Support for Mortgage Interest
Welfare Supplementary Payment
Benefit Cap Private Rented
Universal Credit Sanctions

Welfare Reform NI

Benefit Cap
Social Housing

IN NORTHERN IRELAND

Mitigation
Owner Occupied

A SCOPING REPORT

Social Housing
Benefit Cap PIP Owner Occupied
Universal Credit PIP Universal Credit
Social Sector Size Criteria

Prepared for: The Welfare Reform Project Team
by the Research Unit, Northern Ireland Housing Executive
www.nihe.gov.uk

Housing Executive

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For further information on this report please contact:

Gillian Greer

Senior Research Officer

Telephone: 028 95982778

Email: Gillian.Greer@nihe.gov.uk

FOREWORD

A number of changes to the benefits system have been applied in Northern Ireland since 2008 and The Welfare Reform (Northern Ireland) Order 2015 set in motion the most wide-ranging changes to the benefit and tax credit system in more than seven decades. Many of the benefits that had been in place for people of working age will eventually cease to exist, and new benefits and payments systems are being introduced.

The introduction of Welfare Supplementary Payments (WSP) to reduce the impact of *most* (but not all) changes until March 2020 has been a welcome mitigation for households in Northern Ireland. It also provides an opportunity to learn from experience in other parts of the UK and to plan for the period beyond WSP. However, the provision of WSP has meant that collating and understanding evidence on the likely impacts of full implementation of Welfare Reform on tenants, landlords and home-owners in Northern Ireland is challenging.

The Housing Executive's Research Unit, as part of its role in conducting strategic research across the housing market, has prioritised research to understand the impacts of welfare changes on households across Northern Ireland. As a starting point, this report summarises the range of reforms that have been, or are due to be, introduced in Northern Ireland, and draws together some of the early evidence on actual and possible outcomes. The findings illustrate that the impacts of welfare changes do not uniquely impact social tenants and landlords, but that we must also understand how the changes affect private tenants, private landlords and homeowners in order to consider the impacts for the whole housing system.

Given the limited research evidence from Northern Ireland, this report draws on administrative data from the region and statistics from Great Britain to explore how the changes may impact Northern Ireland from a housing perspective. The report also illustrates how existing evidence from Great Britain has already been used to tailor certain elements of Welfare Reform in the light of specific Northern Ireland challenges.

The Housing Executive began to prepare for the operational implementation of Welfare Reform in 2016 by creating a dedicated Welfare Reform Project Team to train staff, support tenants and scenario-plan for possible changes to rental income. This report sits alongside the work of a multi-agency Welfare Reform Research Group, which was initiated by the Housing Executive in 2017. We would like to thank the members of this group for their valuable input, which has helped to highlight gaps in evidence that we should prioritise for our 2018/19 Research Programme. We hope this collated analysis will assist the members of the Welfare Reform Research Group, the Welfare Reform Project Team and other stakeholders across the housing and associated sectors in Northern Ireland in ongoing preparations for the full implementation of Welfare Reform in the region.

Karly Greene

Head of Research and Equality Services

Northern Ireland Housing Executive

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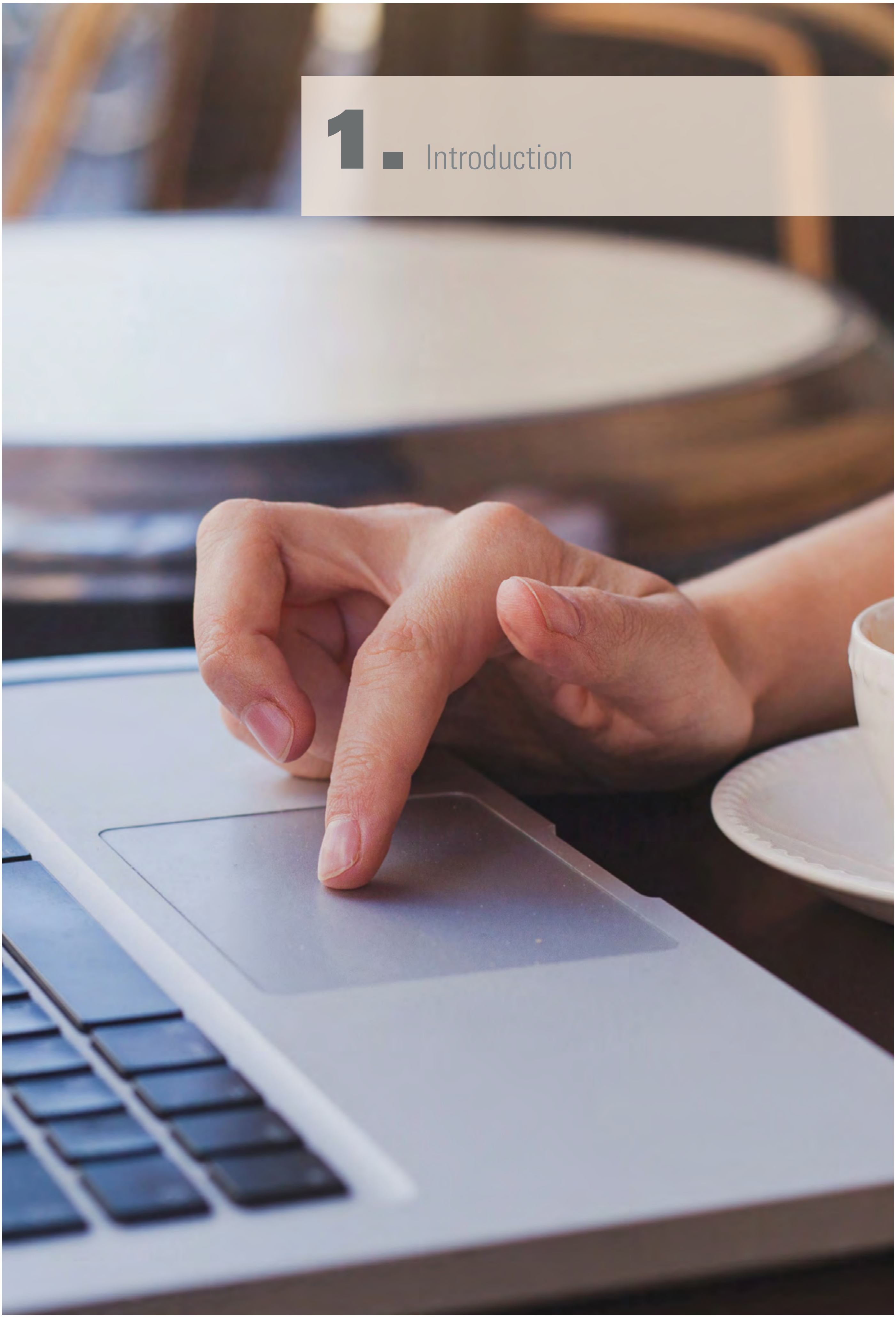


1.0 Introduction

1.1 BACKGROUND TO THE RESEARCH

As Northern Ireland's regional housing authority, the Housing Executive's vision is that *everyone is able to live in an affordable and decent home, appropriate to their needs, in a safe and attractive place* (NIHE, 2018b). The Housing Executive undertakes on-going research, with the aim of producing a comprehensive body of evidence on customer satisfaction and needs, and strategic and technical housing issues, to help the organisation and its partners in the housing sector shape policies and services that meet the needs of households and communities across the region. Recognising that Welfare Reform is a fundamental change to the benefit system with the potential to have wide-ranging repercussions for tenants and landlords in both the social and private rented sectors, the Housing Executive's Research Unit has prioritised research in this area.

This report briefly summarises the context of Welfare Reform in Great Britain and Northern Ireland before setting out the various welfare changes and considering the potential impacts of each benefit change on tenants and landlords. Given the limited Northern Ireland-specific research evidence available at the time of writing, this analysis draws on the existing body of research and statistics from Great Britain and some high level figures from Northern Ireland to help identify how the changes are likely to impact Northern Ireland from a housing perspective.

1.2 THE UK WELFARE REFORM AGENDA: OBJECTIVES AND KEY ELEMENTS

The primary objectives of Welfare Reform are to simplify the benefit system and reduce benefit administrative costs. It is underpinned by policy aims committed to breaking the cycle of benefit dependency by creating incentives to work and moving more people into employment, whilst continuing to support those in need. Key elements include:

- The introduction of Universal Credit;
- The introduction of the 'Social Sector Size Criteria' (SSSC) or "Bedroom Tax";
- The introduction of a household Benefit Cap; and
- Significant changes to benefits for ill and disabled people.

Such welfare reforms affect both in-work and out-of-work households, with each of the four key elements having the potential to impact significantly on household incomes throughout Northern

Ireland. Pre-evaluations of the potential impacts of Welfare Reform indicated that, due to historically lower wages, higher welfare benefits uptake and larger families, Northern Ireland appeared likely to be disproportionately affected in terms of financial impact (Leighton et al, 2013).

This view was echoed by Beatty & Fothergill (2013) who estimate that Northern Ireland will be the worst affected area in the UK when the full impact of Welfare Reform is measured. They estimate that income for each affected adult of working-age could fall by as much as £650 per annum and overall that £750 million will be taken out of the Northern Ireland economy.

1.3 WELFARE REFORM IN NORTHERN IRELAND

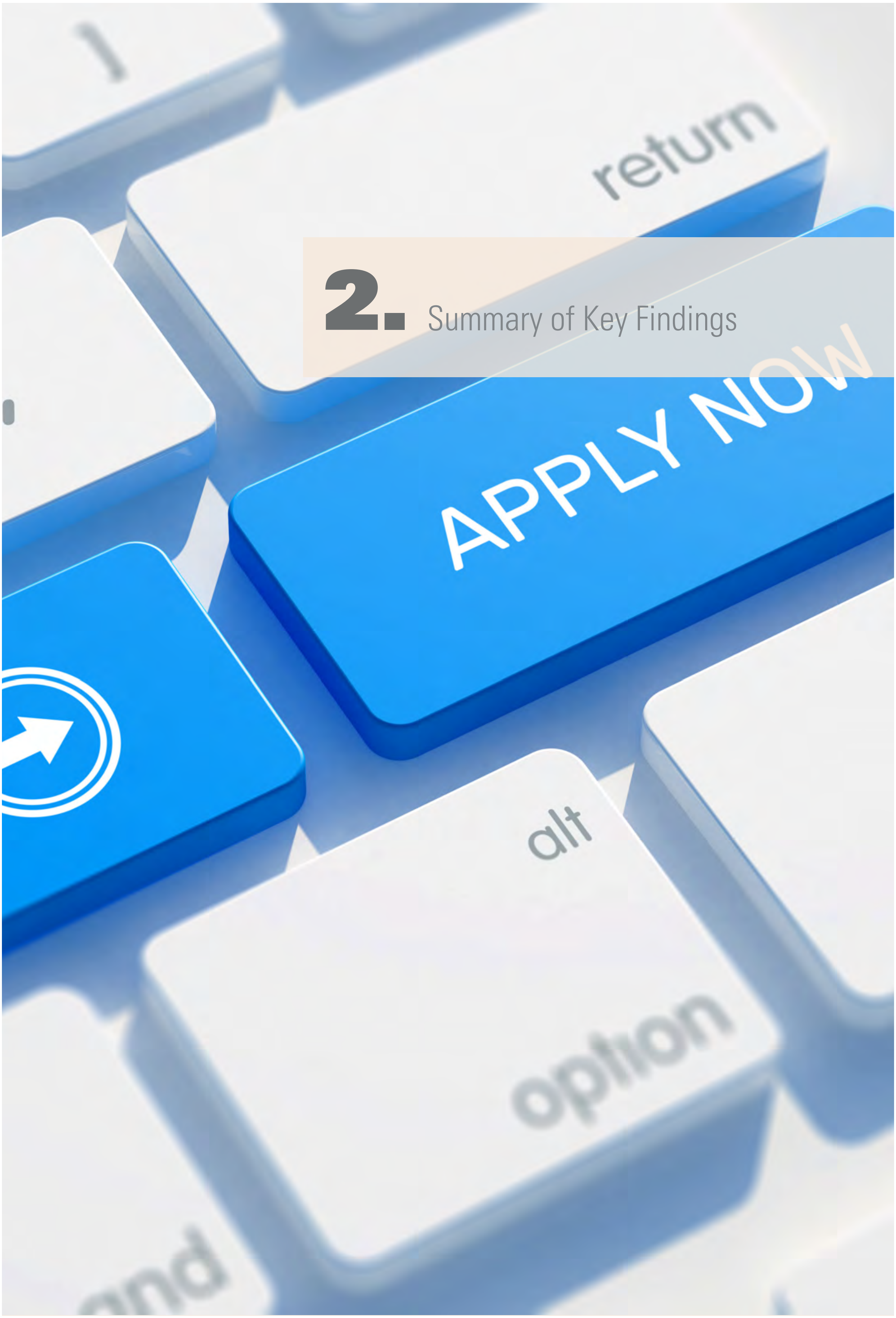
The *Welfare Reform (Northern Ireland) Order 2015* came into effect on 9 December 2015. It introduced an array of welfare reforms and aligned the system in Northern Ireland with the rest of the UK under the Welfare Reform Act 2012. Additional provisions for Welfare Reform were introduced under the *Welfare Reform and Work (Northern Ireland) Order 2016.* Prior to this, in April 2008, the Local Housing Allowance scheme was introduced in Northern Ireland. Local Housing Allowance is a rent assessment scheme used to calculate Housing Benefit for people living in the private rented sector and applies to certain groups of private tenants. Entitlement to Housing Benefit depends on claimants' personal circumstances and takes account of income, savings, location and household size (www.housingadviceni.org/advice-private-tenants/overview-local-housing-allowance). In 2008 the Local Housing Allowance was calculated at the 50th percentile of local market rents. In 2011 this was reduced to the 30th percentile and the Local Housing Allowance rates have now been capped at the 2015 rate.

A further important change to Housing Benefit in the private rented sector was the extension of the Shared Accommodation Rate for single people living alone. Up to 2012, Housing Benefit for single people aged *under 25* was restricted to the amount allowed for someone who only had access to one bedroom and shared the use of a bathroom, kitchen and living room (i.e. living in shared accommodation) within the conditions of their tenancy agreement, even when occupying self-contained accommodation with full access to their own individual bedroom(s), kitchen, bathroom and living room. From 2012, the Shared Accommodation Rate was extended to anyone living alone in the private rented sector *under the age of 35*. The introduction of, and subsequent changes to, Local Housing Allowance in the private rented sector could be considered the beginning of Welfare Reform in Northern Ireland.

Further key elements of Welfare Reform were introduced to Northern Ireland in 2016, including the freezing of Local Housing Allowance levels, application of the Benefit Cap, and changing levels of Housing Benefit. Social Sector Size Criteria was then introduced in February 2017. In light of these changes, the Housing Executive's Housing Services division identified the need to conduct a review of the extensive research and analysis already carried out in other parts of the UK, drawing together key findings and outcomes in relation to tenants/customers, housing providers and housing markets.

This report details the elements of Welfare Reform and provides an insight into the potential impacts in order to inform further policy development and financial planning for the Housing Executive.

2. Summary of Key Findings



2.0 Summary of Key Findings

Due to the later introduction of the main raft of Welfare Reform related changes to benefits in Northern Ireland, there is less evidence available regarding the impact of these changes in the region than in other parts of the UK. Even where statistics are available, it has been noted that the complex and inter-related nature of the various strands of Welfare Reform mean that isolating the impact of *specific* welfare reforms is very challenging (Hickman et al, 2018). Furthermore, measures to address impacts in each of the UK regions – and the differing socio-economic and housing market contexts in which they have been applied – mean that it is difficult to make comparisons or draw parallels across the UK, and to arrive at robust conclusions about likely post-mitigation outcomes. In Northern Ireland, the situation is further compounded by the absence of a functioning government, which may lead to greater long-term difficulties in managing both Welfare Reform and housing policy issues.

