Welfare mitigations review

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Welfare Mitigations Review

Independent Advisory Panel Report

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Foreword

Changes to the social security system over the last decade have had a major impact on the living standards and quality of life of many of our fellow citizens in Northern Ireland. Those changes have been particularly damaging for low-income families with children, those with caring responsibilities, and the disabled.

The Executive's first Welfare Mitigations Package, by offsetting the impact of the bedroom tax and the benefit cap, has played a vital role in alleviating those impacts. However, since then, new changes have been introduced, in particular the introduction of Universal Credit (UC) and the two-child limit for claimants on UC, Child tax credit and Housing Benefit only claims.

In considering the shape of a second package of welfare mitigations, our task is different in that no budget has been agreed in advance to implement our recommendations. We wanted to ensure that we targeted our proposals on those in the lowest incomes and, within that group, those most affected by recent changes, in particular households with disabled adults and/or children, women and carers. With this in mind, we engaged Landman Economics to undertake an analysis of various policy options to ensure that recommendations when considered as a whole, if implemented, would target effectively those at the sharpest end of the social security reforms introduced by the UK government.

This package does that. It also reflects what we heard from stakeholders.

The centrepiece of our recommendations is the offsetting of the two child limit. As a society, we would never contemplate restricting health care or schooling to only the first two children yet currently do so through certain social security benefits. This cannot be right. Our analysis shows that the two-child limit bears particularly hardest on the poorest families and, unchecked, would lead to a further damaging rise in child poverty. By preventing this, our proposals will ensure that thousands of Northern Irish children are shielded from the most damaging impacts of this policy.

The five week wait for a first payment on Universal Credit is also addressed through an interim solution pending longer term resolution. The recommendations also cover the recognition of the work of carers, support for people in work and on low pay acknowledging that NI remains behind the rest of the UK in the levels of childcare support provided outside of the social security system. The proposals provide

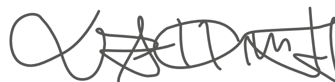
a better start in life for children in low income households when reaching child development milestones, gives further help with meeting winter fuel bills in years to come, encourages young people into work and delivers additional resources for independent advice.

The recommendations in many cases, build on initiatives introduced elsewhere as this provides reassurance that they can be implemented. Social security is also a right and entitlement and so in many cases, the recommendations do not require any further claims process.

In practice, our recommendations are part of a much bigger picture – designed to meet the NI Executive's goals of giving children and young people the best start in life, create a caring society that supports people throughout their lives and ensures we all enjoy long, healthy active lives. It needs to be read alongside other strategies planned by the Department for Communities to tackle poverty and inequality. We see social security as an investment in people and we want to ensure that the money spent is invested wisely.

The NI Executive cannot on its own transform the social security system given its size and scale and the reliance on IT systems managed through the Department for Work and Pensions. Nonetheless, it can make a difference and has already done so. The joint select committee report from the Westminster NI Affairs and Work and Pensions Committees concluded that the first mitigations package was a success. Our recommendations build on that work; it is costed, targeted and we commend it to the Executive and to the people of Northern Ireland.

I would like to thank a number of people who were critical to the report and who had to work under considerable time pressures. First my colleagues on the panel, Howard Reed of Landman Economics, the staff of the Professional Services Unit of the Department and all the organisations who engaged with us, for their work was vital to our deliberations. Finally, thanks should go to David Tarr, Alice Bradley and Roisin Reid at the Department for Communities for their able support and guidance and to Roisin McShannock and Margaret McAlonan for their patience and forbearance in typing the report.



Les Allamby
Chair of the panel.

EXECUTIVE SUMMARY

On 16 November 2021 the Communities Minister Deirdre Hargey announced the appointment of an independent advisory panel to review social security mitigations.

The task was two-fold. First, to examine the existing social security mitigations introduced in 2016 and ensure they are working effectively. These measures included ensuring the social sector size criteria/bedroom tax and benefit cap for families were not implemented in Northern Ireland alongside temporary compensation schemes for claimants and households when, for example, moving from Disability Living Allowance to Personal Independence Payment. In addition, more money was made available for independent advice services. The NI Executive has recently agreed to introduce new legislation to renew these mitigations. Second, the panel was asked to consider the need for new mitigations and analyse the cost of any new measures and how many people would benefit from any new proposals. The panel were asked to make recommendations to cover the next three financial years from 2022/23 through to 2024/25 inclusive. In undertaking both tasks, the panel was also asked to consider the impact of recent social security reforms by gender, disability, household income, including the effect on children, alongside considering any human rights, equality and rural needs issues arising from the delivery of the mitigations package.

Moreover, the panel were also tasked with having regard to Ministerial commitments on specific social security issues, in particular, the two-child policy, any anomalies in the benefit cap and social sector size criteria/ bedroom tax mitigation, the Universal Credit Contingency Fund, removal of the £20 uplift in Universal Credit and a review of the payment rate of Carer's Allowance and amending earnings rules to allow carers in work to more readily access support. We were also asked to consult with stakeholders including advice and community organisations.

Guiding Principles of the Review

The panel's starting point was to agree a number of guiding principles.
The principles included:

- that the case remained compelling for retaining existing mitigations including not implementing the social sector size criteria/ bedroom tax and benefit cap for families. This reflected the reality that renewed legislation for existing mitigations had just been agreed by the NI Executive
- to focus on the impact of any proposals on household income. In essence, we wanted to target the limited funds available on lower income households. We have aimed to ensure that wherever possible that the beneficiaries were in the bottom half of the income distribution, with the bulk of

spending concentrated on the bottom third. In doing so, we expected this would target effectively women, families with disabilities and other groups who find themselves on low incomes

- any proposals should enable the maximum financial support to reach claimants. In practice, this means not producing proposals which have large administrative costs including paying significant sums for IT workarounds to the Department for Work and Pensions. In addition, it should mean avoiding proposals, wherever possible, which are unduly complex – a considerable challenge given the current social security scheme
- given the changes to social security and tax over the past decade the panel wanted to target the most acute financial hardship, namely, among working age families, and the disabled and those with caring responsibilities. This is not to ignore poverty among other groups for example, pensioners, but it reflects where the burden of changes to tax and social security have fallen
- within working age families and households' particular attention would be given to those out of work. This group has been particularly adversely affected by social security reforms. The loss of the £20 uplift to Universal Credit from October 2021 was, for example, partially offset by the Chancellor's announcement in the Autumn Budget and Spending Review that the earnings allowance before which Universal Credit is reduced and ultimately withdrawn would be increased by £500 while the rate of withdrawal where the earnings allowance threshold is reached (the taper) would be reduced from 63 per cent to 55 per cent. This change was a significant help to claimants on Universal Credit and in work but, provided no assistance to those on Universal Credit and out of work, for example, due to caring responsibilities or ill health
- we also wanted to ensure that positive encouragement was given to assist claimants getting into work as in work financial hardship remains a reality for many part time and low paid workers
- any proposals should complement the recommendations of the Discretionary Support scheme review
- independent advice services should be further supported given the importance and value of their work including improving the take up of social security benefits. In addition, any proposals should sit comfortably with other strategies being developed by the Department for Communities including the anti poverty strategy
- that where particular initiatives had already been introduced elsewhere or were in the pipeline the panel were interested in examining such initiatives. This led us to look at a number of changes made in Scotland. This would have the virtue of gaining reassurance that measures had been road tested including that such

initiatives had already been negotiated with the Department for Work and Pensions and that any necessary IT changes were feasible

Unlike the earlier working group, the panel for this report does not have an agreed budget from the NI Executive to work to. In addition, since the first report, Universal Credit has been introduced to a substantial extent. Furthermore, the two child limit has been introduced for Universal Credit and Child Tax Credit. For both benefits, amounts are paid for each child but a claimant cannot normally receive any amount in these benefits for a third or subsequent child. For claimants on Housing Benefit only, an amount for a third or subsequent child is also not payable. These new rules are subject to a small number of very specific and limited exceptions. The impact of the introduction of the two child limit and implementation of of Universal Credit particularly the five week wait were two areas of specific focus for the panel given our terms of reference.

The Work Undertaken

First, we reviewed the evidence of the impact of social security reforms in NI over the last decade or so and their adverse impact on households with a disabled child and/or adult, on women, and working age families among others. We also reviewed the NI Executive's Programme for Government to ensure the proposals sat within its aims. We then extensively consulted with key stakeholders on the work including advice organisations, voluntary and community organisations, people with lived experience of the social security system, training providers, further education colleges, staff in the Department for Communities (DfC) managing and administering social security benefits and the political parties within the NI Executive.

Second, to assist us with our work we engaged Howard Reed from Landman Economics to undertake modelling and costings of a number of options. We also drew heavily on the forecasting and modelling provided by the Department's own Professional Services Unit.

Landman Economics was asked to provide distributional analysis of possible reforms by income decile (ie the impact on those in the bottom 10 per cent of household income through to the top 10 per cent), age, gender, disability, and household composition.

The reforms considered were:

- offsetting the two-child policy.
- reforms to Carer's Allowance including an additional carers recognition payment, a young carer's recognition payment, a payment where more than one child is being cared for, a relaxation of the earnings rules which when exceeded, end entitlement to the benefit. The first two payments have been introduced in Scotland

- one off payments for families on certain social security benefits including an additional amount for a Sure Start Maternity Grant, and £250 linked to child development goals on starting nursery, beginning school, moving from primary to secondary school and staying in education at age 16. This would mirror payments made under the Best Start Grant in Scotland save for payments made at age 11 and 16
- an additional payment for children in low income families on Universal Credit or Child Tax Credit of £20 a month
- an additional payment of £20 a month for disabled people on legacy benefits, UC with additions or Employment and Support Allowance (ESA) and Housing Benefit (HB) with a disability premia who receive a disability addition for either an adult or a child. The modelling was based on a payment per adult or child with a disability rather than per household
- restoring the £20 per week uplift in Universal Credit
- making payments equivalent to the Scottish Child Payment modelling current payments of £10 a week per child aged under 6 years of age as well as the proposed doubling of the payment to £20 per week per child under 6 from April 2022 and the payment of £10 a week and £20 a week per child aged under 16 years of age. The Scottish Government is committed to introducing the £20 a week payment for all children by the end of 2022. The Scottish Child Payment is made to families receiving Universal Credit, Child Tax Credit, Income Support, income based Jobseekers Allowance, income related Employment and Support Allowance and Pension Credit
- a JobStart Grant of £250 for young people mirroring a provision made in Scotland for young people aged 16-24 years of age who find work after a period on certain social security benefits
- A low income winter heating assistance and child winter heating assistance payment. The former mirrors provision proposed in Scotland and the latter has already been introduced

In addition, Landman Economics and the Professional Services Unit of the Department for Communities were asked to estimate annual costings for introducing such policies over the next three financial years from 2022/23 to 2024/25.

We also examined the extent of the shortfall between the Local Housing Allowance payable within Housing Benefit in the private rented sector and the rent charged.

In addition, we also looked at the difficulties created by the five week wait for the first payment of Universal Credit and the possible introduction of a Cost of Work Allowance, namely, a payment made to families, and those without dependants who are in work and on UC and tax credits. This built on a proposal contained in the first mitigations package which could not be implemented.

The panel received extensive feedback from stakeholders. In particular, we were told of the difficulties facing people on social security in making ends meet, the specific problems created by the five week wait for a first payment of Universal Credit, the impact and unfairness of the two child limit applied to Universal Credit and Child Tax Credit, the barriers that stand in the way of people trying out work and the problems caused by the Local Housing Allowance which created shortfalls for claimants in the private rented sector. We also heard about wider issues beyond social security including the disadvantages facing people living in rural areas, the stress associated with substantial caring responsibilities, problems with the disability benefits' assessment procedures and the value of being able to access independent advice services. The need for tailored support for those living in rural areas was particularly highlighted. We drew significantly on the feedback in reaching our recommendations.

The Analysis of Options

Each of the options were analysed to see what the average increase in annual household income was, broken down by income decile, gender, where a disabled adult and disabled child was a member of the household. The options were also examined by household composition including working age and pensionable age single men and women, working age families with and without children and pensioner couples. Given the research findings on who had borne the greatest burden as a result of the social security reforms, the aim was to see whether the options were well targeted on households on low incomes, benefitted households with a disabled child and/or adult over a household without someone with a disability. We also wanted to assure ourselves that the options had a positive effect on women.

The outcomes are set out in the following table:

Table 1: Analysis of effective targeting through average increase in annual household income by categories

	Low Income	Gender	Household with a disabled adult	Household with a disabled child	Household Composition (main beneficiaries)
Offsetting two child limit	Yes	Yes	Mixed	Yes	Working age couples/ lone parents
Restoring £20 UC uplift	Yes	Yes	Yes	Yes	Lone parents, couples, single working age men and women
Additional payment for children on certain benefits	Yes	Yes	Little difference	Yes	Working age lone parents, couples
Additional payment for disabled adults or children on certain benefits	Yes	Little difference	Yes	Yes	Lone parents, single working age men and women
Introduce carers recognition payment	Yes	Yes	Yes	Yes	Lone parents, working age couples without dependent children
Young carers recognition payment	Yes	Little difference	Little difference	Little difference	Single working age young men/women aged 16-18
More than one child cared for payment	Yes	Yes	Yes	Yes	Working age couples without child dependents

	Low Income	Gender	Household with a disabled adult	Household with a disabled child	Household Composition (main beneficiaries)
Increase Carer's Allowance earnings threshold by (i) 16 times National Living Wage	Mixed	Yes	Yes	Yes	Working age couples with or without children
(ii) double threshold to £264 a week	Mixed	Yes	Yes	No	Working age couples with or without children and lone parents
(iii) triple to £396 a week	Mixed	Yes	Yes	Yes	Working age couples with or without children
(iv) abolish earnings threshold	No	Yes	Yes	Yes	Working age couples without children, working age single women and lone parents
Introduction of Best Start Grant payments (as per Scotland with additional payments to 11 and 16 year olds)	Yes	Yes	Little difference	Little difference	Working age couples and lone parents
Adult winter heating assistance payment	Yes	Yes	Yes	Yes	Lone parents and single men and women of pensionable age
Disabled child winter heating assistance payment	No	Little difference	Yes	Yes	Lone parents, working age couples with children
A payment for children based on (i) £10 per child under 6 years	Yes	Yes	No	Yes	Working age couples with children/lone parents

	Low Income	Gender	Household with a disabled adult	Household with a disabled child	Household Composition (main beneficiaries)
(ii) payment of £20 per child under 6 years	Yes	Yes	No	Yes	Working age couples with children
(iii) payment of £10 a week per child under 16 years of age	Yes	Yes	Yes	Yes	Working age couples with children and lone parents
(iv) payment of £20 a week per child under 16 years of age	Yes	Yes	Yes	Yes	Working age couples with children and lone parents
Payment of a Job Start grant to 18-24 year olds	Yes	No difference	No	No	Young single men and women

We examined the case for introducing a Cost of Work Allowance for those who are low paid and to recognise the fact that NI lags significantly behind the rest of the UK in providing childcare support outside of the social security system. We specifically looked at extending a payment to people with disabilities who are in work and on a low income.

On dealing with the hardship caused by the five week wait for the first payment of Universal Credit we provisionally interrogated a number of options, but, were unable to produce definitive solutions given that some options would require significant IT workarounds and the timeframe would not allow us to obtain the necessary costings.

Recommendations and Rationale

We satisfied ourselves that the options considered do effectively target households on low income and those containing an adult and/or a child with a disability alongside benefitting women in particular. Some options were targeted at specific groups and were focussed accordingly, for example, a Job Start Grant at young people recently out of work and winter heating assistance payments aimed at older people and households with a disabled adult or child. As a result, we have recommended the following:

(i) offset the two child limit in Universal Credit, Child Tax Credit and HB only claims. This would be introduced through a Welfare Supplementary Payment called a Better Start Larger Families payment.

(ii) introduce a Better Start Grant payment to low income families entailing a pregnancy and baby payment of £606 on the birth of a first child replacing the Sure Start Maternity Grant of £500 and a payment of £303 for maternity needs of subsequently children, an early learning payment of £252 when aged between two years and three and a half years on starting nursery, a school age payment of £252 when starting primary school, a school transition payment of £252 at aged 11 and a similar staying on payment at aged 16 for those remaining in education or training.

The payments would be made to claimants on any one of Universal Credit (UC), income based Jobseekers Allowance (JSA), income related Employment and Support Allowance (ESA), Income Support (IS), Housing Benefit (HB), Child Tax Credit or Working Tax Credit.

(iii) introduce additional support to carers through (a) a carers recognition payment of £231.40 payable twice a year in June and December to claimants receiving Carers Allowance; (b) a young carers recognition payment of £308.15 paid once a year to carers aged 16-18 years old who provide on average 16 hours care a week for someone receiving either rate of the daily living component of PIP or highest or middle rate care component of DLA; and (c) increasing the earnings allowance before Carers Allowance is withdrawn to the equivalent of working 16 hours at the National Living Wage each year. A Carer's reference group should also be set up to look at other ways of increasing support for carers through the social security system.

(iv) support those who are in work through (a) introducing a Cost of Work Allowance providing an annual lump sum payment to claimants on UC or WTC whose earnings fall within a specific threshold. The payment would be set at three levels – one for households without dependent children, a higher rate for households with dependent children, and an additional payment for anyone receiving any rate of the daily living or mobility component of PIP; (b) introduce a Job Start grant of £252.50 for a single person and £404 for those responsible for a child payable to people aged 18-24 (extended to aged 25 for care leavers). To qualify a person must have started work after being on one of UC, IS, income related JSA, income related ESA for at least six months and (c) retaining underlying entitlement to UC for six months when taking up a job. This will allow a person for example to claim UC

again automatically without having to undergo a further five week wait.

(v) further support for winter fuel costs through (a) introducing a low income winter heating assistance payment and (b) a child disability winter heating assistance payment. A low income winter assistance payment of £50 would be made to households on Pension Credit (PC) or one of the UC, IS, income based JSA, mortgage interest payments only, ESA or Child Tax Credit where such claims either include disability premia or a child under 5 in the claim. A child disability winter assistance payment of £202 would be made to anyone responsible for a child who is receiving the highest rate of the daily living component of PIP.

(vi) tackling the five week wait for first payment of UC. We propose an interim solution of increasing the Universal Credit Contingency Fund budget for paying grants during the five week wait to at least £5million, introducing new interpretative guidance to enable payments to be more readily made under the fund, changing the Fund's name to Universal Credit – New Claims Payment and promoting the availability of the payment. In addition, we recommend introducing a savings rule set at £1,000 and amending regulations to loosen the criteria to ensure claimants facing financial hardship and difficulties short of a crisis or destitution can more easily access the fund. A longer term solution is proposed through urgently setting up a Departmental led working party to examine alternative solutions including advance payments of a grant, an increase to existing benefit run ons or a Welfare Supplementary Payments scheme. Reference groups of claimant users and advice workers should be set up to advise the Departmental working group.

(vii) assisting those affected by shortfalls in rent in the private rented sector as a result of the Local Housing Allowance. An independent Financial Inclusion Service should be set up to provide bespoke advice and money management support. The service would be based in the independent advice sector and would have access to a separately managed grant scheme. The service would allow those struggling to meet shortfalls in rent created by the Local Housing Allowance a breathing space to look at alternative or other solutions.

(viii) mainstream existing funding of mitigation advice services - this would entail the mainstreaming of additional funding implemented following the recommendation of the previous mitigations working group. The funding of £2million is currently renewed on a year by year basis. In addition, half a million pounds a year should be made available for advice initiatives targeted in rural areas. A steering group of advice organisations and rural network organisations should be consulted on

to ensure the most effective use of the additional resource.

(ix) dealing with existing mitigations – the issue of young people transferring from DLA to PIP at aged 16 should be addressed. Currently, those young people who lose out receive a temporary mitigation payment for a loss of PIP, however, parents who lose disability premia in their own claims receive no such temporary payment. We recommend introducing such a payment. In the longer term the case for extending payment of DLA from aged 16 to 18 should be examined. In addition, we recommend extending the mitigation of the benefit cap for beyond the next three years.

The cost of the new mitigations package recommendations is as follows:

Table 2: Estimated Costs of the additional new Mitigations Package Recommendations from 2022/23 through to 2024/25

	2022/23 £m	2023/24 £m	2024/25 £m
Offsetting the two child policy	39.5	46.0	52.9
Introducing a Better Start Grant	9.0	9.0	10.0
Carers recognition Payment	23.6	24.7	25.4
Young Carer's grant (partial estimates)*	0.9	1.0	1.0
Increasing Carers Allowance earnings threshold	3.0	3.0	3.0
Cost of Work Allowance	35.0	35.0	35.0
Job Start Grant	1.0	1.0	1.0
Adult winter fuel assistance	11	11	11
Disabled child winter fuel payment	3.3	3.5	3.7
Increasing UC Contingency Fund budget	3.0	3.0	3.0
Financial Inclusion Service to and access to grants scheme	2.8	2.9	3.0
Additional advice funding for rural areas	0.5	0.5	0.5
TOTAL	**£132.6m**	**£140.6m**	**£149.5m**

* Please note, the estimated annual costs for the Young Carers grant were a partial estimate only that do not cover the full costs of this grant and are therefore likely to be an underestimate. Costings provided were based on estimated volumes of new young Carer's Allowance claimants who it is expected would have applied for this grant before they became recipients of Carer's Allowance. PSU were unable to estimate the additional costs for young carers who would not be eligible for Carer's Allowance but would be eligible for the grant each year.

This total cost does not include mainstreaming existing mitigation advice services which are part of the original mitigations package or the cost of developing a long term solution to the hardship created by the five week wait for the first payment of Universal Credit.

All forecasted costs for the additional mitigations schemes are estimates only and subject to modelling error.

Introduction

On 16 November 2021 the Communities Minister Deirdre Hargey announced the appointment of an independent advisory panel to review social security mitigations.

The task was two-fold. First, to examine the existing social security mitigations introduced in 2016 and ensure they are working effectively. These measures included ensuring the social sector size criteria (SSSC)/bedroom tax and benefit cap for families were not implemented in Northern Ireland alongside temporary compensation schemes for claimants and households when, for example, moving from Disability Living Allowance to Personal Independence Payment. In addition, more money was made available for independent advice services. The NI Executive has recently agreed to introduce new legislation to renew these mitigations which was passed by the NI Assembly in February 2022. Second, the panel was asked to consider the need for new mitigations and analyse the cost of any new measures and how many people would benefit from any new proposals. The panel were asked to make recommendations to cover the next three financial years from 2022/23 through to 2024/25 inclusive. In undertaking both tasks, the panel was also asked to take into account the impact of recent social security reforms by gender, disability, household income, including the effect on children, alongside considering any human rights, equality and rural needs issues arising from the delivery of the mitigations package.

Moreover, the panel were also tasked with having regard to Ministerial commitments on specific social security issues, in particular, the two child policy, any anomalies in the benefit cap and social sector size criteria/bedroom tax mitigation, the Universal Credit Contingency Fund, removal of the £20 uplift in Universal Credit and a review of the payment rate of Carer's Allowance and amending earnings rules to allow carers in work to more readily access support. We were also asked to consult with stakeholders including advice and community organisations.

The full terms of reference are contained in Annex 1 to this report.

The panel members are:

Les Allamby (Chair)

Louise Coyle, Rural Women's Network

Liam Devine, Clanrye Training Group

Craig Harrison, Marie Curie

Kerry Logan, Housing Rights

Sinead McKinley, North Belfast Advice Partnership

Jonathan Portes, Kings College London

Mark Simpson, UU School of Law

Koulla Yiasouma, NICCY

We were also supported in our work by David Tarr, Alice Bradley and Roisin Reid from the Department for Communities.

To assist us with our work we engaged Howard Reed from Landman Economics to undertake modelling and costings of possible mitigations options and also drew heavily on the forecasting and modelling provided by the Department's own Professional Services Unit in response to our requests

The aim was to have a report and recommendations with the Minister by early February 2022.

The report starts with chapters on the backdrop to our task, how we went about the work and what we heard. It then sets out the findings of the work undertaken by Landman Economics and PSU before concluding with a final chapter on our recommendations and the rationale for them.

CHAPTER 1: BACKDROP TO THE REVIEW

The context for the review

Social security is a devolved issue and therefore the responsibility of the Northern Ireland Executive and Assembly. Social security benefits are generally administered through the Department for Communities, subject to exceptions for example, tax credits and the National Insurance contribution system are administered by HMRC for the whole of the United Kingdom.

In practice, a policy of parity has been historically adopted. This is reflected in the Northern Ireland Act 1998 which provides that

‘The Secretary of State and the Northern Ireland Minister having responsibility for Social Security … shall from time to time consult one another with a view to securing that, to the extent agreed between them, the legislation … provides single systems of Social Security, Child Support and Pensions to the United Kingdom.[1]

The concept of parity is reinforced by an annual Statement of Funding Policy set out by the Treasury in London on how funding arrangements will work. The most recent statement published in October 2021 sets out that:

‘The UK government … is committed to ensuring that the Northern Ireland Executive has sufficient funding to maintain welfare payments to recipients in Northern Ireland to the same level as those funded by the equivalent UK government departments and agencies … If the Northern Ireland Executive opts to make those programmes more generous then they will need to meet these additional costs (from their own resources).[2]

Moreover, an agreement was reached between the Department for Work and Pensions and Department for Communities in 2018 outlining that both Departments will consult with each other as early as possible when developing policy or operational changes. The concordat is not legally binding but is effectively adhered to by both Departments.[3]

A further reality is that many of our social security systems are managed through IT systems based in Britain organised through commercial arrangements made

1 See Section 87 Northern Ireland Act 1998

2 Statement of funding policy: Funding the Scottish Government, Welsh Government and NI Executive October 2021 paras 7.7 and 7.8

3 Concordat between the DWP and DfC 9 June 2018

by the Department for Work and Pensions. This includes, for example, the arrangements for Universal Credit. In essence, if we want to do things differently, we can do, but it must be paid for out of the Northern Ireland (NI) Executive's Block grant, including the cost of any additional IT workarounds. This has not precluded NI from doing things differently, for example, we did not introduce Council Tax and Council Tax benefit, instead, retaining local rates and the rate rebate system. Moreover, more recently, in November 2016 following the abolition of the Social Fund, a bespoke scheme for NI was developed to replace the ending of community care grants and crisis loans. The Discretionary Support scheme (DS) was introduced through legislation passed in the NI Assembly with a budget of £16 million allocated for 2021/22. The DS scheme is subject of a separate independent review led by Grainne McKeever and our work and recommendations seeks to complement that review. The outcome of the first mitigations panel led by Eileen Evason in 2016 is a further example of how things have been done differently to take account of specific local needs and circumstances. Moreover, Universal Credit payment arrangements are different with the housing costs element normally paid direct to landlords and the option of fortnightly rather than monthly payments being available to claimants.

