve the standard of living of low income households. Our work is not intended to suggest reforms to the UK social security system, to replace UK social security nor is it meant to ensure that all the needs of particular groups of people are met.

Our starting point is a review of existing, means-tested benefits and services. The schemes are well-established and, where they are working well, provide a sound platform on which to build. We recognise that this approach risks embedding current flaws or gaps in provision into a new approach, so where we identify significant issues we will make proposals to address them.

We have decided to focus on means-tested benefits rather than universal services that benefit low income households along with everyone else, such as free prescriptions or concessionary bus fares. We have also deliberately excluded voluntary provision, such as support provided by social landlords or charities, because they are not part of an entitlement for people on low incomes.

⁶ Equality, Local Government and Communities Committee, Inquiry into Benefits in Wales: Options for Better Delivery (19 June 2019, Evidence Session 2) <https://record.assembly.wales/Committee/5487>

⁷ National Assembly for Wales, Equality, Local Government and Communities Committee, *Benefits in Wales: options for better delivery*, (October 2019) <https://www.assembly.wales/laid%20documents/cr-ld12832/cr-ld12832%20-e.pdf>

⁸ National Assembly for Wales Equalities, Local Government and Communities Committee Report Benefits in Wales: Options for Better Delivery Welsh Government response (2019) <https://www.assembly.wales/laid%20documents/gen-ld12913/gen-ld12913%20-e.pdf>

5. Criteria

The criteria we adopted to determine which schemes should be included are in Figure 1.

Figure 1

<p>1. The scheme must be administered by a devolved body or by Welsh local authorities.</p> <p>We used this criterion because we are interested in devolved support rather than UK-wide programmes, and in those which have a statutory basis. Support offered on an ad hoc basis e.g. by charities were not included.</p>
<p>2. The scheme must either provide cash or relieve costs.</p> <p>We used this criterion because replacing income or alleviating costs has a direct impact on poverty whereas other support e.g. advice or guidance does not.</p>
<p>3. The scheme must be means-tested</p> <p>We used this criterion to distinguish between universal benefits, such as free prescriptions, or those with other eligibility rules, such as Carer's Allowance, and those specifically for people on low incomes.</p>

6. Core principles

We have established some core principles that we suggest any new or reformed system should follow. In doing so, we have considered a number of different statements of principle, ranging from the tax principles of the Welsh Revenue Authority to the principles adopted by the Scottish Government for the benefits it administers. Our proposed principles are:

- Welsh benefits are an investment in the people of Wales,
- Welsh benefits are a human right and are essential to the realisation of other human rights,
- the delivery of Welsh benefits is a public service,
- respect for the dignity of individuals is to be at the heart of Welsh benefits,
- Welsh benefits should contribute to reducing poverty,
- Welsh benefits should be designed with the people of Wales on the basis of evidence,
- Welsh benefits should be continuously improved
- Welsh benefits are efficient and deliver value for money.

Within this list of principles, there are two that stand out – that the Welsh Benefit System should help to reduce poverty by increasing household incomes and it should do so based on the experiences of people in poverty.

7. What we are doing

We are undertaking a programme of work to review current devolved means-tested benefits for children, young people, housing, health and disability, and crisis support. For each group, we are reviewing available evidence on the administration of the schemes, access to them and their impact. In most cases there is very little information, and so we are engaging with people on low incomes to learn about their experiences and views of the benefit. We are also discussing the schemes with professionals who deliver them or who work with people wishing to access them.

Over the next few months we will publish our proposals on how different elements of Welsh Benefits System could work. Our recommendations will then be pulled together to provide a framework for a future Welsh Benefits System.

8. Conclusions

Devolved benefits are an essential complement to the UK social security system, providing a vital support to people on low incomes. Changes to individual schemes and their integration into a seamless Welsh Benefits System could increase the reach and impact of devolved benefits, helping to boost the incomes of thousands of people in Wales and lifting them out of poverty.