This report details the elements of Welfare Reform on a cross-tenure basis and provides an insight into the potential impacts in order to inform further policy development and financial planning for the Housing Executive. The following key findings have emerged:-

- Welfare Reform impacts a variety of people across the housing market (social tenants, private renters, owner occupiers and landlords).
- Tenants in the social housing sector have tended to live on lower incomes and this has been exacerbated by Welfare Reform and the roll-out of Universal Credit since 2013.
- Universal Credit also impacts households across tenures affected by benefit changes, including those moving from DLA to PIP and those claiming Tax Credits.
- Due to the online nature of Universal Credit, this will be difficult for those who are not IT literate, those who do not have home access to the internet, those living in rural areas and the older working age population.
- The waiting period for Universal Credit will likely result in increased rent arrears and referrals to food bank services are likely to increase; as highlighted by The Trussell Trust reporting there has been a 30% average increase in three day emergency food supplies in the months after the introduction of Universal Credit.

- In Northern Ireland the potential impact of the full introduction of Universal Credit has been eased by some important differences (e.g. direct payments to landlords, twice monthly payments to claimants, greater support for claimants through the funding of the advice sector), some of which will apply to its operation even after other Welfare Reform mitigations end.

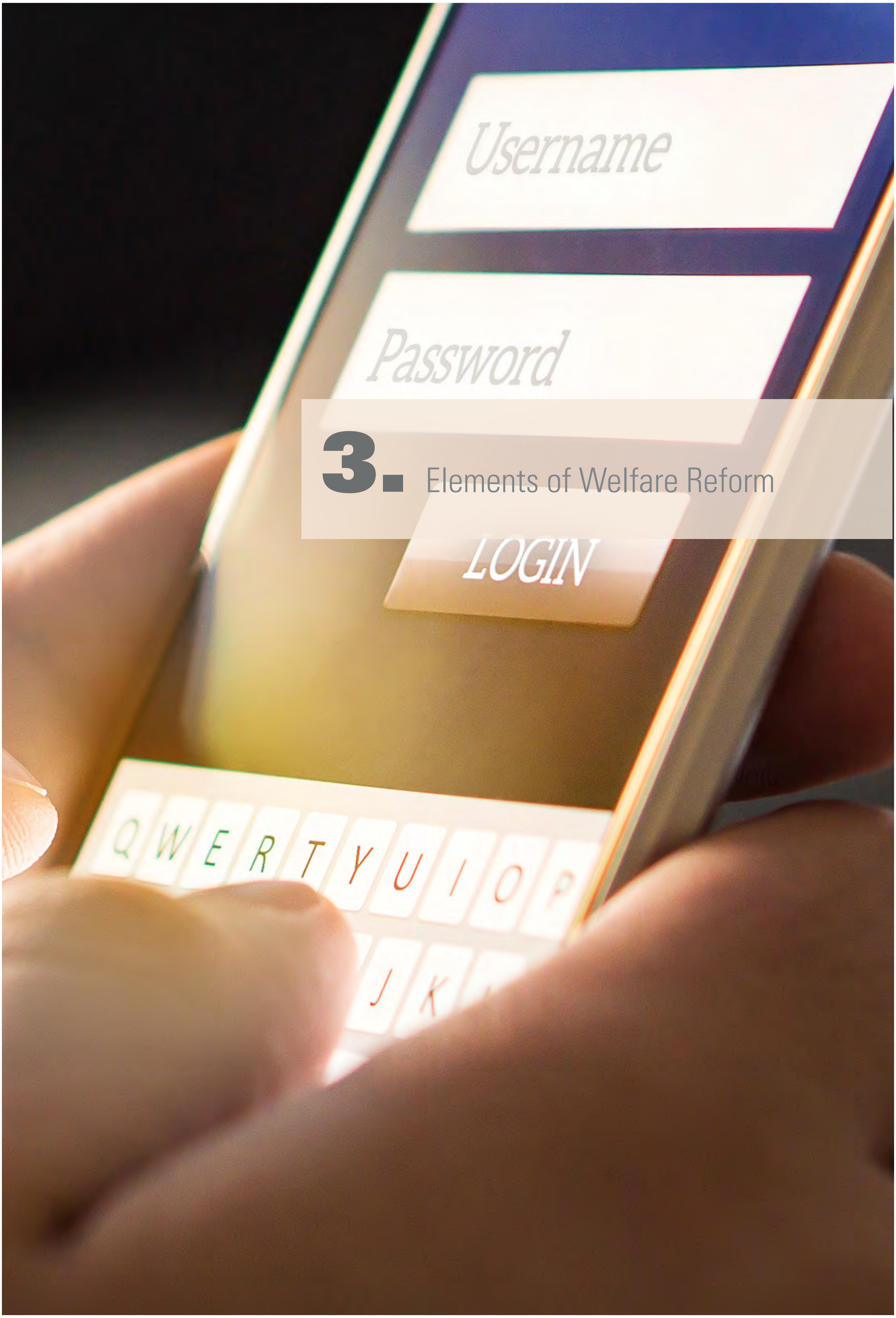
- Whilst we welcome the amendments and nuances that have helped NI cope with changes, there are inevitable concerns about the impact of Welfare Reform if the mitigation budget expires as planned in 2020. For example, figures collated by the Housing Executive's Welfare Reform Project Team show that approximately 30% of Housing Executive tenants and 25% of housing associations tenants in receipt of Housing Benefit will be impacted by the Social Sector Size Criteria.
- The shift from DLA to PIP for working age claimants from June 2016 raises particular concerns in Northern Ireland, where just over one in ten of the population are in receipt of DLA – more than twice the average level across Great Britain.
- If appropriate legislation was in place, there is potential to extend the use of Discretionary Housing Payments on a wider basis in Northern Ireland (as already occurring in Great Britain) to help mitigate the impacts of the loss of Welfare Supplementary Payments for those struggling to make up their housing costs shortfall.
- Due to a lack of available smaller dwellings within Northern Ireland's social housing stock, many tenants would be unable to move to a property with fewer bedrooms – even if they are willing to do so.
- There are potential difficulties for both tenants and landlords if mitigation ends as scheduled due to the reduction in Housing Benefit or Universal Credit (as a result of under-occupancy) for around 33,000 existing social sector claimants in Northern Ireland.
- If mitigation and Welfare Supplementary Payments end as scheduled, tenants in Northern Ireland collectively stand to lose over £21 million in benefits each year.
- In 2017, a large proportion of Northern Ireland Housing Executive tenants felt they were 'poorly' or 'very poorly' informed about welfare changes.
- Evidence from GB suggests that this lack of awareness is a cross-tenure issue and one that is difficult to measure in Northern Ireland whilst mitigation remains in place.
- The freeze on Local Housing Allowance rates has impacted on the affordability of rents in the private rented sector.
- Other measures of Welfare Reform such as sanctions and phasing from DLA to PIP will have impacts on household incomes and claimants' ability to pay their rent.

- The impact for social tenants and landlords is unlikely to be fully understood until mitigation ends and tenants are faced with rent shortfalls; however, there is already significant concern over how social tenants will meet additional housing costs and/or essential living costs.

The scope and complexity of the Welfare Reform programme means that it is very difficult to fully assess the individual or combined impacts of the various elements, especially in the light of the very many types of household and personal circumstances to which they will be applied.

The introduction of Northern Ireland-specific mitigations has temporarily eased the impacts of some elements of Welfare Reform – particularly the Social Sector Size Criteria – but also means that the impact for social tenants and landlords is unlikely to be fully understood until mitigation ends and tenants are faced with rent shortfalls. More broadly, Welfare Reform in Northern Ireland is only one challenge that sits within a wider context of political and economic uncertainty associated with Brexit and the lack of government in the region.

3. Elements of Welfare Reform



3.0 Elements of Welfare Reform

3.1 UNIVERSAL CREDIT: AIMS AND OBJECTIVES

An important element of Welfare Reform is the introduction of Universal Credit, which has been described by the Resolution Foundation (2015) as “the most ambitious overhaul of working-age welfare” since the 1940s. This reform is geared towards promoting ‘personal responsibility’ and has three key objectives: to reduce poverty, make work pay, and simplify the welfare benefits system (NI Direct, 2018). Universal Credit is a new, single benefit payment that brings together six working-age benefits[1] with the aim of simplifying the benefits system. The Department for Work and Pensions expects Universal Credit to deliver £8 billion of net benefits per year; however this headline estimate is based on a series of other estimated assumptions, including that: an additional 200,000 people will move into work; £99 million per year will be saved in benefit administration costs, and fraud and error will be reduced by £1.3 billion per year.

The phased introduction of Universal Credit commenced in England, Scotland, and Wales in 2013, and in Northern Ireland from 27 September 2017. The Chartered Institute of Housing noted that, in 2017, the vast majority of Universal Credit claimants in Great Britain were single people and that Universal Credit was available for new claims by couples and families with children in only around 125 Jobcentre areas. This was due in part to extensions to the rollout timetable because of adaptations to Universal Credit payment and IT processes. The Department for Communities has followed suit in Northern Ireland, and full roll-out across the region is expected to be completed by December 2018.

Claimants will either move to the new system ‘naturally’ or on a ‘managed’ basis. New claims to legacy benefits in a Universal Credit area will be directed to claim Universal Credit, unless they meet a specific exemption[2]. Natural migration means that if a household in a Universal Credit area, receiving a legacy benefit/credit, experiences a significant change in circumstances they will move to Universal Credit unless they meet one of the exemptions. The changes in circumstances are usually those that would result in one legacy benefit ending and another starting. If household

[1] Jobseeker’s Allowance (income-based), Employment and Support Allowance (income-related), Income Support, Working Tax Credit, Child Tax Credit and Housing Benefit.

[2] The following exemptions apply: State Pension Credit age claimants; claimants with more than two children. Those claimants living in temporary accommodation, exempt supported accommodation and single lets would move to Universal Credit for living costs, but would apply for Housing Benefit.

circumstances do not change, 'managed' migration will occur from July 2019. It is expected that all eligible households in Northern Ireland will be accessing Universal Credit by April 2023. It should be noted that in Northern Ireland, a change of address alone in Universal Credit areas will not trigger a claim to Universal Credit.

At the time of writing, Universal Credit was operational in:

- Limavady (introduced September 2017);
- Ballymoney (November 2017);
- Magherafelt & Coleraine (December 2017);
- Strabane & Lisnagelvin (January 2018);
- Foyle, Armagh, Omagh & Enniskillen (February 2018);
- Dungannon & Portadown (March 2018);
- Newry, Downpatrick, Lurgan, Newcastle & Kilkeel (May 2018); and
- Falls, Shankill, Andersonstown & Banbridge (June 2018).

In the 2017 Autumn Budget, the Chancellor of the Exchequer announced changes to the Universal Credit payments process, to address strongly voiced concerns about the lengthy waiting time that claimants were experiencing prior to their first payment. In order to deliver on these commitments, the rollout schedule was extended in the UK. As noted previously, the implementation programme was also extended in Northern Ireland, where full roll-out of natural migration is due to complete by December 2018. The remaining implementation timetable is as follows:

- Holywood Road, Ballynahinch, Newtownabbey & Newtownards (September 2018);
- Shaftesbury Square, Carrickfergus, Knockbreda, Bangor, Lisburn & Larne (October 2018);
- North Belfast & Cookstown (November 2018); and
- Ballymena & Antrim (December 2018) (DfC, 2018).

It is hoped that this phased approach will enable Universal Credit to be embedded in Northern Ireland more efficiently, by providing the Department with the opportunity to test new administration systems and give claimants more time to adjust to the move to a fully digital service.

3.2 MAKING A CLAIM FOR UNIVERSAL CREDIT

The 'personal responsibility' ethos underpinning Universal Credit is reflected in the design of the administrative system. Claimants must set up an account on application, verify their account and complete all the 'to-dos' before their claim can be assessed.

All applications and on-going management (work journal, etc.) of personal Universal Credit accounts are digitally-based, so claimants require access to the Internet and must have a bank account. The DfC has identified three groups – the financially vulnerable, the socially vulnerable, and those with weaker IT skills, or who lack digital access – as 'vulnerable groups'. The claims process will be modified to meet their needs and they will be given a range of supports to help them navigate the new systems more confidently and effectively (Housing Rights, 2017c).

Couples must make joint claims, as payments are made to a 'household' rather than an individual (CIH, 2018). The government's original policy design included a UK-wide structure – designed to mirror salary payments – of single Universal Credit payments, made once-monthly in arrears and directly to claimants. However, exceptions to this administrative framework have been applied in Northern Ireland and are discussed in this report. Similar exceptions have also been applied in Scotland, where claimants can opt to receive twice-monthly payments and/or to have their housing costs paid directly to the landlord.

3.3 ASSESSMENT PERIOD FOR UNIVERSAL CREDIT

An assessment period begins on the first day of entitlement to Universal Credit and lasts for one calendar month. During this time, claimants must verify the information they have given in their application and meet with their 'work coach' in order to draw up a 'claimant commitment' to help them move into work. They must also adhere to an agreed 'claimant commitment' between themselves and their 'work coach' in order to move into work. Failure to meet this commitment can result in sanctions or benefits being withdrawn (CIH, 2018).

3.4 CHANGES IN CIRCUMSTANCES DURING THE ASSESSMENT PERIOD

Universal Credit is assessed over a monthly period. An assessment period begins on the first day of entitlement to the benefit and lasts for one calendar month. The claim is assessed based on the circumstances at the end of the assessment period. However, any changes in circumstances that have occurred when the claim is assessed are applied as if they occurred on the first day of the assessment period. The type of change and when it occurs determines if this is advantageous or disadvantageous for the claimant (CIH, 2018).

3.5 CALCULATION OF MAXIMUM UNIVERSAL CREDIT AWARDS

The maximum award a claimant can receive is decided upon during the month-long assessment period. As Universal Credit amalgamates six working-age benefits into one, this involves a number of elements. Whilst the Standard Allowance is available to all, it is dependent on age and relationship status. The remaining elements are dependent on household make-up and personal circumstances. These elements are outlined in greater detail in Table 1.0.

TABLE 1.0: CALCULATION OF MAXIMUM UNIVERSAL CREDIT AWARD

ELEMENT	DETAIL		AMOUNT
Standard Allowance	*Awarded to all households, but amount depends on age and whether claimant is single or part of a couple.*		
	Single claimant under 25		£251.77
	Single claimant aged 25 or over		£317.82
	Joint claimants, both under 25		£395.20
	Joint claimants, either/both over 25		£498.89
Child Element	*Awarded IF there are children or a qualifying young person in the household. Payable for two children **only**, unless certain exceptions apply*		
	First child		£277.08
	Second child (or more, if exceptions apply)		£231.67
Additional amount for disabled child and/or qualifying young person	*Awarded if any child/young person living in the household has a disability.*		
	Higher rate for any child in receipt of DLA high-rate care/PIP daily living (enhanced rate) and/or severely sight-impaired or blind		£372.30
	Lower rate for any child in receipt of other levels of DLA/PIP		£126.11
Limited Capability for Work/Work Related Activity (LCWRA) element	*Awarded for those successful in undergoing a 'work capability assessment' identical to the current ESA assessment*		
	Limited Capacity for Work (LWC) element		£0.00
	Limited Capacity for Work-Related Activity (LCWRA) element		£318.76
Carer Element	*Awarded to those how meet current criteria for Carer's Allowance*		
	Carer Element		£151.89
Childcare costs element	*This replaces Child Tax Credit for working households and the child care earnings regards of Housing Benefit.* *Awarded if the claimant cannot look after children due to being in paid work, Awarded to a couple if the other member of the couple has limited capability for work **OR** qualifies for the carer element **OR** is temporarily absent from home.*		
	One child:	85% of costs, up to a maximum of	£646.35
	Two or more children:	85% of costs, up to a maximum of	£1,108.04
Housing Costs Element	*Available to those liable for housing costs in the social and private sector and for some owner-occupiers.*		

Source: Adapted from Housing Rights (2018) Professional Resource on Universal Credit & Housing pp. 38-40

3.6 THE HOUSING COSTS ELEMENT OF UNIVERSAL CREDIT

An award of Universal Credit can include an amount of Housing Costs payments to assist those with eligible rent and service charge costs. This includes help with the cost of rent if the claimant is not in paid work or has a low income, or mortgage interest if they are not in paid work.

To be eligible to receive an award for Housing Costs, individuals must:

- be liable to make payments on the accommodation;
- occupy the accommodation; and
- not be excluded from receiving housing costs by virtue of the Regulations.

People living in specified exempt accommodation (e.g. some hostels, care homes and supported housing) will continue to have their entitlement to assistance with rent and eligible service charges assessed under the Housing Benefit rules. In the private rented sector or in non-exempt temporary accommodation, Universal Credit awards are made by deducting any household contributions from eligible rent (the lower of the Local Housing Allowance (LHA) rate for the postcode area or actual rent).