The context for the work of the first mitigations panel lay in the failure of the NI Executive (and Assembly) to secure agreement to implement legislation which mirrored the Welfare Reform Act 2012 passed in the Westminster Parliament.
The Welfare Reform Act 2012 restructured the working age social security system, introducing Universal Credit in place of a range of means-tested benefits.
In particular, Universal Credit replaced Income Support, income based Jobseeker's Allowance, income related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit (legacy benefits). Universal Credit (UC) is a means-tested benefit paid to those in and out of work. New claimants must now claim UC while existing claimants of other benefits will be transferred to UC under a managed migration process. Disability Living Allowance was also replaced with Personal Independence Payment for adults. It also paved the way for the introduction of the social sector size criteria/bedroom tax, the benefit cap and increased conditionality on lone parents to look for work when children reached an earlier age among other provisions. Agreement could not be reached to pass equivalent legislation locally and the UK government began reducing payments to the Northern Ireland block grant to cover the anticipated reductions in the social security budget expected to result

from introducing equivalent legislation. The impasse was eventually resolved under the Fresh Start Agreement which entailed social security being temporarily transferred back to Westminster with the specific purpose of allowing legislation to be made broadly in line with Welfare Reform Act and to introduce mitigations. [4] [5]

As part of the outcome of the political agreement reached, a Welfare Reform Mitigations Working Group was set up and asked to examine specific mitigations within a budget set and agreed by the NI Executive. The social security mitigations schemes put forward by the Working Group were approved by the NI Executive with legislation introduced to cover a four-year period up until 31 March 2020. The proposed mitigations are set out in the table below:

4 NIO – A Fresh Start: The Stormont Agreement and Implementation Plan (2015)

5 Welfare Reform (NI) Order 2015 and Welfare Reform and Work (NI) Order 2016

Table 3: Welfare supplementary payments under section 137 and 137A of the Welfare Reform (NI) Order 2015 [6] [7]

Benefit claimed	Loss results from	Proportion of loss made up	Duration of payment
Universal credit or housing benefit	Social sector size criteria – reduction of entitlement to under-occupying social tenants	100%	Indefinite, unless claimant moves to a different social rented property but continues to under-occupy to the same or greater extent. Now dealt with.
Universal credit or housing benefit	Household benefit cap of £20,000 (from November 2016; cap of £26,000 applied May to November 2016)	100% of loss at November 2016	Indefinite, but no support for claimants capped after November 2016 (unless in continuous receipt of a relevant benefit) and no additional support if notional entitlement exceeds the cap by a greater margin than at November 2016. Now dealt with.
Contributory employment and support allowance	Time-limiting of entitlement to one year	100% (if in receipt of CESA when time limit introduced)	One year

6 M Simpson, Social citizenship in an age of welfare regionalism: the state of the social union (Oxford: Hart, 2022)

7 Table does not include cost of working allowance, proposed by the Welfare Reform Mitigations Working Group in response to cuts to the universal credit work allowance from April 2017 and planned (but ultimately abandoned) cuts to tax credits announced in July 2015. Enabling powers for the COWA are provided by section 137B of the 2015 Order, but no Regulations have been made

Benefit claimed	Loss results from	Proportion of loss made up	Duration of payment
Disability living allowance	PIP refused following transitional assessment	100%	Until conclusion of appeal
Disability living allowance	PIP award is at least £10 per week less than previous DLA award, or refusal of PIP upheld on appeal	75%	One year
Disability living allowance, as a result of a conflict-related injury or trauma	PIP refused, but claimant awarded at least four points in assessment for either daily living or mobility component	Payment is equal to the PIP daily living or mobility component at the standard rate	One year
Any benefit or tax credit with a disability-related premium	PIP refused or awarded at a lower rate than previous DLA award	100%	One year
Carer's allowance	Cared-for person, previously in receipt of DLA, refused PIP daily living component	100% (discounting any increase to other benefits due to loss of carer's allowance)	One year
Any benefit with a carer's premium	Cared-for person, previously in receipt of DLA, refused PIP daily living component	100%	One year

Benefit claimed	Loss results from	Proportion of loss made up	Duration of payment
Income support (entitlement contingent on being a carer)	Cared-for person, previously in receipt of DLA, refused PIP daily living component	Equivalent to carer's allowance (about 83% of the IS personal allowance)	One year

In the New Decade, New Approach agreement reached in January 2020 the NI Executive committed to extending the existing schemes beyond March 2020 and to conduct a further review of existing and further measures. In November 2021 the NI Executive agreed to implement legislation to extend the existing mitigations for a further three years and close a number of anomalies that had arisen from the previous legislation. The legislation subsequently passed in February 2022 extended most mitigations for three years and SSSC/ bedroom tax mitigations for an indefinite period.

Changes in Social Security expenditure

A series of changes to social security were introduced by the (then) Chancellor of the Exchequer, George Osborne, in his first two budgets in June 2010 and December 2010. The changes were designed to significantly reduce expenditure on social security, particularly aimed at working age benefits.

Further changes to increase savings then followed. In 2016, the House of Commons Library published its analysis of changes in spending based on applying its own Welfare Savings and Expenditure Tool. The research calculated savings of £26 billion had been made as a result of changes to social security spending. This was around 10 per cent of the otherwise expenditure projected without the savings, rising to 15 per cent of projected expenditure by 2020/21. [8]

The research outlined that the three largest savings in expenditure between June 2010 and March 2016 were:

- Switching the uprating of most social security benefits from the Retail Prices Index to the Consumer Prices Index (CPI)
- Limiting the uprating of most working age social security benefits and tax credits to one per cent for three years from 2013/14
- Removing child benefit from families with a higher rate taxpayer

8 House of Commons Library Briefing Paper: 2020-21 Richard Keen Welfare Savings 2010-11 to July 2016

In addition, tax credit expenditure was around £4 billion lower than it otherwise would have been without changes introduced to tax credits.

The limit on uprating of most working age benefits and tax credits was followed by a further four-year freeze on uprating from 2016 onwards. The level of the benefit cap was reduced from £26,000 to £20,000 a year. Families with an additional child born after April 2017 were no longer entitled to additional support through Child Tax Credit (CTC) or Universal Credit if already receiving payments in respect of two or more children (the two-child limit).

In contrast, expenditure on state retirement pension increased above initial projection by £1.6billion as a result of measures introduced from January 2010. This reflected the government's decision to introduce the 'triple lock' to increase the annual rise in state pension by the highest of the rate of inflation, average earnings or 2.5 per cent.

Specific changes were made to a range of social security benefits to save money. By way of illustration, for new-born children, the Health in Pregnancy grant of £190 was abolished in January 2011, the Child Tax Credit baby element paid for children under 12 months old (worth £545) was ended in April 2011 and the Sure Start Maternity Grant (SSMG) (worth £500) to meet the maternity needs of a new-born baby was stopped for second and subsequent children in April 2011. The SSMG payment of £500 for one child has not been increased in over a decade.
The Local Housing Allowance (help with rent in the private rented sector through Housing Benefit) was capped at 30 per cent of average local rents in January 2012. In April 2013 the Local Housing Allowance was updated by the Consumer Prices Index rather than market rates and subsequently frozen. In effect, this further lowered the cap (and the properties available which would be met in full in Housing Benefit). The Local Housing Allowance was restored to cover 30 per cent of local rents during the pandemic but this rate has once again been frozen since April 2020.

Most of these key changes were introduced in NI at the same time as in the rest of the UK.

The issue of uprating of benefit and whether it keeps pace with inflation remains relevant today. In January 2022, the Institute for Fiscal Studies (IFS) published a paper pointing out that the uprating of working age benefits and Pension Credit by 3.1 per cent compares unfavourably with the Bank of England's inflation forecast of 6 per cent by April 2022.[9] The latest figures for inflation show it was 5.5 per cent at January 2022. The IFS outlined the impact of the gap is a £290 fall in benefit income year on year in real terms in 2022/23. Moreover, this does not consider the loss of the pandemic related £20 a week uplift to Universal Credit ended by the UK government in October 2021. In addition, for the first time this year, the government departed

9 The cost of living crunch – Robert Joyce, Heidi Karjalinen, Peter Levell and Tom Waters IFS 12 January 2022

from the ‘triple lock’ and will only increase state retirement pension by the rate of CPI in September 2021, namely 3.1 per cent.

Household incomes are also impacted by changes to the tax system, other changes to the social security system, as well as other policy changes such as the level of the National Living Wage. In November 2019 the NI Human Rights Commission published a ‘Cumulative impact assessment of tax and social security reforms in Northern Ireland’.(CIA) [10]

The CIA examined the impact of all policy changes to the tax and social security system from 2010 through to March 2019 including those announced for implementation through to the end of the financial year 2021/22.

The report assessed the effect by income decile (i.e. those in the top 10 per cent of household income to those down in the bottom 10 per cent). Alongside this, the research set out the changes in income by disability, the presence of children (and their number) in a household, by gender, age and employment status. Among the key findings were:

- The biggest average total losses from tax and social security changes are in the bottom 2 and 3 deciles (around £900 a year). There were also average losses in the bottom decile though these are smaller (due to projected increases in take up of Universal Credit)
- Households with at least one disabled child experienced average losses from the reforms of around £2,000 per year
- Households with greater numbers of functional disabilities experienced greater average losses from the reforms. Average changes in net income range from an average gain of just under £550 per year for households with a disability score of zero to average losses of around £1,300 per year for households with six or more functional disabilities
- Households with children experienced much larger losses as a result of the reforms than households without children. Losses are especially dramatic for lone parent households, who lose around £2,250 a year on average – equivalent to almost 10 per cent of their net income
- Households with three or more children were particularly badly affected by the benefit and tax credit reforms with overall average annual losses of around £2,575, compared to average losses of £50 for households with one child
- Women lost more on average from the direct tax and social security measures than men, mainly because they are more likely to be receiving benefits and tax credits than men
- By gender and age group, the biggest average cash losses from the reforms are for women aged 35 to 44 and women aged 75 and over

10 Cumulative impact assessment of tax and social security reforms in NI – Howard Reed and Jonathan Portes NIHRC November 2019

- Overall, groups who are in receipt of relatively large amounts of benefit and tax credit income (such as poorer households, lone parents and households with three or more children) lose out more than average from the reforms
- Households with two or more people in work benefit more from the direct tax changes and the above inflation increase in the National Living Wage (NLW) and National Minimum Wage (NMW) than one-earner households, who in turn benefit more than households with no-one in work. The main driver of gains from the direct tax change is the substantial increase in the real terms value of the income tax personal allowance since 2010

International Research

The social security system across the UK has also been subject to international scrutiny. In October 2016 the UN Committee on the Rights of Persons with Disabilities (UNCRPD Committee) published an inquiry into social security legislation and policies adopted by the government. The Committee concluded that there was reliable evidence that the threshold of grave or systematic violations of the rights of persons with disabilities had been met. [11] Moreover, in November 2018 the (then) UN Special Rapporteur on extreme poverty and human rights, Philip Alston, issued a statement following a visit which included to Northern Ireland. [12] His report was deeply critical of government policy finding that the growth in poverty and inequality was unnecessary given that the UK was the fifth richest economy in the world (at that time). Among his recommendations was that the five-week delay in Universal Credit should be eliminated. The government robustly contested and disagreed with the findings of both the UN, CRPD Committee and UN Special Rapporteur. [13]

Domestic research

Closer to home, in October 2017, the Women's Regional Consortium examined the policy issues that government locally should prioritise in order to take into account the wellbeing needs and interests of disadvantaged women in Northern Ireland.[14] Among the reports key findings was the impact of the interaction between lack of affordable and accessible childcare, the lack of economic participation and opportunities and consequential reliance on social security and this adverse outcome on poverty rates. Among the wide-ranging recommendations was that women should be included in policy development and that all government policies

11 Inquiry concerning the United Kingdom of GB and NI carried out by the Committee under Article 6 of The Optional Protocol to the Convention (para 113)

12 Statement on Visit to the United Kingdom by Professor Alston, UN Special Rapporteur on extreme poverty and human rights

13 The UK government response to the Report by the UNCRPD Committee under Article 6 of the Optional Protocol 2017

14 By Dr Caroline Walsh – Consortium for the Regional Support for Women in Disadvantaged and Rural Areas

should be subject to effective rural proofing to take account of the specific disadvantages found in rural areas.

The importance of Universal Credit for women in particular, was reinforced by further research by the Women's Regional Consortium in September 2020 which noted

'Structurally women are more likely to have to claim social security benefits due to their concentration in low-paid, part-time and insecure work and traditional gender roles which make them more likely to provide childcare and other caring roles. The amalgamation of existing benefits into Universal Credit has meant that this is now the key benefit for many women and families who will have to rely on it if they are on a low income, out of work or unable to work due to sickness'.[15]

The key findings of that research were that the majority of women surveyed for the research had a negative experience of Universal Credit, in particular, the five-week wait and its impact in trying to manage during that period.

The reality of childcare provision is that while the social security system provides significant help with childcare costs on an equal footing across the UK, the situation is markedly different beyond social security where NI lags substantially behind England, Scotland and Wales when it comes to additional provision of childcare. This is set out below in Table 4.

15 The impact of Universal Credit on Women – Siobhan Harding September 2020 Consortium for Regional Support for Women in Disadvantaged and Rural Areas p5

Table 4: A comparison of government funded childcare available across the UK and in Ireland.

Funded provision	2 year old	3-4 year olds	Flexible timings	Flexible providers	Classification
NI	None	475 hours a year for all children 855 hours a year in 29 per cent of pre-schools	No	No	Pre-school education
England	570 hours a year for low income families	1,140 hours a year for certain working families 570 hours a year for all children	Yes	Yes	Early education and childcare
Scotland	600+ hours a year for families on a range of benefits (now expanded to 1,140 hours in term time)	600+ hours a year for all children (now expanded to 1,140 hours)	No	Yes	Early education and childcare

Funded provision	2 year old	3-4 year olds	Flexible timings	Flexible providers	Classification
Wales	487.5 hours per year (term time) for Families in Disadvantaged Areas + 15 sessions in school holidays	1,440 hours a year for Working families can be spread over 48 weeks to include school holidays 390+ hours a year for all children	Yes (some school holiday provision)	Yes	Early education and childcare
Ireland	570 hours a year for all children from 2 years and 8 months	570 hours a year for all children	No	Yes	Early childhood care and education

Source Fact Check NI – Is Northern Ireland without funded childcare provision? December 2019.

The recent report of The Expert Advisory Panel on Recommendations for an Anti-Poverty Strategy set out the scale of the challenge facing the NI Executive and the Department in tackling poverty.[16] In particular, around 370,000 people live below the poverty line – around almost one in five of us. Moreover, out of those 370,000 individuals, almost one in three are children. In addition, more than one in every three children living in poverty lives in a household where someone is disabled and four out of five of those children are living in a household where the person with the disability is an adult.

In a report issued during the work of our panel, the Joseph Rowntree Foundation examined the up to date position of poverty across

16 Recommendations for an Anti-Poverty Strategy – Report of Expert Advisory Panel – Goretti Horgan, Mike Tomlinson, Pauline Leeson and Bernadette McAliskey March 2021 Department for Communities

the UK. [17] The report identified a number of elements of the social security system which contribute to increasing poverty and hardship including:

- the two-child limit in income-related benefits
- the benefit cap
- the five-week wait for the first Universal Credit payment
- unaffordable deductions from benefits to meet debts
- local housing allowance rates which have broken the link between housing costs in the private rented sector and social security benefits.

The report also identified concerns for the future including that low income households have a limited cushion against the rising cost of living or unforeseen circumstances with over the third of the poorest fifth of households having available savings of less than £250. The report recognised that families out of work fare worse than families in work. Many of those families are out of work due to disability or caring responsibilities, circumstances which in themselves increase the likelihood of poverty with a gap of around 12 per cent between poverty rates of disabled and non-disabled people. This is a specific issue in NI where the 'economic inactivity rate' of people of working age is almost six per cent higher than the rate in the UK (27.3 per cent compared to 21.2 per cent). [18] This disparity has historically been the case going back more than 30 years. Moreover, NI has the highest rate of economic inactivity among the working age population than any region of the UK due to sickness and disability. [19]

Poverty, however, is not confined to working age households who are out of work. The Joseph Rowntree Foundation report on poverty trends outlines that while being in a working family reduces the risk of poverty (particularly where both adults in a household are in work or one adult works full time) it is no guarantee of avoiding poverty or financial hardship particularly if the work is part-time, in a low paid occupation, in self-employment or where only one adult is working. Moreover, the latest data in the report revealed a significant rise in destitution across the UK with over a million households (containing 2.4 million people including half a million children) experiencing destitution in 2019. The rise in the number and prevalence of the use of food banks in NI and elsewhere is just one practical manifestation of this reality. The number of emergency food parcels distributed by the Trussell Trust in NI has tripled in the years 2015/16 to 2020/21,

17 UK Poverty 2022: The Essential Guide to Understanding Poverty in the UK – January 2022 Joseph Rowntree Foundation

18 Economic Inactivity in Northern Ireland – NISRA (4 June 2019)

19 See NISRA Op cit Section 3.2

up from 26,268 to 78,827. [20] This increase is significantly greater proportionately than in England, Wales or Scotland. Moreover, the figures do not take into account the large number of food banks which have been set up as a result of local church and community initiatives across NI. [21]

In a downbeat assessment, the JRF Poverty Trends report notes that:

'Broadly speaking, there seems little prospect of reversing trends since around 2012/13 of rising child poverty and rising pensioner poverty. Larger families and single parent families have particularly high poverty rates at almost half for both single parent families and for families containing three or more children'. [22] The prevalence of poverty among minority ethnic families was also highlighted as a continuing trend. In addition, the report suggests that modelling is projecting further increases as a result of the pandemic while recognising the differences in responses to the pandemic across the UK.

On the social security front, the report acknowledged that:

'The benefits systems in Scotland and Northern Ireland are increasingly different from each other and from the rest of the UK, with mitigations against some of the most poverty-increasing welfare reforms of the last decade and, for Scotland, a new Scottish Child Payment which will double from April 2022 and will help progress towards its Child Poverty Act target. While JRF modelling suggests more action is needed to reach that target, it is noteworthy that these are the two countries with the lowest poverty rates in the United Kingdom, at 18 per cent for Northern Ireland and 19 per cent for Scotland compared with 22 per cent for England and 23 per cent for Wales.' [23]

The statistics around poverty do not, of course, convey what it is like to live on a day-to-day basis and cope with financial difficulties created by poverty. The foreword to the JRF poverty trends report from the Grassroots Poverty Action Group captures it succinctly.

'Something that is difficult to imagine without experiencing it, is how relentless poverty is; how you're utterly consumed by financial hardship that it affects every decision you make on a daily basis. Though the numbers tell us a great deal about the situation of poverty in the UK, this is a story that cannot be told solely through graphs and charts. Nobody in our society should have to experience the looming sense of dread as you consider whether to put heating on and

20 Trussell Trust – end of year statistics 2020/21

21 An interactive map of food banks across Northern Ireland is now available from the NI Assembly website December 2020 at **www.niassembly.gov.uk**

22 Joseph Rowntree Foundation (2022) Op cit p7

23 Joseph Rowntree Foundation (2022) Op cit p8

what you will have to go without if you do. When you live in poverty, the options available to you are severely reduced. You have to carefully account for each penny and its just not possible to put money aside for 'that rainy day'. As a result, when the unexpected happens, as it invariably does, you have no financial resilience to fall back on when things go wrong. [24]

Finally, the work of the panel is designed, in alliance, for example with the anti-poverty strategy to contribute to the Draft Programme for Government in NI, in particular the outcomes to ensure:

- We have an equal and inclusive society where everyone is valued and treated with respect
- We all enjoy long, health, active lives
- We have a caring society that supports people throughout their lives
- Our children and young people have the best start in life
- Everyone can reach their potential [25]

Our approach to the task takes the Draft Programme for Government Outcomes framework into account alongside the context set out in this chapter.

Conclusion

This is the backdrop that the panel is working within. We recognise that our work will only be one part of a much bigger picture with our recommendations needing to be considered alongside the wider strategies being worked on by the Department for Communities including the anti-poverty, disability, gender and sexual orientation strategies. These strategies will provide a focus on programmatic as well as income maintenance responses and the panel is mindful that our works fits in with that bigger picture.

24 Joseph Rowntree Foundation (2022) Op cit foreword p4

25 NI Executive - Programme for Government: Draft Outcomes Framework Consultation document 2021

Chapter 2: Our Approach to the Task

Guiding Principles of the Review

The timetable to deliver a report and recommendations was necessarily tight. The panel's starting point was to agree a number of guiding principles. These were then 'sense checked' in meetings with consultees to ensure the principles were appropriate and supported. In practice, the organisations we met were content with the guiding principles.

The principles included:

- while interrogating vigorously existing mitigations, a starting point was that the case remained compelling for retaining existing mitigations including not implementing the social sector size criteria/bedroom tax and benefit cap for families. This reflected the (then) reality that renewed legislation for the next three years for existing mitigations had just been agreed for the NI Executive. Nonetheless, the panel would consult with advice organisations, Departmental officials and others as to the efficacy or arrangements and what, if any, anomalies arise with the existing schemes

- to focus on the impact of any proposals on household income. In essence, we wanted to target the limited funds available on lower income households. We have aimed to ensure that wherever possible that the beneficiaries were in the bottom half of the income distribution, with the bulk of spending concentrated on the bottom third In doing so, we expected this would target effectively women, families with disabilities and other disadvantaged groups who find themselves on low incomes. As a result, any proposals would need to be modelled to confirm this assumption was, in fact, correct

- any proposals should enable the maximum financial support to reach claimants. In practice, this means being mindful of not producing proposals which have disproportionate administrative costs including paying significant sums for IT workarounds from the Department for Work and Pensions. In addition, it should mean avoiding proposals, wherever possible, which are unduly complex – a considerable challenge given the current social security scheme

- given the changes to social security and tax over the past decade the panel wanted to target the most acute financial hardship, namely, among working age families, and the disabled and those with caring responsibilities. This is not to ignore poverty among other groups for example, pensioners, but it reflects where the burden of changes to tax and social security have fallen

- within working age families and households, particular attention would be given to those out of work. This group has been particularly adversely affected by social security reforms. The loss of the £20 uplift to Universal Credit from October 2021 was, for example, partially offset by the Chancellor's announcement in the Autumn Budget and Spending Review that the earnings allowance before which Universal Credit is reduced and ultimately withdrawn would be increased by £500 while the rate of withdrawal where the earnings allowance threshold is reached (the taper) would be reduced from 63 percent to 55 percent. This change was a significant help to claimants on Universal Credit and in work but, provided no assistance to those on Universal Credit and out of work, for example, due to caring responsibilities or ill health

- we also wanted to also ensure that positive encouragement was given to assist claimants getting into work. First, because in work financial hardship remains a reality for many part time and low paid workers. Second, research suggests that being in work has many other positive benefits for health and wellbeing subject to the work, having decent terms and conditions, reaching a level of quality and workers being treated fairly and with respect

- any proposals should complement the recommendations of the Discretionary Support scheme review

- Independent advice services should be further supported given the importance and value of their work including improving the take up of social security benefits. In addition, any proposals should sit comfortably with other strategies being developed by the Department including the anti poverty strategy

- that the language of mitigations should evolve into a recognition that the devolution of social security allows the NI Executive and Assembly to develop enhancements to social security – an approach akin to that taken by the Scottish Government. Moreover, any approach adopted should also ensure that claimants are made aware that improvements and enhancements are occurring as a result of the NI Executive so that credit is given where it is due

- that where particular initiatives had already been introduced elsewhere or were in the pipeline the panel were interested in examining such initiatives. This led us to look at a number of changes made in Scotland. This would have the virtue of gaining reassurance that measures had been road tested including that such initiatives had already been negotiated with the Department for Work and Pensions and that any necessary IT changes were feasible

These principles were not exhaustive and guided rather than strait jacketed the approach we applied in producing the report and recommendations.

From the outset, we recognised some important differences from the Welfare Reform Mitigations Working Group previously led by Eileen Evason in 2016. As part of the Fresh Start Agreement in November 2015, the NI Executive agreed to set aside £585 million for the four years ending in 2020 to manage the reductions in social security payments. This sum included incorporating the Discretionary Support Scheme costs. [26] The Welfare Reform Mitigations Working Group reported in January 2016 and recommended a package of measures with an estimated cost of £501 million. The reduced level of expenditure was agreed following the decision of the UK Government not to proceed with planned changes to tax credits. In addition, a further £8million was recommended to fund additional independent advice services as well as money to tackle food poverty and create a Welfare Reform Information Network. [27]

Unlike the earlier working group, the panel for this report does not have an agreed budget from the NI Executive to work to. In essence, we must provide an evidence base to support the need that money should be spent from the block grant on further social security initiatives and that the necessary new legislation should be brought forward for agreement within the NI Executive and NI Assembly.

In addition, since the first report, Universal Credit has been introduced to a substantial extent. In August 2021 there were 116,280 households and 133,140 claimants receiving Universal Credit. [28] The roll out of Universal Credit for claimants on legacy benefits (Income Support, income based Jobseeker's Allowance, income related Employment and Support Allowance, tax credits and Housing Benefit) has not commenced and there is no timetable for completion at present. In addition, the two child limit was introduced in April 2017 for Universal Credit and Child Tax Credit. For both benefits, personal allowances are paid for each child and a claimant cannot receive a personal allowance in these benefits for a third or subsequent child. For claimants on Housing Benefit only, a personal allowance for a third or subsequent child is not also payable for a claim made on or after 6 April 2017. These new rules are subject to a number of very specific and limited exceptions. The impact of the introduction of the two child limit and implementation of particular aspects of Universal Credit were two areas of specific focus for the panel given our terms of reference.

26 Welfare Reforms in Northern Ireland – a report by the Northern Ireland Audit Office 17 January 2019, Appendix 3 provides a breakdown of the budget and expenditure

27 Welfare Reform Mitigations Working Group Report January 2016

28 NI Universal Credit Statistics August 2021 (**communities-ni.gov.uk.**)

The Work Undertaken

We developed three strands to complete our work. First, to extensively consult with key stakeholders on the work including advice organisations, voluntary and community organisations, people with lived experience of the social security system, training providers, further education colleges, staff in the Department for Communities (DfC) managing and administering social security benefits and the political parties within the NI Executive. During the initial phase of the work the Panel met with:

- North Belfast Advice Partnership
- the Cliff Edge Coalition
- North West Community Forum
- UC:Us – a claimant led group of people on Universal Credit who worked with Mark Simpson (Ulster University) and Ruth Patrick (University of York) on participatory research on the experiences of claiming and living on the benefit
- Organisations from the Long Term Conditions Alliance NI (LTCANI) and Coalition of Carers Organisations NI (CoCo), including Carers NI (and staff from Carers UK and Carers Scotland), the MS Society and it's service users group, Epilepsy Action, Action for Children and Positive Life
- Carers (NI) including representatives of Carers UK and Carers Scotland
- Eileen Evason and Kevin Higgins from the original Welfare Reform Mitigations Group
- Advice (NI) managers
- Age (NI)
- Women's Policy Support Group convened by the Women's Resource and Development Agency
- Department for Communities Disability and Carer's section staff
- The Independent Monitoring Mechanism NI disability forum for the UN Convention on the Rights of Disabled People convened by the Equality Commission and Human Rights Commission
- Disability Action and North West forum for Disabilities
- Further Education College Principals.
- Law Centre (NI)
- Children's sector organisations including Save the Children, Fostering Network, Children's Law Centre, Start 360 and Action for Children
- Department for Communities Universal Credit, UC Contingency Fund and Welfare Supplementary Payments staff
- Cullyhanna Rural Health Partnership
- NI Rural Women's Network including South Tyrone Empowerment Partnership (STEP)
- NICVA's training organisations forum

In addition, we met MLAs and officials from the Alliance Party, DUP, Sinn Fein, SDLP and Ulster Unionist Party to seek their views. To supplement this, we produced a short survey which was placed on the NI Direct website seeking people's views and experience of the social security system including any suggestions on how it could be improved.

The survey received 26 responses which were taken into account when formulating our recommendations.

