Cliff Edge Coalition NI

Member Briefing

May 2023

AT A GLANCE

Welfare reform mitigations were first agreed by the Northern Ireland (NI) Executive in 2016 to alleviate some of the harshest impacts of the Westminster welfare reform agenda. With an impending 'cliff edge' to the mitigations in 2020, The Cliff Edge Coalition (The Coalition) formed in 2018, to campaign to sustain and strengthen these vital measures to protect people across NI.

Following campaigning by The Coalition, the NI Assembly legislated to indefinitely retain the mitigations for the Social Sector Size Criteria (bedroom tax), close the loopholes which had prevented many claimants from accessing financial assistance through the mitigation scheme, and extend the Benefit Cap mitigations until 2025.

However, there remains an urgent need for the Coalition to continue its campaign for a strengthening of the mitigations package to protect people in NI. Harsh impacts of new welfare challenges, which have emerged since the original mitigations were introduced and which have been exacerbated the ongoing cost-of-living crisis, are increasingly affecting households.

This Briefing updates members on The Coalition's three central renewed asks.

The Coalition encourages members to advocate for these asks through the policy work of their own organisations. The asks are:

1) **Resolving the five week wait in Universal Credit**
2) **Mitigating the two-child limit**
3) **Providing support to private renters affected by the Local Housing Allowance**

Within the context of the current challenge of no functioning NI Executive and no agreed budgets, The Coalition has, where possible, identified areas where change may be affected now, without the need for an Executive.

However, it is undeniable that the collapse of the NI Executive is preventing progress being made on important protections for those on the lowest incomes, against social security cuts and impacts of the cost-of-living crisis. For progress to be made and to address these new challenges, The Coalition would also like to see **the immediate restoration of the NI Executive to ensure work can continue to provide meaningful, targeted help to those who need it most and urgent action on progressing these three asks and all other recommendations from the Independent Review of Welfare Mitigations**.

WHAT IS THE CLIFF EDGE COALITION AND WHAT WORK HAS BEEN DONE?

In 2015, NI Executive, through the Fresh Start Agreement[1], committed £585 million from Executive funds over four years to 'top-up' the UK welfare arrangements in NI. This welfare mitigations package meant that people in NI would be shielded from the harshest impacts of welfare reform, such as protection from a range of social security cuts, including the 'Bedroom Tax' and the Benefit Cap.

These mitigations were finite, and in the absence of a functioning Executive, after these mitigations were put in place, there was shared concern about the potential 'cliff edge' ending of the welfare reform mitigations in March 2020. In response, in 2018, The Cliff Edge Coalition was formed. The Coalition is a group of over 100 organisations from across NI which came together to highlight these shared concerns.

A campaign by The Coalition led to the welcome extension of the mitigations beyond March 2020, which saw the Minister for Communities extend the existing welfare mitigations package through contingency arrangements. Legislation was eventually passed in 2022 to extend these crucial protections on a statutory footing.

WHERE WE ARE NOW AND WHY CHANGE IS NEEDED: TACKLING POVERTY

Today, it is essential that we continue to work to highlight the negative impacts of a range of new welfare challenges which have emerged since the original mitigations were introduced, particularly in the context of the ongoing cost-of-living crisis. New welfare changes, combined with the cost-of-living crisis have created the perfect storm to increase poverty, deprivation and homelessness. Urgent measures are needed to strengthen the current benefit system to ensure the situation does not worsen further.

Our social security system has never been more important. It should be a lifeline to individuals. But the truth is that it isn't doing enough to ensure that they have sufficient money for basics like food, heating, and clothing. For some individuals, rules in the system, like the five-week wait and the two-child limit, are pushing them into debt and destitution.

The Joseph Rowntree Foundation (JRF), in its 2022 Report on Poverty in NI explained that as NI entered the pandemic, nearly one-in-five people in NI lived in poverty, including over 100,000 children; with 1 in 14 households in NI in food insecurity.[2] Further, Trussell Trust end of year statistics for 2020/2021 show that the referrals to their food banks in NI have almost doubled in 2 years from 37,259 in 2018/2019, to 78,827 in 20/21.

