Northern Ireland Broad Rental Market Areas Scoping Study and Impact Assessment

Prepared by Economic Research and Evaluation for the
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Northern Ireland Broad Rental Market Areas (BRMAs) Scoping Study and Impact Assessment

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Abbreviations

BRMA	Broad Rental Market Area
CPI	Consumer Price Index
DfC	Department for Communities
DSD	Department for Social Development
DWP	Department for Work and Pensions
FRS	Family Resources Survey
GIS	Geographic Information Systems
HB	Housing Benefit
HERBS	Health, education, recreation, personal banking and shopping
LHA	Local Housing Allowance
MDM	Multiple Deprivation Measure
NIHE	Northern Ireland Housing Executive
NISRA	Northern Ireland Statistics and Research Agency
PRS	Private Rented Sector
SHBE	Single Housing Benefit Extract
TAF	Targeted Affordability Fund
VOA	Valuation Office Agency

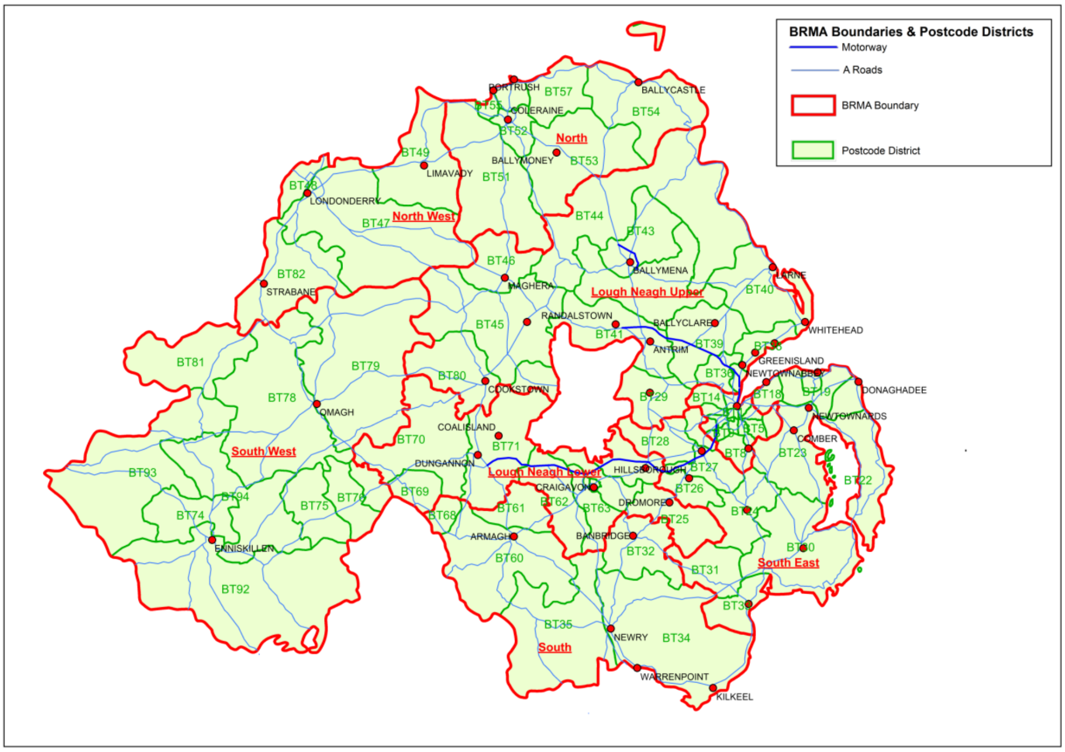
Executive Summary

Introduction

This report, commissioned by the Northern Ireland Housing Executive, presents the independent review and impact assessment of the Northern Ireland Broad Rental Market Areas (BRMAs) and Local Housing Allowance (LHA) rates.

Local Housing Allowances were introduced in April 2008 and apply to Housing Benefit claimants in the private rented sector. Presently, in Northern Ireland, LHA rates are set for five property size categories within each of eight geographical areas known as Broad Rental Market Areas (Map A).

Map A Broad Rental Market Area boundaries



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The BRMA classification currently in use was defined following the introduction of the LHA regime in 2008. In the period since 2008, there has been a significant increase in the private rented sector. In addition, the 2011 Census of Population results have been published and new data sources have become available, including small area travel time estimates prepared by the Northern Ireland Statistics and Research Agency.

Against the backdrop of welfare reform and the UK Government's drive to reduce spending on benefits, the LHA arrangements have also undergone considerable change, notably the freezing of the LHA rates from 2016 to 2020.

It is therefore now considered appropriate to review the current BRMA classification, to ensure that the areas continue to reflect the legislative requirements and to examine the possibility of reclassifying BRMAs, with a view to reduce their number.

BRMAs and LHA Rates: Overview

Depending on their circumstances, households in the private rented sector may be entitled to claim Housing Benefit. Since 7 April 2008, the amount of benefit entitlement is calculated with reference to Local Housing Allowance (LHA) rates. The core feature of the LHA is the use of flat rates to calculate Housing Benefit entitlement, depending on household size and the area in which the claimant lives.

Under present arrangements, LHA rates are set for each of five property size categories within the eight Broad Rental Market Areas, i.e., a total of 40 applicable LHA rates.

The 2008 Regulations under which LHAs were introduced specified a methodology for assessing the Housing Benefit rate applicable to private rented sector claimants. The prescribed method required the Housing Executive to compile lists of private sector rents, in ascending order, within each BRMA for each property size category. From those ordered lists, the applicable LHA rate was to be assessed as the median value by property size category and BRMA.

In April 2011, the median was replaced with the 30th percentile value. In an ordered list, 30 per cent of values lie below the 30th percentile amount with the remaining 70 per cent being above that amount. The rationale was that Housing Benefit claimants in the private rented sector should have access to the bottom 30 per cent of the market in their local area, having regard to their accommodation needs.

Since 2011, and driven by the Government's deficit reduction plans, various changes have been made to the method of uprating LHA rates to restrict the amount of Housing Benefit which can be paid. In the Summer Budget of 2015, it was announced that LHA rates would be frozen for four years from 2016 to 2020, at the lower of the April 2015 LHA rate and the 30th percentile rent.

Consequently, in almost all the current BRMAs, LHA rates are no longer aligned with their corresponding 30th percentile rents. Out of the 40 LHA rates assessed for 2018-19, 25 are now £5 or more below their 30th percentile rents.

As at March 2018, there were 52,300 private rented sector tenants in receipt of Housing Benefit and subject to the LHA regime. They accounted for 33 per cent of the total 157,000 Housing Benefit claimants in payment.

The average weekly contract rent recorded for private rented sector claimants subject to the LHA regime was £98. Among those 52,300 private rented sector claimants, 88 per cent were recorded on the Executive's Single Housing Benefit Extract (SHBE) as having a contract rent in excess of their applicable LHA rate, ranging from 91 per cent of claimants with entitlement to two bedrooms to 63 per cent in the four bedroom category.

Reflecting the gap between contract rents and LHA rates, almost nine in 10 private rented sector claimants (89 per cent) experience a shortfall between their weekly contract rent and the amount of Housing Benefit that they receive. Among those with such a shortfall, the average amount is £28, representing 29 per cent of their average weekly contract rent.

The BRMA Map: Current Position

A BRMA is defined in the legislation as follows:

> An area within which a person could reasonably be expected to live having regard to facilities and services for the purposes of health, education, personal banking and shopping, taking account of the distance of travel, by public and private transport, to and from those facilities and services.

In addition, a BRMA must contain:

- A variety of residential property types and tenures.
- Sufficient privately rented residential premises to ensure that the Executive can determine local housing allowances which are representative of the rents that a landlord might reasonably be expected to obtain in that area.

BRMAs are also required to cover all of Northern Ireland, be non-overlapping and be postcode-definable.

The current set of BRMAs continues to meet the access and diversity criteria. However, the sufficiency requirement is challenging. As currently constituted, there is a wide disparity across BRMAs in the numbers of households living in privately rented accommodation. That is reflected in the incidence of list sizes below 100 in the lists of rents that the Executive compiles on an annual basis to meet the requirement to determine a representative local housing allowance. There is, therefore, a rationale to consider the possibility of reducing the number of BRMAs in order to better meet the sufficiency requirement.

Within that context, a clear message from the consultations was that any proposed changes should be carefully considered. There was no strongly expressed demand for change to the current set of BRMAs.

Further, it was recognised that changes to the existing set of BRMAs would lead to some areas gaining (through an increase in LHA rates) and other areas losing (through a decrease in LHA rates). For example, the shared accommodation rate in the North West (£52.04) is currently almost £14 higher than in the neighbouring North BRMA (£38.19). Merging all or part of those two BRMAs would lead to a reduced LHA rate in the North West and an increased rate in the North.

There was therefore a general wariness of any disruption that might accompany a re-drawing of the BRMA map, especially in terms of the potential impacts on tenants, including affordability and viability of tenancies.

Options for Change

The following is the set of objectives which can be considered to emerge from the review of the current position:

- Meet the legislative requirements for access, diversity and sufficiency.
- Minimise any disruption to present arrangements; in particular, the impacts on Housing Benefit claimants.

The following options are considered in this review.

The 'status quo' or do nothing option is to retain the current set of BRMAs. From the review of the current position, the option of retaining the present set of BRMAs is certainly viable.

The 'do minimum' options are defined by reclassifying existing BRMAs into different configurations, ranging from variants on a seven-BRMA classification through to a single classification (all of Northern Ireland). Depending on the configuration, in the 'do-minimum' option, some subset of BRMAs may be left 'undisturbed', which assists in minimising disruption

The main 'do something' option considered in this review is to re-classify BRMAs so that they align with the NIHE's revised Housing Market Areas. That was an option suggested in a number of the consultations and would have the benefit of enhancing the coherence of geographical frameworks within which the Executive operates.

The control of spending on welfare benefits has been an important focus of UK Government policy in recent years. Within that context, the approach taken has been to consider any proposed reclassifications from a cost-neutral perspective. For each reclassification option, therefore, the effects have been modelled so that total Housing Benefit expenditure remains unchanged from the baseline position (£3.8 million per week on private rented sector claimants subject to the LHA regime), albeit some claimants gain while others lose. The approach therefore focuses explicitly on the disruption that would ensue from re-calculated LHA rates in a reclassified set of BRMAs.

Assessment of Options

A range of scenarios for reducing the number of BRMAs have been tested to identify those which perform best against two criteria:

- **Sufficiency**, as measured by the number of list sizes for property lettings in excess of 100, distinguishing between lists in the range 50-99 and less than 50. Reclassifications that minimise the number of such list sizes are preferred.

- **Disruption**, as measured by the predicted proportion of Housing Benefit claimants who would see their benefit amount change by £5 or more, identifying separately the proportion losing £5 or more and those gaining £5 or more. Reclassifications that minimise disruption on that metric are preferred.

The main conclusions to be drawn are as follows.

On the disruption criterion, the ‘do minimum’ option is preferred over aligning BRMAs and HMAs. In the latter option, over one in eight claimants would see a reduction in their LHA entitlement in excess of £5. By contrast, in the do minimum option, a number of scenarios were identified in which the predicted proportion of claimants experiencing a reduction of £5 or more was five per cent or less.

It should, however, be recognised that HMAs have been designed according to different criteria. In particular, HMAs are defined according to commuting patterns whereas BRMAs are required to be defined on the basis of access to specified services and facilities. Consequently, there is a geographical mismatch between HMAs and the current set of BRMAs. In turn, that makes it difficult to align HMAs and BRMAs without unduly disrupting the current pattern of LHA rates.

Across the range of scenarios considered within the do minimum option, there is a trade-off between minimising disruption, measured in terms of the proportion of claimants seeing a reduction of £5 or more in their LHA rate, and meeting the sufficiency requirement, as indicated by the number of BRMA/size category pairs with list sizes of 100 or more. In that context, the balance between minimising disruption and maximising sufficiency gains would best be met with a reduction to four or five BRMAs.

Within the context of a reduced set of BRMAs, a number of alternative data collection strategies were considered, focused on reducing the list sizes that may be considered appropriate to meeting the sufficiency requirement. Assessing the potential impact of alternative strategies on LHA rates is inevitably restricted by the large gaps that have opened up between 30th percentile rents and LHA rates in the period since LHA rates were frozen in 2016. Though, the results indicate that confining the data collection to a three-month period would be unlikely to satisfy the sufficiency criterion.

Potential Impacts

The second stage in the assessment focuses in more detail on the reclassifications which perform best on the sufficiency and disruption metrics. Those options are examined with respect to their potential impacts on landlords and tenants, including differential impacts on tenants from an equality perspective and also geographically.

The potential impacts of five scenarios are brought forward from the options assessment on the basis of being least disruptive within reductions to BRMA groupings of five, four and three respectively.

The five variant BRMAs result in predicted net expenditure effects of -0.2 to -0.4 per cent relative to the current (2018) baseline. That is because the overall net expenditure effect of each of the variant reclassifications has been modelled as cost-neutral.

However, within each variant, there is a subset of claimants predicted to gain from a reclassification, through increased Housing Benefit amounts, and a subset predicted to lose through a reduction in their Housing Benefit amounts. Across the five variants, the predicted average weekly amount lost ranges from -£1.42 to -£3.11. The predicted average weekly gains range from +£2.06 to +£3.90.

Among those predicted to experience a reduction in their Housing Benefit amount, the total annualised loss ranges from -£1.3 million in a five BRMA variant to -£4.2 million in the three-BRMA variant.

The predicted average Housing Benefit amounts gained and lost represent direct or first round effects of alternative reclassifications of BRMAs. The final impacts on claimants depend on whether and to what extent predicted Housing Benefit gains and, more particularly, losses are distributed between tenants and landlords.

Reflecting the risk to the viability of the tenancy, reductions in Housing Benefit amounts are a particular concern. That concern is reinforced by the above-average risk of income poverty among private rented sector tenants in receipt of Housing Benefit.

Where a claimant's Housing Benefit amount is reduced, the incidence may fall on the tenant (who has to fund an increased shortfall), the landlord (if a reduced rent is accepted) or both (if the increase in the shortfall is shared between landlord and tenant).

It is difficult to predict the incidence of reduced Housing Benefit amounts. The conclusion drawn is that it is prudent to assume the potential impacts of reduced Housing Benefit amounts due to reclassification of BRMAs would fall more on tenants than on landlords.

Furthermore, it is also prudent to anticipate that some fraction of those claimants predicted to see a reduction of £5 or more in their Housing Benefit might face a threat to the viability of their tenancy, in the event that an increased shortfall is beyond their financial capability. Where the viability of the tenancy is affected, that is likely to pose an increased risk of homelessness among those affected.

In the event that the existing BRMAs were reclassified to reduce the number of BRMAs, it would seem appropriate for the Executive to consider how to manage the transition from the current configuration of eight BRMAs so as to minimise the impact on those predicted to experience a reduction in their Housing Benefit amount.

Equality Impacts

A reduced set of BRMAs would have differential effects both on groups within the population and geographically. The predicted effects by LHA size category and across the current set of BRMAs represent the main 'channels' through which contrasts in the effects of any reclassification would be transmitted.

The LHA size category entitlements are determined by family composition, number of dependants and age. As measured by the net expenditure effects in the reclassification variants which are examined in detail, the main predicted effect would be a reduction in shared accommodation rates in reconfigured BRMAs.

For that reason, differential effects by age group would be predicted from a reclassification of the current BRMAs to a reduced set. Reflecting the assessment criteria, those aged under-35 account for 72 per cent of all claimants with shared accommodation entitlement. Consequently, those aged 16-34 would be predicted to see the largest reduction on the net expenditure indicator.

Reflecting the correlation with age, and the shared accommodation rate entitlement criteria, those who are single with no dependants are also predicted to experience larger net reductions compared to couples and claimants with dependants.

However, differential effects were not observed in relation to disability status.

As LHA rates differ to varying degrees across the current set of BRMAs, predicted geographical patterns would also vary, depending on the combinations of BRMAs used to specify a variant.

In variants where Belfast, the South East and the North West are retained in their current form, the geographical effects from a reclassification would be confined to the remaining five current BRMAs. The South West would gain, as its current LHA rates are below the rates prevailing in neighbouring BRMAs. Conversely, net expenditure would fall in the current Lough Neagh

Upper and, to a lesser extent, Lough Neagh Lower BRMAs. Those disparities would in turn be reflected in a distinct pattern in geographical effects across the Local Government Districts which are contained within those BRMAs.

Scenarios in which Belfast and/or the North West are combined with one or more neighbouring BRMAs would see net expenditure reductions in both of those regions, which tend to have higher LHA rates compared to adjacent BRMAs. In those variants, the more deprived areas would see larger negative net expenditure effects.

As the composition of the population by community background varies across the BRMAs, net expenditure effects would also be predicted to vary by community background, depending on the specific combinations of BRMAs.

1 Background

1.1 Introduction

This report, commissioned by the Northern Ireland Housing Executive (NIHE), presents the independent review and impact assessment of the Northern Ireland Broad Rental Market Areas (BRMAs) and Local Housing Allowance (LHA) rates.

Local Housing Allowances were introduced in April 2008 and apply to Housing Benefit claimants in the private rented sector. Under the LHA arrangements, the maximum amount of benefit entitlement is set at a flat rate that varies according to household size and the area in which the claimant lives. The purpose is to ensure that households in similar circumstances living in the same area are entitled to similar amounts of benefit.

Presently, in Northern Ireland, LHA rates are set for five property size categories within each of eight geographical areas known as Broad Rental Market Areas.

A BRMA is defined in the legislation as follows:

> An area within which a person could reasonably be expected to live having regard to facilities and services for the purposes of health, education, personal banking and shopping, taking account of the distance of travel, by public and private transport, to and from those facilities and services.

The BRMA classification currently in use was defined following the introduction of the LHA regime in 2008. In the period since the current BRMAs were defined, there has been a significant increase in the private rented sector. In addition, the 2011 Census of Population results have been published and new data sources have become available, including small area travel time estimates prepared by the Northern Ireland Research and Statistics Agency (NISRA).

Against the backdrop of welfare reform and the UK Government’s drive to reduce spending on benefits, the LHA arrangements have also undergone considerable change, notably the freezing of the LHA rates from 2016 to 2020.

It is therefore now considered appropriate to review the current BRMA classification, to ensure that the areas continue to reflect the legislative requirements and to examine the possibility of reclassifying BRMAs, with a view to reduce their number.

1.2 Objectives

The primary objective is to conduct an independent review and impact assessment of the Northern Ireland Broad Rental Market Areas (BRMAs) and Local Housing Allowance (LHA) rates. The specific requirements for the research project are as follows:

- To assess the existing BRMAs, LHA rates and contracted rental data across the entire housing market in Northern Ireland (Housing Associations, Housing Executive and the private rented sector) to get a full picture of the current situation building on the June 2017 Chartered Institute of Housing (CIH) report on the impact of welfare changes.

- To use updated data and reports (e.g., 2011 Census) to review the possibility of reclassifying BRMAs (with a view to reduce the number).

- To provide scenarios (3-5 or whatever is statistically applicable) of reclassified BRMAs based on updated data.

- Using each reclassified BRMA scenario, to review the impact on LHA rates if the sample and timeframe of the calculations were to be changed:

    a. If the LHAs are calculated based on 50 per cent of the current sample size over the timescale of 12 months.

    b. If the LHAs are calculated using data from a 6 month period using (i) 50 per cent of the current sample size; and, (ii) the current sample size.

    c. If the LHAs are calculated using data from a 3 month period, again with variations by sample size.

- To provide hypotheses on potential impacts for tenants, landlords and Housing Benefit expenditure.

- To ensure that significant differences within the section 75 categories (where data available) are clearly illustrated in an equality impact assessment.

- To include the impact of welfare changes scenarios (e.g. Universal Credit/Housing Benefit, Social Sector Size Criteria, benefit cap, freezing of LHA for PRS rents) and the impacts of this (e.g. further breaking down rental data into groups, i.e., rural/urban, etc.).

- To identify the impacts of each scenario on tenants, landlords and Housing Benefit expenditure.

1.3 Approach

As stated in the research objectives, the possibility of reclassifying BRMAs is to be considered with a view to reducing their number. The methodological approach has therefore been framed around an appraisal of options for a revised set of BRMAs accompanied by an impact assessment of a selected sub-set of options.

The specification of options for change is set out in Section 4 of this report. Briefly, there are three main sets of options, as follows:

- Retain the current set of BRMAs (the baseline or 'do nothing' option).
- Merge existing BRMAs to produce a reduced number (the 'do minimum' options).
- Revise the existing BRMA boundaries (the 'do something' options).

The approach to the assessment of options is based on the construction of a statistical model for simulating the potential effects of alternative options for change. The model is described in detail in Appendix A.

1.3.1 Data Sources

The main datasets which have been collated for this review are as follows:

- A download of the Single Housing Benefit Extract (SHBE) provided by the Housing Executive, containing information on almost 160,000 Housing Benefit claims.
- The LHA 2018 Assessment dataset, also provided by the Housing Executive, including source data based on almost 11,000 advertised lettings.
- The travel time data prepared by NISRA for the Access to Services domain of the 2017 NI Multiple Deprivation Index (NIMDM). For each of 4,357 Small Areas, NISRA has estimated travel times, both private and public, to 20 selected service types.
- Small Area data from the 2011 Census of Population, for information on population and households.
- The Family Resources Survey (FRS), which has been used both to examine the trend in the number of private rented sector households and in the equality impact assessment to impute the probability of a household containing one or more persons with a disability.

In addition, the November 2016 version of the Central Postcode Directory (CPD) has been accessed for the purposes of this study. The CPD lists all postcodes used in Northern Ireland and also their assignment to a variety of administrative and statistical geographies, such as Small Areas, Super Output Areas, Local Government Districts, etc. As BRMAs are built up from postcodes, the CPD is the key 'lookup' table within the context of this study, facilitating analysis on a consistent geographical basis across the main datasets.

1.3.2 Consultations

To assist in the review, a number of consultations were undertaken with key stakeholders to discuss the current position, including their views on the current set of BRMAs; how they are working within the Northern Ireland housing market; what changes, if any, that consultees might like to see; and, the potential impacts of changes to the current map.

Within the private rented and wider housing sector, the following bodies have been consulted:

- ARLA (Association of Residential Letting Agents).
- LANI (Landlords Association for Northern Ireland).
- NAEA (National Association of Estate Agents).
- Housing Rights.
- Chartered Institute of Housing.

The CIH also facilitated a consultation with an individual private landlord.

Within the Housing Executive, the following were consulted:

- The three Regional Managers (Belfast, North and South Regions) were consulted separately.
- Place-makers in the Belfast and South Regions.

1.4 Structure of the Report

The remainder of this report is structured as follows.

- **Section 2 BRMAs and LHA Rates: Overview**. This section provides an assessment of the existing BRMAs, LHA rates and contracted rental data across the housing market in Northern Ireland, focusing in particular on private rented sector tenants in receipt of Housing Benefit. The section includes also an overview on claimants within the social sector (Housing Associations and the Housing Executive).

- **Section 3 Current Position: BRMAs**. This section comprises an assessment of the current set of BRMAs with regard to the legislative requirements, based on updated Census of Population data, the NISRA travel time dataset and the list of rents compiled by the Housing Executive for the 2018-19 LHA assessment exercise. Based on that assessment, the rationale for revising the current set of BRMAs is addressed.

- **Section 4 Options for Change**. The main options for revising BRMAs are outlined, along with the criteria for assessment.

- **Section 5 Assessment of Options**. This section presents the main results from the simulated effects of a range of scenarios corresponding to the identified options for change. The section also reviews the impact of a change in the approach to the collection of information on private sector rents for use in helping to determine LHA rates.

- **Section 6 Potential Impacts**. This section analyses the potential impacts from changes to LHAs resulting from revised BRMAs on Housing Benefit expenditure, tenants and landlords.

- **Section 7 Equality Impacts**. This section provides a profile of those most likely to be affected by changes to LHA rates, bringing in section 75/equality and geographical dimensions such as rural-urban contrasts.

- **Section 7 Conclusions**. This section presents the main conclusions from the review, highlighting in particular the key criteria to be considered in taking forward any proposed revisions to the current BRMAs.

Note:

In this report, all percentage calculations are based on un-rounded figures; therefore, totals or sub-totals may differ due to rounding.

2 BRMAs and LHA Rates: Overview

2.1 Introduction

This Section provides an assessment of the existing BRMAs, LHA rates and contracted rental data across the housing market in Northern Ireland, focusing in particular on private rented sector tenants in receipt of Housing Benefit. The Section commences with an overview on the Local Housing Allowance regime, setting out the origins of the LHA in Regulations made in 2008 and summarising the changes that have occurred in the operation of the LHA regime. Mainly, those changes have been driven by welfare reform and the steps taken by the UK Government to curtail or reduce spending on benefits, including Housing Benefit.

The remainder of the Section examines weekly contract rents across the private rented sector and the social sector (NIHE and Housing Association claimants), focusing specifically on claimants subject to the property size criteria in the private sector and social sector claimants potentially subject to the bedroom size criteria. For each sector, contract rents are compared with LHA rates pertaining to the areas where claimants live and their property/bedroom size entitlement status.

2.2 Local Housing Allowance

Depending on their circumstances, households in the private rented sector may be entitled to claim Housing Benefit. Since 7 April 2008, the amount of benefit entitlement is calculated with reference to Local Housing Allowance (LHA) rates. The core feature of the LHA is the use of flat rates to calculate Housing Benefit entitlement, depending on household size and the area in which the claimant lives. Under present arrangements, LHA rates are set for each of five property size categories within defined geographical areas known as Broad Rental Market Areas (BRMAs).

A central objective of the LHA was to make the Housing Benefit system fairer. The use of standard maximum allowances, varying with the size, composition and location of the household, should mean that two households in similar circumstances living in the same area are entitled to similar amounts of benefit (DWP, 2009). That approach to ensuring fairness was also intended to simplify the system, removing the need for individual referrals to rent officers on a property specific basis.

The policy intent underlying the introduction of standard local allowances was reflected in a number of other objectives, including transparency, choice and personal responsibility (DWP, 2009). The LHA arrangements were intended to increase transparency by publishing the rates on a regular basis to let claimants know the maximum amount of financial help with their housing costs and how that support varies across different areas and property sizes.

It was also intended that the LHA arrangements would better enable tenants to choose how to allocate their income in a similar way to tenants not in receipt of benefits, i.e., whether to spend more or less of their income on meeting housing costs depending on their choice of rental property.

The Government also sought to promote greater personal responsibility by making the payment of Housing Benefit directly to the tenant rather than the landlord, in the majority of cases. By making tenants pay their rent themselves, the Government sought to encourage the development of budgeting skills that would help sustain moves into work.

Subject to a number of exceptions, payment to tenants is the default method in Great Britain. By contrast, in Northern Ireland, the usual method is direct payment to landlords. In the consultations for this research, the retention of that approach was highlighted by the landlord sector as beneficial in ensuring regularity and predictability of rent payments.

Along with the rest of the UK, the LHA arrangements were first introduced in Northern Ireland through the Housing Benefit (Executive Determinations) Regulations (Northern Ireland) 2008 ('the 2008 Regulations'). The Regulations were made on 11 March 2008 and the LHA regime commenced on 7 April 2008, in line with the rest of the UK.

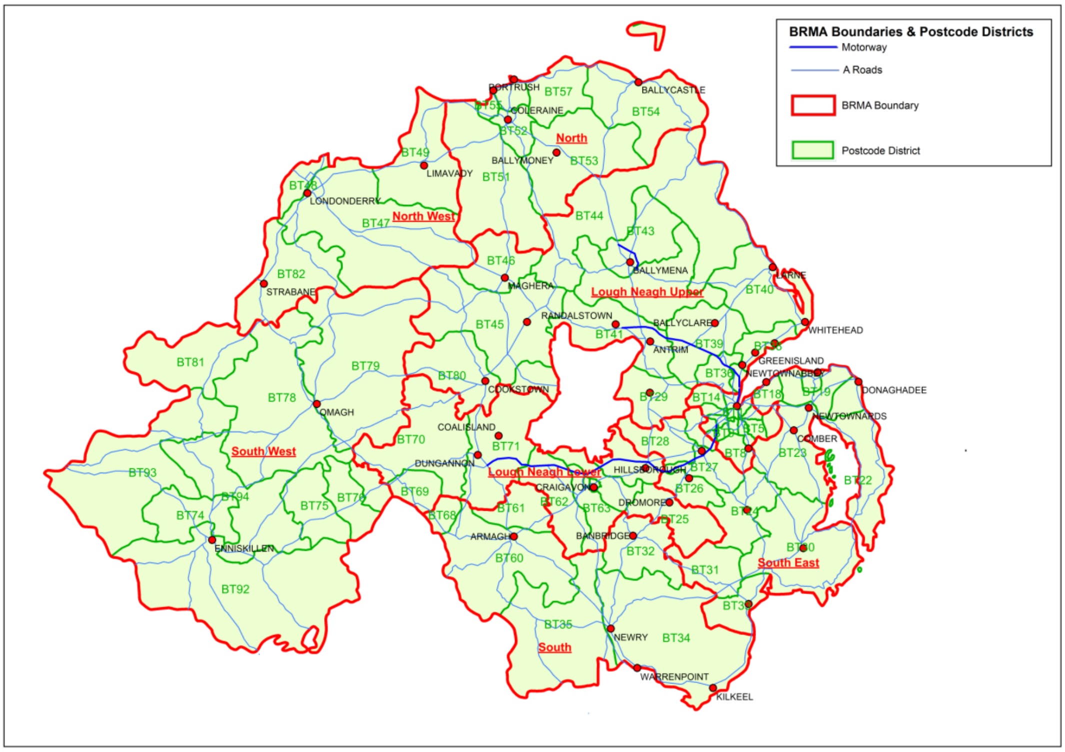
The 2008 Regulations required the Executive to determine broad rental market areas (BRMAs) such that (para. 3(1)):

- Every part of Northern Ireland falls within a broad rental market area.
- The areas should not be overlapping.
- The area contained within each BRMA should be defined by reference to the postcodes for that BRMA.