The second strand was to commission work from Howard Reed of Landman Economics. Landman Economics first developed a tax transfer model (TTM) in 2008/09 for the Institute for Public Policy Research and subsequently shared with researchers at the Resolution Foundation. The TTM can be used to model the effects of reforms to the tax and transfer payment systems in England, Scotland, Wales and Northern Ireland. For NI, modelling can be done with means tested and non means tested social security benefits, including tax credits, Universal Credit alongside Income Tax, national insurance contributions, domestic rates and rates rebates, indirect taxes (for example, VAT and excise duties) and can adjust wages to take account of National Living Wage introduced from April 2015. The TTM is a microsimulation model which takes information from two datasets, namely, the Family Resources Survey (FRS) and Living Costs and Food Survey (LCFS). The Family Resources Survey is an annual survey of around twenty thousand households a year across the UK including just under 10 percent of which are households in NI. The NI FRS contains a boosted sample which means the proportion of households in the sample is higher than the proportion of Northern Irish resident households across the UK as a whole. The FRS is widely accepted as the best source of data on individual, family and household gross incomes and disposable incomes (ie incomes after payment of direct taxes and transfer payments). As a result, the FRS is used by the UK Government for it's measures on the incidence of poverty based on Households Below Average Income statistics. The Living Costs and Food Survey (LCF) is an annual household survey conducted across the UK. It surveys smaller numbers than the FRS. The LCF collects data on incomes and expenditure on goods and services. The data on expenditure is based on households recording individual expenditure over a two week period alongside answering questions on recurring additional expenditure (for example, fuel bills, rent and mortgage commitments). The survey is used by the Office for National Statistics in its publication Effects of Taxes and benefits on UK household income. The LCF is also the main data source for the UK Treasury's distributed analysis.

The panel asked Landman Economics to apply the tax transfer model to provide distributional analysis of possible mitigations by income decile, age, gender, disability, ethnicity and household composition. It was not possible to provide an analysis by community background because this variable is not present within the FRS data. A breakdown by individual ethnic background is also not possible for NI because of the small number of people from a minority ethnic background within the FRS and LCF.

The panel sought to apply the TTM to the following reforms:

- offsetting the two-child policy
- reforms to Carer's Allowance including an additional carers recognition payment, a young carer's grant, a payment where more than one disabled child is cared for and a relaxation of the earnings rules which when exceeded end entitlement to the benefit. The first three payments have been introduced in Scotland
- one off payments for families on certain social security benefits including an additional amount for a Sure Start Maternity Grant, and £250 linked to child development goals on starting nursery, beginning school, moving from primary to secondary school and staying in education at age 16. This would mirror payments made under the Best Start Grant in Scotland save for payments made at age 11 and 16
- an additional payment for children in low income families on Universal Credit or Child Tax Credit of £20 a month
- an additional payment for disabled people on UC with disability additions or on legacy benefits ie Employment and Support Allowance (ESA) and Housing Benefit (HB) with a disability premia who receive a disability addition for either an adult or a child. The modelling was based on a payment per adult or child with a disability rather than per household
- restoring the £20 per week uplift in Universal Credit
- making payments equivalent to the Scottish Child Payment modelling with current payments of £10 a week per child aged under 6 years of age as well as the proposed doubling of the payment to £20 per week per child under 6 from April 2022 and the payment of £10 a week and £20 a week per child aged under 16 years of age. The Scottish Government is committed to introducing the £20 a week payment for all children by the end of 2022. The Scottish Child Payment is made to families receiving Universal Credit, Child Tax Credit, Income Support, income based Jobseeker's Allowance, income related Employment and Support Allowance and Pension Credit
- a Job Start Payment of £250 for young single people and £400 for those with dependants mirroring a provision made in Scotland for young people aged 16-24 years of age who find work after a period on certain social security benefits
- A low income winter heating assistance and child winter heating assistance payment. The former mirrors provision proposed in Scotland and the latter has already been introduced

In addition, Landman Economics were also asked to apply the modelling and benefit unit forecasting to provide annual costings for introducing such policies over the next three financial years from 2022/23 to 2024/25.

The third strand was to ask the Department for Communities Professional Services Unit to apply its own forecasting and modelling to

provide costings and estimated numbers for a number of options including:

- offsetting the two- child policy
- increasing the weekly rate of Carer's Allowance to the Jobseeker's Allowance rate for over 25s (an additional £7.30 a week based on 2022/23 figures) and a number of options for a Carer's Recognition payment and a Young Carer's grant
- additional payments for children of low income families of £10 a month and £20 a month per child for receiving Universal Credit or Child Tax Credit
- additional payments for disabled people of £20 a month per adult or child on a low income and receiving Universal Credit and a disability premia or income related ESA or HB (with a disability premia)
- a low income winter heating assistance and child winter assistance payment
- the reinstatement of the £20 a week uplift to Universal Credit
- the numbers and costs to claimants affected by the shortfall between the Local Housing Allowance payable within UC (Housing costs) in the private rented sector and the rent charged

In addition, at a later stage the panel also sought costings for a range of options to deal with the difficulties created by the five week wait for the first payment of Universal Credit and a breakdown of payments associated with the introduction of a Cost of Work Allowance, namely, a payment made to families, childless couples and people with a disability who are in work and on UC and tax credits.

PSU modelling was based on analysis of the Department's administrative caseload data. Modelling involved applying eligibility criteria for the proposed new mitigations and schemes to the historic caseload data and using this to forecast prospective volumes as to who would benefit from the new schemes as well as the estimated costs of these.

The differences between some of the requests made to Landman Economics and the Professional Services Unit reflected the data available for analysis and differences in modelling methods.

We also met with DfC staff responsible for a variety of strategies within the Department and for the management of independent advice services funding including the additional funding made available to the advice sector following the Welfare Reform Working Group's recommendations in 2016.

Finally, we received data and expenditure from DfC on the existing mitigations schemes and reviewed several reports reviewing the scheme including from within and outside of the Department for Communities.

CHAPTER 3: WHAT WE HEARD

The meetings conducted with advice organisations, voluntary and community groups, people with lived experience of claiming benefits and Departmental officials provided a rich source of feedback and information which was invaluable for our work. Inevitably, some of the issues raised fell outside of social security and the remit of this report, nonetheless, they are important. As a result, they are noted within this chapter as it reinforces the panel's view that our recommendations need to fit alongside a wider picture of tackling economic and social disadvantage. Moreover, other issues raised, highlighted social security issues which are beyond the terms of reference, yet are also important and we have tried to capture these points so that they are not lost. In addition, we received contributions from the wider public following the NI Direct survey and we have recorded a number of those within this chapter.

The panel deeply appreciates all those who engaged with us and gave up their time.

Recurring general themes

A number of issues were raised repeatedly in our meetings. These included how difficult it was to make ends meet for those relying on the social security system and that things are likely to get worse not better in the immediate future due to the loss of the £20 uplift in Universal Credit alongside the increase in the cost of living and particularly fuel costs. The point was raised by, among others, the Women's Sector Policy Forum, UC:US a claimant led initiative, and a number of advice workers who were seeing the sharp end of the problems in their work. In addition, the unfairness of the withdrawal of the uplift in the run up to Christmas and that the uplift only covered UC and not legacy benefits in the first place were both highlighted. Age (NI) also made the point that the state pension was due to rise by only 3.1 per cent in April 2022. As a result, older people will struggle to either heat their homes properly or meet fuel and other bills. This would especially apply to older people who are entitled to Pension Credit but are not claiming it. Consequently, Age (NI) emphasised the importance of the work of advice centres both locally and regionally.

The particular difficulty that arises for claimants living in rural areas was canvassed in meetings with the Rural Women's Network, Cullyhanna Rural Health Partnership, the LTCANI and CoCo meetings among others. Specifically raised was the higher cost of living including the difficulty in getting transport to attend appointments in social security offices, and it being harder to access free ATMs, cheaper supermarkets and other facilities locally. This was compounded by the reliance on oil as a main source of fuel in rural areas. These points were made as part of a wider commentary about significant problems in obtaining public housing with homelessness

often being hidden with young people 'sofa surfing' rather than living on the streets. The value of rural initiatives such as the MARA project (Maximising Access to services, grants and benefits in Rural Areas) where people can be visited and given information on services and wider support alongside social security benefit checks was particularly commended. [29] The value of trusted local intermediaries in rural areas was emphasised in tandem with the need to rural proof policies more widely.

Carers NI pointed out that a recent local survey had found over one-third of carers were finding it difficult to make ends meet and afford essentials including fuel and heating. In the meeting with the Women's Sector Policy Forum members, the difficulties for self-employed people, for example, child-minders and the effect of the 'minimum income floor' rules which assume a 'net profit' which does not relate to actual income was raised with the hardship it causes.

The panel were struck by the number of times the difficulty was raised of managing day-to-day expenses on means-tested social security benefits including the lack of any leeway to immediately deal with relatively common occurrences such as the need for a new pair of shoes for a child, a repair or replacement of a washing machine or other appliance or a larger household bill than anticipated for fuel or other services. Advice organisations brought up the difficulty claimants face when moving onto Universal Credit which is usually associated with a reduction in income and the debt problems created during the transition.

A second common theme raised with the panel was insecurity and fear associated with coming on and off social security benefits. This factor was raised by a number of training providers in the meeting convened by NICVA. The option of work which was either transient, short-term, had variable hours or where a person with health issues would not be sure whether he or she could sustain the opportunity were all barriers which were difficult to overcome. In practice, we were told, a person faced coming off benefit, entering work with a significant risk of going back onto benefit with another five-week waiting period on Universal Credit, thereby creating the fear factor.

The risk of taking work when a person has an underlying condition and finding it too difficult and the possibility of receiving a benefit sanction was raised by participants in the meeting with Disability Action. Another dimension of the 'fear factor' was put to us by college principals who outlined that many prospective students do not know what the implications of taking up education or an apprenticeship would have an entitlement to benefit, thereby acting as a deterrent. The college principals also commented on how the interaction between the hours allowed for study, the need to be actively seeking work

29 MARA was initially a pilot project funded by The Public Health Agency in Strabane subsequently rolled out across NI with (then) DARD and PHA funding. It is now closed

also impacted adversely on the choices made to improve qualifications and employability. The difficulty that studying could have on entitlement to benefit for people with disabilities was also raised with us by Disability Action who also pointed out that social security rules made it difficult to take up paid public appointments, despite governmental attempts to encourage more involvement by people with disabilities in public bodies. College principals also expressed frustration that some payments of further education funds towards childcare, travel and other support was then treated as income and clawed back from certain means-tested benefits even where such funds were initiated from government departments such as the Department of Agriculture, Environment and Rural Affairs.

An interesting part of these discussions is that on some occasions, it is possible to work or study and remain on benefit or avoid a sanction by, for example, having 'good cause for leaving work', while in other circumstances the social security system and its particular rules are an impediment to improving employability. In practice, whichever applies, the 'fear factor' and deterrent remains real, as given the complexity of social security, few claimants understand or can navigate the rules of entitlement without the assistance of a third party (for example, an independent advice worker).

A third common theme was the complexity of the social security system, difficulties around the assessment systems for ill-health related social security benefits and the importance and value of having access to independent advice were emphasised. Time and again, the impact of complexity was raised by community and voluntary organisations. Moreover, we were told at the Disability Action meeting that the assessment process for Personal Independence Payment (PIP) and Employment and Support Allowance (ESA) was not user-friendly for people with hearing impairments. In our engagement session with disability and carers organisations, the application and assessment processes in the social security system was described as placing 'roadblocks' in the way of disabled people. The value of having access to independent advice and/or trusted intermediaries was also commented on in meetings with Age (NI), Carers (NI), disability and carer's organisations, Cullyhanna Rural Health project and the North West Community Forum. Moreover, the MS Society reminded us that voluntary sector organisations have also been left to play an advice and advocacy role even where not properly funded and equipped to take on such a task. The panel was particularly struck by the emphasis on the need for independent advice made by community organisations while advice organisations raised the need to retain existing advice expertise which was being lost, due to the prevalence of uncertain funding, short-term contracts and inadequate terms and conditions. We received mixed feedback on the services provided by the Departmental staff. Some had seen an improvement in the knowledge and awareness of UC staff as the benefit had rolled out (for example,

UC:US claimants) while others pointed to the findings of the Women's Sector Policy Forum that women claiming UC were unaware of the Universal Credit Contingency Fund and that it was not drawn to their attention. Advice workers outlined to us that specific arrangements to access key staff within UC and other benefits offices was particularly valued. Moreover, in meetings with staff from the disability and carers, benefits, Universal Credit and the Welfare Supplementary Payments sections, it was clear that staff in the Department are committed to delivering as effective a service as possible within the constraints created by the complexities of the social security system.

A related theme was that a human rights based approach should be adopted to the delivery of social security. This feedback was particularly prevalent among disability organisations having been raised by the North West Forum for Disabilities, Disability Action and the Equality Commission and Human Rights Commission's IMNI Forum for the UN Convention on Rights of People with Disabilities. The point made was that a human rights-based approach would encompass the concepts of dignity, respect, inclusion, empowerment of claimants and participation of users in how social security systems are designed and delivered. We saw evidence of such empowerment in the meeting with UC:US where claimants confidently outlined their experiences of claiming and managing on Universal Credit.

A final general theme was the inter-sectional nature of social security. The interaction of social security with social care and the wider issues of funding and access was raised by Age (NI), disability and carers' organisations, Carers (NI) and the Equality Commission and Human Rights Commission IMNI forum on the UNCRPD. The need for more social housing and provision to match rents to the quality of housing provided was a regular contribution raised in association with the difficulties created for private renters by the Local Housing Allowance (for example, we heard contributions on this from the Cliff Edge Coalition, Law Centre (NI) and Rural Women's Network). The wider difficulties facing people living in rural areas (mentioned earlier) and the role social security plays in assisting prisoners (and their families) on release was highlighted by both the North Belfast Advice Partnership and Advice (NI). A number of issues were also raised in the children's sector meeting around the relationship between payments of fostering allowances and their impact on social security benefits and the need for specialist 'better off calculations' as part of a wider discussion on treatment of looked after children. The link between any outcomes of this review and wider programmatic and other responses from DfC and other departmental strategies was also picked up on in our meeting with children's sector organisations.

These intersectional issues are beyond this report, nonetheless, the panel notes with interest the recent consultation document

issued by the Department of Health (NI) on Reform of Adult Social Care. In practice, social security and its role in offering protection to people through their lifetime is just one part of a much wider source of public support and this is something the panel is particularly mindful of. The point was reinforced in the meeting with Advice (NI) and the former members of the Mitigation Panel where they placed social security's role in the wider context of adult safeguarding when dealing with claimants with complex needs and vulnerabilities.

Finally, on a couple of occasions, the importance of the NI Executive having tax varying powers in order to allow for greater scope to spend money to tackle social and economic problems more readily was canvassed. This is a matter for the Fiscal Commission which is considering the issue but it is clear that there is significant support for such an approach within some of our consultees.

Specific Themes

There were a number of areas which recurred across our consultees, namely, the concern of the impact of the two-child limit and the effect of the five week wait before Universal Credit is normally paid. Alongside these two areas, there was widespread support for greater assistance and recognition of carers within social security, the need to ameliorate the consequences of the Local Housing Allowance as well as a myriad of other specific issues.

On the two-child limit, almost every meeting raised it as an issue. In the meeting with the children's sector, research undertaken for Save the Children and Child Poverty Action Group [30] was drawn to our attention. Save the Children made the case for removing the two-child limit while also arguing for the need to also introduce a £20 per child payment for families on certain means-tested benefits along the lines of the proposed payment in Scotland. This, they outlined, would make a significant dent in child poverty. The practical problems created for families affected by the two-child limit was also raised in our meetings with the North Belfast Advice Partnership, Advice (NI), Law Centre (NI), the Cliff Edge Coalition and with carers and disability organisations and the women's sector. Many pointed to the inherent unfairness of the policy particularly due to the direct impact on children and resulting increase in child poverty. Others pointed to how unforeseen changes in circumstances including those caused by the pandemic had led to families faced with a significant loss of income due to reasons beyond a claimant's control. A sudden need to take on increased caring responsibilities, loss of employment or reduced working hours, a deterioration in health, a change in child-care availability were among the changes that could lead to a claim for Universal Credit not previously contemplated. A family relationship breakdown or a desire to enter a new relationship as part of a blended family could also lead to the two-child limit coming into play. Advice workers noted that the

30 Save the Children and CPAG: The future path of Child Poverty in NI November 2021.

specific exclusions where the two-child limit is not applied are so narrow that few claimants meet the criteria. The North Belfast Advice Partnership also raised another consequence, namely, that families having a third child, on being told there was a two-child limit on UC and Child Tax Credit were not claiming Child Benefit as well, on the assumption that the policy was not confined to those particular benefits. In addition to the above, the Cliff Edge Coalition highlighted the fact that children in NI are disproportionately impacted by the policy given the region's larger average family sizes compared to GB.

The panel was particularly struck by UC:US telling us that ending the two-child limit would be a priority for them despite none of the participants at the meeting having been directly affected by the policy. UC:US had clearly grasped its inherent unfairness and the extent of the loss of income and its affect.

With the five-week wait for UC, there was a similar clamour to tackle this issue. This came from across sectors, having been raised in our meetings with disability and carer's organisations, the children and women's sector, advisers, claimant led groups, the Cliff Edge Coalition and within the meeting with Departmental staff. Three key points were made. First, it led to immediate hardship, often at a time when claimants were trying to cope with a significant life-changing event such as a loss of employment, relationship breakdown, ill health and a likely drop in income. We were told that many claimants were caught between any or all of, borrowing money from family, friends or others, getting into debt, having to use food banks and going short of essential items in order to get through the five week wait. While there was the provision of a repayable advance payment to alleviate hardship, this simply kicked the problem of debt and hardship temporarily down the road as it became repayable out of initial and future payments of UC. Moreover, advice agencies including Law Centre (NI) and Advice (NI) pointed out that a claim for UC is now triggering old overpayments of tax credits which are also then being deducted from UC, further reducing income. Often these, historic repayments were coming without warning or without any knowledge on the claimant's part that they had ever been overpaid in the first place. The extent and range of direct deductions from means-tested benefits before they were received to cover rent, fuel, other housing costs, child maintenance, tax credit overpayments and advance payments was placing households in severe difficulties when it came to meeting day-to-day living expenses.

Secondly, other options to manage the five-week wait were not effectively resolving the problem. The Universal Credit Contingency Fund (UCCF) while valued was not being sufficiently utilised. Many claimants were not aware of its existence and we were directed to the recent research findings of the Women's Regional Consortium on the impact of Universal Credit on Women. In particular, that while 58 per cent of women interviewed

applied for an Advance Payment, 42 per cent of these women were having difficulty paying it back. Many women reported not taking the Advance Payment due to the fear of either getting into debt (or more debt) or not being able to pay it back. [31] This mirrored feedback from Departmental staff within UC who told us that claimants approach to taking an Advance Payment varied from those who, because of a fear of debt, would not take a loan regardless of their circumstances to those who did, when not really fully cognisant of the ramifications, at a later date around repayment.

With the UCCF, the Women's Support Network research found that 86 per cent of the women had not heard about the fund which is paid as a grant. Of those who had heard about the fund, it had come from either the Department through Jobs and Benefits and other social security offices or from family and friends. In addition, the rules associated with the UCCF which tie entitlement to the need being an emergency with no other source of income or savings being available was causing problems. The Department's UC staff highlighted a case where, under the rules, a claim had to be refused because a claimant had just received a four-weekly PIP payment. In another instance a claimant had a small amount of money put aside towards paying for oil and this was expected to be used to meet other living expenses instead of receiving a UCCF payment, despite this then leaving the person unable to heat the home.

The automatic run on payment of Housing Benefit JSA, IS and ESA here a new claim for Universal Credit is made and for Working Tax Credit where a claimant stops or reduces working hours was acknowledged by advice organisations as being helpful. Nonetheless, as Law Centre (NI) and Advice (NI) both stressed, the payment for the HB run-on was for two weeks and the WTC for four rather than five weeks and ceased when a claim for UC is made. Moreover, there was no equivalent run on for Child Tax Credit payments.

A further difficulty brought to our attention by advice agencies was that, depending on when a claimant received the last payment from work, the wait for a first payment could be up to nine weeks. The Women's Support Network research, for example, revealed that while 77 per cent of the women surveyed received a payment after five weeks, more than one in six waited longer for a first payment.

The third dimension was that the initial experience of claiming UC and the knock on consequences immediately placed claimants on the back foot, particularly around adjusting to a reduced income, paying immediate bills and existing financial commitments thereby creating further debt and distress. A 'cycle of debt' was described. This initial experience coloured the views that claimants had of Universal Credit. This was borne out by both what we heard from UC:US who told us it took a considerable time to both come

31 The impact of UC on Women – Siobhan Harding Women's Support Network for Consortium for Regional Support for Women in Disadvantaged and Rural Areas. September 2020.

to terms with UC and to recognise some of the advantages as well as the problems associated with it. Moreover, the research into women's views on UC found that the majority had a negative experience of UC. The UK government is seeking to encourage claimants to migrate from other benefits to UC voluntarily as well as through managed migration and to stress the positive virtues of UC as a benefit. The five-week wait and its impact is undermining such attempts to promote UC. This was evidenced in the findings of the recent report 'Universal Credit could be a lifeline in Northern Ireland but it must be designed by the people who use it' produced by UC:Us for the Joseph Rowntree Foundation.

There was unanimous agreement on the need to provide more support within social security for carers. Carers (NI) noted that in their recent State of Caring Survey 2021 (still to be published), 73 per cent of carers on Carer's Allowance believed more support from the social security system was the top need at present (ranked second out of seventeen needs considered by carers). In addition, for those surveyed on Carer's Allowance, less than a third felt confident of being able to manage financially over the next 12 months and only 41 per cent felt they had enough money to cover living expenses. Moreover, 91 per cent of carers on Carer's Allowance believed an increase in the value of Carer's Allowance would make most difference and 56 per cent that an increase in the earnings limit would also make a significant difference.

Carers Scotland outlined how the Scottish government had consulted with carers before coming up with their social security proposals and how the additional support was part of a wider strategy for carers which remains a work in progress. The additional support and other proposals in the pipeline were very much appreciated by carers themselves. When carers and disability organisations were asked about a preference for either an increased weekly payment or a twice yearly lump sum payment (paying the equivalent), the preference was clearly for the latter. The point was made that the lump sum payment would be a more tangible recognition of the role carers play, not least of which, is to save the state from paying for such care from the public purse. It was also highlighted that twice-yearly lump sums could help with 'high-cost' times of the year, for example Christmas and school summer holidays. The needs of young carers was raised by both the children's sector, disability and carer organisations, the North West Community Forum and advice organisations. A regular argument made, was that young carers are having to make particular sacrifices in terms of education, social life, time to themselves and with friends and pursuit of other interests. The needs of those looking after more than one person was also raised. Moreover, the effective absence of entitlement to Carer's Allowance for carers who have reached pensionable age where overlapping benefits rules prevent payment of state retirement pension and Carer's Allowance together was considered iniquitous. The value of breaks from caring and the financial and other benefits for some

carers of being able to work despite caring responsibilities was also canvassed.

The impact of the Local Housing Allowance was also a specific problem raised in our meetings. The Cliff Edge coalition – a Coalition of over a hundred organisations campaigning for the extension and strengthening of welfare reform mitigations – had three specific priority 'asks' in terms of strengthening the mitigations package, namely, mitigating the two-child limit, effectively resolving the five-week wait on UC and providing support to private renters impacted by Local Housing Allowance (LHA) cuts. Among the points made on the LHA was that changes to Housing Benefits (i.e. Housing Benefit and UC Housing Costs) in the private rented sector over the past decade have made it increasingly difficult for low income private renters to find and keep their homes. Further, that large numbers of people living in the private rented sector and relying on housing benefits face a significant shortfall between their own rent and the financial help received. As well as leaving people at risk of homelessness, this also creates difficulties in paying for other essentials as many tenants felt the understandable need to prioritise paying their rent to preserve a roof over their heads. We were also reminded that the Housing Executive and Housing Associations had developed approaches to support tenants to deal with social security changes and delays in payment of rent, which does not exist for private tenants. The North West Community Forum and Advice (NI) also raised the LHA as a major concern. The Cliff Edge Coalition commended the research undertaken by Housing Rights to evidence just how difficult it is, in practice, to rent somewhere within the amount allowed within the Local Housing Allowance. [32]

In further discussion, the Cliff Edge Coalition recognised the substantial cost of mitigating the LHA in full and instead suggested the need for a specialist Financial Inclusion Service to provide independent wraparound advice and support for those affected in tandem with access to a grant scheme separately administered as a pragmatic solution. The Cliff Edge Coalition subsequently fleshed out this idea in a paper to the panel which was extremely helpful in our deliberations. The North West Community Forum and Advice (NI) suggested further increasing the money available through Discretionary Housing Payments (DHPs) available from the Housing Executive to meet such shortfalls. The value of DHPs as a solution was questioned by others because of the demands already placed on this limited resource.

A range of other specific issues were brought to our attention during meetings. These included the need to consider the transition from Disability Living Allowance (DLA) to Personal Independence Payment (PIP) for young people who turn 16 years of age. This issue is often referred to as the rising 16s.

32 Falling Behind – Exploring the gap between the Local Housing Allowance and the availability of affordable private rented sector accommodation in NI – Dr Martina McAuley, Housing Rights Service, October 2019

Young people on DLA are normally reassessed for PIP at aged 16 and, if this results in benefit being withdrawn, then significant income is lost. In particular, in tandem with the loss of DLA itself, a parent will lose Carer's Allowance and disability premia payable in other means-tested benefits (where applicable) where the 16 year old is included in the parent's own claim. Consultees from disability and carer's organisations and Law Centre (NI), among others, highlighted the approach being taken in Scotland to allow young people to wait until aged 18 before being reassessed as part of the transition to PIP. It was also suggested that this particular issue should be dealt with through a similar approach to the Welfare Supplementary Payments scheme.

Some specific concerns around childcare was also raised. At the Advice (NI) meeting, Employers for Childcare welcomed the DfC initiative to enable a grant to be paid under the Adviser Discretion Fund for upfront initial childcare costs where this would be a barrier to getting into work. However, in UC, claimants must pay for childcare first and then claim reimbursement. Employers for Childcare recommended that UC support for registered childcare costs should be paid up front and directly to childcare providers. Interestingly, the UK government has recently explicitly rejected providing upfront childcare costs in UC. [33] They also pointed out a specific problem with paying for cross-border childcare costs. In 2020, regulations were introduced to allow a claimant to have childcare costs met from an accredited provider across the border in Ireland. However, Employers for Childcare set out their experience that many work coaches and UC staff were unaware of the new regulations, and so, the change was not being implemented effectively. Employers for Childcare highlighted that the current range of childcare issues and state of the sector can be evidenced through the annual NI Childcare Survey. [34]

A further concern raised by both Dove House in the meeting with the North West Community Forum and Employers for Childcare was the difference in treatment of Maternity Allowance and Statutory Maternity Pay (SMP) for UC purposes. Maternity Allowance payable to women in work who don't qualify for SMP have their payment treated as income and counted in full for UC purposes. In contrast, SMP, which is payable at the same rate as Maternity Allowance (MA), is treated as earnings for UC purposes and subject to an earnings disregard. This results in claimants on MA either receiving a lower amount of UC or not qualifying at all. Where the latter applies and it is a woman's first child, then she will be unable to claim a Sure Start Maternity Grant to help with the costs of a new born child.

A further problem illustrated to the panel was the difficulties facing 'mixed age couples' (i.e. where one partner was over pensionable age and the other under pensionable age). Under

33 See answer of parliamentary David Rutley MP to Tulip Siddiq UIN75063 15 November 2021

34 Northern Ireland Childcare Survey 2021 – Employers for Childcare 11 November 2021

rules introduced in May 2019, 'mixed age couples' must claim UC rather than Pension Credit (PC) which is more generous, while claimants already getting PC or pension age HB on May 2019 continued on Pension Credit. However, both Age (NI) and North Belfast Advice Partnership highlighted that where the older partner died then the other partner was transferred from PC to UC and suffered a significant loss of income at a time when dealing with bereavement and loss.

Rates relief and the limited period to backdate a late claim and rules which prevent adjustment of an award of a rate rebate where a person's income changed was mentioned at the meeting with Advice (NI). The disparity of the funeral support payment compared to the actual cost of a funeral was highlighted. In addition, in meetings with the Law Centre and children's sector, the particular difficulties facing migrant workers in accessing entitlement was canvassed. This included the particular impact of people whose immigration status is based on having 'no recourse to public funds' who subsequently face a crisis or loss of sponsorship and are left without any access to financial support and no right to social security.

