A REVIEW OF THE AFFORDABILITY OF SOCIAL RENTS IN NORTHERN IRELAND

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1. INTRODUCTION

Scope and purpose of this report

1.1 One component of the Social Housing Reform Programme (SHRP) is to review options for a new social housing rent policy that would deliver more transparent and equitable rents for social tenants and at the same time sustain the financial viability of social landlords. Against this backdrop, the Department for Communities and the Northern Ireland Housing Executive (NIHE) commissioned this study to explore the potential impact that a gradual but significant increase in rents will have on NIHE tenants. Of particular interest are the potential impacts on households not primarily reliant on Housing Benefit to pay their rent, including those in which the tenant or partner are in work.

1.2 The main objectives of the study were to:

- Review the literature on the concept and measurement of housing affordability and set out the most appropriate measures of affordability to be used in this study.
- Explore whether future rent increases to bring NIHE rents into closer alignment with housing association rents would remain broadly affordable for tenants.
- Identify the groups of households within the NIHE tenant base at most risk of finding their rents less affordable in the period to 2019-20 inclusive.
- Examine the affordability difficulties tenants may encounter as a result of any future real increase in NIHE rents at the same time as welfare reforms are implemented and how they might respond.
- Identify issues associated with rent harmonisation and actions that may help to manage any negative impacts of rising rents, drawing on experience from across the UK.

1.3 At the outset, it is important to stress that this paper does not set out policy options or proposals for any future social rent policy for Northern Ireland.

Research approach

1.4 The research involved a focused literature review and semi-structured interviews with policy makers and practitioners in Northern Ireland and elsewhere in the UK. Those interviewed included Government bodies, social landlords, housing bodies, tenant representative bodies and housing advice agencies. Both the literature review and discussions focused on the interpretation of affordability in the context of social rent policies and rent setting arrangements, and the ways in which social landlords and tenants have coped with and responded to the process of rent convergence and welfare reform. Documents we consulted are listed in Appendix 1.

1.5 A major research strand was a simulation exercise that employed Wilcox's affordability ready reckoner to explore the inter-relationship between projected rents and tenant incomes, taking into account the changes in the welfare benefit system, and their resulting affordability implications. A number of modules were developed for working age households. The first module was calibrated to simulate implementation of Universal Credit in Northern Ireland for a number of generic household types. This module was then modified to allow for possible Universal Credit mitigations that the NI Executive has under consideration following the Evason report. Two further modules were developed to exemplify the inter-relationship between rents and welfare reform in respect of older households and households with limited capacity to work. All modules looked at the implications of different rent scenarios for 2019-2020.

1.6 These outputs from the ready reckoner seek to exemplify rather than forecast the impact of different assumptions in respect of annual rent increases and their resulting impacts for affordability. The projected rent increases and the outputs from the ready reckoner are based on assumed benefit and tax entitlements and liabilities rather than actual payments. They also make no allowance for tenants who do not claim their full entitlement to state benefits and tax credits. Further details about the model are detailed in Section 4 and Appendix 2.

1.7 Another strand of the study approach was to analyse data from the face-to-face Continuous Tenants Omnibus Survey (CTOS) that is run by the NIHE. The main CTOS survey collects data on the social, economic and demographic profile of tenants and their perceptions of living in public sector housing and the services they receive. The 650 tenants who participated in the CTOS in early 2016 were also asked questions to explore their experience of living on a low to modest income and their potential responses to rent reform. Further details about the survey and the questionnaire can be found in Appendix 3 and Appendix 4 respectively.

Report structure

1.8 Section 2 sets the context for the study. It looks at the policy context, and in particular, the programme of welfare reforms. It then summarises the main findings from our literature review of the concept and measurement of housing affordability and the implications for the ways in which affordability is applied in the respect of social rents.

1.9 Section 3 draws on our literature review and our programme of discussions to explore policy and practice, understanding of affordability, and social landlord and tenants' experiences and responses to rent harmonisation and welfare reform.

1.10 Section 4 uses the ready reckoner model to examine the affordability of social rents and, in particular, which types of households can afford different rent levels, taking into account the implications of the incoming welfare reforms, including Universal Credit.

1.11 Section 5 examines the socio-economic profile of the NIHE tenants, including those most likely to be adversely affected by any future significant rent increases. It explores issues relating to financial capability and the extent to which tenants would be able to take steps to increase their income, make up shortfalls in income, or make other housing choices in response to future rent increases.

1.12 Section 6 sets out our overarching conclusions and recommendations.

2. THE CONTEXT FOR APPRAISING THE AFFORDABILITY OF RENTS

Introduction

2.1 This section provides the context for the later chapters. It looks at the policy context, including an overview of welfare reform. It also summarises our literature review of the concept and measurement of affordability and what we can draw from this in terms of assessing the affordability of social rents.

Social Housing Reform Programme

2.2 Around 15% of Northern Ireland's housing stock is comprised of social housing, of which two thirds is supplied by the NIHE and the remaining third by housing associations. For the last decade, all new social housing construction has been carried out by housing associations with significant grant funding from the Northern Ireland Executive, although housing associations also now raise considerable sums of private finance. Housing associations play an important role in increasing the overall supply of housing, building around a third of all new homes in Northern Ireland each year, rising to two thirds of all new homes during the worst period of the downturn.

2.3 Established in 2013, the Social Housing Reform Programme (SHRP) aims to modernise the structure, regulation and strategic oversight of social housing, to improve the effectiveness and customer focus of the sector and to increase investment in social housing. It also pushes social landlords to be more engaged in community plans to strengthen the communities they serve. At the core of the programme is the issue of the most appropriate structure for delivering social housing that will be financially sustainable for tenants, social landlords and the Northern Ireland Housing Executive (NIHE).

2.4 The programme is co-ordinated by the Department for Communities and is made up of several inter-locking strands. One of these strands is to review options for a new social housing rent policy that can ensure that social tenants, irrespective of landlord, pay rents that are fair, transparent, consistent and affordable for tenants and at the same time does not threaten the financial viability of social landlords.

2.5 Two of the challenges that will shape any future social rent policy for Northern Ireland are the need to increase social housing supply and to bring the NIHE housing stock up to the Decent Homes Standard. The NI Executive's Draft Programme for Government Framework for 2016-2021 reports that 22,097 households are in housing stress (NI Executive, 2016). The programme did not specify targets for new social housing provision but there are widespread and significant concerns about the capacity of the Social Housing Development Programme (SHDP) to meet this need (MacFlynn, 2016). NI Savills (2015) estimate that the NIHE stock requires £1.5 billion of investment in the next 5 years[1]. There are no easy solutions to either issue or how to generate the necessary investment. However, increased rental revenue may have to be part of the solution to the major backlog of investment in the NIHE housing stock regardless of the 2016-17 and 2017-18 rent freezes.

2.6 More generally, the future direction of the Social Housing Reform Programme will depend on wider policy developments and their impact on future public spending that are as yet unknown. This includes the NI Executive commitment to bring forward legislation to reduce

[1] Savills (2015) report that £6.7 billion of investment is needed over the next 30 years to ensure the NIHE homes are of an acceptable standard, which exceeds the NIHE’s current forecast income and borrowing limits

the regulation of the housing association sector, the EU referendum vote and HM Treasury perceptions that the devolved administrations should make savings akin to the 1% cut in social rents in England.

Welfare reform

2.7 The affordability of rents in the social rented sector cannot be de-coupled from the operation of the welfare benefit system, and in particular, Housing Benefit. It follows that any review of the affordability of social rents needs to take account of changes brought about by the ongoing programme of reforms to the welfare benefit system.

2.8 The UK Government's stated aims of welfare reform are to get people into work, to reduce benefit dependency and to generate savings to support the deficit reduction strategy. Since 2010, a succession of reforms has curtailed eligibility for, and the generosity of, the state benefits and tax credits for working age households. These changes have made the system "*tougher and tighter, with more sanctions, reclassifications, exclusions and suspensions of payments*" (Power, et al, 2014 p 68).

2.9 Many of the changes specifically intended to reduce expenditure have centred on Housing Benefit. This reflects the fact that Housing Benefit accounts for the second largest share of DWP expenditure after pensions (Cole and Powell, 2015). The Office for Budget Responsibility (OBR 2015) report that Housing Benefit spending equates to 1.4% of GDP and is well above the OECD average of 0.4% of GDP. As the OBR explain, this is mainly because the UK has a unique system that provides direct support for housing costs via Housing Benefit rather than wrapping up support for housing costs in other benefits, such as Income Support. It also noted that since 2007 the single biggest driver behind the growth in Housing Benefit expenditure has been the increase in private rented claimants in work.

2.10 Welfare reform has proved to be a fraught process in Northern Ireland. Social Security is a devolved matter but Northern Ireland has traditionally adopted British policy and systems[2]. This parity principle was put under strain when the NI Assembly could not agree to legislate for changes set out in the UK Parliament's Welfare Reform Act (2012). Nonetheless, aspects of the welfare reform agenda were implemented in Northern Ireland prior to 2016. The annual uplift of the cash value of most working-age benefits was restricted to one percent and Housing Benefit non-dependant deductions were increased. Reductions in payment rates and eligibility for Tax Credits, which are not currently devolved, were also implemented.

2.11 In the wake of the November 2015 'Fresh Start' agreement and subsequent Welfare Reform (Northern Ireland) Order 2015 various reforms are now being rolled out. Major reforms, such as Universal Credit and Personal Independence Payments, are a result of the Order, which allows for the implementation of reforms detailed in the 2012 Act. Other reforms involve downward adjustments to existing benefits and tax credits.

2.12 As part of 'Fresh Start' the NI Executive can allocate up to £585 million of its block grant over four years to supplement welfare payments. The NI Assembly has agreed various Regulations that enact the recommendations of the Welfare Reform Mitigations Working Group. This includes regulations to ensure any household affected by the Household Benefit Cap or the Social Sector Size Criteria will have their losses mitigated in full until 31 March 2020. Most

2 Section 87 of the NI Act (1998) cites welfare as an area where parity principle is usually maintained and which operates on the basis that people in Northern Ireland should have the same range of benefits at the same rates and subject to the same conditions as people living in Great Britain.

other mitigations will protect existing claimants for a limited period, usually up to a maximum of 12 months. For instance, claimants who lose more than £10 a week as a result of transferring from Disability Living Allowance to Personal Independence Payment should get payments equal to 75% of their loss for up to one year.

2.13 A further component of 'Fresh Start' came into play in September 2016 when the UK Parliament approved the Welfare Reform and Work (Northern Ireland) Order 2016. This Order allows for measures contained in the Welfare Reform and Work Act 2016 to be introduced in Northern Ireland. Some of these reforms will proceed apace, such as the four years freeze on most state benefits and tax credits. However, arrangements for introducing other measures have yet to be clarified, including the extension of the Local Housing Allowance cap to social housing. Table 2.1 summarises the main changes that we expect to be introduced in the period to 2019-20 whilst a more detailed timetable can be found in Appendix 5.

Figure 2.1: Summary of the main welfare reforms that will be introduced in Northern Ireland from 2016-17 to 2019-20

- The introduction of Universal Credit to replace most means-tested benefits and tax credits for working age households, whether in or out of work, from 2017
- The replacement of Disability Living Allowance (DLA) with Personal Independence Payment (PIP), which will involve independent medical tests. A mitigation fund will ease transition for individuals affected
- A Household Benefit Cap to limit the total amount of certain benefits you can get if you are of working age, although some people such as carers and people with disabilities will be exempt. In the case of Northern Ireland, all households with children affected by this cap will have their losses mitigated, until 31st March 2020
- Four-year freeze on most working age state benefits and tax credits plus the halving of tax credit income rise disregards from £5,000 to £2,500
- Universal Credit work allowances reduced from £2,664 for couples and £3,156 for lone parents to £2,304 for households with children and removed altogether for non-disabled claimants without children
- Abolition of the Family Premium, beginning with new claims for Housing Benefit and any child born on or after 1st May 2016, although transition arrangements and discretionary housing payments in place for Northern Ireland
- Removal of the Spare Room Subsidy for social tenants claiming Housing Benefit (also known as the 'bedroom tax') but fully mitigated in Northern Ireland to 31 March 2020
- The restriction of support for children through Tax Credit, Universal Credit and Housing Benefit to two children at some point after April 2017

Likely impacts of welfare reform

2.14 As welfare reforms take effect, the budgets of social tenants and social landlords will come under pressure. Beatty and Fothergill (2016) have estimated the cumulative impact of changes, including those set out in the 2012 Act and 2016 Act, for households in Britain. They estimate that, on average, working age households that live in social housing may be £1,690 a year worse off. However, they stress that there is much variation in the losses tenants will incur and that these losses may be offset to a great or lesser extent by other measures such as discretionary payments and the planned increase in the national minimum wage.

2.15 Not all reforms included in the Sheffield Hallam model outlined in Beatty and Fothergill (2016) will apply in Northern Ireland. It is therefore useful to look at their estimates for Scotland, where ‘pay to stay’ will not apply and where discretionary funding has more or less offset the 'bedroom tax'. As expected the average loss for social tenants is lower, but still very considerable at £1,430.

2.16 Overall, Universal Credit is now far less generous than initially proposed and changes in its structure in the last 18 months have changed "the composition of winners and losers" (Finch, 2016). Most significant from the viewpoint of this study is that many lower wage households with children will be negatively affected. More households that contain someone with a long-term health problem and/or disability will be adversely affected than initially anticipated.

2.17 At the aggregate level, the main drivers of the loss of benefit income for existing social tenants to 2020 will be the 4 year benefit freeze, the move to Personal Independence Payments, Tax Credit reforms and revisions to Universal Credit tapers and thresholds, with the latter two mainly directed at households in work and/or with dependent children. By way of comparison, much of the 'housing debate' has centred on the rental implications of three 2016 welfare reforms and their threat to the financial viability of specialist housing projects and the construction of new social housing[3]. This illustrates the inevitable tensions involved in seeking to balance the need to maximise rental revenue and at the same time to minimise the risk of adding to the financial pressures on tenants.

Pension reform

2.18 The state pension system has also been subject to reform. These reforms include the introduction of a Single Tier State Pension and the abolition of the Pension Credit Savings Element, although the Pension Credit Guarantee will remain in place for the time being. These new provisions only apply to individuals that reach pension age from 6 April 2016. By 2019-20, most pensioners that rent from the NIHE will remain on the two-tier state pension (basic state pension and a top up second pension). Both the existing basic state pension and the new state pension will increase each year in line with the greater of: growth in earnings; growth in prices (as measured by the CPI); or 2.5%.

2.19 The full rate for the New State Pension is just above the Pension Credit Guarantee rate but to qualify for this, individuals require 35 years of National Insurance Contributions compared to 30 years to qualify for the Basic State Pension. Those with less than 35 qualifying years receive a pro-rated amount, subject to having at least 10 qualifying years. IFS (2016) estimate only 17% of those who reach state pension age in the next four years will receive the full rate. Most NIHE tenants who reach pension age by 2020 are therefore unlikely to receive the full rate.

2.20 There has been little research into the interaction between the New State Pension and means tested benefits. DWP (2013 and 2016) impact assessments suggest that Housing Benefit eligibility would not change significantly in the period to 2020. Independent modelling supports this. Both IFS (2013) and the Care and State Pension Reforms (CASPeR) reports (see Adam, et al 2015 and 2016) found that for older households that rented their home, any increase in state pension income would generally be offset by a reduction in means-tested benefit entitlements. These reports also noted that older renters may lose out due to the abolition of the Savings Credit but neither study explored this issue in any depth.

[3] These reforms include: 'pay to stay'; the extension of the LHA limits to HB claims by social tenants; and the 1% social rent reduction. No decision has been made in respect of the application of these reforms in Northern Ireland.

The concept of affordability

2.21 In spite of academic, policy and media discussion on the affordability or otherwise of housing, there is no consensus on how the concept of affordability should be defined and measured.