Following the making of the 2008 Regulations, the Executive determined eight BRMAs, which are illustrated in Map 2.1. As can be seen, each BRMA is comprised of a contiguous set of Postcode Districts, i.e., the 80 two-digit BT postcodes. The approach to determining the BRMA map is discussed in Section 3 below. At this juncture, it may be noted that the map which was determined on foot of the 2008 Regulations has remained unchanged and is still used as the geographical framework for setting LHA rates.

The 2008 Regulations also required the Executive to determine LHA rates for each of a number of property size categories within each of the eight BRMAs. Six categories of dwellings were listed in the 2008 Regulations, i.e., one bedroom in a shared property and self-contained properties comprised of one, two, three, four and five bedrooms. The five bedroom category was removed in 2011. There are now five property size categories for which LHA rates are determined within each of the eight BRMAs.

Map 2.1 BRMA boundaries and Postcode Districts



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The methodology for determining the LHA rates applicable to each BRMA/property size category was also set out in the 2008 Regulations. Briefly, the prescribed method was as follows:

- The Executive must compile a list of private sector rents, in ascending order, for each category of dwelling within each BRMA.
- Determine the LHA rate as the amount of the median rent in the ordered list for each category of dwelling within each BRMA.

The median is the middle number in an ordered list. That is, 50 per cent of values in the list are in excess of the median with the remaining 50 per cent lying below the median.

The rationale for the use of the median rent was that Housing Benefit claimants in the private rented sector should have access to the bottom 50 per cent of the market in their local area, having regard to their accommodation needs as reflected in the relevant property size category.

While there is still a requirement for the Executive to compile a list of rents, the determination of applicable LHA rates has changed considerably over the period since the 2008 Regulations.

Following the June 2010 Budget, a raft of changes were made to the LHA regime, which were introduced in April 2011 (see Beatty *et al*, 2014, for a list of the main changes). In particular, the median was replaced by the 30th percentile for use in determining the maximum LHA rates applicable to the range of property size categories in each BRMA. In an ordered list, 30 per cent of values lie below the 30th percentile amount with the remaining 70 per cent being above that amount.

Along with the various other changes made in 2011, the switch to the 30th percentile was intended to encourage Housing Benefit claimants to behave in a more 'cost-conscious' manner, e.g., by moving to cheaper accommodation if they could no longer afford to meet any gap between their local LHA rate and the rent charged by the landlord, or by negotiating a lower rent with their landlord (Beatty *et al*, 2014). It was also anticipated that landlords would have an incentive to reduce rents in order to retain tenants claiming Housing Benefit, thereby avoiding the transaction costs of a voided tenancy.

Since 2011, and driven by the Government's deficit reduction plans, various changes have been made to the method of uprating LHA rates to restrict the amount of Housing Benefit which can be paid.

Originally, uprating of LHA rates had been on a monthly basis. From April 2011, uprating changed to an annual basis. Subsequently, in April 2013, LHA rates were uprated based on the lower of the annual rate of change in the Consumer Price Index (CPI) and the 30th percentile of local rents. In 2014/15 and 2015/16, uprating of LHA rates was restricted to the lower of a one per cent increase on the previous year's LHA and the 30th percentile rent. In the Summer Budget of 2015, it was announced that LHA rates would be frozen for four years from 2016 to 2020, at the lower of the April 2015 LHA rate and the 30th percentile rent.

The freezing of LHA rates was for the purpose of generating savings on Housing Benefit expenditure. In recognition of the fact that a freeze will have different effects on different areas, the Government committed to use 30 per cent of the savings for Targeted Affordability Funding (TAF) to increase LHA rates by three per cent in the areas where the frozen April 2015 LHA rates fell furthest behind the corresponding 30th percentile rents.

Targeted Affordability Funding was initially announced in the Autumn Statement 2012 in which the Government announced that it will "use 30 per cent of the potential savings [from the LHA cap] to exempt rates in those areas where rent increases are highest, in recognition of the fact that rental markets differ across the country." (HM Treasury, 2015, page 51).

In the Autumn Budget 2017, it was announced that: "To support Housing Benefit and Universal Credit claimants living in areas where private rents have been rising fastest, the government will increase some Local Housing Allowance rates by increasing Targeted Affordability Funding by £40 million in 2018-19 and £85 million in 2019-20. This will increase the housing benefit awards of approximately 140,000 claimants in 2018-19, by an average of £280, in areas where affordability pressures are greatest." (HM Treasury, 2017, page 64)

Northern Ireland's share of the TAF was £2.425 million for 2018-19 and £2.1 million in 2019-20. The allocation of £2.425 million was used by the NIHE in the process of determining the 2018-19 LHA rates.

Notwithstanding the TAF, the uprating measures described above mean that in almost all the current BRMAs, LHA rates are no longer aligned with their corresponding 30th percentile rents (Table 2.1). Out of the 40 LHA rates, 25 are now £5 or more below their 30th percentile rents.

Table 2.1 30th percentile values and the 2018-19 LHA rates

	Shared	Bedroom size category:			
		1	2	3	4
	£s	£s	£s	£s	£s
30th percentile rents					
Belfast	£47.92	£90.61	£99.51	£112.09	£139.73
Lough Neagh Upper	£53.19	£76.00	£91.36	£99.71	£109.21
Lough Neagh Lower	£55.80	£72.17	£86.01	£100.25	£118.54
North	£38.67	£74.81	£89.14	£96.33	£105.07
North West	£65.76	£83.60	£98.56	£102.84	£110.00
South	£50.80	£73.95	£87.99	£96.66	£112.79
South East	£56.00	£81.54	£98.81	£111.15	£136.04
South West	£45.80	£62.45	£81.99	£90.76	£97.19
2018-19 LHA rates					
Belfast	£42.15	£86.16	£95.21	£104.96	£122.07
Lough Neagh Upper	£48.45	£69.85	£85.70	£93.27	£104.86
Lough Neagh Lower	£44.94	£66.94	£80.26	£92.11	£110.03
North	£38.19	£69.45	£83.32	£92.10	£100.59
North West	£52.04	£76.54	£92.22	£99.60	£108.13
South	£45.80	£62.50	£82.84	£91.09	£102.57
South East	£52.09	£78.97	£93.09	£106.01	£124.56
South West	£45.70	£60.69	£76.07	£87.10	£96.79
Difference					
Belfast	-£5.77	-£4.45	-£4.30	-£7.13	-£17.66
Lough Neagh Upper	-£4.74	-£6.15	-£5.66	-£6.44	-£4.35
Lough Neagh Lower	-£10.86	-£5.23	-£5.75	-£8.14	-£8.51
North	-£0.48	-£5.36	-£5.82	-£4.23	-£4.48
North West	-£13.72	-£7.06	-£6.34	-£3.24	-£1.87
South	-£5.00	-£11.45	-£5.15	-£5.57	-£10.22
South East	-£3.91	-£2.57	-£5.72	-£5.14	-£11.48
South West	-£0.10	-£1.76	-£5.92	-£3.66	-£0.40

Source: LHA 2018 Assessment dataset.

To illustrate the impact of the post-2011 uprating changes, if LHA rates were set to the 30th percentile rents, total Housing Benefit expenditure associated with private rented claimants subject to the property size criteria would rise by 7.9 per cent, based on the March 2018 caseload (52,300 claimants), ranging from 4.7 per cent in the South West to 11.4 per cent in the South (Figure 2.1). In the shared accommodation category, expenditure would increase by 15 per cent (Figure 2.2).

Figure 2.1 HB expenditure impact, private rented sector, if LHA rates were set equal to 30th percentile rents: BRMAs (% change)

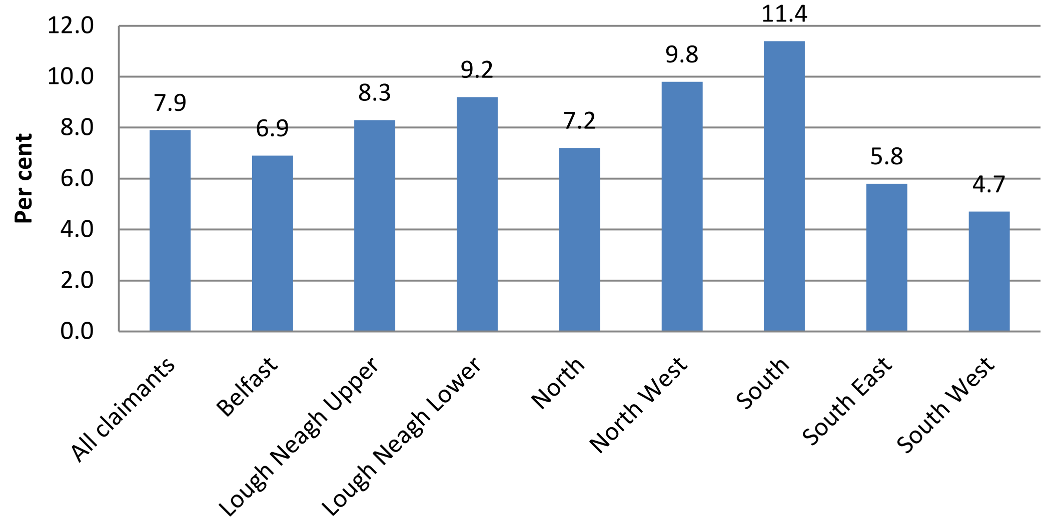
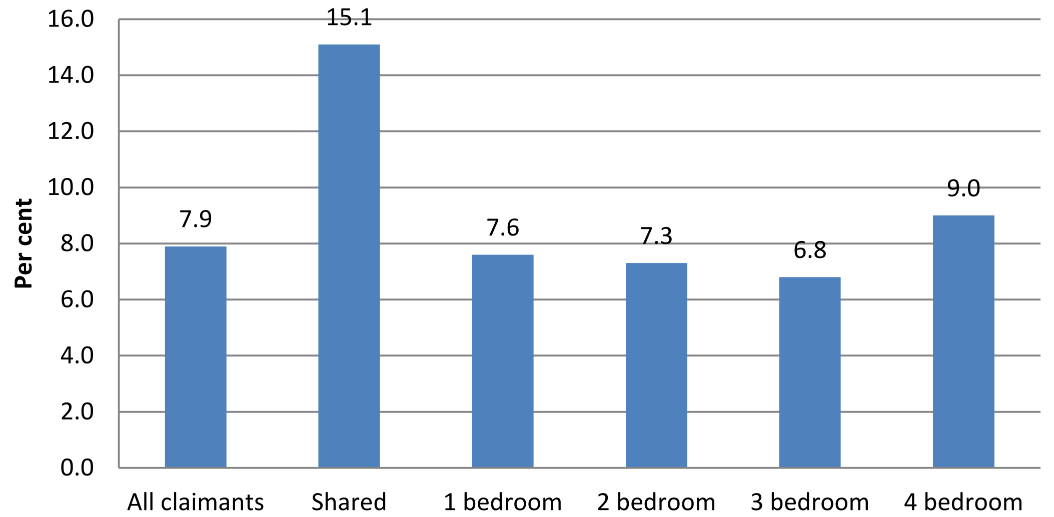


Figure 2.2 HB expenditure impact, private rented sector, if LHA rates were set equal to 30th percentile rents: Property type (% change)



2.3 Housing Benefit Claimants

As at March 2018, there were almost 157,000 Housing Benefit claimants in payment (Table 2.2). In the private rented sector, over 52,300 tenants, representing 33 per cent of all claimants, were subject to the LHA regime, i.e., their maximum amount of Housing Benefit payable is determined by their property size entitlement and the BRMA where they live[1].

The social sector is comprised of NIHE and Housing Association tenants. Within that sector, working age claimants (those aged under State Pension age) may have their Housing Benefit amount reduced if they have one or more 'spare' bedrooms (the Social Sector Size Criteria). The definition of a 'spare' bedroom is set out in legislation[2]. For example, an adult couple without children living in a two-bedroom property would be deemed to have one spare bedroom; their amount of rent eligible for Housing Benefit would be reduced by 14 per cent. Presently, in Northern Ireland, most tenants affected by the Social Sector Size Criteria receive Welfare Supplementary Payments that top up their benefits[3]. That mitigation is currently scheduled to cease in March 2020. In March 2018, there were over 65,000 social sector claimants potentially subject to the Social Sector Size Criteria if they are under-occupying.

Table 2.2 Housing Benefit claimants, in payment, by tenure, March 2018

	No.	%
Social sector	**95,493**	**61**
Working age (potentially subject to Size Criteria)	65,480	42
Pension age (Not subject to Size Criteria)	30,013	19
Private rented sector	**59,557**	**38**
Subject to LHA	52,326	33
Other	7,231	5
Other/not known	**1,666**	**1**
All	**156,716**	**100**

Source: Single Housing Benefit Extract, March 2018.

[1] As with other Housing Benefit claimants, the actual amount paid depends also on the applicant's applicable amount, income and capital.
[2] For a summary, see https://www.gov.uk/housing-benefit/what-youll-get. A more detailed explanation can be found in DWP, 2014.
[3] See DSD (2014) for an analysis of the potential impact of the Social Sector Size Criteria in Northern Ireland.

Social sector tenants of pension age (those aged over State Pension Age) are not subject to the Social Sector Size Criteria. In March 2018, they accounted for 19 per cent of all claimants.

In addition, a little over 7,200 private rented sector tenants are not subject to the LHA regime. They include 1,800 claimants in the regulated private rented sector and 5,400 claimants in the unregulated private rented sector. The latter includes, for example, those in receipt of Housing Benefit prior to the introduction of LHA on 7 April 2008 and without a break in their entitlement or who have not moved into a new private tenancy.

The remainder of this Section focuses on private rented sector claimants subject to the LHA regime and social sector tenants potentially subject to the Social Sector Size Criteria. In the first instance, private rented sector claimants subject to the LHA regime would be directly affected by any changes that may be made to BRMAs. For that reason, the impact analyses in Sections 6 and 7 of this report concentrate on those 52,300 private rented sector claimants. Furthermore, while Housing Benefit will be replaced by the housing costs element in Universal Credit, the actual amount of Universal Credit that private sector tenants receive will continue to be capped by their LHA rate[4].

Second, following the 2015 Autumn Spending Review, the UK Government had proposed extending the LHA regime to the social sector as part of its programme of welfare reform and cutting benefit costs. That proposal would have seen the housing costs element of Universal Credit or Housing Benefit payments to social sector tenants capped at the LHA rate pertaining to the BRMA where they live, within their size criterion. The prospect of such a proposal was a key driver in the recommendation, made by the Chartered Institute of Housing (CIH) in a report dated June 2017, that government in Northern Ireland should undertake a fundamental review of BRMAs.

However, in October 2017, the Prime Minister announced that the proposal to cap social sector Housing Benefit payments at LHA levels would not be taken forward. Thus, the amount of Universal Credit or Housing Benefit that social sector tenants may receive towards their housing costs will continue to reflect the current bedroom size criteria, albeit the application of those criteria will be mitigated in Northern Ireland until the currently scheduled end of mitigation in March 2020.

Nonetheless, it is still considered useful to provide an overview on contract rents within the social sector and how they relate to the corresponding LHA rates. This is not at all to imply that the Government may revert back to the proposal to align the private and social sectors with respect to the capping of housing costs payments through the application of LHA rates.

[4] https://www.communities-ni.gov.uk/articles/universal-credit-and-rented-housing-guide-landlords.

2.4 Private Rented Sector

The distribution of private rented sector tenants by size category and BRMA as at March 2018 is shown in Table 2.3.

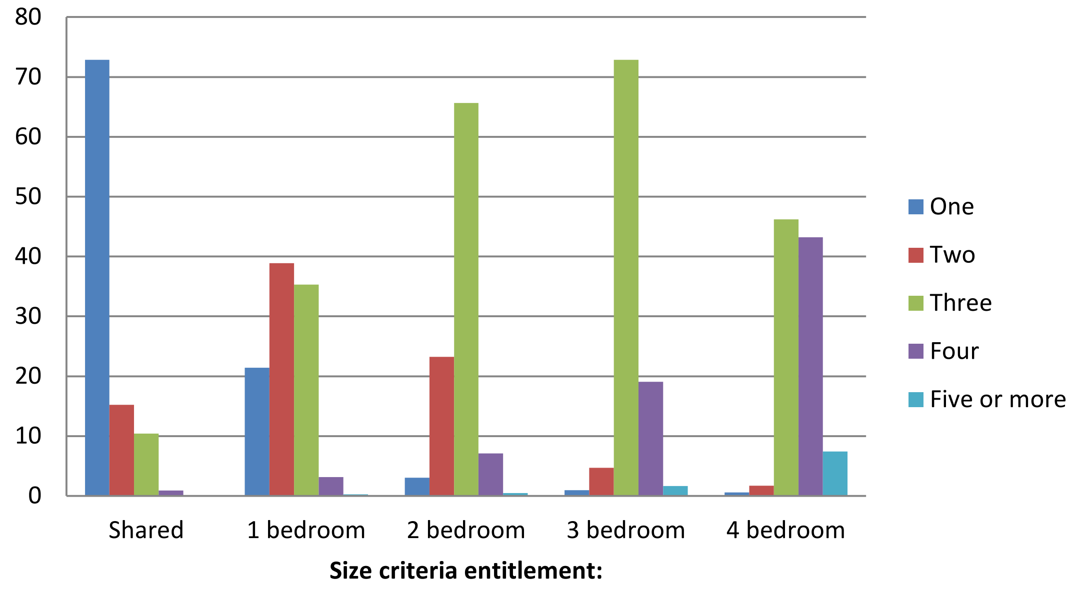
An important point to note is that the distribution by size category reflects assessments of claimants' entitlements rather than the actual size of the property in which they reside. As shown in Figure 2.1, only 20 per cent of those entitled to the one-bedroom rate actually reside in a one-bedroom property. Furthermore, entitlement is strongly shaped by family size and composition. For example, 54 per cent of private rented sector claimants have no dependants, so their entitlement will be for shared accommodation (if aged under 35) or one bedroom only (unless an exception applies, such as in the case of claimants who need care due to a disability) (See Table C2.1 in Appendix C for the demographic profile of claimants). That is a useful point to bear in mind when considering the potential impacts on LHA rates that might ensue from revising BRMA boundaries.

Table 2.3 Private rented sector claimants subject to size criteria by size category and BRMA

	Number	*%*
Size category		
Shared	4,872	*9.3*
One bedroom	20,287	*38.8*
Two bedrooms	16,955	*32.4*
Three bedrooms	7,715	*14.7*
Four bedrooms	2,497	*4.8*
BRMA		
Belfast	10,077	*19.3*
Lough Neagh Upper	9,303	*17.8*
Lough Neagh Lower	5,246	*10.0*
North	2,894	*5.5*
North West	7,751	*14.8*
South	5,148	*9.8*
South East	7,792	*14.9*
South West	4,115	*7.9*
All claims	**52,326**	***100.0***

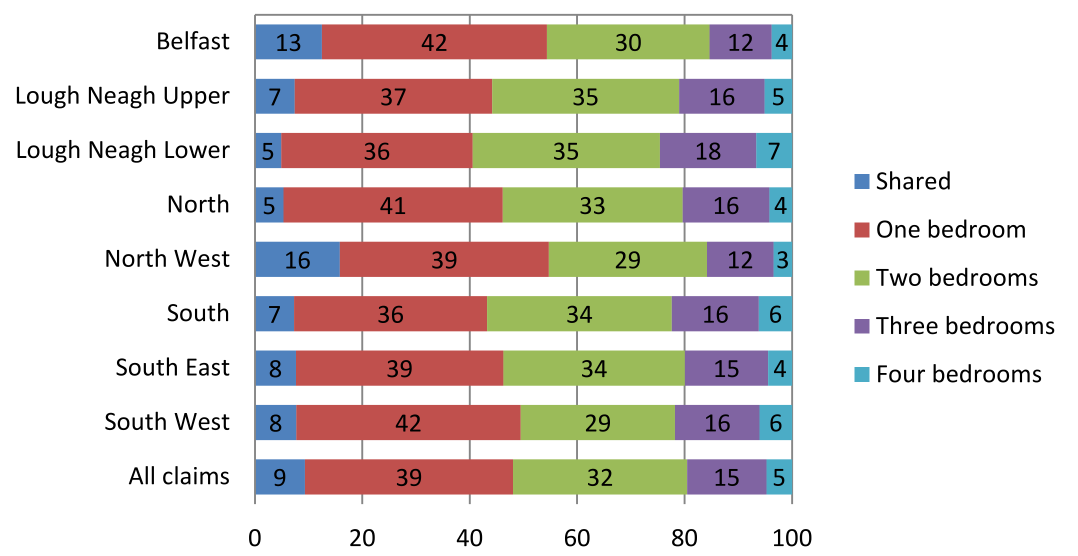
Source: Single Housing Benefit Extract, March 2018

Figure 2.1 Bedrooms actually occupied by size criteria entitlement: Private rented sector claimants



Within the eight BRMAs, the distribution of claimants by size category shows some variation (Figure 2.2). The proportion with shared accommodation entitlement is highest in the more urbanised BRMAs, i.e., Belfast (13 per cent) and the North West (16 per cent).

Figure 2.2 Private rented sector claimants: Size criteria composition by BRMA



As at March 2018, the average weekly contract rent recorded for private rented sector claimants was £98. On average, applicable LHA rates amounted to 81 per cent of claimants' weekly contracted rents, as recorded on the SHBE dataset. Consequently, 88 per cent of claimants were recorded as having a contract rent in excess of their applicable LHA rate, ranging from 91 per cent of claimants with entitlement to two bedrooms to 63 per cent in the four bedroom category (Table 2.4. See Table C2.2 in Appendix C for the detailed breakdown by size category within each BRMA). Of course, the property that claimants actually occupy is often in excess of their entitlement, so it can be expected that some proportion of claimants would have a contract rent in excess of their LHA rate. Nonetheless, the freezing of LHA rates since 2015 is likely to have resulted in an increase in the proportion with a contract rent in excess of their LHA rate.

Table 2.4 Private rented sector claimants subject to size criteria: Average weekly contract rents compared with LHA rates[1]

	Average weekly rent[2]	LHA rate as % of rent	Contract rent in excess of LHA rate
	£s	*%*	*%*
Size category			
Shared	£69.24	67.8	86.4
One bedroom	£93.35	78.1	90.6
Two bedrooms	£104.60	82.6	91.2
Three bedrooms	£109.46	87.0	84.3
Four bedrooms	£116.27	94.1	63.0
BRMA			
Belfast	£102.50	82.7	86.0
Lough Neagh Upper	£97.14	81.5	88.6
Lough Neagh Lower	£96.95	78.7	91.5
North	£91.99	83.3	88.5
North West	£97.33	81.4	89.2
South	£97.78	75.7	92.8
South East	£102.01	85.6	81.7
South West	£90.25	77.3	91.5
All claims	**£98.13**	**81.3**	**88.1**

Notes: 1. Based on 2017-18 LHA rate. 2. Averages adjusted for outlier rental values.
Source: Single Housing Benefit Extract, March 2018

Reflecting the gap between contract rents and LHA rates, almost nine in 10 private rented sector claimants (89 per cent) experience a shortfall between their weekly contract rent and the amount of Housing Benefit that they receive. Among those with such a shortfall, the average amount is £28, representing 29 per cent of their average weekly contract rent. Again, the shortfall amounts vary across the size categories. In proportional terms, the shortfall is widest among those with shared accommodation entitlement (39 per cent) (Table 2.5. See Table C2.3 in Appendix C for the detailed breakdown by size category within each BRMA).

Table 2.5 Private rented sector claimants subject to size criteria: Average weekly shortfall compared to contract rent

	Claimants with a shortfall	Average weekly shortfall[1,2]	Per cent of weekly rent[2]
	%	*£s*	*%*
Size category			
Shared	85.9	£26.85	39.0
One bedroom	89.5	£25.98	28.0
Two bedrooms	91.8	£30.23	29.2
Three bedrooms	88.4	£28.58	26.2
Four bedrooms	77.5	£28.60	24.6
BRMA			
Belfast	86.9	£27.35	27.1
Lough Neagh Upper	89.8	£28.37	29.4
Lough Neagh Lower	92.0	£29.40	30.5
North	89.8	£24.72	27.1
North West	89.7	£26.71	27.6
South	92.4	£31.46	32.4
South East	84.9	£27.64	27.2
South West	92.2	£26.98	30.0
All claims	**89.2**	**£27.92**	**28.7**

Notes:

1. Averages adjusted for outlier values.

2. Base = all PRS claims subject to size criteria with a non-zero shortfall. Across all claims, including those with a zero-valued shortfall, the average shortfall is £24.90, representing 25.6 per cent of the average weekly rent.

Source: Single Housing Benefit Extract, March 2018

2.5 Social Sector

The social sector size criteria apply to the number of bedrooms contained within the property rented by the tenant, compared with the number of bedrooms which the claimant is deemed to require, given the household's size and composition. The shared accommodation rate is not applicable to the social sector. Therefore, to give an indication of how social sector rents compare with LHA rates in the private rented sector, claimants with one bedroom entitlement have been split into those living alone aged under 35 and all other claimants with that entitlement. In both the NIHE and Housing Association sectors, such claimants comprise seven per cent of the total (Table 2.6).

Table 2.6 Social rented sector claimants potentially subject to Housing Benefit size criteria by size category and BRMA

	NIHE		**Housing Associations**	
	Number	*%*	*Number*	*%*
Size category				
One bedroom	22,290	*49.2*	7,430	*36.9*
Under 35, living alone	3,208	7.1	1,444	*7.2*
All other	19,082	42.1	5,986	*29.7*
Two bedrooms	13,505	*29.8*	6,855	*34.0*
Three bedrooms	7,112	*15.7*	4,409	*21.9*
Four+ bedrooms	2,418	*5.3*	1,459	*7.2*
BRMA				
Belfast	13,548	*29.9*	8,306	*41.2*
Lough Neagh Upper	7,667	*16.9*	1,602	*7.9*
Lough Neagh Lower	3,163	*7.0*	989	*4.9*
North	2,421	*5.3*	388	*1.9*
North West	5,694	*12.6*	3,460	*17.2*
South	2,957	*6.5*	1,115	*5.5*
South East	7,386	*16.3*	3,784	*18.8*
South West	2,489	*5.5*	509	*2.5*
All claims	**45,325**	***100.0***	**20,153**	***100.0***

Source: Single Housing Benefit Extract, March 2018

The average weekly contract rent recorded for NIHE tenants is a little over £66. That is two-thirds of the average private sector rent (£98). Reflecting that disparity, for NIHE tenants the average LHA rate in their location and size category is 24 per cent in excess of their average weekly rent (Table 2.7. See Table C2.4 in Appendix C for the detailed breakdown by size category within each BRMA). As a result, less than one in five NIHE tenants (17 per cent) have a contract rent which is in excess of the applicable LHA rate in their local area. Not surprisingly, the proportion with a contract rent in excess of the local LHA rate is highest among those aged under 35, living alone and with a one-bedroom entitlement. Within that group, 84 per cent have a contract rent in excess of the applicable LHA rate.

Table 2.7 NIHE claimants potentially subject to size criteria: Average weekly contract rents compared with LHA rates[1]

	Average weekly rent	LHA rate as % of rent	Contract rent in excess of LHA rate
	£s	*%*	*%*
Size category			
Shared accommodation (under 35, living alone)	£56.57	81.5	83.9
One bedroom	£62.92	118.1	21.2
Two bedrooms	£67.36	130.8	5.3
Three bedrooms	£73.02	133.3	1.0
Four+ bedrooms	£76.63	147.1	0.3
BRMA			
Belfast	£64.64	136.2	8.4
Lough Neagh Upper	£64.94	119.6	16.4
Lough Neagh Lower	£66.21	112.7	26.9
North	£67.58	112.6	21.1
North West	£68.61	122.9	14.2
South	£66.87	108.6	33.4
South East	£66.06	132.7	7.7
South West	£69.68	98.2	56.6
All claims	**£66.11**	**124.2**	**16.6**

Note:
1. Based on 2017-18 LHA rate
Source: Single Housing Benefit Extract, March 2018

As can be seen in Table 2.7, NIHE rents do not vary greatly across the eight BRMAs. By contrast, LHA rates vary geographically (Table 2.1). Consequently, there is a degree of geographical variation in the proportion of NIHE claimants with contract rents in excess of LHA rates in the areas where they live, ranging from eight per cent in Belfast and the South East to 57 per cent in the South West.