Existing Mitigations Scheme

No one made the case for ending the existing mitigations during the meetings. In contrast, a number of organisations confirmed that the existing rationale for mitigating the social sector size criteria/bedroom tax had not altered. The Cliff Edge Coalition, Law Centre (NI), Advice (NI), Women's Sector Forum meeting all emphasised that Housing Executive and Housing Associations stock of properties could not accommodate tenants moving into smaller properties. In any event, many questioned why tenants should not have a spare bedroom to accommodate grown up children coming home when working elsewhere or studying, for children to stay where a relationship had broken down, for grandparents to have grandchildren stay over, to allow a carer or family member to stay overnight due to temporary or longer term ill-health. The children's sector made the effective case that mitigating the benefit cap for families had been particularly important for those supported by the NI Executive's decision not to implement the policy. Similarly, the Cliff Edge Coalition stressed the importance of continuing to mitigate against the impact of the benefit cap, highlighting that all those impacted are normally families with children or couples.

Disability organisations also supported the existing temporary compensation provided to those claimants and households who had lost out when transferring from DLA to PIP or coming off contributory ESA after 12 months. While retaining significant concerns about the assessment process, there was widespread acknowledgment that the mitigation scheme had been valuable. The outstanding issue of how young people reaching 16 and due for reassessment would be treated was raised by disability and carer's organisations, Action for Children and the Law Centre among others with the point made that there will be a small but significant number of people

who will face reassessment for many years to come depending on the time and age of a child when DLA is first awarded. Questions were asked as to whether this issue could be dealt with as part of the existing mitigations package or dealt with outside of it.

Advice agencies identified that the welfare supplementary payments team generally dealt with claims when they reached them in a timely way. Nonetheless, there were sometimes delays in claims reaching that team from either the UC or legacy benefit branches and it was difficult to identify where the hold-up arose.

The panel held a particularly useful meeting with both the disability and carers and UC branches including members of the Welfare Supplementary Payments (WSP) section. The WSP section identified a number of particular practical issues associated with the current scheme. These included that where a claimant loses out on transferring from DLA to PIP and subsequently, makes a fresh claim for PIP which is successful then, the claimant can receive both PIP and a WSP for a period. This appears to arise due to the absence of overlapping and offsetting of benefit payment rules which apply elsewhere within social security. In addition, there is apparently no power to write off overpayments of Welfare Supplementary Payments even where the overpayment arises due to Departmental error. We did subsequently establish that recovery of an overpayment for Departmental error can be waived. Moreover, we were told that an overpayment of a WSP could be recovered from a landlord even where the landlord had played no part in causing such an overpayment. This occurs because the WSP in benefit cap cases is often applied in lieu of the loss of Housing Benefit entitlement so a landlord can be paid the WSP towards the cost of rent.

The Cliff Edge Coalition highlighted two ‘anomalies’ in the existing mitigations which have left people unprotected from the bedroom tax and benefit cap and therefore need to be closed. In terms of the bedroom tax, under the current arrangements people lose their mitigation payment if they move to another social tenancy where they continue to under occupy to the same or greater extent.

In terms of the benefit cap, mitigation payments can only be made where a claimant was on a qualifying benefit (for example, Child Benefit or Child Tax Credit) in 2016 and this does not apply to claimants coming onto benefit for a later period or where the benefit cap applies because a child is born after 6 November 2016. Some claimants in this position may be affected by the two-child limit introduced from April 2017, which will reduce income to such an extent that the benefit cap will not apply, nonetheless, there are others who could have received a WSP based on a change of circumstances after its introduction and before the two-child limit came into effect.

Furthermore, while the amount by which a household is capped can increase, the mitigation payment cannot increase to reflect

that further cut. In addition, if someone is no longer affected by the benefit cap and their mitigation payment stops, the payment cannot recommence if they are later affected by the policy again.

The issue of residence rules was also mentioned. To qualify for assistance to mitigate the impact of the benefit cap for families, a claimant must have been resident in NI on 6 November 2016. Some claimants living in Britain in November 2016 had returned home and were not entitled to a WSP. In contrast, a family who qualified for the WSP in November 2016 and who moved to Britain and then returned were able to resume receiving a WSP.

A further issue raised was the impact of a cliff edge with a 100 per cent welfare supplement payment being paid for 12 months to those losing receipt of certain disability benefits and then no more support. It was argued that a tapered payment over three years for example, at 75 per cent of the loss in year one, 50 per cent in year two and 25 per cent in year three might be fairer. Means testing of mitigation payments taking account of household income rather than just the claimant's income was also canvassed.

New regulations were approved on 8 February and came into effect from 10 February 2022 by the NI Assembly to address a number of the issues raised particularly around the social sector size related criteria/bedroom tax and benefit cap issues. "The amendments include removing the requirement for a person to be in continuous receipt of a relevant benefit from November 2016 and for mitigation payments to increase following a change of circumstances that results in the capped amount increasing. People living in the social rented sector will not be penalised if they move property and continue to under-occupy by at least the same number of bedrooms."

Response from the public survey

The NI Direct survey received 26 responses - 14 from members of the public, five from elected politicians or workers in constituency offices of political parties, two from academics and one each from an NGO working with deaf people, a social worker, a housing association and a trade union official and one an advice worker. Most of the public described themselves as claimants though two referred to themselves as taxpayers.

The feedback, as to be expected, raised a variety of issues. The responses included suggestions to invest more in social housing and introduce greater rent control, provide more fiscal powers for Stormont, improve rates of pay to reduce reliance on social security, recruit sufficient social security staff on permanent rather than agency contracts, deploy more fraud investigators and make greater use of sanctions within UC, provide an increase in the school uniform grant, that the benefits system is unnecessarily complex and full of 'poverty traps'. The need for more childcare support, the bringing of assessments for ESA and PIP in-house and scrapping the assessment process altogether were both canvassed by several respondents.

The value of existing Departmental schemes was acknowledged, particularly the upfront childcare costs and Discretionary Support Fund as well as existing mitigations.

There were also a number of specific suggestions made on what the panel should recommend. One proposal was that the NI Executive should introduce an additional non-taxable weekly child payment to tackle rising levels of child poverty modelled on the similar scheme introduced in Scotland. Several responses argued for the removal of the two-child limit, the restoration of the £20 uplift to UC and made the case for maintaining existing mitigations. Two responses highlighted issues around rate rebates including that a mitigation payment should be made where an award is fixed for one year and a claimant suffers a drop in income. In addition, the point was made that while a claim for UC and rate rebate was very much related, nonetheless, it requires two separate claims. A suggestion was made to amend the UC online application to a default position where a claim for a rate rebate is opened unless a claimant opts out of such a claim. Finding ways to reduce the five week wait for a first payment was recommended and new rules to tackle the problem where claimants on UC and in work are paid four weekly rather than monthly and can be left with no help for almost two months depending on how the four weekly payment cycle falls.

A number of respondents highlighted the impact social security policies had on specific groups particularly young people without education qualifications and claimants who are deaf, suffering a hearing loss or tinnitus. The concerns here included the risk of trying work and then having to reclaim UC with another five week wait for payment. Another group whose circumstances were highlighted was carers where among issues raised were the inadequacy of the level of Carer's Allowance and the unfairness of the benefit being withdrawn when a person reaches pensionable age and qualifies for state retirement age.

Finally, and poignantly many of the people responding to the survey outlined their own personal experience of living on social security. In one instance, a respondent outlined how he and his partner were caring for a father and a disabled son and were only getting help in UC for three out of five children. As a result, the family had lost more than £17,000 as a result of the two-child limit and led to a struggle to buy food, clothes, heating oil, buy presents for Christmas and birthdays, pay for swimming and other things outside of school and have any days out together as a family. Another person outlined how her adult daughter with Downs Syndrome and on benefit was required to contribute £19.80 a week towards the Housing Executive rent through the non-dependant deductions rules applied in Housing Benefit. A claimant with a terminal illness outlined how he required full time care from his wife who therefore could not work and described how having to deal with money worries on top of everything else was a disgrace.

A number of claimants and those working with claimants regularly mentioned the difficulties with navigating the current system due to its complexity and the unfairness and iniquity that cuts to social security had fallen on people who are most struggling to cope financially.

While no more than a small qualitative snapshot of people's views, the importance of social security in people's lives could be readily seen from these responses.

Response from political parties

During the review, the Panel met all five parties and their officials in the NI Executive.

Inevitably and understandably, the parties were in listening mode, nonetheless, there was a keen interest in the modelling and costing of various proposals under consideration. There was a recognition of the importance and value of the panel's work particular so, given that many of the issues outlined are reflected in the work coming through the doors of MLA constituency offices. In addition, the value of independent advice services was acknowledged by a number of political parties. This welcome reception was tempered with a caution around the financial pressures facing the NI Executive. As one MLA put it 'affordability is the key'.

CHAPTER 4: ANALYSIS OF OPTIONS

The panel decided to examine a number of policy options obtaining a costing where possible from Landman Economics and the Department for Communities Professional Services Unit. The Landman Economics Tax-transfer Model can provide aggregate costings for each mitigation option for comparison with the aggregate forecasted costings based on the Department's administrative caseload data produced by the PSU team.

Alongside costing a number of options under consideration, we also asked Landman Economics to conduct a breakdown of the distributional impact on annual household income for specific policies by the following characteristics:

(i) income decile (i.e. the impact on the bottom ten per cent of household income through to the top ten per cent of household income)

(ii) household composition including single working age men and women, childless couples, lone parents, couples with children, single pensionable age men and women and pensioner couples

(iii) gender

(iv) disability status including by whether the household contains a disabled child or a disabled adult

(v) age from 18-24 year olds through to age 75 years and older

(vi) community background

(vii) ethnicity broken down solely by white and black and minority ethnic (BAME) individuals. Unfortunately, because of the small number of people from a BAME background in the Family Resources Survey and Living Costs and Food Survey it was not possible to provide figures based on specific ethnic backgrounds

During the survey Landman Economics were unable to provide a breakdown by community background because the Understanding Society version of the tax benefit model has not been completed. The panel was supplied with data through the recording of individual's own national identity including British, Northern Irish, other or multiple identities. The extent of those recording themselves as having more than one identity for example, British and Northern Irish or Northern Irish and Irish or British and Irish and those who simply record their national identity as other meant it was not possible to provide a meaningful indicative breakdown by community background.

In line with our terms of reference and due to the volume of data, we have set out the figures based on the distributional effect by

household income, household composition, gender and disability (broken down by whether a household has a disabled adult or disabled child) only. Where any significant impact is found by age, or ethnicity we provide commentary in the chapter.

The costings provided by Landman Economics and/or the Department's Professional Services Unit covered the following policies for the financial years 2022/23, 2023/24 and 2024/25:

- offsetting the two-child limit for Universal Credit (UC) and Child Tax Credit (CTC). **[Landman and PSU]**
- the restoration of the £20 a week uplift in UC. **[Landman and PSU]**
- other increases to families in low income households on UC and CTC namely an additional payment of £20 per month per child. **[Landman and PSU]**
- additional payments for disabled people in low income households of £20 a month for claimants on UC and legacy benefits (for example, Employment and Support Allowance (ESA) and HB where a disability premia is in payment). The payments modelled were based on £20 a month per adult and/or per child with a disability. **[Landman and PSU]**
- additional payments for carers including

(i) an additional payment of £231.40 payable twice a year

(ii) increases in the maximum earnings rules before Carer's Allowance is withdrawn including to the equivalent of 16 hours a week at the National Living Wage, doubling the earnings threshold to £264 a week, trebling the threshold to £396 a week and abolishing the earnings limit altogether. All figures based on 2022/23 benefit rates

(iii) introducing a young carers recognition payment, i.e. a one-off payment, of £308.15 made once a year

(iv) a payment for claimants looking after two or more disabled children (again based on a one-off annual payment of £308.15)

[All figures provided by Landman and PSU except for earnings rules and for carers looking after two disabled children which are Landman only.]

- The introduction of an equivalent to the Best Start Grant in Scotland (i.e. providing an additional £100 to the £500 payment made to low income households on certain benefits for maternity needs, providing a grant of £300 for the maternity needs of subsequent children, a payment of £250 when starting nursery and when starting primary school. In addition, the panel sought costings for a further of £250 payment when entering secondary level education (at age 11) and staying on at school (age 16). These payments are not made under the Scottish Best Start Grant. **[Landman only]**

- Winter heating assistance payments for

(i) Adults including pensioner households on Pension Credit (PC) and working age households receiving a disability premia as part of a claim for benefits based on low income and

(ii) For a child where a child is receiving the enhanced rate of care component in DLA or highest daily living rate in PIP.

These payments were modelled on Scottish equivalent schemes envisaging an automatic payment of £50 to qualifying adults during the winter and a one-off annual payment of £200 to families with a qualifying disabled child. **(PSU provided figures for child payment and Landman for adult assistance)**

- Additional payments for children equivalent to the Scottish child payment made to families who are on UC, Income Support, income based Jobseeker's Allowance, income-related ESA, Child Tax Credit, Working Tax Credit or Pension Credit. The costings and modelling examined paying an extra £10 a week per child aged under 6, £20 a week per child aged under 6, £10 a week per child aged under 16 and £20 a week per child aged under 16. **[Landman only]**

- A Job Start Grant based on the Scottish equivalent which makes a payment of £250 to young people aged between 18-24 years old who have been out of work and on a low income benefit for at least six months. The payment rises to £400 for a young person with children and the age limit increases to age 25 for care leavers. **[Landman only]**

- Continuing existing mitigations schemes **[PSU only]**

- Numbers of private renters in receipt of UC Housing Costs with a shortfall between rent on UC affected by the shortfall in rent due to local housing allowance and other circumstances **[PSU only – partial analysis]**

- Cost of Work Allowance **[PSU only – partial analysis]**

- Possible options to tackle the five week wait for a first payment of UC **[PSU only – partial analysis]**

The difference between what Landman Economics and the PSU could supply was based on the access to data and modelling available to each organisation and some material differences in assumptions made. Landman Economics used a microsimulation model which drew on information from two datasets, namely, the Family Resources Survey (FRS) and Living Costs and Food Survey (LCFS). PSU forecast modelling was based on analysis of the Department's administrative social security claimant caseload data.

In addition, the figures make a number of assumptions that are subject to uncertainty or change, for example, around managed

migration from legacy benefits to UC which determine outcomes for costings. The difference in assumed migration leads for example, to some differences between PSU and Landman Economics figures. The figures on costings are estimates only and are therefore subject to forecasting variation and uncertainty. Nonetheless, the figures represent the best estimates that can be obtained.

In this chapter, estimated eligible claimant totals have been rounded to the nearest one hundred thousand (unless otherwise stated by PSU) and Landman Economics costs have been rounded to the nearest million, all figures have been uprated for inflation. Calculations may not sum due to rounding. In addition, costings may vary between PSU and Landman Economics due to PSU forecasts being based on administrative data while Landman Economics use a simulation model.

Findings by individual policy option [offsetting the two-child limit]
The cost of mitigating the two-child limit for UC, CTC claims was estimated as follows:

Table 5: Estimated cost of mitigating the two-child limit for UC, CTC claims

	PSU £m	Landman Economics £m
2022/23	39.5	44
2023/24	46.0	45
2024/25	52.9	46

Source: Professional Services Unit and Landman Economics

The PSU also estimated the average number of monthly beneficiaries if the two-child limit was offset as 14,000 for 2022/23 rising to 16,000 in 2023/24 and 19,000 for 2024/25. Both sets of figures cover UC and CTC only. It was assumed that the vast majority of HB claimants will also be receiving CTC or UC and are therefore counted in the costings above. The cost of HB only claims affected (ie those receiving HB but, not getting either UC or CTC is expected to be very low).

In terms of impact by specific characteristics the impact of the two-child limit is as follows:

(a) Income decile.

What these figures show is the average increase in household income. Many households will not be affected at all by the two-child limit and will therefore see no increase in household income while families with three or more children who are directly affected will benefit to a considerably greater degree than the average figure. The change in net annual income broken down by benefit is as follows:

Table 6: The change in net annual income broken down by benefit (two-child limit)

Decile	Weighted Average Annual Net Income	UC £	CTC £	Total £
1 (poorest)	£3,537	25	25	50
2	£11,604	82	84	166
3	£17,884	61	65	126
4	£20,090	31	34	65
5	£22,107	15	16	31
6	£26,325	7	7	14
7	£31,395	Nil	3	3
8	£38,972	Nil	Nil	Nil
9	£49,177	Nil	Nil	Nil
10	£76,055	Nil	Nil	Nil

Source: Landman Economics

In effect, what we can see from these figures is that offsetting the two-child limit effectively targets those at the lower end of the household income scale with the most assistance going to those in income deciles 2 and 3 while those in higher income deciles 8 to 10 derive no assistance from the offsetting. Data on the impact of changes on those in the lowest income decile should be treated with caution. This decile will likely include unemployed single people of working age on very low incomes, but it may also include some people who are not permanently among the worst off. This is because very low reported incomes may include some people who have no income at all temporarily, but do not have low incomes over an extended period and may reflect underecording of self-employment income. It is therefore not unusual for policy measures that focus on low-income families to benefit those in the second and third lowest income deciles (as recorded) more than those in the first decile, this is also true when using all UK data. This issue applies to all the income decile figures included in this chapter.

Figures 1 and 2 provide the impact by change in annual net income in cash terms and in percentage terms respectively.

Figure 1:

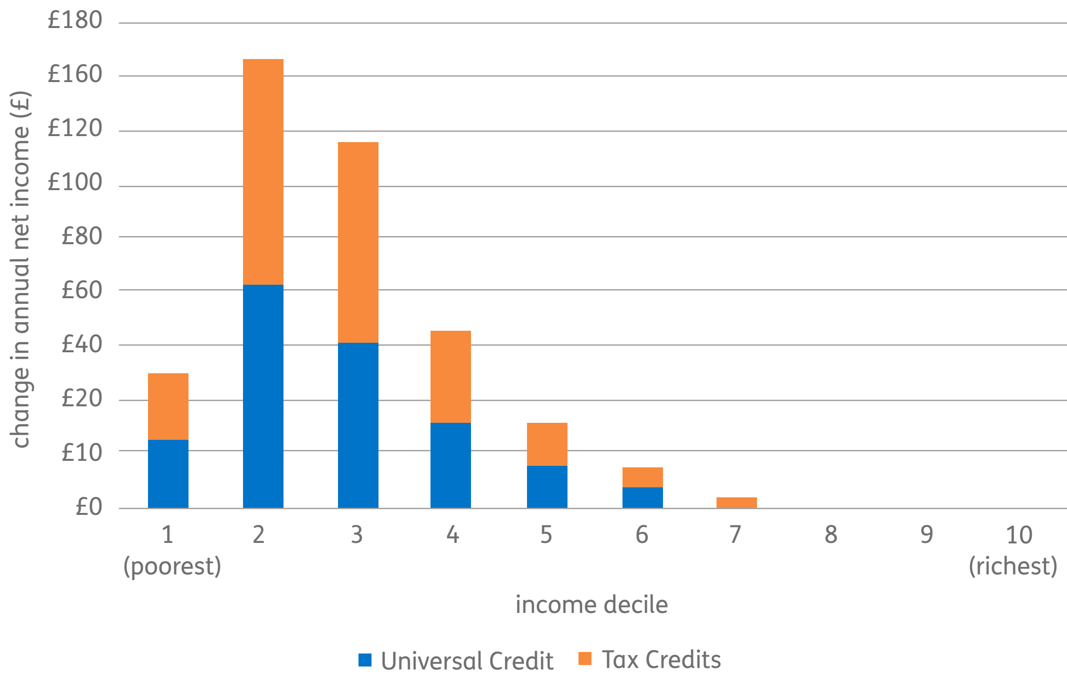
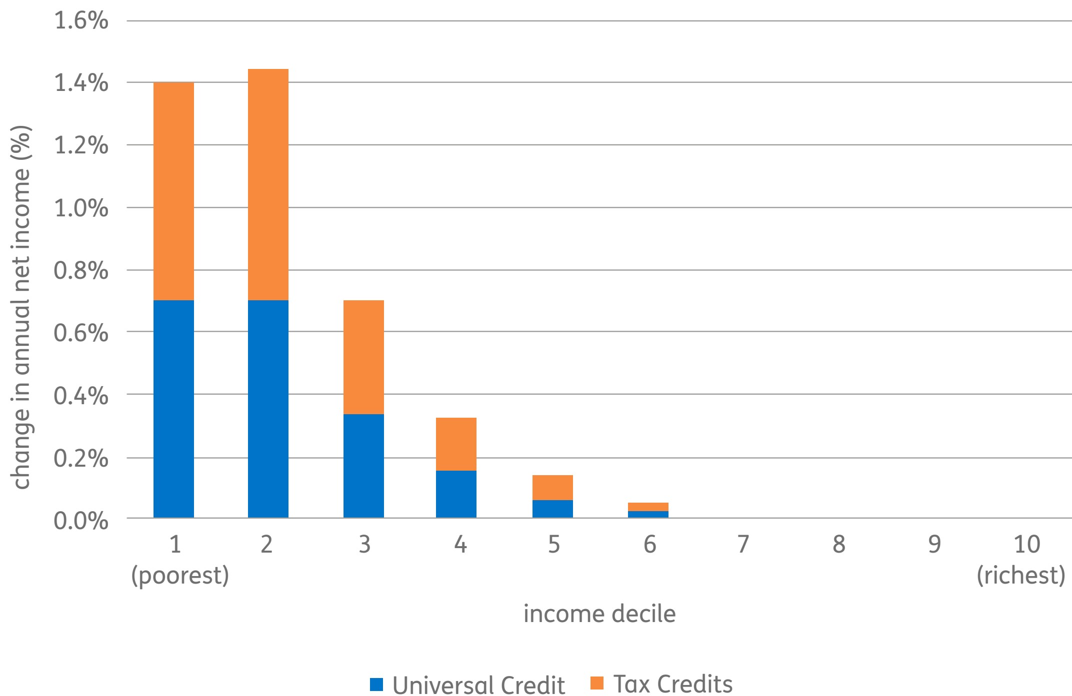


Figure 2:



Source: Landman Economics

(b) Gender

The average increase in annual income is as follows:

Table 7: The average increase in annual income (by gender)

	Weighted average annual net income	UC £	CTC £	Total £
Men	£20,398	11	17	28
Women	£16,021	22	17	39

Source: Landman Economics

These figures show that offsetting the two-child limit policy benefits women to a greater extent than men.

(c) household with a disabled adult and change in annual income

The average increase in annual income is as follows:

Table 8: The average increase in annual income (by household with a disabled adult)

	Weighted average annual net income	UC £	CTC £	Total £
Not disabled	£18,991	18	19	37
Wider group (disability)	£18,572	27	29	56
Core group (disability)	£15,940	10	10	20

Source: Landman Economics

Note: The wider group and core group reflect the classifications of disability contained in the Family Resources Survey. The Family Resources definition of disability does not exactly match the Equality Act 2010 (EA) definition of disability. The core group is too narrow a definition (for example, while everyone in this group are EA disabled, there are some EA disabled people not in the core group). The wider group is too wide (there are some in the wider group who are not EA disabled). As a result, the figures for both are included to provide the most accurate picture possible.

The figures present a mixed picture for targeting adults with a disability.

The average increase in annual income is as follows:

(d) Families with and without a disabled child.

Table 9: The average increase in annual income (by household with a disabled child)

Disabled child in the family	Weighted average annual net income	UC £	CTC £	Total £
No	£38,437	76	80	156
Yes	£36,551	223	233	456

Source: Landman Economics

Offsetting the two-child limit would benefit families with a disabled child in the household significantly more than those households without a disabled child.

(e) household composition and change in annual income.

The average increase in annual income is as follows:

Table 10: The average increase in annual income (by household composition

Benefit unit type	Weighted average annual net income	UC £	CTC £	Total £
Lone parent	£23,044	129	127	256
Couple parent	£43,688	82	90	172

Source: Landman Economics

Mitigating the two-child limit will only impact on families with three or more children on specific means-tested benefits. As a result, only couples and lone parents will receive any support from this policy. This is reflected in the figures which show no increase for single people or couples without children.

Summary

The distributional impact of offsetting the two-child policy is that it effectively targets low income households, women and households with a child with a disability. The age of those benefitting most is those aged between 25-34 and 35-44 over any other age groups. It must be remembered that the figures provided are average gains in annual income, reflecting that some families, women and people with disabilities who have two children or less will not benefit at all from this option while those with more than two children affected by the policy will gain significantly above the average figure.

Restore £20 uplift in Universal Credit

The estimated additional cost for restoring the £20 uplift to standard allowances in UC is estimated as follows:

Table 11: the estimated additional cost for restoring £20 uplift (standard allowance in UC)

	PSU £ millions with transitional protection	Landman Economics £m	Landman Economics £m
2022/23	115	116.9	120
2023/24	118.7	162.8	143
2024/25	120.6	213.7	166

Source: Professional Services Unit and Landman Economics

The figures for PSU are based on a managed migration start date of January 2023 with completion over two years. Note this assumed migration schedule is subject to change. If managed migration is delayed, costs for 2023/24 and 2024/25 would be lower than estimated.

The PSU figures are broken down with and without transitional protection, the latter takes into account the protection paid to those moving across from other benefits to UC. The Landman Economics figures do not account for transitional protection and assume a different pattern of managed migration claims which explains why the figures are different.

The impact of restoring the uplift was considered by

(a) income decile

The average increase in annual income is as follows:

Table 12: restoring £20 uplift: average increase in annual income (by income decile)

Decile	£
1 (poorest)	122
2	243
3	228
4	180
5	111
6	89
7	27
8	6
9	nil
10	3

Source: Landman Economics

Restoring the £20 uplift would increase annual average household income of low income households to a greater extent than higher income households though some support does go to those who are in the top half of household income.

The effect on average household income in cash and percentage terms is illustrated in figures 3 and 4.