2.22 Most people intuitively understand the term to mean that a household can buy or rent a home without undue hardship. Likewise, academics concur that affordability is concerned with the inter-play between the cost of adequate housing and household incomes and is not an intrinsic feature of housing (Whitehead, 1991 and Maclennan & Williams, 1990). The difficulty is that there is no straightforward answer to how much households should pay towards housing and what constitutes an adequate home. These are two of the key issues that lie at the core of disputes about the definition of affordability and have led to what Stone (2006) has described as a host of semantic, substantive, and definitional issues.

2.23 The contested nature of affordability has been shaped by differing perceptions about the extent to which problems of affordability are due to inadequate household incomes or an inadequate supply of housing. It also reflects differing perceptions about the inter-relationship between problems of housing affordability and the economy, the labour market, household formation and housing exclusion. This has led to a recognition that any assessment of housing affordability cannot be divorced from a broader understanding of the dynamics of the housing system and what drives these (Monk & Whitehead, 2000; Gabriel et al, 2005; and Mulliner et al, 2012).

2.24 A further complication is that affordability is used in different contexts to refer to somewhat different housing problems (Leishman & Rowley, 2012). Affordability, for instance, can refer to blocked access to homeownership for prospective first time buyers; the general debt burden of housing costs and the degree to which homeowners are 'at risk' from future interest rate rises; and potential impediments to labour mobility as a result of spatial variations in housing costs. These different uses often only serve to cloud matters. It is therefore helpful that Wilcox (1999) reminds us that the vexed question of affordability has its roots in debates about rent levels and the ability (or otherwise) of households to pay for a 'decent' standard of housing and have sufficient finance for the other necessities of life.

2.25 Almost a century ago, Seebohm Rowntree pointed to the need to focus on housing outcomes. In *The Human Needs of Labour* (1919) he argued that it was the ability of a household to rent a *"properly constructed house"'* that was *"capable of being properly heated*" with sufficient space to avoid overcrowding and at the same time secure access to other goods and services that was key to sustaining wellbeing. He stressed that families of different sizes required different incomes in order to be able to consume the goods and services to secure the *"necessaries of a healthy life".* He also stressed the need to allow for the fact that "*rents vary widely from place to place*".

2.26 Rowntree's observations and views resonate in current academic discussions on the concept of affordability. In recent years there has been renewed interest in what is meant by adequate housing, the perceptions of households on what they are getting for their money and how this influences their quality of life and wellbeing (Clapham 2010; Leishman & Rowley, 2012; and Mulliner et al, 2014). The relationship between housing affordability and living standards has also found expression in research on housing cost-induced poverty (Tunstall et al, 2014; and Hirsh et al, 2016).[4]

2.27 The renewed focus on the lived experience of households has reinforced the long held view of most academics that the interpretation of affordability to set standards, such as rent levels, cannot be reduced to a technical issue (Maclennan & Williams, 1990; Wilcox, 1999; Bramley, 2012; and Henman & Jones, 2012). A normative approach is therefore widely considered the most appropriate basis for defining and measuring housing affordability. This requires broad political consensus on socially accepted standards for both housing and non-housing consumption, after housing costs have been meet.

2.28 Whilst academics may agree that assessing housing affordability is not simply a matter of looking at housing costs relative to household incomes, in practice it is very difficult to build measures of adequate housing standards into existing measures of affordability. Nonetheless, this suggests that decisions about housing affordability should also take into consideration standards of housing adequacy in terms of(Gabriel et al, 2005; Leishman & Rowley, 2012; and Mulliner et al, 2014):

- **Quality** in terms of the physical condition and energy efficiency of housing and this should use social norms such as the Decent Homes Standard.
- **Appropriateness** in terms of the fitness for purpose of a dwelling to meet the specific requirements of the resident household. This would include occupancy standards as well as judgements about the 'accessibility' or 'suitability' of a dwelling to meet the specific needs of household members with a disability or in poor health.
- **Location** in terms of the absence or presence of environmental problems (pollution, graffiti etc.) and deprivation in neighbourhood.
- **Access to work and locality based amenities** such as access to schools, work, shops, green space, medical facilities, parks, recreational facilities and public transport. Some also argue that commuting costs should be factored in.
- **Stability** in terms of security of tenure and in its absence, the knock-on financial and personal costs of frequent moves.

2.29 In terms of non-housing consumption and the capacity of a household to maintain an acceptable standard of living, some 'social norm' based possibilities exist. The main approach is to look at relative income poverty. The DWP, in line with the rest of the EU, use a ratio-based benchmark of 60 percent of median (equivalised) household to determine the incidence of relative poverty. Relative poverty can be considered before housing costs (BHC) or after housing costs (AHC) in recognition of the fact that housing costs may represent a significant outlay for some households (e.g. renters), but not other households (e.g. outright owners). The main alternative approach is to draw on consumer opinion to identify a basket of goods and services that a household needs to achieve a minimum material standard of living, with different 'baskets' identified and costed for specific household types (see Tunstall et al, 2013; and Hirsch et al, 2016).

2.30 Both approaches to measuring income standards have much merit in a variety of contexts but they are not particularly well suited to assessing the affordability of social rents. Social housing is not just a charge on income. It is also a source of benefits in kind. Social housing and the

[4] Tunstall et al (2013) explain, 'housing cost induced poverty' (or housing related poverty) refers to households that are not in poverty before housing costs but are poor after housing costs are taken into account.

provision of sub-market rents helps to ameliorate the effect of income poverty and material deprivation by breaking the link between poor housing and poverty (Hills, 2007; Bradshaw et al, 2008: and Stephens & Van Steen, 2011). Existing tenants also benefit from being able to avoid having to rely on less secure and more expensive tenures (Tunstall, et al 2013). Relative poverty or material deprivation approaches usually take account of cash benefits such as Housing Benefit. However, they generally do not take account of the standard of housing consumed or the imputed rental income that social tenants receive from the benefits of renting at below market value rates. Another more immediate and practical barrier is that shortfalls between a tenant's residual income and those implied by relative poverty or material deprivation measures cannot be tackled solely by varying rent levels. We return to this issue below.

Measuring affordability

2.31 Although understanding of the concept of housing affordability has continued to develop, advances in the measurement of housing affordability have focused on the affordability of the housing market and homeownership in particular. Affordability ratio measures, residual income measures and work incentive measures therefore remain the three main measures for looking at the affordability of social rents. The main strengths and limits of these different measures are summarised in table 2.2. The following paragraphs therefore focus on issues specific to their use and applicability in respect of social rents and subsequent analysis presented in this report.

Rent-to-income ratios

2.32 Rent-to-income ratios are the oldest and most widely used affordability measures. They assume that if a household is required to spend more than a given proportion of income on rent it will have to reduce its consumption on other essentials. The popularity of ratios reflects the fact that they offer an easy to apply and easy to understand measure for comparing housing affordability in different areas and tenures over time.

2.33 Housing affordability ratios are essentially arbitrary and views on what constitutes an appropriate proportion have varied over time and space. Hills (1988) argued that social rents should correspond to the housing costs freely entered into by house buyers, but adjusted downwards to allow for the fact that homebuyers also acquire an asset. Based on evidence from the Family Resources Survey, he suggested that a ratio 'significantly less than 16%' would be appropriate. A decade on, the National Housing Federation adopted a 25% ratio for tenants in work (NHF, 1999) and in 2015 Savills based their Living Rent on 28% of net lower quartile local earnings, which they said equated to 33% of gross earnings (Collins & Lupton, 2015).

2.34 Affordability ratios, like other affordability measures, look at a point-in-time. However, housing affordability problems can be short-term, prolonged or episodic. Persistent problems of housing affordability are far more likely than short-term problems to result in financial hardship as savings, assets or other resources are used up (Tunstall et al, 2013; Powers et al, 2014; and Leishman & Rowley, 2012). Households entering homeownership face high upfront housing costs but benefit from a fall in real housing costs relative to income in the longer term. In contrast, rents tend to rise or remain constant in real terms over the longer term (Gabriel et al, 2005; and Paris, 2007). Consequently, renters are at greater risk of persistent affordability problems. This suggests that affordability ratios used to guide social rent setting should be below the 35% ratio recommended in the Semple Review into Affordable Housing (Semple, 2007).

Figure 2.2: Relative strengths and weaknesses of ratio and residual housing affordability measures

Measure	Strengths	Limitations
Ratio measures	• Easy to apply using readily available data • Easy to explain to different audiences such as tenants • Easy to make ready comparisons between areas and tenures over time • Limited subjective assumptions required	• Arbitrary and rationale for ratio often unclear • Takes no account of adequacy of residual income and risk of material deprivation • Assumes families and individuals with the same income have the same ability to pay • Insensitive to spatial variations in cost of living • Does not address housing quality and adequacy
Residual measures	• Relationship between housing and non-housing expenditure made explicit • Judgements and assumptions made explicit • Useful for looking at affordability for modest income households • Sensitive to household structure • Sensitive to diverse income levels	• Complex, time consuming and data hungry • Independent benchmarks need regular updating • Insensitive to spatial variations in the cost of living • Does not address housing quality and adequacy • No salience if household incomes are below the independent standard of income employed (e.g. relative poverty)
Work incentives (minimise benefit dependency)	• Focus on households in low paid work • Judgement and assumptions made explicit • Takes account of the structure of state benefits and tax credits • Sensitive to household structure • Sensitive to spatial variations in housing costs	• Directly linked to welfare benefits and not literally a measure of affordability • Does not address housing quality and adequacy • Insensitive to spatial variations in the cost of living, as is the social security system • More complex and time consuming than ratios and requires regular updating
Derived from Gabriel et al, 2005; Henman & Jones, 2012; Wilcox, 1999; Wilcox, 2009 Note: Modifications can help to reduce some of the limitations associated with ratio and residual measures. For instance, different ratios can be used to take account of household structure.		

2.35 Affordability ratios are often criticised for not corresponding to households' personal experience of financial hardship and at the same time for failing to recognise that some households choose to spend their money on consuming a high standard of housing. Bramley's (2012) analysis of the longitudinal British Household Panel Survey indicates such criticisms may be overstated. He found that housing cost to income ratios corresponded more closely than residual income measures to the lived experience of households that incurred housing payment problems, including households in the social rented sector.

2.36 There is no simple answer to the issue of what is a reasonable rent-to-income ratio, in large part due to the absence of a cliff edge point at which social rents for different types of household become unaffordable. On the other hand, available evidence does lend support to the 'rule of thumb' that the upper limit of rent-to-income ratios should be around 25%. This is something that Bramley (2012) concluded.

Residual income measures

2.37 Residual incomes measures require an income standard or benchmark (Wilcox, 1999; Gabriel et al, 2005; Young et al, 2012; and Tang, 2009). In the case of social rents, a major dilemma is how - if at all- to appraise the non-housing income requirements without falling back on a relative poverty or material deprivation benchmark.

2.38 From a policy and practical perspective, the root of the problem is that rent policies alone cannot ensure that the residual incomes of working households come close to an income standard that is well above the level of income protection built into Housing Benefit and now Universal Credit. In short, solely varying rents will have minimal impact on the gap between the residual income of a working household and the corresponding income standard set by material deprivation or relative poverty benchmarks (Wilcox, 2009; Young et al, 2012; Tunstall et al. 2013; Hirsch et al, 2013; and Whitehead et al, 2014).

2.39 The residual income of most working households in social housing are linked to the welfare system and the tapers, earnings disregards and applicable amount (income each household is assessed to require) that apply. Consequently, residual income measures for social housing have sometimes been expressed as a proportion above the relevant applicable amount. For instance, Tang's (2009) analysis of the affordability of social rents for new housing association tenants applied a benchmark that residual income should equate to 120 percent of the Income Support Allowance (the applicable amount).

2.40 With the introduction of Universal Credit, the cash value of residual income will remain an important indicator. In particular, the cash sum in excess of the applicable amount will document the "spare cash" a working household has over and above what they are assumed to need for basic living expenses. However, the use of an explicit measure based on a percentage of the applicable amount would appear of limited value, not least because of the extension of the poverty trap (see below).

Work Incentive affordability measures

2.41 Housing bodies, such as the Scottish Federation of Housing Associations, have promoted work incentive based affordability measures for more than two decades. This reflects concerns that the higher the rent, the greater the barriers low-income households face to taking up work and increasing their wages. Work incentive affordability measures focus on the threshold income level at which working households cease to qualify for Housing Benefit and are no longer subject to very high 'marginal deduction rates' (Wilcox, 1999; Tang, 2009; Young et al, 2012).

2.42 At present, the residual income of a tenant in receipt of part or full Housing Benefit is protected. Any increase in rents results in a corresponding increase in Housing Benefit entitlement. The only exception is if a tenant's rent exceeds the eligible rent limit for Housing Benefit. The flipside is that Housing Benefit taper rates are high (£0.65 per pound) and this suppresses residual income growth. When Housing Benefit tapers operate in tandem with tapers for tax credits and other benefits, working households experience little or no increase in their residual income until their earnings reach a point where they are no longer eligible for Housing Benefit. Tunstall and colleagues (2013) illustrated the severity of this poverty trap by including an example. It showed that in 2012 a couple with two children and a weekly rent of £80 would have to earn over £380 per week to see a noticeable increase in their residual income.

2.43 Universal Credit will reduce the severity of the high marginal deduction rates. As only a single taper (£0.65) will apply, cash support will be withdrawn more gradually from working households as incomes rise. IFS (2016) suggest 1.4 million fewer people will be subject to marginal deduction rates in excess of 70% and that overall Universal Credit will improve work incentives. Others are more cautious about such claims but there is broad agreement that the current structure of Universal Credit will strengthen the incentive for families to have one person (but not two) in work and weaken work incentives for lone parents.

2.44 Universal Credit will also create much greater variation in the thresholds at which different household groups will cease eligibility. Indicative modelling carried out prior to the introduction of Universal Credit suggests that families will need to earn well above the median household income before they are no longer eligible for Universal Credit (Young et al, 2012 and Whitehead et al, 2014).

2.45 The proposed post-April 2016 reforms will further weaken the link between rent and Housing Benefit eligibility, a process that was initiated by the introduction and subsequently lowering of LHA rates and shared accommodation rate for private tenants. The effect will be less pronounced in Northern Ireland due to the NI Executive decision to continue to pay Housing Benefit direct to social landlords and to mitigate the Social Sector Housing Benefit Size Criteria until 31 March 2020. However, this will be partly offset by other changes such as the abolition of the 'family premium', the higher premium for the first child and reduced earning disregards.

2.46 The use of work incentive affordability measures will therefore be pivotal in informing discussions about how to set rents that work for tenants, especially for working tenants that have the possibility of avoiding benefit dependency.

Moving forward

2.47 Conceptualising and measuring affordability remains a critical policy matter but there is no straightforward answer to how much a household in social housing should be reasonably expected to spend on housing. One complication is that housing affordability is a continuum and there is no tipping point where it is possible to state unconditionally that a rent is or is not affordable. Another complication is the lack of agreement as to the most appropriate measures to use to appraise the affordability of social rents. Different measures tend to generate different outcomes for different households. For instance:

- A single person earning the minimum wage could have a comparatively high rent-to-income ratio but an after housing cost (AHC) income within striking distance of the relevant DWP poverty benchmark, which was £144 per week in 2014-15.
- A family with two children reliant on one adult earning the minimum wage could have a comparatively low rent-to-income ratio but an AHC income well below the relevant poverty benchmark of £393 in 2014-15.

2.48 This issue is not confined to housing affordability measures. Similar problems arise when comparing relative poverty and material deprivations (see Hirsch, 2016). We therefore use all three alternative measures of affordability in Section 4 to offer a more rounded analysis of the possible combined impact of different annual rent increases and Universal Credit on the affordability of rents for social tenants.

2.49 For working households the analysis in Section 4 starts from the assumption that rents should be affordable for a household with someone in full-time employment and earning somewhere between the National Living Wage and the third decile of the earnings distribution. Evidence from the FRS suggests this is broadly representative of the earnings levels of working households in social housing. The upper end of this earnings distribution encompasses the

Accredited Living Wage that is calculated with reference to how much workers outside of London need for a Minimum Living Standard, averaged across household types (Davis, et al, 2016).