Within the Housing Association sector, average contract rents occupy an intermediate position between the NIHE and private rented sectors, albeit the average (£89.5 per week) is closer to the private sector (£98) than the NIHE sector (£66). Thus, across the Housing Association sector as a whole, on average, local LHA rates are slightly lower than weekly contract rents, by a margin of four per cent (Table 2.8. See Table C2.5 in Appendix C for the detailed breakdown by size category within each BRMA). Within that context, a little over one in two Housing Association tenants (53 per cent) live in an area where their weekly rent is in excess of the local LHA rate pertaining to their size category.

Almost all of those aged under-35, living alone and with one-bedroom entitlement on the social size criteria pay a contract rent in excess of the LHA rate for shared accommodation in the area where they live. Within the other categories, the proportion of Housing Association tenants with a contract rent in excess of the local LHA rate ranges from 13 per cent among those with four bedroom entitlement to 64 per cent in the one-bedroom category.

Geographically, Housing Association rents exhibit slightly greater variability than is the case with NIHE claimants. As can be seen from the accompanying Table C2.5, rents tend to be higher in the South, South Eastern and South West areas. Partly for that reason, and also reflecting the variability in LHA rates by BRMA, the proportion of Housing Association claimants with contract rents in excess of local LHA rates also varies geographically, ranging from 43 per cent in Belfast to 97 per cent in the South West.

It can be noted that the geographical variations shown in Table 2.8 are largely unaffected by imputing a shared accommodation rate to those aged under 35, living alone and with one-bedroom entitlement. If those claimants' contract rents were to be compared with the one-bedroom LHA rate, rather than the shared accommodation rate, the proportion with a contract rent in excess of the LHA rate would fall only slightly, to 49 per cent, ranging from 38 per cent in Belfast to 96 per cent in the South West.

Table 2.8 Housing Association claimants potentially subject to size criteria: Average weekly contract rents compared with LHA rates[1]

	Average weekly rent	LHA rate as % of rent	Contract rent in excess of LHA rate
	£s	*%*	*%*
Size category			
Shared accommodation (under 35, living alone)	£80.47	56.8	99.4
One bedroom	£83.02	93.2	64.0
Two bedrooms	£89.96	99.7	50.2
Three bedrooms	£96.87	102.1	39.1
Four bedrooms	£100.71	114.7	12.8
BRMA			
Belfast	£87.75	101.2	42.6
Lough Neagh Upper	£87.93	91.0	76.5
Lough Neagh Lower	£89.20	85.7	76.6
North	£87.79	86.3	81.7
North West	£88.72	98.2	42.0
South	£94.77	83.1	84.8
South East	£92.71	98.0	49.9
South West	£95.15	74.6	97.2
All claims	**£89.51**	**96.4**	**52.7**

Note:

1. Based on 2017-18 LHA rate

Source: Single Housing Benefit Extract, March 2018

2.6 The Sectors Compared

The foregoing discussion of contract rents compared with local LHA rates is summarised in Table 2.9, which shows for each sector the proportions with contract rents in excess of LHA rates.

The main point to note is clearly the higher proportions in the private rented sector with contract rents in excess of LHA rates; 88 per cent compared with 17 per cent in the NIHE sector and 53 per cent in the Housing Association sector. The main exception is the shared accommodation rate, where the Housing Association proportion is higher than in the private rented sector.

Table 2.9 The sectors compared: Per cent with contract rent in excess of applicable LHA rate

	Private rented sector	NIHE	Housing Associations
	%	%	%
Size category			
Shared	86.4	83.9	99.4
One bedroom	90.6	21.2	64.0
Two bedrooms	91.2	5.3	50.2
Three bedrooms	84.3	1.0	39.1
Four bedrooms	63.0	0.3	12.8
BRMA			
Belfast	86.0	8.4	42.6
Lough Neagh Upper	88.6	16.4	76.5
Lough Neagh Lower	91.5	26.9	76.6
North	88.5	21.1	81.7
North West	89.2	14.2	42.0
South	92.8	33.4	84.8
South East	81.7	7.7	49.9
South West	91.5	56.6	97.2
All claims	**88.1**	**16.6**	**52.7**

Notes:

1. Based on 2017-18 LHA rate
2. PRS averages adjusted for outlier rental values.

Source: Single Housing Benefit Extract, March 2018

A second point of contrast is the greater geographical variation within the NIHE and Housing Association sectors in the proportion with contract rents in excess of LHA rates. Within the private rented sector, that proportion varies within a fairly narrow range, from 82 per cent in the South East to 91.5 per cent in Lough Neagh Upper and the South West, which would suggest that local LHA rates mostly vary in tandem with contract rents.

By contrast, across the social sector, the proportion ranges from eight per cent for NIHE claimants in the South East to 97 per cent among Housing Association claimants in the South West. That reflects a fairly narrow geographical spread in social sector contract rents compared with the much wider dispersion in LHA rates.

3 The BRMA Map: Current Position

3.1 Introduction

This Section presents a review of the current BRMA map. The Section commences with a description of the approach to defining the current set of BRMAs.

The Section then considers the need for review having regard to changes since the eight BRMAs were defined, including changes to the legislation, the availability of new data sources, practice elsewhere in the UK and the feedback from the consultations.

The remainder of the Section is devoted to an assessment of the current BRMAs with respect to the legislative criteria of access to services, diversity of tenures and property types and sufficiency. The assessment draws on updated data sources, including travel time data recently published by NISRA, and also considers the Executive's list of rents in relation to the sufficiency criterion.

3.2 Current BRMAs

The eight BRMAs currently used for setting LHA rates were delineated to meet the definition set down in the legislation made on 11th March 2008 under which the LHA arrangements were first introduced. The definition contained within that legislation is reproduced in Box A below.

Box A Broad Rental Market Areas: Original legislative definition (March 2008)

In this Schedule "broad rental market area" means an area—

(a) comprising 2 or more distinct areas of residential accommodation, each distinct area of residential accommodation adjoining at least one other in the area;

(b) within which a person could reasonably be expected to live having regard to facilities and services for the purposes of health, education, recreation, personal banking and shopping, taking account of the distance of travel, by public and private transport, to and from facilities and services of the same type and similar standard; and

(b) containing residential premises of a variety of types, and including such premises held on a variety of tenancies.

Source: The Housing Benefit (Executive Determinations) Regulations (Northern Ireland) 2008 No. 100. Available at http://www.legislation.gov.uk/nisr/2008/100/made.

As defined in the March 2008 Regulations, there were three dimensions to a BRMA, as follows:

- Contiguity – two or more distinct areas adjoining at least one other such area.
- Access to services – the five categories known by their acronym HERBS (health, education, recreation, banking and shopping).
- Variety of property types and tenancies.

In the implementation of that definition, three further conditions were imposed by the Regulations:

- There must be one or more Broad Rental Market Areas so that every part of Northern Ireland falls within a BRMA.
- No part of Northern Ireland should fall within more than one BRMA, i.e., the areas must not over-lap each other.
- The areas must be postcode-definable.

The latter requirement was met by using the 80 Postcode Districts as the basic units to be combined for the eight BRMAs, which can be seen from Map 2.1 above.

In drawing up the eight BRMAs, the Executive started from a report titled *Settlement Catchment Areas: Populations, Travel Distances and Travel Times*. The final version of that report was published in June 2007 as the (former) Department for Social Development (DSD) Statistics and Research Bulletin: 3.

Following a review of the classifications of areas within the DSD report, the Executive concluded that, with the exception of access to hospital services, Sub-Regional Service Centres and their catchment areas could form the basic building blocks for a BRMA. In the DSD report, a Sub-Regional Service Centre is a settlement with a population in the range 10,000 to 80,000. A total of 20 such Centres were identified in the DSD report.

The issue around access to hospital services was addressed by reviewing work undertaken by the (then) Department of Health, Social Services and Public Safety (DHSSPS) as part of the Review of Public Administration, with particular reference to the method by which new Health and Personal Social Services (HPSS) trust areas were drawn up. The DHSSPS work was combined with the DSD Sub-Regional Service Centre map to produce a draft set of boundaries for the eight BRMAs.

In creating that draft set of boundaries, it was decided that the DHSSPS approach of creating a separate area to cover Belfast should be adopted, to reflect access and usage patterns. The boundaries were then refined through consultation with staff in local Executive offices to produce the current set of BRMAs shown in Map 2.1 above.

The BRMAs which emerged from that process vary along a number of different dimensions. Considered in terms of the number of households, the 2011 Census of Population results show a range from 37,500 in the North to 145,700 in Belfast (Table 3.1). Measured in terms of population, the most recent estimates indicate a range from 96,700 (again in the North) to 376,700 in Lough Neagh Upper. As at 2016, the average population size of a BRMA was therefore 232,800. That can be compared with an average of 325,100 in England (170 BRMAs), 300,300 in Scotland (18 BRMAs) and 141,500 in Wales (22 BRMAs). Clearly, across the UK's 'home countries', there is no 'standard' population size for a BRMA.

Table 3.1 Households and Population

	Households	**Population**		
	2011	2011	2016	
	No.	*No.*	*No.*	*% change*
Belfast	145,721	342,327	348,658	*1.8*
Lough Neagh Upper	140,981	368,201	376,709	*2.3*
Lough Neagh Lower	71,914	194,079	206,131	*6.2*
North	37,499	95,174	96,723	*1.6*
North West	63,045	168,583	171,945	*2.0*
South	63,776	177,189	184,835	*4.3*
South East	132,345	334,449	343,405	*2.7*
South West	47,994	130,861	133,744	*2.2*
N. Ireland	**703,275**	**1,810,863**	**1,862,150**	***2.8***
Note:				
BRMA average	*87,909*	*226,358*	*232,769*	

Sources: NISRA, Census of Population, 2011; Small Area Population Estimates, 2017.

The eight BRMAs also vary sharply in terms of their population density and the associated urban-rural split. In 2016, population density ranged from 36 persons per square kilometre in the South West to almost 1,700 in Belfast (Table 3.2).

Table 3.2 Population density and area type

	Density	Area type		
		Urban	Rural	Mixed
	Persons per sq. km	%	%	%
Belfast	1,677	97.5	0.8	1.7
Lough Neagh Upper	123	56.0	39.6	4.3
Lough Neagh Lower	139	41.9	49.6	8.5
North	86	56.3	40.6	3.1
North West	132	61.3	34.2	4.5
South	105	37.5	55.5	7.0
South East	232	62.2	32.9	4.9
South West	36	24.1	73.7	2.2
N. Ireland	**132**	**59.7**	**35.8**	**4.5**

Sources: Small Area Population Estimates, 2016.

In the South West, the most sparsely settled BRMA, 74 per cent of the population is classified as living in a rural area. By contrast, Belfast is almost entirely urban.

3.3 The Need for Review

It is now approaching 10 years since the current set of BRMAs was formulated. It is therefore appropriate to consider the need to review and, where necessary, revise the existing set of BRMAs. The following factors are relevant in assessing the need for review:

- Changes to the legislative definition.
- Practice in the rest of the UK.
- The availability of new data sources.
- Views from the consultations undertaken for this report.

3.3.1 The Definition

As noted above, the current set of BRMAs was constructed according to the BRMA definition set out in the March 2008 Regulations. That definition was subsequently modified through an Amendment made in December 2008 and which came into operation in January 2009. In the amended legislation, BRMAs are defined as set out in Box B. There are again three components in the definition, as follows:

- Access to services.
- Variety of tenures.
- Sufficiency of privately rented premises for determination of a LHA.

Box B Broad Rental Market Areas: Amended legislative definition (January 2009)

Defined as an area within which a person could reasonably be expected to live having regard to facilities and services for the purposes of health, education, recreation, personal banking and shopping, taking account of the distance of travel, by public and private transport, to and from those facilities and services. A broad rental market area must contain— (a) residential premises of a variety of types, including such premises held on a variety of tenures; and (b) sufficient privately rented residential premises to ensure that, in the Executive's opinion, the local housing allowance for the categories of dwelling in the area for which the Executive is required to determine a local housing allowance is representative of the rents that a landlord might reasonably be expected to obtain in that area.

Source: The Housing Benefit (Executive Determinations) (Amendment) Regulations (Northern Ireland) 2008 No. 506. Available at http://www.legislation.gov.uk/nisr/2008/506/pdfs/nisr_20080506_en.pdf.

The amended definition differs in a number of respects from the original. First, while the access criterion is mostly unchanged, nonetheless in the amended definition, there is no longer a requirement that the HERBS facilities and services be "of the same type and similar standard". The omission of that requirement means that the access criterion can be applied with a greater degree of flexibility than in the original definition.

Second, the variety criterion was amended to refer to a variety of "tenures" rather than "tenancies".

Third, the requirement that BRMAs comprise "2 or more distinct areas of residential accommodation", which should each adjoin at least one other area within the BRMA, was dropped from the amended definition. That would seem to imply that contiguity is no longer a mandatory requirement for BRMAs. However, contiguity might be viewed as implicit in the access requirement, insofar as that speaks to discrete catchment areas.

Furthermore, the practice has been to determine BRMAs with reference to contiguity.

Finally, the sufficiency requirement in the amended legislation was not present in the original legislation. In particular, the amended legislation requires the determination of a local housing allowance which is "representative of the rents that a landlord might reasonably be expected to obtain in that area". As the sufficiency requirement was not explicitly considered in deriving the current BRMA map, it would seem desirable to review the extent to which that requirement is currently met.

It should be noted that the December 2008 Regulations did not alter the requirements in the March 2008 Regulations for BRMAs to cover all of Northern Ireland, be non-overlapping and be postcode-definable.

3.3.2 Practice in the Rest of the UK

The Valuation Office Agency (VOA) is responsible for defining BRMAs in England. The VOA's Protocol for reviewing BRMAs sets out a number of reasons for Rent Officers to request a review of the BRMA for which they have responsibility. The reasons listed by the VOA comprise "significant change" to:

- The provision of the HERBS facilities and services.
- The transport infrastructure.
- Variety of housing types and tenures.
- The size of the private rented sector.

In practice, the VOA's Review Protocol is designed for the consideration of changes at the margins of existing BRMAs. Indeed, over the period 2009 through 2011, VOA Rent Officers undertook an extensive programme of review of existing BRMAs. The reviews were of individual BRMAs and mainly considered the addition or subtraction of discrete areas at the edges of existing BRMAs[5]. The review programme did also consider the merging of a 'cluster' of BRMAS into a smaller set[6]. However, there is no model for a 'system-wide' review such as the eight current Northern Ireland BRMAs in their entirety.

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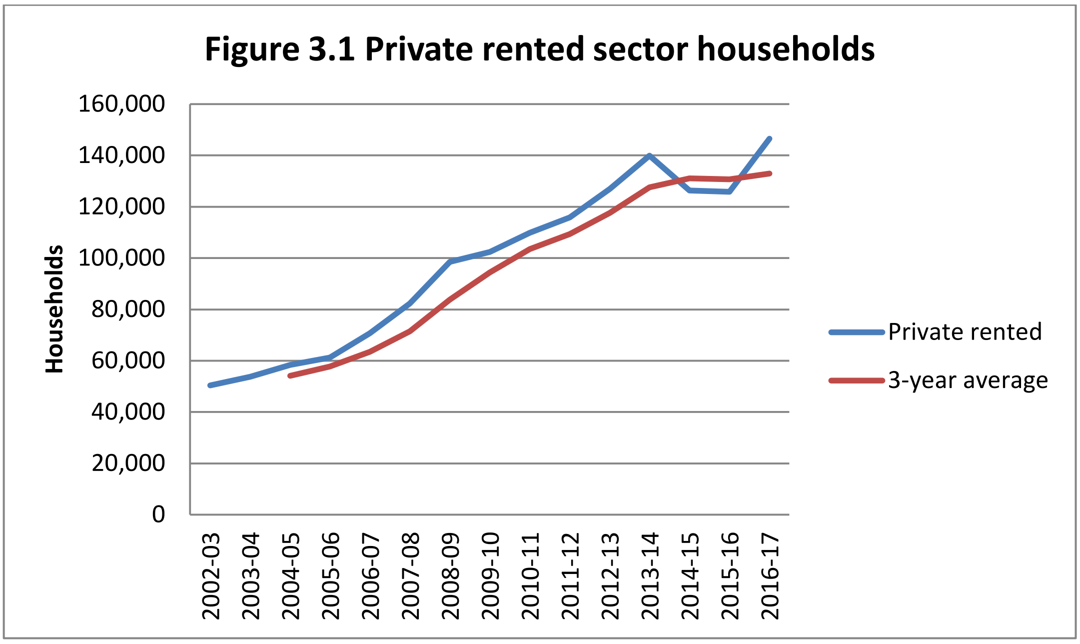
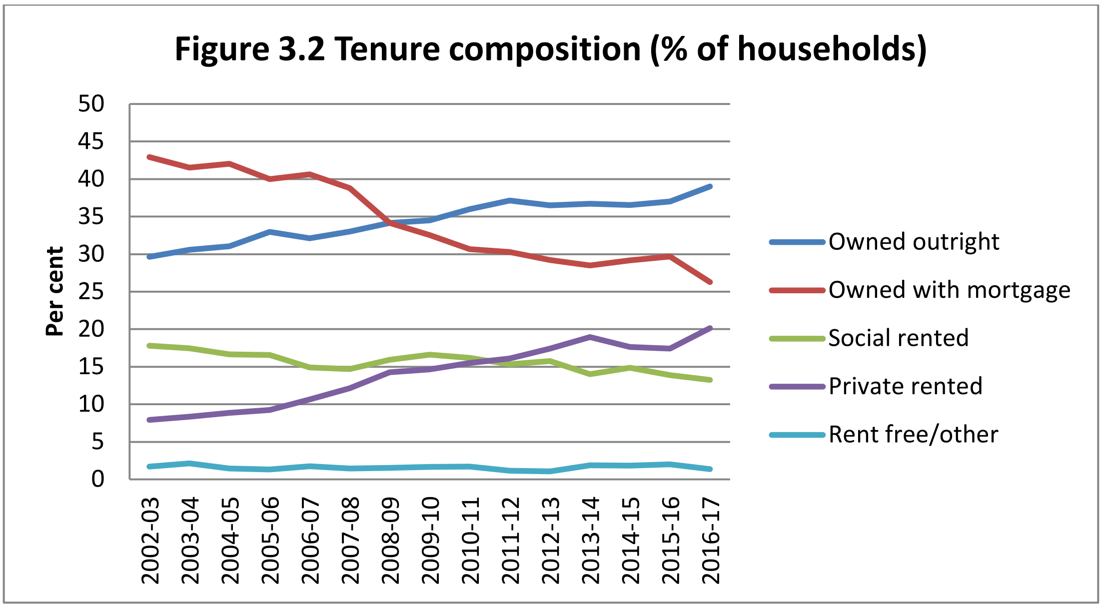
[5] The review programme documentation has been archived at https://webarchive.nationalarchives.gov.uk/20140711213754/http://www.voa.gov.uk/corporate/RentOfficers/broadRentalMarketStatus.html.

[6] For an example of such a review see the Peterborough/Lincolnshire Fens review, resulting from a new roadway which reduced travel times between and across the existing BRMAs. Interestingly, the proposal to reduce from three to two BRMAs was not accepted by the Secretary of State. The reason for that is not stated in the review documentation.

Nonetheless, it would seem that the VOA requirements for review would likely be satisfied in respect of the Northern Ireland BRMAs. In particular, the period since the current BRMAs were configured has seen considerable growth in the number of households privately renting. According to the Family Resources Survey (FRS), the number of privately renting households (including those renting from an employer in addition to tenants of private landlords) has been on an upward trend over the past decade (Figure 3.1). Furthermore, the private rented sector has been increasing in its share of all households, up from 15 per cent in 2009-10 to around 20 per cent in 2016/17.



Source: Family Resources Survey.



Source: Family Resources Survey.

As it is based on a sample of the population, the FRS data are subject to sampling error. That is clearly evident in the variability of the estimates for the number of private rented sector households over the period 2014-15 to 2016-17. For that same reason, it is not possible to say from the FRS which BRMAs may have seen the fastest growth in the number of private rented households. Nonetheless, it is clearly evident that significant change has occurred in the number of private rented households, and their share of total households, since the current map of BRMAs was drawn.

3.3.3 The Availability of New Data Sources

The definition of the current set of eight BRMAs relied considerably on the June 2007 DSD Statistics and Research Bulletin # 3 titled *Settlement Catchment Areas: Populations, Travel Distances and Travel Times*. When DSD was conducting its research into settlement catchment areas, they did not have available information on travel times by private and public transport. Nor was information available in relation to public transport travel times for those without access to private transport. The Sub-Regional Service Centres were therefore determined according to a population size criterion (settlements with 10,000 to 80,000 population). Their surrounding catchment areas were mapped using a GIS methodology[7].

The situation with regards to travel time data has changed. Detailed travel-time data at the Small Area level[8] have been produced by NISRA as an input to the construction of the Access to Services domain in the 2017 NI Multiple Deprivation Measure (MDM). For that purpose, NISRA estimated private and public travel times to selected services from each of Northern Ireland's 4,537 Small Areas. The resulting travel time dataset for each of 20 services was published by NISRA on 22 May 2018[9].

In addition, since the BRMAs were produced, the detailed 2011 Census of Population results have been published. That provides an opportunity to review the BRMAs with new data regarding criteria such as the diversity of tenures and property types as well as the sufficiency of private rented properties.

As they are built from two-digit postcodes, BRMAs do not presently correspond with any administrative or statistical geography for which data are published, either regularly or occasionally, by NISRA. It is, however, possible to obtain a fit between postcodes and NISRA's Small Area geography, so the diversity and sufficiency criteria can now be reviewed with reference to the most recent Census data.

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[7] Voronoi polygons centred on each of the 20 Sub-Regional Service Centres.

[8] Small Areas are a NISRA geography, originally defined for the 2011 Census of Population outputs. There are 4,537 Small Areas, with an average population of 410 (2016).

[9] Available at https://www.nisra.gov.uk/publications/nimdm17-sa-level-results

3.3.4 Views from the Consultations

In general, among those consulted for this review, there was limited awareness or understanding of the BRMA map, as opposed to the LHA rates. A consultee from the PRS noted that they keep a “very sharp eye” on the rates, but would not be especially aware of the map.

Apart from one view that there are "too many" BRMAs at present, consultees were not therefore in a position to articulate factors that would suggest a need for change. Nonetheless, it was generally appreciated that, given the length of time since the current BRMA map was originally specified, it is appropriate that the map should now be reviewed (the reasons for that typically required an explanation).

Especially within the private rented and wider housing sector, consultees were more concerned about, and attuned to, the implications of welfare reform for the private rented sector, especially the roll-out of Universal Credit. Within that context, consultees were generally wary of further disruption to the rental market and emphasised the need to minimise the potential disruptive effects of any revision of BRMAs.

When asked about factors to take into account in re-drawing the BRMA map, consultees tended to think in terms of the dynamics of housing and rental markets (e.g., pressure of demand versus supply, variations in rent levels), rather than the geographic attributes (access to services) listed in the legislation.

Thus, on the statutory side, it was generally considered useful to explore the possibility of aligning BRMAs with the revised Housing Market Areas (HMAs) defined in the Newhaven report of August 2018 (Box C).

Box C Housing Market Areas

In the August 2018 Newhaven report titled *Mapping Northern Ireland’s Housing Market Areas*, which was prepared for the Housing Executive, Housing Market Areas are defined in the following terms:

> The housing market has come to be defined as the spatial area within which most households both live and work and where those moving house without changing their place of work search for and choose a home. A broad Housing Market Area (HMA) is therefore an area where the vast majority of house moves take place within it rather than into it or out of it. (Page 12).

Awareness of HMAs was lower in the private rented sector, albeit one consultee who was familiar with the proposed new HMAs felt that BRMAs should simply be aligned with the HMAs, as they could not see why there should be any difference.

The possibility of a simple definition comprising Belfast and the rest of NI was also mooted on the ground that Belfast occupies a distinct role and position within Northern Ireland's settlement hierarchy.

Within the private rented sector, a range of views were expressed. One consultee suggested that the best approach is to minimise the 'losers' from any revision to the existing map. Another suggested that the Belfast BRMA should be extended to reflect the wider rental market. The view was also expressed that smaller BRMAs would be preferable, to reflect local variations in rents.

In general, however, no strong views were expressed on the 'optimal' number of BRMAs that are appropriate for a region the size of Northern Ireland.

Consultees were hesitant to speculate on the potential impacts of re-drawing the BRMA map. Within the statutory sector, consultees tended to emphasise the risk of increased homelessness in the event that a revised map served to push down LHA rates within some areas, thereby affecting affordability and viability of the tenancy. Consultees appreciate the role of the private rented sector within the overall housing market and felt that any risks to the viability of tenancies and possible homelessness consequences should be minimised. The advice sector highlighted the need to keep a clear focus on the potential implications for the private rented sector and the affordability issue.

To summarise:

- There was limited awareness or understanding of the BRMA map, as opposed to the LHA rates

- While consultees generally appreciated the need for review (when that was explained), the BRMA map *per se* is not a focus of attention.

- Consultees did not express firm views on what a revised BRMA map might look like, though aligning with HMAs was suggested as a reasonable approach.

- There was a general wariness of any disruption that might accompany a re-drawing of the BRMA map, especially in terms of the potential impacts on tenants, including affordability and viability of tenancies.

- The potential impacts are difficult to predict.

3.3.5 Conclusions

A general point to be made, following the consultations in particular, is that there is no strongly expressed demand for change to the current set of BRMAs. Indeed, it was well recognised that, given the differences in LHA rates between BRMAs (as shown in Table 2.1), changes to the existing set of BRMAs would lead to some areas gaining (through an increase in LHA rates) and other areas losing (through a decrease in LHA rates). For example, the shared accommodation rate in the North West (£52.04) is currently almost £14 higher than in the neighbouring North BRMA (£38.19). Merging all or part of those two BRMAs would lead to a reduced LHA rate in the North West and an increased rate in the North.

Nonetheless, it is clearly appropriate to consider whether the current set of BRMAs continues to meet the legislative requirements, in light of the modifications made to the definition in the 2008 Regulations, the availability of new data and the growth in the number of households privately renting.

3.4 Assessment

As a starting point in the review, it is useful to consider the current set of BRMAs specifically with regard to the revised legislative requirements, i.e., access to services, diversity of tenure and property types and the sufficiency requirement. In particular, having regard to the range of data sources which have become available since the current BRMAs were defined.

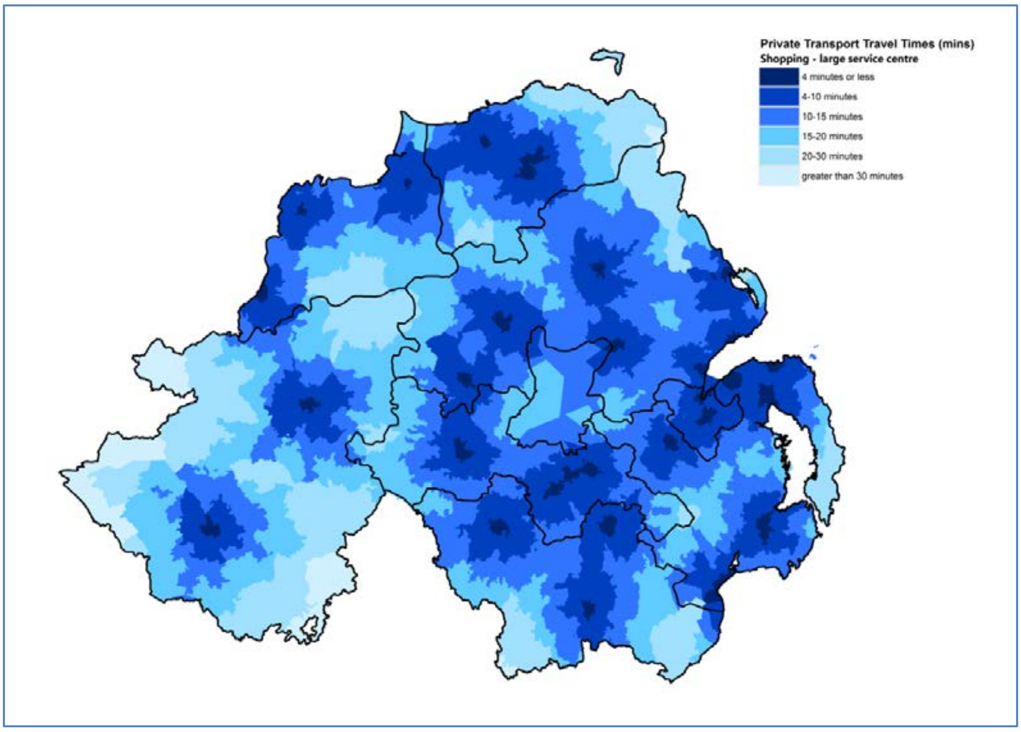
3.4.1 Access to Services

The updated position with respect to access to services has been assessed using the NISRA travel time data. A full set of maps and summary tables corresponding to each of the HERBS, and showing travel times by public and private transport, is provided in Appendix B.