Figure 3:

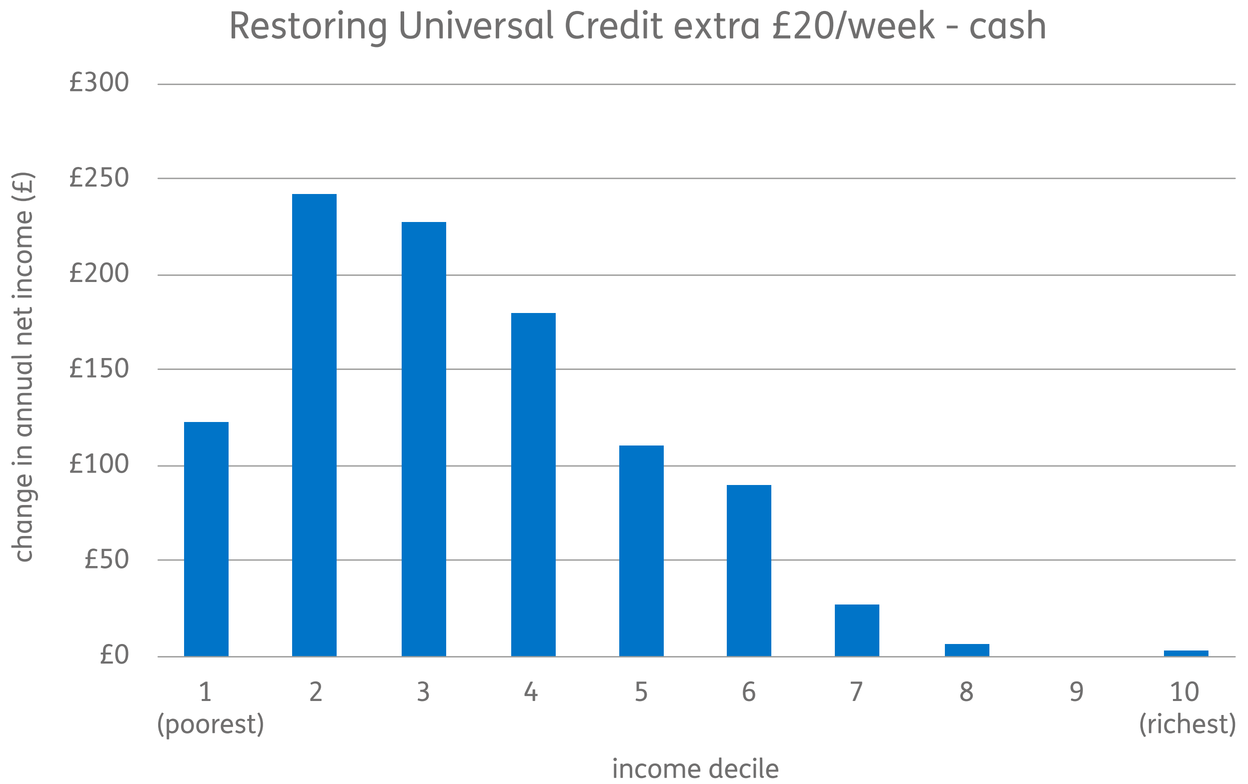
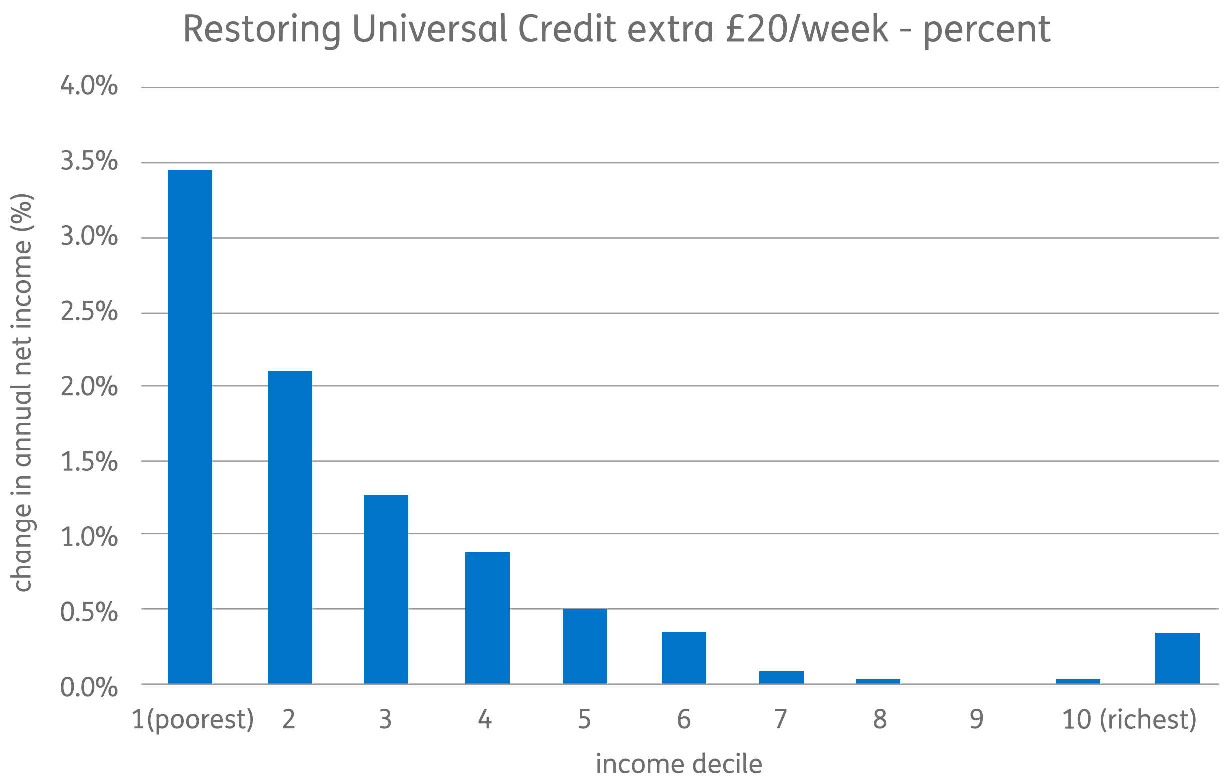


Figure 4:



Source: Landman Economics

(b) gender

The average increase in annual income in a benefit unit is as follows:

Table 13: The average increase in annual income in a benefit unit (by gender)

	£
Men	130
Women	172

Source: Landman Economics

The restoration of the £20 uplift benefits women to a greater extent than men.

(c) households with a disabled adult.

The average increase in annual income is as follows:

Table 14: The average increase in annual income (by households with a disabled adult)

	£
Not disabled	95
Wider group	127
Core group	300

Source: Landman Economics

Households with a disabled adult benefit to a greater extent than those without a disabled adult.

(d) Households with a disabled child.

Table 15: The average increase in annual income (by households with a disabled child)

	£
No disabled child in the family	191
A disabled child in the family	360

Source: Landman Economics

Households with a disabled child benefit to a significantly greater extent than those without.

(e) Composition of household.

The average increase in annual income is as follows:

Table 16: The average increase in annual income (by household composition)

Benefit unit type	£
Single working age (man)	130
Single working age (woman)	120
Childless couple	64
Lone parent	446
Couple	127
Single pensioner (man)	Nil
Single pensioner (woman)	Nil
Pensioner	Nil

Source: Landman Economics

Lone parents gain significantly more from the retention of the £20 a week uplift than any other type of household composition. Individuals of pensionable age do not benefit due to receiving Pension Credit rather than Universal Credit. Pension Credit is more generous than UC.

Summary

The £20 uplift in UC allowances is generally well targeted at households on low income, women, families with an adult or a child with a disability and lone parents. There are broadly similar increases in household income across working ages.

Additional payment for children in low income families of £20 a month per child in receipt of Universal Credit and Child Tax Credit and additional payments for disabled adults or children in low income households of £20 a month per disabled person for claimants on Universal Credit or legacy benefits (those on Employment and Support Allowance and Housing Benefit with disability premia).

The costings for these payments are as follows:

Low income family payment

Estimated annual costs of an additional payment of £20 per child in UC households in payment and 'in payment' CTC households with children

Table 17: Estimated annual costs of an additional payment of £20 per child in UC households

	PSU £ millions	Landman Economics £m
2022/23	53.3	40
2023/24	52.7	41
2024/25	52.4	41

Source: Professional Services Unit and Landman Economics

This measure would involve providing an additional payment of £20 for every child in UC and CTC households which are in payment. UC and CTC households are being used to define 'low income'.

Costs would come from the number of children in households on UC and CTC which are in payment, multiplied by the additional payment amount of £20.

The figures for PSU are based on a managed migration start date of January 2023 with completion over two years. Note this assumed migration schedule is subject to change.

Additional Disability payment

Table 18: Estimated costs for additional disability payment

	Landman Economics £m
2022/23	30
2023/24	30
2024/25	31

Source: Landman Economics

As an indication of costs for the additional disability payment, PSU provided an approximate cost for the month of August 2021 based on the potential eligible caseload at that point in time. This was multiplied by twelve by the panel to provide an estimate of the annual cost for 2020/21 of £31.4 million. The numbers of disabled children in a household could not be identified for Housing Benefit therefore the monthly cost estimate provided by PSU may represent an underestimate. Note some of these children will have been included in the tax credits child disability premium volumes that were included in the overall costings.

The distributional impact on household income was then considered by:

(a) Income decile.

The average increase in annual income is as follows:

Table 19: The average increase in annual income (by household income)

	Low income families payment	Low income disabled adult/child payment
Decile	**£**	**£**
1 (poorest)	16	11
2	78	60
3	135	60
4	81	69
5	45	45
6	33	41
7	12	14
8	3	4
9	nil	nil
10 (richest)	nil	nil

Source: Landman Economics

The low income family payment targets need across the lowest 40 per cent of household incomes. A similar result arises from the disabled adult/child payment with assistance generally well targeted at the lowest 40 per cent of household income. Both payments assist household in the top half of income households to a more limited extent save for the top 20 per cent.

The impact of the increase is set out in cash terms and as a percentage increase in Figures 5 and 6.

Figure 5:

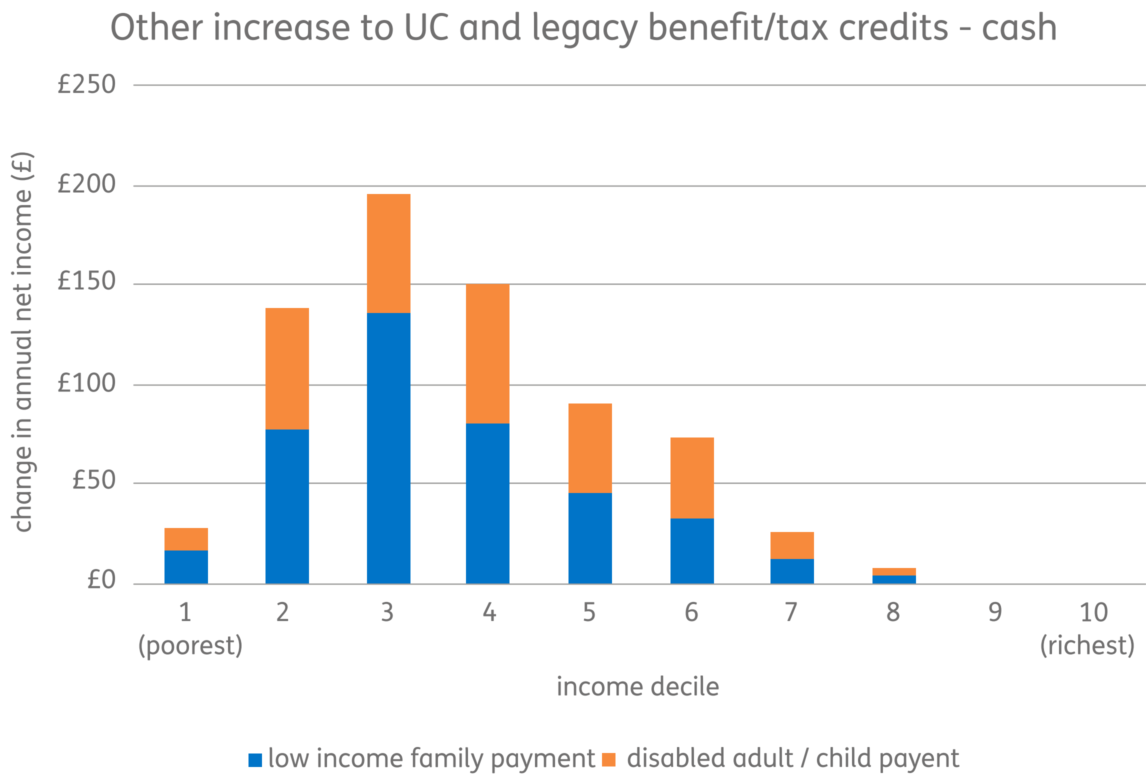
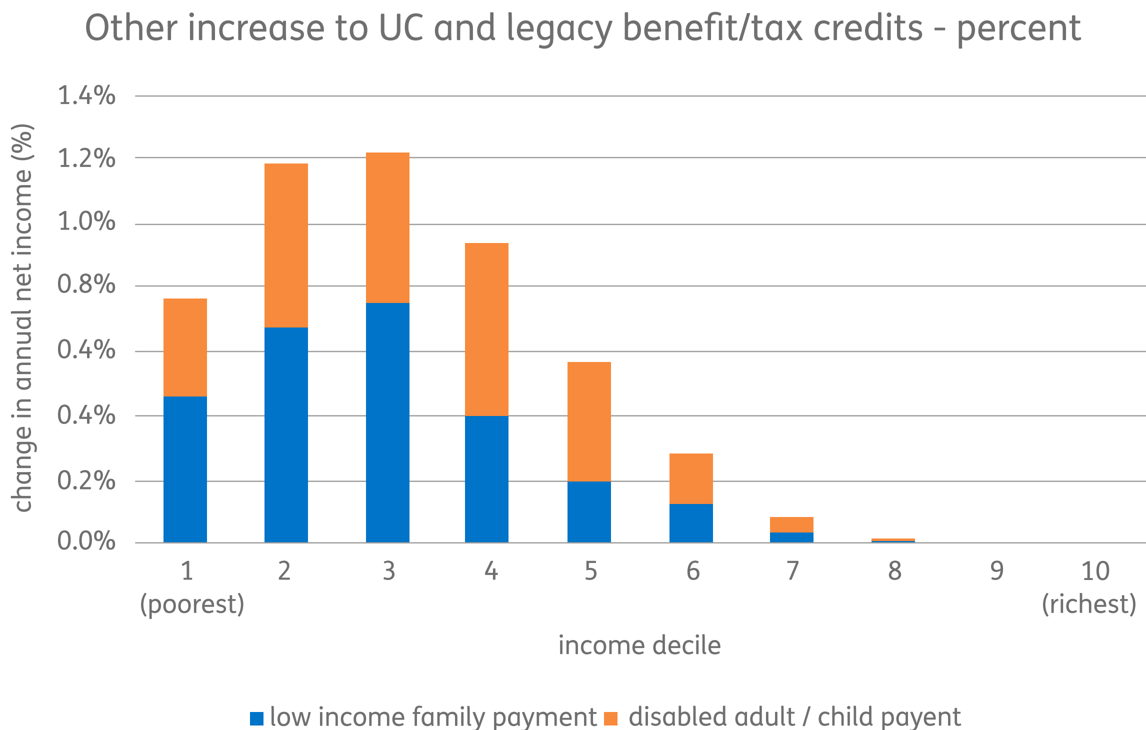


Figure 6:



Source: Landman Economics

Source: Landman Economics

(b) gender

The average increase in annual income is as follows:

Table 20: The average increase in annual income (by gender)

	Low income families payment £	Low income disabled adult/child payment £
Men	21	20
Women	40	26

Source: Landman Economics

The low income family payment benefits women more than men to a significant extent reflecting in part the proportion of lone parent households on a low income are headed up by women. There is a small additional benefit for women over men with regard to disability benefit.

(c) households with a disabled adult.

The average annual increase in income is as follows:

Table 21: The average annual increase in income (by household with a disabled adult)

	Low income families payment £	Low income disabled adult/child payment £
No disability	29	6
Wider disability	33	14
Core disability	34	68

Source: Landman Economics

There is little difference to the benefit between households with or without a disability with regard to a low income family payment. In contrast, there is a significant difference to households with a disabled adult for the low income disability payment.

(d) Households with a disabled child

The average annual increase in income is as follows:

Table 22: The average annual increase in income (by household with a disabled child)

	Low income family payment £	Low income adult/child disability payment £
No disability	152	26
Disabled child present	334	250

Source: Landman Economics

There is a significant benefit for households with a disabled child over those without for both a low income family payment and a low disability payment reflecting that the assistance is targeted on those receiving ill-health related support within means-tested benefits and that families with a disabled child tend to be on lower incomes.

(e) Household composition

The average annual increase in income is as follows:

Table 23: The average annual increase in income (by household composition)

Benefit Unit Type	Low income family payment £	Low income adult/ child disability payment £
Single working age (man)	Nil	42
Single working age (woman)	Nil	43
Childless couples	Nil	28
Lone Parent	335	107
Couple	117	35
Single pensioner (man)	Nil	Nil
Single pensioner (woman)	Nil	Nil
Pensioner Couple	Nil	Nil

Source: Landman Economics

The low income family payment only covers working age benefits and provides more assistance to lone parent households. The low income adult/child disability child payment is also well targeted at lone parents while there is little income distribution difference among other working age household composition.

Summary

The low income family payment is generally well targeted by income, gender and in lone parent households and households with a disabled child. The low income adult and child disability payments are slightly less well targeted by income and gender but does target effectively lone parent households and households with a disabled adult or child present. The low income family payment provides most assistance to those aged between 25-34 and 35-44, while the low income disabled adult and child payment benefits most those aged between 45-54 and 55-64 than any other age group.

Increase Carer's Allowance by the rate of £462.80 per year (equivalent to the payment made twice a year to carers in Scotland) [35].

35 The Scottish government made two payments in 2021 (£231.40 in April 2022 and £462.80 in December 2021) in recognition of Covid. The figures used for our modelling assume two payments of £231.40 a year

The cost of making two equal recognition payments of £231.40 in April and October of each year to recipients of Carer's Allowance was estimated to be:

Table 24: Estimated cost of recognition payment to Carer's Allowance (by an extra £462.80)

	PSU £ millions	Landman Economics £ millions
2022/23	23.6	16
2023/24	24.7	17
2024/25	25.4	17

Source: Professional Services Unit and Landman Economics

Estimated costs for this scheme would come from the forecasted volumes of eligible Carer's Allowance recipients who would be expected to be on the Carer's Allowance caseloads in April and October of each year.

The estimated number of recipients of Carer's Allowance in 2022/23 is 49,000 in April 2022 rising to 50,000 in October 2022 and remaining static in 2023/24 and 2024/25. These PSU figures do not include those who are on Carer's Allowance on a credits only basis or have an underlying entitlement but do not receive Carer's Allowance due to the impact of receiving an overlapping benefit, for example, State Retirement Pension.

In terms of impact by specific characteristics the findings were as follows:

(a) Income decile

The average increase in annual income by decile is as follows:

Table 25: The average increase in annual income (by income decile)

Decile	£
1 (poorest)	19
2	29
3	30
4	32
5	21
6	16
7	7
8	5
9	5
10 (richest)	nil

Source: Landman Economics

The increase would benefit carer households in the lowest half of annual income to a greater extent than those in the top half though households up to the ninth decile will receive some assistance.

(b) Gender

The average annual increase in income is as follows:

Table 26: The average increase in annual income (by gender)

	£
Men	8
Women	16

Source: Landman Economics

A carer's payment assists women more than men. In August 2021, 69 per cent of all Carer's Allowance recipients were women and 31 per cent were men.

(c) households with a disabled adult

The average annual increase in income is as follows:

Table 27: The average increase in annual income (by household with a disabled adult)

	£
Not disabled	9
Wider group	12
Core group	20

Source: Landman Economics

A carer's payment would benefit households with a disabled adult to a greater extent than those without a disabled adult.
(d) households with a disabled child.

The average annual increase in income is:

Table 28: The average increase in annual income (by household with a disabled child)

	£
No disabled child in the family	10
A disabled child in the family	132

Source: Landman Economics

A carer's payment would benefit households with a disabled child to a far greater extent than those without a disabled child.

(e) household composition

The average increase in annual income is as follows:

Table 29: The average increase in annual income (by household composition)

Benefit Unit type	£
Single working age (man)	12
Single working age (woman)	12
Single childless couple	36
Lone parent	42
Couple parent	19
Single pensioner (man)	nil
Single pensioner (woman)	1
Couple pensioner	8

Source: Landman Economics

A carer's payment benefits couples without children and lone parents to a greater extent than other households.

Summary

A carer's payment is generally well targeted as it assists households on low incomes, those households with a disabled child, women and lone parents and couples without children to a significant degree and also targets households with an adult with a disability though not to the same extent as those with a child with a disability. On age, those aged 45-54 and 55-64 would be assisted to a greater extent. This reflects the fact that over half of the claimants receiving Carer's Allowance fall into these age groups.

Making a young carer's recognition payment of £308.15 once a year to young carers aged 16-18 year olds and a similar payment made to those carers looking after more than one disabled child. The young carer's payment is paid to those not on Carer's Allowance but provide more than 16 hours and less than 35 hours care a week.

Costings

Table 30: A young carer's recognition payment of £308.15; aged 16-18 year olds

	Young Carer's payment PSU (partial estimate only) £m	Looking after more than one disabled child Landman Economics £m
2022/23	0.9	8.0
2023/24	1.0	8.0
2024/25	1.0	8.0

Source: Professional Services Unit and Landman Economics

It was assumed that the same criteria for this grant would apply as for the Young Carer Grant in Scotland. **www.mygov.scot/young-carer-grant**

Additional costs for the implementation of this young carer's recognition payment scheme in NI would be expected to come from:

- Carer's Allowance claimants aged 16, 17 or 18 who would have been eligible and applied for this payment before moving on to CA.
- Young carers aged 16, 17 or 18 who provide less than 35 hours of care per week but more than 16. These carers would not qualify for CA but would be able to receive the grant for each year they meet the eligibility criteria.

PSU were unable to provide a full estimate covering both elements of the expected additional costs. A partial estimate was provided for young Carer's Allowance claimants who it is expected would have applied for this grant before they became recipients of Carer's Allowance. PSU were unable to estimate the additional volumes of young carers who would be eligible for the grant but not for Carer's Allowance, therefore this element of the costing is unknown. The forecasted costs provided are therefore likely to be an underestimate.

The impact on household income distribution was considered as follows:

(a) Income decile

The average annual increase is as follows.

Table 31: The average increase in annual income (by income decile)

	Young Carer's Payment	More than one child cared for
Decile	£	£
1 (poorest)	1	12
2	nil	16
3	nil	12
4	nil	15
5	nil	8
6	nil	6
7	nil	4
8	nil	3
9	nil	2
10 (richest)	nil	nil

Source: Landman Economics

The Young Carer's Recognition Payment assists those on the lowest household income reflecting that the payment is targeted at 16-18 year olds. The payment where more than one person cared for effectively targets those in the bottom 40 per cent of household income though some support is payable right through to the ninth decile.

(b) Gender

The average annual increase in income is as follows:

Table 32: The average increase in annual income (by gender)

	Young Carer's	More than one child cared for £
Men	nil	5
Women	nil	7

Source: Landman Economics

The impact is too small to be measured in income terms for young carers. However, PSU figures for August 2021 show that 52 per cent of young carers aged 16-18 were young women/girls and 48 per cent young men/boys. This suggests that for young carers, payment would benefit young men and women equally. The payment to those caring for more than one person favours women slightly more than men.

(c) household with a disabled adult.

The average annual increase in income is as follows:

Table 33: The average increase in annual income (by household with a disabled adult)

	Young Carer's	More than one child cared for £
No disability	nil	4
Wider group	nil	6
Core group	nil	10

Source: Landman Economics

The payment to more than one carer assists households with an adult disability to a greater extent than those without an adult at home with a disability.

(d) household with a disabled child.

The average annual increase in income is as follows:

Table 34: The average increase in annual income (by household with a disabled child)

	Young Carer's	More than one child cared for £
No disabled child in the family	nil	nil
At least one disabled child in the family	nil	29

Source: Landman Economics

The payment for carers looking after more than one person is effectively targeted at households with a disabled child.

(e) by household composition.

The average annual increase in income is as follows:

Table 35: The average increase in annual income (by household composition)

	Young Carer's Payment £	More than one child cared for £
Single working age man	nil	8
Single working age woman	1	8
Childless couple	nil	23
Lone parent	nil	8
Couple with children	nil	2
Single pensionable age (man)	nil	nil
Single pensionable age (woman)	nil	1
Pensioner (couple)	nil	5

Source: Landman Economics

The payment would assist couples without children to a greater extent than others reflecting perhaps the age of such carers and that any children may have grown up and no longer be included in any claim for benefit.

Summary

The young carer recognition payment has a particular focus on young people aged 16-18. PSU figures show that in August 2021, that of the 16-18 year olds receiving Carer's Allowance, 14 per cent were aged 16, 29 per cent were aged 17 and 57 per cent were aged 18. Note this does not include age breakdowns for young carers who would be eligible for the young carer recognition payment but not for carers allowance.

The payment for individuals with more than one person being cared for is effectively targeted towards households in the bottom half of annual household income. By age, it is those aged 45-54 and 55-64 who would desire the most assistance.

Increase the maximum earnings rule for Carer's Allowance to (i) 16 hours of the National Living Wage (NLW), (ii) double the threshold to £264 a week, (iii) treble the threshold to £396 a week and (iv) abolish the earnings threshold altogether.

Costings
Landman Economics only:

Table 36: Carer's Allowance costings (by four options to increase the maximum earnings rule)

	Extend to 16 hours (NLW) £m	Double the earnings threshold £m	Triple the earnings threshold £m	Abolish the earnings threshold £m
2022/23	3	11	24	50
2023/24	3	11	24	51
2024/25	3	11	25	52

Source: Landman Economics

(a) By income decile.