Those living in the private rented sector are subject to a maximum entitlement of four bedrooms, while those living in shared accommodation and single claimants under the age of 35 are only entitled to the standard rate of LHA for a room in shared accommodation (i.e. the shared accommodation rate). Until March 2018, those aged 18 to 21 had been excluded from receiving help with housing costs, although there are a number of exemptions[3]. In March 2018 it was announced that this entitlement would be reinstated, although there is no date yet provided for implementation.

3.7 DEDUCTIONS & UNIVERSAL CREDIT

All payments of Universal Credit are made electronically, so claimants must have a bank account. Following calculation of the maximum award, reductions may occur if the following conditions apply, in order to take account of additional income:

[3] This was under the Universal Credit (Housing Costs Element for claimants aged 18 to 21) (Amendment) Regulations 2017.

- The claimant is in paid work;
- The claimant has savings and/or assets over £6,000;
- The claimant receives contribution-based benefits;
- The claimant is paying back an advance;
- The claimant is subject to sanctions, overpayments and/or rent arrears; and/or
- The claimant is affected by the Benefit Cap.

The taper rate (the speed with which benefits are withdrawn) is currently 100% for unearned income, such as other benefits (except those which are explicitly excluded from calculations).

As a key objective of Universal Credit is to 'make work pay', the taper for earned income is only applied to the claimant's earnings after a 'work allowance' is met. The 'work allowance' rate is dependent on household circumstances and whether or not the household receives help with housing costs. For non-disabled and childless households, the work allowance is £0. For households receiving help with housing costs, it is £192 per month; the allowance increases to £397 for those who do not. This means that any household earning up to their work allowance can continue to receive the maximum award.

The taper rate continues to apply after a household's work allowance is exceeded, but for earned income the rate reduces to 63%. This means that for every £1 of additional earned income, a corresponding 63 pence is deducted from a maximum award.

Under Universal Credit rules, there is a flat rate contribution (deduction) each month regardless of non-dependant income; for 2018/19 this is £72.16 a month. No contribution is expected from non-dependants who are under 21, nor is any contribution expected of non-dependants who are 21 or over and receiving:

- Pension Credit;
- Disability Living Allowance at the middle or highest rate;
- The daily living component of Personal Independence Payment;
- Attendance Allowance;
- Carer's Allowance; or
- The primary carer for a child aged 4 or under.

3.8 PAYMENTS AND ADVANCES

Payments were initially designed to 'mirror' how salaries are paid: as a single payment, once-monthly in arrears and directly to claimants. A further reform in the 2017 Autumn Statement slightly eased the arrangements for the Housing Costs element of Universal Credit to be paid directly to a landlord in GB. Exceptions to this system already existed in both Northern Ireland and Scotland, meaning that payments can be made on a twice monthly basis to claimants, and/or the Housing Costs element paid directly to the landlord.

The 2017 Autumn Budget introduced a number of changes to the Universal Credit payments process including removal of the seven-day 'waiting period' from February 2018. This change addressed strongly-voiced concerns about the lengthy waiting time that claimants were experiencing prior to their first payment.[4] The waiting period for the first payment of Universal Credit was subsequently reduced from six weeks to five, from the date when the initial claim goes live.

Households in financial hardship (for example, who are unable to pay rent or buy food) may request an advance payment of Universal Credit while awaiting their first payment. Initially, advances were available at a rate of 50% of the estimated award, repayable over six months. However, from January 2018 it became possible for claimants to request an interest-free advance of up to 100% of their estimated award entitlement within five days of making an initial Universal Credit claim, to be repaid over twelve months. Statistics published by DWP indicated that in GB the proportion of new UC claims paid as New Claims or Benefit Transfer advance increased from 30% in May 2016 to 52% in July 2017 (DWP, 2017).

From April 2018, claimants moving directly from Housing Benefit to Universal Credit can also continue to receive their Housing Benefit payments for two weeks in order to ease the transition to Universal Credit. Backdating only exists in Universal Credit in very limited circumstances, which can cause issues for claimants.

3.9 SANCTIONS & UNIVERSAL CREDIT

Failure to meet the 'claimant commitment' can result in a cut in benefit, known as a sanction; this occurs in cases where there is judged to be 'no good reason' for failure to meet the commitment. The DfC has published guidance on what constitutes 'good reason' (Housing Rights, 2017c). In Great

[4] See Select Committee list of contributors

Britain, from November 2017 to January 2018, 49% of all Universal Credit decisions resulted in a sanction (DWP, 2018).

The impact that sanctions may have on Universal Credit claims is a key issue for Northern Ireland. Sanctions are deducted from the Universal Credit award, primarily from the Standard Allowance (Table 1.0); if there is no Standard Allowance in payment they will be deducted from the Housing Costs. This has the potential to leave a shortfall in the rent paid to social landlords, resulting in arrears accruing *and* financial hardship for the tenant. Hardship payments are available for those subject to sanctions for one assessment period at a time, but are recoverable from the Universal Credit Standard Allowance (up to 40% of Standard Allowance).

Research by the Joseph Rowntree Foundation (JRF, 2018) shows that sanctions have a disproportionate effect on people under 25, homeless people and vulnerable groups, with welfare conditionality leading to a range of unintended effects, including:

- Distancing people from support;
- Causing hardship and destitution;
- Displacing, rather than resolving, issues such as street homelessness and anti-social behaviour;
- Negatively impacting 'third parties', particularly children.

3.10 HARDSHIP PAYMENTS & UNIVERSAL CREDIT

Those who have been sanctioned may be eligible for assistance through a 'hardship payment', which equates to approximately 60% of the amount sanctioned and only covers the time up to the claimant's next normal Universal Credit payment, after which additional applications are required, should hardship continue. A hardship payment usually takes the form of a loan, which must be paid back from the Standard Allowance element when the sanction period ends.

Applicants will only receive hardship payments where *all* of the eligibility criteria are met; applicants must therefore:

- be 18 or over (16 if their payment is reduced because of fraud);
- be struggling to meet their basic needs or the basic needs of a child or young person for whom they are responsible. ('Basic needs' include accommodation, heating, food

and hygiene; applicants will only be eligible if they cannot meet these needs *because* of the sanction);

- have made every effort to reduce "non-essential" expenditure;
- have done everything they can to get money from other sources before applying (while they would not be expected to sell belongings, move house, or get a bank loan or credit card, they could be expected to ask friends or family for money, look for other benefits or ask for extra hours if they work); and
- have done all the work-related activities that they were supposed to do in the seven days before applying for a hardship payment.[5]

People seeking to claim hardship payments will also have to provide a range of evidence to support their application, including: setting out the action they have taken to find other sources of financial help; detailing other income or savings; explaining steps taken to reduce "non-essential" costs, such as entertainment; and outlining which living costs they are struggling to meet. [6]

If a request for a hardship payment is turned down, claimants can request a 'mandatory reconsideration'.

3.11 IMPACTS OF AND RESPONSES TO UNIVERSAL CREDIT IN GREAT BRITAIN

As in Northern Ireland, the roll-in of Universal Credit proceeded on a phased basis in other UK regions. Following early problems with governance, contractors and the development of a full working system, the programme in GB was reset in 2013. By June 2018, implementation of Universal Credit was still at a relatively early stage of progress, with around 10% (815,000) of the eventual number of claimants having begun to claim the benefit (National Audit Office, 2018). Evidence on the impacts of Universal Credit for both claimants and landlords therefore remains limited. However, the National Audit Office's 2018 report on *Rolling out Universal Credit*, while noting that some elements of UC were working well, highlighted a number of ongoing issues:

- Some claimants had struggled to adjust to UC, and there was evidence from organisations and claimants that many people had suffered **difficulties and hardship** during the rollout of full service. While the DWP does not accept that UC has caused hardship, its own survey of full service claimants found that four in ten were experiencing financial difficulties.

[5] https://www.citizensadvice.org.uk/benefits/universal-credit/sanctions/hardship-payment/
[6] https://www.moneyadviceservice.org.uk/en/articles/benefit-sanctions-and-what-to-do-about-them

- Around 25% of all new claims made in 2017 (113,000 cases) were **paid late**. Payment timeliness improved from 55% to 80% during 2017, but the DWP did not expect timeliness to improve significantly in 2018.
- Local authorities, housing associations and landlords had seen an **increase in rent arrears** since the introduction of Universal Credit full service, and these often took up to a year to be recovered.
- There had also been an increase in the use of **foodbanks** in at least some areas where Universal Credit full service had been introduced, and a **greater demand for advisory and advocacy services**.

In October 2016, HouseMark surveyed 32 of its Welfare Reform Impact Club members to assess how Universal Credit (UC) was affecting their average arrears rates. The headline finding of the survey was that the average rent arrears debt of a UC claimant was £618, compared with average non-UC arrears of £131 per property. With average social rents around £96 per week, this UC debt equated to 6-7 weeks' rent and HouseMark concluded that landlords should look to prepare for the risk of rising arrears.

HouseMark also analysed the average level of Universal Credit debt per claimant according to each of the four tranches of UC implementation up to the time of the survey. This analysis revealed a distinct pattern between UC tranche and the level of UC debt per claimant, with landlords with stock in the earlier tranches recording lower UC and non-UC debt, leading HouseMark to conclude that some that some UC debt is resolved over time (Wickenden, 2016).

Similarly, recent research among housing associations in England (Hickman et al, 2018) noted that the relatively small scale roll-out of Universal Credit by early 2018 meant that it was too early to make a definitive judgement about the impact of UC on associations' income streams. Nevertheless, there was a consensus that arrears rates for UC claimants were higher than for those still receiving Housing Benefit. Direct payment to tenants (making them responsible for paying their rent) was the main difficulty, but other issues included unexpected expenses, 'accidental' underpayments and the delay between tenants' initial UC claim and their first payment. Perhaps mainly due to the challenges associated with direct payment, a number of the English housing associations who took part in the research indicated that possible impacts of Universal Credit had become a greater concern than the social sector size criteria.

As in Northern Ireland, the Scottish Government has used its powers to put in place measures that aim to help mitigate some of the impacts of Universal Credit for both claimants and landlords. 'UC Scottish Choices' commenced in October 2017, giving the option for claimants to receive their UC award twice-monthly and to have the housing costs in their award paid direct to their landlord in both the private and social rented sectors. Part of the rationale for making these choices available was that they might support households in managing their budgets in a way that suits their circumstances and that this, along with the security of direct payments, might help prevent the build-up of rent arrears (Scottish Government, 2018).

In its 2018 report on the impacts of Welfare Reform on housing and social security, the Scottish Government noted that due to the staged introduction of Universal Credit and the relatively small numbers of recipients, it was not yet possible to identify any overall increases in rent arrears from the data available that could be *directly and solely* attributed to the roll-out of Universal Credit. Nonetheless, the report also noted that evidence from Local Authorities and social landlords in Scotland "allows a reasonable conclusion that Universal Credit, especially the full service of UC, has a substantial impact on levels of arrears in terms of the numbers affected and the average level" (Scottish Government, 2018, p24). By way of example, the report cites data collected by the Scottish Federation of Housing Associations (SFHA) between 2015 and 2017, which indicated that levels of arrears reported by landlords for those in receipt of Universal Credit were substantially higher than among those in receipt of Housing Benefit, both in terms of the proportion of arrears and the level of average arrears. Both housing associations and local authorities in Scotland have attributed a large part of the responsibility for UC-related arrears to issues at the start of claims, especially the delay in the first payment. Longer-term factors were associated with money management, especially where tenants were not used to monthly payment cycles and/or paying their landlord directly (this evidence was collated before the introduction of UC Scottish Choices).

The Welsh Government has also sought to mitigate some of the impacts of Welfare Reform, but has taken a different approach than the legislatures in Scotland and Northern Ireland. In Wales, the focus has been on providing support to off-set the financial impact of Council Tax and on provision of funding to support the development of smaller properties that would avoid the social sector size criteria (Hickman *et al*, 2018).

While mitigations – particularly the provision for direct payment of housing costs to landlords – mean that the outcomes in other parts of the UK are not likely to be directly replicated in Northern

Ireland, there are early indications that waiting times and other aspects of Universal Credit may lead to accumulation of rent arrears in some cases.

3.12 THE SOCIAL SECTOR SIZE CRITERIA (SSSC)

The 'Social Sector Size Criteria' (henceforth SSSC), which is often referred to as the 'Bedroom Tax', was developed to engender more efficient use of housing stock and to lower government spending on Housing Benefit. It is one of the most contested elements of Welfare Reform throughout the United Kingdom and came into force in Northern Ireland on 20 February 2017. However, mitigations have been put in place, with the DfC paying a Welfare Supplementary Payment (WSP) directly to the social landlord in order to make up any difference in financial shortfall between actual housing costs and awards granted. This mitigation is scheduled to run until the end of March 2020.

SSSC is a change to the way that Housing Benefit or the housing costs element of Universal Credit is calculated for those living in social housing. Payments are based on a 'size' criterion which determines the number of bedrooms deemed necessary for each household and adjusts payments accordingly. One bedroom is allowed for each category:

- every adult couple;
- anyone else aged 16 or over;
- any two children of the same sex aged under 16;
- any two children aged under 10;
- any other child (other than a foster child or child whose main home is elsewhere);
- couples or child(ren) who cannot share because of a disability or medical condition; or
- non-resident carer or carers providing overnight care.

A household may be allowed an extra bedroom in cases where:

- an approved foster carer: has a child placed with them, ***or*** is between placements but only for up to 52 weeks from the end of the last placement, ***or*** is a newly approved foster carer for up to 52 weeks from the date of approval if no child is placed with them during that time;
- certain family members who normally live with the claimant are students or are in the armed forces and are away but intend to return home; or
- there has been a recent bereavement in the household.

The number of bedrooms allowed under Housing Benefit and the Housing Costs element of Universal Credit depends on the claimant's age, the age and sex of any children in the household, whether any other adults live with them and whether they qualify for an extra room due to special circumstances. Parents who have a child or children who do not live with them on a full-time basis cannot claim to require an additional room(s) to meet needs associated with visitation rights. Consideration is not given to the physical size or layout of the room nor is a 'bedroom' defined in the legislation; the landlord's categorisation of a bedroom is accepted.

When a household is found to be under-occupying, housing costs payments are reduced by 14% if the dwelling is under-occupied by one bedroom or 25% if under-occupied by two or more bedrooms.[7] The bedroom entitlement rules do not apply to:

- Pensioners living in social housing accommodation such as Housing Executive or housing association properties;
- People who live in supported exempt accommodation;
- People who live in certain types of accommodation, such as houseboats or caravans;
- People who have been temporarily housed by the Housing Executive; and
- People who rent their property under a shared ownership scheme.[8]

Irrespective of the mitigation arrangements, tenants who are deemed to be under-occupying and who move within the social sector before mitigation ends will permanently lose entitlement to the Welfare Supplementary Payment if they are a non-management transfer and do not reduce the number of bedrooms by which they are under-occupying.

Research among housing associations in England (National Housing Federation, 2015) indicated that half of all housing associations had been significantly affected by the 'bedroom tax'. The impact had been greater in some areas of the country (e.g. Yorkshire and Humberside and the North West) than others, and associations that had a significant number of tenants affected by under-occupancy rules (measured as more than 10% of all general needs tenants) were most likely to report increased difficulty in rent collection, a rise in the level of arrears and a fall in total rental income.

[7] Welfare Reform Project Team
[8] Entitledto (2018): Under occupation rules: how many bedrooms are you allowed? https://www.entitledto.co.uk/help/under-occupation

The research also found that the 'bedroom tax' was having significant impacts on the well-being and household finances of tenants. Tenants who were deemed to be under-occupying their homes were more likely than those who were not to find it difficult to pay their rent, to report running out of money before the end of the week or month, and were more likely to have borrowed money to pay their rent. Nine in ten affected tenants (89%) were concerned about having enough income to cover all living costs and bills.

Although the NHF research indicated that the overall impact of the 'bedroom tax' on rent arrears was less severe than had been expected, the impacts had been unequally spread across England. Three in ten associations (29%) said that arrears had increased. Yet amongst those associations with more than 10% of tenants affected by SSSC, almost half (47%) reported that arrears had increased as a result of the policy.