The main point to note from the travel time maps is that, in general, it could not be said that the current BRMAs are deficient when assessed against the access criterion. The current BRMAs were originally mapped against the distribution of sub-regional centres in the 2007 DSD report. That mapping is clearly evident from the estimated travel times to large service centres shown in Map 3.1. Apart from Ballycastle in the North BRMA, the settlement pattern illustrated by the travel time data still corresponds reasonably well to the Sub-Regional Service Centre catchment areas estimated by DSD.

The role of access to hospital services in the definition of the current eight BRMAs remains evident from Map 3.2. As indicated by travel times to accident and emergency services, a hospital facility is contained within each of the six BRMAs outside Belfast and the South East. The Belfast hospitals would appear to be assumed to cover much of the South East. However, there is nothing in the legislation to say that access to the specified services must be strictly self-contained within a BRMA.

Map 3.1 Access to shopping: Private transport travel times to large service centres (minutes)



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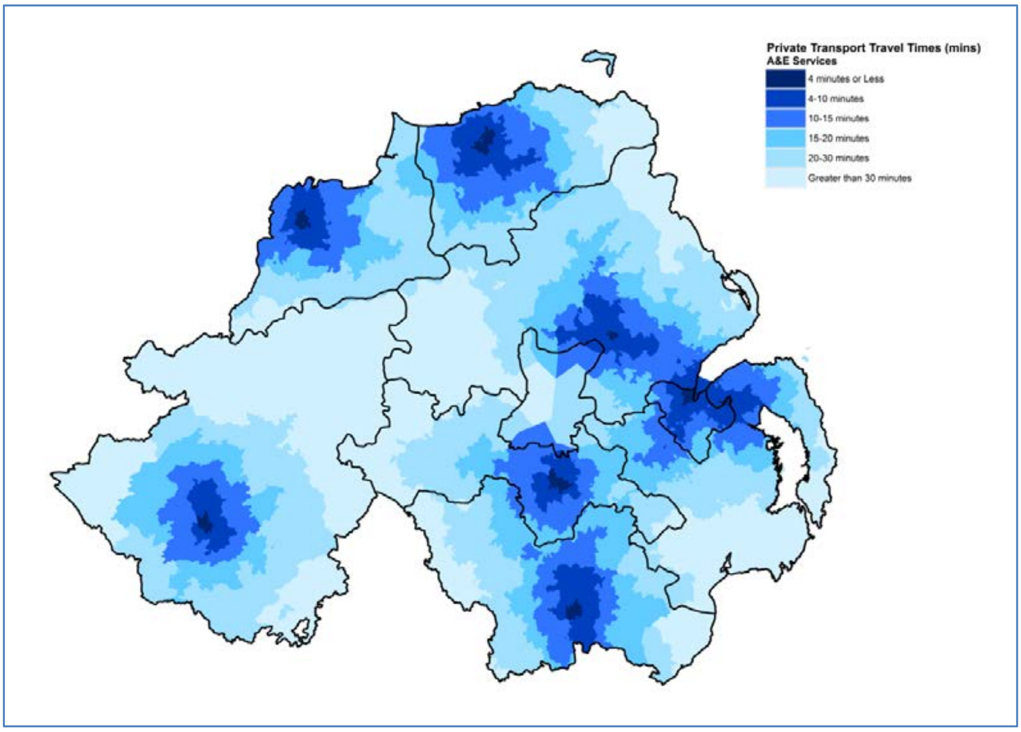
Map 3.2 Access to health services: Private transport travel times to accident and emergency centres (minutes)



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3.5 Diversity

As can be seen from Map 3.3 and the accompanying Table 3.3, tenure composition does not vary greatly outside the city-centred BRMAs of Belfast and the North West (which contains Derry City). In those BRMAs, and especially in Belfast, social and private rented tenures feature strongly. Outside Belfast and the North West, owner-occupation rates are typically in the region of 70 per cent.

The property type distribution also varies between the city-centred BRMAs and the rest of Northern Ireland (see Map 3.4 and Table 3.4). Most notably in Belfast, semi-detached and terraced dwellings predominate. In the South West, the most rural BRMA, the majority of households are in detached dwellings.

As the tenure and property type distributions follow predicable, and well-established patterns, the updated 2011 Census data would not suggest the diversity criterion is a driver for change.

Table 3.3 Tenure: Per cent of households, 2011

	Owner occupied	NIHE	Housing Association	Private rented[1]	Other[2]
	%	%	%	%	%
Belfast	56.5	16.2	7.2	16.2	3.9
Lough Neagh Upper	72.8	9.9	1.7	11.7	3.9
Lough Neagh Lower	70.3	8.7	2.1	15.0	4.0
North	67.0	12.0	1.8	14.7	4.5
North West	61.2	15.1	4.8	14.9	4.0
South	71.0	8.4	1.9	14.2	4.4
South East	72.6	10.4	2.9	10.3	3.8
South West	71.0	8.4	1.7	13.9	5.1
N. Ireland	**67.5**	**11.5**	**3.4**	**13.5**	**4.0**

1 Private landlord or letting agency.
2 Other private rented/Lives rent free.
Source: NISRA, Census of Population, 2011.

Map 3.3 Tenure type by BRMA

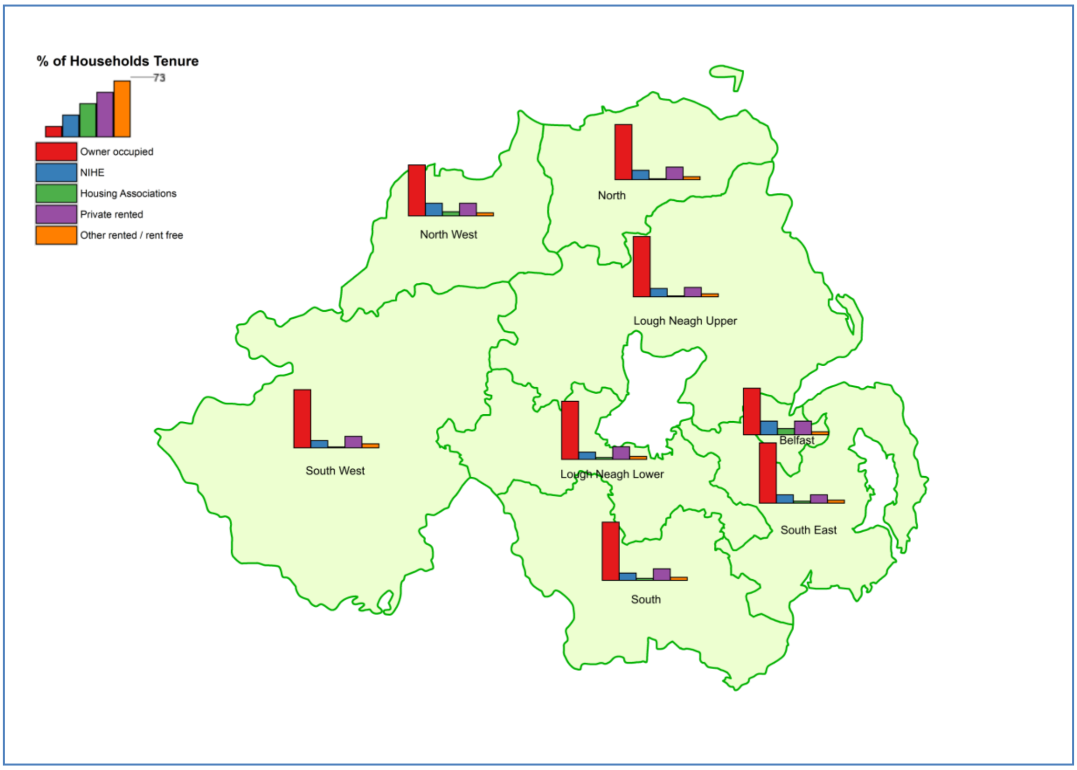

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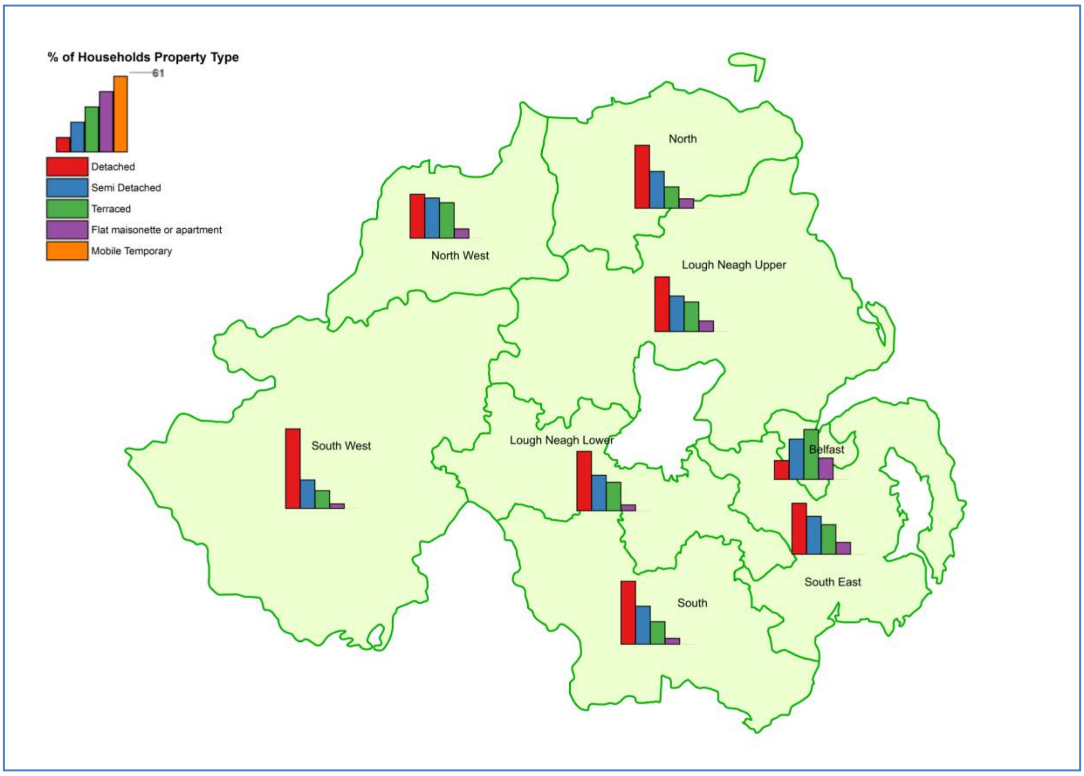
Table 3.4 Property type: Per cent of households, 2011

	Detached	Semi-detached	Terraced	Flat, etc.
	%	%	%	%
Belfast	14.2	30.7	38.3	16.8
Lough Neagh Upper	42.3	27.2	22.4	8.1
Lough Neagh Lower	45.7	27.5	22.1	4.7
North	48.0	28.4	16.6	7.0
North West	33.9	31.1	27.4	7.7
South	48.4	28.9	17.6	5.1
South East	39.1	29.2	22.7	8.9
South West	60.6	21.6	14.0	3.8
N. Ireland	**37.6**	**28.5**	**24.9**	**9.0**

Source: NISRA, Census of Population, 2011.

Map 3.4 Property type by BRMA



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3.5.1 Sufficiency

The sufficiency requirement focuses attention on the actual number of privately rented properties within a BRMA. In that regard, it can be noted that the current set of BRMAs vary widely in terms of the number of privately rented properties contained within their boundaries. At the geographical level required for BRMAs, the 2011 Census of Population provides the most recent source of data on the geographical distribution of households renting from private landlords. As shown in Table 3.5, at the time of the 2011 Census, the number of households renting from private landlords ranged from 23,649 in Belfast to 5,524 in the North BRMA.

Given the increase in the private rented sector since 2011, it would be expected that the number of privately rented households has also increased, albeit the pattern across BRMAs is not known. Nonetheless, the importance of the sufficiency criterion really lies in the requirement for the Executive to determine local LHAs that are "representative of the rents that a landlord might reasonably be expected to obtain in that [BRMA]". That in turn underpins the requirement for the Executive to "compile a list of rents" to be used in estimating the 30th percentile of rents in each BRMA.

Table 3.5 Renting from private landlord, 2011

	Number	*%*
Belfast	23,649	24.8
Lough Neagh Upper	16,532	17.4
Lough Neagh Lower	10,776	11.3
North	5,524	5.8
North West	9,392	9.9
South	9,060	9.5
South East	13,627	14.3
South West	6,655	7.0
N. Ireland	**95,215**	**100.0**

Source: Census of Population, 2011

Under current arrangements, LHA rates need to be set for each of five bedroom categories within each BRMA, i.e., 40 rates in total. Alternatively, 40 lists of rents (which should each be representative) are required in order to estimate the 30th percentiles of rents by size category within each BRMA.

The legislation does allow for circumstances where the Executive considers that the list of rents for a particular category is not sufficient to make a LHA determination. In that circumstance, the Executive may "import" rent data from "similar areas in which it believes a comparable market exists". Though, if such importing was required on a regular basis for a particular BRMA, that would call into question whether the BRMA any longer satisfied the sufficiency criterion.

The Executive meets the requirement to compile a list of rents on an annual basis. For example, the LHA rates applicable to each BRMA and bedroom size category from 1 April 2018 were informed by 12 months of lettings data collected over the period 1 October 2016 to 30 September 2017. During that period, NIHE staff collected information on private rental sector lettings advertised across Northern Ireland.

Lettings data were collected from a variety of sources, including various internet sites containing listings of properties for rent and also, especially in rural areas, by contacting estate agents directly. The approach was proactive, with the intention of gathering as much information as possible regarding rent offers associated with property lets. The lettings data were then collated into an Excel spreadsheet to assist in setting the 2018 LHA applicable rates.

The 2018 LHA assessment dataset contains information on a total of 10,787 lettings. The weekly rent offer for the letting is the key item of information included in the dataset. The composition of the 10,787 lettings by BRMA is shown in Table 3.6. Belfast accounts for the largest share of lettings (28 per cent) with the South West having the smallest share (four per cent).

Table 3.6 LHA 2018 Assessment: Number of lettings by BRMA

	Lettings collected for 2018 LHA assessment		**Households renting from private landlord or letting agency, 2011**
	No.	*%*	*%*
Belfast	3,027	28.1	24.8
Lough Neagh Upper	1,726	16.0	17.4
Lough Neagh Lower	1003	9.3	11.3
North	840	7.8	5.8
North West	868	8.0	9.9
South	643	6.0	9.5
South East	2,268	21.0	14.3
South West	412	3.8	7.0
N. Ireland	**10,787**	**100.0**	**100.0**

Sources: LHA 2018 Assessment dataset; Census of Population, 2011

The overall pattern is broadly comparable to the distribution of households renting from private landlords at the time of the 2011 Census of Population. As the lettings data refers to a ‘flow’ of properties onto the market whereas the Census data present a picture of the ‘stock’ at a point in time, it would not be expected that the distributions would be perfectly correlated. For example, with a 22 per cent share of lettings, the South East would seem ‘over-represented’ by comparison with its 14 per cent Census of Population share. But that may reflect differences across BRMAs in activity levels within the private rental market.

Within each BRMA, the lettings data are distributed across the five property size categories for the purpose of estimating weekly rents at the 30th percentile within each BRMA/property size category pair. The distribution of those lettings, and specifically their list sizes, is a key consideration in assessing the extent to which the sufficiency criterion is met in practice.

The number of lettings collected by category within each BRMA is shown in Table 3.7. The main point to note in that regard is that the base number of lettings is below 100 in 11 of the 40 BRMA/property size category pairs. The number of lettings is below 50 in six cells and in the range 50-99 in five cells. Those are relatively small base numbers from the perspective of estimating the rent at a specific percentile. In principle, the incidence of list sizes less than 100 could be reduced by combining the existing BRMAs into a reduced set. That provides a rationale for considering a reduced number of BRMAs.

Table 3.7 LHA 2018 Assessment: Lettings by BRMA and property size category (List sizes below 50 highlighted in boxes. List sizes in the range 50-99 underlined in italics)

	Shared	Bedroom size category:				All
		1	2	3	4	
	No.	*No.*	*No.*	*No.*	*No.*	*No.*
Belfast	458	197	1,236	853	283	3,027
Lough Neagh Upper	*74*	*77*	507	916	152	1,726
Lough Neagh Lower	122	46	186	547	102	1003
North	409	26	106	239	*60*	840
North West	275	113	174	247	*59*	868
South	106	35	144	289	*69*	643
South East	191	123	815	903	236	2,268
South West	43	44	103	179	43	412
N. Ireland	**1,678**	**661**	**3,271**	**4,173**	**1,004**	**10,787**

Source: LHA 2018 Assessment dataset.

There are also distinct geographical patterns in the distribution of cells with fewer than 100 lettings. Only in Belfast and the South East is the number of lettings greater than 100 across all five size categories. By contrast, in the South West, list sizes are below 50 in three of the five size categories. Across the size categories, the one-bedroom category appears the most challenging, with fewer than 100 lettings in five of the eight BRMAs. In considering whether those list sizes pose a risk to meeting the sufficiency criterion, it is useful to consider the nature of the data collection problem.

The 30th percentile rent is an order statistic, i.e., it indicates the order in which the particular value falls in a distribution where the individual values are ranked (or ordered) from lowest to highest. To that extent, the 30th percentile is unaffected by the actual values taken at other points in the distribution. For example, in an ordered list of rents, the value of the maximum rent observed could be £100 or £500, but the 30th percentile rent would be unaffected.

To estimate the 30th percentile, it is therefore necessary to collect a sufficient number of observations that the ordered distribution may be drawn or traced out and the 30th percentile taken from that ordered distribution. In general, and holding all other factors constant, estimating specific percentiles of a distribution will demand a larger number of observations compared to summary statistics such as the arithmetic mean or average[10].

However, what is a 'sufficient' number of observations will vary both geographically and by bedroom size category, depending on the nature of the rental market.

For example, in the Executive's experience, judging from the list sizes shown in Table 3.7, lettings in the shared accommodation and four bedroom size categories have tended to be more infrequently observed in the South West BRMA compared to other BRMAs. Across all BRMAs, the lists of lettings in the one bedroom category have typically been smaller than in the remaining size categories.

Furthermore, the Executive endeavours to obtain as close as possible to complete coverage of property lettings across each of the eight BRMAs. The lists are not random samples. Rather, the collection of lettings information is purposive and directed at known sources. How close the Executive comes to obtaining more or less complete coverage would seem to matter more than the actual number of observations obtained and, where the list is comparatively small in number (less than 50), to mitigate the risk that the sufficiency criterion is not met.

Within that context, it is not possible to say what is the 'optimal' list size for a given BRMA/size category pair, having regard to some desired level of precision, e.g., ±5 per cent of the 'true' 30th percentile. For present purposes, therefore, the incidence of BRMA/size category pairs with fewer than 50 and 100 observations is used as a 'rule of thumb' to indicate the risk that the sufficiency criterion may not be satisfied.

[10] To illustrate the point, for a normal distribution, the standard error of the median (which is the 50th percentile) is approximately 1.253 times the standard error of the mean. Consequently, for a given desired level of precision (e.g., ±5%), a simple random sample drawn to estimate the median would have to be 57 per cent larger than if the purpose was to estimate the mean.

3.6 Key Points Summary

The foregoing review of the current position suggests that, while the existing set of BRMAs continues to meet the access and diversity criteria, the sufficiency requirement is challenging. As currently constituted, there is a wide disparity across BRMAs in the numbers of households living in privately rented accommodation. That is reflected in the incidence of list sizes below 100 in the lists of rents that the Executive compiles on an annual basis to meet the requirement to determine representative local housing allowances. There is, therefore, a rationale to consider the possibility of reducing the number of BRMAs in order to better meet the sufficiency requirement.

Within that context, a clear message from the consultations was that any proposed changes should be carefully considered. There was no strongly expressed demand for change to the current set of BRMAs.

Further, a reduced set of BRMAs would potentially lead to some areas gaining an increase in their LHA rates with offsetting reductions in other areas. There was therefore a general wariness of any disruption that might accompany a re-drawing of the BRMA map, especially in terms of the potential impacts on tenants, including affordability and viability of tenancies.

4 Options for Change

4.1 Introduction

The purpose of this Section is to set out a framework for reviewing the possibility of reclassifying BRMAS, with a view to reducing their number.

The Section begins by defining objectives to be met, having regard to the constraints imposed by the legislative requirements and the current situation with regard to welfare spending.

The Section then specifies a range of options to be considered and compared to the option of retaining the current set of BRMAs (the ‘do nothing’ option). The options include combining one or more of the current BRMAs (the ‘do minimum’ option) and aligning BRMAs with the revised Housing Market Areas (HMAs).

The Section concludes with the criteria for assessment and an outline of the approach.

4.2 Objectives

The following is the set of objectives which can be considered to emerge from the preceding review of the current position:

- Meet the legislative requirements for access, diversity and sufficiency.
- Minimise any disruption to present arrangements; in particular, the impacts on Housing Benefit claimants.

The rationale underlying the first objective is that, with eight BRMAs of widely varying sizes (measured in terms of numbers of households), the sufficiency requirement is challenging. Meeting this objective would favour a reduced number of BRMAs.

Furthermore, with a reduced number of BRMAs, it may be possible for the Executive to more efficiently compile the lists of rents by BRMA and size category. Presently, the effort to compile lists of rents is continuous, throughout the period from September in one year to October in the following year.

The second objective reflects the fact that, if BRMAs are revised, this would affect the determination of LHA rates. In those areas where LHA rates were revised downward, some claimants would suffer a reduction in their Housing Benefit amounts, and vice versa. In particular, substantial reductions might threaten the viability of affected tenancies, leading to wider disruption in the private rented market and increasing the risk of homelessness for those affected. This objective would tend to favour limited or minimal changes.

4.3 Constraints

The control of spending on welfare benefits has been an important focus of UK Government policy in recent years. Within that context, it would seem appropriate to consider any proposed reclassifications from a cost-neutral perspective.

It is also important to appreciate that the legislation imposes constraints on the configuration of BRMAs. The main criterion is access to HERBS, having regard to the diversity and sufficiency requirements. For example, within the parameters set by the legislation, local and sub-regional variations in rent levels are not a consideration in defining BRMAs.

Similarly, BRMAs are not the same as Housing Market Areas. For example, while they are central to the definition of Housing Market Areas, commuting patterns play no part in defining BRMAs. Rather, the underpinning requirement is that a BRMA is defined so that, within its boundary, people have 'reasonable' access to the HERBS, whether by private or public transport.

What is 'reasonable' may vary. For example, people in rural locations may expect to travel greater distances to access HERBS than people in urban locations (VOA, 2012). That is, BRMAs are not required to be similarly-sized in terms of their geographic extent.

Two other constraints are relevant. First, as set out in the legislation, reclassified BRMAs should be postcode-definable. Second, the BRMAs should not overlap.

Finally, the legislation does not stipulate that BRMAs should be contiguous. However, that is the practice. Further, to have non-contiguous BRMAs would run the risk of being construed as not 'reasonable'. For example, if a BRMA is split across two discrete geographical areas, it might be considered that the population does not have shared access to the HERBS and may therefore not meet the 'reasonable' test.

4.4 Options

The following options are considered in this review.

The 'status quo' or do nothing option is to retain the current set of BRMAs. From the review in the preceding Section, the option of retaining the present set of BRMAs is certainly viable.

The 'do minimum' options can be defined by reclassifying existing BRMAs into different configurations, ranging from variants on a seven-BRMA classification through to a single classification (all of Northern Ireland).

The ‘do minimum’ option therefore centres on reclassifying the current BRMAs by combining two or more adjacent BRMAs into one larger BRMA. Depending on the configuration, it may be possible to leave some subset of BRMAs ‘undisturbed’, which would assist in minimising disruption.

The main ‘do something’ option considered in this review is to re-classify BRMAs so that they align with the NIHE’s revised Housing Market Areas. That was an option suggested in a number of the consultations and would have the benefit of enhancing the coherence of geographical frameworks within which the Executive operates.

A further ‘do something’ option which was considered was to reclassify BRMAs to meet a pre-specified optimisation function, e.g., to minimise the differences between BRMAs around the average number of privately rented households, as a means of better meeting the sufficiency requirement. In practice, that option proved highly disruptive of present arrangements and has not been taken forward.

4.5 Approach

Apart from the option of retaining the current set of BRMAs and with the exception of a single NI-wide BRMA, there are numerous variants on the reclassification options listed above. For example, in the do-minimum option, there are 13 possible reclassifications to a seven-BRMA configuration from combining pairs of contiguous BRMAs. Imposing a contiguity constraint has the benefit of reducing the number of variants to be considered; without the contiguity requirement, the number of possible pair-wise combinations in a seven-BRMA configuration would be 28.

In a four- or five-BRMA configuration, the number of variations is even greater. In that regard, it can be noted that over 20 possible variants were identified and tested for reclassifying from eight BRMAs to five BRMAs (in a five-BRMA configuration, it is possible to include variants with triplets of existing BRMAs in addition to pairs).

As numerous variations exist across the possible scenarios for BRMA size configurations, a two-stage approach has been adopted to the assessment of potential options for reclassification. In the first stage, for each scenario, a range of variants has been tested to identify those which perform best against two criteria:

- **Sufficiency**, as measured by the number of list sizes for property lettings in excess of 100, distinguishing between lists in the range 50-99 and less than 50. Reclassifications that minimise the number of such list sizes are preferred.

- **Disruption**, as measured by the predicted proportion of Housing Benefit claimants who would see their benefit amount change by £5 or more, identifying separately the proportion losing £5 or more and those gaining £5 or more. Reclassifications that minimise disruption on that metric are preferred.

The use of a £5 cut-off for the disruption metric should not be viewed as implying that an amount less than that is 'acceptable' or non-disruptive. The cut-off has been used strictly as a means of selecting out a sub-set of reclassifications that may be considered in greater detail.

The second stage in the assessment focuses in more detail on the reclassifications which perform best on the sufficiency and disruption metrics. Those options are examined with respect to their potential impacts on landlords and tenants, including differential impacts on tenants from an equality perspective and also geographically.

The foregoing approach has been implemented through the construction of a simulation model, which is described in Appendix A and summarised below.

The model contains seven modules. The first three modules focus on the legislative requirements, as follows:

- **Access to services**. This module produces summary measures of the difference between the current position and some alternative BRMA specification in the variability of travel times within and between BRMAs, to examine the extent to which a given scenario differs from the baseline in the distribution of travel times for accessing the HERBS facilities and services.

- **Variety of tenures and property types**. In this module, the focus is on the diversity of households by property type and tenure, again comparing a revised BRMA specification with the current baseline position.

- **Sufficiency of privately rented properties**. This module compares scenarios for change with the baseline position having regard to the legislative requirement that the Housing Executive can compile a list of rents that is "representative of the rents that a landlord might reasonably expect to obtain in that [BRMA]".

The fourth and fifth modules are designed to assess the impact on LHA rates of a revised set of BRMAs, again compared to the baseline position

- **The 30th Percentile**. This module re-calculates the 30th percentiles for each of the five LHA bedroom categories across the set of BRMAs in a given scenario. The re-calculated 30th percentile figures can be compared with the baseline position, to give an indication of the potential disruption that would result from the scenario under consideration.

- **LHA Rates Assessment**. In this module, LHA rates are re-calculated for each bedroom category in a given scenario, for comparison with the current rates.

The final two modules examine the impact of options for change on housing benefit expenditure and sub-groups of HB claimants:

- **Impact Assessment: Expenditure**. In this module, the re-calculated LHA rates are used to quantify the numbers of claimants potentially gaining (an increase in their LHA rate) and losing (through a decrease in their LHA rate).

- **Impact Assessment: Equality**. The main focus of this module is whether there are differential effects as measured by the profile of claimants gaining and losing from re-calculated LHA rates in a scenario.

The model has been specified and implemented to be cost-neutral with respect to Housing Benefit expenditure. In the reclassification scenarios, this is accomplished by re-calculating LHA rates based on a caseload-weighted average of the current 2018-19 LHA rates. Thus, where a BRMA scenario differs from the current position, the caseload-weighted average in the scenario is derived from the caseload-weighted average of LHA rates currently applying within the set of Postcode Districts that comprise the BRMAs specified in the scenario.

A specific and distinct advantage of the caseload-weighted approach is that it yields a set of re-calculated LHA rates which are expenditure-neutral, i.e., when applied to the existing set of private rented sector claimants on the March 2018 SHBE, the caseload-weighted averages result in a net expenditure effect close to zero, albeit some claimants gain while others lose. The approach therefore focuses explicitly on the disruption that would ensue from re-calculated LHA rates.

