

Agenda Item 6.4

Rebecca Evans AM
Y Gweinidog Tai ac Adfywio

Minister for Housing and Regeneration

Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
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Llywodraeth Cymru
Welsh Government

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Dear John

Thank you for your letter, addressed to Carl Sargeant AM, as Cabinet Secretary for Communities and Children, regarding the Equality, Local Government and Communities Committee's inquiry into making the economy work for people on low incomes, and specifically relating to the role that welfare benefits play in supporting people on low incomes in Wales.

I am deeply concerned about the negative impact that the UK Government's welfare reforms are having on individuals, families and communities across Wales. I share the Committee's concerns regarding the devastating consequences that the roll out of Universal Credit is currently having on vulnerable people.

Thank you for sharing your letter of 11 October to the Rt Hon David Gauke MP, the Secretary of State for Work and Pensions, setting out the Committee's concerns and calling for a pause to the roll out of Universal Credit allowing time for operational issues to be addressed. Carl Sargeant AM, as Cabinet Secretary for Communities and Children wrote on the 6 October to the Secretary of State for Work and Pensions, copying in the Secretary of State for Wales, calling for a pause to the accelerated roll out of Universal Credit in Wales. In the Secretary of State's response he confirmed his announcement of 2 October to continue the roll out of Universal Credit.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Local Authorities, where Universal Credit full service is already in operation, are continuing to see increases in rent arrears for many tenants. This is causing or exacerbating debt problems for those in most need of support, and has serious consequences for people who may face eviction as a result of not having any money to pay their rent. As a matter of urgency the UK Government needs to address the financial difficulties being experienced by claimants transitioning to Universal Credit, by significantly reducing the waiting times for a first payment, getting rid of the 7 day waiting period and ensuring that the default position for those with housing costs is for them to be paid directly to their landlord.


I recognise that the Secretary of State for Work and Pensions has offered claimants an advance payment of up to 50%, or same day for those people most in need, however this is not sustainable as a permanent solution for vulnerable claimants who might already now be in debt, and this loan could well plunge them further into the abyss of debt.

I wrote to the Secretary of State for Work and Pensions on 7 November calling for a halt to the roll out of Universal Credit in Wales, and seeking assurances that he will put in place a better solution to eliminate the financial difficulties which the system is currently creating.

In your letter, you make reference to the Welsh Government's Ministerial Task and Finish Group on Welfare Reform who commissioned research on the impact of the UK Government's welfare reforms in Wales. You refer to a publication in November 2014. Since then, we have published two reports as part of this research programme, one in September 2015 and the other in November 2015. These reports can be accessed via the following webpage: <http://gov.wales/topics/people-and-communities/welfare-reform-in-wales/analysing-reforms/?lang=en>. The direct links to the two reports are: <http://gov.wales/docs/dsjlg/publications/150918-welfare-reform-en.pdf> <https://www.ifs.org.uk/publications/8053>.

Since November 2015, the Welsh Government has continued to analyse and monitor research and statistics on the impact of the UK Government's welfare reforms in Wales. The table attached (**Annex A**) summarises our latest analysis of the key welfare reforms, including Universal Credit. We will publish a similar summary update on the Welsh Government's website by the end of the year, along with a recent paper we have produced on the potential impact of the change to housing support under Universal Credit for 18 to 21 year olds. In addition, the 2017-2018 National Survey for Wales will include questions on changes to the benefits system, and we are also looking to include questions on this topic in the 2018-2019 National Survey. The headline results from the whole 2017-2018 National Survey will be published by the end of June 2018. I will send you the links to the relevant National Survey documents upon publication.