More recent research by Hickman et al (2018) with a number of housing associations in England also indicated that the impacts of the size criteria had been less pronounced than initially expected. This was attributed to a number of factors including the relatively small numbers of tenants of the participating housing associations that were affected by the size criteria, the high level of resources committed by associations to prepare for and manage it, the introduction of new allocations policies and tenants downsizing. Most important, however, was the extensive use of Discretionary Housing Payments, which have been the principal means of mitigating Welfare Reform in England; there was some concern that a greater level of size criteria-related arrears would accrue in future, should tenants find it more difficult to secure discretionary payments.

The Scottish Government has directly and fully mitigated the 'bedroom tax' and has expressed its intention to abolish the bedroom tax at source (Scottish Government, 2018). This takes the view that such mitigation has "…allowed individuals to make their rent payments, preventing a build-up of rent arrears which would have had a negative impact on landlords as well as the households affected" (ibid, p15), and has reduced the need for tenant behavioural change and/or activity from landlords and local authorities to support those affected.

While the evidence from Great Britain appears to suggest that the impacts of the Social Sector Size Criteria to date have been less than anticipated, this is due in large part to the implementation of various types of mitigation measures. However, where mitigation has not been available, or where there were greater levels of under-occupancy within the landlord's stock, there has been evidence of SSSC-related rent arrears. Given the figures on under-occupancy in Northern Ireland that are set out later in this report (see Table 5.0 in Section 4.7.1), there is likely to be an increase in rent arrears for landlords in Northern Ireland when Social Sector Size Criteria is fully implemented.

3.13 THE BENEFIT CAP

The Department for Work & Pensions (henceforth DWP) states that the three key aims of the Benefit Cap are to increase incentives to work, to produce greater fairness in the welfare system, and to make financial savings and incentivise behaviours to reduce long-term dependency on benefits.[9] The Benefit Cap places an overall limit on the amount of benefits a working-age household can receive. The figure was originally set at £500 per week per family household, and £350 per week for single people. In November 2016 the limits were reduced to £384.62 and £257.69 respectively.

Claimants must be in receipt of Housing Benefit/ Housing Costs element of Universal Credit to be subject to the cap but a range of other benefits are also counted towards it. Should the cap apply, the amount of money received above the limit will be taken from Housing Benefit payments or the Housing Costs element of Universal Credit although mitigations in the form of a WSP are available until March 2020 for households with children. Those households affected by the Benefit Cap who are not eligible for a WSP may be eligible to apply for a Discretionary Housing Payment (DHP) to make up for a reduction in their Housing Benefit or if their Housing Costs element are reduced under Universal Credit. There are also exemptions in place for anyone who:

- qualifies for Working Tax Credit;
- is above pension age;
- receives Carer's Allowance or Guardian's Allowance;
- has been in work for at least 50 weeks out of 52 prior to their last day of work;
- is eligible to receive sickness or illness disabilities (excepting those on the work-related component of Employment & Support Allowance); or
- lives in exempt supported accommodation.

At April 2018, 1,510 households in Northern Ireland were subject to the Benefit Cap at an average rate of £49 per week (DfC, 2018a). In total, 2,790 households have had their Housing Benefit capped since the introduction of the Benefit Cap in 2016, but by April 2018 almost half of these households (46%) were no longer capped. Of the households still capped at April 2018, all included children, and

[9] The Benefit Cap: a review of the first year DWP https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/386911/benefit-cap-review-of-the-first-year.pdf p.4.

were therefore eligible for mitigation payments. The 1,270 households that had ceased being subject to the benefit cap by April 2018 did so for a variety of reasons; most were related to changes in household circumstances that led to the benefit income of the household reducing below the cap threshold. Almost 500 began to receive disability-related exempting benefits including Carer's Allowance and PIP, and around one tenth moved into work and began to receive Working Tax Credit and therefore became exempt from the Cap.

3.14 BENEFITS FOR PEOPLE WITH ILLNESS AND/OR DISABILITY

While people aged under 16 and over 65 will continue to claim Disability Living Allowance (DLA), Personal Independence Payment (PIP) began to replace DLA in Northern Ireland for new claims as the main benefit paid to disabled people of working age (16 to 64) from 20 June 2016. Six months later, managed reassessments of existing DLA claimants began. These are expected to continue until December 2018. Where DLA was paid at three rates ('low', 'middle' and 'high'), PIP has only two rates – 'standard' and 'enhanced' – which are broadly similar to the middle and high rates of DLA (Table 2.0). This effectively means that low-rate disability is not compensated by PIP.

TABLE 2.0: PIP WEEKLY RATES 2017/18

PIP rate	Weekly rate 2017/18
PIP Daily Living Enhanced Rate	£83.10
PIP Daily Living Standard Rate	£55.65
PIP Mobility Enhanced Rate	£58.00
PIP Mobility Standard Rate	£22.00

There is no automatic entitlement to PIP and all claimants will undergo medical assessments and re-assessments under new criteria in order to claim the benefit; concerns have been raised about the quality and consistency of these assessments. DLA payments will continue until this assessment is completed. Where a claimant disagrees with the outcome of a PIP medical assessment, the decision must first be challenged by lodging a Mandatory Reconsideration request. Should this be unsuccessful, a claimant can then continue to appeal at tribunal. This appeal must be submitted directly to the Appeals Service.

Between being turned down at the mandatory reconsideration stage and awaiting the outcome of the appeals tribunal, claimants can receive a supplementary payment of an equal value to their previous DLA award. This payment begins on the day entitlement to DLA ceases, and ends when the tribunal decision is made or the decision is changed in the person's favour before being decided by the tribunal.

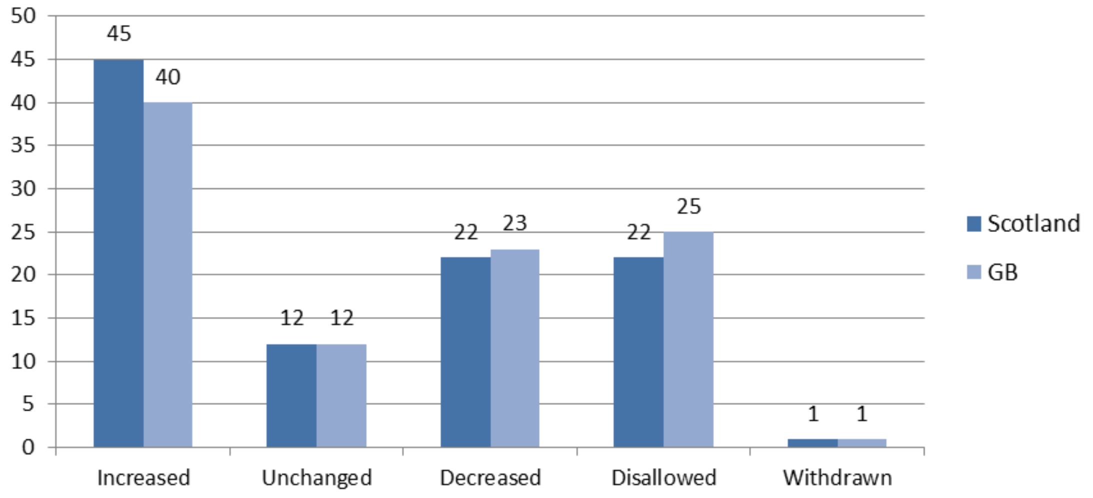
Additional payments are also available for those who are financially worse off following a PIP assessment if the difference in awards is at least £10. This supplementary payment equates to 75% of the difference between the old DLA award and the new PIP award and will be made for one year from the date it is first paid or up to March 2020, should that come first.

Finally, supplementary payments may be made to those who have a 'conflict-related injury' and have had PIP refused if they have scored between 4 and 7 points for either the Daily Living Component or the Mobility Component. Payment terms are as above.

A carer will be entitled to Carer's Allowance (CA) for looking after successful PIP claimants if they meet the rules of entitlement for that benefit and the claimant receives the Daily Living Component of PIP. Carers of those who are not successful in being awarded PIP will continue to receive CA for one year. For households that include adults or children with a disability, premiums continue to be available (Disability Premium, Enhanced Disability Premium, Severe Disability Premiums and Tax Credits – Disability Element and Severe Disability Element). None of these premiums will be affected if households qualify for the Daily Living Component of PIP at either rate. However, should entitlement end or be reduced, disability premiums will be affected. Where claimants lose their premium or see it reduced, supplementary payments are available to enable time for an appeal to be made. Following a ruling by the High Court in London in December 2017 that changes to PIP were unfair to people with mental health conditions, it was announced that all PIP cases in Northern Ireland would be reviewed.

Analysis published by the Scottish Government (Scottish Government, 2017) indicated that between October 2013 and October 2016, around 22% of people who were re-assessed for PIP in Scotland, and 25% of people re-assessed in GB, were deemed *not* entitled to a PIP award (Figure 1.0). These findings are mirrored by the latest figures in Northern Ireland (DfC, 2018d) which stated that as of May 2018, the number of completed reassessments in Northern Ireland was 72,120 with 17,830 (25%) deemed *not* entitled to a PIP award.

FIGURE 1.0: INITIAL OUTCOME OF PIP RE-ASSESSMENTS, SCOTLAND AND GREAT BRITAIN, OCTOBER 2013-OCTOBER 2016 (%)



Source: Scottish Government (2017)

The Scottish Government research also considered the data on various combinations of DLA components/rates and how the award changed (in financial value) after claimants moved onto PIP. The patterns that emerged were fairly varied. For example, 60% of DLA claimants who had lower care and lower mobility components had an *increased* award under PIP, while 37% lost entitlement completely. On the other hand, only 25% of DLA claimants who had the higher care and no mobility component received an increased award under PIP, whilst 63% saw their award decrease or lost entitlement completely.

The out-workings of the transition from DLA to PIP are therefore likely to be complex and, as well as possible changes in the financial value of the PIP award by comparison with DLA (where entitlement continues), there may be knock-on effects on Housing Benefit/Housing Costs claims. Housing Rights has identified a number of examples:

- People under 35 who rent privately and receive a Severe Disability Premium are allowed to claim the one bedroom rate of LHA. This premium is paid to people who receive high or middle rate DLA or who receive any rate of PIP Daily Living Allowance and who live alone. A young person who had been receiving the care component of DLA at middle rate but who does not qualify for the daily living allowance component of PIP could also lose up to £40 of Housing Benefit each week depending on where that person lives.

- Similarly, Housing Benefit claimants with non-dependent adults living in their homes, who are moving from DLA to PIP will be subject to non-dependant deductions if they are not awarded the Daily Living Allowance of PIP. Non-dependent deductions will start to apply as soon as the claimant loses his or her entitlement to the care component of DLA. These deductions range from £15 to £95 per week.
- Housing Benefit is an income related benefit; therefore, people who work but are on a low income can receive financial assistance with their rent. The amount that a working household receives in Housing Benefit depends on that household's individual circumstances. The government sets income thresholds for various types of household and, as the household's income rises above the relevant threshold, the amount of Housing Benefit received starts to drop until the income is too high for the household to receive any Housing Benefit. This income threshold will be higher if individuals in the household receive certain disability benefits. Therefore, where a working claimant who had been receiving DLA is found to be not entitled to PIP, the amount that that person receives in Housing Benefit is also likely to reduce. (Housing Rights, 2017a)

Despite the implementation of measures following on from the Evason Working Group proposals, which provide transitional protection to existing claimant households disadvantaged by the new regime, concerns therefore remain about the primary and secondary impacts of the transition from DLA to PIP, for both claimants and landlords. The Department for Communities has collated statistics on PIP since its introduction in Northern Ireland in June 2016. By May 2018:

- There were 135,400 PIP claims registered, and 76,920 in payment. Of those claims in payment, 57,700 (75%) were reassessed DLA claims.
- The overall award rate for PIP was 65%; the award rate for new claims was 46%, while the rate for DLA reassessment claims was 75% (rates are based on the initial decision and do not include awards given as a result of mandatory reconsiderations or appeals).
- Of the 57,700 reassessed claims in payment, 75% (43,310) received an award at the enhanced rate, while 41% (23,680) received the highest level of award (enhanced rate for both daily living *and* mobility).
- The most common category of main disabling condition for claims in payment was psychiatric disorders (40% of cases), followed by *genera*l musculoskeletal diseases and *regional* musculoskeletal diseases (two separate groups).

- More than one third (36%) of claims in payment were awarded the enhanced rate for both components, while 24% were in receipt of the Daily Living Component, but with no entitlement to the mobility component (Table 3.0).

TABLE 3.0: PIP CLAIMS IN PAYMENT IN NORTHERN IRELAND BY AWARD LEVEL, MAY 2018

		MOBILITY		
		Standard	**Enhanced**	**No Award**
DAILY LIVING	**Standard**	8,900 (12%)	15,390 (20%)	12,060 (16%)
	Enhanced	4,020 (5%)	28,030 (36%)	6,100 (8%)
	No Award	1,310 (2%)	1,090 (1%)	

Source: Department for Communities (2018b)

As outlined previously, claimants who wish to dispute the decision on their PIP claim can ask the Department to reconsider the decision. The purpose of this Mandatory Reconsideration is to consider the grounds for the dispute and complete a review of the initial decision and a Reconsideration can arise for a variety of reasons, which include the claimant omitting to tell the Department about relevant evidence during the initial decision-making process, or not returning forms required as part of the claim. By the end of May 2018:

- 27,940 Mandatory Reconsiderations had been *registered*, of which 18,980 were for DLA reassessed claims and 8,960 for new claims;
- 26,520 Mandatory Reconsiderations had been *cleared*; 8,580 (32%) were for new claims and 17,950 (68%) were DLA reassessed claims.
- Equal proportions (74%) of reconsiderations (new claims and DLA reconsiderations) resulted in *no change* in the award.

Support for Mortgage Interest (SMI)
Northern Ireland Perspective Benefit Cap
Benefit Cap Poverty Universal Credit
Universal Credit Sanctions
Welfare Benefit Cap
Support for Mortgage Interest (SMI)
IN NORTHERN IRELAND Reform
Poverty Potential Impacts of Welfare Reform
Cross-tenure Impacts Universal Credit
Benefit Cap Northern Ireland Perspective
People with Disabilities
Social Sector Size Criteria (SSSC)

4. Potential Impacts of Welfare Reform

4.0 Potential Impacts of Welfare Reform

4.1 NORTHERN IRELAND PERSPECTIVE

Due to the later introduction of the main raft of Welfare Reform related changes to benefits in Northern Ireland, there is less evidence available regarding the impact of these changes in the region than in other parts of the UK. Even where statistics are available, it has been noted that the complex and inter-related nature of the various strands of Welfare Reform mean that isolating the impact of *specific* welfare reforms is very challenging (Hickman et al, 2018). Furthermore, the application of various different mitigation measures in each of the UK regions – and the differing socio-economic and housing market contexts in which they have been applied – mean that it is difficult to make comparisons or draw parallels across the UK, and to arrive at robust conclusions about likely post-mitigation outcomes. In Northern Ireland, the situation is further compounded by the absence of a functioning government, which may lead to greater long-term difficulties in managing both Welfare Reform and housing policy issues.

Broadly speaking, however, some aspects of Welfare Reform apply to any household, irrespective of tenure, some only to social tenants, some to private tenants, and some only to owner occupiers. This section briefly considers the Northern Ireland context in terms of income and poverty levels before examining each of these sets of potential impacts in turn.

4.1.1 THE NORTHERN IRELAND CONTEXT: INCOMES AND POVERTY

Income levels in Northern Ireland are generally lower than in Great Britain: statistics compiled by the Office for National Statistics (ONS) indicate that in 2015, of 12 UK regions, Northern Ireland had the second lowest average hourly pay rate (Table 4.0), while the proportion of households living in relative income poverty (after housing costs have been deducted) is higher in NI than England and Wales (JRF, 2016). Evidence suggests that the income levels of social tenants tend to be lower than those renting privately and owner-occupiers. Findings from the most recent Northern Ireland House Condition Survey (NIHE, 2018b) showed that in 2016 35% of owner occupied households had a gross annual income of over £31,199, compared with 13% of those living in the private rented sector and none of those living in the social rented sector. The majority (43%) of social tenants had a gross annual income of £10,500 -£15,599.