With the caseload-weighted approach, it is possible for re-calculated LHA rates to exceed the re-calculated 30th percentile rents for one or more size categories in a reclassified BRMA. To keep the model consistent with the legislation, therefore, where such a situation arises, the default option used in the model is to re-set the LHA rate to the 30th percentile rent. In practice, the application of such a cap has tended to induce a slight reduction in modelled Housing Benefit expenditure, in the order of -0.2 per cent.

5 Assessment of Options

5.1 Introduction

This Section presents the assessment of options for reducing the number of BRMAs. For the do minimum option, scenarios are built around variations in the number of BRMAs, ranging from seven through to a single Northern Ireland wide BRMA. Within each scenario, with the exception of a NI-wide BRMA, variants are specified based on combinations of existing BRMAs and ranked on the basis of their predicted disruption effects.

To illustrate the approach, the Section commences with the least disruptive scenario, i.e., a reduction to seven BRMAs, to highlight the range of potential disruptive effects from alternative combined pairs of BRMAs. The Section then focuses on scenarios with fewer BRMAs. Following the analysis of the do minimum option, the possibility of revising BRMAs to align with the Executive's Housing Market Areas is examined.

5.2 Do Minimum (1) Pairs

In order to fix ideas, it is useful to commence with the least disruptive approach to reconfiguring BRMAs, i.e., a reclassification from eight to seven BRMAs. In that scenario, the variants are defined by combining pairs of contiguous BRMAs within the current eight-way classification. Pairs are useful to consider because, in defining a reduced number of BRMAs, such as four or five, one or more reclassified BRMAs might be defined by combining an existing pair. It is therefore useful to know which pairs are least disruptive and/or provide the most sufficiency gains by increasing the number of lists of rent offers with 100 or more cases.

The set of contiguous pairs are shown in Table 5.1. For example, Belfast is contiguous with Lough Neagh Upper and the South East. The North is contiguous with Lough Neagh Upper and the North West. In total, there are 13 such pairs.

When each of those 13 pairs are modelled, there are four pairs which are predicted to result in no private rented sector claimants losing £5 or more (Table 5.2). It should be emphasised that does not mean no claimant would see a reduction in their HB amount due to the reclassification, simply that any such losses would be less than £5 per week.

One of those four scenarios (combining Lough Neagh Upper and the South West) is predicted to see six per cent of claimants gaining £5 or more. That reflects the fact that, across the five size categories, LHA rates are lowest in the South West. Claimants in the South West BRMA will almost always gain from being combined with some other BRMA (the exception is in a pairing with Lough Neagh Lower when the shared accommodation rate would fall slightly in the South West).

Table 5.1 Contiguity (C = contiguous pair, x = non-contiguous)

	BE	LNU	LNL	NO	NW	SO	SE	SW
Belfast (BE)	-	C	x	x	x	x	C	x
Lough Neagh Upper (LNU)		-	C	C	C	x	C	C
Lough Neagh Lower (LNL)			-	x	x	C	C	C
North (NO)				-	C	x	x	x
North West (NW)					-	x	x	C
South (SO)						-	C	x
South East (SE)							-	x
South West (SW)								-

Note: For a given BRMA's pairs, read down the BRMA's column to the diagonal and then across to the right.

Table 5.2 Disruption effects from a scenario with seven BRMAs, combining pairs of contiguous BRMAs from the existing map

BRMA pair:	Expenditure	Loss £5+	Gain £5+	Total disruption
	%	%	%	%
North West + South West	0.0	12.5	7.7	20.2
Lough Neagh Upper + Belfast	0.0	11.0	10.1	21.0
South + South East	0.0	8.7	8.9	17.6
Lough Neagh Lower + South East	0.0	8.0	9.8	17.8
Lough Neagh Upper + South East	0.0	3.0	3.6	6.6
North West + North	-0.3	2.3	5.1	7.4
Lough Neagh Upper + North	-0.2	1.3	0.0	1.3
Belfast + South East	0.0	1.1	0.0	1.1
Lough Neagh Lower + South West	0.0	0.7	0.4	1.1
Lough Neagh Upper + South West	0.0	0.0	5.9	5.9
Lough Neagh Upper + North West	0.0	0.0	0.0	0.0
Lough Neagh Lower + South	0.0	0.0	0.0	0.0
Lough Neagh Lower + Lough Neagh Upper	0.0	0.0	0.0	0.0

The predicted effects are, however, quite uneven. For example, if the North West was combined with the South West, it is predicted that one in eight claimants would lose £5 or more while eight per cent would gain £5 or more. Reflecting the difference in LHA rates between the North West and the South West, the ‘gainers’ would all be in the South West while the ‘losers’ would be in the North West.

The important point about the results shown in Table 5.2 is that the effects are additive. For example, in a scenario which included the North West and South West as one pair and Lough Neagh Upper and Belfast as a second pair, at least 23.5 per cent of claimants would be predicted to lose £5 or more (12.5 per cent plus 11 per cent). The results for pairs of BRMAs can therefore serve as a guide in specifying combinations of BRMAs for alternative classifications with a reduced number of BRMAs.

Not unexpectedly, the variants on the seven-BRMA configuration have limited impact on the sufficiency criterion (Table 5.3). Though, again, there are variations which are useful to consider in specifying a reduction in the number of BRMAs.

Table 5.3 Sufficiency gains from scenarios with seven BRMAs, combining pairs of contiguous BRMAs from existing map

BRMA pair:	**BRMA/size category pairs with:** LT 50 cases	50-99 cases	LT 100	**Difference from baseline**
	No.	*No.*	*No.*	*No.*
North West + South West	5	3	8	-3
Lough Neagh Upper + Belfast	6	3	9	-2
South + South East	5	5	10	-1
Lough Neagh Lower + South East	4	5	9	-2
Lough Neagh Upper + South East	6	2	8	-3
North West + North	6	3	9	-2
Lough Neagh Upper + North	3	3	6	-5
Belfast + South East	5	4	9	-2
Lough Neagh Lower + South West	6	5	11	0
Lough Neagh Upper + South West	6	5	11	0
Lough Neagh Upper + North West	5	2	7	-4
Lough Neagh Lower + South	3	4	7	-4
Lough Neagh Lower + Lough Neagh Upper	5	3	8	-3

5.3 Do Minimum (2) Triples

A similar analysis can be undertaken with a configuration of six BRMAs, to identify combinations of triples of BRMAs that have the most and least disruptive effects and/or that make the largest contribution on the sufficiency criterion.

Having regard to the contiguity constraint, it is possible to identify nine such combinations within a six-BRMA scenario (within such a scenario, further variants can be formed from two pairs of BRMAs – those results are discussed later in this Section). The disruption and sufficiency effects for each of those nine triples are shown in Tables 5.4 and 5.5 respectively.

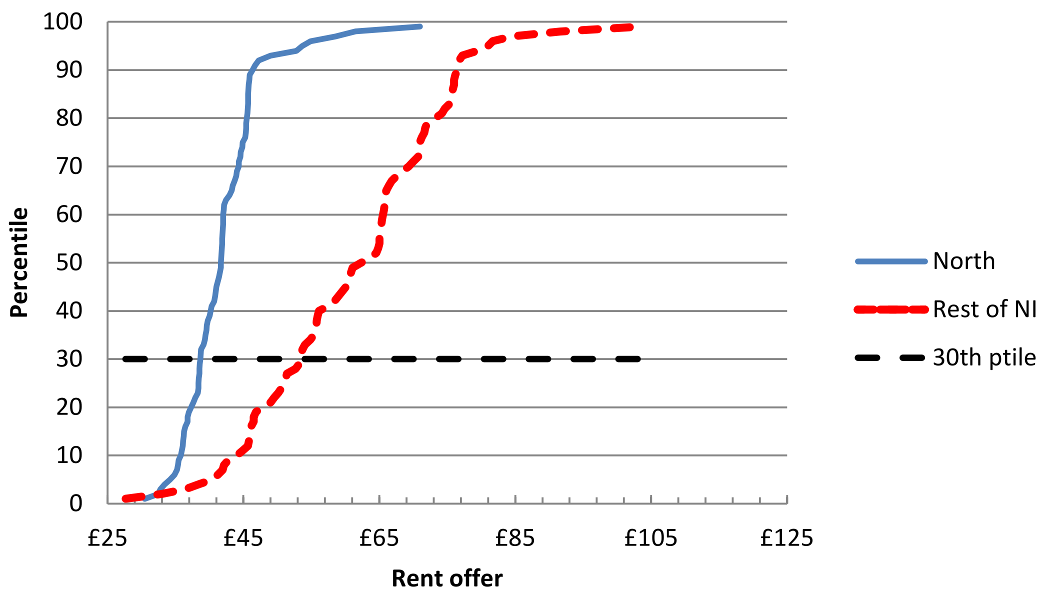
As can be seen from Table 5.4, one triple (South, Lough Neagh Lower and Lough Neagh Upper) is predicted to have zero impact on the disruption metric. At the other end of the scale, if the North West was combined with the neighbouring North and the South West, the model predicts that 15 per cent of claimants would lose £5+ and seven per cent would gain £5+. The analysis of variants based on triples therefore provides further information on the potential disruptive effects of certain combinations of BRMAs.

Table 5.4 Disruption effects from a scenario with six BRMAs, combining contiguity preserving triples of BRMAs from existing map

BRMA triple:	Expenditure	Loss £5+	Gain £5+	Total disruption
	%	%	%	%
North West + North + South West	-0.4	14.8	7.1	21.9
Lough Neagh Lower + South + South East	0.0	13.7	10.8	24.5
South East + Belfast + Lough Neagh Upper	0.0	12.9	16.0	28.9
South East + Belfast + Lough Neagh Lower	0.0	9.8	9.3	19.1
North West + Lough Neagh Upper + North	-0.4	3.6	0.0	3.6
Lough Neagh Upper + North + South West	-0.2	1.9	5.9	7.8
Lough Neagh Lower + South + South West	0.0	0.7	0.4	1.1
South West + Lough Neagh Upper + Lough Neagh Lower	0.0	0.7	5.9	6.6
South + Lough Neagh Lower + Lough Neagh Upper	0.0	0.0	0.0	0.0

A further point of note from Table 5.4 is that, in three of the variants, expenditure is predicted to reduce, by amounts ranging from -0.2 to -0.4 per cent. Each of those three scenarios contains the North BRMA. In that BRMA, the 30th percentile rent for shared accommodation (£38.67) is well below the LHA rates for that size category both in the adjoining BRMAs (North West and Lough Neagh Upper) and by comparison with all other BRMAs. That in turn reflects a list of rents within that size category in the North which is strongly clustered around the £40 mark, as shown in Figure 5.1.

Figure 5.1 Rent offer distributions, shared accommodation rate: The North compared to Rest of NI



The distribution of shared accommodation rents in the North shown in Figure 5.1 has recurred on an annual basis. Indeed, shared accommodation LHA rates in the North have been remarkably stable compared to other areas, having remained under £40 since April 2009.

For present purposes, the important point is that, when the North is combined with either of its neighbours, the 30th percentile rent for shared accommodation for the resultant combined set of BRMAs is pulled towards the £38 mark. In that scenario, the 30th percentile cap ‘bites’ and LHA rates in the neighbouring BRMAs are reduced below what would be implied by the caseload-weighted average.

The sufficiency gains from triples of BRMAs are shown in Table 5.5. As expected, the gains are typically larger than in the variants on a six-BRMA scenario. The combinations that produce the lowest gains are those which include Belfast and/or the South East. That is because, in those BRMAs, list sizes are already in excess of 100 across each of the size categories, thereby reducing the possibility for sufficiency gains (see Table 3.7).

Table 5.5 Sufficiency gains from scenarios with six BRMAs, combining contiguity preserving triples of BRMAs from existing map

BRMA triple:	**BRMA/size category pairs with:** LT 50 cases	50-99 cases	LT 100	**Difference from baseline**
	No.	*No.*	*No.*	*No.*
North West + North + South West	2	3	5	-6
Lough Neagh Lower + South + South East	4	4	8	-3
South East + Belfast + Lough Neagh Upper	6	3	9	-2
South East + Belfast + Lough Neagh Lower	5	5	10	-1
North West + Lough Neagh Upper + North	5	1	6	-5
Lough Neagh Upper + North + South West	2	2	4	-7
Lough Neagh Lower + South + South West	1	4	5	-6
South West + Lough Neagh Upper + Lough Neagh Lower	2	3	5	-6
South + Lough Neagh Lower + Lough Neagh Upper	4	2	6	-5

5.4 Do Minimum (3) Results

The results from the scenarios with seven and six BRMAs highlight the variations in disruption and sufficiency gains that are associated with different combinations of BRMAs even in the do minimum option.

In addition to the seven and six BRMA configurations, the do minimum option was tested for configurations of two through five BRMAs as well as a single Northern Ireland wide BRMA. In total, over 80 do-minimum configurations were tested. For assessment purposes, attention focuses on the best performing variants within each reclassification scenario, summarised in Table 5.6 with a key to the variants in Table 5.6(a). The following points can be noted.

Table 5.6 Do minimum: Selected scenarios by number of BRMAs – Lowest per cent losing £5+ within each number of BRMAs

Number of BRMAs	% of PRS claimants:		BRMA/size category list sizes:		
	Loss £5+	Gain £5+	LT 50 cases	50-99 cases	Total LT 100
	%	*%*	*No.*	*No.*	*No.*
7	0.0	0.0	3	4	7
6	0.0	0.0	4	2	6
5	1.9	5.9	0	2	2
	2.0	0.4	0	1	1
	2.3	11.0	0	1	1
4	2.0	5.9	0	1	1
	3.0	11.0	0	0	0
	3.5	11.0	0	1	1
3	5.4	0.4	0	0	0
	15.9	7.1	0	0	0
	16.2	11.4	0	1	1
2	17.4	10.9	0	0	0
	27.3	15.2	0	0	0
1	34.0	21.0	0	0	0

As the number of BRMAs is reduced, the disruption effects increase. Most notably, in a scenario comprising the whole of Northern Ireland, over one in three claimants would see their Housing Benefit amount fall by £5 or more. Conversely, as the number of BRMAs is reduced, the sufficiency requirement is more likely to be fully satisfied, as measured by the number of lists with 100 or more cases. Clearly, there is a trade-off between minimising disruption and meeting the sufficiency requirement. Nonetheless, it is apparent that there is a step-change improvement in the number of cells with lists of less than 100 when the number of BRMAs is reduced from six to five. That is, on the sufficiency criterion, it is possible to identify satisfactory variants where the number of BRMAs is reduced to five or fewer.

Table 5.6(a) Do minimum: Selected scenarios by number of BRMAs – Lowest per cent losing £5+ within each number of BRMAs: Key

Number BRMAs	Variants:				
7	LNL + SO				
6	LNU + SW		SO + LNL		
5	BE	NW	NO + LNU + SW	LNL + SO	SE
	BE	NW	NO + LNU	LNL + SO + SW	SE
	BE	NW + NO	SW + LNU	LNL + SO	SE
4	BE	NW	SE	SO + LNL + LNU + SW + NO	
	BE	SE	NO + NW	LNL + LNU + SW + SO	
	BE + SE	LNL + SO	LNU + SW	NW + NO	
3	BE + SE	NW + LNU + NO		SO + LNL + SW	
	BE + SE	SO + LNL + LNU		SW + NW + NO	
	BE	NW	Rest of NI		
2	BE + SE	The rest of NI			
	BE	The rest of NI			
1	N. Ireland				

Within that set of scenarios comprised of five or fewer BRMAs, the contrasts are therefore centred on the disruption effects.

The magnitude of the predicted disruption effects indicates that a Northern Ireland wide BRMA would not be an appropriate reclassification. For that same reason, a reduction to two BRMAs also should not be further considered.

With a reduction to three BRMAs, the top-ranked re-classification is predicted to see five per cent of claimants lose £5 or more. Outside of that variant, the reduction to three BRMAs produces severe disruption effects with 16 per cent and more predicted to lose £5 or more in their benefit amounts. There would appear, therefore, to be limited scope to reduce the number of BRMAs to three.

The balance between minimising disruption and maximising sufficiency gains is best met with a reduction to four or five BRMAs. Within those two scenarios, there are four variants where the proportion of claimants predicted to lose £5 or more is in the 2-3 per cent range. It is useful therefore to examine the geographical patterns in those variants in terms of access to the HERBS.

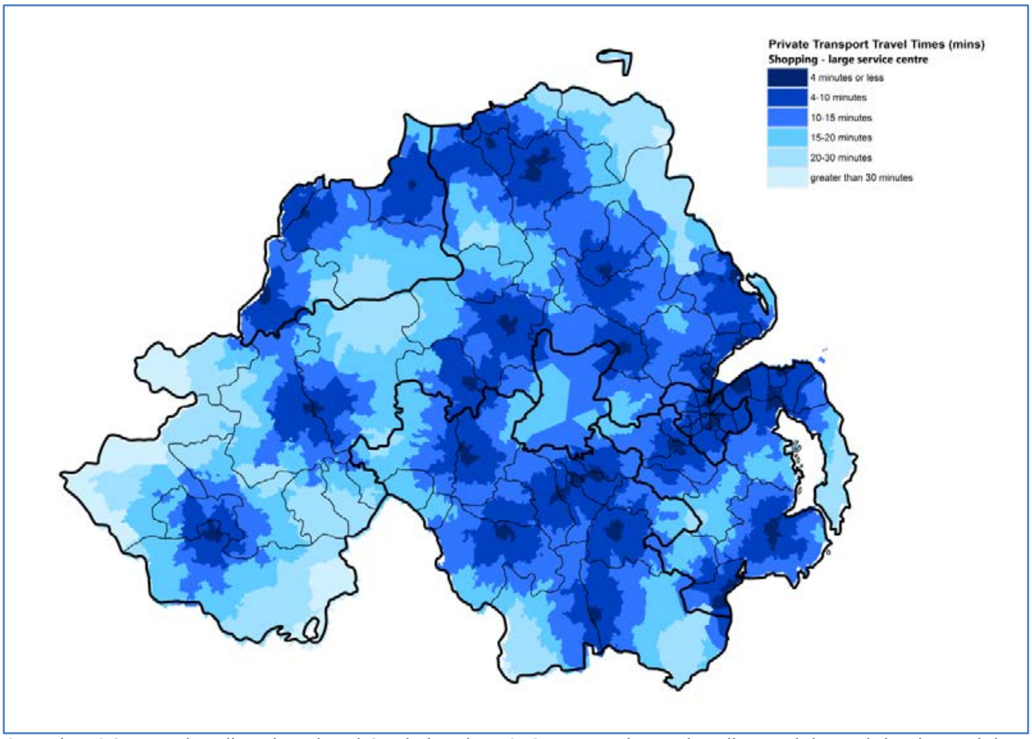
Within the five BRMA scenario the two top-ranked variants on the disruption scenario are shown in Maps 5.1 and 5.2 respectively. The boundaries are overlain on the map for travel times to large service centres, as the distribution of such centres played an important role in drawing the current set of boundaries.

In considering the two maps, it can be noted that re-drawing boundaries does not change the actual pattern of access to services enjoyed by the population. The issue in terms of re-drawing BRMA boundaries is whether the resulting BRMA can be said to offer ‘reasonable’ access to the HERBS. Judgements in that regard are inevitably qualitative.

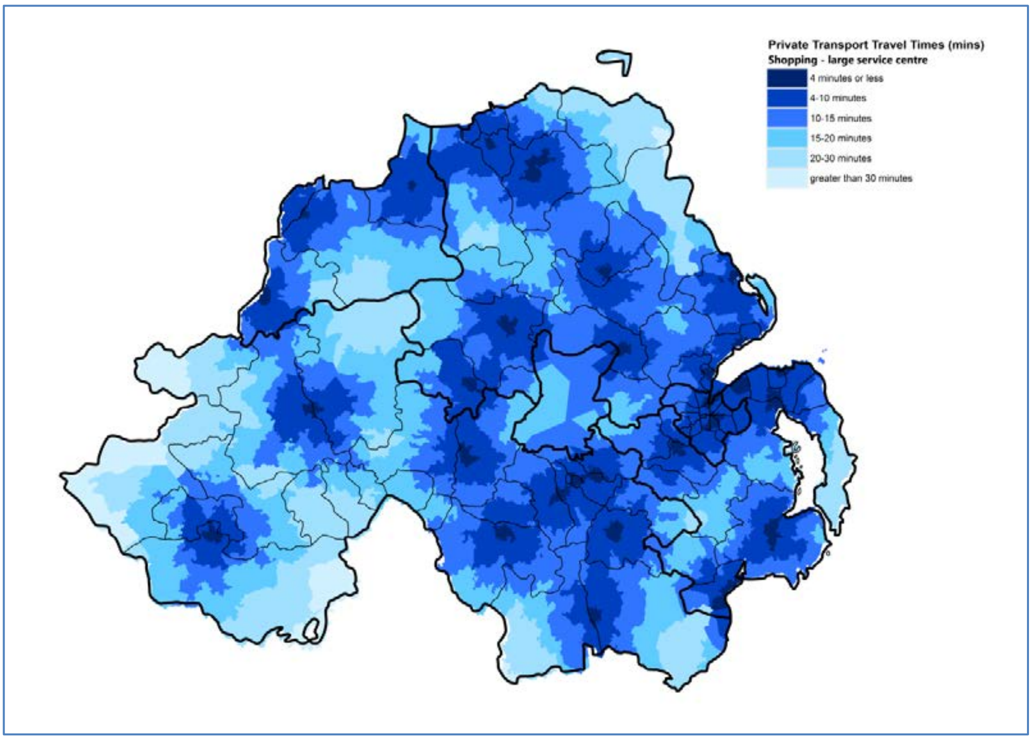
One test is to ask whether people living within the revised BRMAs continue to share a reasonable level of access. Arguably, with the ‘do minimum’ option, that remains the case. Within the re-drawn boundaries, individuals would continue to enjoy the same level of access to large service centres as they do in the current configuration. Indeed, such centres are well distributed throughout each BRMA, meaning that individual’s journeys to access the HERBS contained within the BRMA boundaries could not reasonably be said to take ‘too long’.

The two least disruptive variants in the four BRMA scenarios are shown in Maps 5.3 and 5.4. While it can again be argued that access to services remains unchanged compared to the current configuration, the resulting maps are perhaps less compact and coherent by comparison with the five BRMA scenario.

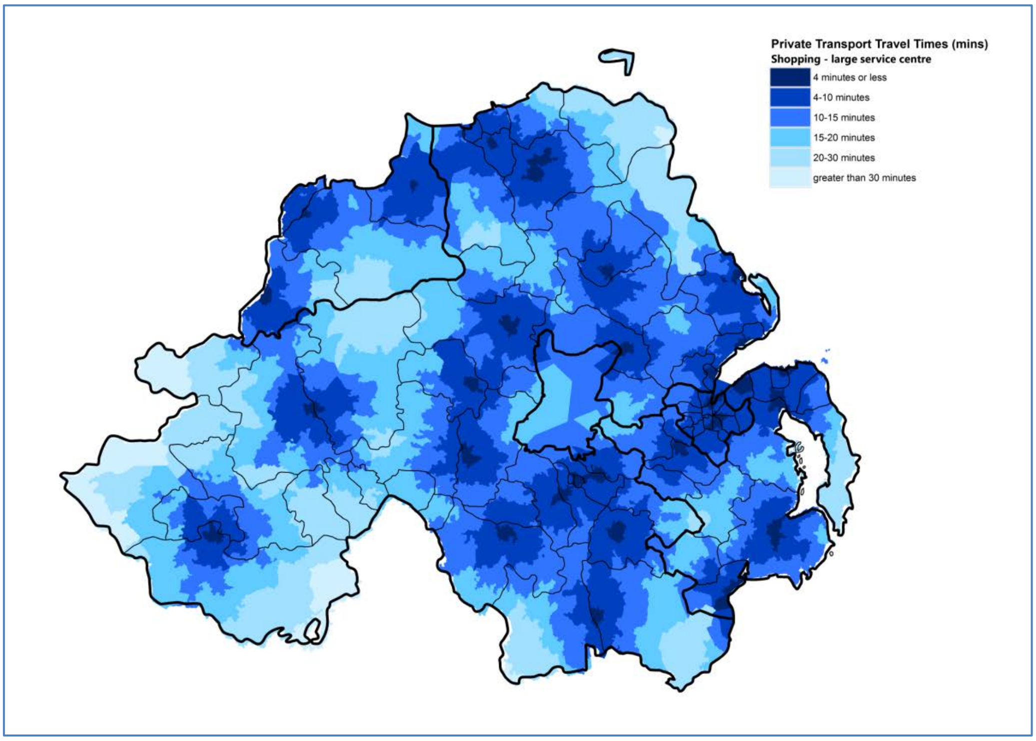
Map 5.1 Five BRMAs: Combine North + Lough Neagh Upper + South West and Lough Neagh Lower + South East



Map 5.2 Five BRMAs: Combine North + Lough Neagh Upper, Lough Neagh Lower + South + South West



Map 5.3 Four BRMAs: Combine current BRMAs outside Belfast, the South East and the North West



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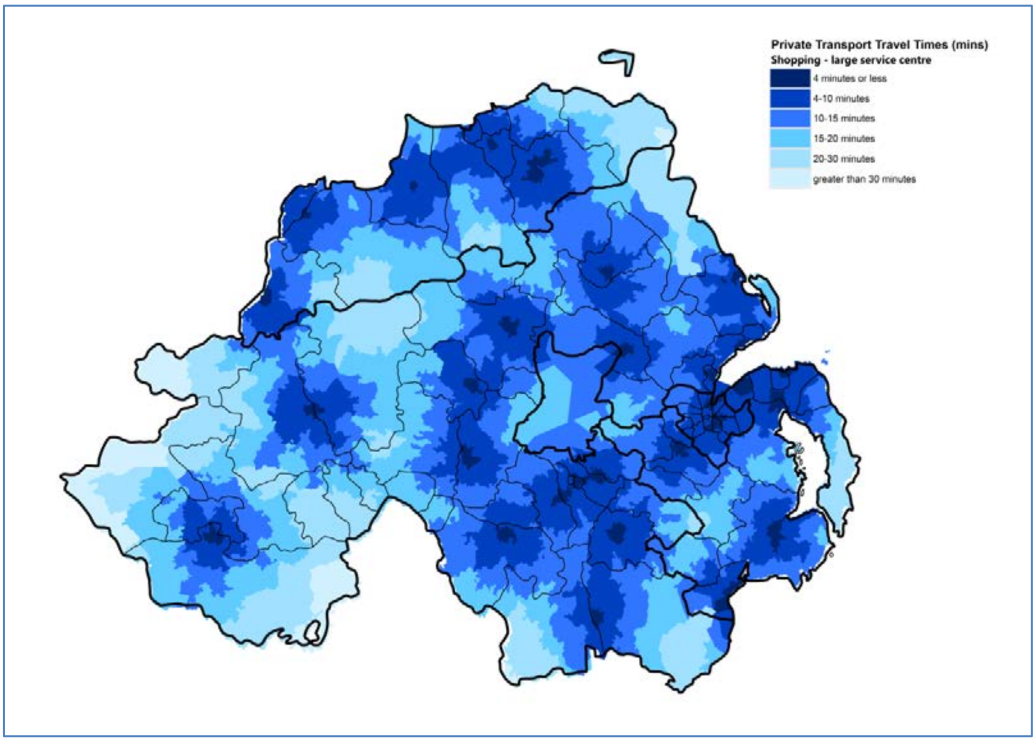
Map 5.4 Four BRMAs: Combine North and North West, Lough Neagh Lower and Upper with the South West and the South



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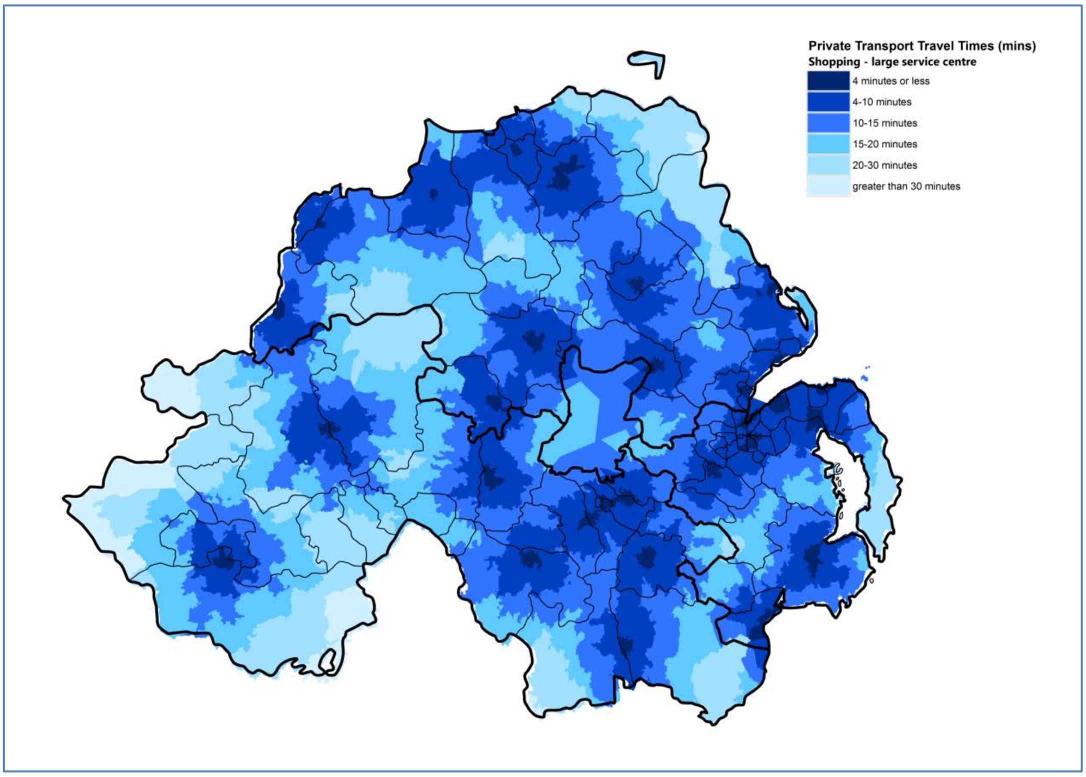
The less compact appearance of the top-ranking variants in the four BRMA scenario partly reflects the weight placed on finding the least disruptive combinations of BRMAs. Similar considerations apply to the top-ranking variant in the three BRMA scenario, which is shown in Map 5.5. The issue in this scenario is whether one or more of the resulting BRMAs are 'too' large in terms of their geographical extent. The legislation does not offer any guidance as to how large or otherwise a BRMA should be drawn. Again, the question is whether the population continues to enjoy 'reasonable' access to the HERBS.