2.50 It is not possible to set rents in accord with the material circumstances of individual tenants. Likewise, policy necessarily transcends the experience of individual households. However, the views and perceptions of tenants are an important consideration at policy and operational level. Section 5 therefore examines the views of NIHE tenants in respect of their home, environment and matters associated with rent and how they cope, respond and adapt to their circumstances.

2.51 Finally, academic discussions highlight the need for a holistic view of housing affordability problems whereas the three alternative measures of the affordability of social rents are fiscally focused. It was beyond the scope of this study to seek to explore stock condition, neighbourhood conditions or other matters associated with standards of housing adequacy. Housing professionals, however, are accustomed to thinking about the wider context when discussing rents. Issues around housing standards, appropriateness, neighbourhood factors and, most especially, welfare reform were discussed during our programme of interviews.

3. LEARNING FROM TESTING TIMES

Introduction

3.1 This section provides a summary update of social rent policy developments in Britain and the approaches taken to seek to sustain affordability for tenants, particularly in the context of rent harmonisation and welfare reform. It draws on our programme of interviews as well as our desk based literature review.

National polices on rental affordability

3.2 The UK's four nations have historically shared the twin goals of affordability for tenants and financial viability for social landlords but diverging policies have resulted in different understandings and approaches to the issue of affordability.

3.3 For most of the last two decades, the ability of English and Welsh local authority landlords to set rents was significantly constrained by the Housing Revenue Account (HRA) subsidy rules. The HRA subsidy system effectively acted as a rent pooling system. Notional income (e.g. rents) and expenditure (management, maintenance and debt repayments) were used to determine which English and Welsh local authority landlords were required to transfer subsidies to Government and which others received subsidy to deliver housing services.

3.4 English local authority landlords and housing association rents were also subject to the policy to achieve greater equity by converging Council and housing associations rents[5]. In Wales, local authority landlords were expected to adhere to the Welsh Government's ‘guideline’ rents whilst housing association rents were linked to benchmarks that set maximum rents for different property types.

3.5 The upshot was that social landlords operating in Wales and England had little incentive to appraise the affordability of rents for tenants. The HRA subsidy system also made it very difficult for Councils to explain to tenants how their rental income was spent and how they would benefit from the annual rent increase. A recent study also reported that most social landlords in England had not published their approach to rent setting or service charges (Clarke et al, 2015).

3.6 Since the start of this decade, English rent policy has lacked coherency and has been in a state of flux (Adams et al, 2015; Wilcox et al, 2016, Crisp et al, 2016). In 2011, social landlords were allowed to set affordable rents for new and designated re-let properties at up to 80% of market rents[6]. In 2012, the HRA subsidy system was replaced with a ‘self-financing’ system that allowed Councils to retain rental income and to set investment priorities locally in return for receiving a one-off share of the English housing debt. Rent convergence has also ended. Starting in 2016-17, social landlords must reduce both social and affordable rents by 1% each year until 2019-20 inclusive, just a year after it was said rents would increase by CPI + 1% for the next 10 years. Finally, from April 2017 'pay to stay' may introduce means-tested rents for local authority tenants with incomes above £31,000 (£40,000 for London). This builds on a previous reform that allowed tenants with incomes of £60,000+ to be charged market rents.

[5] From 2002-03, the assumed revenue income for each English LA was linked to an annual target rent set by the Government as part of its rent convergence regime. The target rent employed a formula based on property value, property size and average local earnings. The target rent was uprated each year, initially by RPI inflation + 0.5%. For rents outside the target rent, annual upwards (or downwards) adjustments of £2 per week were permitted.

[6] In 2014-15 some 5% of ‘social’ housing lettings in England were for affordable rent (Wilcox, et al, 2016).

3.7 Time will tell if this rent morass reflects short term ‘austerity’ measures, a lack of joined-up policy or part of a general policy drive to rely on private development to deliver affordable housing, primarily in the shape of shared ownership and starter homes, with social housing acting as a safety net only for so long as people need it.

3.8 What is clear is that the advent of affordable rents has renewed debate on affordability and the balance between commercial goals and social goals (Chevin, 2013; and Clarke et al, 2015). It was in the context of this debate that Savills, in conjunction with the NHF and JRF, devised the Living Rent (Collins & Lupton, 2015). Savills started with lower quartile earnings and OECD equivalence scales to derive a set of 'living rents' for each local authority area. In the main, these rents are higher than social rents but lower than affordable rents. Some social landlords had sought to use the Living Rent or other tools to help set rents prior to the four year 1% rent cut.

3.9 In contrast to the lack of Government enthusiasm for social housing in England, the Welsh Government has announced a target to build 14,000 social and affordable rented homes during 2016-2021. Whereas Right to Buy (RTB) is expanding in England, Wales plans to follow Scotland and end RTB in order to preserve the existing social housing stock. These ambitions build on the Housing Supply Pact between the Welsh Government and Community Housing Cymru, which set out commitments from both partners to help deliver 10,000 affordable homes by 2016. This included a Welsh Government commitment to retain a sustainable rent policy for 2014-2019.

3.10 The Welsh Government developed its social rent policy in collaboration with social landlords and tenant bodies over a number of years. The policy came into force for housing associations in April 2014 and for local authority landlords in April 2015. At the core of the policy is a target rent band for each social landlord and an annual uplift that has been set at CPI+1.5% to 2019.[7]

3.11 The bands in year 1 were set at a cash level that would not depress housing association rental income but at the same time would ensure that Council HRA accounts would be financially sustainable over the longer term. Each social landlord’s average rent is expected to fall within its specific target rent band, except where transitional protection for tenants applies. In such instances, a £2 adjustment can be applied on top of the annual rent increase. Landlords are free to set rents for individual properties in consultation with tenants. However, they must de-pool service charges as these sit outside the target rent band calculations.

3.12 The Welsh Government has initiated a mid-term review. This will reconsider whether the policy remains entirely appropriate in light of the recent and forthcoming welfare reforms and the recent HRA settlement for council housing finances. It will also take account of the continuing pressures on the capacity of social landlords to finance new social housing in the context of the limited funding available for Social Housing Grant regime.

3.13 There have been no major changes in social rent policies in Northern Ireland or Scotland for many years. NIHE annual rent increases are driven by Ministerial decisions about the appropriate rent uplift. Housing associations have considerable freedom to set rents for most of their stock.

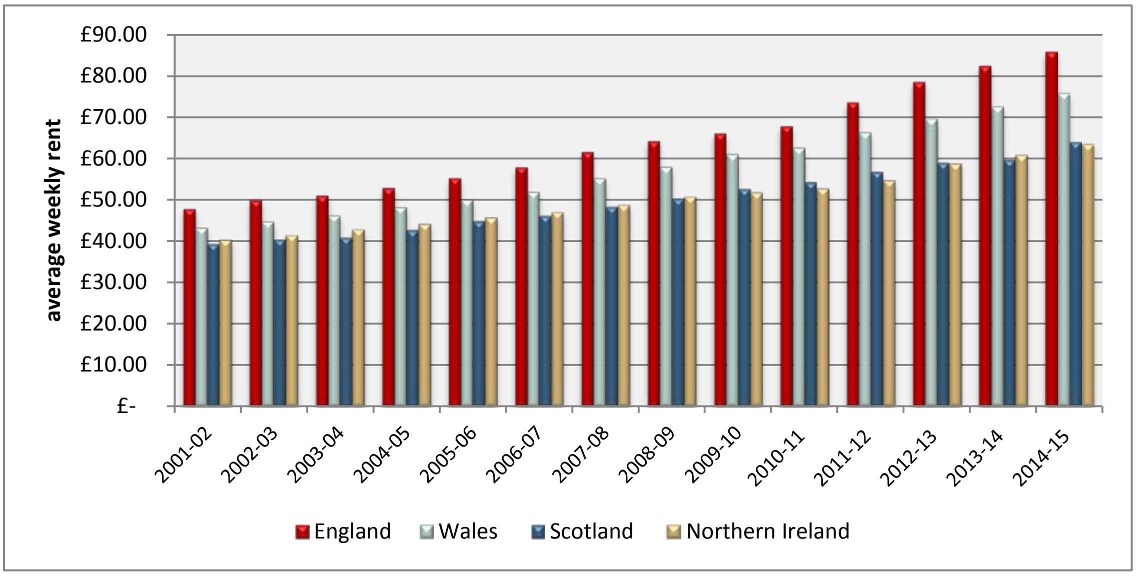
[7] The policy applies to general needs and sheltered housing but supported housing and other specialist housing are exempt. Landlords with less than 100 units are also exempt. The target rent band for each social landlord is derived from a rent matrix that sets indicative rents for each local authority area, split by dwelling type and size. The components used in the formula underpinning the matrix are: location (residence based earnings, work place earnings, 2 bedroom private rents and 2 bedroom house prices); a points based weighting for dwelling type and size; and quality (SAP rating) and average HA rent.

3.14 The Scottish Government has earmarked £3 billion to fund 50,000 affordable homes by 2020-21, of which 70% will be for social rent. To help deliver this target, the unit grant rate for housing association developments has increased to an average of £70,000 and the 3-person benchmark rent used to appraise grant submissions is £4,034 (£82.77 per week). This benchmark rent is based on Wilcox's affordability criteria. The Scottish Government has projected that the benchmark rent will increase by 2% (assumed RPI) for the next 4 years, but this planning assumption may change.

3.15 Scottish Government policy is that it is for social landlords to determine the affordability of their rents in light of local market conditions and the needs of the local community. Scottish Ministers recently said there were no plans to change this and social landlords would remain free to set rents. They are, however, legally required to consult tenants and to have regard to these views when setting rents and service charges. Social landlords are also expected to ensure that rental revenue is sufficient to cover costs (including debt repayments) and that rent polices are fair and transparent.

3.16 The annual rent uplifts of local authority landlords vary, reflecting different pressures on the HRA accounts and political priorities in respect of new council housing development. Housing associations are moving away from RPI+1%; instead, they are bringing annual rent uplift into alignment with CPI inflation. Discussions suggest this reflects tenant concerns about the affordability of future rent rises. It is also the case that in the last couple of years the Scottish Housing Regulator has repeatedly stressed the need to keep rents affordable whilst also ensuring that business plans were financially sustainable.

Figure 3.1: Local authority and NIHE average weekly rent by country, 2001-2 to 2014-15



DCLG Live Tables -Table 701, accessed September 2016; note 2014-15 are provisional

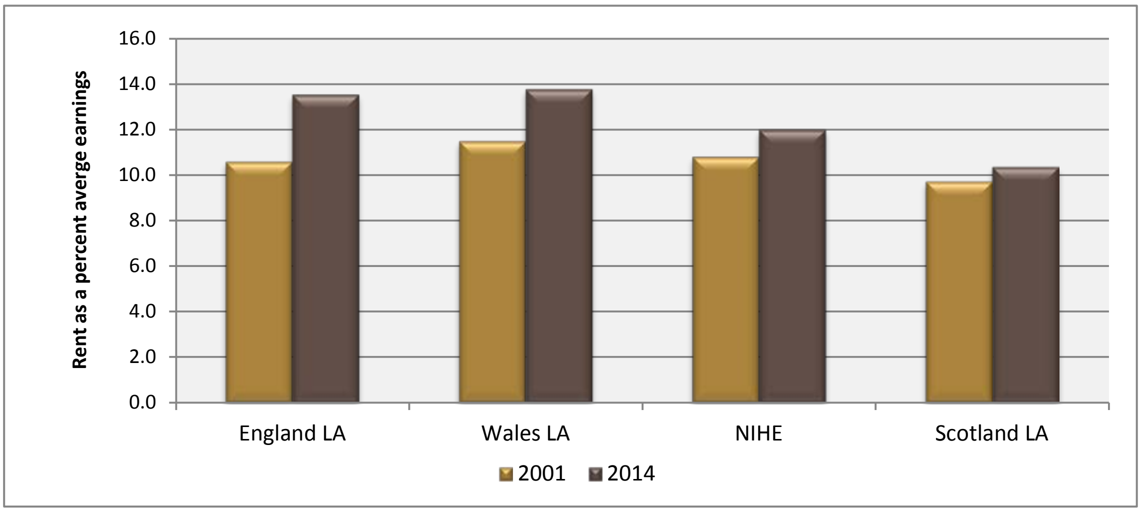
Pushing devolution parameters

Divergences in public sector rents

3.17 Different rent policies and different implicit assumptions about affordability have increased the divergence in social rents across the UK (see figure 3.1). Between 2001-02 and 2014-15 Council rents in England increased by an average of 6.6% per annum in nominal terms whilst NIHE rents increased by an average of 4.9% each year. In 2014-15, the average NIHE rent stood at £63.52 per week, which was more than £22 below the average council rent for England of £85.89. Interestingly, the pace of divergence accelerated after 2009.

3.18 The long-run NIHE rent increase has been below the comparable increase in England and Wales but this has not necessarily improved affordability. Figure 3.2 shows that in all four countries, rents have increased as a proportion of average full-time earnings. In 2014-15, the average NIHE rent equated to 12% of average earnings, up from 11% in 2001. This increase has mostly taken place since the economic downturn and the subsequent lack of growth in earnings, even in nominal terms. Nobody we interviewed believed that current NIHE rent levels were the main source of affordability problems experienced by tenants. Of much greater concern were the lack of stable employment and the precarious nature of the working arrangements of low paid social tenants and their changeable earnings and benefit entitlement.

Figure 3.2: Public sector average weekly rent as a percent of average earnings, 2001/02 to 2014/15



Wilcox et al (2016) Housing Review - Tables, accessed September 2016
Note: Earnings are for full-time employees

> *"For working households on partial Housing Benefit or not claiming Housing Benefit it's not the current NIHE rent but the loss in income that comes with losing work or the constant yo-yoing of income of zero-hours contracts and the like that's the big problem. People have real difficulty surviving and getting their benefits sorted. But a big increase in NIHE rents would create a lot of added pressure for this group of tenants"* Interviewee

> *"Decisions about NIHE rents have leaned too far towards affordability; which has meant a lack of investment in the stock. There been a longstanding lack of political will to resolve this imbalance; the loss of Right To Buy receipts since the housing market downturn only made problem worse*". Interviewee

3.19 Overall, long run trends in terms of rent to earnings ratios suggest that NIHE rents have remained significantly more affordable than in England and Wales but this has come at the expense of stock investment. Those we spoke to concurred that in order to meet investment requirements NIHE rents would have to increase irrespective of whether the stock was retained in the public sector or otherwise. In Scotland, some believe that local authority rents may need to rise in real terms to support long-term investment requirements, including the delivery of the Energy Efficiency Standard for Social Housing (EESSH) by 2020. These concerns, alongside evidence of the lack of consistency of rents for council and RSL tenants, led Audit Scotland to call for a national rent setting policy (Audit Scotland, 2013).

Inherent policy tensions

3.20 The 1% cut in social rents only applies to England but HM Treasury may seek equivalent savings from the devolved administrations. This contributed to the decision to freeze NIHE rents for 2016-17 (NI Assembly, 21 March, AQW 55490/11-16). Elsewhere, the Scottish Government view is that it has already delivered considerable savings to the Housing Benefit budget over a number of years through enabling social landlords to maintain rents well below those in England. The Welsh Government implemented its agreed policy rent uplift after evidence found that rent cuts would have severe implications for some social landlords.

3.21 It is noteworthy that tenant representative bodies that had been involved in the development of the rent policy supported the Welsh Government's stance. They argued that the rent cut would make little difference to most tenants' standard of living but it could have adverse effects on lender confidence and stall the delivery on the Welsh Housing Quality Standard.

3.22 Current tensions highlight the innate problems of the division of housing policy and Housing Benefit policy responsibilities as well as the devolution settlement 'concordats'. The latter place limits on the expenditure of devolved administrations. Post the 1999 devolution settlement there was a provision that if council rents increased more rapidly than in England, the additional Housing Benefit costs would be met from the devolved administration's own budget.