TABLE 4.0: AVERAGE HOURLY PAY (EXCLUDING OVERTIME) IN THE REGIONS AND DEVOLVED COUNTRIES OF THE UK

Region	£ per hour
London	17.16
South East	14.15
Scotland	13.47
East of England	12.88
North East	12.48
North West	12.45
West Midlands	12.45
South West	12.41
Yorkshire and The Humber	12.28
Wales	12.04
Northern Ireland	12.01
East Midlands	11.96

Source: Office for National Statistics, 2015

Since the Global Financial Crisis and subsequent recession, the poverty rate in NI has slightly increased, with more working-age adults in poverty in 2013/14 than in 2008/9. By 2017, in-work poverty accounted for 45% of income poverty in NI (JRF, 2016). Northern Ireland has also not had the same employment growth as experienced in GB. From 2011-2015, working age employment in GB increased by 3.0%, to 73%, compared with growth of 0.6% to an overall employment rate of 68% during the same period in NI. Where people with disabilities are concerned, the employment rate was 15 percentage points lower in NI than GB and for both single parents and young people it was 12% lower. Northern Ireland also had higher rates of economic inactivity, due to illness, caring duties and/or studying.

For those in work, pay levels remain lower than a decade ago, while the cost of living has increased. In 2015, median pay in NI was £382, compared with £427 in GB (JRF, 2016). Other issues in Northern Ireland include a higher rate of long-term unemployment and higher rates of ill health/disability together with slower economic recovery and poorer economic performance generally. The 2016 House Condition Survey found that 10% of HRPs were permanently sick/disabled or looking after family/home. However, almost half (47%) of people in Northern Ireland who are permanently sick/disabled live in the social sector, compared with 21% in England[10]. All of these factors mean that Welfare Reform could have a greater impact in Northern Ireland, which may in turn increase the vulnerability of tenants, particularly if the current mitigation package ends in March 2020.

[10] In England other inactive is coded as all others; they include people who were permanently sick/disabled, those looking after family/home and any other activity.

4.2 CROSS-TENURE IMPACTS: UNIVERSAL CREDIT

4.2.1 SYSTEM COMPLEXITY AND INTERNET ACCESS

The initial Universal Credit claim can take up to one hour to complete. Guidance can be given but online forms must be completed solely by the claimant. All communication is electronic, with text alerts being sent to advise claimants to log in online to answer any queries, or complete their work journal for as long as the claim is live. This will be difficult for those who are not IT literate, those who do not have home access to the internet, those living in rural areas and the older working age population. A report published by the Resolution Foundation (Cory, 2013) states that a lack of up-to-date IT skills is the biggest skills barrier for older people and is a key issue for effective employment support. Up until November 2017, access to telephone support for Universal Credit applicants was charged at 55p per minute; however, this helpline is now free of charge.

In 2016-17, it was estimated that 81 per cent of households in Northern Ireland had access to the internet, the majority with a broadband connection (NISRA figures sourced via DAERA). While it is encouraging that digital accessibility has increased steadily in recent years, the figures nevertheless indicate that a significant minority of households still do not have access to the internet and are not in a position to avail of digital services from home. Findings from the Housing Executive's 2016 Continuous Tenant Omnibus Survey (CTOS) also illustrated that access to the internet continues to rise for Housing Executive tenants, with almost six in ten (58%) of *all* tenants (including pensioners) having access to the internet. Whilst this trend is encouraging, the proportion of Housing Executive households with internet access was 23 percentage points lower than the 2016-2017 Northern Ireland average. However, there is currently no data on the proportion of households (irrespective of tenure) who are comfortable completing government forms online, regardless of whether or not they have access to the internet.

In addition, the CTOS findings suggest that there are specific groups of tenants who are less likely to have access to the internet. For example, less than two thirds (64%) of rural tenants stated that they had access to the internet from home, compared with three quarters (75%) of tenants in urban areas. The older working age population is also at greater risk of digital exclusion and appears more likely to face challenges with Universal Credit applications online; 57% of tenants aged 55-63 stated that they had access to the internet from home compared with 79% of tenants aged 16-54 (NIHE, 2018). In contrast, there was no urban/rural variation in access to the internet across all households in 2016/17, according to the figures collated through the Continuous Household Survey.

The CTOS also evidenced that 89% of NIHE tenants owned a mobile phone. Universal Credit requires applicants to verify their application via text message; this is a potential issue, given that not all Housing Executive tenants own a mobile phone. Other potential issues for all applicants include the online application process, which does not allow scope to explain complex situations, combined with the threat of potential sanctions if the applicant fails to maintain the claim.

4.2.2 CONCERN THAT CLAIMS MAY NOT BE SUBMITTED PROPERLY

In Northern Ireland there has been little evidence of claims being lost due to IT problems, which occurred in some cases during the initial stages of UC implementation in GB. However, there are issues with the level of detail required from applicants to enable them to submit their application. Essential evidence that must be submitted includes the amount of rent, amount of service charges and the date that the tenancy began, and tenants may not have all this information to hand.

Housing Executive patch managers have already experienced an increase in requests for tenancy information to enable tenants to make UC claims. As the Housing Executive is aware that this is a prerequisite for completing the application, a system has been put in place to ensure that this information is readily available to tenants. This is particularly important because the application is not considered 'live' until the initial application stage has been fully completed. Any delay in sourcing accurate tenancy information could lead to delays in being eligible to receive housing costs, which would in turn have a knock-on effect on rent arrears. A concern is that tenants may complete the form incorrectly by inserting erroneous information or, as has been reported in a small number of cases in GB, claimants may record a 'zero figure', resulting in the housing costs element being incorrectly calculated for their maximum award.

4.2.3 INITIAL WAITING PERIOD

The 42 day rule faced criticism from the Work & Pensions Committee (October 2017) after its assessment of feedback from many external organisations[11]. The Committee called it "a major obstacle to the success of the policy'' and noted that the waiting days did nothing to further the objectives of Universal Credit, but did increase hardship in GB.

The 42 day rule was in place in Northern Ireland until 14 February 2018, when the waiting period was reduced from six weeks to five. It is expected that this, in tandem with other changes, may

[11] Citizen's Advice Bureau, Refugee Action, Mind, JRF, Gingerbread, NAWRA, UNISON, Plymouth Community Homes, The Children's Society, Shelter, Your Homes Newcastle, Liverpool City Council, Lancashire City Council, Centrepoint, Torus.

lessen the negative impact of Universal Credit on housing related costs/issues. However, this change still means a lengthy five-week wait for the first Universal Credit payment (increased from two weeks under legacy benefits), after which claimants in Northern Ireland will receive payments twice per month. Claimants can also apply for a budgeting advance or budgeting loan which is interest-free. All advances are repaid from future payments of Universal Credit over the next twelve months (see Section 2.8). Discretionary housing payments are also available where claimants are affected by the Benefit Cap. It should be noted that the rules in relation to backdating of payments are now much more stringent; backdating is only available in very limited circumstances and can only be claimed for a maximum of one month.

A further consideration is that housing element payments are made based on circumstances at the *end* of the assessment period. Therefore, if a tenant moves house during their assessment period, their new landlord will receive the housing element payment for the *full duration* of the assessment period. To minimise the risk of arrears in such cases, it is essential that social landlords communicate with each other and refund monies owed to previous social landlords, to minimise tenant debt. The same issue arises when moving within the private rented sector or from the private rented sector to the social sector, and tenants may find it difficult to make up the shortfall. In such situations, there is very limited capacity to pay housing costs on *both* properties under Universal Credit.

4.2.4 CLAIMS BEING DELAYED OR BENEFIT UNDERPAYMENTS

The Northern Consortium (2016-17) reported that in Great Britain delayed claims and/or benefit underpayments have had a significant impact on tenants' ability to meet essential living costs and financial difficulties have been exacerbated; this was recognised as a particularly severe problem at the beginning of Universal Credit rollout. An increase in health issues suffered by those who face delays in processing claims has also been reported, with delays meaning that arrears are accruing before the tenant is fully on the Universal Credit system. Although there is no evidence of UC-related health problems in Northern Ireland, it will be important to monitor the situation as the number of UC claims grows.

4.2.5 INFORMATION ON APPLICATIONS/AWARDS

The move to a digital application and administration process for Universal Credit means that no physical letter of award is provided to claimants and it is acknowledged that this may impact on a claimant's ability to prove eligibility for passported benefits.

In addition, in Northern Ireland there is evidence of a more general ongoing lack of awareness about changes to the Benefits system and their implications. For example, according to *Attitudes to Social Welfare and Reform* (NISRA, autumn 2017):

- Just over a quarter of respondents (26%) were not aware of any of the Welfare Reform changes;
- Around half (53%) were aware that PIP had replaced DLA as the new form of support for adult customers aged 65 and under with a disability;
- In relation to housing, less than a third (29%) knew that Welfare Reform would introduce a limit to the amount of benefit any household can claim and a similar percentage (30%) were aware that Welfare Reform would introduce size criteria for social housing tenants; and
- Only 15% were aware that Discretionary Support could provide financial help for people with low incomes in times of crisis.

4.2.6 LACK OF INFORMATION/INCONSISTENT/CONTRADICTORY OR DUPLICATED INFORMATION

There is limited evidence to suggest that inconsistent or contradictory information has caused difficulty for claimants in Northern Ireland; however, the rollout of Universal Credit commenced more recently in the region than in other parts of the UK and the full impact may not be felt until legacy benefit claimants begin managed migration. Research among Housing Executive tenants (*The Continuous Tenant Omnibus Survey: Attitudes to Social Welfare & Reform, Autumn 2017*) has indicated that respondents would be most likely to approach advice centres for help with welfare changes. If seeking information on the effects of welfare changes, two thirds (67%) of respondents said they would contact advice organisations, 27% would check NI Direct and 25% said they would go to DfC. The Department has prioritised staff resourcing to deal with Universal Credit claims/payments and the issues arising, in order to minimise the incidence of some of the difficulties that arose during implementation in GB.

4.2.7 THE SCALE OF THE ISSUE: TENANTS' RELIANCE ON HOUSING BENEFIT

During recent years, around four-fifths of Housing Executive tenants, including pensioners (80% in 2016 and 81% in 2015) have been in receipt of Housing Benefit (CTOS, 2016). Of these, more than two-thirds (68% in 2016; 67% in 2015) were in receipt of full Housing Benefit and therefore did not have direct responsibility for making rent payments, or for meeting any proportion of their rental payment from their own resources (CTOS, 2016). The 2016 House Condition Survey found that around 50% of all private tenants were in receipt of Housing Benefit, but with higher rents in the private rented sector and the introduction of LHA, more tenants than in the social sector were responsible for paying a proportion of their rent.

From April 2018, to enable the transition from Housing Benefit to Universal Credit, claimants moving from Housing Benefit will continue to receive Housing Benefit for the first two weeks of their Universal Credit claim. Looking ahead, however, the main concern will be how social tenants will meet their additional housing costs if Welfare Supplementary Payment ends, as scheduled, in March 2020.

4.2.8 HOUSING BENEFIT PREMIUMS

There have been a number of changes to premiums under Welfare Reform, with families and people with disabilities most affected:

- The family premium was removed for new claims from September 2016;
- The work related activity component was removed from ESA in April 2017, so new ESA claimants will no longer get the associated premium for Housing Benefit;
- People who move from DLA to PIP may no longer be entitled to the same disability premiums in their Housing Benefit; and
- For claims after 11 May 2017, only a maximum of two children are counted in personal allowance, regardless of the number of children in the household.

These changes mean that claimants' applicable amount may be lower, and that the amount they have to contribute towards their housing costs will be higher. Families and individuals who are working and who are making a new claim for Housing Benefit will receive less money than they would have if they had claimed before these changes. Claimants with children, who do not receive means-tested benefits, can apply for a Discretionary Housing Payment if their Housing Benefit does not cover their rent and they are struggling financially. Discretionary Housing Payments are usually reserved for private tenants, but social tenants can also apply if they have been affected by the removal of the family premium or by the Benefit Cap. There is potential for extending Discretionary Housing Payments on a wider basis in NI, as in GB, but detailed proposals have not been published.

4.2.9 HOUSEHOLDS LIKELY TO BE IMPACTED

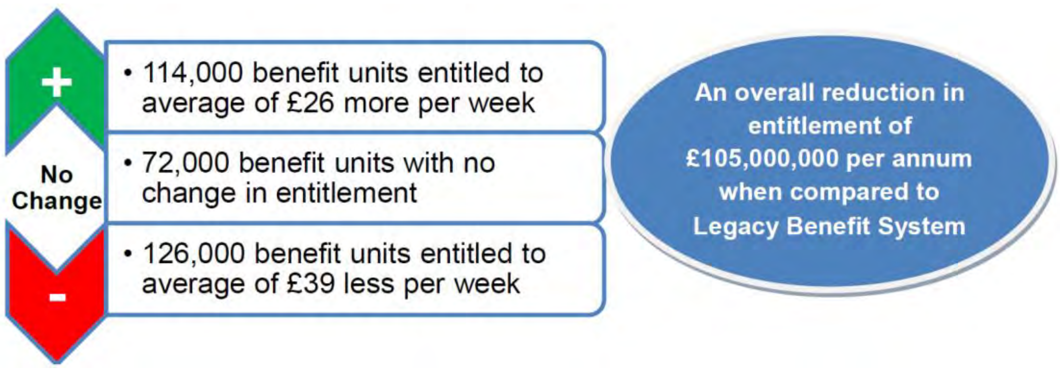
In 2013 DfC issued a 'Universal Credit Information Booklet'. This was regularly updated to take cognisance of policy changes and was most recently re-issued in September 2016. Within this document, DfC utilised a bespoke Policy Simulation Model (PSM) to indicate the numbers of 'Benefit

Units' considered likely to be impacted by a move to UC.[12] It should be noted that the DfC issued two caveats in relation to the findings as reproduced below:

- As this was a 'steady-state' analysis it did not allow for consideration of Transitional Protection or Mitigation and would not be a full reflection of the impacts on existing claimants during the transition period.
- This analysis considered the impact of Universal Credit in Northern Ireland following 'full roll-out' (i.e. after such time as no remaining claimants exist on the six legacy benefits which UC replaces).

As Figure 2.0 indicates, DfC estimated that overall 72,000 households would be unaffected by any move to UC whilst 114,000 households would be entitled to an average of £26 more per week and 126,000 households would be entitled to an average of £39 less per week.

FIGURE 2.0: ESTIMATED NUMBER OF BENEFIT UNITS (HOUSEHOLDS) AFFECTED BY MOVE TO UNIVERSAL CREDIT



Source: Department for Communities (Sept, 2016) Northern Ireland Universal Credit Information Booklet p.17

Table 5.0 illustrates the number of households estimated by the DfC to be awarded a greater entitlement, a lesser entitlement and to face 'no change' following full roll-out of UC by household type. When considered by such, these figures suggest that lone parents may be the most adversely affected of the three household types with over half (53%) expected to receive a lower entitlement with an average weekly loss of £28. One fifth (21%) are expected to receive a higher entitlement under UC rules with an average increase of £31.

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[12] DfC note that the term 'Benefit Units' is often used interchangeably with 'households' and this is NIHE's understanding of the term.

TABLE 5.0: ENTITLEMENT CHANGE FOLLOWING INTRODUCTION OF UNIVERSAL CREDIT BY HOUSEHOLD TYPE[13]

	Higher Entitlement (weekly)		No Change (weekly)	Lower Entitlement (weekly)	
	No (%)	Average Gain	No (%)	No (%)	Average Loss
Lone Parents (with/without earnings)	16,000 21%	+£31	19,000 25%	40,000 53%	-£28
Single Person (with/without earnings)	53,000 42%	+17	43,000 34%	30,000 24%	-£36
Couple (with/without earnings)	45,000 41%	+£35	10,000 9%	57,000 51%	-£49

Source: Adapted from DfC (Sept, 2016) Northern Ireland Universal Credit Information Booklet p.25

Single-person households are least likely to be affected with over one-third (34%) estimated to face 'no change' and 42% estimated to have an increase of £17 in entitlement per week. Over half (51%) of all couples are estimated to have a lower entitlement with a heavier loss of £49 per week. However, one-in four (41%) couples are also expected to be entitled to a weekly gain of £35 with less than one-in-ten experiencing 'no change'.