Map 5.5 Three BRMAs: Top-ranking variant on disruption measure

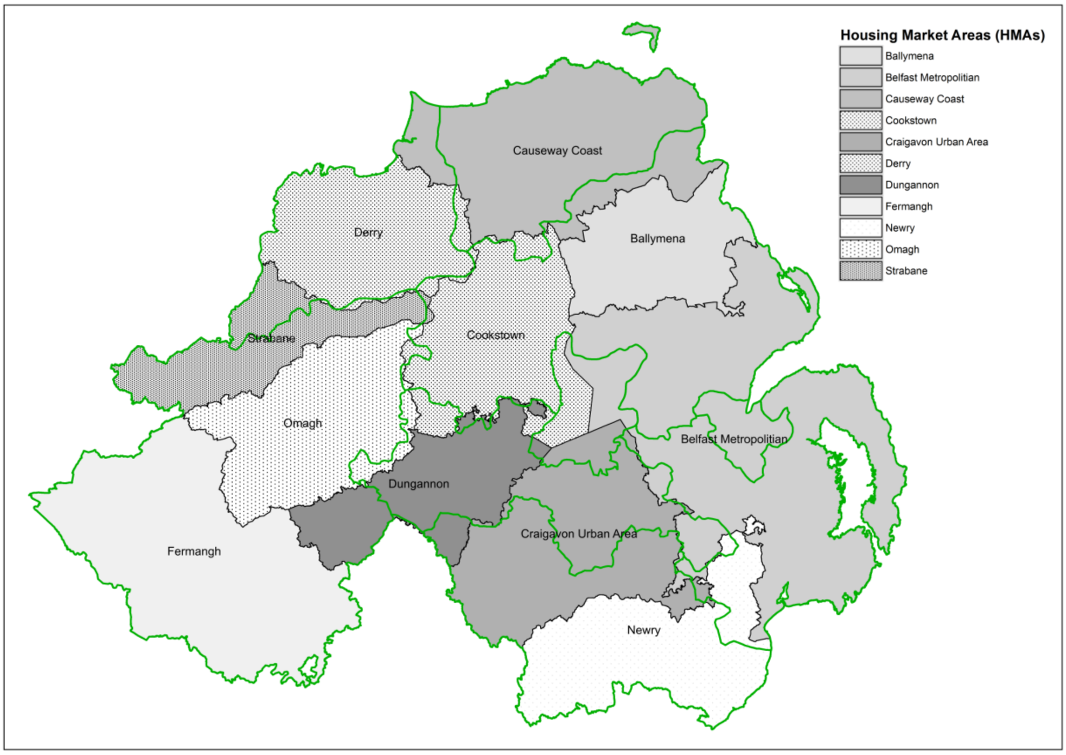


5.5 Best Fit to HMAs

As noted previously, one of the suggestions made in the consultations was that the review should consider aligning BRMAs with the Executive's Housing Market Areas (HMAs). There are 11 HMAs, which are shown in Map 5.6, overlain by the current BRMA boundaries.

Clearly, there is a considerable mismatch between BRMAs and HMAs. Most notably, the Belfast Metropolitan HMA covers a wide area, encompassing all of the Belfast BRMA, almost all of the South East and a large portion of Lough Neagh Upper. The HMA option is clearly different from the do minimum option.

Map 5.6 The Executive's Housing Market Areas



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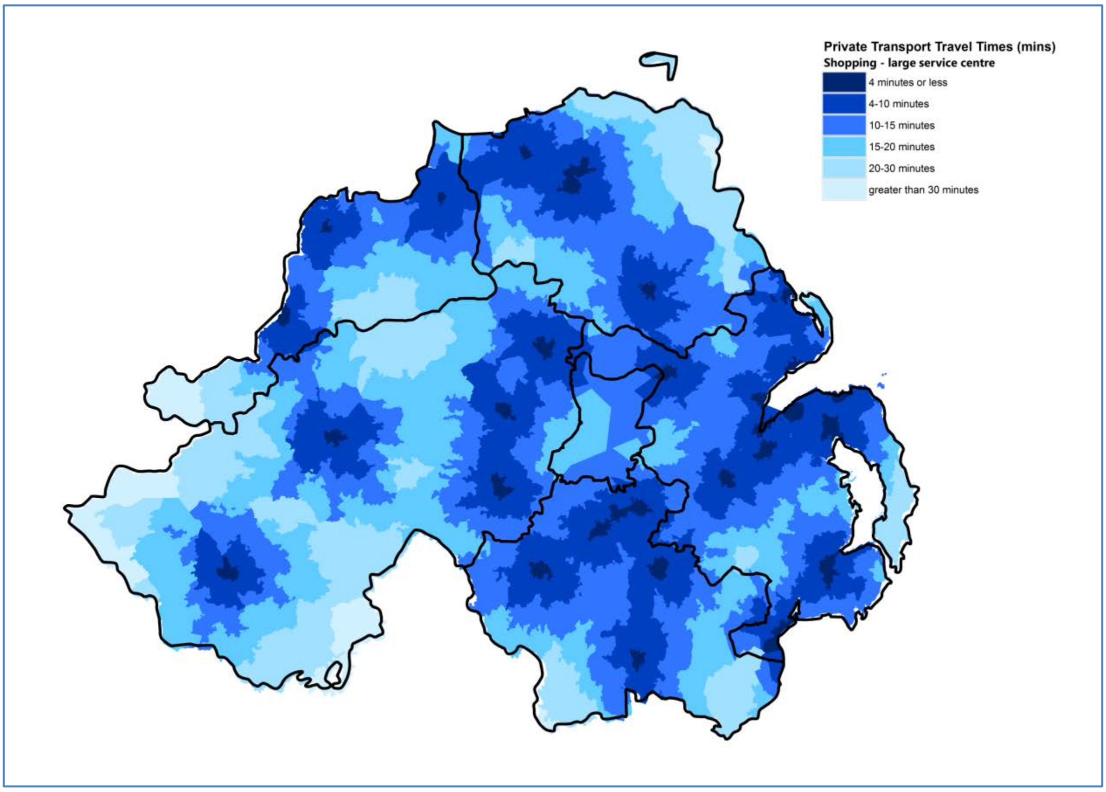
The HMA option has been specified in the first instance on the basis of the HMA combinations employed by the Executive for reporting purposes, as follows:

- Belfast Metropolitan HMA.
- West Area (Derry & Strabane HMAs).
- South Eastern Area (Newry & Craigavon Urban Area HMAs).
- Western Area (Fermanagh, Omagh, Cookstown & Dungannon HMAs).
- Northern Area (Ballymena & Causeway Coast HMAs).

The use of a five BRMA scenario is appropriate in light of the do minimum option results. In addition, the five HMA combinations listed above do not appear unreasonable when mapped against travel times to large service centres, as illustrated in Map 5.7. Clearly, however, the five HMAs are not at all 'nested' within the current set of BRMAs. For that reason, the use of the HMA boundaries to reclassify BRMAs would result in a considerable degree of disruption. An estimated 13 per cent of claimants would lose £5 or more in their benefit amounts while 10.5 per cent would gain that amount or more (Table 5.7).

Map 5.7 HMA scenario mapped against travel times to large service centres.



In addition to the disruption effect, the five HMA option would have a relatively limited effect in terms of sufficiency gains. The number of list sizes less than 100 would fall to six, compared to zero to one in the BRMA do minimum scenario with four or five BRMAs.

In order to further test the option, a number of variants were specified based on combining pairs of HMAs in scenarios of four, three and two BRMAs. The disruption results are shown in Table 5.7. Those variations on the HMA option do not result in any improvement on the disruption metric. Similar to the do minimum option, as the number of BRMAs reduces the disruption effects become more severe.

The HMA option was further tested by modelling a variant in which the Belfast Local Government District (LGD) area was separated out from the Belfast Metropolitan HMA, with the remainder of the Belfast HMA split between the Northern and Southern HMA combinations. The disruption results are shown in Table 5.8. However, that variant produces no improvement on the disruption measure, with almost one in five (17 per cent) predicted to lose £5 or more in benefit amounts. Again, combining HMAs to reduce the number of BRMAs serves to exacerbate the disruption effects.

Table 5.7 Best fit scenario: Housing Market Areas

Number of BRMAs	Classification	% of PRS claimants: Lose £5+	Gain £5+
5	Belfast HMA + West + South Eastern + Western + Northern	13.2	10.5
4	Western and Northern combined	11.6	15.9
4	West and Western combined	22.8	17.9
4	South Eastern and Western	12.6	12.9
3	Belfast, West, Rest of NI	11.5	15.9
3	Belfast, South Eastern and Northern, West and Western	23.5	17.9
2	Belfast, Rest of NI	25.7	20.4

Table 5.8 Best fit scenario: Belfast LGD combined with Housing Market Areas

Number of BRMAs	Classification	% of PRS claimants: Lose £5+	Gain £5+
5	Belfast LGD + West + South Eastern (incl. Belfast HMA not in Belfast LGD) + Western + Northern (incl. Belfast HMA not in Belfast LGD)	17.4	10.5
4	As 5 with Northern (incl. Belfast HMA not in Belfast LGD) combined with Western HMA	15.8	15.9
3	Belfast LGD + West + Rest of NI	16.0	11.8
3	Belfast LGD, combined West and Western, combined South Eastern and Northern (incl. Belfast HMA not in Belfast LGD) [non-contiguous variant]	28.0	15.9
2	Belfast LGD, Rest of NI	27.2	15.5

5.6 Adjusted BRMAs

A clear finding from the preceding analysis is that the do minimum option is to be preferred in terms of minimising disruption effects. Also, it can be argued that scenarios framed within the context of the existing BRMAs can reasonably be said to meet the access to HERBS requirement.

However, it is also possible to conceive of scenarios based on adjustments to the BRMAs based on the addition or subtraction of single postcodes or selected clusters of postcodes. An application of that approach is summarised in Table 5.9, which reports variants on a scenario in which the North and South West BRMAs are linked by adding three postcodes from Lough Neagh Upper - BT46, BT 45 and BT80 (Magherafelt and Cookstown). To preserve the contiguity of Lough Neagh Upper and Lower, it is necessary to add BT28 from the South East.

In the five BRMA scenario, the adjustment enables the North and South West to be combined (they are not currently contiguous), resulting in a modest overall degree of disruption with a predicted three per cent losing £5 or more. The specific postcodes adjustment is more disruptive when applied to a four-BRMA scenario, with the magnitude of the effect depending critically on the further combination of BRMAs deployed to reduce from five to four BRMAs.

Table 5.9 BRMA adjustment: An illustration

Number of BRMAs	% of PRS claimants:		BRMA/size category list sizes:		
	Loss £5+	**Gain £5+**	**LT 50 cases**	**50-99 cases**	**Total LT 100**
	%	*%*	*No.*	*No.*	*No.*
5	Variant: BE + NW + (SE minus BT28) + (NO combined with South West, by adding BT 45, 46 and 80) + (SO, LNL and LNU minus BT45, 46 and 80 plus BT28)				
	3.13	0	0	2	2
4	(BE combined with SE minus BT 28) + NW + (NO combined with South West, by adding BT 45, 46 and 80) + (SO, LNL and LNU minus BT45, 46 and 80 plus BT 28)				
	4.19	0	0	2	2
4	BE + (SE minus BT 28) + (NW, NO and South West plus BT 45, 46 and 80) + (SO, LNL and LNU minus BT45, 46 and 80 plus BT 28)				
	15.81	7.11	0	0	0

The illustrative postcodes adjustment applied to the five BRMAs scenario produces disruption results which are comparable to the top-ranking variants in the do minimum option. However, that approach is perhaps best considered in the context of reviewing or 'tweaking' individual BRMAs rather than as a 'system-wide' approach, which is the subject of this review. A very large number of such adjustments could be made, in principle.

5.7 Varying List Sizes

With the present configuration of eight BRMAs and five size categories, the Executive must compile 40 lists of rents annually to aid in the determination of LHA rates, which are set for April to March each year. A reduced number of BRMAs would mean that fewer lists of rents would need to be compiled for the annual LHA exercise. For example, with five BRMAs, it would be necessary to compile 25 lists of rents rather than 40. A reduction to three BRMAs would entail 15 lists of rents. Further, if the number of BRMAs was reduced, the average size of BRMAs would increase as a consequence.

Presently, the collection of information on properties for rent is continuous throughout the 12 month period from 1st October to 30th September in the following year. Also, as noted previously, the Executive seeks to obtain as close as possible to complete coverage of property lettings across each of the eight current BRMAs. With a reduced number of lists to be compiled for larger BRMAs than exist at present, it is useful to consider alternative strategies for compiling the required lists of rents which might meet the sufficiency criterion in a more efficient manner, by reducing the time devoted to data collection (and therefore also the opportunity cost).

Within that context, a range of data collection strategies were tested for five variants, i.e., the two least disruptive variants in a five BRMAs scenario; the two least disruptive scenarios in a four BRMAs scenario; and the least disruptive variant in the three BRMAs scenario (see Tables 5.6 and 5.6(a) above). The strategies were as follows:

- 50 per cent of the current list over the 12 month timeframe.
- Collect data only over the six month period 1st April to 30th September, aiming for:
    - 50 per cent of the current achieved list sizes.
    - The full current list size.
- Collect data only for the three month period 1st July to 30th September, aiming for:
    - 50 per cent of the current achieved list sizes.

- o The full current list size.

The choice of April to September and July to September was because those time periods would yield lists of lettings that are then the most recent possible for feeding in to the assessment process which takes place after data collection to determine LHA rates for the following April.

For any alternative strategy, there are three issues to consider, as follows:

- The list size effects.
- The implications for estimation of the 30^{th} percentiles of rents.
- The implications for LHA rates.

The list size effects from the five alternative data collection strategies are summarised for each variant in Table 5.10.

Clearly, each of the alternative data collection strategies results in a reduced number of total observations. However, the strategies vary considerably in terms of the risk posed to meeting the sufficiency criterion.

For example, in the five BRMA variant A, if the data collection was over the three-month period July to September, the number of BRMA/size category pairs with fewer than 30 observations would increase from zero to three (counting all lettings currently collected in that period) or nine (based on 50 per cent of lettings currently collected between July and September).

In that same variant, focusing the data collection on the six-month period from April to September and aiming to collect 50 per cent of the current volume of lettings would result in two BRMA/size category pairs with fewer than 30 observations, compared to zero under the current arrangements. Collecting information on all lettings in that same period would not affect the number of pairs with list sizes below 30, albeit there would be an increase of two in list sizes in the range 30-49.

More generally, with configurations of four or five BRMAs, confining the data collection effort to the three-month period July to September would seem to unduly increase the risk of not satisfying the sufficiency criterion.

Further, within the six month period April to September, it would seem preferable to continue the current practice of collecting all available lettings information rather than aiming for 50 per cent of the current list volumes; the latter approach would lead to a substantial increase in the incidence of list sizes with fewer than 50 or 100 observations.

Table 5.10 Alternative data collection strategies and effects on list of rents

	Full list[1]	50% of 12 months	April-Sept		July-Sept	
			50%	All	50%	All
List size	**10,787**	**5,405**	**2,811**	**5,598**	**1,690**	**3,360**
Five BRMAs: A						
Less than 30	0	0	2	0	9	3
30-49	0	2	7	2	6	3
50-99	2	7	6	7	3	9
LT 100	2	9	15	9	18	15
Five BRMAs: B						
Less than 30	0	0	1	0	8	2
30-49	0	1	6	1	7	4
50-99	1	7	9	6	3	9
LT 100	1	8	16	7	18	15
Four BRMAs: A						
Less than 30	0	0	1	0	6	2
30-49	0	1	4	1	5	2
50-99	1	5	5	4	3	7
LT 100	1	6	10	5	14	11
Four BRMAs: B						
Less than 30	0	0	0	0	6	0
30-49	0	0	4	0	4	3
50-99	0	5	6	5	3	7
LT 100	0	5	10	5	13	10
Three BRMAS						
Less than 30	0	0	0	0	1	0
30-49	0	0	1	0	4	1
50-99	0	1	6	1	4	4
LT 100	0	1	7	1	9	5

1 That is, the list used for the 2018-19 LHA assessment.

The potential implications for estimation of the 30th percentile rents have been assessed as follows. For each alternative strategy, the 30th percentile rents have been re-calculated from the resulting (reduced) list of rents for each size category within each of the variant BRMAs. The re-calculated 30th percentile rents are then compared with the full list to show the differences in the estimates.

The differences across BRMA/size category pairs are then summarised for each variant by calculating the mean absolute difference, i.e., the average of the differences between the re-calculated 30th percentile and the 30th percentile from the full lists, ignoring the sign of the difference whether plus or minus (e.g., a difference of +£5 has the same weight as a difference of -£5). The results for each variant are shown in Table 5.11 along with the minimum and maximum differences. Essentially, the focus is on the potential disruption to the current set of 30th percentile rents.

One point to note is that, for the data collection strategies in which the target is 50 per cent of the current list size within a given period, cases were selected from the 2018 lettings dataset on a random basis. For each variant, the results for that set of data collection strategies are therefore specific to one such sample. That does serve to make the point that a data collection strategy based around sampling within a fixed time period adds a layer of complexity that is absent from the current approach, which seeks to collect information on <u>all</u> lettings within a given time period.

From Table 5.11, it can be seen that, within each variant, the mean absolute difference indicator tends to vary with the size of the list of rents; the smaller the list, the larger the mean absolute difference. Further, the disruption effects are less pronounced in the variants with the fewer number of BRMAs. That is not unexpected. The average list size in a three BRMA configuration is larger than in a five BRMA configuration, thereby smoothing out differences in 30th percentile rents compared to the full list.

Regarding the potential implications for LHA rates, in the current approach the 30th percentile serves as a cap on LHA rates. As outlined in Section 2, the austerity measures taken over the past number of years have opened up a gap between the 30th percentile rents and the actual LHA rates (see Table 2.1). In that context, what matters is the extent to which re-calculated 30th percentiles may be <u>decreased</u> towards their respective LHA rates. If a 30th percentile rent falls below the relevant LHA rate, the latter is then reduced to the 30th percentile.

The potential impact on LHA rates was therefore tested by examining the number of occurrences, across the BRMA/size category pairs within each data collection strategy, where 30th percentile rent estimates fell by such an amount that the LHA rate would then be capped at a lower level compared with the weighted average LHA rate in the full list.

Table 5.11 Alternative data collection strategies and effects on 30th percentile estimates: Differences from variant based on full list

	50% of 12 months	April-Sept		July-Sept	
		50%	All	50%	All
List size	**5,405**	**2,811**	**5,598**	**1,690**	**3,360**
Variant 5.A					
Mean absolute difference	£0.83	£1.98	£1.18	£3.16	£1.89
Minimum difference	-£2.66	-£4.88	-£2.78	-£3.86	-£3.73
Maximum difference	£1.66	£5.00	£4.62	£11.04	£5.06
Variant 5.B					
Mean absolute difference	£1.33	£2.64	£0.75	£2.92	£2.08
Minimum difference	-£4.24	-£6.69	-£2.78	-£7.34	-£3.73
Maximum difference	£6.21	£9.23	£4.62	£16.33	£5.06
Variant 4.A					
Mean absolute difference	£0.96	£1.37	£0.77	£2.50	£2.01
Minimum difference	-£2.66	-£4.88	-£2.78	-£3.86	-£3.73
Maximum difference	£1.66	£5.00	£4.62	£11.04	£5.06
Variant 4.B					
Mean absolute difference	£0.65	£1.45	£1.12	£2.30	£1.92
Minimum difference	-£1.46	-£3.10	-£2.78	-£11.58	-£3.73
Maximum difference	£5.06	£3.68	£4.62	£4.73	£5.06
Variant 3.A					
Mean absolute difference	£0.77	£1.82	£1.25	£2.44	£1.62
Minimum difference	-£0.93	-£2.40	-£2.54	-£4.19	-£4.19
Maximum difference	£2.31	£9.02	£9.02	£7.84	£4.62

1 That is, the list used for the 2018-19 LHA assessment.

In the event, across the five variants (each with BRMA/size category pairs ranging from 25 in the five-BRMA variants to 15 in the 3-BRMA variant) and five data collection strategies shown in Table 5.11, there were only two instances where the 30th percentile rent for a BRMA/size category pair decreased to such an extent that the LHA rate would be capped at a lower level compared with the weighted average LHA rate in the full list. That is, the alternative data collection strategies would not seem to disrupt the current arrangements.

That result, however, can perhaps be viewed more as an artefact of the width of the gaps between LHA rates and 30th percentile rents that have emerged across BRMA/size categories over the period since LHA rates were frozen at their 2015 protected rates. Consequently, the result should not be taken as an indicator of robustness or precision in the 30th percentile rent estimates across the different data collection strategies, compared to current practice.

5.8 Key Points Summary

This Section has considered a range of options for a reduced set of BRMAs compared to the current configuration of eight areas. The options include the 'do minimum', based on combining existing BRMAs, and the option of aligning BRMAs with the Executive's Housing Market Areas. The options were compared against sufficiency and disruption criteria. The main conclusions to be drawn are as follows.

On the disruption criterion, the 'do minimum' option is preferred over aligning BRMAs and HMAs. In the latter option, over one in eight claimants would see a reduction in their LHA entitlement in excess of £5. By contrast, in the do minimum option, a number of scenarios were identified in which the predicted proportion of claimants experiencing a reduction of £5 or more was five per cent or less.

It should, however, be recognised that HMAs have been designed according to different criteria. In particular, HMAs are defined according to commuting patterns whereas BRMAs are required to be defined on the basis of access to specified services and facilities. Consequently, there is a geographical mismatch between HMAs and the current set of BRMAs. In turn, that makes it difficult to align HMAs and BRMAs without unduly disrupting the current pattern of LHA rates.

Across the range of scenarios considered within the do minimum option, there is a trade-off between minimising disruption, measured in terms of the proportion of claimants seeing a reduction of £5 or more in their LHA rate, and meeting the sufficiency requirement, as indicated by the number of BRMA/size category pairs with list sizes of 100 or more. In that context, the balance between minimising disruption and maximising sufficiency gains would best be met with a reduction to four or five BRMAs.

Within the context of a reduced set of BRMAs, a number of alternative data collection strategies were considered, focused on reducing the list sizes that may be considered appropriate to meeting the sufficiency requirement. Assessing the potential impact of alternative strategies on LHA rates is inevitably restricted by the large gaps that have opened up between 30th percentile rents and LHA rates in the period since LHA rates were frozen in 2016. Though, the results indicate that confining the data collection to a three-month period would be unlikely to satisfy the sufficiency criterion.

6 Potential Impacts

6.1 Introduction

This Section discusses the potential impacts of a reclassified set of BRMAs on Housing Benefit expenditure, tenants and landlords.

The discussion is framed around the five do minimum scenarios listed in Table 6.1 below. The selected scenarios are comprised of the variants predicted to be least disruptive within reclassifications to five, four and three BRMAs. In this Section, the variants are identified according to the reference key in Table 6.1.

Table 6.1 Do minimum scenarios for the impact assessment: Ranked least disruptive by number of BRMAs - Reference key

Ref.	Variant:				
5.A	BE	NW	NO + LNU + SW	LNL + SO	SE
5.B	BE	NW	NO + LNU	LNL + SO + SW	SE
4.A	BE	NW	SE	SO + LNL + LNU + SW + NO	
4.B	BE	SE	NO + NW	LNL + LNU + SW + SO	
3.A	BE + SE	NW + LNU + NO		SO + LNL + SW	

The Section commences with a discussion of the potential effects of each variant on expenditure on Housing Benefit (HB) payments to private rented sector claimants. As the variants have been modelled to be cost-neutral, the focus is on the predicted distribution of amounts gained and lost as a result of reclassification.

The modelled expenditure effects should be viewed as first round or direct impacts of a reclassification. They do not take account of any adjustments which may be made by tenants and/or landlords. Hence, following the discussion of expenditure impacts, the Section considers how tenants and landlords might be anticipated to respond. That discussion is necessarily qualitative as it is not feasible to model response functions for tenants or landlords.

6.2 HB Expenditure

For each of the five variants, the distribution of gains and losses is shown in Figures 6.1 to 6.5. The following points can be noted.

First, the scenarios have specifically been selected on the basis that, within their BRMA reclassification by number of areas, they minimise the disruption metric calculated on the proportion predicted to lose £5 or more. Reflecting that approach, the distributions are clustered within the range ±£4.99.

Second, the first three variants (5.A, 5.B and 4.A) each predict that almost one in two claimants (49 per cent) would see no change at all in their Housing Benefit amounts. The common feature in each of those scenarios is that the current Belfast, South East and North West BRMAs are left intact. Those three regions each have a schedule of LHA rates which tend to be higher than in the remaining BRMAs, e.g., the 4-bedroom rate in the South East is 14 per cent above average (caseload-weighted basis) while the Belfast rate in that category is 12 per cent above average.

Third, and as a corollary of the above, the two variants where one or all of those three BRMAs is combined with some other BRMA are also the variants with the highest proportions of claimants experiencing some change in their HB amounts. In particular, almost all HB amounts change in 3.A. In general, it is difficult to avoid combinations of all current BRMAs in reductions to fewer than four BRMAs. Such reclassifications will be the most disruptive.