3.23 It is not clear if and how this 'consequential ruling' could be applied to deliver savings equivalent to the 1% rent cut. The consequential ruling does not extend to housing association rents and the Scottish Government has no powers to control council rents. It is also understood that part of the reason for the continued resistance of the devolved administrations to the HM Treasury request for savings equivalent to the 1% social rent cut now being applied in England are concerns about the inconsistency of HM Treasury policy on relative social rent movements over the years since 1991. As Wilcox (2010) explains:

> *"In practice, council rents in Scotland and Wales, and NIHE rents in Northern Ireland, have increased less rapidly than those in England over the devolution decade. However, while in the initial devolution years this led to the UK Treasury making additional payments to the devolved administrations (for the consequential Housing Benefit savings), that arrangement was subsequently suspended, on the grounds that it was only intended to protect HM Treasury in the event of higher rent increases by the devolved administrations" (*Wilcox et al, 2010).

3.24 The 1% rent cut in England is projected to save £1.4 billion, mainly in Housing Benefit, over the next four years but it is not clear if this will be delivered. Social landlords have the option to let new tenancies on affordable rents, which although subject to the policy, would still generate more rental income. They may also de-pool service charges that are not subject to the policy.

Taking stock of affordability in practice

Assessing affordability and engaging tenants in rent setting

3.25 Prior to the 1% rent cut, the majority of social landlords in England applied the maximum annual rent uplift permissible and affordability was often secondary to the issue of whether or not to convert vacancies to affordable rents. Nonetheless, some had reviewed rents in light of welfare reform and stagnating local wages whilst others that operated in less pressured housing markets had sought to ensure their rents were competitive relative to private rentals to minimise the risks of high turnover and voids (Clarke & Williams, 2015). A few social landlords use 'income and affordability assessments' to screen applicants for 'affordable rents', although we know that in London and other pressured areas affordable rents are being let to tenants in receipt of Housing Benefit.

3.26 Housing associations in Scotland and Northern Ireland as well as Scottish Councils arguably have a greater incentive to review the affordability of rents due to their freedom to set rents. Whilst not conclusive, the impression formed from the interviews is that social landlords in both countries have historically ‘kept an eye’ on affordability. Thorough affordability assessments that look at rent distributions and tenant profiles have tended to occur only when major rent policy reviews were carried out.

3.27 Discussions on the annual rent uplift usually centre on the balance between setting rents that tenants not on Housing Benefit can afford and the revenue required to meet service costs and financial commitments. These annual discussions can be extensive. Two Directors advised that it could take two or three Board meetings to review business plans and financial projections and to agree the annual budget and rent for the coming year. Evidence on the affordability of rents for tenants used to inform these discussions can be quite general. Sometimes the focus is whether average rents and rent uplifts are in line with those of comparable social landlords.

3.28 Tenant engagement in rent setting is variable and rent policies and rent-setting arrangements are not always accessible or easy to understand. Feedback from Scotland, where tenant consultation on rent is required, suggests it can be a struggle to find effective ways to consult tenants on rents. Response rates to formal, paper based, consultations are usually low. One response has been to invest in educating and supporting tenant panels to identify ways that stock investment can help tenants save money and to deliver more cost-effective services and to weigh up the resulting rent options.

3.29 As in Britain, welfare reform has increased awareness amongst social landlords in Northern Ireland of the need to improve understanding of the profile of tenants and the affordability pressures they face and the need for better engagement with tenants in rent setting.

Transition arrangements

> *"NIHE tenants are aware of the necessity to invest in the stock but are fearful of a sudden or rapid increase in rents"* Interviewee

3.30 Social landlords we interviewed in Britain that had revised their rent policies and rent setting arrangements observed that transition to a new rent regime required careful planning and management. Housing associations in Northern Ireland that were looking at rationalising rent policies following merger made similar observations. Some said it had taken two years or more to develop and agree new rent setting arrangements with tenants, liaise with Housing Benefit staff, revise computer systems and train staff. All pointed to a need for a phased approach to protect tenants from excessive rent increases in any single year and to avoid disrupting business plans.

Service charges

> *“There has been a lot of Board discussion about service charges over the years. If a service is essential to the building or living in the building then we build it into the basic rent. This is why the provision and maintenance of lifts is pooled within our rental costs and included in the basic rent and not set as a separate service charge”* Interviewee

3.31 Perspectives on, and policies towards, service charges are extremely diverse. There are diverse opinions about which services are core landlord functions, and which services are additional and for which a service charge should be levied. Some social landlords have de-pooled charges. Others, mainly in Scotland, have moved to abolish service charges other than for items not covered by Housing Benefit, such as communal heating. Most operate a cost recovery approach to service charges but some simply increase service charges in line with the annual rent uplift.

3.32 Amongst those that operate on a cost recovery basis, there are different approaches in terms of whether service costs are costed on a block basis, an estate-wide basis or some other basis. Sometimes a social landlord will use different approaches for different service charges. For instance, a single charge may be set for door entry systems for all tenants that receive this service but ground maintenance may be set on a block-by-block basis. There are also variations in terms of the extent to which the full cost of services is passed on to tenants. Where the full cost is not passed on, this is usually due to concerns about affordability and/or a desire to ensure the gross rents paid by tenants in flats and houses are equitable.

Issues that matter to tenants of social landlords

> *"It's a lot more than rents; it's a lot more than better the devil you know; tenants have a sense of being in it with the NIHE and they can get through it together. They trust NIHE... tenants are well aware that the NIHE invests in their communities and are very appreciative of this"* Interviewee
>
> *"Fuel poverty remains big challenge... Some tenants still have to contend with storage heaters and oil heating"* Interviewee
>
> *"I'm not sure how deep tenants' pockets are or how deep they want to dig in their pockets to pay for long term under-investment"* Interviewee

3.33 Social landlords, tenant representatives and advice agencies we spoke to concurred that there was a need to look at affordability in the round and not just at rents. Their collective views echoed the wider conceptualisation of affordability noted in Section 2. In general those we interviewed placed a lot of emphasis on:

- The quality of homes and landlord performance, especially in terms of delivering a prompt and high quality repairs service.
- Investment in thermal efficiency and energy efficient heating systems to reduce fuel costs for tenants and to lessen the impact of fuel poverty.
- Security of tenure and good reputation of the NIHE and other social landlords compared to private renting.
- Proximity to family, which was said to be especially important for social tenants in Northern Ireland due to the reliance on the wider family for childcare and support.
- Reputation of local area and access to local amenities.[8]

3.34 Social tenants across the UK are increasingly looking for clear information on what rent money is spent on and how this compares to other social landlords. Nonetheless, for the most part, interviewees did not believe that social tenants were particularly responsive to price signals.

[8] There were different views on the extent to which quality should be embedded in rent structure but there was little enthusiasm to incorporate locality or neighbourhood features into rent structures. Past experience has shown it was difficult to get right, difficult and costly to update and ran the risk of further stigmatising areas.

Most believed that few existing tenants would move home because of a change in rental charges. In the main, this was because of tenants' strong community roots and, especially in Northern Ireland, a deep-rooted desire to live close to family.

3.35 Tenants' awareness and understanding of the Savills report and the possibility of a new social rent policy is reported to be varied. That said, the general impression is that tenants are aware of the intention to raise rents to fund stock improvements but many are anxious about future rent increases and whether they will be affordable. Welfare reforms have heightened these anxieties. There is a clear sense that NIHE tenants' response to rent increases will vary from one area to another area, reflecting variations in the quality of NIHE stock and whether tenants were persuaded local homes would benefit from investment in the foreseeable future. Local market and community conditions may also shape the response of tenants. Some individuals cautioned that rapid rent increases may result in higher rent arrears and voids, which could potentially negate a rent rise.

Responding to welfare reform

> *"Poverty is often hidden; people rely on family support" Interviewee*
>
> *"Some younger adults and lone parents will go and sit in their parents' home for the day to keep warm and eat their parents' food"* Interviewee
>
> *"Mitigation is finite and when that ends how do we collect the rent?"* Interviewee
>
> *"When tenants open door in autumn with their coat on you have to question how they are going to afford higher rents or mange to pay more of their reduced income on rent"* Interviewee
>
> *"We know there's no conspiracy to delay or withhold information but the lack of detail is entirely unsatisfactory; it stops us planning"* Interviewee
>
> *"If rents were hit we would have to look at cutting back community development initiatives because of the need to find savings"* Interviewee

3.36 When interviewed in April 2016, both housing and advice organisations were frustrated at the absence of information about welfare reform and the lack of a clear timetable for rolling out Universal Credit and other reforms in Northern Ireland. Although they understood the difficulties, the lack of clarity was hindering their ability to prepare for the incoming welfare reforms and to communicate effectively with tenants about the changes.

Tenants awareness and responses to welfare reform

3.37 There was a clear impression that irrespective of who their landlord is, social tenants in Northern Ireland are confused about welfare reform. The lack of information had allowed some tenants to persist in the false impression that the mitigation package meant they did not have to worry too much about the incoming changes. We were told that tenants can struggle to understand written communication and many lack the communication and computer skills to understand or cope with the complexities of welfare reform and the transition onto Universal Credit.

3.38 Tenants faced a range of barriers to finding work or increasing the numbers of hours worked. External barriers included the lack of job opportunities and the lack of childcare provision. Personal barriers included long-term health conditions, disability, caring responsibilities and lack of relevant skills or work experience.

3.39 We heard that changeable working hours alongside changes to welfare benefits and tax credits introduced prior to April 2016 had already pushed some tenants into financial hardship and greater emotional stress. Although no-one produced hard evidence, we repeatedly heard that increasing numbers of working and non-working tenants were reducing their heating consumption, buying cheaper food or failing to pay bills on time to ensure their children did not go without food or clothes.

3.40 A recurring theme was that family support is a big part of culture on NIHE estates. Many tenants were 'getting by' through relying on family support or borrowing from family. Older tenants were said to be apprehensive about the possible combined impact of rent policy and welfare reform and whether their sons and daughters would be able to pay their rent, heat their home and feed themselves and their children.

3.41 There was widespread agreement that there was growing demand for information and advice on money, budgeting, debt and rent arrears advice. Use of food banks and church run services, such as clothes swaps, was reported to have increased, although advice agencies were aware that people often disguised their use of these services "*due to feelings of shame and stigma*".

Current and possible future response of social landlords

3.42 Social landlords reported that welfare reforms were increasing revenue costs and there would be a need for further investment in frontline staff training and activities such as:

- Information and advice to tenants on benefits, managing budgets, appealing and signposting to more specialist advice agencies and credit unions.
- Working with credit unions to build up a tenant's credit scores through recognising regular rent payments, thus reducing need for pay day loans or worse
- Training and employment activities to enhance literacy skills, digital literacy, and develop trades skills.
- Community development and resilience building activities such as promoting food co-operatives, allotments, and helping community groups secure grants.
- Early and proactive intervention with tenants before arrears could build up.

3.43 More generally, a recent English survey found that 79% of council tenants on Universal Credit were in rent arrears compared to 31% of tenants overall (Pipe, 2016). People who move in and out of work appeared to be especially vulnerable as they miss out on transitional protection and lack savings to see them through the six or so weeks until receipt of their first Universal Credit payment[9]. These findings influenced Lord Freud’s decision to commission a review to “*help understand the true level and causes of these arrears*"[10].

3.44 Finally, interviewees from Northern Ireland expressed more than a little uncertainty and nervousness about what would happen after March 2020 and whether tenants would be in any better economic and financial position to pay rents.

[9] Universal Credit features closely linked to rent arrears are: the seven-day waiting period before people become eligible for Universal Credit; the time lag to receipt of Universal Credit; and assorted procedural 'bedding-in' problems. In Britain, there is usually a six-week wait for first Universal Credit payment: the one-week waiting period; four weeks before Universal Credit is paid in arrears; and a further week before payment is received. In Northern Ireland, Universal Credit will be paid fortnightly and the housing element may continue to be paid to landlords, which should ease rent arrears pressures.

[10] https://hansard.parliament.uk/lords/2016-07-13/debates/16071337000432/UniversalCreditRentArrears

Concluding remarks

3.45 Rent setting in social housing inevitably involves a persistent and unresolved tension between affordability for tenants, generating sufficient revenue income for social landlords and now UK Government policies to reduce expenditure on housing supply subsidies and Housing Benefit.

3.46 Since devolution social housing policies have become more divergent across the U.K. This partly reflects different political decisions regarding the appropriate balance between supply and demand subsidies and the most appropriate arrangements for setting rents. Recent policy decisions to exert further downward pressure on the Housing Benefit budget through reducing social rents in England has heightened awareness of the contested nature of elements of the devolution settlement. However, it has also contributed to the renewed interest in the measurement of affordability and ways to ensure rents are at levels tenants can pay.

3.47 Housing Benefit reforms have weakened the link between Housing Benefit and rents and increased the risk of housing cost-induced poverty. As more tenants have struggled to cope and rent arrears have increased, social landlords have sought to limit the disruption to their rental income by investing in actions to enhance the employability and financial resilience of tenants. The introduction of Universal Credit will bring further change, albeit the full impact of these reforms, and in particular how households will respond to these reforms, will not become clear for some time. Both existing and new rent policies are therefore likely to require monitoring and modification as these implications become clear. In the interim it is possible to consider what rent levels are likely to be affordable for different groups of households as Universal Credit is rolled out.

4. MODELLING THE AFFORDABILITY OF FUTURE NIHE RENT UPLIFT OPTIONS

Introduction

4.1 This section explores the potential affordability of NIHE rents in 2019-20 for different groups of households assuming that rents increased by inflation plus 1%, inflation plus 3%, or inflation plus 4% in each of the next three years. This section is split in three. First, it explains the approach taken to analysing the potential affordability of NIHE rents. Second, it reports on the main results of our analysis. Third, it discusses the implications of our findings in terms of the future affordability of NIHE rents.

Overview of the approach

4.2 As noted in Section 2, the NI Executive is in the process of introducing welfare reform mitigation arrangements in line with the proposals of the Working Group led by Professor Evason. These arrangements will remain in place until the end of 2019-20. In light of this our analysis:

- Is focused on 2019-20 due to the inevitable uncertainty about the shape of the welfare regime in subsequent years.
- Disregards the impact of the social sector size criteria and the household benefit cap, which are both subject to full mitigation until March 2020.
- Disregards policy reforms to restrict Universal Credit to a maximum of two children and to extend the Local Housing Allowance limits to social rents as these measures have not yet been adopted as policy in Northern Ireland.

4.3 To exemplify the potential affordability implications of alternative rent increases in 2019-20, a number of modules were developed, which were then re-run to simulate the impact of rent increases of inflation plus 1%, inflation plus 3% and inflation plus 4%.

Modules

4.4 For working age households, the first module assumes that the UK Government's cuts to Universal Credit in terms of reduced work allowances and removal of the higher child element for a first child are fully applied in Northern Ireland by 2019-20. This module therefore assumes that the monthly work allowance for tenant households with children will fall from a maximum of £263 (£60.70 per week) to £192 (£44.31 per week) and from £111 (£25.62 per week) to zero for single persons and couples without children. Likewise, it assumes that the first child premium, currently worth an extra £10.48, will no longer apply.

4.5 Module two assumes that the work allowance element of those cuts is fully mitigated. A third module, which is focused on lone parents and couples with one child, assumes that the work allowance element *and* the higher child element for a first child will be retained.

4.6 Module four looks at the affordability implications for people with disabilities and the associated introduction of the Personal Independence Payments (PIP) regime for people aged 16 to 64 years. Depending on how long-term ill-health or a disability affects a person, they can be entitled to standard living and mobility PIP allowances of between £21.80 and £139.75 a week. As is the case with Housing Benefit, PIP payments will be disregarded from the calculation of Universal Credit entitlement. The mitigation arrangements in Northern Ireland in respect of disability are essentially transitional and for any individual claimant are time limited for no more than a year. As a result, this module makes no allowance for supplementary payments.

4.7 Module five looks at the affordability implications for single and couple pensioner households that have either a works (or private) pension or earnings from part-time work. For reasons discussed in Section 2, the modelling is mainly based on the current Pension Credit and Housing Benefit regimes but analysis and reported outcomes are based on entitlement to the full rate of the basic state pension.