4.2.10 VIABILITY OF TENANCY

While Welfare Reform presents a number of issues, the key challenge for social (and also, to a large extent, private) landlords is reconciling 'business drivers', 'social commitments' and 'responsibilities to existing tenants'. The UK Housing Review (2017) noted that the Housing Executive's average rent is around £20 per week lower than that of comparable organisations in GB, and arguably there is scope to slightly increase Housing Executive rents (Young et al, 2017). While these comparatively low rent levels present a major challenge for reinvestment in Housing Executive stock, they are relatively affordable by comparison with both private rents and the rents charged by housing associations in Northern Ireland. However, given the wider implications of the Social Housing Reform Programme and the recognition of the need for Housing Executive rents to be aligned upwards, it is important to consider the implications for tenants of any future increase in Housing Executive rents, alongside the implementation of Welfare Reform.

[13] This table is adapted from Table 5: Higher and lower entitlements by Household Type and Number of Earners Northern Ireland. DfC (2016) Universal Credit Information Booklet p.24. All numbers are rounded to the nearest 1,000 and monetary values to nearest £1 as per original table. As such totals may not equal 100%.

Occupancy levels also provide challenges for the social sector. Proposal 11 of the Fundamental Review of the Social Housing Selection Scheme (DfC, 2017) seeks to align the number of bedrooms a household is assessed to need under the Scheme, with the SSSC bedroom requirements for Housing Benefit or Universal Credit. Until the Fundamental Review is progressed, there exists a difference between the required number of bedrooms, and tenants continue to be allocated into under-occupancy.

Analysis carried out by the Housing Executive in July 2018 indicated that, of tenants on Housing Benefit, 18,384 were under-occupying by one bedroom, and a further 6,795 by two or more bedrooms. A further 459 tenants on Universal Credit were also under-occupying. Significant numbers of those who currently under-occupy do so due to a change in their household composition (family break-up/bereavement/child moving out), so it is understandable that tenants wish to remain in their home. Furthermore, due to a lack of available smaller dwellings within Northern Ireland's social housing stock, many would be unable to move to a property with fewer bedrooms even if they were willing to do so; as a result, other mechanisms may be needed to incentivise social landlords to build additional smaller properties.

Occupancy-related reforms have already been applied to tenants living in the Private Rented Sector, in the form of the Local Housing Allowance. Administrative data indicate that around 70,000 tenants in the private rented sector in Northern Ireland were in receipt of Housing Benefit in early 2018. A survey carried out among private tenants by the Housing Executive during 2016/17 (Housing Executive, 2018c) found that around three-fifths (59%) of respondents received Housing Benefit, but 81% of this group indicated that the Housing Benefit they received did not cover all the rent (either because their income was too high, the rent was above LHA rate, or they were deemed to have more bedrooms than required under the LHA), and they therefore had to make up the shortfall between HB and rent. Of the 88% of *all* respondents who had to pay some or all of their rent, around one third (34%) indicated that they found it very or fairly difficult to afford the payments they had to make. While Discretionary Housing Payments can help meet shortfalls in some cases for a period of time, ongoing shortfalls between rent and the Housing Benefit/Housing Costs received can cause difficulties for tenants and landlords alike, and threaten the long-term sustainability of tenancies. The evidence on the gap between LHA rates and rents, which is discussed further in section 3.8, suggests that this problem is likely to persist.

4.3 CROSS-TENURE IMPACTS: THE BENEFIT CAP

The Benefit Cap is applied by reducing the amount of Housing Benefit or the Universal Credit award. Evidence from GB suggests that the Benefit Cap may leave some tenants unable to pay their rent and could cause problems, particularly in the private rented sector. However, Evason *et al* predict that the Benefit Cap will have a lesser impact in Northern Ireland, given lower rents and the exemption of households where there is entitlement to Carer's Allowance, Employment Support Allowance (support group only), DLA/PIP or Working Tax Credit. Figures collated by DfC indicated that, at April 2018, 1,510 households were capped, with an average loss of £49 per week per household. The majority of households subject to the Benefit Cap (85%) were lone parents; although small in number the weekly amount of loss will be significant to the households affected.

Not surprisingly, the number of households impacted by the Benefit Cap increased when the Cap was reduced from £26,000 to £20,000 per annum. This change caused greater impact in some areas that had been relatively unaffected by the initial introduction of the higher level benefit cap; in North East England, for example, the number of households affected by the Benefit Cap increased from 600 to 4,000 when the Cap was reduced (Institute of Fiscal Studies. 2011). Housing association staff in Great Britain have reported increasing rates of poverty amongst their tenants, many of whom were already on low incomes before welfare reforms came into place. Another concern is the imbalance between the Benefit Cap and the rate of inflation. In combination, the impact of other welfare reforms, the Benefit Cap and the ending of Welfare Supplementary Payment could arguably create a 'perfect storm' in 2020.

4.4 CROSS-TENURE IMPACTS: POVERTY

Tenants in the social housing sector have tended to live on lower incomes and this has been exacerbated by Welfare Reform and the roll-out of Universal Credit since 2013. However, Universal Credit also impacts households across tenures affected by benefit changes, including those moving from DLA to PIP and those claiming Tax Credits.

Research carried out by The Trussell Trust (2017) indicates that the waiting period for Universal Credit has resulted in an increased number of referrals to their services, as well as having impacts on mental health, rent arrears and evictions and leading to greater levels of longer-term debt. Analysis of foodbank use in areas of full Universal Credit rollout (The Trussell Trust, 2017a) showed that in the six months to September 2017 foodbanks in areas of full UC rollout for six months or more had seen a 30% average increase in the number of three-day emergency food supplies given to people in crisis during the six months after rollout, compared to a year before. Comparative analysis of foodbanks not in full Universal Credit rollout areas showed an average increase of 12% in provision of emergency food supplies.

The Trussell Trust data indicates that issues with a benefit payment remain the biggest cause of referral to a foodbank across the UK, accounting for 43% of all referrals (25% due to benefit *delay*; 18% due to benefit *change*). 'Low income' (which refers to anyone in work or on benefits struggling to get by on their income), accounted for 27% of referrals to the Trust, suggesting that certain pay and benefit levels are not protecting people from falling into crisis. Delays with benefits or changes to benefits accounted for 42% of all referrals to the Trust in 2015-2016; at 43% the proportion was almost unchanged during the period from April to September 2017. Difficulty in navigating the benefits system was a common feature of food bank users' experiences. The system was experienced as complicated, remote and, at times, intimidating, especially for those trying to resolve problems that had occurred with a claim.

Growth in the use of foodbanks has also been reported in Northern Ireland, with Ballymoney Foodbank reporting an increase in usage of almost 20% since the since the introduction of Universal Credit in November 2017 (Ballymoney Chronicle, July 2018).

4.5 CROSS-TENURE IMPACTS: SANCTIONS

There have been growing concerns in Great Britain about the disproportionate impact of the intensified benefit sanction regime on vulnerable homeless people, notwithstanding discretionary 'easement' powers introduced in 2014 to temporarily exempt claimants sleeping rough or in supported accommodation. The Evason report recommended additional safeguards for vulnerable people, including an independent helpline to assist claimants to appeal sanctions or access hardship payments. At the time of writing there is no helpline independently working on appealing sanctions and accessing hardship queries, but claimants can call the Welfare Changes helpline for help and advice.

4.6 CROSS-TENURE IMPACTS: PEOPLE WITH DISABILITIES

The shift from DLA to PIP for working age claimants from June 2016 raises particular concerns in Northern Ireland, where just over one in ten of the population are in receipt of DLA – more than twice the average level across Great Britain. UK-wide figures published by the Department for Work and Pensions in advance of the introduction of PIP (DWP, 2012) indicated that the most common main disabling conditions underlying successful new DLA/AA claims in the year to February 2012 were mental health (27%) and musculoskeletal conditions (27%).

However, the most recent statistics for Northern Ireland (DfC, 2018b) indicate that the most common main disabling condition associated with the PIP claims in payment at February 2018 was psychiatric disorders (mental illness). The figures are in line with the findings of research conducted by Ulster University for the Commissioner for Victims and Survivors (Ulster University, 2015), which estimated that almost 30% of Northern Ireland's population suffers mental health problems, and almost half of these cases were directly related to the Troubles. Overall, it was estimated that the Troubles were directly associated with almost half (50%) of cases of severe mental health issues in Northern Ireland, and that more than 200,000 adults in NI had been badly affected by the trauma of the conflict.

The prevalence of disability and mental health issues in Northern Ireland suggests that any impacts arising from the transfer from DLA to PIP may be felt more acutely in the region than in other parts of the UK.

4.7 SOCIAL SECTOR IMPACTS: THE SOCIAL SECTOR SIZE CRITERIA (SSSC)

4.7.1 SSSC, HOUSING NEED, SHORTFALLS AND RENT ARREARS

There are inevitable concerns about the impact of Welfare Reform when the mitigation budget expires in 2020. For example, figures collated by the Housing Executive's Welfare Reform Project Team show that approximately 30% of Housing Executive tenants and 25% of housing association tenants in receipt of Housing Benefit will be impacted by the Social Sector Size Criteria.

The majority of both Housing Executive dwellings (88%; approximately 75,300 units) and self-contained housing association stock (68%; around 27,000 dwellings) have two or more bedrooms; this means that less than one fifth (18%) of the entire self-contained social stock has only one bedroom. However, single (working age) applicants consistently account for almost half (45%) of the waiting list and a similar proportion of allocations each year. There is therefore a mismatch between the type of stock available and that likely to be required by housing applicants (Greene and Porter, 2018), and associated concern about this mismatch with the type of dwellings required to meet Social Sector Size Criteria rules. Even if an ample supply of suitably-sized dwellings were available, the time that would be required to facilitate tenants moving to new properties is too lengthy to be completed before mitigation ends in March 2020.

As in Northern Ireland, the Scottish Government has, to date, fully mitigated any charges that would otherwise have been levied on tenants due to under-occupancy. In its 2018 analysis of housing and social security issues relating to Welfare Reform, Scottish Government notes that mitigation has helped local authorities continue to meet housing need without concerns about the financial implications for tenants:

> *[the certainty of full mitigation] has had positive impacts across the sector, for example local authorities have been able to continue to make reasonable offers of settled accommodation to homeless households in stock they will, in terms of the bedroom tax policy, under-occupy, without a risk that this will be unaffordable for the household. Furthermore, landlords, local authorities and advice agencies have been able to focus their support on those affected by other aspects of UK Government welfare reform.*
>
> *(Scottish Government, 2018, p15)*

The Welfare Reform Project Team's analysis in July 2018 (Table 4.0) indicates that around **33,000** existing social sector claimants in Northern Ireland would face a reduction in Housing Benefit or Universal Credit due to under-occupancy, with an associated ***weekly*** reduction in social sector Housing Benefit due to the application of SSSC of almost £410,000. While this shortfall is currently mitigated by Welfare Supplementary Payments, it points to real potential difficulties for both tenants and landlords when mitigation ends.

TABLE 6.0: HOUSING EXECUTIVE AND HOUSING ASSOCIATION HB CLAIMS IMPACTED BY SSSC AT 9 JULY 2018 [14]

	Housing Executive	Housing Association	Total
HB claimants under-occupying by **one** bedroom	18,384	6,365	**24,749**
Weekly reduction in HB in respect of claimants under-occupying by **one** bedroom	£169,368	£83,273	**£252,641**
HB claimants under-occupying by **two or more** bedrooms	6,796	1,232	**8,028**
Weekly reduction in HB in respect of claimants under-occupying by **two or more** bedrooms	£126,629	£30,329	**£156,958**
Total number of HB claims impacted by Social Sector Size Criteria	**25,180**	**7,597**	**32,777**
Total weekly reduction in HB in respect of claims impacted by Social Sector Size Criteria	**£295,997**	**£113,602**	**£409,599**

Potential ways to lessen this impact include:

- offering more advice on moving;
- encouraging tenants to exchange their home within the social sector; and/or
- creating a mechanism to prioritise tenants who are affected by the Social Sector Size Criteria, placing them higher on the transfer list for smaller properties.

With an estimated 30% of Housing Executive tenants impacted by the Social Sector Size Criteria and a clear mismatch between the size and type of social housing stock required to avoid SSSC deductions and the profile of the existing stock, there are concerns that arrears will increase. By June 2017, a total of 72 Housing Executive tenants had lost their SSSC mitigation, with an average arrears increase per household of £128.

4.7.2 SSSC: TENANT AWARENESS AND COMMUNICATIONS

All social sector tenants likely to be impacted by Social Sector Size Criteria have been contacted by letter and provided with details of how they could be affected and the financial help in place to support them. In addition, as new tenants are offered a home they are told about potential implications for their rent payments once financial help ends. The information is detailed within the letter of offer, again during affordability discussions between the tenant and Patch

[14] The table excludes those tenants who have moved to Universal Credit (459 NIHE tenants and 19 housing association tenants as of 9th July 2018.

Manager/Housing Officer and once again when sign-up is being completed. Tenants receiving Housing Benefit are advised of Social Sector Size Criteria in their Housing Benefit letters.

Tenants moving within the social sector will lose entitlement to Welfare Supplementary Payment if they:

- are a non-Management Transfer; and
- do not reduce the number of bedrooms by which they are under-occupying.

This includes transferring or exchanging to a property where they are under-occupying by the same number of bedrooms or transferring or exchanging to a property with a greater number of bedrooms. Loss of entitlement to Welfare Supplementary Payment is permanent.

The Housing Executive has developed procedures and services that aim to assist current and prospective tenants and housing applicants in making decisions about their housing arrangements and dealing with budgeting and financial issues. For example:

- In areas where Universal Credit is live, the Patch Manager will normally provide financial capability services to tenants within their Patch, where the tenant wishes to avail of them. This includes arrears cases that fall within their responsibility.
- Housing Advisors are required to address financial capability when discussing housing options/solutions with housing applicants.
- Income Collection Units are responsible for providing financial capability services to tenants in locations where Universal Credit is not yet live and for all arrears cases that fall within their responsibility.

However, despite efforts to communicate with tenants and raise awareness, almost half (47%) of Housing Executive tenants felt they were ‘poorly’ or ‘very poorly’ informed about welfare changes, with 29% stating they received a letter from the Housing Executive and 13% stating they received an official departmental leaflet from DfC (NIHE, 2018). Representatives of housing associations in England have reported similar difficulties in communicating and engaging with tenants on Welfare Reform:

> *No matter how much we try and be proactive…some residents will be reactive. So I’ve had conversations recently and they said: ‘what are you talking about? The*

> *Bedroom Tax? What is the Bedroom Tax?'…I think with some people, if it doesn't knock on your door, you're not really going to take any notice. It doesn't matter how much you try to prepare for it (*Hickman *et al*, 2018, p58).

The associations who took part in the study all noted that the level of communication between them and their tenants had increased markedly due to welfare reform, and that the number of communication methods had also grown, with digital and text message communication becoming more commonplace. Associations had also significantly increased the level of support provided to tenants to assist their tenancy management. This took various forms and included:

- helping tenants to maximise benefit income;
- money management and budgeting advice;
- debt advice; and
- mental health and well-being support.

It was noted that managing the impact of Welfare Reform is resource intensive for landlords, and comes with 'displacement' costs, where staff spend a disproportionate amount of time managing and supporting tenants who are experiencing Welfare Reform, and are thus displaced from delivering other mainstream, generic services (Hickman et al, 2018).

4.7.3 POST-MITIGATION IMPACTS OF SSSC AND UNIVERSAL CREDIT

Research carried out by the Chartered Institute of Housing suggests that tenants in Northern Ireland collectively stand to lose over £21 million in benefits each year when the supplementary payments stop (CIH, 2017). While it is not possible to accurately estimate the likely impact of full implementation of the Social Sector Size Criteria on rent arrears, evidence on those Housing Executive tenants who have already lost their mitigation payments suggests that arrears will increase.

By 1 June 2018, 72 Housing Executive tenants had lost their mitigation payment. Prior to losing mitigation, these 72 cases had combined arrears of £3,345 (average £46). At the time of writing, after losing mitigation, these 72 cases had a combined arrear of £12,566 (average £174). Further research is planned with Housing Executive tenants to assess the impact of Welfare Supplementary Payments ending on 31 March 2020. The research will seek to gain an understanding of what plans tenants have to meet any shortfall in eligible rent when mitigation ends; to assess if tenants are likely to pay the shortfall in rent; and to gain a better understanding of what plans tenants have post-mitigation (longer-term). This will enable the Housing Executive to better prepare for the end of mitigation payments.