Figure 6.1 Distribution of HB gains and losses - % of claimants: Variant 5.A

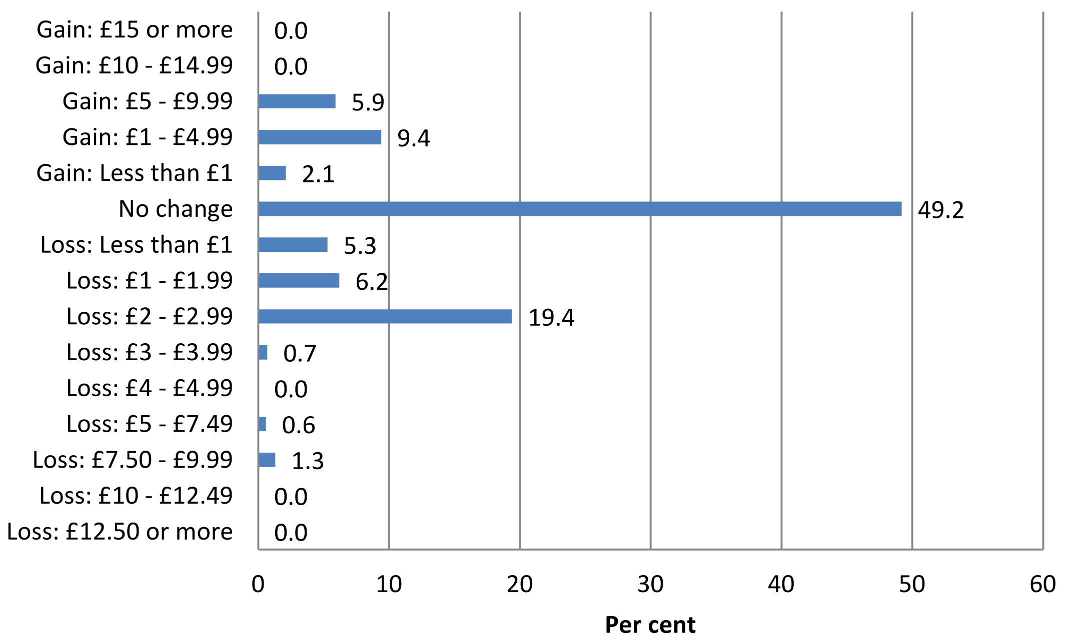


Figure 6.2 Distribution of HB gains and losses - % of claimants: Variant 5.B

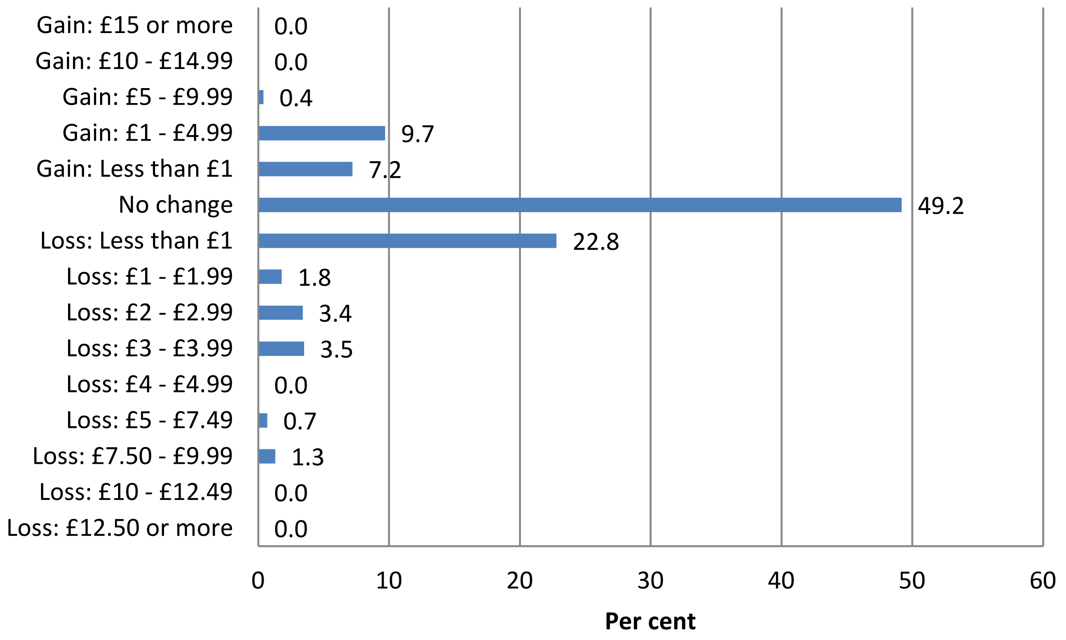
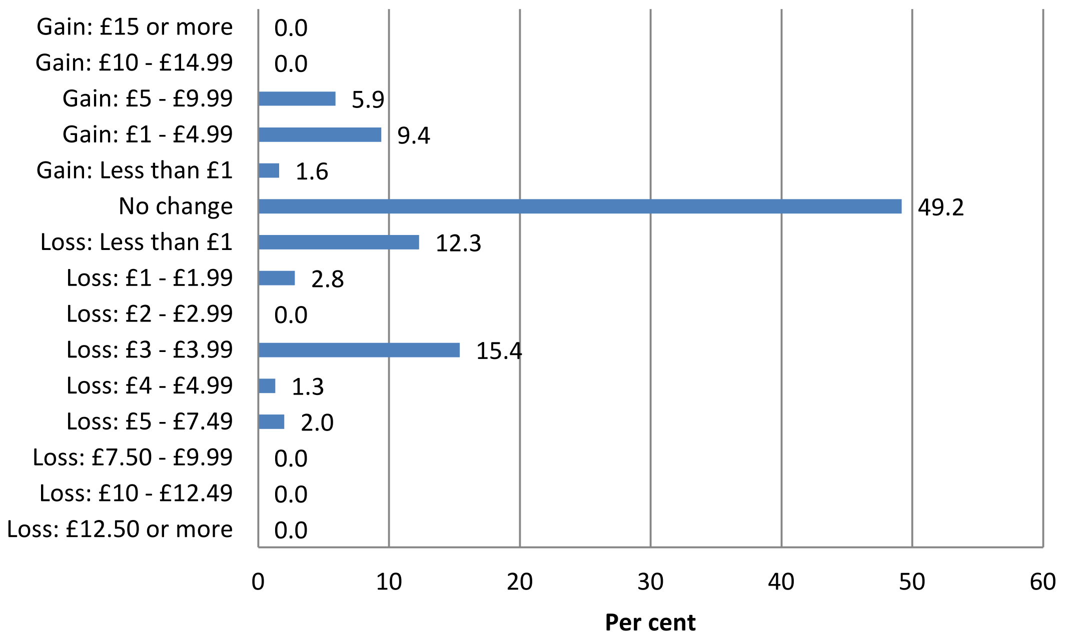


Figure 6.3 Distribution of HB gains and losses - % of claimants: Variant 4.A



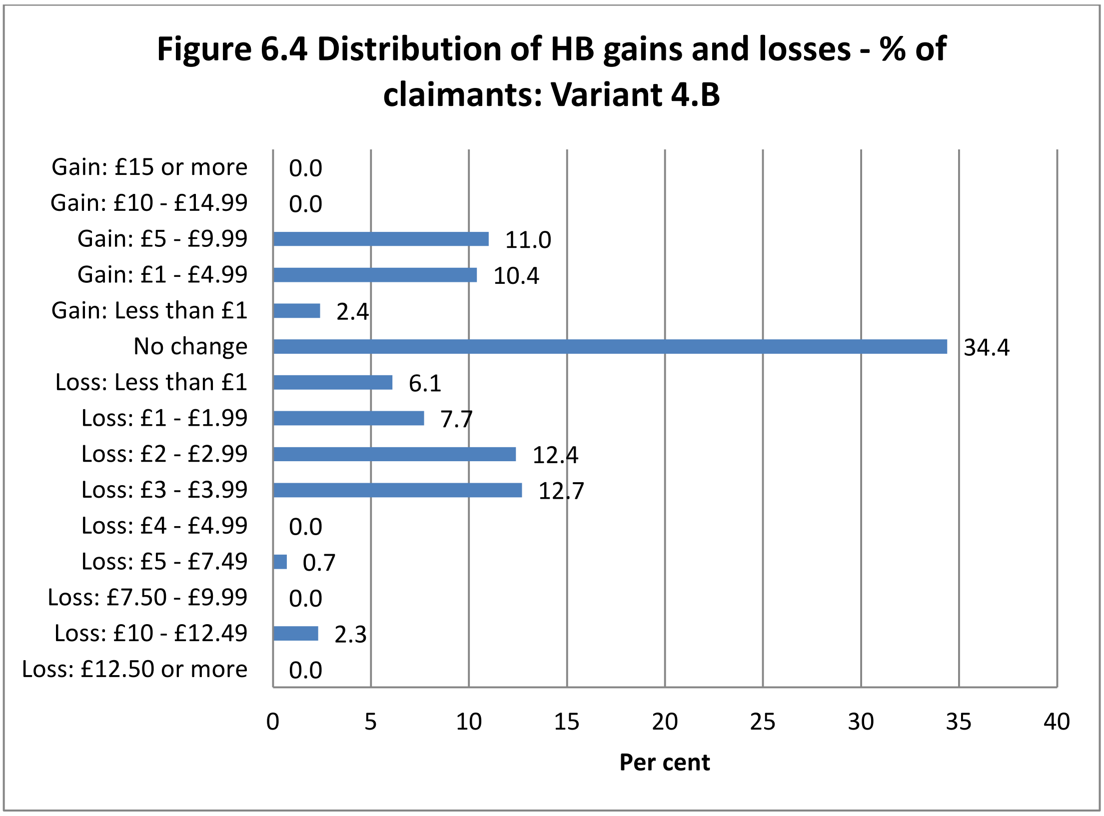


Figure 6.4 Distribution of HB gains and losses - % of claimants: Variant 4.B
Gain: £15 or more
Gain: £10 - £14.99
Gain: £5 - £9.99
Gain: £1 - £4.99
Gain: Less than £1
No change
Loss: Less than £1
Loss: £1 - £1.99
Loss: £2 - £2.99
Loss: £3 - £3.99
Loss: £4 - £4.99
Loss: £5 - £7.49
Loss: £7.50 - £9.99
Loss: £10 - £12.49
Loss: £12.50 or more
0.0
0.0
11.0
10.4
2.4
34.4
6.1
7.7
12.4
12.7
0.0
0.7
0.0
2.3
0.0
0 5 10 15 20 25 30 35 40
Per cent

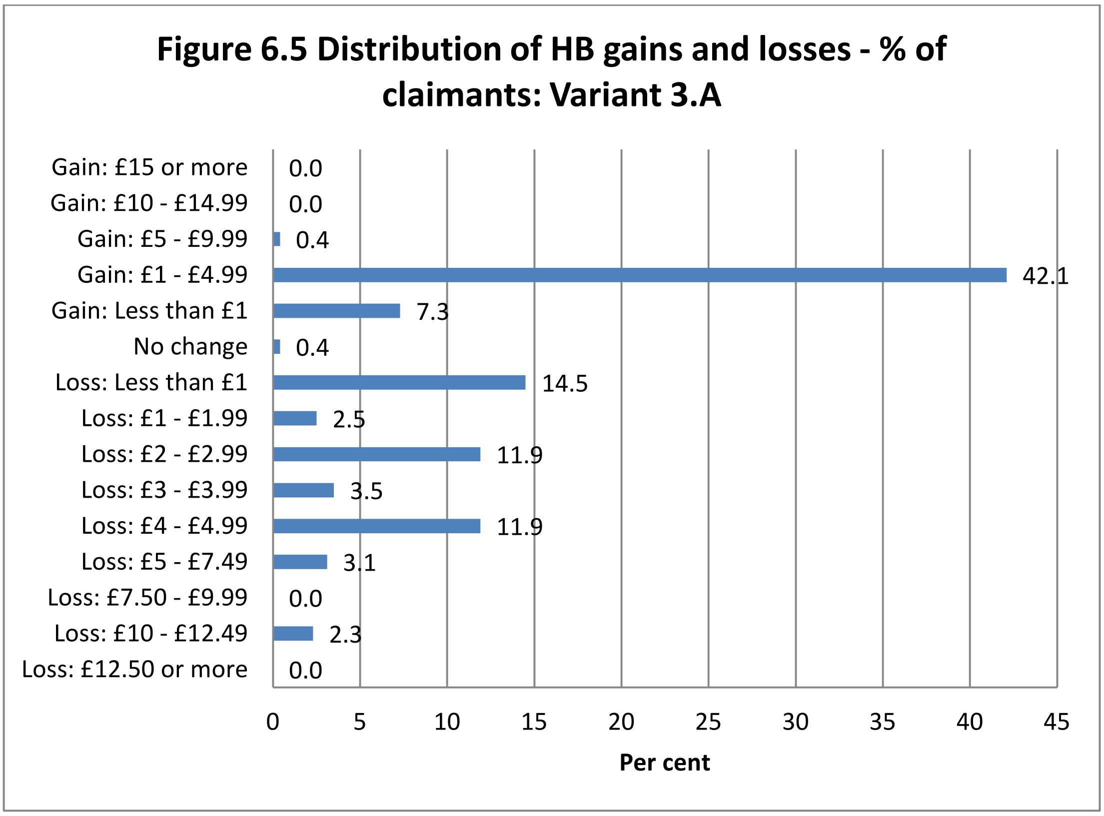


Figure 6.5 Distribution of HB gains and losses - % of claimants: Variant 3.A
Gain: £15 or more
Gain: £10 - £14.99
Gain: £5 - £9.99
Gain: £1 - £4.99
Gain: Less than £1
No change
Loss: Less than £1
Loss: £1 - £1.99
Loss: £2 - £2.99
Loss: £3 - £3.99
Loss: £4 - £4.99
Loss: £5 - £7.49
Loss: £7.50 - £9.99
Loss: £10 - £12.49
Loss: £12.50 or more
0.0
0.0
0.4
42.1
7.3
0.4
14.5
2.5
11.9
3.5
11.9
3.1
0.0
2.3
0.0
0 5 10 15 20 25 30 35 40 45
Per cent

A further point of interest lies in the predicted numbers gaining and losing HB amounts and the average amounts by which HB changes. The predictions for each of the five variants on those two indicators are shown in Table 6.2. For the reasons discussed above, there is little to choose between variants 5.A, 5.B and 4.A on those indicators, except to note that 5.B has a more modest effect on the average weekly HB amount compared with 5.A and 4.A. Again, 4.B and 3.A are more disruptive in terms of the extent of changes that flow from the combinations of current BRMAs from which the re-classifications are formed.

Table 6.2 Claimants gaining and losing HB amounts

Number of BRMAs	Variant	Number		Average amounts (weekly)	
		Gain	Lose	Gain	Lose
		No.	*No.*	*£s*	*£s*
5	A	9,110	17,470	£3.52	-£2.29
5	B	9,070	17,500	£2.06	-£1.42
4	A	8,860	17,720	£3.90	-£2.40
4	B	12,410	21,890	£3.90	-£2.78
3	A	26,070	26,010	£2.47	-£3.11

It is also possible to calculate predicted weekly expenditure amounts for each variant, distinguishing the total increase in weekly payments to those who gain HB amounts and the amount of the decrease in total payments to those seeing a reduction in their LHA rate (holding all other factors constant apart from the reclassification effect). Thus, for scenario 5.B, the total amounts gained add up to £18,720 weekly while the amounts reduced total £24,760 weekly. The net weekly reductions shown in Table 6.3 mainly reflect the application of the 30th percentile cap, but the effect is slight.

On the March 2018 SHBE, total weekly Housing Benefit payments to private rented sector claimants subject to the LHA amounted to £3.757 million. Compared with that expenditure baseline, the weekly amount by which payments to those losing HB are reduced range from -0.7 per cent in variant 5.B to -2.2% in variant 3.A.

Table 6.3 Predicted expenditure changes, private rented sector claimants subject to size criteria

Number of BRMAs	Variant	Gain	Lose	Net
Weekly		£'s	£'s	£'s
5	A	£32,090	-£39,910	-£7,820
5	B	£18,720	-£24,760	-£6,050
4	A	£34,540	-£42,460	-£7,920
4	B	£48,400	-£60,960	-£12,560
3	A	£64,310	-£80,920	-£16,610
Per cent of PRS HB total				
5	A	0.9%	-1.1%	-0.2%
5	B	0.5%	-0.7%	-0.2%
4	A	0.9%	-1.1%	-0.2%
4	B	1.3%	-1.6%	-0.3%
3	A	1.7%	-2.2%	-0.4%
Annualised		£m	£m	£m
5	A	£1.669	-£2.075	-£0.407
5	B	£0.973	-£1.288	-£0.314
4	A	£1.796	-£2.208	-£0.412
4	B	£2.517	-£3.170	-£0.653
3	A	£3.344	-£4.208	-£0.864

Table 6.3 also shows the predicted expenditure changes on an annualised basis. Among those predicted to experience a reduction in their Housing Benefit amount, the total annualised loss ranges from -£1.3 million under variant 5.B to -£4.2 million under variant 3.A. In the event that the exiting BRMAs were reclassified according to one of the variants summarised in Table 6.3, it would seem appropriate for the Executive to consider how to manage the transition from the current configuration of eight BRMAs so as to minimise the impact on those predicted to experience a reduction in their Housing Benefit amount.

6.3 Tenants and Landlords

The predicted direct effects on claimants' HB amounts are shown by the distributions of gains and losses illustrated for each of the variant reclassification scenarios in Figures 6.1 to 6.5. The final impacts on claimants depend on whether and to what extent predicted HB gains and, more particularly, losses are distributed between tenants and landlord.

In each of the five variant reclassifications, some claimants' HB amounts would be reduced while others would see an increase. Where the HB amount is reduced, the shortfall or gap between the claimant's HB amount and their contract rent would rise.

Conversely, where the HB amount increases, the shortfall would contract, i.e., a smaller gap between the claimant's HB amount and their contract rent. In that situation, there is a risk that the HB increase could push the claimant's total benefit income over the Benefit Cap. The Benefit Cap sets a limit on the total amount of benefit that people aged 16-64 can receive. The Cap is currently set at £384.62 a week for working-age couples and single parents and £257.69 a week for single adults (DfC, 2018b). That risk would seem very low. As at July 2018, the number breaching the Cap by up to £10 was 310, representing approximately 0.2 per cent of all working-age claimants in receipt of Housing Benefit.

The more important question is the incidence of any change in HB amounts, i.e., whether the change is borne by the landlord, the tenant or shared between landlords and tenants.

Where a claimant's HB amount is increased, so that the shortfall narrows, if the reduction in the shortfall accrues entirely to the claimant, their disposable income net of housing costs would increase. The additional income could be spent on consumption goods. Alternatively, the claimant might seek to maintain their level of housing expenditure and spend the additional income on improved accommodation. Though, as the predicted amounts gained in each of the variants are mainly less than £5 per week, the possibility that claimants in that position would seek alternative rental accommodation might be viewed as more theoretical than real.

It is also plausible that, in some cases, an increase in the claimant's HB amount would accrue to the landlord, either in whole or in part. For example, where a tenant is in arrears, any additional HB amounts might be applied to reducing the arrears.

In any event, it would seem highly unlikely that an increase in a claimant's HB amount would threaten the viability of the tenancy. The same could not be said for those cases where claimants' HB amounts are predicted to fall, thereby increasing the shortfall.

Where a claimant's HB amount is reduced, there are three possibilities, which are summarised in Box D (Brewer, 2014):

- The contract rent stays the same and the claimant must fund the increased shortfall if they wish to remain at the same accommodation. The incidence is entirely on the tenant.

- The contract rent stays the same, but the tenant decides to look for cheaper accommodation that can be sustained with the same level of housing expenditure. The incidence again falls on the tenant, albeit the landlord might also experience some temporary loss due to costs associated with finding a replacement tenant.

- The landlord reduces the rent to absorb the increase in the shortfall. In that instance, the incidence is on the landlord.

Box D Reduction in HB amount: Incidence and impact

Impact	Incidence
Claimants face a larger shortfall between rent and HB amount	Tenants Reduction in consumption of other goods
Claimants spend less on rent by seeking to move to cheaper accommodation	Tenants: Reduction in housing consumption. Moving costs Homelessness risk Landlords - void costs
Landlords reduce rents/absorb increase in shortfall	Landlords

Source: Adapted from Brewer, 2014.

The potential impacts of a reduction in LHA rates were discussed with the private rented sector in the consultations for this review. In particular, how landlords might respond to an increase in the shortfall between the contract rent and the amount paid by Housing Benefit, in the event that the tenant lacks the ability to pay the increase in the shortfall. Briefly, how landlords might respond was viewed as difficult to predict and dependent on a range of factors, including especially the amount by which the shortfall increased, the attitude of the landlord and the size of the landlord's portfolio.

There was a view that a modest increase in the rent shortfall (say, £5-£10 per week) might be manageable. Mainly, that reflects the fact that there are costs associated with terminating a tenancy and re-letting the property, including:

- The rent foregone during the void period. For example, if the property rents for £450 per month and the void period lasted that long, it would take the landlord 18 months to recoup a £25 per month shortfall increase.

- The property may need re-decoration and cleaning before re-letting.

- Fees for re-advertising the letting.

- The opportunity cost of the landlord's time required to organise the re-letting.

The attitude of the landlord (and letting agent) would also seem relevant. Especially where the landlord or letting agent deals directly with the tenant the attitude towards HB tenants would appear favourable. HB tenancies tend to be stable and the reliability of the HB payment is seen as a positive factor (albeit, there is some uncertainty, and concern, about how Universal Credit will work in terms of the efficiency of receipt of HB payments and also the separation of rates payments).

Conversely, it was felt that some landlords would take the view that, if the rent is not being paid in full, the tenancy is no longer viable. In that situation, there was a general assessment across the private rented sector that, as demand is currently robust a landlord would have no great difficulty in re-letting a property in the event that the tenancy was terminated.

It is, therefore, difficult to predict the incidence of reductions in HB amounts. There is qualitative research evidence to indicate that a proportion of landlords already absorb shortfalls. For example, in a study of the effects of the 2011 LHA reforms in selected case study areas within Northern Ireland (Belfast and Armagh) Beatty *et al* (2014a) found that: "Several landlords reported that they made *de facto* rent reductions because they did not collect shortfalls from their tenants, especially 'good' tenants". A similar qualitative study of the 2011 LHA reforms in Great Britain suggested that some landlords agreed to accept a lower rent payment from their tenants without any formal contractual change, in response to the post-reform reductions in HB amounts (Beatty *et al*, 2014b).

The Beatty *et al* study of the LHA reforms in Northern Ireland also concluded that, overall, the 2011 reform measures had a "fairly muted" effect, with "no evidence of any large scale tenant displacement", albeit the authors did note a rise in tenants' concern regarding pressures on household budgets and capacity to afford shortfalls between HB and rent payments.

Though limited, the quantitative evidence would nonetheless suggest that the incidence of HB reductions falls mostly on tenants. In an econometric study of the impacts of the LHA reforms, Brewer (2014) estimated that 89 per cent of the incidence of reduced LHA entitlements due to the 2011 reforms fell on tenants, i.e., no change in their contract rents to offset reduced HB amounts. Landlords were estimated to have absorbed the remaining11 per cent, through reductions in contract rents.

Brewer's findings are unlikely to be wholly transferable to the present context. First, the 2011 LHA reforms were wide-ranging in nature. For example, one of the reforms entailed the elimination of the claimant's right to retain up to £15 of any excess of the HB amount over the contract rent. Due to its nature, that reform would tend to skew the incidence of reduced HB amounts towards the tenant.

Second, Brewer's findings were based on contract rent amounts recorded on a time series of downloads of the SHBE. As noted previously, there is qualitative evidence to suggest that some landlords accepted lower rent payments from tenants without altering the contractual rent amount. Such responses would not be manifest in the SHBE data, thereby skewing findings of incidence towards the tenant rather than the landlord.

Third, the variant reclassifications discussed in this Section were specifically selected to minimise effects on the number of claimants experiencing HB losses in excess of £5. For that reason, predicted reductions in HB amounts are clustered at amounts below £5 (Figures 6.1 to 6.5).

Nonetheless, Brewer's estimate of an 89:11 split in the incidence of reduced LHA entitlement would suggest that it is prudent to assume the potential impacts of reduced HB amounts due to reclassification of BRMAs would fall more on tenants than on landlords. Furthermore, it is also prudent to anticipate that some fraction of those claimants predicted to see a reduction of £5 or more in their HB might face a threat to the viability of their tenancy, in the event that an increased shortfall is beyond their financial capability.

In that regard, it can be noted that the incidence of low income and risk of poverty is well above average among households in the private rented sector in receipt of Housing Benefit. According to the Family Resources Survey, an estimated 56 per cent of such households have an income that is below 60 per cent of median UK household income, compared to fewer than one in five of all households (Table 6.5). Reflecting that poverty risk, households in the private rented sector in receipt of HB are more likely to say that their housing costs are "a heavy financial burden"; 53 per cent compared to one in four across all households (Table 6.6). The risk of poverty and the financial burden of housing costs are part of the context for considering the management of impacts on claimants that may arise in the event that BRMAs were to be reclassified.

Table 6.5 Poverty risk – Households below 60 per cent of median income

	%
Owned outright	13
Owned with mortgage	9
Social rented	
Not on Housing Benefit	35
Receives Housing Benefit	41
Private rented	
Not on Housing Benefit	27
Receives Housing Benefit	56
Rent free/other	18
All	**19**

Source: FRS, pooled data 2014/15 to 2016/17

Table 6.6 Financial burden of housing costs – Self-reported

	A heavy burden %	A slight burden %	Not a burden %
Owned outright	15	44	41
Owned with mortgage	27	51	23
Social rented			
Not on Housing Benefit	37	51	12
Receives Housing Benefit	42	41	17
Private rented			
Not on Housing Benefit	23	52	25
Receives Housing Benefit	53	37	10
Rent free/other	16	43	40
All	**25**	**47**	**29**

Source: FRS, pooled data 2014/15 to 2016/17

6.4 Key Points Summary

This Section has discussed the potential impacts of five scenarios for a reduced set of BRMAs brought forward from the options assessment in Section 5 as being least disruptive within reductions to five, four and three groupings respectively. The five variant BRMAs result in predicted net expenditure effects of -0.2 to -0.4 per cent relative to the current (2018) baseline. That is because the overall net expenditure effect of each of the variant reclassifications has been modelled as cost-neutral.

However, within each variant, there is a subset of claimants predicted to gain from the reclassification, through increased HB amounts, and a subset predicted to lose through a reduction in their HB amounts. Across the five variants, the predicted average weekly amount lost ranges from -£1.42 to -£3.11. The predicted average weekly gains range from +£2.06 to +£3.90. Among those predicted to experience a reduction in their Housing Benefit amount, the total annualised loss ranges from -£1.3 million in a five BRMA variant to -£4.2 million in the three-BRMA variant.

The predicted average HB amounts gained and lost represent direct or first round effects of alternative reclassifications of BRMAs. The final impacts on claimants depend on whether and to what extent predicted HB gains and, more particularly, losses are distributed between tenants and landlord.

Reflecting the risk to the viability of the tenancy, reductions in HB amounts are a particular concern. That concern is reinforced by the above-average risk of income poverty among private rented sector tenants in receipt of HB.

Where a claimant's HB amount is reduced, the incidence may fall on the tenant (who has to fund an increased shortfall), the landlord (if a reduced rent is accepted) or both (if the increase in the shortfall is shared between landlord and tenant).

It is difficult to predict the incidence of reduced HB amounts. The conclusion drawn is that it is prudent to assume the potential impacts of reduced HB amounts due to reclassification of BRMAs would fall more on tenants than on landlords. Furthermore, it is also prudent to anticipate that some fraction of those claimants predicted to see a reduction of £5 or more in their HB might face a threat to the viability of their tenancy, in the event that an increased shortfall is beyond their financial capability. Where the viability of the tenancy is affected, that is likely to pose an increased risk of homelessness among those affected.

In the event that the existing BRMAs were reclassified to reduce the number of BRMAs, it would seem appropriate for the Executive to consider how to manage the transition from the current configuration of eight BRMAs so as to minimise the impact on those predicted to experience a reduction in their Housing Benefit amount.

7 Equality Impacts

7.1 Introduction

This Section examines the potential impacts of reclassifying BRMAs on groups within the population and variations by geographical area.

The discussion of potential impacts across different groups within the population is framed within the context of the section 75 equality categories. From the SHBE, information is directly available on age, gender and dependants. Whether the claimant has a partner or not has been used as a proxy for marital status. For both disability and community background, as direct information was not available on the SHBE download, the potential effects have been estimated by imputation from secondary data sources. It has not been possible to estimate effects across the remaining section 75 categories, i.e., ethnic group, sexual orientation and political belief.

The classifications discussed in this Section are the same five variants analysed in Section 6. For convenience, the reference key is reproduced in Table 7.1.

Table 7.1 Do minimum scenarios for the impact assessment: Ranked least disruptive by number of BRMAs - Reference key

Ref.	Variant:				
5.A	BE	NW	NO + LNU + SW	LNL + SO	SE
5.B	BE	NW	NO + LNU	LNL + SO + SW	SE
4.A	BE	NW	SE	SO + LNL + LNU + SW + NO	
4.B	BE	SE	NO + NW	LNL + LNU + SW + SO	
3.A	BE + SE	NW + LNU + NO		SO + LNL + SW	

The Section commences with a review of the predicted effects by LHA size category and BRMA. Those are the main 'channels' through which contrasts in the effects of any reclassification are transmitted. The LHA size category entitlements are determined by family composition, number of dependants and age. It would therefore be expected that variations in the effects by size category would affect the profile across groups in the population. Similarly, contrasting effects across BRMAs would be reflected in the geographical patterns of predicted effects.

7.2 Effects by Size Category and BRMA

While the overall net expenditure effects of each variant were modelled on a cost-neutral basis, the disaggregated effects vary by size category and BRMA.

Across each variant, claimants entitled to the shared accommodation rate would suffer a reduction in net weekly expenditure compared to the baseline for that category (Table 7.2). Mainly, that effect arises when the North BRMA is combined with other BRMAs, such as Lough Neagh Upper in variant 5.B. That is for the reason discussed in the assessment of reclassification options in Section 5, where it was noted that the 30th percentile rent for shared accommodation in the North BRMA is considerably lower than in other BRMAs, which has the effect of pulling LHA rates down to the 30th percentile cap imposed in reclassified groupings that include the North.