Yours sincerely



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Y Gweinidog Tai ac Adfywio
Minister for Housing and Regeneration

Annex A – Estimated impact of UK government’s welfare reforms in Wales

Reform	Date of introduction	Impact
Introduction of Personal Independence Payment (PIP)	<p>June 2013 for new claimants in Wales and from October 2013 for those in receipt of DLA</p> <p>Currently expected to be fully rolled out by October 2018</p>	<p>PIP has been gradually replacing Disability Living Allowance (DLA) since 2013. The expected completion date for the rollout of PIP is October 2018. DWP statistics show at the end of July 2017, 114,520 people in Wales had a PIP claim in payment, an increase of 8,380 (or 8%) on the previous quarterly figure (April 2017). Of these claims in payment, 64,130 were reassessment claims from DLA, which is equivalent to 56% of the total PIP caseload (48% in Great Britain). In February 2017, there were 53,360 DLA claimants in Wales.</p> <p>Initially PIP was expected to lead to a 20% fall in caseload and spending by 2015-16 compared to DLA. However, as noted by the Institute for Fiscal Studies (IFS)¹, this fall in caseload has not materialised. The caseload for disability benefits is now expected to rise by 3% between 2014-15 and 2017–18. This, along with a higher number of individuals receiving the enhanced PIP rates than originally expected, means that spending on disability benefits continues to grow strongly in real terms, contrary to previous forecasts.</p>
Rollout of Universal Credit (UC)	<p>From April 2014 (in Wales)</p> <p>Currently expected to be fully rolled out by March 2022</p>	<p>The rollout of UC is in its early stages. DWP statistics show there were around 21,500 households on UC in Wales in June 2017 (with 13,900 or 64% receiving a UC payment). We estimate this is around 5% of all households that would be on UC at full rollout. The average amount of UC paid to households in Wales was £380 per month, and 94% of UC awards were paid to single people without children. Of the 5,450 households in Wales receiving a payment of UC with entitlement to support for housing costs, 20% had their housing costs paid directly to a landlord (via an Alternative Payment Arrangement).</p> <p>DWP monthly statistics on the number of people on UC are more up-to-date than the biannual household statistics. The number of people on UC in Wales rose to 24,100 in September 2017, which is a 3% increase from last month. Of these, 9,120 (38%) were in employment. The number of people on UC in Wales is equivalent to 4% of the total in Great Britain (609,900).</p> <p>IFS analysis shows there are winners and losers of UC. In terms of impacts on income, working lone parents and two-earner couples are relatively likely to lose, and one-earner couples with children are relatively likely to gain. Overall, UC is less generous, on average, than the system it is replacing. However, the estimated effect on take-up means UC is actually estimated to increase benefit receipt in 2021. The transition to UC is expected to reduce overall absolute poverty in Wales in 2019-21, but this is more than outweighed by projected increases in poverty from other welfare reforms². Although IFS analysis shows that UC strengthens the financial incentive for couples with children to have one adult in work rather than none, it weakens the incentive for both parents to work. It also weakens the incentive for single parents to be in work.</p>

¹ <https://www.ifs.org.uk/publications/9106>

² <https://www.ifs.org.uk/publications/8053>; <https://www.ifs.org.uk/publications/8136>; <https://www.ifs.org.uk/publications/10028>