The impact on household income was considered as follows:

The average annual increase in income is as follows:

Income decile

Table 37: The average increase in annual income (by income decile)

	Extend to 16 hours (NLW) £	Double threshold £	Triple threshold £	Abolish threshold altogether £
1 (poorest	nil	nil	nil	nil
2	nil	nil	nil	nil
3	nil	51	61	61
4	17	17	39	39
5	nil	12	64	83
6	8	8	41	58
7	nil	nil	12	74
8	nil	17	17	82
9	6	6	12	60
10 (richest)	nil	nil	nil	51

Source: Landman Economics

Figure 7:

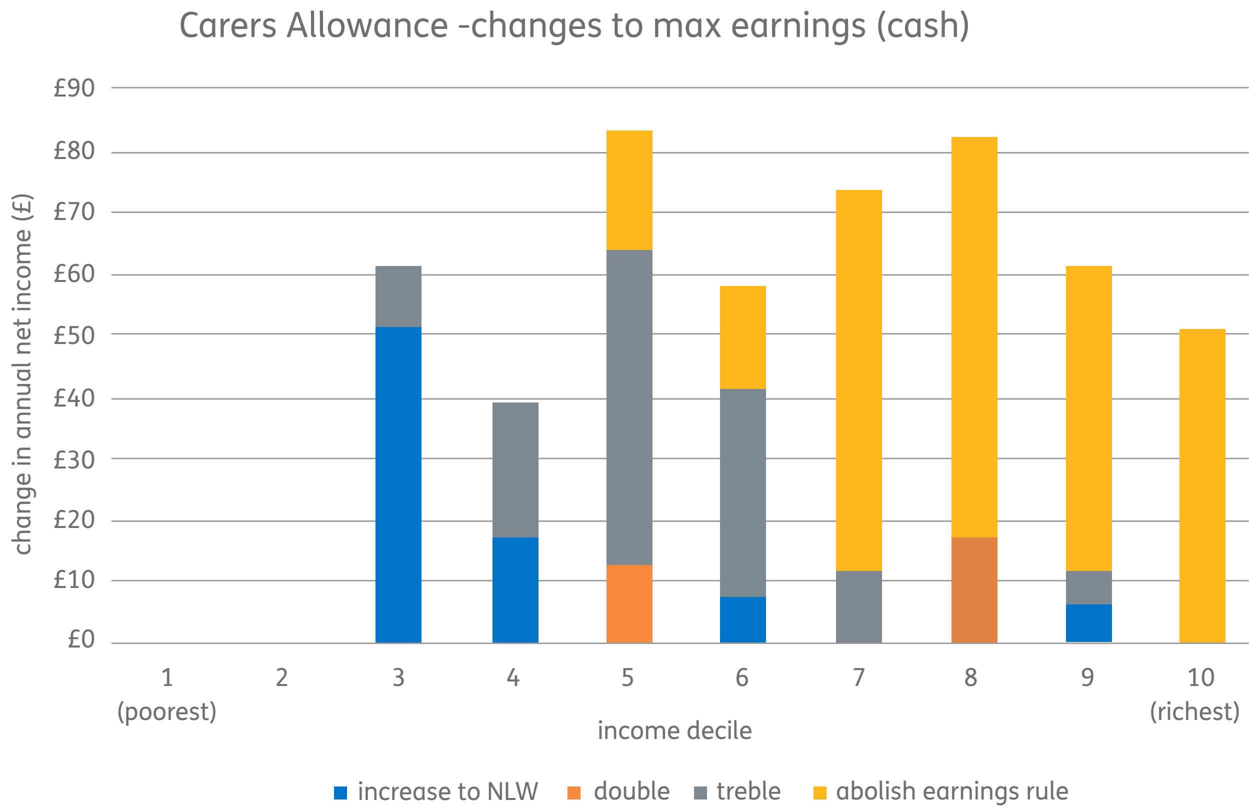
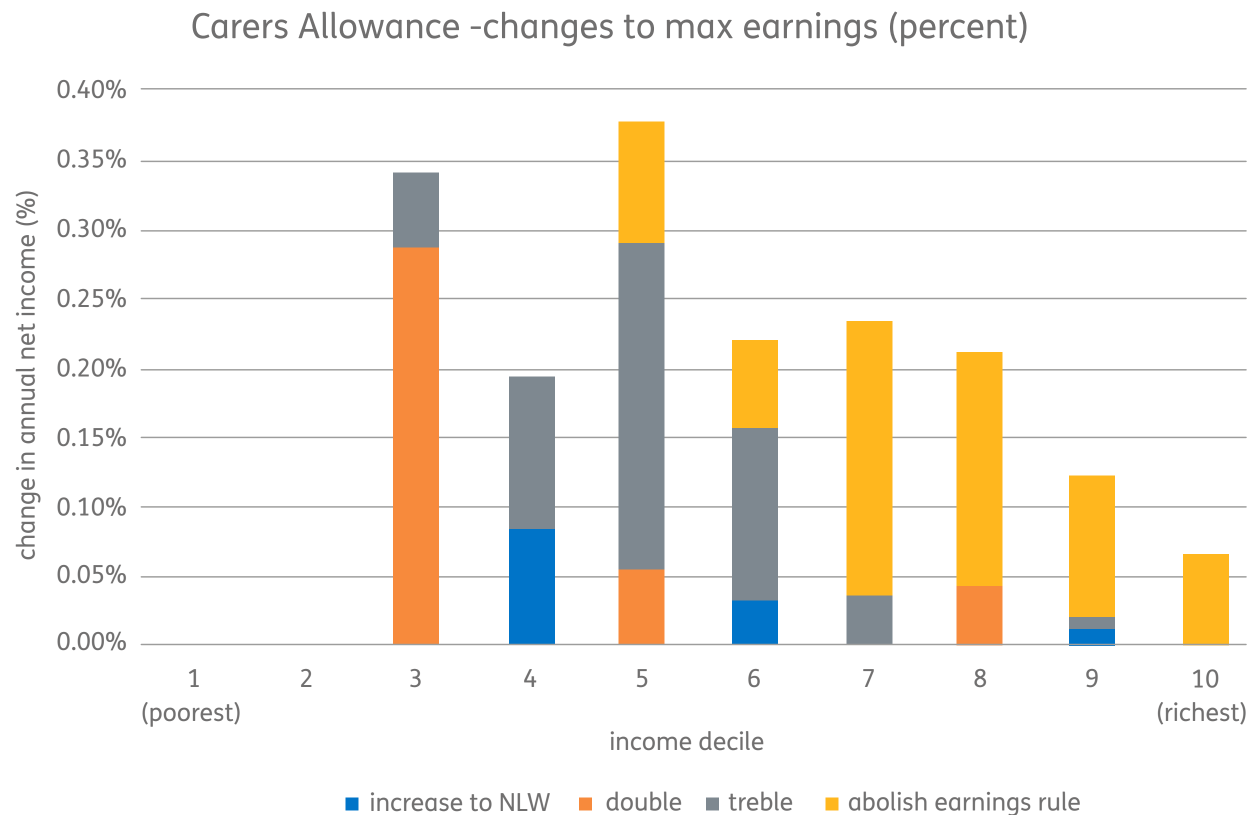


Figure 8:



Source: Landman Economics

Increasing the earnings threshold assists those higher up the household income scale reflecting that it helps households with at least one person working in the household. Doubling or trebling the threshold assists households on lower and middle income while abolishing the threshold altogether would significantly assist higher as well as low and middle income households.

(b) Gender.

The average annual increase in household income is as follows:

Table 38: The average increase in annual income (by gender)

	16 hours £	Double earnings threshold £	Triple earnings threshold £	Abolish earnings threshold altogether £
Men	1	5	10	23
Women	3	12	27	46

Source: Landman Economics

The increase in earnings threshold is of more assistance to women than men regardless of which threshold is used.

(c) household with a disabled adult.

The average annual increase in household income is as follows:

Table 39: The average increase in annual income (by household with a disabled adult)

	16 hours (NLW) £	Double earnings threshold £	Triple earnings threshold £	Abolish earnings threshold altogether £
Not disabled	1	7	16	30
Wider group	9	9	41	67
Core group	4	11	19	40

Source: Landman Economics

The earnings rule relaxations assist households with a disabled adult to a greater extent than households without an adult with a disability regardless of the threshold set.

(d) household with a disabled child.

The average annual income is as follows:

Table 40: The average increase in annual income (by household with a disabled child)

	16 hours (NLW) £	Double earnings threshold £	Triple earnings threshold £	Abolish earnings threshold altogether £
No disabled child	7	29	41	51
At least one disabled child in the household	13	13	82	107

Source: Landman Economics

The increase in earnings thresholds assists households with a disabled child over those without a disabled child. The exception is where the earnings threshold is doubled. This appears anomalous but may be explained by the small sample size and the numbers surveyed with earnings between 16 times the National Living Wage and double the threshold rate (£264 a week).

(e) household composition.

The average annual increase in income is as follows:

Table 41: The average increase in annual income (by household composition)

Benefit Unit type	16 hours (NLW) £	Double earnings threshold £	Triple earnings threshold £	Abolish earnings threshold altogether £
Working age single (man)	nil	nil	6	16
Working age single (woman)	nil	10	32	67
Childless Couple	8	22	52	119
Lone parent	6	18	52	69
Couple with Children	8	30	44	55
Single Pensioner (male)	nil	nil	nil	nil
Single pensioner (woman)	nil	nil	nil	nil
Couple (pensioner)	nil	nil	6	17

Source: Landman Economics

Changes to the earnings threshold assists households of couples without children, lone parents and couples with children. The level of assistance varies depending on the threshold.

Summary

The relaxation of earnings threshold for Carer's Allowance assists middle income households more as the threshold increases, if abolished, it would also provide considerable assistance to higher income households. The assistance is well targeted at households with an adult or a child with a disability save for doubling the threshold where it is not well targeted. The reason for this is not absolutely clear, but may be to do with the sample size.

Those aged 45-54 and 55-64 would be assisted more by relaxing the earnings thresholds. In the case of raising the earnings threshold to sixteen hours times the National Living Wage, it is the age group 45-54 who are assisted to the greatest extent. Raising the earnings threshold for carers would assist Black and Minority Ethnic claimants to a greater extent than white claimants. This is effectively the only policy considered that targets ethnicity of claimants more positively than white counterparts.

Introduction of payments following the Scottish Best Start Grant model including for low income families on certain benefits increasing Sure Start Maternity Grant from £500 to £600 and paying £300 to subsequent children, plus payments of £250 on starting nursery, school, moving to secondary education at aged 11 and staying on at school aged 16.

Costings

Table 42: Costings (by introducing payments following the Scottish Best Start Grant model)

	Landman Economics £ millions
2022/23	9
2023/24	9
2024/25	10

Source: Landman Economics

The impact on household income was considered by:

(a) income decile

The average annual increase in income is as follows:

Table 43: The average increase in annual income (by income decile)

Household Income decile	£
1 (poorest)	5
2	16
3	35
4	17
5	10
6	5
7	1
8	nil
9	nil
10 (richest)	nil

Source: Landman Economics

The assistance is well targeted at assisting those in the lower half of household income.

The increase is presented in cash and percentage terms in figures 9 and 10.

Figure 9:

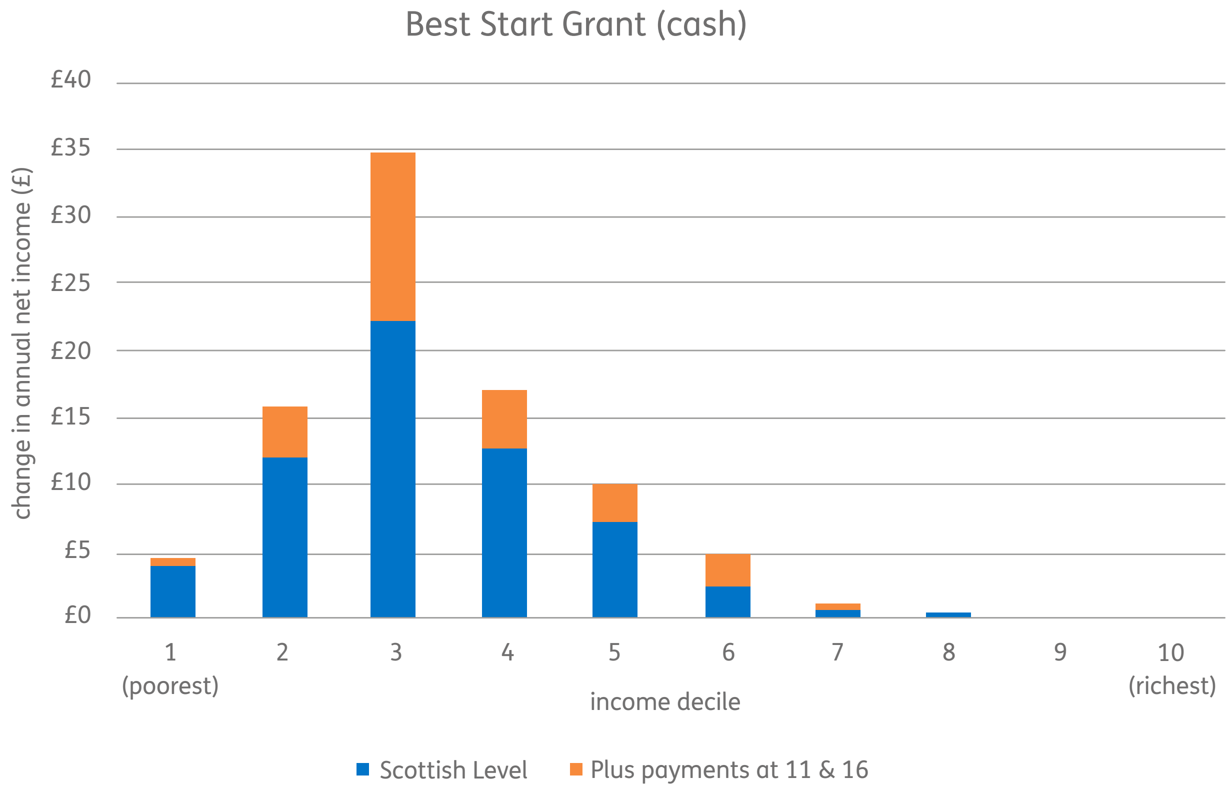
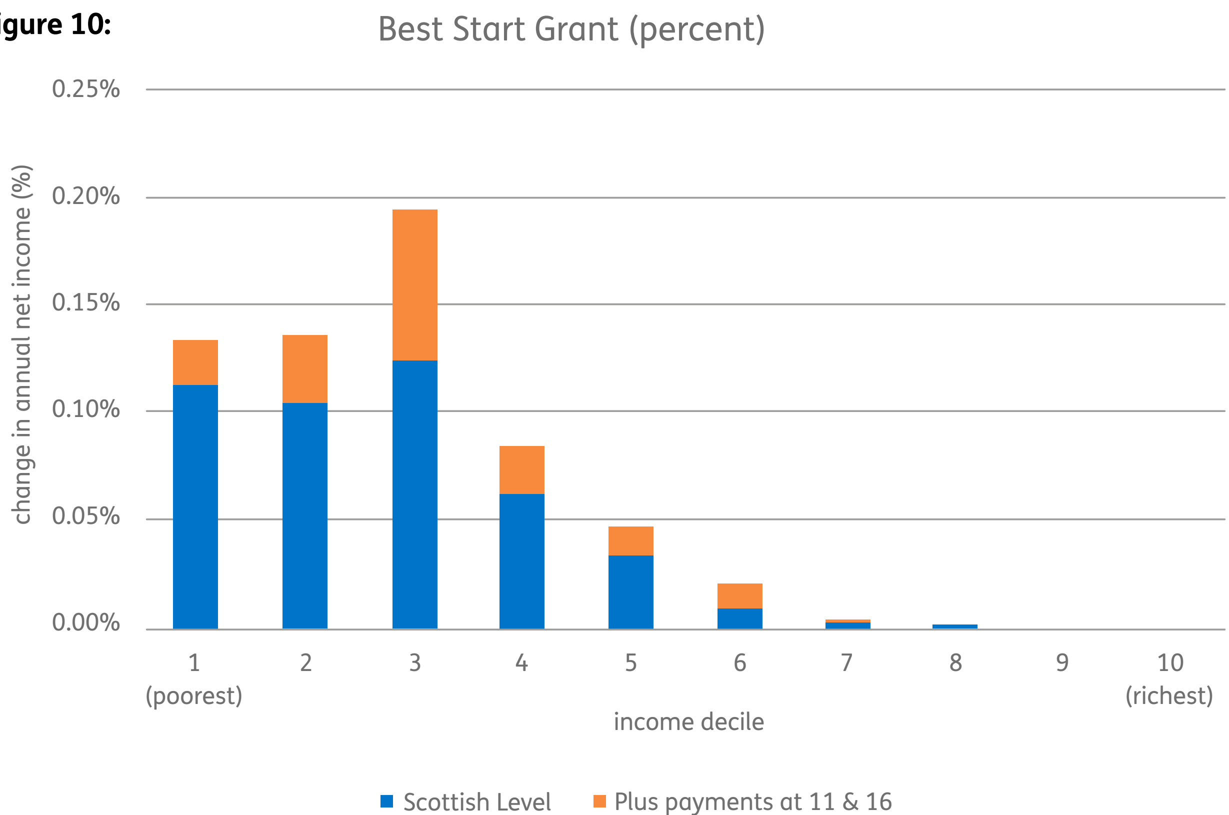


Figure 10:



Gender.
The average annual increase in household income is as follows:

Table 44: The average increase in annual income (by gender)

	£
Men	1
Women	13

Source: Landman Economics

The payment would assist women to a much greater extent than men.

(c) household with a disabled adult

The average increase in annual income is as follows:

Table 45: The average increase in annual income (by household with a disabled adult)

	£
No disabled adult	7
Wider group	5
Core group	7

Source: Landman Economics

The payment would provide similar levels of assistance to families with or without a disabled adult.

(d) household with a disabled child.

The average increase in annual income is as follows:

Table 46: The average increase in annual income (by household with a disabled child)

	£
No disabled adult	38
A disabled child in the family	42

Source: Landman Economics

The payment assists household with a disabled child slightly more than those households without a disabled child.

(e) by household composition.

The average increase in annual income is as follows:

Table 47: The average increase in annual income (by household composition)

Benefit Unit type	£
Lone parent	23
Couple parent	8

Source: Landman Economics

The payment aimed at working age families provides assistance to a greater extent to lone parents than to couples with children.

Summary

This payment is effectively targeting low and middle income households, women and lone parents in particular. By age, the payment would assist those aged 18-24 and 25-34 the most, followed by those aged 35-44 reflecting the age of parents when children are born and reach certain milestones.

Winter heating assistance namely (a) an adult winter heating assistance with an automatic payment of £50 every winter to low income households on Pension Credit and low income working age benefits where a disability premia is payable and (b) a disabled child winter heating assistance payment of £202. Both payments made on the equivalent Scottish payments and qualifying conditions.

Table 48: Estimate costings for Winter Heating assistance

	Child winter Heating assistance £m	Adult Heating Assistance £m
2022/23	3.3	11
2023/24	3.5	11
2024/25	3.7	11

Source: Professional Services Unit and Landman Economics

PSU figures estimate that 16,000 child claimants of DLA and PIP claimants aged under 19 would be entitled to the child winter assistance payment in 2022/23 and 2023/24 rising to 17,000 in 2024/25. This was based on forecasting of the eligible caseload by applying criteria for the Scottish scheme to NI data i.e. to be aged under 19 and on either the highest rate of the care component of DLA for children or the enhanced daily living rate of PIP. Eligibility criteria would apply to caseloads as at September of each year.

As an indication of potential volumes who would be eligible for an adult heating assistance payment, PSU provided approximate volumes for Winter 2021/22 based on the eligibility criteria for the NI cold weather payments scheme (excluding application of the weather conditions that apply to the current scheme). PSU estimated 210,000 claimants (to the nearest 10,000) would potentially be eligible for this payment during 2021/22. Note PSU were unable to identify volumes for support for mortgage interest claimants who are also part of the eligible cohort for the NI cold weather payments scheme. As volumes provided were for claimants, some households may therefore receive more than one payment if the scheme was administered at claimant level.

The impact of introducing winter heating assistance payments was considered by:

(a) income decile

The average increase in annual household income is as follows:

Table 49: The average increase in annual income (by income decile)

	Adult Winter Heating Payment	Child Winter Heating Payment
Decile	**£**	**£**
1 (poorest)	11	nil
2	24	nil
3	22	nil
4	19	nil
5	14	1
6	12	nil
7	6	1
8	3	nil
9	nil	1
10 (richest)	nil	nil

Source: Landman Economics

The adult winter heating payment assists households in the lower half of household income to a greater extent than those in the higher half though help extends to the eighth decile. The child winter heating allowance does not target low income households to any great extent.

(b) Gender

The average increase in annual income is as follows:

Table 50: The average increase in annual income (by gender)

	Adult Winter Heating Payment £	Child Winter Heating Payment £
Men	7	nil
Women	9	nil

Source: Landman Economics

The payment would assist women to a slightly greater extent than men but not markedly so.

(c) household with a disabled adult.

The average increase in annual income is as follows:

Table 51: The average increase in annual income (by household with a disabled adult)

	Adult Winter Heating Payment £	Child Winter Heating Payment £
Not disabled	4	nil
Wider group	7	1
Core group	19	nil

Source: Landman Economics

Both the adult winter heating and child winter heating payments affect those households with a disabled adult or child to a greater extent than those who do not have a disabled adult or child.

(d) household with a disabled child.

Table 52: The average increase in annual income (by household with a disabled child)

	Adult Winter Heating Payment £	Child Winter Heating Payment £
No disabled child in family	13	nil
Disabled child in family	35	12

Source: Landman Economics

The payment benefits households with a disabled adult and a disabled child to a significantly greater extent than households without any disabled adults or children.

(e) household composition.

The average increase in annual income is as follows:

Table 53: The average increase in annual income (by household composition)

Benefit Unit Type	Adult Winter Heating Payment £	Child Winter Heating Payment £
Working age single man	13	nil
Working age single woman	12	nil
Childless couple	6	nil
Lone parent	31	3
Couple with children	10	1
Single pensioner (man)	18	nil
Single pensioner (woman)	23	nil
Couple (pensioner)	6	nil

Source: Landman Economics

The adult winter heating payment assists lone parents and single pensioners both men and women to a greater extent than any other type of household. The child winter heating payment assists families with children particularly lone parent households.

Summary

The adult winter heating payment targets effectively those households in the lower half of income, households with an adult or a child with a disability. The payment also particularly assists single pensioner households and lone parents. By age, the payment would assist those aged 75 or over most, while assisting all other age groups equally save for a slightly lower level of assistance to individuals aged between 18 and 24. The child winter heating assistance payment is targeted effectively at households with a disabled child in line with the criteria that would need to be met to secure entitlement to such a payment.

A payment for children in low income households examining (a) a payment of £10 a week per child aged under 6, (b) a payment of £20 a week per child aged under 6, (c) a payment of £10 a week per child aged under 16 and (d) a payment of £20 a week per child aged under 16. A Scottish child payment is in place for those on certain low income benefits at £10 a week per child under 6 at present. The payment is to be increased to £20 a week per child under 6 from April 2020 and to be increased to £20 a week per child under 16 at the end of 2022.

Costing

The cost of introducing child payments to low income families is estimated as follows:

Table 54: The cost of introducing child payments to low income families

Landman Economics only				
	Payment of £10 a week per child under 6 years in household £m	Payment of £20 a week per child under 6 years in household £m	Payment of £10 a week per child under 16 in household £m	Payment of £20 a week per child under 16 in household £m
2022/23	48	97	85	170
2023/24	50	100	88	175
2024/25	51	103	90	180

Source: Landman Economics

The impact of making such payments was considered by

(a) income decile

The average increase in household income is as follows:

Table 55: The average increase in annual income (by income decile)

Payment where a child under certain age in households				
Decile	Under 6 £10 a week £	Under 6 £20 a week £	Under 16 £10 a week £	Under 16 £20 a week £
1 (poorest)	27	54	30	60
2	105	209	166	333
3	161	323	281	562
4	91	181	164	328
5	49	99	101	202
6	33	67	69	138
7	15	29	26	52
8	2	4	9	19
9	nil	nil	nil	nil
10 (richest)	nil	nil	nil	nil

Source: Landman Economics

These payments provide most assistance to those in the second, third and fourth decile to a greater extent than other deciles. Some assistance is provided up to the eighth decile but none beyond this.

The increase in cash and percentage terms are presented in figures 11 and 12.

Figure 11:

Figure 12:

Source: Landman Economics

Source: Landman Economics

(b) gender

The average increase in annual income is as follows:

Table 56: The average increase in annual income (by gender)

Payment where a child under certain age in households				
	Under 6 £10 a week £	Under 6 £20 a week £	Under 16 £10 a week £	Under 16 £20 a week £
Men	23	45	34	68
Women	51	101	94	189

Source: Landman Economics

These payments would assist women to a significantly greater extent than men.

(c) household with a disabled adult.

The average increase in annual income is as follows:

Table 57: The average increase in annual income (by household with a disabled adult)

Payment where a child under certain age in households				
	Under 6 £10 a week £	Under 6 £20 a week £	Under 16 £10 a week £	Under 16 £20 a week £
Not disabled	39	78	61	121
Wider group	44	88	79	158
Core group	30	60	73	145

Source: Landman Economics

The payment to households with an adult reveals a mixed result where a payment per child under 6 is made. However, when payment is extended to when a child is under 16 in the household then such a payment assists households with an adult with a disability to a greater extent than households without a disabled adult.

(d) Disabled child in the household.

The average increase in annual income is as follows:

Table 58: The average increase in annual income (by household with a disabled child)

Payment where a child under certain age in households				
	Under 6 £10 a week £	Under 6 £20 a week £	Under 16 £10 a week £	Under 16 £20 a week £
No disabled child in family	199	397	335	669
A disabled child in family	284	568	605	1,211

Source: Landman Economics

These payments provide greater assistance to a disabled child particularly so when extended to children up to the age of 16.

(e) household composition.

The average increase in household income is as follows:

Table 59: The average increase in annual income (by household composition)

Payment where a child under certain age in households				
Benefit Unit type	Under 6 £10 a week £	Under 6 £20 a week £	Under 16 £10 a week £	Under 16 £20 a week £
Lone parent	392	783	777	1,553
Couples with children	144	287	221	443

Source: Landman Economics

The payment assists couples with children and lone parents though lone parents particularly so. As the payment is aimed at households with children, other types of household do not derive any assistance from child payments.

Summary

The child payments effectively target those households in the lower half of incomes and also target women, households with a disabled child and, when paid up to age 16, households with a disabled adult. Those aged 25-34 and 35-44 derive most assistance from child payments with those aged 35-44 being particularly assisted where the payment is extended to a child age under 16 in the household.

Payment of a Job Start Grant to young people aged 16-24 and up to age 25 for care leavers when leaving certain low income benefits to start work.

Table 60: Payment of a Job Start Grant

Costing	Landman Economics only £m
2022/23	1.0
2023/24	1.0
2024/25	1.0

Source: Landman Economics

(a) Income decile

The impact of the payment was considered by the following.

The average annual increase in income is as follows:

Table 61: The average increase in annual income (by income decile)

	£
1 (lowest)	2
2	1
3	1
4	1
5	1
6	nil
7	nil
8	nil
9	nil
10 (richest)	nil

Source: Landman Economics

This grant would assist those on the lowest income in decile 1 and across the lower half of household incomes.

(b) Gender

The average increase in income is as follows:

Table 62: The average increase in annual income (by gender)

	£
Men	nil
Women	nil

Source: Landman Economics

As the increase in average income is below £1, there is no discernible difference in assistance provided by gender.

(c) house with a disabled adult.

The average increase is as follows:

Table 63: The average increase in annual income (by household with a disabled adult)

	£
Not disabled	1
Women	nil
Core group	nil

Source: Landman Economics

The payment would assist adults and households without a disability to a greater extent than those with a disability.

(d) Households with a disabled child.

The average increase in household income is as follows:

Table 64: The average increase in annual income (by household with a disabled child)

	£
Household with no disabled child	nil
Household with a disabled child	nil

Source: Landman Economics

As the increase in household income is below £1, there is no discernible difference between households with or without a disabled child.

(e) household composition.

The average increase in household income is as follows:

Table 65: The average increase in annual income (by household composition)

Benefit Unit type	£
Single working age (men)	1
Single working age (women)	1

Source: Landman Economics

There is no increase in household income for other benefit units reflecting the age at which this payment is aimed at.

Summary

The payment targets effectively those on the lowest income and otherwise it reflects the aim of the payment which is to assist young people into work.

Existing Mitigations Schemes

The costs for each of the existing Welfare Supplementary Payment Schemes for the full financial year 2020/21 was as follows:

Table 66: Programme costs for each Welfare Supplementary Payment Scheme in the 2020/21 financial year [36].

Welfare Supplementary Payment Scheme	Number of people who received Welfare Supplementary Payments2020/21	UC related payments	Non UC related payments	Total amount paid 2020/21
Benefit Cap	1,790	£1,210,820	£999,220	£2,210,040
Contributory Employment and Support Allowance	80	£11,980	£127,230	£139,210
Personal Independence Payment	4,490	nil	£7,553,030	£7,553,030
Loss of Disability-Related Payments	300	nil	-£588,020	-£588,020
Loss of Carer Payments	480	£6,850	£404,730	£411,580
Social Sector Size Criteria	36,400	£4,808,860	£17,405,570	£22,214,430
TOTAL	**43,530**	**£6,038,510**	**£25,901,760**	**£31,940,270**

36 Figures are rounded to the nearest ten to protect individual records and totals may not sum due to rounding

Table 67: Universal Credit Contingency Fund costs in the 2020/21 financial year

Universal Credit Contingency Fund	Number of people who received payments	Total Amount Paid
	4,800	£1,442,720

*The Universal Credit Contingency Fund was implemented in November 2017

Table 68: Programme costs for each Welfare Supplementary Payment Scheme from 1 April 2021 – 31 August 2021 [37].

Welfare Supplementary Payment Scheme	Number of people who received Welfare Supplementary Payments between 1 April 2021 & 31 August 2021	Total Amount Paid between 1 April 2021 & 31 August 2021
Benefit Cap	1,510	£971,220
Contributory Employment and Support Allowance	30	£64,190
Personal Independence Payment	2,230	£1,392,040
Loss of Disability-Related Payments	10	£36,160
Loss of Carer Payments	120	£129,550
Social Sector Size Criteria	34,730	£9,766,590
TOTAL	**38,630**	**£12,159,050**

37 Figures are rounded to the nearest ten to protect individual records and totals may not sum due to rounding. The data for this period (1 April 2021 – 31 August 2021) is unverified

Table 69: Universal Credit Contingency Fund costs from 1 April 2021 – 31 August 2021

Universal Credit Contingency Fund	Number of people who received payments	Total Amount Paid
	2,798	£1,014,714

The costings for Welfare Supplementary Payments going forward is as follows:

Table 70: The costings for Welfare Supplementary Payments

Welfare Supplementary Payment Scheme	2022-23 £'000	2023-24 £'000	2024-25 £'000
Social Sector Size Criteria	24,398	24,811	25,160
Benefit Cap	4,295	4,821	5,291
DLA to PIP - Loss	2,154	2,381	2,415
DLA to PIP - Reduced Award	814	888	900
Carers	702	768	779
ESA	248	256	284
Administration & IT Costs	4,869	5,035	5,205
Independent Advice & Appeals	2,000	2,000	2,000
UC Contingency Fund	2,000	2,000	2,000
TOTAL	**41,480**	**42,960**	**44,034**

Source: Department for Communities

In the initial draft budget issued by the Department for Finance for consultation in December 2021 an allocation was made for welfare reform mitigations as follows:

Table 71: Welfare Reform Mitigation's Budget

	£
2022/23	41.5
2023/24	43.0
2024/25	44.0

Source Draft Budget Consultation Table 5.1 Welfare Reform Mitigations.