Earnings and other assumptions

4.8 The simulations for working age households are all based on a full-time week of 37.5 hours. For lone parents, pensioner households and households that contain an adult with a limited capacity to work, we also ran simulations for part-time work (16-30 hours). Table 4.1 summarises our projected gross weekly earnings. We have assumed that the national living wage will be £8.55 per hour in 2019-20. This is based on the political commitment that the rate in 2020-21 should be £9.00 per hour. The weekly 30th percentile earnings figure has been uprated from 2015 levels in line with CPI inflation.

Table 4.1: Summary of gross earnings for 2019-20 used in the simulation modules

Hours worked	Living wage	30th Percentile Earnings
37.5 hours	£320.63	£392.76
30 hours	£256.50	£314.10
16 hours	£136.80	£167.52

4.9 Ahead of the Brexit vote, the Budget 2016 had forecast that there would be real earnings growth in the years to 2020. Since the vote, economic expectations have been scaled back, but revised official earnings forecasts have yet to be published. Our earnings assumptions are therefore clearly provisional.

4.10 The other core assumptions that underpin the modules are summarised in Table 4.2 whilst a summary worked example of the calculations that underpin the different modules can be found in Appendix 2 (Annex 1).

Household archetypes

4.11 The affordability simulations are based on a range of household 'archetypes', that are assumed to live in the following size of properties:

- One bedroom property: single people (under and over 25 years) and couples.
- Two bedroom property: lone parents and couples with one or two children.
- Three bedroom property: lone parents and couples with three children.
- Four bedroom property: Couples with four and five children.

4.12 For households with limited capacity to work and older households, we have assumed:

- One bedroom property: single person with disability and single pensioners
- Two bedroom property: couples where person is disabled and couple pensioners.

Table 4.2: Summary of other benefit and income assumptions underpinning modules

Assumptions common to household modules	
4 year freeze for working age benefits	Universal Credit, tax credits and child benefit have been frozen in cash terms for four years at the 2015-16 rates
Changes to tax credits	Disability benefits and disability-related elements of tax credits and other state benefits have been increased in line with the consumer price index.
Single tier pension	It has been assumed that the new state pension rates will increase by 2.5% per annum to 2019/20 inclusive. This is the minimum annual increase provided for under the 'triple lock' arrangements.
Other pensioner benefits	The Pension Credit and Housing Benefit allowances for pensioner households are assumed to rise in line with average earnings to 2019-20 inclusive.
Rates for NIHE properties	For all modules, the Rates have been assumed to be: • £12 per week for 1 bedroom dwellings • £14 per week for 2 bedroom dwellings • £16 per week for 3 and 4 bedroom dwellings
CPI inflation (wages and rents)	CPI rates are based on Office for Budget Responsibility (OBR) projections and are as follows: • 2017-18: 1.7% • 2018-19: 2.2% • 2019-20: 2.0%
Tax & national insurance	While the pre Brexit Government plan was for the 2016 £11,000 personal tax allowance to increase to £12,500 by 2020, we have made the more cautious assumption that it will be uprated in line with earnings.

Main findings

4.13 The following paragraphs detail the main findings from our affordability analysis for working age households, pensioner households and households with limited capacity to work. We report figures on a weekly basis and have rounded cash sums to the nearest pound. The full results are set out in Appendix 2 (Annexes 2 to 6) and report:

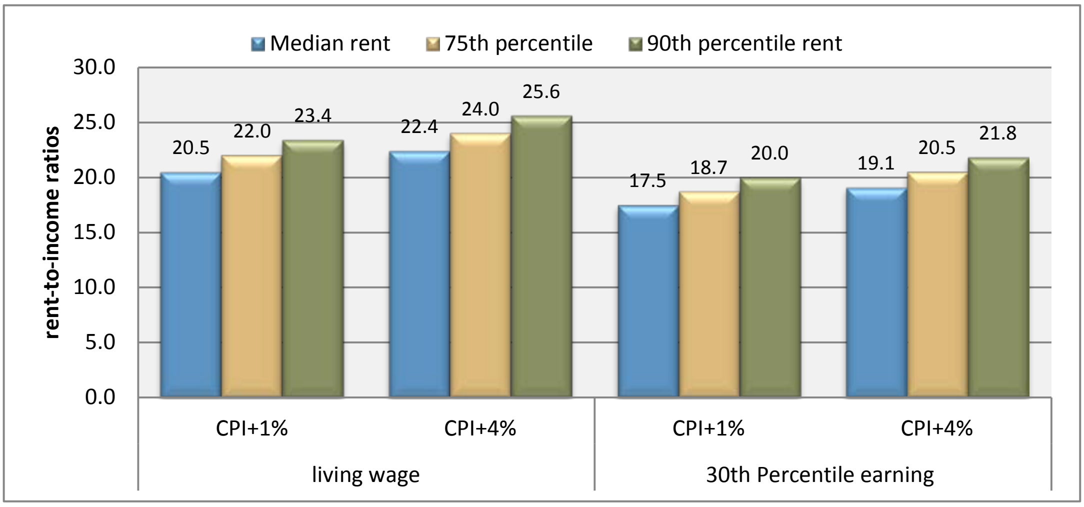
- Rent-to-income ratios, which is defined as the gross rent-to-net income before housing costs. Net income therefore includes the 'housing' component of Universal Credit.
- Residual incomes, which refers to net disposable income after housing costs (rent and rates) from all sources.
- Incentive income, which is the additional 'spare cash' a household has by virtue of employment or personal savings. For working age households this is net income after housing costs that is above the Universal Credit allowances plus Child Benefit and/or Personal Independence Payment (PIP) in appropriate cases. For pensioner households it is net income after housing costs in excess of the full state pension.
- Benefit income, which refers to the total amount of any Universal Credit received and not solely for the housing element within Universal Credit.
- Income to leave benefit, which refers to the gross earnings at which working age households would cease to be eligible for Universal Credit. For pensioner households it refers to the point when they would no longer be eligible for Housing Benefit.

Single person households under retirement age

4.14 Single person households that rent a one-bedroom property and work full-time at the living wage level would not qualify for Universal Credit in 2019-20 under any of the three rent uplift scenarios. This would be the case whether or not Universal Credit mitigations were in place. Figure 4.1 confirms that higher annual rent uplifts increase rent-to-income ratios. Higher rents also lower residual and incentive incomes. Overall:

- Where rents increase at CPI+1% and earnings are at living wage levels, rent-to-income ratios range from 20.5% for the median rent and up to 23.4% for the 90th percentile rent. If the rent uplift were CPI+4%, rent-to-income ratios would range from 22.4% for the median rent to 25.6% for the 90th percentile rent.
- Rent-to-income ratios for those earning the 30th percentile wage are some three percentage points lower than for those earning the living wage.
- If rents were to increase by CPI+1%, those earning the living wage and paying the median rent would have a residual income of £213. If rents were to increase by CPI+4% the residual income would fall to almost £207.
- Incentive incomes exceed £125 in all scenarios for single people irrespective of age.
- Incentive incomes for single people under 25 years are higher than for those over 25 years, but this is purely a function of the lower level of UC personal allowances for younger single people set by the UK Government.

Figure 4.1: Rent-to-income ratios for single persons aged 25 years and over in full-time work



4.15 Higher rents and higher rent increases raises the earnings required to exit Universal Credit. If the 90th percentile rent was to increase by CPI+4%, younger single people would cease to be eligible for Universal Credit with gross earnings of over £237. Those aged 25+ years would cease to be eligible when gross earnings reached close to £272.

Working age couples without children

4.16 In terms of couples where one adult works full-time and earns the national living wage:

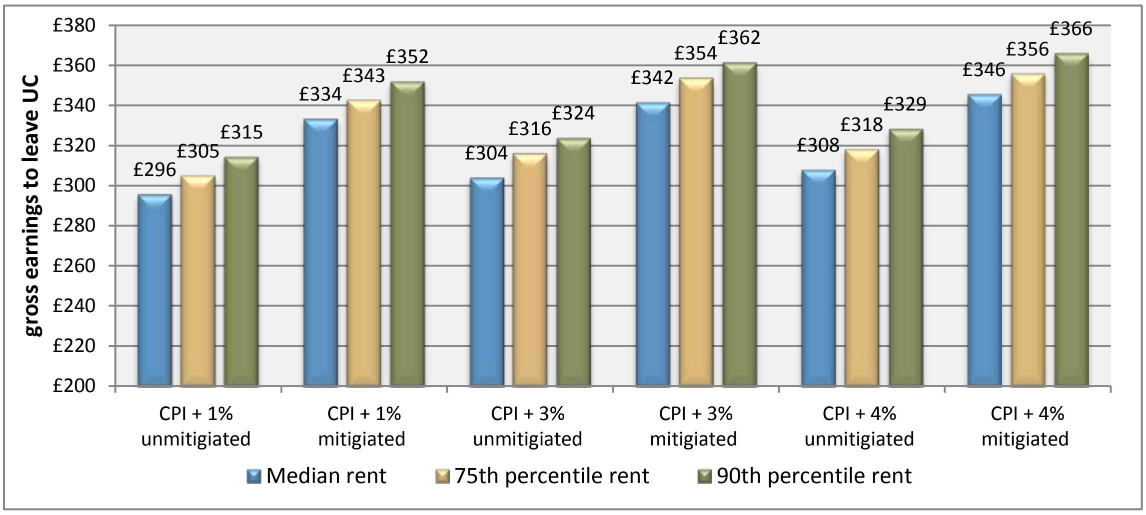
- Where Universal Credit is not mitigated, it is only in the case of the 90th percentile rent and CPI+4% uplift that there is any Universal Credit eligibility (£3.51).
- Where Universal Credit is mitigated, couples would be eligible for modest sums of Universal Credit for all rent uplift scenarios, starting at £5.70 for the CPI+1% median

rent. In all cases, the residual income would be £218 and the incentive income above the level of Universal Credit allowances would be around £104.

- Rent-to-income ratios range from 20.1% to 22.3% for CPI+1% rents when Universal Credit is mitigated, and from 22.4% to 25.3% for CPI+4% rents when Universal Credit is not mitigated.

4.17 In no case would couples with one person working full-time at the higher 30th percentile wage rate be eligible for Universal Credit. Figure 4.2 shows that the highest gross earnings required to exit Universal Credit would be £366. This assumes that Universal Credit was mitigated and that the 90th percentile rent had increased by CPI+4%.

Figure 4.2: Gross earnings at which couples are no longer eligible for Universal Credit



Lone parents in full and part-time employment

4.18 In terms of lone parents in full-time work at the living wage level:

- Lone Parents with two or more children face rent-to-income ratios below 20% for all rent uplift scenarios.
- Where Universal Credit work allowance cuts are not mitigated, lone parents with one child would face rent-to-income ratios of up to 21.7%, assuming the 90th percentile rent increased by CPI+1%. This would increase to 23.3% if the same rent increased by CPI+4%.
- Irrespective of the numbers of children, all lone parents earning the living wage would be eligible for substantial amounts of Universal Credit. Consequently, higher rents would be offset fully by higher Universal Credit entitlement.

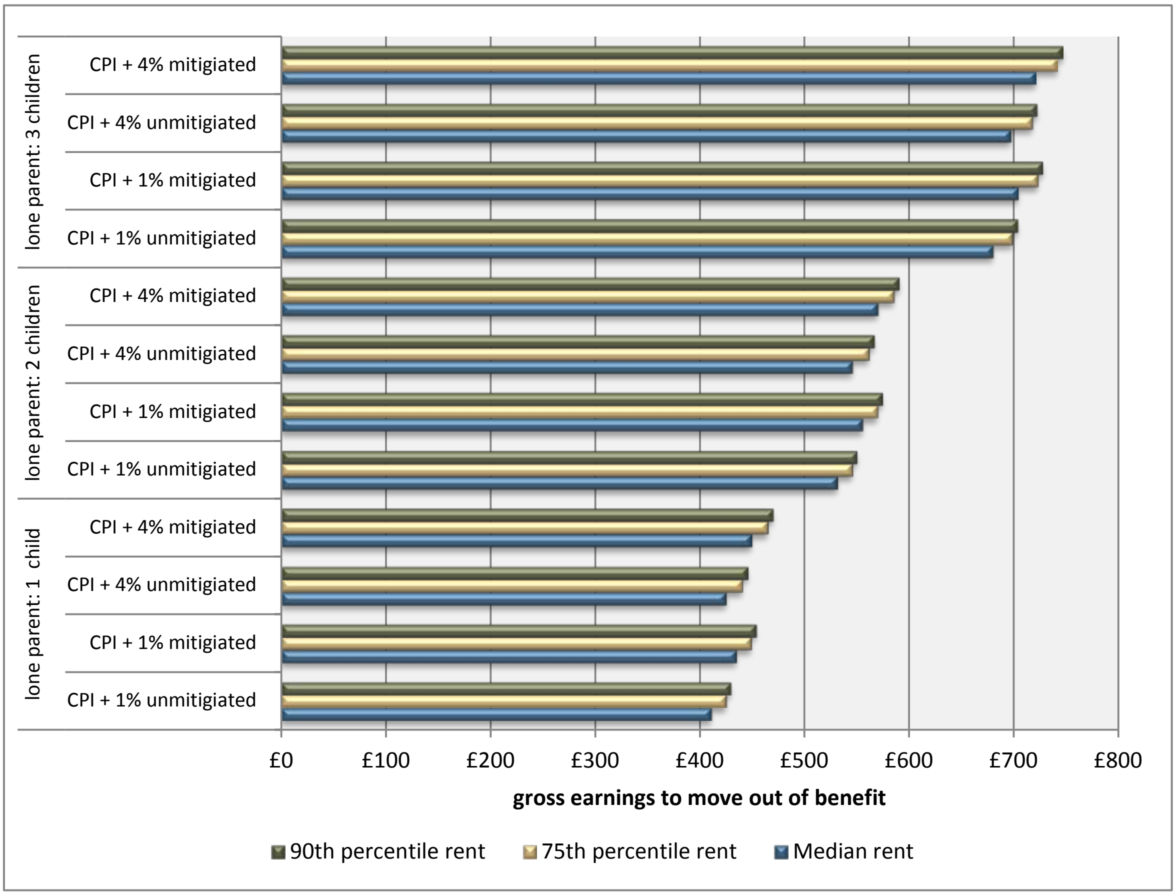
4.19 Lone parents earning the higher 30th percentile wage rate would also be eligible for Universal Credit in all scenarios. Universal Credit mitigation would have a positive impact on the residual and incentive incomes (above Universal Credit and Child Benefit) of all lower wage lone parents in full-time work. In contrast, different rent levels would have no impact.

4.20 As figure 4.3 illustrates, lone parents in full-time work would only begin to move beyond Universal Credit eligibility with gross earnings in excess of £410:

- Lone parents with one child would require gross earnings of £411 to exit Universal Credit if the median rent increased by CPI+1% and Universal Credit work allowance cuts were not mitigated. This would increase to £470 if the 90th percentile rent increased by CPI+4% and Universal Credit work allowance cuts were mitigated.

- Based on the same scenarios, lone parents with two children would require gross earnings of between £531 and £590 whilst those with three children would require gross earnings of between £680 and £747.

Figure 4.3: Gross earnings at which lone parents are no longer eligible for Universal Credit



4.21 The above variations are partly a function of the difference between mitigated and unmitigated Universal Credit and the difference between median and 90th percentile rents. If these two variables are held constant, the difference arising as between the CPI+1% and CPI+4% scenarios is more limited. For instance, if there were no mitigation, a lone parent with one child paying a rent of £77 (90th percentile rent uplifted by CPI+1%) would exit Universal Credit if they had gross earnings of £429. If their rent were £84 (90th percentile rent uplifted by CPI+4%) the exit threshold would be £445.

4.22 Analysis in Appendix 2 (Annex 3) set out two further simulations for lone parents with one, two or three children. The first looks at lone parents that work 30 hours a week and the second looks at lone parents that work 16 hours a week. In both cases, the analysis is shown at living wage and 30th percentile earnings levels.