Annex A – Estimated impact of UK government’s welfare reforms in Wales

Reform	Date of introduction	Impact
Rollout of UC cont...	From April 2014 (in Wales) Currently expected to be fully rolled out by March 2022	Recently updated DWP analysis ³ suggests UC is having a positive labour market effect on the limited group covered by the analysis (single unemployed claimants without children). In particular, it suggests new UC claimants are more likely to have moved into work after making a new claim than a matched sample of Jobseeker’s Allowance (JSA) claimants. However, it is not possible to draw firm conclusions from this early limited analysis about the impact of UC when it’s fully in place. Other evidence (e.g. Citizens Advice, Work and Pensions Select Committee, and the Equality, Local Government and Communities Committee) highlights numerous issues with the implementation of UC, in particular the full service. Examples of some of these issues are a lack of awareness for UC claimants of access to advance payments of up to 50%, a wait of six weeks or more for some for their first payment, and increased debt and rent arrears. We will continue to monitor the implementation of UC, and any other emerging issues.
Freeze most working-age benefits, tax credits and Local Housing Allowances	April 2016 (for four years)	As reported by the IFS ⁴ , this freeze is now expected to reduce entitlements in 2019–20 by an average of £450 per year for the 10.5 million households affected in the UK (saving the UK Exchequer £4.6 billion). When the policy was first announced, the expected average loss among the losing households was £320 per year (saving the UK Exchequer £3.4 billion). The difference is because inflation over the 4 years is now expected to come in higher than was anticipated at the time.
Reduction of UC work allowances	April 2016	The IFS estimate ⁵ this will reduce spending by £3.4 billion in 2020-21, with three million working families losing an average of around £1,000 per year. Although the very poorest are protected, this weakens the incentive for families to have someone in work. The cut to the taper rate provides only partial compensation.
Remove family element in tax credits and UC, and the family premium in Housing Benefit, for new claims	April 2016 for Housing Benefit April 2017 for tax credits and UC	First children born on or after 6 th April 2017 will no longer receive the extra £545 paid through the family element. Similar changes were made to Housing Benefit by removing the family premium for children born, or claims made, after April 2016. Losses are notional ⁶ so there will be no cash losers, and there are exemptions in place. This change is expected to save the UK Exchequer £2 billion a year in the long run, and affect around 4 million families in the UK ⁷ . We estimate around 200,000 families in Wales will be affected in the longer term ⁸ .

³ <https://www.gov.uk/government/publications/universal-credit-employment-impact-analysis-update>

⁴ <https://www.ifs.org.uk/publications/9993>

⁵ https://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Summer/Hood_distributonal_analysis.pdf

⁶ A measure of the entitlement claimants would have been eligible for had the policy not been changed, rather than losing income they had already been receiving.

⁷ <https://www.ifs.org.uk/publications/9117>

⁸ Welsh Government estimate based on the 2014-15 stock of families in receipt of Child Tax Credits as a proxy for the affected population.

<https://www.gov.uk/government/statistics/personal-tax-credits-finalised-award-statistics-geographical-statistics-2014-to-2015>

Annex A – Estimated impact of UK government’s welfare reforms in Wales

Reform	Date of introduction	Impact
Reduce household benefit cap to £20,000 in Wales	Gradually rolled out between November 2016 – January 2017	Since November 2016, the household benefit cap was cut from £26,000 to £20,000 (or £18,200 to £13,400 for single adults without children) in Wales. DWP statistics show 3,230 households in Wales (68,080 households in Great Britain) had their benefits capped in May 2017, compared to 580 households in October 2016 (19,100 households in Great Britain), just before the benefit cap was reduced. The average reduction in entitlement was £54 per week in Wales in May 2017, with 70% of those affected being single with child dependant(s).
Limit child element of tax credits and UC to two children	April 2017	The IFS estimate the policy to limit the child element of tax credits and UC to two children will save the UK Exchequer around £3 billion a year in the long run, with 900,000 families affected in the UK. There are a number of exemptions to this policy. Three and four child families will get around £2,500 or £7,000 less a year respectively ⁹ . In the long run, we estimate around 40,000 families in Wales will be affected. As this cut only applies to new births and new claims, this represents a notional loss. The IFS ¹⁰ estimate this cut will increase the overall absolute poverty rate in Wales by 0.6 percentage points in 2019-21.
Align Work-Related Activity Group (WRAG) rate with JSA for new claims	April 2017	Since April 2017, Employment and Support Allowance payments (and the UC Limited Capability for Work element) for new claims from those deemed able to carry out work-related activities (i.e. those in the WRAG) have been aligned with JSA and the standard rate of UC. DWP estimate 500,000 families in Great Britain will be affected in the longer term, using the stock of WRAG claimants as a proxy for the affected population ¹¹ . Using equivalent data for Wales, we estimate around 35,000 affected claimants will be in Wales. The notional loss for those affected will be around £29 a week, saving the UK Exchequer around £650 million a year in the long run. From April 2017, DWP put in place a number of measures to support ESA claimants in the WRAG and in the UC Limited Capability for Work group to get into employment, as set out within the ‘Improving Lives: Work, Health and Disability Green Paper’.
Changes to UC housing support for 18-21 year olds	April 2017	A DWP Equality Impact Assessment ¹² estimates around 1,000 people in Great Britain will be affected by the change to UC housing support for 18-21 year olds in 2017-18, rising to 11,000 by 2020-21. Following our request of estimates for Wales, we know DWP estimate claimants in Wales represent around 5% of the total caseload in Great Britain, which means there will be around 500 affected claimants in Wales by 2020-21. We have also undertaken our own analysis of the potential impact of this change, and estimate around 650 people in Wales will be affected in the long-run, which is similar to DWP’s estimate. Economic conditions (e.g. the labour market) and demographic factors, amongst other factors, will play a role in the number of people affected by this policy. Our full analysis is available on request.