Table 7.2 Net expenditure effects: Per cent difference from baseline

	Scenario:				
	5.A	5.B	4.A	4.B	3.A
	%	%	%	%	%
Size category					
Shared	-3.4	-2.6	-3.4	-5.4	-7.3
One bedroom	0.0	0.0	0.0	0.0	0.0
Two bedrooms	0.0	0.0	0.0	0.0	0.0
Three bedrooms	0.0	0.0	0.0	0.0	0.0
Four bedrooms	0.0	0.0	0.0	0.0	0.0
BRMA					
Belfast	0.0	0.0	0.0	0.0	-1.4
Lough Neagh Upper	-4.2	-1.4	-4.6	-4.4	2.1
Lough Neagh Lower	-0.9	-2.8	-0.1	0.0	-2.8
North	-1.3	1.6	-1.9	7.7	5.1
North West	0.0	0.0	0.0	-4.9	-7.1
South	1.0	-0.9	1.7	2.0	-0.9
South East	0.0	0.0	0.0	0.0	1.8
South West	8.2	5.0	7.7	8.0	5.0
All claims	**-0.2**	**-0.2**	**-0.2**	**-0.3**	**-0.4**

The expenditure effects are more variable by BRMA. The predicted geographical patterns reflect two main factors.

First, whether a BRMA is combined with some other BRMA(s). For example, in variants 5.A, 5.B and 4.A, Belfast, the South East and the North West are unchanged. Hence, in those variants, there are zero net expenditure effects in those three BRMAs.

Second, where two or more BRMAs are combined, the relation between their respective current LHA rates shapes the distribution of net expenditure effects. For example, the main ‘gaining’ BRMA across each of the variants is the South West. That reflects the below-average LHA rates that currently prevail in that area (see Table 7.3). Thus, when the South West is combined with some other BRMA(s), the resulting weighted average LHA rate will be higher than the current South West LHA rate.

Table 7.3 LHA rates by BRMA and size category as per cent of NI average (caseload-weighted basis)

	Shared	**1-bed**	**2-bed**	**3-bed**	**4-bed**
	%	%	%	%	%
Belfast	90	115	107	107	112
Lough Neagh Upper	103	96	99	98	96
Lough Neagh Lower	96	92	90	94	98
North	79	95	96	94	89
North West	108	102	104	105	99
South	100	86	93	93	94
South East	111	108	108	108	114
South West	96	82	88	92	88
All claims	**100**	**100**	**100**	**100**	**100**

By contrast, Lough Neagh Upper would see a net reduction in all but one of the variants, i.e., 3.A where it is combined with the North West. In 3.A, Lough Neagh Upper ‘gains’ because the weighted average LHA rate in the resulting reclassified BRMA is above the current Lough Neagh Upper rate, due to the relatively higher LHA rates in the North West. In the other variants, Lough Neagh ‘loses’ because its current LHA rates are mostly higher by comparison with BRMAs such as the North and the South West.

As a general rule, where two or more BRMAs are combined, the relativities in the LHA rates shown in Table 7.3 provide a useful guide to the predicted variations in net expenditure effects across the current BRMAs.

From Table 7.2 it can be seen that the reclassification variants have zero net expenditure effects in the size categories other than shared accommodation. That reflects the 'do minimum' approach to managing disruption effects. However, those zero net expenditure effects in turn reflect the balance between amounts 'lost' by some claimants, where their LHA rates are reduced, and 'gained' by other claimants whose LHA rates increase. The proportions losing any HB amount are shown in Table 7.4 (see Tables C7.1a to C7.5b for the detailed results by BRMA and size category, including also the proportions gaining any HB amount in each of the five variants).

Reflecting the factors shaping net expenditure effects, the geographical patterns tend to be more sharply defined. For example, in variants 5.A to 4.B, Lough Neagh Upper is combined with BRMAs such as the North, South West and South where LHA rates are currently below those applying in Lough Neagh Upper. Thus, in each of those variants, almost all claimants in Lough Neagh Upper lose some HB amounts.

Table 7.4 Per cent of claims losing any HB amount

	Variant:				
	5.A	**5.B**	**4.A**	**4.B**	**3.A**
	%	%	%	%	%
Size category					
Shared	28.0	28.0	33.1	38.9	65.2
One bedroom	31.8	26.0	31.8	40.8	44.7
Two bedrooms	35.2	40.2	35.2	42.9	52.5
Three bedrooms	37.5	42.2	37.5	43.9	51.1
Four bedrooms	32.8	32.8	32.8	43.4	38.4
BRMA					
Belfast	0.0	0.0	0.0	0.0	71.9
Lough Neagh Upper	99.7	99.7	99.7	99.7	7.3
Lough Neagh Lower	60.0	94.7	64.7	60.0	94.7
North	90.5	0.0	90.5	0.0	0.0
North West	0.0	0.0	0.0	99.7	99.7
South	41.5	57.7	41.5	34.2	57.7
South East	0.0	0.0	0.0	0.0	27.5
South West	7.6	7.6	7.6	0.0	7.6
All claims	**33.4**	**33.5**	**33.9**	**41.9**	**49.8**

For those claimants predicted to see a reduction in their LHA rates, the average amounts by which their HB would fall, compared to the current position, are shown in Table 7.5. The following points can be noted.

By size category, the largest reductions are predicted in the shared accommodation rate, ranging from -£7.27 in variant 4.B to £-4.59 in 5.B. Again, that is due to the effect from the distribution of rents in that size category in the North, such that the 30th percentile rent caps the LHA rate in combinations that include the North.

Considering the effects by BRMA, variant 3.A can be viewed as the most disruptive, with reductions in HB amounts occurring in all BRMAs except the North, albeit to varying degrees. With a range from zero to -£2.09, the most muted effects are produced by variant 5.B.

Table 7.5 Average weekly reduction: Base = claims losing HB

	Variant:				
	5.A	**5.B**	**4.A**	**4.B**	**3.A**
Size category					
Shared	-£5.79	-£4.59	-£5.08	-£7.27	-£6.62
One bedroom	-£2.39	-£1.29	-£2.60	-£2.57	-£3.46
Two bedrooms	-£1.79	-£0.97	-£1.96	-£2.40	-£2.05
Three bedrooms	-£1.15	-£0.79	-£1.13	-£1.64	-£1.78
Four bedrooms	-£3.22	-£3.13	-£3.15	-£2.74	-£3.51
BRMA					
Belfast	£0.00	£0.00	£0.00	£0.00	-£2.15
Lough Neagh Upper	-£2.90	-£0.98	-£3.22	-£3.03	-£6.58
Lough Neagh Lower	-£1.84	-£2.09	-£1.35	-£1.42	-£2.09
North	-£1.14	£0.00	-£1.80	£0.00	£0.00
North West	£0.00	£0.00	£0.00	-£3.58	-£5.20
South	-£1.14	-£1.80	-£0.99	-£0.43	-£1.80
South East	£0.00	£0.00	£0.00	£0.00	-£2.36
South West	-£5.95	-£0.17	-£4.02	£0.00	-£0.17
All claims	**-£2.29**	**-£1.42**	**-£2.40**	**-£2.78**	**-£3.11**
Base	*17,470*	*17,500*	*17,720*	*21,890*	*26,010*

A final point to note is that, within each variant, there is a degree of variability in the average amounts by which HB is predicted to fall. While the variants have been selected to minimise the incidence of claimants losing £5 or more, it is still useful to illustrate the numbers of claimants predicted to lose that amount by size category and BRMA.

As expected from the discussion around net expenditure effects, the number of claimants predicted to lose £5 or more is highest in the shared accommodation category across each variant, notably in 3.A (Table 7.6). Some claimants in the four bedroom category are also predicted to see a £5+ decrease in variants 5.B through 3.A. In each of those variants, that is because Lough Neagh Lower is combined with BRMAs such as the South and the South West where the four-bedroom rate is below that in Lough Neagh Lower (see Table 7.3).

Table 7.6 Claimants losing £5+: Number

	Variant:				
	5.A	**5.B**	**4.A**	**4.B**	**3.A**
Size category					
Shared	990	676	676	1,220	2,486
One bedroom	0	0	0	0	0
Two bedrooms	0	0	0	0	0
Three bedrooms	0	0	0	0	0
Four bedrooms	0	348	348	348	348
BRMA					
Belfast	0	0	0	0	0
Lough Neagh Upper	676	676	676	0	676
Lough Neagh Lower	0	348	348	348	348
North	0	0	0	0	0
North West	0	0	0	1,220	1,220
South	0	0	0	0	0
South East	0	0	0	0	590
South West	314	0	0	0	0
All claims	**990**	**1,024**	**1,024**	**1,568**	**2,834**

7.3 Geography

The predicted geographical effects of the five variants reflect the BRMA contrasts discussed above. The BRMAs that are predicted to see net expenditure gains in most variants are the South West and the South. These are also the two most rural BRMAs (see Table 3.2). As a result, the net expenditure effects are positive across Northern Ireland's rural areas in each variant (Table 7.7). Further, in other BRMAs, the claimant population is more heavily concentrated in urban rather than rural areas. For example, in Lough Neagh Upper, two in three claimants (67 per cent) live in urban areas compared with 56 per cent of that BRMA's population (see Table C7.6 in Appendix C).

Table 7.7 Net expenditure effects by type of area and Local Government District (per cent difference from baseline)

	Variant:				
	5.A	**5.B**	**4.A**	**4.B**	**3.A**
	%	%	%	%	%
All claimants	**-0.2**	**-0.2**	**-0.2**	**-0.3**	**-0.4**
Type of area					
Urban	-0.5	-0.3	-0.5	-0.7	-0.8
Rural	0.6	0.2	0.6	0.6	0.5
Mixed urban/rural	-0.6	-0.7	-0.5	-0.4	-0.5
Local Government District					
Antrim and Newtownabbey	-4.2	-1.4	-4.7	-4.4	2.1
Armagh City, Banbridge and Craigavon	-0.3	-2.2	0.4	0.6	-2.2
Belfast	-0.1	-0.1	-0.1	-0.1	-1.2
Causeway Coast and Glens	-1.0	0.9	-1.4	3.1	1.2
Derry City and Strabane	0.5	0.3	0.5	-4.2	-6.4
Fermanagh and Omagh	8.1	5.0	7.7	8.0	5.0
Lisburn and Castlereagh	-0.2	-0.3	-0.2	-0.1	0.5
Mid and East Antrim	-4.3	-1.5	-4.7	-4.4	2.1
Mid Ulster	-2.3	-1.5	-2.2	-2.1	0.5
Newry, Mourne and Down	0.5	-0.5	0.9	1.0	0.4
Ards and North Down	0.0	0.0	0.0	0.0	1.9

The predicted net expenditure effects by Local Government District (LGD) are also shaped by the contrasting BRMA effects, which can be gauged from the distribution of each LGD's population by BRMA as shown in Table C7.7 in Appendix C. For example, the Fermanagh and Omagh LGD is entirely contained within the South West BRMA. Consequently, the predicted net expenditure effects on that LGD are positive in each of the five variants.

The effects on the remaining LGDs are similarly influenced by their distribution across the BRMAs and resultant exposure to reclassification effects. Antrim and Newtownabbey and Mid and East Antrim are both entirely located within the Lough Neagh Upper BRMA. Thus, their predicted net expenditure effects track the predictions for that BRMA.

Derry City and Strabane is almost wholly located within the North West BRMA (91 per cent). The remaining nine per cent lies within the South West. In variants 5.A, 5.B and 4.A, the North West BRMA is not combined with any other BRMA, so Derry City and Strabane gains very slightly from its South West portion. In variants 4.B and 3.A, the North West BRMA is combined with one or more other BRMAs and the resulting expenditure loss in the North West is reflected in the predicted effects for Derry City and Strabane.

Similarly, the Belfast LGD is almost all contained within the Belfast BRMA (90 per cent) with a further eight per cent in the South East. The remaining two per cent is in the Lough Neagh Upper BRMA, hence the very slight expenditure effects in variants 5.A to 4.B. It is only in variant 3.A, when Belfast is combined with the South East, that a noticeable expenditure effect is predicted for the LGD.

In the three variants 5.A, 5.B and 4.A, the Belfast and North West BRMAs are not combined with any other BRMAs. That serves to insulate those BRMAs from the expenditure effects of a reclassification. Belfast and the North West are also the BRMAs where areas of deprivation are most heavily concentrated, reflecting the influence, respectively, of the Belfast and Derry City and Strabane LGDs. For that reason, the net expenditure effects in variants 5.A, 5.B and 4.A do not vary greatly by deciles of deprivation (measured by NISRA's Multiple Deprivation Measure). Indeed, in those three variants, the most deprived areas typically see negligible net expenditure effects (Table 7.8).

However, when Belfast and the North West are both combined with other BRMAs in variant 3.A, their predicted negative expenditure effects are reflected in more pronounced effects in the most deprived areas. In variant 3.A, the net expenditure effect is -2.1 per cent in the 10 per cent most deprived areas, a larger negative effect than in any other decile of deprivation across each of the five variants.

Table 7.8 Net expenditure effects by deciles of deprivation (per cent difference from baseline)

	Variant:				
	5.A	**5.B**	**4.A**	**4.B**	**3.A**
	%	%	%	%	%
All claimants	**-0.2**	**-0.2**	**-0.2**	**-0.3**	**-0.4**
Deciles of deprivation					
Most deprived 10%	0.1	-0.1	0.1	-0.8	-2.1
Second decile	-0.1	-0.2	0.0	-0.5	-1.1
Third decile	0.1	-0.1	0.1	-0.1	-0.3
Fourth decile	0.0	0.0	-0.1	0.0	0.1
Fifth decile	-0.3	-0.3	-0.3	-0.3	-0.3
Sixth decile	-0.2	-0.1	-0.3	0.1	0.5
Seventh decile	-0.3	-0.2	-0.3	-0.2	0.2
Eighth decile	-0.9	-0.4	-0.9	-0.4	0.5
Ninth decile	-1.2	-0.6	-1.3	-1.0	0.7
Least deprived 10%	-0.9	-0.4	-1.0	-0.6	0.3

Detailed geographical results for two other indicators can be found in the Appendix Tables, i.e., the proportion of claimants losing any HB amount (Table C7.8) and the average amounts by which HB is reduced among those claimants predicted to experience a fall in their LHA rate due to reclassification (Table C7.9).

The geographical patterns in both of those indicators broadly follow the predicted net expenditure effects in relation to the urban-rural classification, LGDs and the deprivation measures.

7.4 Section 75

The detailed results for the section 75 groups for which data are available are presented in Appendix C, as follows:

- Net expenditure effects – Table C7.10.
- Per cent of claimants losing any HB amount – Table C7.11.
- Average amount of HB reduction – Table C7.12.

On the net expenditure indicator, predicted negative effects by size category fall entirely on claimants with shared accommodation entitlement. That clearly points to a differential effect by age group from reclassification of the current BRMAs to a reduced set. A single claimant aged under-35 with no dependants is usually entitled only to the shared accommodation rate. Those aged under-35 account for 72 per cent of all claimants with shared accommodation entitlement (Table 7.9).

Table 7.9 Age groups by LHA size categories

	Size category:					All claims
	Shared	**1**	**2**	**3**	**4**	
	%	%	%	%	%	%
16-24	21	2	14	2	0	8
25-34	51	7	44	35	13	27
35-44	12	18	20	40	56	23
45-54	8	27	13	19	26	19
55-64	6	23	5	4	4	12
65-74	2	16	2	1	1	7
75+	0	7	1	0	0	3
All	**100**	**100**	**100**	**100**	**100**	**100**

Source: Single Housing Benefit Extract, March 2018.

That compositional effect is clearly evident in the predicted effects by age group. In variants 5.A, 5.B and 4.A, claimants aged 16-24 are predicted to experience a net expenditure reduction in the range -0.6 to -0.8 per cent (Table 7.10). The predicted effects are more pronounced in the more disruptive variants 4.B and 3.A, when Belfast and the South East are included in one or other reclassified BRMA.

Table 7.10 Predicted effects by age group

	Variant:				
	5.A	5.B	4.A	4.B	3.A
	%	%	%	%	%
Net expenditure effects (% difference from baseline)					
16-24	-0.8	-0.6	-0.8	-1.0	-1.4
25-34	-0.4	-0.3	-0.4	-0.7	-1.0
35-44	0.0	0.0	0.0	-0.2	-0.3
45-54	0.0	0.0	-0.1	-0.1	-0.2
55-64	-0.1	-0.1	-0.1	-0.1	-0.2
65-74	-0.2	-0.1	-0.2	0.1	0.5
75+	-0.2	-0.1	-0.2	0.0	0.8
Claims losing any amount (% of claims)					
16-24	34.4	36.5	35.6	42.0	57.1
25-34	32.6	35.5	33.5	41.7	54.6
35-44	32.4	33.5	32.6	42.0	49.6
45-54	33.2	32.2	33.4	42.1	48.1
55-64	32.8	29.7	33.0	41.0	46.9
65-74	37.6	31.8	37.8	42.0	39.2
75+	40.1	34.5	40.1	44.1	36.4
Average reduction (£s)					
16-24	-£2.80	-£1.79	-£2.84	-£3.49	-£3.47
25-34	-£2.34	-£1.48	-£2.42	-£3.10	-£3.10
35-44	-£2.05	-£1.32	-£2.12	-£2.52	-£2.84
45-54	-£2.18	-£1.32	-£2.32	-£2.52	-£3.05
55-64	-£2.36	-£1.40	-£2.51	-£2.68	-£3.31
65-74	-£2.38	-£1.35	-£2.57	-£2.65	-£3.39
75+	-£2.35	-£1.25	-£2.55	-£2.69	-£3.38

Reflecting their wider dispersal across the size categories, the effects for those aged 25-34 are less pronounced, albeit above-average across each of the five variants.

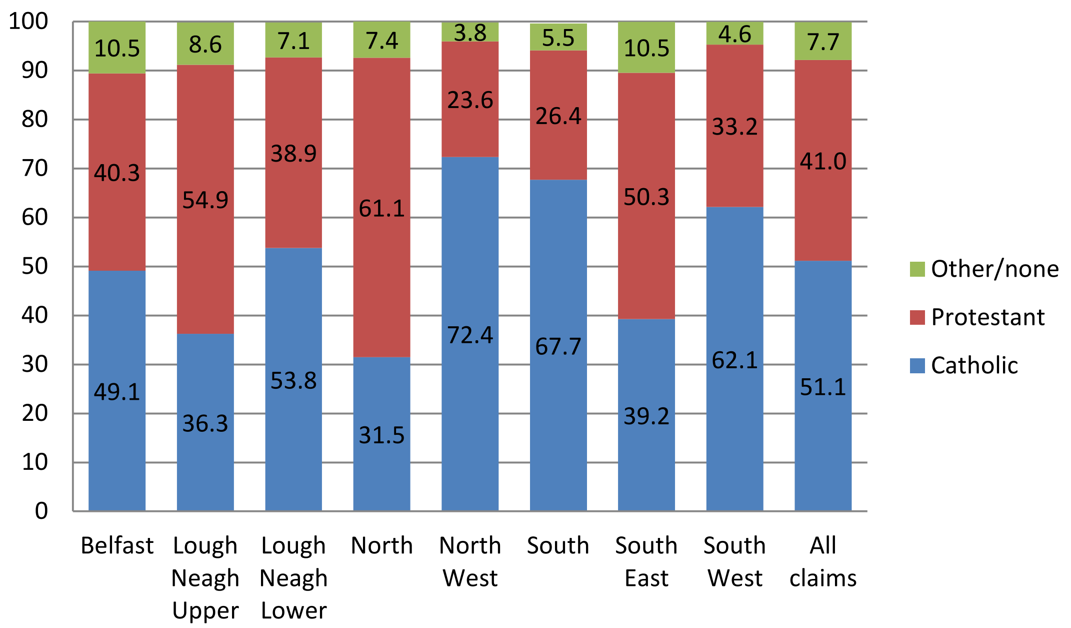
Apart from variant 3.A, claimants in the 16-34 age groups are only slightly more likely than other age groups to suffer a reduction in their HB amount (Table 7.10). However, where that happens, the predicted amount by which their HB is reduced tends to be above average. For example, in variant 5.A, a little over one in three (34 per cent) of those aged 16-24 are predicted to see their HB amount reduced as a consequence of reclassification, about in line with the proportions for other age groups. However, their predicted average reduction is -£2.80, which is higher than for any other age group.

The age effect is apparent across a number of the other section 75 categories. In particular, those who are single with no dependants are predicted to experience larger net reductions compared to couples and claimants with dependants (see Table C7.10).

However, it should be noted that there are no predicted differential effects by disability status (see Tables C7.10 to C7.12).

As discussed previously, the variant reclassifications have strongly marked geographical effects. The community background composition of the population also varies spatially, as shown in Figure 7.1 for the current BRMAs.

Figure 7.1 Community background by BRMA



The geographical contrasts by community background are also manifest in the predicted variations in reclassification effects. In variants 5.A and 4.A, the largest negative net expenditure effects are in Lough Neagh Upper and the North BRMAs, both of which are majority Protestant. In those variants, the majority Catholic South West is predicted to see a positive net effect.

Reflecting those contrasts in community composition, in variants 5.A and 4.A, the predicted net expenditure effect is positive for claimants from the Catholic community and negative for claimants from the Protestant community (Table 7.10).

Table 7.11 Predicted effects by community background

	Variant:				
	5.A	**5.B**	**4.A**	**4.B**	**3.A**
	%	%	%	%	%
Net expenditure effects (% difference from baseline)					
Catholic	0.2	-0.1	0.2	-0.4	-1.1
Protestant	-0.6	-0.2	-0.7	-0.2	0.3
Other/none	-0.5	-0.3	-0.6	-0.4	0.0
Claims losing any amount (% of claims)					
Catholic	28.2	30.9	28.7	44.3	56.5
Protestant	39.9	36.8	40.3	40.1	42.0
Other/none	33.5	33.0	33.9	35.1	46.3
Average reduction (£s)					
Catholic	-£2.21	-£1.52	-£2.22	-£2.83	-£3.30
Protestant	-£2.34	-£1.31	-£2.53	-£2.74	-£2.85
Other/none	-£2.36	-£1.38	-£2.52	-£2.74	-£2.78

Conversely, in variants 4.B and 3.A the largest negative net expenditure effects are predicted for the majority Catholic North West. In those variants, and especially 3.A, the predicted net expenditure effects bear more heavily on the Catholic community.

However, in variant 5.B, there is little difference in the net expenditure effect by community background.

7.5 Key Points Summary

A reduced set of BRMAs would have differential effects both on groups within the population and geographically. The predicted effects by LHA size category and across the current set of BRMAs represent the main ‘channels’ through which contrasts in the effects of any reclassification would be transmitted.

The LHA size category entitlements are determined by family composition, number of dependants and age. As measured by the net expenditure effects in the reclassification variants presented in this Section, the main predicted effect would be a reduction in shared accommodation rates in reconfigured BRMAs.

For that reason, differential effects by age group would be predicted from a reclassification of the current BRMAs to a reduced set. Reflecting the assessment criteria, those aged under-35 account for 72 per cent of all claimants with shared accommodation entitlement. Consequently, those aged 16-34 would be predicted to see the largest reduction on the net expenditure indicator.

Reflecting the correlation with age, and the shared accommodation rate entitlement criteria, those who are single with no dependants are also predicted to experience larger net reductions compared to couples and claimants with dependants.

However, differential effects were not observed in relation to disability status.

As LHA rates differ to varying degrees across the current set of BRMAs, predicted geographical patterns would also vary, depending on the combinations of BRMAs used to specify a variant.

In variants where Belfast, the South East and the North West are retained in their current form, the geographical effects from a reclassification would be confined to the remaining five current BRMAs. The South West would gain, as its current LHA rates are below the rates prevailing in neighbouring BRMAs. Conversely, net expenditure would fall in the current Lough Neagh Upper and, to a lesser extent, Lough Neagh Lower BRMAs. Those disparities would in turn be reflected in a distinct pattern in geographical effects across the Local Government Districts which are contained within those BRMAs.

Scenarios in which Belfast and/or the North West are combined with one or more neighbouring BRMAs would see net expenditure reductions in both of those regions, which tend to have higher LHA rates compared to adjacent BRMAs. In those variants, the more deprived areas would see larger negative net expenditure effects.

As the composition of the population by community background varies across the BRMAs, net expenditure effects would also be predicted to vary by community background, depending on the specific combinations of BRMAs.

8 Conclusions

The current set of eight BRMAs was defined following the making of the 2008 Regulations which introduced the LHA arrangements. The eight BRMAs form the geographical framework for the maximum LHA rates payable to Housing Benefit claimants in the private rented sector, depending on their property size entitlement. That framework encompasses 40 different LHA rates.

In the period since 2008, the LHA arrangements have undergone considerable change, driven both by welfare reform and the Government's drive to control and reduce expenditure on benefits. In particular, the 40 LHA rates have been frozen since 2016, at their protected 2015 LHA rates. The rates are still uprated annually and may be increased by up to three per cent, depending on the available TAF resources.

However, the BRMA geography has not been reviewed since their introduction following the 2008 Regulations. Over that period, the private rented sector has grown substantially. New data sources have become available, both the 2011 Census of Population results and travel time data which were not available when the current BRMAs were defined.

Most importantly, the legislative definition of a BRMA has been amended through Regulations introduced in 2009. Similar to the 2008 Regulations, the amended definition defines a BRMA in terms of access to defined facilities and services. The amended definition differs in the introduction of a new criterion which requires that BRMAs should contain "sufficient privately rented premises" so as to ensure that the Executive can compile a list of rents that is "representative of the rents that a landlord might reasonably be expected to obtain in that [BRMA]".

There is, therefore, a rationale for reviewing the current set of BRMAs. That said, in the consultations undertaken for this review, there were few firmly expressed views that change is needed. On the contrary, consultees were more likely to be wary of the potential for disruption that would ensue if the current map was to be re-drawn.

Furthermore, when the current BRMA map is re-assessed with reference to new and updated data sources, it can be concluded that the access and diversity criteria would still seem to be satisfied. There is no obvious deficiency with regard to either of those criteria.

Nonetheless, the eight BRMAs vary widely in terms of their size and, as a result, the sufficiency criterion would seem challenging. With eight BRMAs and five LHA size categories, the Executive is required to compile 40 lists of rents to estimate the 30th percentile rents that feed into the LHA assessment process.

As the 30th percentile rents serve as caps or upper limits on their corresponding LHA rates, it would seem fair to Housing Benefit claimants that the Executive should seek to ensure that the underpinning lists of rents are robust.

One way of managing the sufficiency risk is to reduce the number of BRMAs, thereby facilitating the collation of larger lists to facilitate estimation of the 30th percentile rents. A reduced number of BRMAs would also mean that fewer lists of rents would need to be compiled for the annual LHA uprating exercise, offering the potential for a reduction in the time (and cost) currently devoted to compiling 40 lists of rents.

The main risk to be managed in considering options for revising the current BMRAs is the disruption that would cause to current LHA rates. If two current BRMAs were to be combined into one larger BRMA, LHA rates would need to be revised, leading to reduced HB amounts for some claimants and increases for others..

Nonetheless, it is possible to identify scenarios in which BRMAs can be combined and reclassified to yield sufficiency gains and which contain the disruption effects to modest proportions. Each of those scenarios has been modelled on a cost-neutral basis, to realistically reflect the current constrained fiscal environment.

The scenarios that are least disruptive are those which are designed around making the minimum change to the existing BRMA geography. In general, reclassifications to four or five BRMAs that leave Belfast, the South East and the North West intact are also the least disruptive when measured in terms of the total numbers of claimants gaining and losing. That reflects the fact that, in those three areas, LHA rates tend to be above the average in each size category.

However, it is impossible to avoid disruption effects altogether. The variants examined in detail in this review were selected specifically to minimise disruption, by keeping the proportion of claimants losing £5 or more to five per cent or less. Even with that approach, the proportion of claimants predicted to see a reduction in their HB amount ranges from one in three to one in two, albeit the amounts are mostly less than £5.

In a cost-neutral approach, there would also be a subset of claimants seeing an increase in their HB amounts. But the gains and losses in a reclassified set of BRMAs are not offsetting. In particular, claimants seeing a reduction in their HB amounts would thereby experience an increase in the shortfall between their HB amount and their contract rent.

While the potential impacts on tenants and landlords cannot be predicted, the conclusion drawn in this review is that it is prudent to assume the incidence of a reduced HB amount will mainly fall on tenants. That is, HB claimants would have to fund any increase in their HB shortfall from their own resources.

To that extent, it should be noted that HB claimants in the private rented sector have an above average risk of income poverty. Reflecting that risk, they are also more likely than other tenure groups to say that their housing costs pose a heavy financial burden. For some claimants, there may therefore be a risk that the tenancy becomes unsustainable if an increased shortfall cannot be funded. In such cases, there would be some risk of homelessness.

Therefore, in the event that the current BRMAs were reclassified to a smaller set, it would seem appropriate that the transition should be managed so as to minimise the impact on those predicted to experience a reduction in their Housing Benefit amount.

A further point to note is that the disruption effects emanating from a revised set of BRMAs would have differential effects on some of the section 75 groups and also geographically. For example, compared to other groups, net expenditure would be predicted to fall more for young adults aged under-34 and with no dependants.

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44-46 Elmwood Avenue • Belfast • BT9 6AZ • Northern Ireland

Tel: 028 9066 4454 • Mobile: 07766052433

email: info@ere-research-evaluation.co.uk