4.23 A lone parent with one child working 30 hours at the living wage level would have a residual income of £249 and an incentive income (above UC allowance and Child Benefit levels) of £102 if there were no mitigation. If Universal Credit work allowance cuts were mitigated, residual and incentive incomes would increase to £258 and £111 respectively. The incentive incomes of lone parents with more than one child would only be slightly higher.

4.24 In the absence of Universal Credit mitigation, lone parents working 16 hours at the living wage level would have an incentive income of £73-77, depending on the number of children. If Universal Credit work allowance cuts were mitigated, incentive incomes would rise to £82-87. Again, the different rent uplift scenarios would not affect residual and incentive incomes.

4.25 The difference between the incentive income of lone parents working 16 hours or 30 hours and earning the living wage is modest, at around £29. A similar picture emerges for those earning the higher 30th percentile wage. This suggests lone parents that work part-time could only achieve a modest increase in their disposable incomes at these earnings levels. However, the key point in terms of the affordability of rents is that neither residual nor incentive incomes are affected by variations in rent levels. As with lone parents in full-time work, rent increases are covered £ for £ by Universal Credit entitlement.

Couples with children with one adult in full-time work

4.26 In common with lone parents, couples with children where one adult is in full-time work would remain in receipt of Universal Credit, with gross earnings at the living wage as well as the higher 30th percentile wage rate. It follows that once again incentive incomes (i.e. above UC allowance and child benefit levels) would not be affected by variations in rent.

4.27 On the other hand, incentive incomes do vary somewhat according to the numbers of children, earning levels, and Universal Credit migration provisions:

- With one adult on living wage earnings, couples with one or two children have incentive incomes of £118 when cuts to Universal Credit work allowances are mitigated as against £114 when these cuts are not mitigated. For couples with three or more children, incentive incomes are a little higher but with a similar differential between the levels when the Universal Credit work allowance cut is, or is not, mitigated.
- With one adult on 30th percentile earnings, couples with one or two children have an incentive income of £135 when the Universal Credit work allowance cut is mitigated and £131 when there is no mitigation.
- Similar differentials apply for mitigated and unmitigated incentive incomes for couples with three or more children.

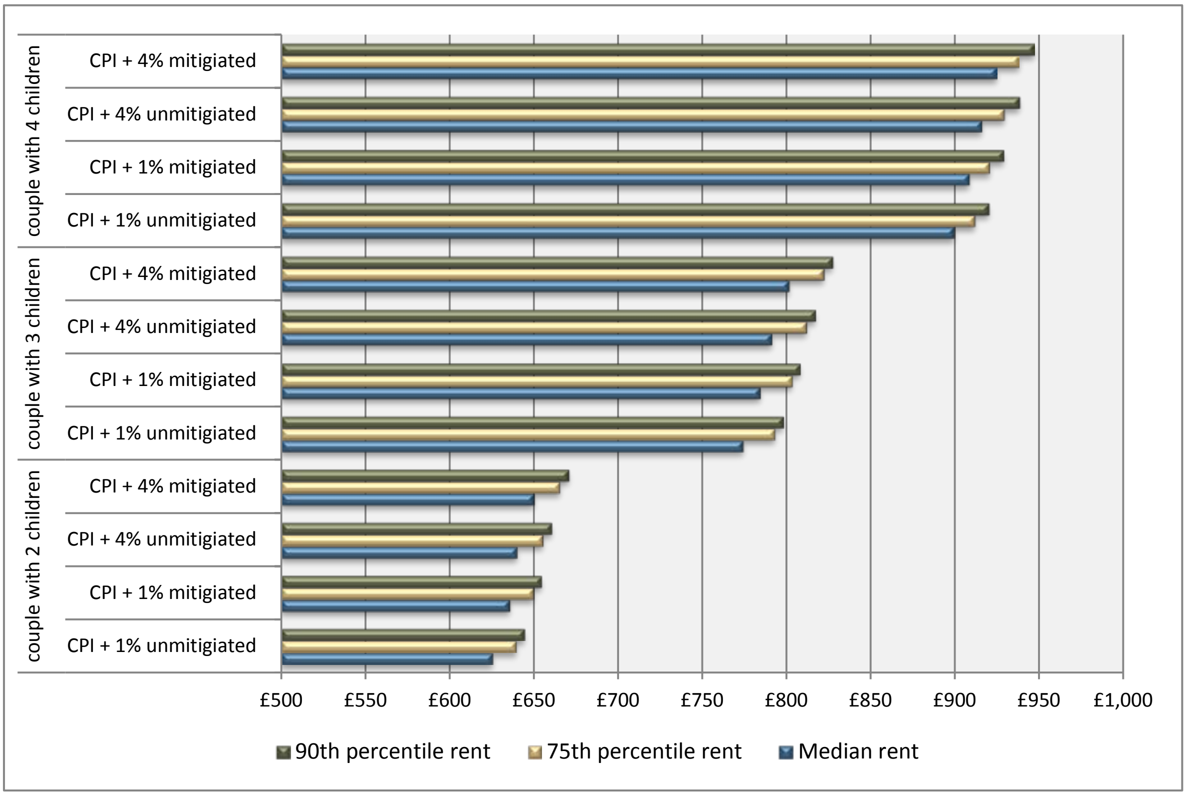
4.28 Although higher rents result in higher rent-to-income ratios, couples with one child and with one adult earning the living wage level do not face ratios in excess 21%. For couples with two or more children, rents to income ratios remain below 20% in all cases.

4.29 More significant perhaps is the levels of earnings at which families remain eligible for Universal Credit. Figure 4.4 illustrates that for larger families with three or more children the level of earnings required by a sole earner to move beyond Universal Credit eligibility are considerable. It shows that:

- For a couple with three children gross earnings required to move beyond Universal Credit eligibility typically exceed £775.
- For a couple with four children gross earnings would typically exceed £900 and for a couple with five children gross earnings could exceed £1,000.

4.30 The difference between CPI+1% and CPI+4% rent increases in extending the earnings range resulting in Universal Credit eligibility is, in this context, relatively limited.

Figure 4.4: Gross earnings at which couples with children are no longer eligible for Universal Credit



Full mitigation of GB Universal Credit Cuts

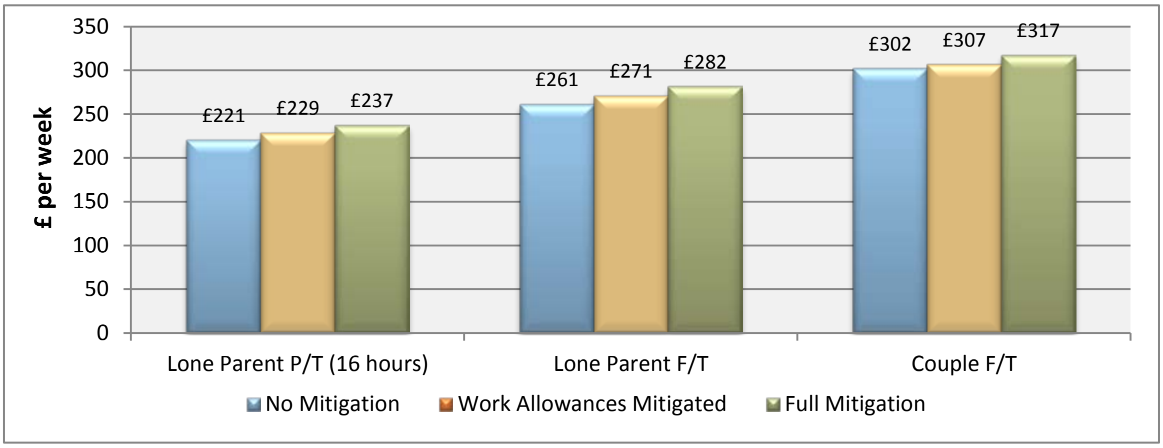
4.31 Appendix 2 (Annex 4) looks at the impact of fully mitigating the cuts to the Universal Credit now being applied in Great Britain. It therefore looks at the impact of cuts in work allowances and the removal of the higher-level child allowance for a first child in terms of both lone parent and couple family households with one child.

4.32 Building on these tabular outputs, Figure 4.5 compares the residual incomes that would result from different Universal Credit mitigation options. In each case, we assume that a family would have one adult in work earning national living wage rates. It confirms that full mitigation of the Universal Credit cuts would flow through into higher levels of residual incomes. In the case of families with one person working full-time:

- Couples with one child would be over £10 better off compared to mitigation of work allowance cuts alone and almost £15 better off compared to a regime without any Universal Credit mitigation.
- Lone parents with one child would be over £10 better off compared to mitigation of work allowance cuts and over £20 better off compared to no mitigation.

4.33 In both of the above examples, families would have an income above the upper limit for eligibility for domestic rates benefit. Full Universal Credit mitigation would therefore enable both lone parents and couples with one child to retain the full 'first child premium', which would be worth some £10.45 per week. Comparisons between these two examples also confirm that work allowance mitigations would be of greater significance for lone parent families than for two adult families.

Figure 4.5: Impact of UC mitigation measures on the residual income of families with one child (CPI+ 1%)



4.34 For lone parents that work 16 hours a week, full Universal Credit mitigation would be somewhat offset by a reduction in benefit support for domestic rates. Nonetheless, as figure 4.5 illustrates, they would be over £8 better off compared to mitigation of work allowance cuts alone. They would also be almost £17 better off compared to a regime without any mitigation.

4.35 As expected, the higher levels of Universal Credit incomes that result from full mitigation are reflected in somewhat lower rent-to-income ratios and in higher gross earning thresholds to move beyond any Universal Credit eligibility.

4.36 Couples and lone parents with more than one child would experience similar advantages, as in all cases they would lose the higher level of allowance for their first child if the GB Universal Credit cuts were to be applied.

Households with limited capacity to work

4.37 Our programme of interviews pointed to widespread concerns about the impact of the welfare reforms for people with disabilities, especially the possible impact of the introduction of the Personal Independence Payments (PIP) regime. However, our analysis is restricted to looking at the financial position of those in receipt of PIP in 2019-20 and makes no allowance for any supplementary payments, which, as noted earlier, are time limited. The UK Government has not reduced the personal or work allowances embedded in the Universal Credit regime for households with limited capacity to work (LCtW). Our analyses do not therefore include any mitigation for those provisions in Northern Ireland.

4.38 The analyses for households 'with limited capacity to work' (LCtW households) are set out in Appendix 2 (Annex 5). The tables focus on single and couple households that contain an adult entitled to standard living and mobility PIP allowances and look at the impact of the rent scenarios where one adult works 16 or 30 hours at living wage as well as the higher 30th percentile earning levels.

4.39 The fact that work allowances for LCtW households will not be cut means that in 2019-20:

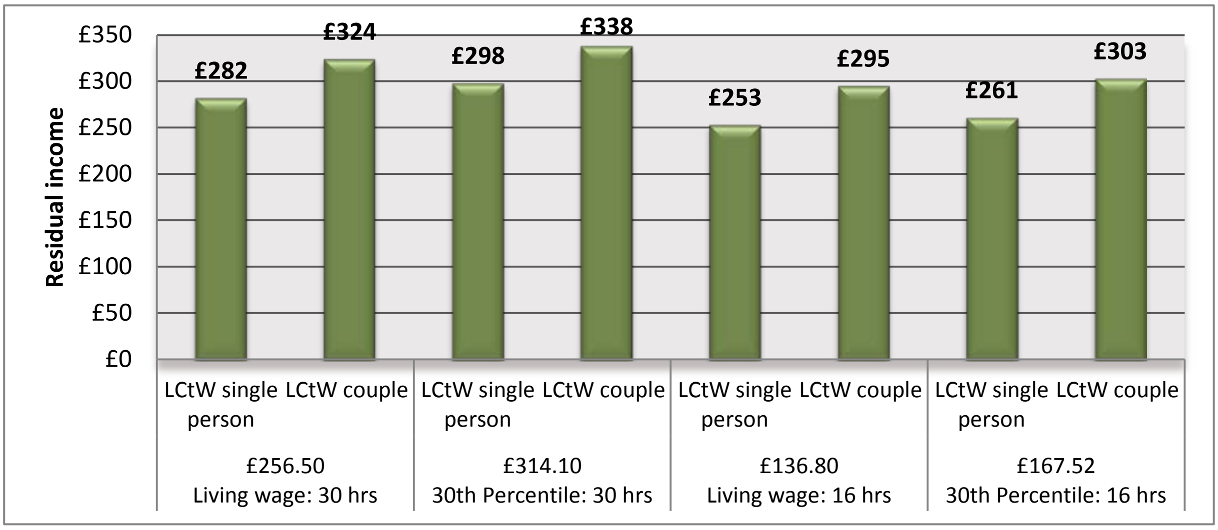
- In all rent scenarios, rent-to-income ratios would remain below 20% for both single person and couple LCtW households working a 30-hour week.
- Median rent-to-incomes ratios would also remain below 20% for single and couple LCtW households working a 16-hour week but ratios would creep above 20% for rents at the upper end of the distribution under the CPI+3% and CPI + 4% options.

- In the main, rent-to-income ratios would be lower for LCtW households than for single and couple households not adjudged to have limited capacity to work.
- Residual incomes (excluding PIP allowances) for single and couple LCtW households that work part-time would be higher than for other single and couple households without children where someone was in part or full-time work. However, LCtW households also typically incur higher costs in supporting their labour market participation.

4.40 At all rent levels, single LCtW households that worked 16 hours would remain eligible for Universal Credit, regardless of whether earnings were at the living wage or 30th percentile levels. This would also be the case for those working 30 hours a week. The residual incomes of single LCtW households would therefore remain unchanged regardless of projected rent levels. Single LCtW households would cease to be eligible for Universal Credit if gross earnings exceeded £332 in the case of median CPI + 1% rents and £365 in the case of 90th percentile CPI + 4% rents.

4.41 The position for couple LCtW households would be very similar. This is because the higher Universal Credit allowances are offset in the analyses, which is based on the households occupying two bedroom, rather than one-bedroom dwellings. Again, couple LCtW households would be in receipt of Universal Credit and rent levels would have no impact on residual incomes. The key difference is that the gross earnings required by couple LCtW households would need to rise to a much higher level (almost median full-time earnings) before they would cease to be eligible for Universal Credit.

Figure 4.6: Residual incomes (excluding PIP) of single and couple LCtW households



Pensioner households

4.42 Pensioners that rely solely on the basic state pension, or have very modest additional income so that they are in receipt of Pension Credit, automatically qualify for full Housing Benefit. Thus, their disposable incomes are not affected by any variations in rent levels. The tables in Appendix 2 (Annex 6) therefore focus on single and couple pensioner households:

- With a works (or private) pension of £120 in addition to a full basic state pension. The £120 is approximately two thirds of the median for all pensioner households with a works pension in the UK[11]. Pensioner households are also assumed to have an income derived from £8,000 savings; or

- With gross earnings of £167.52 (16 hours at the 30th percentile rate) plus a full basic state pension and income derived from £4,000 savings.

4.43 A key finding from the analyses is that single pensioners who work part-time at the 30th percentile rate and have a full basic state pension would not be eligible for Housing Benefit on any rent scenario. Further analysis indicates that, depending on which rent uplift option is selected, single pensioners require gross income upwards of some £137 to £148 in addition to a full state pension before they cease to be eligible for Housing Benefit for median rents under any of the three rent rise scenarios. For the 90th percentile rent, the gross income required in addition to the basic state pension to cease Housing Benefit eligibility would be upwards of some £153 to £165.

4.44 Similarly, pensioner couples need gross income of upwards of £197 to £209 in addition to a full basic state pension before they cease to be eligible for Housing Benefit for median rents under any of the three rent uplift scenarios. Gross incomes would need to increase by a further £16-17 before pensioner couples would move beyond Housing Benefit eligibility for the higher 75th and 90th percentile rent cases.

4.45 Thus, the key difference between the three rent uplift scenarios is the modest difference in the level of additional income the pensioner households require to move beyond Housing Benefit eligibility. All pensioner households with additional incomes below the levels reported in the two preceding paragraphs would remain eligible for Housing Benefit under all three rent scenarios. For those households, higher rents would have no impact on their disposable incomes, as any rent increase would be fully covered by an increase in Housing Benefit.