The Trussell Trust report that one of the main drivers for referrals to their food banks is problems with the benefits system (delays, inadequacy and reductions).[3]

The existing welfare mitigations for the benefit cap and the bedroom tax are proof we can have a better social security system in NI. But they aren't enough. By expanding the mitigations and implementing recommendations contained in the The Mitigations Independent Review Panel

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[1] A_Fresh_Start_-_The_Stormont_Agreement_and_Implementation_Plan_-_Final_Version_20_Nov_2015_for_PDF.pdf (publishing.service.gov.uk)

[2] Poverty in Northern Ireland 2022 | JRF

[3] End of Year Stats - On Boarding - The Trussell Trust

Report[4], (The Review Report), published on 25th October 2022, we can have a system that treats people fairly and that ensures families have enough for essentials to live a healthy, dignified life. This would move towards creating a NI social security system closer to a human rights-based model, further to international standards. Expanding the mitigations and implementing recommendations contained in The Review Report, would help further realise economic and social rights under Articles 9 and 11 of ICESCR - the right to social security and to an adequate standard of living.

Since 2018, The Coalition has campaigned for strengthened social security mitigations. The Review Report marked an important step forward in this effort and draws attention to the urgent need for robust social security measures, particularly in the cost-of-living crisis. It is also essential that the Department continue with the preparatory work of the recommendations in the interim. This will ensure that the necessary work is completed in anticipation of the reformation of a functioning Executive.

The Cliff Edge Coalition endorse all the recommendations highlighted in the Mitigations Independent Review Panel Report, although our focus specifically relates to the three ‘asks’ as detailed below.

WHAT IS CLIFF EDGE COALITION CALLING FOR, AND WHY DOES IT MATTER?

Against the aforementioned backdrop, The Coalition is reasserting its policy asks to protect people and families across NI in financial crisis. In summary these are:

1. Resolving the five week wait in Universal Credit

2. Mitigating the two-child limit

3. Providing support to private renters affected by the Local Housing Allowance

ASK #1 – RESOLVING THE FIVE WEEK WAIT IN UNIVERSAL CREDIT

WHAT IS THE FIVE WEEK WAIT?

Universal Credit (UC) provides that the first payment for new claimants is made five weeks after a claim is made. UC is assessed and paid in arrears with information taken from the HMRC RTI (Real time Information) System before payments are calculated. According to the Institute for Fiscal Studies, most of that 5-week period is due to an early ‘administrative’ choice (made to avoid over- or under- payments) to pay benefits in arrears, meaning that the government ‘waits’ for a month to receive income information before calculating entitlement and making the payment.[5]

WHAT IS THE IMPACT OF THE FIVE WEEK WAIT?

Under the legacy system, 33–41% of new claimants to jobseeker’s allowance would have their claim processed within just five days, 62–89% within 10 days, and virtually all within 21 days[6].

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[4] Welfare Mitigations Review - Independent Advisory Panel Report found at https://www.communities-ni.gov.uk/sites/default/files/publications/communities/dfc-welfare-mitigations-review-independent-advisory-panel-report-2022.pdf

[5] The Deaton Review of Inequalities: Benefits and tax credits | Institute for Fiscal Studies (ifs.org.uk) 1 Feb 2023

[6] The Deaton Review of Inequalities: Benefits and tax credits | Institute for Fiscal Studies (ifs.org.uk) 1 Feb 2023

But as a result of the UC reform, there is now by default a 'five-week (i.e., 35-day) wait' between a claimant applying for the benefit and them receiving their first payment.

JRF, in its UK Poverty 2023 Report[7], highlights the five week wait as one of the key elements designed in the benefit system that increase poverty and that this should be addressed.

While an advance is available to mitigate this wait, this help comes in the form of a loan which can be repaid over a period of up to 24 months. This means a claimant's income is reduced due to the repayment of debt for up to two years[8], effectively starting their claim off in debt. A National Audit Office report identified disabled and low-income families are more likely to claim advances[9], further impacting the most vulnerable groups in society.

Furthermore, while the UC Contingency Fund (UCCF) can make non repayable grants to new claimants facing hardship, when making a claim to UC or being transferred to UC (introduced in November 2017), reports show these grants have been slow to take off. In highlighting the underspend, the NI Audit Office[10] suggested difficulties in accessing these payments and/or a lack of awareness of the UCCF.

An Ulster University report[11] also highlighted the migration to Universal Credit from other benefits as a 'driver' for illegal money lending and is exacerbated by the economic downturn.