⁹ <https://www.ifs.org.uk/publications/9117>

¹⁰ <https://www.ifs.org.uk/publications/10028>

¹¹ <http://www.parliament.uk/documents/impact-assessments/IA15-006B.pdf>

¹² <https://www.insidehousing.co.uk/news/news/up-to-11000-affected-by-under-21-benefit-cap-by-2021-50306>

Annex A – Estimated impact of UK government’s welfare reforms in Wales

Reform	Date of introduction	Impact
UC parent conditionality from when a youngest child turns 3	September 2017	Since September 2017, parents within the welfare benefits system with a youngest child aged 3 or over (reduced from 5 or over), who are able to work, have been expected to look for work. When their youngest child turns 2, they are expected to prepare for work. DWP estimate this measure will affect around 220,000 responsible carers claiming UC in Great Britain with a youngest child aged 3 or 4, with over 75% of these being lone parents ¹³ . We expect around 8,000 lone parents in Wales to be affected by this measure ¹⁴ .
Total impact of tax and benefit changes	2015-16 – 2019-20 (For modelling purposes, it is assumed UC is fully rolled out by this date)	<p>IFS analysis¹⁵ for the Welsh Government shows households in Wales would lose 1.6% of their net income on average (or around £460 a year) if all of the tax and benefit reforms planned to be introduced by the previous UK government between 2015-16 and 2019-20 are implemented. This is equivalent to £600 million a year in Wales as a whole. Some of these reforms have already been introduced in the last couple of years. We await information in the Autumn Budget 2017 on the current UK government’s tax and benefit policies.</p> <p>If the same policies go ahead, lower-income households, particularly those with children, would lose considerably more on average (around 12% of net income). Large families would be particularly hard hit losing around £7,750 a year or 20% of net income on average. Households containing a disabled person lose significantly more than those without, on average (2.4% or £618 versus or 0.9% or £272 a year). Recent IFS analysis¹⁶ projects that absolute child poverty in Wales will increase by nearly 7 percentage points between 2013-15 and 2019-21, the largest increase out of all UK countries and English regions. This is driven by the UK government’s welfare benefit changes, such as the limiting of tax credits and UC to two children, and the freeze to most working-age benefits. The planned UK government’s tax and benefit reforms account for nearly 4 percentage points, or around 60 per cent, of the increase in absolute child poverty in Wales over this period.</p>

¹³ <http://www.parliament.uk/documents/impact-assessments/IA15-006A.pdf>

¹⁴ <https://www.gov.uk/government/statistics/income-support-for-lone-parents-by-jobcentre-plus-district-and-age-of-youngest-child>

¹⁵ <https://www.ifs.org.uk/publications/8053>

¹⁶ <https://www.ifs.org.uk/publications/10028>