4.46 As noted in Section 2, the new State Pension will replace the current basic state pension for people who retire from April 2016 onwards. As the new state pension is set just above the level of pension credit, it will remove that element of means testing for those households *that are fully eligible*[12] and have no, or very limited income to supplement their state pension.

4.47 The introduction of the new State Pension is a complex reform and involves unavoidable but complicated transition arrangements. Although many will not be eligible for the full rate of the new State Pension in the short term, DWP (2015) estimate that in the 15 years to 2030-31 some 75% of individual pensioners may gain in terms of having a higher notional State Pension than they would under the old system. DWP also report average gains or losses will be relatively modest. For 2019-20, they estimate a median gain of £8 per week and a median loss of £4 per week.

4.48 DWP's (2016) more recent analysis suggests that the pension changes will have little effect on the overall number of older people claiming Housing Benefit but that the average Housing Benefit claim will fall, although they do not report by how much. This is consistent with other evidence reported in Section 2 that low-income pensioner households that rent their home may find that any increase in State Pension income will be offset by a decline in entitlement to Housing Benefit.

[11] This is roundly based on the DWP Pensioner Income Series data for 2014/15, derived from the Family Resources Survey, and uprated to 2019/20 levels

[12] As noted in Section 2, a person must have accumulated 35 years national insurance contributions to qualify in full.

4.49 Overall, available evidence suggests that pension reforms will have only a limited impact on the Housing Benefit eligibility of NIHE tenants that reach State Pension age in the period to 2019-20, and thus the outputs from affordability analysis are based on the current pension regime.

Discussion

4.50 As expected, higher projected rent levels result in both higher rent-to-income ratios and an increase in the levels of earnings required to move beyond Universal Credit eligibility. The rent-to-income ratios are also higher when there are no mitigations to the Universal Credit regime and lower with the Universal Credit regime mitigated. Conversely, the earnings levels required to move beyond Universal Credit eligibility are higher with the Universal Credit regime mitigated and lower when the regime is not mitigated.

4.51 The differences in these measures are, however, relatively modest. For households with one adult in full-time work and no children, rent-to-income ratios exceeded 25%, but only just, in two cases:

- Single people earning the living wage rate and where the highest rent (90^{th} percentile) is projected to increase by CPI+ 4% regardless of whether or not the Universal Credit regime is mitigated
- Childless couples earning the living wage rate where the Universal Credit regime unmitigated and the highest rent (90^{th} percentile) is uplifted by CPI+ 4%.

4.52 Lone parents with one child that work 16 hours would see rent-to-income ratios creep up towards, or just above 25%, for higher rents (75^{th} and 90^{th} percentile) if rents increased by CPI+3% and CPI + 4%, especially if the Universal Credit regime is unmitigated and they earn the living wage rate. In all other scenarios, for lone parents with one, two or three children working part-time (16 hours or 30 hours) the rent-to-income ratios are below 25%. For lone parents that work full-time, rent-to-income ratios generally range from 20% to 23% for those that have one child and fall to below 20% for those with two or three children.

4.53 For couples in full-time work with one or more children, rent-to-income ratios are generally below 20%. The only exceptions are some rent-to-income ratios for couples with one child. For those earning at the living wage level, rent-to-income ratios reach 20% for the 75^{th} percentile rents in the CPI + 4% scenario and for the 90^{th} percentile rents in the CPI+3% & CPI+4% scenarios. For those earning at the higher 30^{th} percentile wage level, ratios also just reach around 20% for the highest 90^{th} percentile rent under the CPI+4% scenario.

4.54 Both couples and lone parents with one or more children with one adult in full-time work would be in receipt of Universal Credit under any rent, rent uplift and Universal Credit scenario, even with earning at the 30th percentile level. Whilst rent-to-income ratios vary under alternative rent and rent uplift scenarios, the levels of incentive and residual income remain constant. Levels of incentive and residual income vary only depending on their level of earnings, and between the mitigated and unmitigated versions of the Universal Credit regime.

4.55 On the residual based measures of affordability, therefore, families with children would have nothing to lose from the higher rent options and nothing to gain from the lower rent options. In terms of their disposable incomes the more critical factor for these family households is whether or not the GB cuts to the Universal Credit work allowances, and the higher level of allowance for a first child, are mitigated.

4.56 Higher rents do, however, extend the income range for Universal Credit eligibility, and make it more difficult for households realistically to aspire to earnings levels that would enable them to move beyond reliance on Universal Credit.

4.57 Under the median rent and CPI+1% rent policy scenario, a couple with two children and one full time earner would require annual gross earnings of over £32,500 a year to move beyond Universal Credit eligibility if there was no mitigation of the work allowance or first child allowance. A couple with three children that relied on the earnings of one adult in full time work would require earnings of over £40,000, and a couple with four children would require earnings of almost £47,000. To put these figures into context, only one in five of all full-time workers (in all tenures) in Northern Ireland earn over £40,000 a year.

4.58 Households with a limited capacity to work would remain eligible for Universal Credit at all rent levels, even where they work 30 hours a week at the higher 30th percentile wage level. Pensioner households also require a significant level of income in addition to a full State Pension before they cease to qualify for Housing Benefit.

4.59 The high level of dependence on Universal Credit (or Housing Benefit for pensioner households) is a recurring theme in all rent scenarios other than for single people in full-time work and childless couples earning the higher 30th percentile wage rate. Four out of every five NIHE tenants are in receipt of Housing Benefit.[13] The Universal Credit regime, which takes in-work welfare eligibility further up the income scale than Housing Benefit, will inevitably increase the proportion of NIHE tenants in receipt of benefits regardless of which rent policy option is adopted.

Concluding remarks

4.60 This section has examined the impact of three alternative rent uplift scenarios for the affordability of NIHE rents, taking into account the possible structure of Universal Credit in 2019-20. Three alternative Universal Credit options have been explored in relation to working age households. The first with the cuts to the Universal Credit, first child and work allowances being applied in Great Britain, the second with cuts to work allowances mitigated and the third where both the work and first child allowances are mitigated. The analyses also examined the affordability of projected future rents for households with limited capacity to work and pensioner households.

4.61 While the higher of the rent scenarios result in higher rent-to-income ratios and higher levels of earnings required to move beyond Universal Credit eligibility, the impacts are limited.

4.62 For the great majority of NIHE tenants, higher or lower rent levels would have no impact on their residual (disposable) incomes. As most will be eligible for Universal Credit (or Housing Benefit in the case of pensioner households) any higher rents are matched £ for £ with a higher level of Universal Credit. The far more significant factor in terms of sustaining residual (disposable) incomes of families with children will be the NI Executive decisions on the extent to which it will mitigate the UK Government cuts to Universal Credit work and first child allowances.

4.63 The analysis suggests that working age single person and childless couple households that are capable of working full-time are the most likely to be able to move beyond Universal Credit.

13 Northern Ireland Housing Statistics 2014/15 (Table 3.4), Department for Social Development

For NIHE tenants whose household more or less matches either of these two archetype groups and who are currently able to pay their rent without reliance on Housing Benefit, future increases in rent would have an adverse impact on their household finances.

4.64 Incentive incomes (above Universal Credit allowances) for single person households in all the rent scenarios are in excess of £125. However, the incentive incomes for childless couples would dip below £90 if the cuts to Universal Credit work allowances were not mitigated whereas they would not fall much below £104 if mitigation were put in place. Keeping in mind the need to meet any travel or other work related costs from this incentive income, there may be an argument to look at the potential to increase the rent differential between smaller and larger units, thereby helping to lower annual rent increases for smaller units.

4.65 Finally it must be observed that beyond 2019-20 there must inevitably be some uncertainty over the extent to which the NI Executive will be able to continue to mitigate GB welfare benefit cuts, and in particular the household benefit cap, the ‘bedroom tax’ and the LHA limits on eligible rents in the social rented sector. Each of those policies would have major implications for NIHE rents should mitigation not continue.

5. FINDINGS FROM THE CONTINUOUS TENANT SURVEY

Introduction

5.1 This section sets out our analysis of the NIHE's Continuous Tenant Omnibus Survey (CTOS), which involved face-to-face interviews with 650 NIHE tenants. Like any survey, it is important to keep in mind that it deals with perceptions and anticipated behaviour that may not reflect reality in the future. Self-reported incomes and earnings may also not provide a fully reliable picture of a household's finances. The analysis differentiates between a household and a benefit unit. The latter refers to a single adult or a couple living together with any dependent children but it excludes other adults in the property. Figures reported in the tables are 'weighted and grossed up' to reflect the total NIHE tenant household population using weights supplied by the NIHE. Numbers in the written commentary have been rounded to the nearest 100 whilst percentages have been rounded to the nearest whole number. Table percentages do not always sum to 100 due to rounding and multiple answers. Appendix 3 provides further details about the survey.

Profile of NIHE tenants

5.2 Approximately 85,200 households rent their home from the NIHE, which is equivalent to 12% of households in Northern Ireland. There has been little change in the tenant profile in the last two years. Table 5.1 summarises the characteristics of the household reference person (HRP)[14] and shows that:

- The age profile of NIHE tenants is not evenly distributed. Around 62% are aged 50 years and over. In contrast, just 15% of household reference persons are under 35 years.
- Two-thirds (65%) of NIHE tenants have a female household reference person, of which 99% state that they are from a white ethnic group. Likewise, in terms of citizenship, some 99% described themselves as British, Northern Irish or Irish.
- Over half (56%) of household reference persons state that their household is Protestant and 37% state it is Catholic. The rest state their household is of mixed religion (Protestant/Catholic) or from another or no religious affiliation.

5.3 Table 5.1 also confirms that most households are small, with 71% of households comprised of just one (45%) or two persons (27%). Looking more closely at household composition:

- Of the 38,100 single person households, 44% are aged 65+ years, 50% are aged 35-64 years and 6% are under 35 years. Most single persons aged 35+ years live in a two (45%) or three bedroom (36%) home whereas virtually all those under 35 years generally live in a one or two bedroom home.
- Of the 17,500 couples, similar proportions have an HRP aged 35-64 years (49%) and an HRP aged 65+ years (48%). Few couples (3%) have a HRP under the age of 35 years (3%). Over 90% of couples live in properties with two or more bedrooms.
- Lone parents account for 13,000 out of the 21,900 households that have at least one child. Some 5,500 lone parents have one dependent child, most of whom (62%) are less than 35 years.

[14] The household representative or household reference person (HRP) is the person in whose name the property is rented and is liable for the rent. Where two people jointly rent the property, the HRP is the person with the highest income.

Table 5.1: Summary profile of NIHE tenant household representatives and households (%)

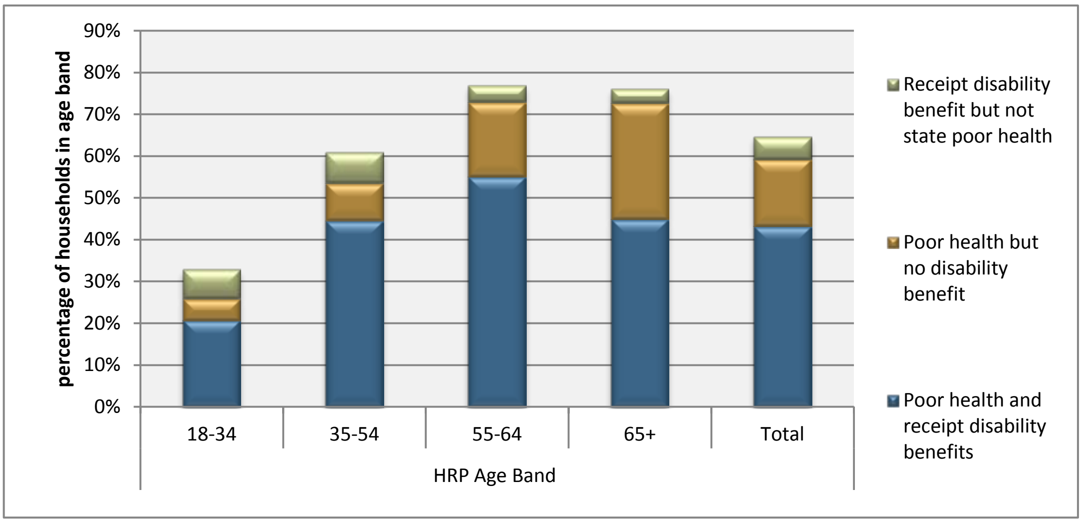
		ALL	Full HB	Partial HB	Not on HB	Total
Gender of HRP	Female	65	66	14	21	100
	Male	35	65	20	15	100
	Total	100	65	18	17	**100**
Age of HRP	18-34	15	57	21	22	100
	35-49	24	57	21	22	100
	50-64	31	72	11	17	100
	65+	31	68	20	11	100
	Total	100	65	18	17	**100**
Employment status of benefit unit*	Working	22	8	32	61	100
	Not in work	20	88	10	2	100
	Retired	32	70	21	9	100
	Sick/disabled	18	90	5	5	100
	Other	9	86	12	2	100
	Total	100	65	18	17	**100**
HRP long term limiting illness or disability	Poor health	55	80	13	7	100
	No health problems	45	47	24	30	100
	Total	100	65	18	17	**100**
Household composition**	Lone Adult	22	74	9	16	100
	Two Adults	8	60	13	27	100
	Lone Parent	15	62	28	11	100
	Small Family	5	54	20	26	100
	Large Family	4	33	33	34	100
	Large Adult	11	58	15	27	100
	Two Older	12	60	23	18	100
	Lone Older	22	76	16	9	100
	Total	100	65	18	17	**100**
Summary household group	Single Person	45	75	13	13	100
	Two Adult	21	60	19	22	100
	Household with children	26	56	26	18	100
	Other	9	57	17	27	100
	Total	100	65	18	17	**100**
Number of persons in household	1	45	75	13	13	100
	2	27	61	20	19	100
	3	16	55	22	23	100
	4	8	61	20	19	100
	5 or more	5	42	29	29	100
	Total	100	65	18	17	**100**
Self-reported religious tradition of the household	Protestant	56	61	20	19	100
	Catholic	37	71	15	14	100
	Mixed (Protestant/Catholic)	1	67	7	26	100
	Other or no religion	6	68	14	18	100
	Total	100	65	18	17	**100**
Sample base		650	417	112	108	637
weighted count		85,244	54,496	14,658	14,301	83,455

Source: CTOS Survey, Spring 2016
Notes: Figures reported in the ALL column are based on all 650 responses. Figures for HB status are based on 637 respondents for which we have valid Housing Benefit data (see Appendix 3 for more details).
*As discussed in Appendix 3, employment status is based on the benefit unit (HRP or partner) and that of the HRP
** Household composition is based on retirement age (65 males/60 female) which is the standard used by NIHE but we also analysed household composition by 65+ years in light of the ongoing State Pension age equalisation process. As discussed in Appendix 3, household composition was revised in a handful of cases.

Disability

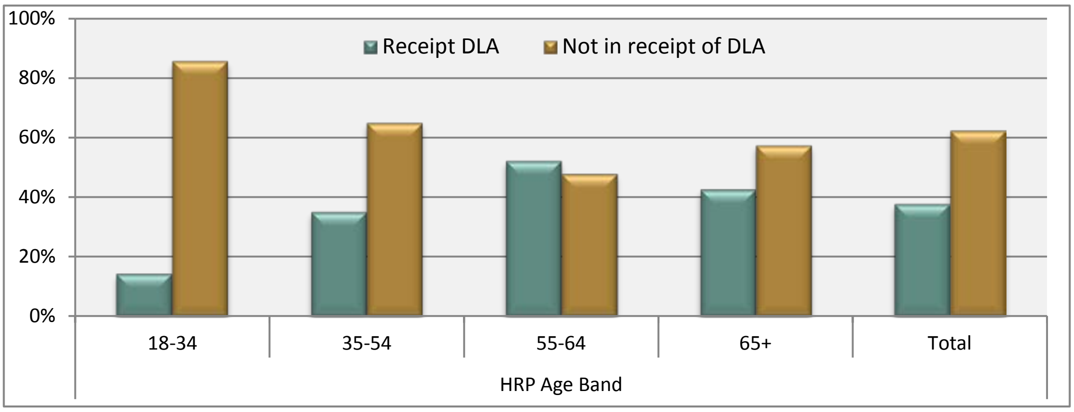
5.4 Some 55% of household reference persons report they are in poor health and/or have a disability. Allowing for the growth in benefit claimants in the intervening period, CTOS evidence is consistent with the 2011 Census finding that half of all NIHE household reference persons had a long-term health problem or disability that limited their daily activities compared to 29% of all household reference persons in Northern Ireland[15]. The prevalence of poor health amongst benefit units is higher still. Once we take account of the health of a tenant's partner and receipt of disability benefits, up to 65% of benefit units are in poor health.