In Northern Ireland the potential impact of the full introduction of Universal Credit has been eased by some important differences that will apply to its operation even after other Welfare Reform mitigations end. In particular, the arrangements for twice monthly payments, direct payments of the housing costs element to landlords, and the provision of 'cost of working allowances' all remove concerns that apply to the scheme as it operates in Great Britain. The maximum sanction duration in Northern Ireland will be 546 days (half the 1,095 days maximum applicable in Great Britain) and the legislation mandates monitoring of the operation of sanctions.

Figures 3.0 and 4.0 overleaf describe an example of the type of impact that Universal Credit has begun to have on Housing Executive tenants, showing the timeline of events relating to a Universal Credit claim and the impact on the tenant's rent account. Prior to applying for Universal Credit, the tenant had been working and paying rent. The tenant's employment came to an end and they applied for Job Seekers Allowance (contributions based) and Universal Credit for housing costs.

FIGURE 3.0 HOUSING EXECUTIVE TENANT UNIVERSAL CREDIT CLAIM CASE STUDY – TIMELINE

Date	Event	Notes
18 October 2017	Universal Credit application made	As a new claimant, the tenant had to serve a seven-day waiting period (this requirement was abolished in February 2018). The tenant accepted an advance payment of UC to support her through the 6 week assessment period (this is an interest free loan, repayable through UC entitlement in monthly instalments).
		Rent account balance: -£50.90 *(just under one week rent and rates)*
24 October 2017	Universal Credit Claim starts	First UC assessment period: 24/10/17 – 23/11/17
30 November 2017	First Universal Credit payment due	First payment should be made seven days after the end of the assessment period. No payment received.
		Rent account balance: -£371.66
	Universal Credit entitlement	Maximum entitlement to UC is £317.82 (Standard Allowance for single person aged over 25) plus eligible housing costs £174.78 = **£492.60**. However, in this case the tenant does not receive Standard Allowance as it is offset by income from Job Seekers Allowance (Contributions Based) of £316.77 per month. The tenant also has deductions for income from last pay (£47.44) and for the UC advance (£26.49). Because there is no Standard Allowance in payment, the deductions are taken from Housing Costs as this is the only element of UC left in payment. Eligible housing costs = £174.78. (Actual housing costs are £203.23; however, due to 14% SSSC deduction for under-occupying by one bedroom, eligible costs are lower. This shortfall is currently covered by Welfare Supplementary Payment).
25 December 2017	First housing cost payment received, 10 weeks after UC application.	Housing Executive received their DWP payment on 27 November, resulting in delayed housing costs payment. This was because housing costs are paid four-weekly to the Housing Executive and the scheduled payment date (27/11/2017) was before the tenant's payment had been processed. When the payment was available on 30/11/2017, it was held by DWP until the next scheduled 4 weekly payment date.

1 January 2018	First UC Housing costs payment to NIHE	**£101.90** • Standard Allowance (£317.82) plus eligible housing costs (£174.78) = *£492.60* • £492.60 less deductions for earned income (£47.44), income from JSA (CB) (£316.77) and repayment of UC advance payment (£26.49) = *£101.90* • Total UC housing costs payable to NIHE = £101.90
29 January 2018	Second UC Housing costs payment (for 24/11/17 – 23/12/17)	**£149.34** (£492.60 total entitlement, less deductions for JSA (CB) and repayment of advance).
19 February 2018	Third UC payment	**£149.34** (same calculation as above).
		Balance on rent account after all payments due for UC & Rates Rebate have been received: -£398.47

FIGURE 4.0: NIHE RENT ACCOUNT

UC application date: 18/10/17

UC assessment period: 24th to 23rd each month

Week no.	Date	Rent	Rates	Payment	Type	Balance
28	09/10/2017	£46.90	£6.56	£53.45	Tenant	-£2.56
29	16/10/2017	£46.90	£6.56	£0.00		£50.90
30	23/10/2017	£46.90	£6.56	£0.00		£104.36
31	30/10/2017	£46.90	£6.56	£0.00		£157.82
32	06/11/2017	£46.90	£6.56	£0.00		£211.28
33	13/11/2017	£46.90	£6.56	£0.00		£264.74
34	20/11/2017	£46.90	£6.56	£0.00		£318.20
35	27/11/2017	£46.90	£6.56	£0.00		£371.66
36	04/12/2017	£46.90	£6.56	£0.00		£425.12
37	11/12/2017	£46.90	£6.56	£26.28	SSSC	£452.30
38	18/12/2017	£46.90	£6.56	£26.28	SSSC	£479.48
39	25/12/2018	£46.90	£6.56	£0.00		£532.94
40	01/01/2018	£46.90	£6.56	£101.90	UC	£484.50
41	08/01/2018	£46.90	£6.56	£0.00		£537.96
42	15/01/2018	£46.90	£6.56	£26.28	SSSC	£565.14
43	22/01/2018	£46.90	£6.56	£15.00	Tenant	£603.60
44	29/01/2018	£46.90	£6.56	£149.34	UC	£507.72
45	05/02/2018	£46.90	£6.56	£0.00		£561.18
46	12/02/2018	£46.90	£6.56	£26.28		£588.36
47	19/02/2018	£46.90	£6.56	£243.35	UC/Rates/Tenant	£398.47

UC application made 18/10/17

First UC payment expected - nothing received

SSSC mitigation payments for period from UC start date

1st UC payment received

2nd UC payment received

Payment includes: UC £149.34, Rates £79.01, Tenant payment £15.00

Balance = £6.57 technical arrears (SSSC) + £391.19 residual arrears

By the end of the timeline, the tenant's advance has been paid off, but their rent account has an arrears balance of £398.47. It is important to note that this is due to no fault of the tenant and is a technical arrear solely due to how Universal Credit is assessed and paid.

The sequence of events exemplified by this case reflects the experiences of a number of housing associations in England surveyed by Hickman *et a*l (2018); the reason for accrual of rent arrears that was most commonly cited by representatives of these landlords was the delay between tenants' initial UC claim and their first payment. Similarly, the complexity of this Housing Executive tenant's case and the impact on their rent account reflects the views of one housing association director who participated in the Hickman *et al.* research and commented on the complexity of Universal Credit, even by comparison with other aspects of Welfare Reform such as the Social Sector Size Criteria and Benefit Cap, noting:

> *I think Universal Credit is much more complicated, and its repercussions are much wider, and people still struggle to understand what they need to do, but also the ramifications of it.*
>
> (ibid, p30).

4.8 PRIVATE RENTED SECTOR (PRS) IMPACTS

4.8.1 PRS IMPACTS: LOCAL HOUSING ALLOWANCE (LHA) RATES

Local Housing Allowance (LHA) is a rent assessment scheme for those who rent accommodation in the private sector. It is based on the rent levels for the area and how many people live in the household. Reforms to the Local Housing Allowance regime in Northern Ireland were introduced on the same basis, and to the same timetable, as for the rest of the UK.

A key policy aim of LHA is that the bottom 30 per cent of the private rented market should be accessible for benefit claimants, and it is therefore important that LHA rates keep pace with rent increases. However, research published by CIH Northern Ireland in 2017 indicated that households face a growing gap between the LHA they receive and the rent they pay. In 2016, 80 per cent of LHA rates in Northern Ireland had already fallen below the cheapest 30 per cent of rents in the local area. This is particularly significant as around half (50%) of those living in the private rented sector are in receipt of some level of Housing Benefit.

This means that the policy aim of making the bottom 30 per cent of the private rented market accessible to LHA claimants is no longer being achieved. If private tenants' rents are higher than the amount of LHA received, they have to make up the difference. If people cannot pay the difference out of their earned income and/or basic benefits intended for other essential living expenses, they will fall into rent arrears and be at risk of legal action, eviction and homelessness. Additional assistance is available through Discretionary Housing Payments, but these are limited.

As well as concerns about tenancy sustainment, shortfalls between LHA rates and rents present a challenge for private landlords in terms of arrears management. The majority of private landlords in Northern Ireland (84%) own only one or two properties[15] and delayed rental payments and/or ongoing shortfalls in the face of continuing costs could threaten the viability of renting for individual small-scale landlords and/or their willingness to rent to tenants in receipt of benefits. In England, the biggest reason for landlords removing tenants was rent arrears of more than two months, with one in ten landlords having to deal with a tenant in arrears of two months or more in the last year (Shelter, 2016). Findings from research for the Residential Landlords Association showed that only 13% of landlords were willing to let properties to tenants on universal credit (Simcock, 2017), while Butler and Asthana (2017) have noted that, as a result of an increase in arrears, private landlords are reluctant to let to Universal Credit claimants and are 'rapidly losing confidence in the system' due to the increasing level of risk.

There is little evidence on the impact of changes to LHA rates thus far, and while lower rents in Northern Ireland mean that the effects are unlikely to have been as substantial as in England, a growing gap between Local Housing Allowance rates and average rents may compound any impacts over time.

4.9 OWNER OCCUPIED SECTOR IMPACTS: CHANGES TO SUPPORT FOR MORTGAGE INTEREST

Ten years on from the Global Financial Crisis and housing market downturn, the effects are still being felt in Northern Ireland to a greater extent than in Great Britain, with a higher proportion of households in negative equity and a higher proportion vulnerable to changes in personal circumstances or interest rates. According to UK Finance (2012), 35% of mortgages in Northern Ireland that had been advanced since 2005 were in negative equity (compared to 10% in the UK).

Support for Mortgage Interest (SMI) is a payment available to people receiving Income Support; income-based JSA; income-based ESA and Pension Credit. Prior to April 2016, SMI could be paid 13 weeks after the start of a claim, up to the maximum capital limit of £200,000. From 1 April 2016 the waiting period for SMI was extended from 13 to 39 weeks; in addition, it is not payable to a

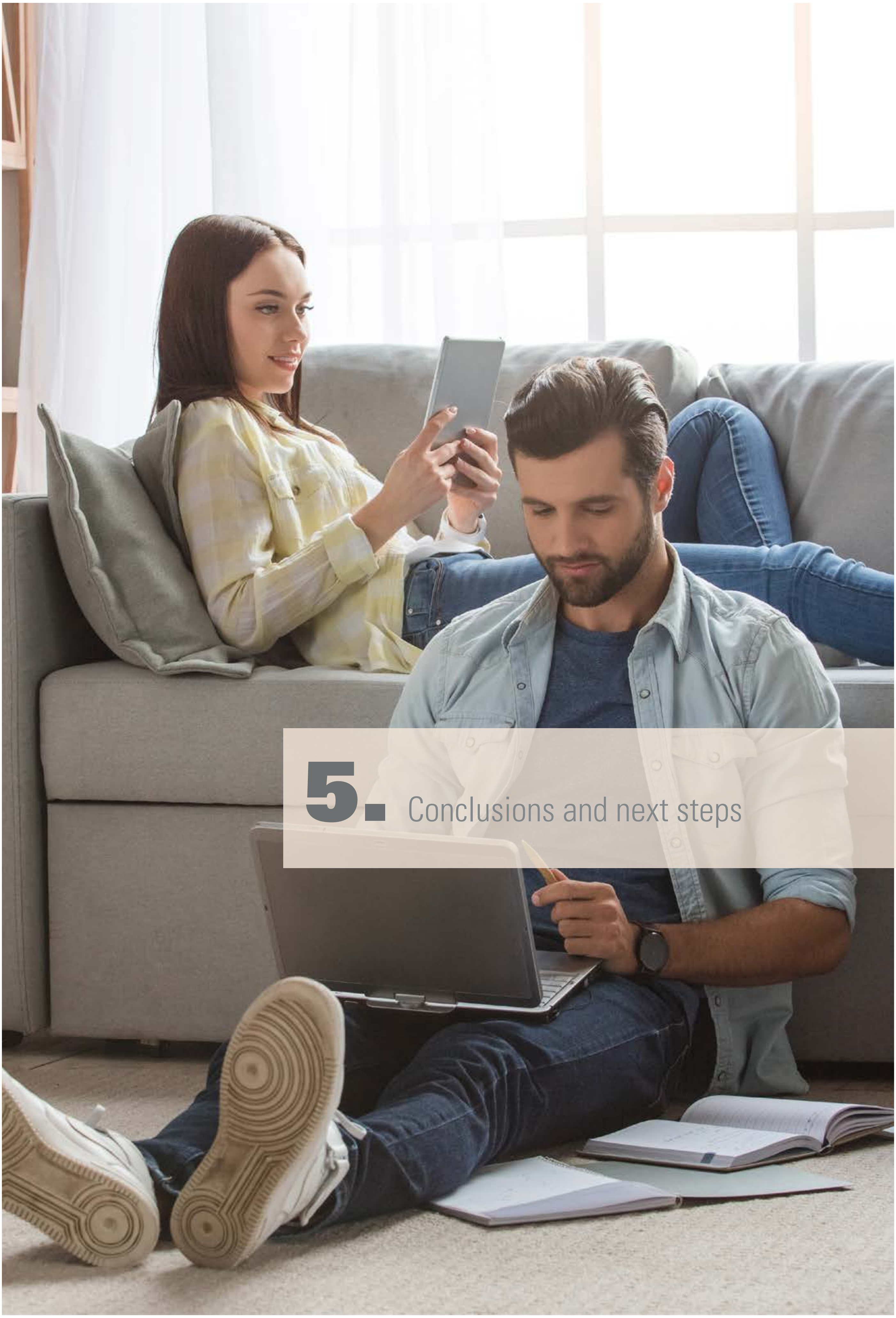
[15] This figure is based on internal analysis from DfC, November 2017.

household receiving Universal Credit and/or if the claimant or their partner undertakes any paid work. On 8 June 2017, the interest rate used to calculate SMI changed to 2.61% (down from 3.12%). The extension of the waiting period from 13 to 39 weeks could have major negative effects on the capacity of lenders to exercise reasonable forbearance. Within the confines of the current forbearance guidance from the Financial Services Authority, it will be very difficult for a lender to responsibly and reasonably wait 39 weeks before commencing possession action. Indeed, in 2017 Turn2us, a national charity which assists people who are struggling financially, raised concerns about the 39-week waiting period for SMI for mortgage holders and pointed to figures released by the Ministry of Justice which showed that mortgage possession claims in England and Wales were 10% higher in November to December 2016 compared with the same quarter the year before. They found that homeowners needed help with their mortgage at a much earlier stage than 39 weeks. They also reported that lower interest rates had helped many people with mortgages to withstand income shocks. It will be important to continue to observe the impacts for SMI mortgage holders given the Bank of England's recent decision to raise the base interest rate from 0.50% to 0.75%.

It is interesting to note that engagement and communication with householders in the owner-occupied sector over mortgage arrears has proved challenging, in much the same way that statutory and government agencies have struggled to raise awareness and understanding among tenants about Welfare Reform. The final report of the Housing Repossessions Task Force (DSD, 2015) noted that traditional approaches had been unsuccessful in encouraging borrowers to seek help at an early stage, and that when the small proportion of engaged customers do seek help, this overwhelmingly happens at a very late stage. The report identified a need for all parties to transform their communication and engage with borrowers, and the Department subsequently worked with the Behavioural Insights Team to encourage earlier engagement from borrowers in mortgage arrears, suggesting a review of the tone, content and format of all letter correspondence with text message prompts.

On 6 April 2018 SMI changed from being a *benefit* to being a *loan* for all existing and new claimants who are entitled to help with housing costs. SMI loans will be paid by the Department in the same way as the SMI benefit was previously. If claimants decide to accept the offer of a loan, it does not require credit checks and will only be repayable with interest when the property is sold or ownership is transferred. Only people who end up with equity in their property will have to pay it back. If there is not enough equity, any amount that cannot be paid back will be completely written off.

According to the Social Security Agency, £15 million was spent on SMI in Northern Ireland in 2014/15. It is notable that the number of possession actions taken to Court has fallen. However, the administrative speed of the Court has significantly increased.



5. Conclusions and next steps

5.0 Conclusions and Next Steps

5.1 CONCLUSIONS

The Welfare Reform programme currently being rolled out across the UK represents the most wide-ranging changes to the benefit and tax credit system in more than seven decades. The primary objectives are to simplify the benefit system and reduce benefit administrative costs. These objectives are underpinned by policy aims committed to breaking the cycle of benefit dependency by creating incentives to work and moving more people into employment, whilst continuing to support those in need.

Many of the benefits that had been in place for people of working age will eventually be replaced by new benefits and payments systems. The scope and complexity of the Welfare Reform programme means that it is very difficult to fully assess the individual or combined impacts of the various elements, especially in the light of the very many types of household and personal circumstances to which they will be applied.