With the planned managed migration to UC commencing in April 2023, it is vital that mechanisms are put in place as a matter of urgency to mitigate the financial hardships associated with the current five week wait period and to ensure that claimants are not forced to resort to illegal lending or other debt sources.

RECOMMENDATION

The *Welfare Mitigations Review - Independent Advisory Panel Report* made recommendations for both interim measures which do not require intervention by the Executive, and longer-term solutions.[12] The Coalition endorse these recommendations.

Interim solution:

- Amending guidance to interpret the current UCCF more widely and, therefore, be used as a 'New Claims' payment, in the form of a non-repayable grant.
- The recommendations estimate that the budget for UCCF should be increased to £5m.
- The payment should also be actively promoted by Communities NI and more widely. The existence of this payment should made clear upon a UC application; that it may be open to claimants to help mitigate the need to claim an advance payment.

Given the existence of the current grant and the current cost-of-living crisis it may provide short term, targeted help immediately without Executive intervention.

[7] UK Poverty 2023: The essential guide to understanding poverty in the UK | JRF
[8] https://www.nidirect.gov.uk/articles/universal-credit-advance-payments
[9] https://www.nao.org.uk/press-releases/universal-credit-getting-to-first-payment/
[10] Welfare Reform Report 2019.pdf (niauditoffice.gov.uk)
[11] Illegal Money Lending and Debt Project Ulster University March 2020
[12] Welfare Mitigations Review - Independent Advisory Panel Report found at https://www.communities-ni.gov.uk/sites/default/files/publications/communities/dfc-welfare-mitigations-review-independent-advisory-panel-report-2022.pdf

Longer term solution:

- In the longer term, work is needed to examine a number of alternative solutions to the five week wait through a dedicated working group with input from those with lived experience and the advice sector.

ASK #2 – MITIGATING THE TWO-CHILD LIMIT

WHAT IS THE TWO-CHILD LIMIT?

The child element of UC is replacing Child Tax Credit, which prior to April 2017 was available for all children in low-income families. Third (or additional) children born after 6 April 2017 now only qualify for UC support in a small number of exceptional cases. This meant that a family who had subsequent children born after this date, and who already had two children were no longer entitled to a child element for the subsequent child—unless certain exceptions applied, for example, multiple birth or non-consensual conception.[13]

WHAT IS THE IMPACT OF THE TWO-CHILD LIMIT?

The child element allowance is worth £3,235 a year (£269.58 a month) for each child. This represents a loss of up to £62.21 a week per child from the third child onwards. The Department for Communities has estimated that the average number of monthly recipients on UC and Child Tax Credit affected by the policy will be 14,000 in 2022/23, rising to 16,000 in 2023/24 and 19,000 in 2024/25.[14]

It is important to view this policy within the prism of NI, as the particular unfairness of this policy becomes all the more stark when considering the impact to families in NI, as typically the average family size is larger than Great Britain (GB) with 21.4% of families in NI having 3 or more children compared to 14.7% in the UK.[15]

The policy has been widely criticised in a report by the Westminster Work and Pensions and Northern Ireland Affairs Committees[16] which recommends that the two-child limit implementation should be halted. In June 2019, evidence from The British Pregnancy Advisory Service (BPAS) echoed the sentiment that the two-child limit has a particular impact in NI because of the lack of reproductive choice that women experience as a result of the law.[17]

JRF, in its 2022 Report on Poverty in NI, explained that nearly one-in-five people in NI lived in poverty, including over 100,000 children.[18] In addition to the impact on children, the policy also disproportionately impacts women: 28% of women identified childcare responsibilities as their reason for economic inactivity as opposed to 6% of men[19]. As a result, women in this position may find themselves reliant on social security support.

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[13] https://cpag.org.uk/welfare-rights/resources/article/two-child-limit

[14] Welfare Mitigations Review - Independent Advisory Panel Report found at https://www.communities-ni.gov.uk/sites/default/files/publications/communities/dfc-welfare-mitigations-review-independent-advisory-panel-report-2022.pdf

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

[16] Work and Pensions & NI Affairs Committee Joint Report: Welfare Policy in Northern Ireland.