We understand this is the sum allocated to existing mitigations and to the cost of dealing with existed identified anomalies. New regulations to extend existing mitigations and to deal with the anomalies has now been passed in the Welfare Supplementary Payment (Amendment) Regulations (NI) 2022. There is no allocation in the draft budget for any new mitigations package at this point.

The proposed sum allocated does appear to cover the existing mitigations scheme for the next three years.

Other issues

Based on the feedback received from stakeholders, we were keen to examine a number of other options for support alongside costings for tackling the problems created by the five week wait for a first payment on Universal Credit. We were not able to fully refine options sufficiently to obtain costings within the short timeframe of the report. In addition, we looked again at the Cost of Work Allowance as recommended by the Welfare Reform Mitigations Working Group led by Eileen Evason in 2016. At a late stage, we also sought some up to date figures based on the anticipated expenditure of £35 million a year. This was also not possible given the timeframe. Nonetheless, we have addressed both issues in our recommendations in the final chapter.

CHAPTER 5: OUR RECOMMENDATIONS AND THEIR RATIONALE

Introduction

Our starting point was to produce a set of recommendations which met the guiding principles outlined in Chapter 2 and are in tune with the NI Executive Programme for Government to improve the lives of people in NI. First, we wanted to ensure that we targeted need effectively taking into account those households who had been most adversely affected by the changes to tax and social security over the past decade or so. The value of the work commissioned from Landman Economics is that we have data to confirm the effectiveness of the targeting of our recommendations. Further, we wanted reassurance that the recommendations captured most effectively not only households on low income, but, also those households with a disabled child or adult. Moreover, we wanted to ensure that our recommendations had a positive outcome for women. This is in the context of the House of Lords Economics Affairs Committee report which concluded that 'Universal Credit can disadvantage women, disabled people and BAME people' [38] Our priority has therefore focussed on working age households particularly those in and out of work bearing in mind the two child limit affects both groups. We also wanted to recognise the importance and value of being in-work and to strengthen support available to encourage people into work and support the low paid. Recommendations here are designed to acknowledge that NI remains significantly behind the rest of the UK in terms of childcare support outside of the social security system. Moreover, we wanted to come up with proposals to tackle the fear factor that acts as a barrier to securing employment. In addition, we wanted to focus on those households and families who are struggling the most and where social security changes have bitten the hardest. What we heard and the evidence gathered led us to needing to tackle the two-child limit on Universal Credit (UC), Child Tax Credit (CTC) and for Housing Benefit only claims and the five week wait before a first payment of UC can be made.

We wanted to draw on the policies and approaches applied elsewhere. This entailed looking to Scotland where a significant number of enhancements have been made

38 House of Lords Economic Affairs Committee: 'Universal Credit isn't working: Proposals for Reform 2nd report of Session 2019 2021, 31 July 2020.

within devolved areas of social security. The advantage of this approach is that it provides reassurance that enhancements can be made without undue IT, technical or administrative cost impediments as any difficulties have been successfully negotiated between the Scottish and UK Governments. Nonetheless, we are not in thrall to Scotland's approach and on occasions we have built on the work rather than replicated it. Our aim has been to avoid unnecessary complexity through our recommendations, wherever possible.

We have developed recommendations that particularly acknowledged the role carers play in society, the difficulties facing young people on means-tested benefits and the current problems facing people on low incomes of all ages in meeting fuel bills. We also wanted to build on the ambitions of the NI Executive's Programme for Government that children and young people should have the best start in life.

The recommendations recognise the importance of the role played by independent advice services in helping claimants navigate through the complexities of the social security system, improving benefit take up and offering ways to manage debt and other difficulties that arise from having to live on means-tested benefits. We also see independent advice as a vehicle to assist claimants living in rural areas who face particular disadvantages.

Finally, the recommendations are intended to be meaningful and realistic. Meaningful requires that they make a positive difference in people's lives and attract the support of civic society and the wider public. Realistic entails being affordable recognising that the money spent is coming out of the NI block grant and will need to attract political support among all the parties in the NI Executive. The costings of our recommendations are based on the Professional Services Unit figures were available and Landman Economics otherwise. Alongside the costed proposals we have a number of suggestions as to how the NI Executive can make sure that any new mitigations are effectively communicated to the public as a specific contribution from the NI Executive and NI Assembly. We think it is important that people can see the difference devolution can make in practice in people's lives.

These recommendations are only part of a much wider landscape and will need to be complemented by concrete actions from within an anti-poverty and other strategies to be developed by the Department for Communities.

Our recommendations

The recommendations are designed to be considered as a whole. The recommendations are as follows:

(i) Offset the two-child limit through introducing a better start larger families payment

The two-child limit was introduced in April 2017 applying to new claimants on

Child Tax Credit (CTC), Universal Credit (UC) and Housing Benefit only (HB only) after that date. From 1 February 2019 it was extended as claimants with three or more children became able to make a new claim for Universal Credit and the child element was paid for only the first two children regardless of when the third child and subsequent children were born. In practice, an amount (a child element) for each child is included in a claim for UC, CTC or HB. However, a claimant cannot get this child element for a third or subsequent child in any of these claims unless an exception applies. The personal allowance is worth £2,845 a year (£237.08 a month) for each child. This represents a loss of up to £54.71 a week per child from the third child onwards. The exceptions are limited to children who have been adopted or live with the claimant under other non-parental arrangements, those born in a multiple birth, other than the first if a claimant already has two or more children or a child is likely to have been conceived as a result of rape or in a coercive or controlling relationship where the woman no longer lives with the perpetrator. Fewer than two hundred exemptions applied in NI in August 2021. Over 90 per cent of the exemptions were based on multiple births.

In its annual survey of poverty trends the Institute for Fiscal Studies in 2018 projected a significant increase in child poverty suggesting that the increase was largely caused by additional poverty in families with three children or more and attributable to the introduction of the two-child limit. The average family size in NI is larger than the rest of the UK. The Office for National Statistics [39] showed that 21.4 per cent of families in NI have three or more children compared to 14.7 per cent in the UK. A survey by the Child Poverty Action Group, Church of England and others of the 430 families affected by the two-child limit in Britain in 2019 found that 95 per cent of respondents affected by the two-child limit were struggling to pay for basic living costs and 88 per cent reported difficulties with paying for food and clothes. [40]

The NI Human Rights Commission's research into the Cumulative Impact Assessment of Tax and Social Security Reforms cited the regressive impact of the policy. [41] Recent research locally by Save the Children found that removing the two-child limit in NI would lift six thousand children out of poverty and reduce child poverty projections by 1.7 percentage points in 2022/23, 1.4 percentage points in 2023/24 and 1.0 percentage points in 2024/25. The figures were based on the (then) ten thousand families currently

39 Office for National Statistics – Families with dependent children by UK countries and English regions 2015

40 All Kids Count – The impact of the two-child limit after two years: CPAG and Church of England, June 2019

41 NIHRC (2018) op cit figure 5.3, p84

being affected by the policy. [42] The PSU has estimated that the average number of monthly recipients on UC and CTC affected by the policy will be fourteen thousand in 2022/23 rising to sixteen thousand in 2023/24 and nineteen thousand in 2024/25. The UK government's argument for introducing the two-child limit was that families on low income should consider the financial implications before having more than two children. The CPAG/Church of England survey found that knowledge of the two-child limit was low with only half of the families affected by the policy saying they were aware of the policy before having their youngest child. [43] Moreover, families with three or more children can find themselves suddenly reliant on UC due to unforeseen circumstances leading to a drop in income through, for example, ill-health, caring responsibilities, the breakdown of a relationship or the loss of employment. The policy is also a disincentive for two families with children to start a relationship in a blended family. This has been thrown into sharp relief by the pandemic which left many families on furlough with a reduced income or out of work altogether. Families affected by the two-child limit are left relying on child benefit of £61 a month when an additional child is born yet, the estimated cost of providing a child with a socially acceptable minimum standard of living is £390 a month. [44]

The joint report of the NI Affairs and Work and Pensions Select Committees recommended halting the two-child limit noting that larger family size in NI meant the policy particularly adversely impacted on families locally. [45]

The Child Poverty Action Group has estimated that ending the two-child limit is the most cost-effective way for the government to reduce child poverty. [46]

Our findings from the Landman Economics data reinforces that the mitigation of the two-child limit would target effectively low-income households, women and households with a child with a disability. As a result, we recommend the introduction of a Welfare Supplementary Payment called a Better Start Larger Families payment is introduced to offset the two-child limit.

42 Save The Children: Bright Futures – the future path of child poverty in NI, November 2021

43 All Kids Count op cit

44 Donald Hirsch – The Cost of a Child in 2079 – CPAG, October 2021

45 Joint Report of NI Affairs and Work and Pensions Select Committees: Welfare Policy in Northern Ireland, 9 September 2019

46 CPAG Briefing – Understanding the latest data on the two-child limit, 15 July 2021. Table 3.1 the additional cost of raising a third child excluding rent and childcare in Britain

The estimated cost of mitigation over the next three financial years according to PSU would be £39.5m in 2022/23, £46m in 2023/24 rising to £52.9m in 2024/25.

(ii) Introduce a better start grant payment

Until relatively recently, the social security system used to acknowledge the extra costs of children and support for low income families in a number of ways. Those ties have been significantly loosened through the withdrawal of a Health in Pregnancy grant of £190, the abolition of the baby element of £545 in Child Tax Credit (CTC) payable to families with children aged under one, the ending of the Sure Start Maternity Grant for a second and subsequent children and the freezing of Child Benefit for three years (all in 2011).

The need to provide additional support for children in low income families has been tangibly acknowledged in Scotland through the introduction of a Best Start Grant and the Scottish Child Payment. In Scotland, social security is seen as both an investment in children and a human right.

In Scotland, a Best Start Grant has been introduced with three elements, namely,

- A pregnancy and baby payment which replaces the Sure Start Maternity Grant and provides eligible families with £606 on the birth of a first child and £303 for maternity needs of any subsequent children. Sure Start Maternity Grant in Northern Ireland is £500 with no payment towards maternity needs for subsequent children.

- An early learning payment of £252 where a child is between two years and three and a half years old and starting nursery education.

- A school age payment of £252 to help towards the costs of preparing for school when a child is old enough to start primary school.

These payments are made where a claimant or partner is receiving one of the following benefits:

- Universal Credit
- Income based Jobseeker’s Allowance
- Income related Employment and Support Allowance
- Income Support
- Housing Benefit
- Pension Credit
- Child Tax Credit
- Working Tax Credit

Our recommendation is that we introduce similar payments plus two additional payments, namely, a school transition payment available at around aged 11 when a child moves from primary to secondary level education and a staying on payment at aged 16 for those children who remain in education or training.

This approach would recognise that there are child development stages throughout childhood going beyond starting school.

The rules surrounding the payments including being responsible for a child, and residence, would replicate the rules in Scotland. The Best Start Grant in Scotland is not taxable and does not count as income or savings for means-tested benefits. In addition it should be ignored when claiming other assistance due to a low income, for example, a school uniform grant.

The cost of a Better Start Grant, if payments were set at £600 for the maternity needs of the birth of a first child and £300 for subsequent children and at £250 for the early learning, starting school, school transition and staying on in education and training payments would (based on Landman Economics figures) be £9 million in 2022/23, and 2023/24 rising to £10 million in 2024/25.

We recommend calling the payment a Better Start grant as it is a significant recognition of assistance while also acknowledging that many other policies need to be in place to tackle the inequalities and disadvantages that many children face.

Our findings on the distributional impact of the payment is that it is well targeted at low income households, on women and, when extended to payments for 11 year old and 16 year old children, provides a slight advantage to households with a disabled child over those who do not have a disabled child at home.

(iii) Introduce additional support for carers through (a) a carer's recognition payment (b) a young carer's grant and (c) increasing the earnings threshold for carers in work.

Unpaid carers make an enormous contribution in their families and wider communities. Without that care, our health and social care system would collapse. Carers save the NI economy over £4.6 billion a year – more than what is spent annually by the health and social care trusts locally. [47] One in eight adults is a carer. While caring can be fulfilling for both the carer and cared for person, it is also associated with poorer physical

47 Carers NI Statement and facts and figures, 25 November 2020

and mental health and wellbeing, less opportunity to participate fully in society and reduced earning power. Young carers have to forgo educational and social opportunities taken for granted by many of their peers. Women are more likely to be carers than men including juggling care and part time work while men are more likely to be in full time work with caring responsibilities. [48]

In our meetings we heard considerable frustration at the level of payment of Carer's Allowance. Carer's NI called for the £20 uplift in Universal Credit to be matched by a similar increase in Carer's Allowance.

We looked at what had been done in Scotland and our recommendation follows a number of their additional provisions.

(a) Carer's Allowance Recognition Payment

In Scotland, a Carer's Allowance Supplement is paid twice a year. In 2021 the payment was set at £231.40 payable in mid-June and mid-December. The latter payment was doubled temporarily to £462.80 in recognition of the pressures facing unpaid carers because of the pandemic. To qualify a person must be receiving Carer's Allowance on a specific date three months before the payment is due and living in Scotland. No claim is needed and it is automatically paid. It is not payable to those on credits only or those who have an underlying entitlement but receive no support due to receiving an overlapping benefit, for example, State Retirement Pension or contribution-based Employment and Support Allowance. The Carer's Allowance Supplement is disregarded as income for means-tested benefits.

We recommend introducing the Carer's Allowance Recognition Payment twice a year in June and December applying the rules as in Scotland. The name of the payment is designed to acknowledge the work of carers without in any way implying that it represents proper recompense for the sacrifices made and opportunities foregone as a result of taking on caring responsibilities.

The cost of introducing the Carer's Recognition Payment of £231.40 twice a year is estimated by PSU as £23.6million in 2022/23, £24.7 million in 2023/24 and £25.4 million in 2024/25. There would be around 49,000 claimants receiving the first payment rising to 50,000 beneficiaries thereafter.

The payment is effectively targeted at low income households, women and households with both a disabled adult and a disabled child.

48 Carers UK – Supporting Carers at Work: Opportunities and Imperatives (2021), p5

(b) A young carer's recognition payment.

In Scotland, a young carers grant is payable to a person aged 16-18 (inclusive) who is providing care for at least one person receiving one of primarily, Attendance Allowance, DLA highest or middle rate care component or either rate of the daily living component of PIP. The young person must be providing on average 16 hours a week care during the 13 weeks qualifying period before the claim is made. The young carer must not be entitled to or in the process of claiming Carer's Allowance. The payment is made once a year and is currently £308.15.

We recommend that a Young Carer's Recognition Payment is introduced at the same rate and with the same rules of entitlement as in Scotland. Note PSU were unable to provide a full cost estimate for this grant based on available data. A partial estimate was provided based on forecasting of young Carer's Allowance new claimants who it is expected would have applied for this grant before they became recipients of CA. PSU were unable to estimate the additional costs for young carers who would not be eligible for CA but would be eligible for the grant each year. The payment would target low incomes effectively given that many of the claimants remain in education and benefit young men and women equally given that of carers receiving Carer's Allowance aged 16-18, 52 per cent are young women and 48 per cent are young men. Again this recommendation recognises that further policy support elsewhere is needed to properly recognise the difficulties young carers face.

(c) Increasing the earnings allowance before Carer's Allowance is withdrawn to the 16 hours rate of the National Living Wage.

We were asked to consider increasing the earnings threshold before Carer's Allowance is withdrawn. At present, a person working or in self-employment with average weekly net earnings or net profit of more than £128 a week is not entitled to Carer's Allowance. The figure will increase to £132 a week in April 2022.

We modelled four options, namely, increasing the threshold to the equivalent of 16 hours at the National Living Wage, doubling the threshold to £264 a week based on 2022/23 earnings rule, tripling it and abolishing it altogether.

The estimated cost provided by Landman Economics was £3 million for extending the threshold to 16 hours of the National Living Wage, £11 million if doubling the threshold, £24 million rising to £25 million if tripling the threshold and £50 million rising to £52 million if abolishing the earnings rule altogether.

The abolition of the earnings rule was not particularly effectively targeted at low income households and that was rejected

on that basis. There was not a clear cut case for deciding on the other options based on effectively targeting low income households. In the end, having regard to the overall cost of the package we decided to recommend extending the earnings rule to 16 times the National Living Wage for those aged 23 or over announced each year by the UK government. In April 2022 the National Living Wage will increase to £9.50 an hour for workers aged 23 or over. As a result, the earnings threshold would rise from £132 a week to £152 a week. We also recommend keeping this under review to see if further increases could be made to the threshold in future.

The cost estimated by Landman Economics is £3 million in 2022/23 and remaining at that level in 2023/24 and 2024/25.

In implementing these new arrangements for carers, we would also recommend that a carers reference group be set up so that carers can be involved in the design and delivery of the new arrangements alongside examining what longer term options might be possible to support carers through the social security system. To this end, we would commend the wider approach taken in Scotland to supporting carers beyond additional social security payments.

(iv) Introduce a Cost of Work Allowance, a Job Start grant and examine the options for retaining an underlying entitlement to UC for claimants in specific circumstances.

The risk of poverty is much greater in households where no-one is in paid employment, nonetheless, in-work poverty remains a problem particularly where only one person is in paid work, more so, where the work is part-time. [49] In addition, positively encouraging young people into work is important. Work is a potential route out of poverty but is not a guarantee of such an outcome. Employment rates in NI lag significantly behind those in the rest of the UK. The disparity is even more marked for employment rates for working age individuals with a disability.

In our meetings we were regularly told about the fear factor acting as a barrier to taking work. In particular, training organisations told us that taking work which was short-term and transient with a likelihood of having to start a new claim afresh (and in the case of UC having to wait five weeks for a first payment) was often deemed too risky. A similar problem arose for people with health difficulties who may or may not be able to sustain employment.

49 Poverty in Northern Ireland 2018, Helen Barnard Joseph Rowntree Foundation, p8

In addition, we were pointed to evidence that childcare support funded and provided through government and public authorities outside of the social security system is substantially less than available in the rest of the UK and Ireland.

We have taken all these factors into account in producing our recommendations.

(a) Introduce a Cost of Work Allowance.

The original Welfare Reform Mitigations Working Group recommended the introduction of a Cost of Work Allowance in 2016.

The recommendation was that £35 million a year would be paid from the budget already agreed for mitigations by the NI Executive.

Significant work was done by the Department to flesh out arrangements. In particular, that a payment would be made to claimants on Working Tax Credit and Universal Credit who have been in continuous employment for a three-month period prior to a qualifying date. The payment would be made to those earning between a lower and higher rate of earnings with a lower threshold of £115 a week and a higher threshold of £385 a week. A lump sum payment would be made once in a year to anyone satisfying the criteria. There would be two qualifying dates to accommodate seasonal workers, namely, October and March. The intention was the Department would check eligibility criteria through checking the records of benefit claims held by the Department and in the case of Working Tax Credit by HMRC. The payment would be made without the need for a claim. Two rates of payment were envisaged – one for households without dependent children and a higher rate for those with dependent children. The amount of the payment had not been determined but early modelling suggested that around 40,000 households with dependent children and 17,000 households without dependent children would have qualified.

There was significant liaison between the DfC and HMRC on the necessary administrative arrangements and data sharing and primary legislation was passed to facilitate the scheme. One stumbling block was the taxable status of the payment with HMRC confirming that payments from the scheme would be treated as taxable income which would have significantly reduced the value of payments to individuals. Overcoming this problem and treating the payment as non-taxable would have required a decision from the UK government. In the absence of a functioning NI Executive between January 2017 to January 2020, it was determined that the taxable status of the Cost of Work Allowance should not be pursued.

Our understanding is that this issue may not be an insurmountable obstacle to overcome though that is something which would be subject to the necessary ministerial negotiation and confirmation.

Our recommendation is to introduce a Cost of Work Allowance based broadly on the work already undertaken with one addition, namely, to extend a third payment to claimants receiving any rate of the daily living or any rate of the mobility component of Personal Independence Payment (or equivalent rates of DLA). The payment would be ignored for other means-tested benefits purposes.

The Cost of Work Allowance would need to be further modelled by the Department in order to estimate the numbers of claimants entitled to the payment and how much it would be. Our recommendation would be to spend £35 million each year, i.e. the sum within the budget originally agreed by the NI Executive.

In essence, the Department would be asked to resurrect the work on the Cost of Work Allowance and further refine it within our recommendation.

The additional sum payable for low income in-work households with dependant children would be a tangible recognition of the fact that low income households have less access to free childcare outside of social security than their counterparts in England, Scotland and Wales. The additional payment for a low-income worker on PIP would be an added recognition of the barriers that people with disabilities face when securing work.

(b) Introduce a Job Start Grant for young people

In Scotland, a Job Start Payment is payable to a young worker aged between 16 and 24 (inclusive) who is starting in work averaging at least 12 hours a week for four weeks. To qualify the young person must have been out of work and claiming Universal Credit, Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance for at least six months. For care leavers, entitlement is extended from age 16-25 and there is a requirement only to have been on one of those benefits rather than having to have been on benefit for six months. Only one payment can be made in every two years. The payment is a one-off grant of £252.50 for a single person and £404 where a person is responsible for a child. The estimated cost of introducing such an allowance would be £1 million in each year from 2022/23 through to 2024/25. The payment would be ignored if receiving other means-tested benefits.

(c) Retaining underlying entitlement to UC when taking on employment.

In order to overcome the fear factor of taking a job in circumstances where the work may not be sustained, we recommend the development of an 'underlying entitlement' rule in specific circumstances. In particular, we recommend that a claimant who has been out of work for six months or more and on UC, Income Support, income-based Jobseeker's Allowance, Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or Housing Benefit should retain underlying entitlement to that benefit for up to 26 weeks when taking a job averaging 12 hours or more a week, where there was no entitlement to UC. In the case of claimants on a legacy benefit due to transfer to UC, the claim should be treated as one with the underlying entitlement to transfer to the benefit. In effect, claimants qualifying will not have to serve a further five weeks wait for UC.

The rules regarding sanctions for leaving work in certain circumstances would not be applied to such claims. In effect, a number of technical issues will need to be interrogated but we believe it is possible to devise such a scheme as similar approaches have been adopted within social security when availing of training programmes in the past. A claimant previously getting UC who makes a new claim within six months can already log on to his or her online UC account and reclaim more quickly with the same assessment payment period as previously. Our recommendation is that the Department set up a reference group of training advisers and independent advice workers to assist in developing the scheme.

We do not envisage any significant financial cost will attach to this recommendation.

(v) Introduce a low-income winter heating assistance and child disability winter heating assistance payments.

The cost of fuel has risen inexorably in the past few months. As a result, the Northern Ireland Executive has introduced a one-off Energy Payment of £200 to persons in receipt of one of the following income related benefits; income-related ESA, IS, income-based JSA, State Pension Credit or UC. In addition, the additional cost of paying for fuel is recognised within the social security system through winter fuel payments of £200 for people between pensionable age and 79 (inclusive) and £300 if aged 80 or over. Moreover, a cold weather payment of £25 paid for each week where the weather is so cold it reaches a trigger point based on data from local weather stations. This is payable after the event to claimants in certain circumstances. The threshold for the cold weather payment has only been reached once in NI (at Katesbridge) in the past three years or to date during this winter. We recognise that fuel poverty is a major issue which has simply been exacerbated

by the recent price hike in fuel costs. The Department for Communities has recently reported that fuel poverty in NI stands at 22 per cent based on the proportion of households spending more than 10 per cent of their income on energy costs. Scotland has introduced a child winter heating assistance payment and is currently consulting on a winter heating assistance payment.

(a) Low income winter heating assistance payment.

As a result, we recommend the introduction of a low income winter heating assistance allowance along the lines of the proposal recently consulted on in Scotland. In essence, the scheme would entail paying a one-off payment of £50 per qualifying household during the winter to all those who would qualify for the cold weather payment at present. This would be paid regardless of whether the trigger threshold is reached or not. It would ensure that those qualifying know that some additional help is available. The aim is to pay this in addition to the cold weather payment rather than to replace it so that if NI suffers a particularly bad winter then that payment can still be made. The qualifying conditions will be the same as those that apply to cold weather payments namely those in receipt of:

- Pension credit or
- UC, IS, income-based JSA, or income-related ESA, support for mortgage interest or Child Tax Credit
- the claim for UC includes an increase for a disabled or severely disabled child
- the claim for IS or income-based JSA includes a disability, severe disability, enhanced disability, disabled child, pensioner or higher pensioner premium
- the claim for income-related ESA includes the pensioner premium, severe disability premium, enhanced disability premium
- the claim for CTC includes a disabled child or severely disabled child element
- the claim for one of the above benefits includes a child under five years of age

In line with the arrangements made for cold weather payments where no claim is required if the trigger is met, there would be no need to claim the payment and it can be automatically made. The payment would be ignored when receiving other means-tested benefits.

Based on the Landman Economics findings, this payment effectively targets low income households, people of pensionable age, and households containing a disabled adult or a disabled child.

Landman Economics has estimated the cost of the low-income winter heating assistance payment as £11 million for each of the years 2022/23, 2023/24 and 2024/25.

(b) Disabled child winter heating assistance.

Scotland has introduced a one-off annual child winter heating assistance payment of £202 for anyone responsible for a child who is receiving the highest rate of the care component of PIP or DLA. This recognises that a disabled child receiving the highest rate of the care component needs 24 hour care and this places particular pressures on household fuel bills.

We would recommend introducing a disabled child winter heating assistance payment applying the criteria used in Scotland. The payment would be ignored as income for other means-tested benefits.

The PSU has estimated that the child winter heating assistance payment would assist 16,000 claimants in 2022/23 and 2023/24 rising to 17,000 in 2024/25. The estimated cost of the payment would be £3.3 million in 2022/23 rising to £3.5 million in 2023/24 and £3.7 million in 2024/25.

The payment would be specifically targeted at households with a disabled child rather than targeted by income.

(vi) Mitigating the Five Week Wait for Universal Credit

The five week wait for a first Universal Credit payment and the difficulties it caused was one of the most common sources of concern expressed to us in our meetings. It was raised by claimants, advice workers, numerous community and voluntary sector organisations, the Cliff Edge Coalition and many others. Staff in the Department acknowledged the problems faced by many claimants as a result of the five week wait.

In effect, Universal Credit (UC) is assessed over a calendar month beginning from the date entitlement starts. A first payment should normally be made seven days after the last day of this calendar month assessment period or where that is not possible as soon as is reasonably practicable.

There are a number of forms of assistance currently available to deal with the wait. These include the provision of an advance payment which is a loan repayable through future deductions from UC once payment has commenced. A payment is made where the claimant is in financial need defined as facing a serious risk of damage to the health or safety of a member of the family being claimed for. There is no right of appeal against a decision not to make such a payment.

The advance payment is normally recovered at a rate of up to 25 per cent of a standard allowance and must be completely repaid within two years.

Housing Benefit 'runs on' were introduced in April 2018 to claimants moving from legacy benefits to Universal Credit. In effect, two additional weeks Housing Benefit, income–based JSA, income-related ESA and IS can be paid and this is not repayable. A four week 'run on' is payable in Working Tax Credit where a claimant stops work, however, the run on is stopped as soon as a claim for Universal Credit is made. There is no 'run on' within Child Tax Credit.