In its 2018 analysis on the impacts of Welfare Reform for housing and social security, the Scottish Government provided a useful summary of the challenges – which are equally apparent in Northern Ireland – in considering the full impacts on the housing sector:

> *An approach looking purely at the statistics surrounding individual reforms and benefits will not account for the impact of behaviours that may be driven by reform, or the costs of activity (such as enhanced welfare rights activity) which may reduce the apparent cost of these reforms. Focusing on housing specifically is challenging because it is not possible to isolate the benefits traditionally associated with the housing sector from the wider context….the whole social security landscape will have an impact on the ability of households to meet their rent. Households do not necessarily observe strict demarcations between housing and non-housing related benefits, and reductions in other benefits, and especially the impact of sanctions, may lead to households failing to pay rent, even where the support for housing costs is apparently adequate. Conversely, some households will respond to housing losses by reducing their spending on other items, and the impact of this will not be immediately felt by their landlord, nor be visible in any statistical collection.*
>
> (Scottish Government, 2018, p4)

As roll-out of the majority of Welfare Reform measures is still at a relatively early stage in Great Britain, and even more so in Northern Ireland, there is relatively little robust statistical evidence on impacts and outcomes and, for the reasons outlined above, this is likely to remain the case. However, the research and analysis carried out to date in Great Britain indicates that, individually and in combination, measures such as the roll out of Universal Credit and the application of under-occupancy criteria in the social sector have placed some households in financial hardship and/or led to increases in rent arrears. In addition, the freeze on LHA rates has impacted on the affordability of rents in the private rented sector, and analysis suggests that this trend is replicated in Northern Ireland. Other aspects of Welfare Reform, such as sanctions and the phasing out of DLA and introduction of PIP, while not directly housing-related, will have impacts on household incomes and may have knock-on implications on entitlement to assistance with housing costs and/or claimants' ability to pay their rent.

The introduction of Northern Ireland-specific mitigations has temporarily eased the impacts of some elements of Welfare Reform – particularly the social sector size criteria – but also means that the impact for social tenants and landlords is unlikely to be fully understood until mitigation ends and tenants are faced with rent shortfalls. More broadly, Welfare Reform in Northern Ireland is only one challenge that sits within a wider context of political and economic uncertainty associated with Brexit and the lack of government in the region.

5.2 NEXT STEPS

In detailing the elements of Welfare Reform and providing an insight into some of the potential impacts, this report has sought to inform further policy development and financial planning, primarily for the Housing Executive. In combination, the lack of Northern Ireland-specific evidence regarding the potential impacts of Welfare Reform, the research on outcomes elsewhere in the UK, the analysis of administrative data in Northern Ireland carried out to date and other emerging evidence point towards the need for further research on a number of issues. Following consultation with the Welfare Reform Research Group, Welfare Reform Project Team and the Research Committee, which oversees the Housing Executive's Research Programme, a number of projects have been included in the 2018/19 Research Programme; these are outlined overleaf.

A Review of Broad Rental Market Areas (BRMAs) in Northern Ireland

Under the legislation accompanying the Local Housing Allowance (LHA) scheme for those who rent accommodation in the private sector, the rate of LHA paid is based on the rent levels for eight specified areas in Northern Ireland ('Broad Rental Market Areas') and how many people live in the household. The BRMAs in Northern Ireland were identified on the basis of analysis carried out by the DSD Statistical Research Unit in 2006. This study will update the previous analysis and consider scenarios of updated BRMAs based on statistical data. The findings of the research will provide an evidence base to help policy-makers determine whether the BRMAs that were delineated in 2006 remain a suitable geographical basis on which to determine LHA rates in Northern Ireland.

Impacts of Social Sector Size Criteria: Post Mitigation

The Impacts of Social Sector Size Criteria: Post Mitigation research will assist the Housing Executive in planning how best to communicate with and support tenants to address the post-mitigation impacts of the SSSC, ensuring that tenancies and income streams are maintained as much as possible.

Impacts of Social Sector Size Criteria: Current

This research will assist the Housing Executive in planning how best to communicate with and support:

- Existing tenants who experience a shortfall between HB and rent due to changes in circumstances; and
- The larger group of tenants who will have to make up the shortfall between HB and rent from other sources when WSP ceases.

It will also provide initial indications of how the needs of under-occupying households compare with the available social housing stock in the locality and the extent to which there would be an option for people to move to a smaller property, if they were willing to do so.

Universal Credit: The Customer Journey

This research will help the Housing Executive plan for the broader roll-out of UC for all new cases and the eventual migration of all existing cases to UC, ensuring that correct advice and support mechanisms are in place to help tenants understand and negotiate the online application process within appropriate timescales.

Welfare Reform: DLA, PIP and the impacts on NIHE tenants

The Welfare Reform: DLA, PIP and the impacts on NIHE tenants research will help the Housing Executive devise ways to support its tenants to maintain rent payments and sustain tenancies by providing an insight into the impacts of changes in entitlement to disability benefits and the implications for different types of households.

Welfare Reform: Awareness and Challenges (Private Rented Tenants)
Welfare Reform: Awareness and Challenges (Private Landlords)

The Welfare Reform: Awareness and Challenges (Two strands: Private Rented Tenants and Private Landlords) research will help the Housing Executive, Department for Communities and other key stakeholders devise ways to support the private rented sector to maintain rent payments and sustain tenancies, ensuring the ongoing availability of affordable and accessible accommodation to meet the needs of a range of households.

Continuous Tenant Omnibus Survey (CTOS)

The annual CTOS is the Housing Executive's main means of monitoring customer satisfaction and awareness of a broad range of issues. It has already been used to gather baseline information on tenants' awareness of, and potential responses to, Welfare Reform issues, and the subject will be revisited during Quarter 3 and Quarter 4 of the 2018 survey.

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APPENDIX ONE: ABBREVIATIONS

Child Tax Credit	CTC
Consumer Price Index	CPI
Department for Communities	DfC
Department for Work & Pensions	DWP
Disability Living Allowance	DLA
Discretionary Housing Payment	DHP
Employment & Support Allowance	ESA
Housing Benefit	HB
Jobseekers Allowance	JSA
Land & Property Services	LPS
Personal Independence Payment	PIP
Retail Price Index	RPI
Social Sector Size Criteria	SSSC
Support for Mortgage Interest	SMI
Universal Credit	UC
Welfare Supplementary Payment	WSP
Working Tax Credit	WTC

APPENDIX TWO: LEGISLATION INFORMING WELFARE REFORM IN NI

The *Welfare Reform (Northern Ireland) Order 2015* came into effect on 9 December 2015. It introduced an array of welfare reforms and aligned the system in Northern Ireland with that already in place throughout England, Scotland and Wales under the Welfare Reform Act 2012. It provided the legislative basis for the package of Welfare Reform measures and has four main elements: Universal Credit, Personal independence Payment (PIP), Social Sector Size Criteria (SSSC) and the Benefit Cap.

This Order implemented the reforms contained In the Welfare Reform Act (2012) with some time-limited specific changes. The most relevant of these included the powers to allow mitigation payments to be made to those suffering financial disadvantage as a result or Welfare Reform and to implement a differing sanctions regime than in Great Britain.[16]

Additional provisions for Welfare Reform were introduced under the *Welfare Reform and Work (Northern Ireland) Order 2016.* This Order amends the law relating to the Benefit Cap, ESA, Universal Credit and loans for mortgage interest. It also introduces a freeze on certain benefits and makes additional provision in relation to mitigation payments in connection with welfare reform.[17]

[16] Explanatory Memorandum to the Welfare Reform (Northern Ireland) Order 2015 London: HMSO. Available online at: http://www.legislation.gov.uk/nisi/2015/2006/pdfs/uksiem_20152006_en.pdf [Accessed 6th April 2018]
[17] *The Welfare Reform and Work (Northern Ireland) Order 2016* (Explanatory Note) London: HMSO. Available online at: http://www.legislation.gov.uk/nisi/2016 [Accessed 6th April 2018]

APPENDIX THREE: WELFARE REFORM TIMETABLE

2018

April	SMI changes from a benefit to an interest-bearing loan (Loan for Mortgage Interest) (01/04/18)
	Two week run-on of HB for new claims to UC commences. (01/04/18)
	Rent for temporary accommodation to be paid by HB from now
March	Esther McVeigh (Secretary of State for DWP) made a written statement that the Government would amend regulations so that all 18-21 year olds will be entitled to claim support for housing costs in UC. In return they will have to adherer to a 'Youth Obligation' to encourage them to gain or regain employment (29/03/18)
February	Removal of seven day waiting-period for UC (14/02/18)
	Full service of UC will continue to roll-out but at a slower pace and earmarked to be complete by end December 2018.
January	Claims for 'live service' of UC will no longer be accepted. Those in the current UC caseload will remain but new claims will be redirected to legacy benefits unless they are in a 'full service' postcode area (01/01/18)
	Introduction of a new sanctions regime (15/01/18)
	Introduction of advance payment for UC for the full monthly amount and repayment is extended from six months to one year (02/01/18)
	New claims for people with 3+ children now directed to legacy benefits until 01/02/19

2017

December	Claimants now able to apply for two advance payment for UC for 50% of the monthly amount with repayment over six months
November	DWP issued new PIP guidance to reflect case law relating to the ability to carry out an activity “safely”
October	Homeless claimants and those with a long-term mental health condition are now classed as ‘vulnerable’ and can access hardship payments of JSA immediately after a sanction (25/10/17)
September	UC begins rollout in Northern Ireland in Limavady area. DfC to administer (27/09/17) Introduction of new Rate Rebate scheme replaces HB for rates. LPS to administer this (27/09/17) Removal of UC housing costs element for 18-21 year olds – exemptions in place in Northern Ireland (27/09/17)
May	Removal of Tax Credits & UC support for 3rd+ child
April	Changes to HB regulations which expand the circumstances in which a household is permitted an “additional” bedroom due to a successful Supreme Court challenge to the SSSC (20/04/17) The Family Element of Child Tax Credit will be abolished for new families. People will continue to receive it if they are responsible for a child or children born before that date. CTC limited to <u>two</u> children for new claims. There will be exemptions from this limit. The child element of UC will also be limited to the first two children. There are also

consequential two-child limits to HB, UC, JSA Income Support (06/04/17)

Bereavement Support Payment will replace three existing bereavement benefits: Bereavement Payment, Bereavement Allowance and Widowed Parents Allowance. The rates will be:

- surviving partners with at least one dependent child – an initial payment of £3,500 and up to 18 monthly payments of £350;
- surviving partners with no dependent children – an initial payment of £2,500, no additional payments.

People already in receipt of the existing bereavement benefits will not be affected by the change. (06/04/17)

Removal of ESA for Work Related Activity Component (03/04/17)

February Introduction of the SSSC (bedroom tax) in Northern Ireland - supplementary payments to mitigate the impact of this until March 2020 (20/02/17)

January The amount of time for which a claimant will be able to receive Housing Benefit whilst temporarily absent from Northern Ireland will be reduced, in most cases, from thirteen weeks to a maximum of 4 weeks. The change applies to both working age claimants and state pension credit age claimants. (30/01/17)

Income Support eligibility changes with the age limit for the child being reduced from 7 years old to 5 years old. A claimant can gain eligibility for Income Support by being the lone parent of a child (16/01/17)

2016

December Start of managed reassessments of existing DLA claimants for PIP (12/12/16)

November Benefit Cap levels reduced from £500 per week to £384.62 per week for families and/or households with children; and from £350 to £257.69 for single adults. The original exemptions and supplementary payments remain available (07/11/17)

October Contributory ESA time-limited retrospectively applied to 365 days

- Days in the ESA Support Group do not count towards this limit; and
- Claimants who lose their Contributory ESA in this way
- will get a supplementary payment equal to their loss for up to 1 year (31/10//16)

Social Fund replaced with Finance Support. Two key changes:

- Discretionary Support Payments replace parts of the discretionary Social Fund (Crisis Loans and Community Care Grants) if the applicant has "a crisis which places them or their immediate family's health, safety or wellbeing at significant risk."
- Budgeting loans will remain (probably until full introduction of Universal Credit
- Short Term Benefit Advances are available if the applicant has "an urgent financial need that could have a serious impact on their or their family's wellbeing." This can be applied for when making a fresh claim, or reporting a change in circumstances for an existing claim. The applicant must be able to repay the advance within 12 weeks
- Crisis Loans and Community Care Grants cease to exist. (31/10/17)

September Abolition of HB 'Family Premium'

Reduction of HB backdating from 6 months to 1 month. (05/09/16)

June DLA abolished for new claims, and replaced by PIP in Northern Ireland Existing working-age claimants of DLA will be "migrated" to PIP which has a different testing process and payment structure. Children under 16 and people over 64 will still be able to apply for or continue claiming DLA.

WSP are in place to support claimants who currently receive DLA and are financially worse off after a PIP assessment. There are three categories - if you don't qualify for PIP, if you receive less on PIP than DLA or if you have a disability or illness as a result of an NI conflict related injury. These are paid for up to one year, until March 2020. If

Disability Premiums are impacted by a move to PIP, a WSP will be available to cover this loss for up to one year until March 2020.

May

Introduction of the Benefit Cap. The Benefit Cap applies where someone in the household receives HB and places a limit on the amount of benefits any working-age household can receive. Limits on maximum amount of benefits to be paid are set at £500 per week for couples and/or households with children; and £350 per week for single adults. Households losing out due to the cap in Northern Ireland will have their losses mitigated fully until 31st March 2020. (31/05/16).

Introduction of 'Mandatory Reconsideration' and 'Direct Lodgment of Appeals.' Claimants contesting benefits decisions must now undergo a Mandatory Reconsideration before appealing to tribunal. Any appeals must then be "directly lodged" with The Appeals Service in Belfast. These changes apply to all benefits excepting HB. (23/05/2016)

April

The amount a person must pay as a penalty in order to avoid prosecution in relation to overpayment of benefits changes from 30% to 50% (subject to a maximum of £2,000) (04/01/16)

Working-age benefits frozen for four years. Disability benefits are exempt from this freeze, and are instead uprated in line with the Consumer Price Index (CPI). (01/04/16)

Waiting period for help with housing costs including SMI increases from 13 weeks to 39 weeks. (01/04/16)

February

Abolition of 'ESA in Youth' for new claims. (17/02/16)

January

Evason report published highlighting recommendations for specific mitigations in Northern Ireland (19/01/16)

2015

December The Welfare Reform (Northern Ireland) Order 2015 enacted by Parliament (9/12/15)

2013

October UC begins rollout in England on a graduated basis

April Local council tax support replaces Council Tax Benefit in Great Britain

Community Care grants and Crisis Loans for general living expenses will be replaced by new local provision.

Crisis loan payments paid due to issues with benefit will be replaced by a new national scheme of Short Term Advances administered by the DWP in Great Britain

WTC and Child Tax Credit CTC disregard for in year income reduced to £5,000 from £10,000 (2011/12)

January Households with one income £60,000 and above are no longer eligible for child benefit and taper introduced for households with an income over £50,000

2012

April WTC/CTC new claims and changes of circumstance backdated for only three months

Family element of CTC withdrawn for families on more than £40,000

Family element of CTC tapered immediately after child element

Minimum hours for couples claiming tax credits increases from 16/week to 24/week

March Welfare Reform Act (2012) enacted in Parliament (08/03/12)

January Shared accommodation rate for HB increases from 25 to 35

2011

April All benefits indexed against CPI rather than RPI

Non-dependent deductions (NDD) to be uprated on the basis of prices using CPI rather than RPI.

Local Housing Allowance (LHA) rates valued at the 30th percentile and restricted to four-bedroom rate regardless of household size for new claimants. Existing claimants will have their LHA rate reduced on the anniversary of their claim with nine months of transitional protection

£15 excess rule removed.

An extra room will be allowed in the ‘size criteria’ used to determine LHA if a person has a disability and requires overnight care from a non-resident carer.

Existing claimants and those who claim HB before 1 April 2011 will receive transitional protection from the changes above if they would be made worse off.

Childcare cost support reduction in support from 80 per cent to 70 per cent

WTC and CTC withdrawal (taper rate) increase

2010

October SMI now paid at Bank of England interest rates

2008

April Local Housing Allowance introduced in Northern Ireland, capped at the 50 percentile of market rents.