[17] https://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/northern-ireland-affairs-committee/welfare-policy-in-northern-ireland/written/103135.html

[18] Poverty in Northern Ireland 2022 | JRF

[19] https://www.nisra.gov.uk/system/files/statistics/women-in-Northern-Ireland-2020-2021.pdf

The Welfare Mitigations Review Report by the Independent Advisory Panel also highlighted the potential for further negative implications for child poverty should this policy remain 'unchecked'.[20]

RECOMMENDATION

The Welfare Mitigations Review has recommended mitigating the two-child limit through the introduction of a Welfare Supplementary Payment alongside the introduction of a "Better Start Larger Families payment".

Removal of the limit was also recommended in 2020 by the Expert Advisory Panel tasked to develop recommendations for the as-yet-unpublished Department for Communities Anti-Poverty Strategy.

The Coalition endorse these recommendations.

ASK #3 – PROVIDING SUPPORT TO PRIVATE RENTERS AFFECTED BY THE LOCAL HOUSING ALLOWANCE FREEZE

WHAT IS LOCAL HOUSING ALLOWANCE?

Local Housing Allowance (LHA) is used to calculate the maximum amount of housing costs allowed for benefit claimants. The rates are set by postcode area and the number of bedrooms needed according to the claimant's circumstances, rather than the number of bedrooms in the private rented property.

WHAT IS THE IMPACT OF LOCAL HOUSING ALLOWANCE CUTS?

In many cases the LHA entitlement falls considerably short of the contractual rent charged by the landlord, and tenants must meet the shortfall through other means to preserve their tenancy and avoid eviction.

With Local Housing Allowance rates frozen since April 2021 and average rents rising by 8.4% in the past year[21], many private renters face a significant shortfall between their rent and the amount of LHA they receive, as well as a lack of affordable properties available.

According to an Office of National Statistics (ONS) the percentage increase in rent in NI from January 2022 to December 2022 was + 9.6%[22]. This was higher than the other countries of the UK. Despite realignment to the 30th percentile in 2020, LHA has remained frozen since and the average rent in NI has now risen to £732 per month[23]. The affordability issues are highlighted by statistics showing that in 2021 approximately 50,400 households are paying 25% or more of their income in the private rental sector[24]. When added to other welfare reform changes such as the two-child limit, the squeeze on the household budget becomes ever more

[20] Welfare Mitigations Review Independent Advisory Panel Report
[21] Index of Private Housing Rental Prices, UK - Office for National Statistics (ons.gov.uk)
[22] Index of Private Housing Rental Prices, UK: December 2022
[23] Housing Market Trends Q3 2022
[24] Intermediate model. Department for Communities 2021

strained. In 2019 this was highlighted by 9 out of 10 rental properties being out of reach for those receiving housing benefit.[25]

Tenants in the social sector have seen some protections with the mitigation extended for the bedroom tax, however, no such comparable protections exist for private sector tenants. The social housing waiting list in NI in September 2022 was 44,532[26] and highlights the shortage of social housing in NI, leaving some families with no option but to pay increasing rental prices or face homelessness.

Whilst some support is available via Discretionary Housing Payments (DHPs), support is discretionary and often not sufficient to cover the shortfall and the support is temporary.

RECOMMENDATION

The Welfare Mitigations Independent Review Panel Report recommended establishment of a Financial Inclusion Service to provide advice and money management to low-income families who have been impacted by the local housing allowance. This will provide access to a grant to assist in meeting shortfalls between housing costs paid through benefit and contractual rent.[27] The Welfare Mitigations Review estimated this to cost around £3 million per annum. The Coalition endorse these recommendations.

NEXT STEPS FOR THE COALITION

- **The Coalition encourages members to advocate for these three keys asks through the policy work of their own organisations—both the measures that may be implemented without an Executive and those that require an Executive.**

- **It is undeniable that the collapse of the Executive is preventing progress being made on important protections against social security cuts and the cost-of-living crisis for those on the lowest incomes. For progress to be made, and to address these new challenges, the Coalition urges members to endorse its ask for the immediate restoration of the Executive to ensure work can continue to provide meaningful, targeted help to those who need it most and urgent action on progressing the recommendations from the independent Review of Welfare Mitigations.**

[25] Housing Rights Almost 9 out of 10 Homes Unaffordable for People on Housing Benefit
[26] Housing statistics by Department for Communities Homeless Connect
[27] Welfare Mitigation Independent review panel report