The Universal Credit Contingency Fund was introduced following the recommendation of the previous mitigations working group that £2million a year be made available to assist claimants. It was introduced in November 2017 and can make grants (which are not repayable), limited to one a year to new claimants facing hardship where making a new claim for UC or being transferred on to UC. To qualify a claimant must have an extreme, exceptional or crisis situation placing the claimant or his or her immediate family's health, safety or well-being at significant risk. A person's or any partner's annual income must not be above £20,849.40 (ie 45 hours the National Living Wage 2021/22 figures). A claimant must have no savings to fall back on.

To date, the Universal Credit Contingency Fund (UCCF) has been slow to take off with payments made as follows.

Table 72: Payments made under the Universal Credit Contingency Fund

Table Payments made under the Universal Credit Contingency Fund			
	Total Applications	Application Approved	Expenditure
6 November 2017 – 31 March 2018	93	n/a	£16,587
1 April 2018 – 31 March 2019	5,671	4,230	£572,060
1 April 2019 – 31 March 2020	5,838	4,800	£813,000
1 April 2020 – 31 March 2021	6,527	4,800	£1,443,000
1 April 2021- 31 December 2021	6,934	4,834	£1,664,000

The UCCF is administered through the Discretionary Support Scheme (DS). The DS Scheme replaced the Social Fund Community Care Grants and Crisis Loans scheme in 2016. Social Fund Budgeting Loans remain until they are replaced by Budgeting Advances payable under claims to UC. Only one DS grant for living expenses may be made in any 12-month rolling period. A UCCF counts as one of these payments.

It is clear that these alternatives while welcome are not adequate to prevent severe hardship. The House of Lords Economic Affairs Select Committee in its report Universal Credit isn't Working: Proposals for Reform noted that it heard the five week wait is entrenching debt among claimants, is increasing reliance on food banks and is causing severe hardship amongst claimant groups. [50] Research by Disability Rights UK found that 30 per cent of disabled claimants could not eat regular meals during the five weeks wait, 30 per cent could not heat their homes and 40 per cent went into regular arrears. [51] Refuge reported that the five week wait often coincided with the moment women and others flee from abuse. [52] In practice, these experiences go 'against the grain' of the objective of Universal Credit to loosen the grip of poverty.

A National Audit Office report in July 2020 found that the five-week wait can exacerbate claimant debt and financial difficulties despite the availability of advance payments. [53]

These findings mirror research in Northern Ireland. The Women's Regional Consortium's research on The Impact of Universal Credit on women reported how women managed during this period with 61 per cent borrowing money from family and friends, 25 per cent borrowing from money lenders, 54 per cent cutting back on food and essentials and 18 per cent selling possessions with 21 per cent using a food bank. [54]

Moreover, almost nine out of ten women suffered stress and anxiety as a result of the wait and almost four out of ten reported adverse effects on their children. The Universal Credit Contingency Fund, while welcome, has taken a considerable period to take off. It is clear the UCCF is not well known among claimants with only one in seven women being aware of the Fund as a facility to pay a grant according to the Women's Regional Consortium research. Moreover, the stringent criteria set around being in crisis and having no savings whatsoever mean many people in significant financial difficulties do not qualify for support. As the House of Lords Economic Affairs Committee succinctly put it 'the five-week wait is the primary cause of insecurity in UC. It entrenches debt, increases poverty and harms vulnerable groups disproportionately'.

50 Universal Credit isn't Working: Proposals for Reform: House of Lords Economic Affairs Select Committee 2020, para 62

51 Op cit para 65

52 Op cit para 66

53 Universal Credit: Getting to first payment, National Audit Office, July 2020

54 Women's Regional Consortium op cit p8

Our recommendation is to adopt a two-stage approach through making an immediate intervention and then, putting in place the building blocks for a more effective solution.

(a) An Interim Solution

An immediate response that does not require new legislation to be passed is needed. PSU estimates that 54,300 new claims for UC will be made in 2022/23 and 2023/24 rising to 54,400 in 2024/25. These figures do not take into account any managed migration transferring claimants on legacy benefits on to UC. As a result, we recommend that the UCCF should increase its budget to at least £5million from 2022/23, issue guidance to interpret the criteria more flexibly to enable entitlement to a grant more readily and change the name of the fund to something that makes clear its purpose, for example, Universal Credit – New Claims payment. Further work should be done to effectively promote the fund among claimants, across Departmental staff and more widely. Our understanding is that all of these changes could be made without requiring any need to amend regulations. Moreover, we also recommend that a savings rule is introduced allowing savings of up to £1,000 to be ignored when establishing entitlement. Alongside this, the criteria for a payment should be made more flexible to allow payment more easily in circumstances where there is clear financial hardship or difficulties short of a crisis or destitution. This would avoid the circumstances we heard where money saved up for fuel and a four-week payment of PIP were expected to be used to tide claimants over during the five week wait. Our understanding is that this may need to be dealt with in amended regulations, and, if so, should be considered as soon as possible. Finally, we support the recommendation of the Discretionary Support scheme review that the UCCF should be removed from the DS scheme and placed within UC itself.

(b) A Longer Term Solution

There are a number of possible solutions to deal with the five week wait. The House of Lords Economic Affairs Committee recommended introducing a non repayable two-week initial grant to all claimants. For claimants moving from certain legacy benefits, the grant could replace the existing system of run ons. The Committee suggested that the Department for Work and Pensions could administer the grant as an advance payment with it being written off after two months once it is clear that claim is genuine.

The Bright Blue think tank suggested in their evidence to the Economic Affairs Committee that a one off grant of at least 25 per cent of a claimant's Universal Credit

award could be made to alleviate some of the financial impact of the delay. [55] [56]

Among options canvassed by the Cliff Edge Coalition was paying a grant to cover up to 100 per cent of a claimant's first payment while other variants suggested by the Coalition recognised a degree of targeting for a grant may be necessary in the short term. One mechanism suggested by the Coalition was to introduce a grant into Advance Payments to those meeting specific and targeted criteria.

These options would require changes to the UC IT system to adapt payments for NI and it was not possible to get a meaningful estimate of the cost though it is likely to be significant. A further option to get around this would be to use the existing UC arrangements to identify the likely cost and to then pay an amount by way of a Welfare Supplementary Payment. Such a payment could be made at for example, at 25 per cent, 50 percent, 75 per cent or 100 per cent of the estimated payment due. Such a payment could be made based on using the income threshold utilised for Discretionary Support Payments and would take into account the two week Housing Benefit, income-related ESA, IS, income based JSA run ons.

Another option would be to develop proposals to extend the run ons of existing Housing Benefit payments to five weeks and pay the equivalent of current Working Tax Credit and Child Tax Credit payments for a five-week period. This could be done by way of a Welfare Supplementary Payment.

These options are not exhaustive and our recommendation is that a long term solution is identified to mitigate the hardship caused by the five week wait. In practice, any option will need further work on the detail. Our preference would be to find an option that does not entail substantial expenditure on workarounds to the centralised Universal Credit IT system. In any event, whatever option is chosen there should be a recognition that claimants are not effectively penalised by having very modest savings so that a capital limit should be introduced. We would recommend setting this at least at £1,000.

In order to move this issue forward we recommend the Department set up a UC five week wait working group to examine and cost options for a long-term solution to dealing with the hardship created by the five week wait. The suggestion of a Departmental working group reflects the reality that the fine grained technical expertise is within the Department. Nonetheless, we also recommend the setting up of two reference groups to support this work.

55 Universal Credit isn't Working op cit (para 72)

56 Op cit para 69

First, a service user reference group utilising UC:Us or an equivalent to offer insight into the experience of claiming and living on the benefit. Second, an adviser reference group utilising the knowledge of advice workers who deal with the ramifications of the issue in their daily work. The service user group should have their costs and time covered by a payment or in kind equivalent for their assistance.

(vii) Tackling the Local Housing Allowance – Funding a Financial Inclusion Service

A Local Housing Allowance is used to calculate the maximum amount claimants on Housing Benefit or receiving UC housing costs can receive when living in private rented accommodation. In over 80 per cent of cases there is a shortfall between the LHA and the amount of rent charged. The amount a claimant receives can be less than the rent changed for a variety of reasons. From April 2011 the local housing allowance rates reduced from covering 50 per cent of advertised rents charged in local areas to the lowest 30 per cent of rents. In effect, three properties out of ten should be affordable to claimants on Housing Benefits. However, in 2013 the LHA rate was uprated annually instead of quarterly and capped at the previous year's figures plus the Consumer Price Index rather than in line with charges in rent levels. In 2015, the LHA rate was frozen with subsequent uprating only applying to certain areas. In addition, from January 2012, single people aged under 35 were assumed to be living in shared accommodation and able to receive less Housing Benefit. Previously, young people under 25 had been presumed to be able to share accommodation. In addition, claimants on HB in the private rented sector are not expected to have a spare bedroom and HB is reduced accordingly where this occurs. Realignment to the 30 per cent rate was reintroduced briefly during the pandemic but rates have again been frozen from April 2020. Research by Housing Rights in 2018 demonstrated that all of the LHA rates had fallen below the 30 per cent of properties available with a quarter of the LHA rates leaving below one in ten properties being available to HB claimants. In some cases, there were almost no one or two-bedroom properties for rent which would be fully covered by Housing Benefit. [57] As a result, there were significant shortfalls which claimants must meet out of their other benefits or income.

As a result, large numbers of claimants on low income benefits living in the private rented sector face making up the difference between the rent charged and Housing Benefit they receive.

The impact and extent of shortfalls created by the Local Housing Allowance can be seen from an Assembly Written Question

57 Falling Behind – Exploring the Gap between LHA and the availability of affordable private rented accommodation in NI. Dr Martina McAuley, Housing Rights Service, Sept 2019

and reply to Mark Durkan MLA dated 24 May 2021. It should be noted that this answer covers claimants on UC (housing costs) and not those who are on tax credits and other legacy benefits receiving HB and living in private rented sector accommodation.

AQW 18618/17-22

Question:

To ask the Minister for Communities (i) how many households in the private rented sector are in receipt of Local Housing Allowance, through universal credit housing costs, and through housing benefit; (ii) how many of those households have rents that exceed the local housing allowance (LHA); and (iii) of these households what the median average gap is between the rent and the LHA, for each broad rental market area, for the most recent period for which data is available since the realignment of LHA to the 30th percentile.

Answer:

(i) As at the end of March 2021 there were 32,506 households in the Private rented sector in receipt of Universal Credit. The number of claimants in receipt of Housing Benefit who are impacted by Local Housing Allowance (LHA) is currently 31,620.

(ii) Of the Universal Credit cases, 28,589 were in receipt of an LHA-capped housing payment that was lower than their declared rent. The Housing Executive has advised that information to answer parts (ii) and (iii) is not available for Housing Benefit claimants.

(iii) For Universal Credit cases, the median gap between rent and LHA for each of the broad rental market areas is shown below:

Broad Rental Market Area Median Gap

- Belfast £120.30
- Lough Neagh Lower £138.48
- Lough Neagh Upper £111.29
- North £106.70
- North West £113.61
- South £139.39
- South East £110.48
- South West £124.64

The average shortfall is £118 a month

For those people who experience a shortfall between their rent and the amount of Local Housing Allowance payable for their particular household needs, further financial help may be available through the Discretionary Housing Payment Scheme. [58]

It is clear to the panel that the cost of remedying the LHA shortfalls caused for even those on UC (housing costs) alone is unlikely to be affordable. Nonetheless, with an average monthly shortfall of £118 a month facing thousands of private

58 AQW 18618/17-22 tabled on 10 May 21 answered on 24 May 21

rented tenants there is a need to offer some support for those at the sharpest end of the hardships caused. The Cliff Edge Coalition raised the difficulties facing tenants in the private rented sector and suggested introducing an independent Financial Inclusion Service as one means of offering practical support. The Financial Inclusion Service would have two elements. First, a specialist comprehensive financial advice service offering support to private rented tenants including pre tenancy affordability checks to assist tenants on low incomes to assess the sustainability of new accommodation. This would include a benefit check to ensure that all possible additional sources of income have been obtained including discretionary housing payments, the discretionary support scheme and other support. Further, money advice and debt management would be offered, where appropriate, and finally, referral to other support and assistance beyond independent advice services including health and social care support.

Second, there would be access to a separate grant scheme run outside of the Financial Inclusion Service but, exclusive to its users. This would be a private rented tenant 'support fund' designed to be used to prevent eviction, create a breathing space to allow exploration of other housing options, deal with temporary difficulties and other circumstances in which a private rented sector tenant is experiencing particular difficulties with meeting a rent shortfall. The fund would be akin to the approach taken by some larger housing associations in offering support. Criteria would need to be set based on being in receipt of certain benefits and having accessed advice from the Financial Inclusion Service and still facing outstanding affordability and long term sustainablity issues in current private rented accommodation. We would envisage a grant not exceeding £500 save in exceptional circumstances and any payment would be ignored as income and savings for other benefit purposes. The payments may be made direct to a third party for example, a registered landlord. The grant scheme would also be managed by an independent organisation and not by the organisation delivering the Financial Inclusion Service itself. There are organisations within the voluntary sector both in NI and further afield. One example from the Cliff Edge Coalition was St Martin's in the Field who administer its own grants schemes. [59]

We would therefore recommend the setting up of a Financial Inclusion Service and the funding of a grants scheme by a separate independent provider. The Financial Inclusion Service would be provided through an independent advice organisation and while bespoke it would

59 Falling Behind – Exploring the Gap between LHA and the availability of affordable private rented accommodation in NI. Dr Martina McAuley, Housing Rights Service, Sept 2019

complement the existing valuable work done on housing, debt and social security advice elsewhere in the sector. In fact, we would expect existing advice organisations to refer claimants to the service along with other statutory and voluntary referral mechanisms. The Cliff Edge Coalition has costed a service providing support for up to 4,800 people a year with funding at just over £1.44million with access to a separate independent grant scheme paying out £1.2million. The administrative cost of the independent grant scheme would need to meet as well. As a result, we would recommend setting aside £2.8million in 2022/23 rising to £2.9million in 2023/23 and £3million in 2024/25.

(viii) Mainstream existing funding of mitigation advice services

In our meetings we regularly heard about the value and importance of independent advice services. In particular, given the complexities of social security we were told that access to independent advice was often essential to assist claimants to deal with the social security benefit system from initial claims through to ongoing problems. The importance of having someone to assist in taking any appeal to an appeal tribunal was also emphasised by many of the organisations we heard from.

The initial welfare reform mitigations working group recognised the critical value of independent advice and recommended three strands of funding. First, a centralised NI wide freephone service, secondly, additional funding made available from the Department to local Councils in recognition of welfare reform and finally, additional funding for regional support to provide specialist legal advice, training, information and policy support to local advice services. The working group recommended additional funding of £2million a year.

The Department for Communities accepted this recommendation and funding was made available to recruit around 50 front-line advisers, the vast majority based within the Advice (NI) network and the remaining with Law Centre (NI). The funding provided covered the initial mitigations periods through to the end of March 2020. Since then, the funding has been provided on a year to year basis by the Department but, with no guarantee that it will be automatically extended. We understand the funding has been subject to an independent review and evaluation by the Strategic Investment Board. The review has yet to be published, nonetheless, we understand the evaluation's findings are positive and conclude there is a need to retain the additional capacity generated by implementing the original mitigation group's recommendation. As a result, we would recommend mainstreaming the existing additional funding as it is clear there will be a continuing demand for independent advice for the foreseeable future. In addition, we would also

recommend that an additional half a million pounds be targeted at supporting claimants living in rural areas. We struggled to come up with income maintenance responses within social security that could effectively focus on those living in rural areas. It is clear that many of the policy responses to support rural development lie elsewhere including for example, in housing, transport and more programmatic provision. Nonetheless, providing additional access to advice is one way of recognising the particular needs in rural communities. It could, for example, boost access to trusted intermediaries something emphasised as particularly important by the Rural Health Partnership Cullyhanna. The money could fund mobile advice services, strengthen existing rural based advice organisations, or develop further digital approaches although digital responses are not a sole answer to the issues faced in rural areas. We would not be prescriptive about how the money would be invested in rural areas. We would, however, recommend that it needs to be done in consultation with rural organisations particularly the NI Rural Women's Network and Rural Community Network alongside advice organisations on the ground.

The total estimated cost of main streaming the existing mitigation services and investing an additional sum in rural advice services support would be between £2.3million to £2.5million in each of the next three financial years.

(ix) Dealing with Existing Mitigations

We welcome the recent decision of the NI Executive to extend the initial package of mitigations for a further three years and the subsequent agreement through the NI Assembly to go beyond three years in the case of keeping the social sector size criteria/ bedroom tax at bay beyond this period. We would recommend extending the benefit cap beyond three years as well.

In light of this, we have concentrated on a new mitigations package. We have one additional recommendation with regard to the existing mitigations.

We recommend that the issue of 'rising 16s' is addressed. Young people aged 16 to 18 on DLA are transferred from DLA to PIP and may lose out on being transferred. In such cases, a Welfare Supplementary Payment is made to temporarily cover the loss. However, parents or others claiming for the young person in their own benefit also lose disability premia without any compensation. In such cases, we recommend in the immediate term that such claimants should be able to avail themselves of Welfare Support Payments for up to 12 months. This would place those households on the same footing as adults losing out when transferring from DLA to PIP. In the longer term, we would recommend examining the case for allowing young people to retain entitlement to DLA until the age of 18 as in Scotland, save for the exceptions where an earlier transfer is beneficial to the young person.

Promoting the Mitigations Package

We think it is important that individuals supported in this proposed mitigations package and through the original mitigations are fully aware that this support comes from the NI Executive and NI Assembly. One of the findings of the NI Audit Office review of welfare reform in 2019 was that few claimants were aware that the social sector size criteria/bedroom tax and benefit cap had not been implemented due to the actions of the NI Executive. We think that credit should be given, where it is due.

Our recommendation is that at least once a year all claimants should receive a leaflet explaining the mitigations and how the money has been spent by the NI Executive. The Land and Property Service sends out a leaflet each year with the domestic rates bill which explains how local and regional rates are spent in practice. In addition, other ways of badging up all payments or mitigations and communicating them should be considered.

We are aware of the constraints caused by Departmental letters to claimants often being computer generated from systems in Britain, nonetheless, some creative thinking is needed through a communications strategy to ensure individuals are aware of mitigations as one of the benefits of devolution. Badging up, for example, a Better Start Grant and Better Start Large Families payments, winter heating assistance payments, Job Start grants and Carer's Recognition payment and Young Carer's Grant and payments to offset the two child limit with the prefix NI might be a useful starting point.

Other outstanding issues

We have not recommended restoring the UC £20 a week uplift, other modelled weekly or monthly payments to low income families or households with an adult or child receiving disability benefits. Moreover, we have not recommended the introduction of an equivalent of the Scottish Child Payment. This does not reflect a lack of support for the Scottish Child Payment as there was significant desire to see this included in the package. We were mindful of the recent research by Save the Children in August 2021 that pointed out that introducing a new child payment of £20 a week for every child eligible for means tested benefits would lift 27,000 children out of poverty. Nonetheless, in the end the panel took the pragmatic decision that the cost of £170million in 2023 rising to £180million in 2024/25 could not be met within a new package of mitigation measures. Such an initiative could, of course, be taken as part of wider anti poverty strategies or money found as a priority elsewhere by the NI Executive. As a result, we do not want our recommendations to be interpreted as a thumbs down for the introduction of an equivalent payment to the Scottish Child Payment in NI and that this should be considered within wider anti-poverty initiatives. Further, any restoration of the £20 a week uplift to UC should arguably be reintroduced across the UK, bearing in mind the NI Executive's decision to support such an approach and its inability to take unilateral action to restore the payment locally.

We also decided against introducing a payment for carers looking after more than one child with a disability. Again, this was not because there was not considerable desire to do so but, again was for pragmatic reasons, with the panel deciding to concentrate on recognising carers through other schemes.

The Total Cost of the Package

The total cost of our recommendations is broken down in the following Table. We believe that such a package is an investment and by helping to tackle hardship and disadvantage it will save on expenditure elsewhere within Government. Social security should be seen as an investment in people in NI. We believe the package fits within the current Programme for Government, complementing many of its aims.

Table 73: Estimated Costs of the additional new Mitigations Package Recommendations from 2022/23 through to 2024/25

	2022/23 £m	2023/24 £m	2024/25 £m
Offsetting the two child policy	39.5	46.0	52.9
Introducing a Better Start Grant	9.0	9.0	10.0
Carers recognition Payment	23.6	24.7	25.4
Young Carer's grant (partial estimates)*	0.9	1.0	1.0
Increasing Carer's Allowance earnings threshold	3.0	3.0	3.0
Cost of Work Allowance	35.0	35.0	35.0
Job Start Grant	1.0	1.0	1.0
Adult winter fuel assistance	11.0	11.0	11.0
Disabled child winter fuel payment	3.3	3.5	3.7
Increasing UC Contingency Fund budget	3.0	3.0	3.0
Financial Inclusion Service to and access to grants scheme	2.8	2.9	3.0
Additional advice funding for rural areas	0.5	0.5	0.5
TOTAL	**£132.6m**	**£140.6m**	**£149.5m**

* The estimated annual costs for the Young Carer's grant were a partial estimate only that do not cover the full costs of this grant and are therefore likely to be an underestimate.

This cost does not include mainstreaming existing mitigation advice services which are part of the original mitigations package.

Furthermore, the costings do not take into account that the proposals to provide a longer term resolution of the five week wait for Universal Credit will also need to be added to the package once the Departmental Working group with its reference groups have developed a more durable and permanent solution.

Annex 1

WELFARE MITIGATIONS REVIEW TERMS OF REFERENCE

Background

The Department for Communities ("the Department") currently administers a number of Executive approved welfare mitigation schemes, which are designed to alleviate the impact of specific changes to the social security system. As the mitigation schemes are Northern Ireland specific, the Department has sole responsibility for the development and implementation of the policy and operational delivery. The supporting IT infrastructure is also the responsibility of the Department.

The welfare mitigation schemes have been operational from 2016 and were initially funded for a four year period ending on 31 March 2020 when, in accordance with the relevant legislation, the schemes came to a statutory end.

As agreed in the Fresh Start Agreement of 2015, the Department completed a review of the existing mitigation package in March 2019. This review was completed during the interregnum after the Assembly fell in 2017. It specifically considered the progress made in delivering the recommended welfare mitigations, details of expenditure for each scheme and, importantly, an analysis of the evidence to determine the need for a continuation of the mitigation package.

The extension of the welfare mitigation schemes beyond 31 March 2020 was included in the New Decade, New Approach Deal as a commitment of the Executive. The Department subsequently received an allocation of £40.3 million from the Executive to continue with the existing mitigations in 2020/21. This was followed by an allocation of £42.8 million for the 2021/22 financial year. The statutory extension of the existing welfare mitigation schemes is currently being taken forward by the Department.

Welfare Mitigations Review

The New Decade New Approach Deal included a commitment for a priority review of welfare mitigation measures. The Department has determined that this review should be taken forward by an independent Advisory Panel and these Terms of Reference establish the parameters for the review.

It is proposed that this review will build on the outcome of the Department's previous review by considering the continued need for the existing mitigation schemes. In addition the review will consider the need for new mitigation measures to be introduced.

Scope of the Advisory Panel

The purpose of the Advisory Panel will be to complete a comprehensive review of existing welfare mitigation measures and consider a future mitigation package, which would be costed and assessed for affordability, making recommendations to the Department by 4 February 2022, to cover the period through the 2024/25 financial year. Future funding allocations will be a matter for the Executive.

The proposed structure of the review is as follows:

- An analysis of the operation of the individual mitigation measures to ensure they are operating effectively and are delivering the planned objectives
- A review of the evidence supporting the introduction of each welfare mitigation measure and an analysis of continued need going forward
- Consideration of the delivery of the mitigation package to identify any Human Rights, Equality, Rural Needs or other relevant concerns. This will include an assessment of the Department's response to any issues identified
- Specific consideration of the gender-related impact of welfare reforms and the need for associated mitigation measures
- Specific consideration of the impact of welfare reforms on people with a disability and the need for associated mitigation measures
- Specific considerations of the impact of welfare reforms on household income, including on children, and other relevant matters to identify the need for associated mitigation measures
- An analysis of the costs of both the existing and any proposed new mitigation measures. This will include consideration of the number of people directly benefitting (or estimated to benefit from) each of the mitigation measures
- Recommendations for welfare mitigation measures will take into account the estimated financial cost and the benefits expected to accrue from each measure (e.g. the number and circumstances of people likely to receive support)
- Have regard to Ministerial commitments on specific benefits and research/reports to be included in the review (listed at Appendix A). (The benefits and/or research reports that can be considered by the Advisory Panel are not limited to those listed.)
- The taking into account of any other specific issues or areas relevant to the above considerations

The Advisory Panel will be expected to develop a plan for early and meaningful engagement with a range of people who access the social security system to help identify those in greatest need. There should also be engagement with key stakeholders at an early stage of the review to provide an informed analysis of the benefits of a future mitigation package. Details of the planned engagement will be shared with the Department.

The Department will provide appropriate support to facilitate the Advisory Panel's work on the review. This may include, administrative support, advice on policy, legislation and operational issues and the provision of analytical data. The Department will appoint a named official to co-ordinate any requests for information or support, which will normally be made by the Chairperson of the Advisory Panel.

The Advisory Panel will produce a report, including recommendations for a future mitigation package, for consideration by the Department. The implementation of any recommendations will be a matter for the Minister for Communities after considering the budgetary, legislative and operational impact of each specific recommendation.

Membership of the Advisory Panel

It is proposed that the Advisory Panel will have an independent chairperson with a further up to eight independent members, all with expertise in the field of social security or experience of dealing with people who access social security benefits. The Department will provide officials with relevant expertise in an advisory capacity to support the review. The confirmed membership is:

- Les Allamby, former Chief Commissioner, Northern Ireland Human Rights Commission (chairperson)
- Koulla Yiasouma, Northern Ireland Commissioner for Children & Young People
- Kerry Logan, Cliff Edge NI Coalition
- Liam Devine, Clanrye
- Mark Simpson, UC:Us
- Louise Coyle, Northern Ireland Rural Women's Network
- Craig Harrison, Marie Curie
- Sinead McKinley, North Belfast Advice Partnership
- Jonathan Portes, King's College London

Departmental Representatives

- Anne McCleary –Social Security Policy and Legislation
- David Tarr – Social Security Policy and Legislation
- Mickey Kelly – Welfare Mitigations Operational Delivery

Meetings and Reporting Arrangements

Meetings of the group will be convened as required over the 16 week period of the review.

Secretariat

The Advisory Panel will be administratively supported by the Department for Communities.

Deliverables

A final report providing recommendations to the Minister for Communities will be provided by 4 February 2022.

Confidentiality Arrangements

All information including personal and professional information entrusted in the course of this work will be treated in strictest confidence and be used only for the purposes of this appointment. Confidential information

will be held securely and not divulged to any unauthorised person.

Welfare Mitigations Review
- Issues to be Considered

- Two Child Policy
- Loopholes- Benefit Cap and SSSC
- Universal Credit Contingency Fund
- Removal of £20.00 uplift from Universal Credit
- Review of Carers' Allowance with a view to increasing the allowance and amending entry criteria to allow carers who are in employment the ability to access support
- First Joint Report of the Work and Pensions and the Northern Ireland Affairs Committee
- Human Rights Commission report "Cumulative Impact Assessment of tax and social security reforms" and the NIHRC Annual Statement 2020
- The UN Concluding Observations from their Convention on the Rights of Persons with Disabilities
- Advice from the Independent Scientific Advisory Group
- Cliff Edge Coalition report "Welfare Reform: Mitigations on a Cliff Edge"
- NI Audit Office Personal Independence Payment Review
- Advice NI Briefing Paper – Safeguarding Vulnerable Social Security Benefit Claimants
- Women's Support Network report entitled Consortium for the Regional Support for Women in Disadvantaged and Rural Areas

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