Figure 5.1: Family benefit units in poor health/ receipt of disability benefits (%)



5.5 High proportions of benefit units represented by someone of working age are in poor health (see figure 5.1). Over half (52%) of those in the 35-54 age group are in receipt of one or more disability benefits and 60% say they are in poor health. Around 59% of those respondents aged 55-64 years are in receipt of disability benefits and 78% state they are in poor health. Interestingly, a third of the 20,200 in the 65+ age group who say they are in poor health are not in receipt of a disability benefit. Part of the reason for this may be that the survey does not specifically ask about receipt of Attendance Allowance.

Figure 5.2: Family benefit unit in receipt of Disability Living Allowance (%)



15 Census Table CT0078NI: theme table on HRPs. Numbers of DLA recipients increased by 14% from May 2011 to June 2016

5.6 The most common disability benefit claimed is Disability Living Allowance (DLA). Around 38% of benefit units are in receipt of DLA, increasing to 43% of those in the 65+ age group and 52% of those in the 55-64 age group (see Figure 5.2). Around 21% of benefit units, mostly in the 35-64 age group, are in receipt of Employment and Support Allowance (ESA). There also appears to be some overlap between receipt of ESA and DLA.

5.7 These rates are indicative of the higher receipt of disability benefits, especially DLA, in Northern Ireland relative to the rest of the UK. The rates also highlight that the financial position of a considerable share of working age NIHE tenants in 2019-20 will depend on whether or not they are successfully migrated from DLA to PIP.

Receipt of Housing Benefit

5.8 Table 5.1 confirms that almost 83% of households that participated in the survey and for whom we have valid data are in receipt of either full (65%) or partial (18%) Housing Benefit. Table 5.1 confirms that high rates of Housing Benefit dependency are evident amongst all household groups other than the 'in work' employment group.

5.9 Table 5.1 also confirms that rates of full Housing Benefit are highest for Catholics tenants. This appears to be linked to the lower employment rates amongst those of working age and higher economic inactivity rates for all age groups for Catholics than for Protestants.

5.10 Looking at the profile of the 14,300 benefit units that are not in receipt of Housing Benefit:

- Some 75% have at least one adult in work, usually full-time and most have gross earnings of between £13,000 and £26,000 (£250-£500 per week).
- Almost half are single and couple benefit units of working age without dependent children and a quarter are couples or lone parents with children.
- Most of the remaining 25% are pensioners but there are also some benefit units that do not appear to be in receipt of Housing Benefit because of non-dependant deductions.
- Over 85% are in good health and are not in receipt of DLA or any other disability benefit.

Incomes, earnings and housing costs

NIHE tenant household incomes

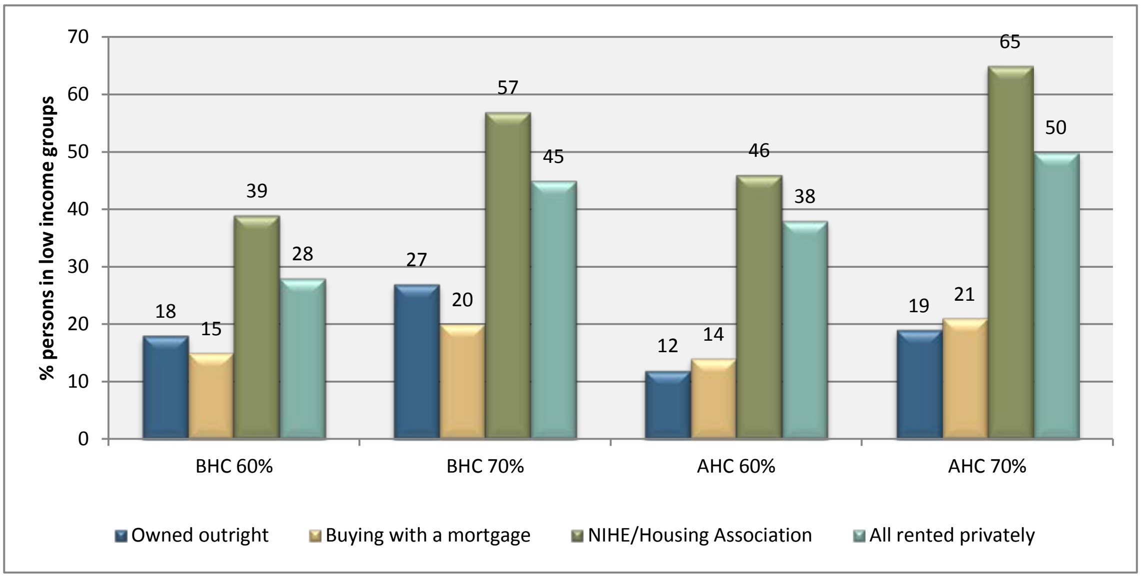
5.11 Households in social housing have low incomes relative to households in other tenures. The main reasons for this income gap are that lower proportions of adults that live in social housing are in paid employment and those that are in work have, on average, lower earnings.

5.12 The Family Resources Survey (FRS) reports that in 2014-15 the median equivalised disposable weekly income for the UK was £473 before housing costs and £404 after housing costs[16]. As noted in Section 2, relative poverty is defined as 60% of median income. For 2014-15, this

[16] The equivalised disposable income is the total income of a household after deductions for income tax, National Insurance distributions, rates (council tax), pension contributions and maintenance payments that is available for spending or saving and then adjusted (by weighting) to account for the age and number of people in a household. As noted in Section 2, after housing costs means disposable income minus rent (or mortgage interest payments), structural insurance premiums, water charges, ground rent and service charges.

equated to £284 before housing costs and £243 after housing costs. Taking these latter two figures as a benchmark, FRS data for Northern Ireland confirms that significantly higher proportions of individuals that live in social housing have a household income at or just above the relative poverty threshold than those in other tenures (Figure 5.3). The proportions of individuals that live in social housing that are at risk of relative poverty may also be higher than reported. The FRS figures include disability benefits but the equivalisation process does not make adjustments for the extra costs of disability.

Figure 5.3: FRS: Percentage of Individuals in low income group by tenure 2014-15 (%)



Source: FRS Northern Ireland 2014-15, issued 29 September 2016; table 3.8

5.13 Income data from the CTOS survey, especially for working households, is subject to sizable sampling errors and must be treated with caution. With this caveat in mind, the figures reported in Table 5.2 suggest that the majority of benefit units with at least one person in full-time work generally have gross incomes of £15,601+ and the majority of those without any person in work have gross incomes of £10,400 or less. However, notable proportions of benefit units have gross incomes of £10,401-£15,600 irrespective of work status.

Table 5.2: Gross income of benefit unit broken down by employment status (%)

	At least one person full-time work (%)	Only part-time work (%)	No person in benefit unit working		All (%)
			Under 65 (%)	Over 65 (%)	
Under £10,400	3	27	63	60.	52
£10,401 - £15,600	31	29	28	32	30
£15,601+	66	44	9	8	18.
Total	100	100	100	100	100
Sample Base	59	36	240	144	479

Table based on benefit units (percent based on weighted sample)
1. Gross income: tenants are asked to include HB as part of gross income.
2. Table excludes cases where respondent either refused or said DK as well as cases where earnings, receipt of HB and income could not be reconciled (see Appendix 3 for further details)
3. Details for the total respondents, including "cannot determine" cases can be found in Appendix 3, Table A3.3.

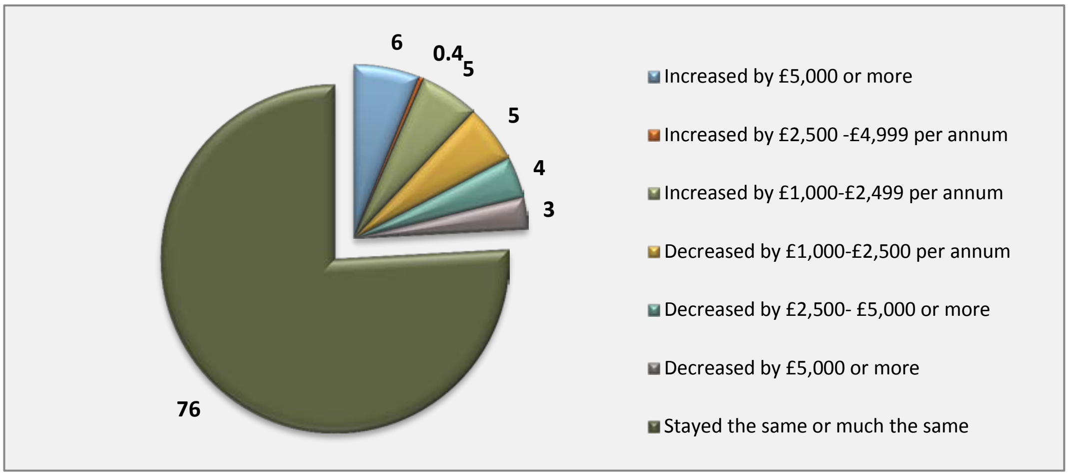
5.14 Sample size limitations prohibit definitive statements but investigations suggest:

- Single person and childless couples in receipt of disability benefits (typically DLA) make up the majority of benefit units where there is no person in work but gross income exceeds £10,401.
- Lone parents account for a large share of those in part-time work with incomes in the £10,401-£15,600 and £15,601-£20,000 income bands. Most are in receipt of partial Housing Benefit.
- Couples with dependent children with at least one person in work tend to have gross incomes over £15,600 but many are in receipt of partial Housing Benefit.

5.15 The CTOS survey contained questions to ascertain if the average hours worked by those in employment fluctuate. Responses indicate that up to 90% of household reference persons and (where appropriate) their partners experienced little or no fluctuation in the numbers of hours they worked in the last 2-3 months prior to being surveyed. However, more may experience seasonal fluctuations in working hours.

5.16 Likewise, as Figure 5.4 illustrates, three quarters of 'in work' benefit units reported there had been little or no change in their gross earnings in the last year. Amongst the handful that reported a significant increase of £1,000 or more in earnings, virtually all said this was due to a move to a new job or a pay rise (occasionally linked to promotion). In contrast, reduced hours were the main reason stated for a decline in earnings. This evidence suggests that relatively few 'in work' NIHE tenants are likely to be adversely affected by the recent reduction in the Tax Credit income disregard to £2,500 or to find themselves with overpayments and underpayments of Tax Credits at the end of each year.

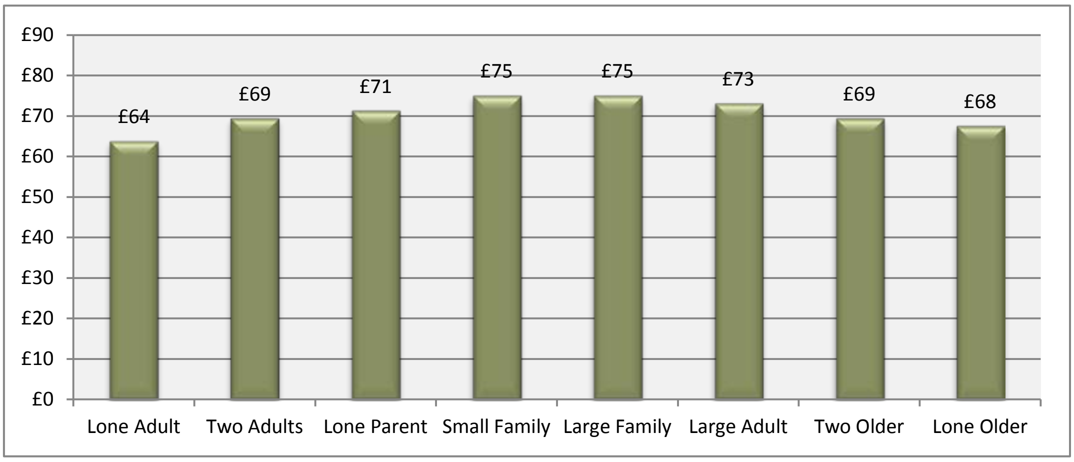
Figure 5.4: In work benefit units - change in gross earnings since last year (%)



Housing costs

5.17 The median weekly rent for the dwellings occupied by tenants that participated in the survey was £69.41. Figure 5.5 illustrates that on average, variations in the rents payable by single adult, couple and family households are modest. This is only partly because the NIHE rent structure, like those of most social landlords, does not set highly differentiated rents for properties of different sizes. It is also the case that many smaller households occupy properties larger than they strictly require, no doubt reflecting the very limited numbers of one and, to a lesser extent, two bedroom dwellings. There is no significant difference in the rents by employment status.

Figure 5.5: Median rent by household type (%)



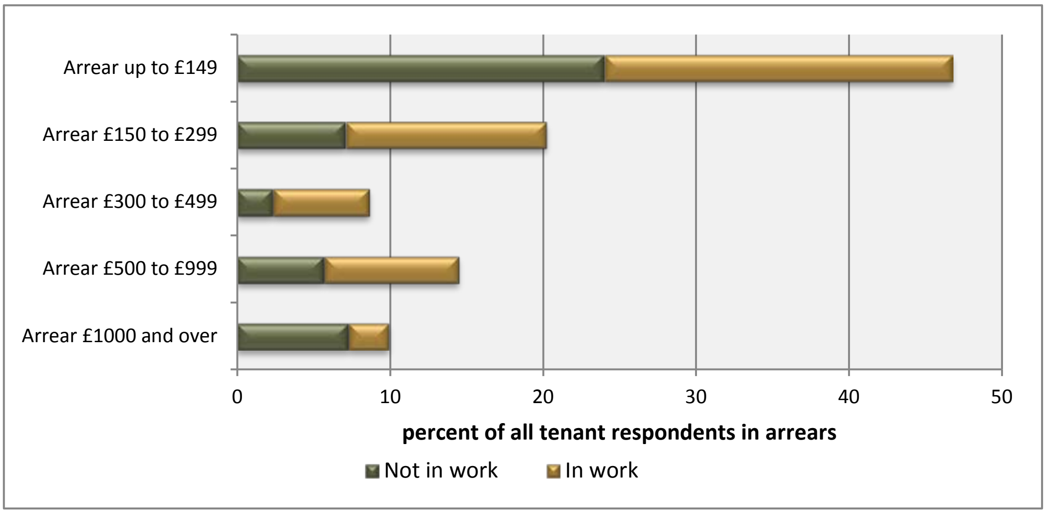
Note: rent figures are rounded to the nearest pound

Rent arrears

5.18 Overall, 76% of the tenants were up to date with their rent payments. This includes 91% of tenants in receipt of full Housing Benefit. Figure 5.6 illustrates that of the 20,200 tenants that were behind with their rent, 67% owe less than £300. This suggests most tenants are unlikely to owe more than 2 to 4 weeks rent. These patterns are consistent with feedback from some people we interviewed that suggested that some tenants view arrears as a short-term interest free loan to get them through difficult situations. This may help to explain why, when asked:

- 86% of tenants not in receipt of full Housing Benefit said they have not experienced any difficulty making rent payments in the last 12 months, even though close to half of this sub-group had some rent arrears.
- Of the 3,600 tenants not in receipt of full Housing Benefit that state they have experienced difficulty making a rent payment in the last 12 months, 90% are in rent arrears, with over a third having arrears in excess of £500 (due to the small number of actual cases caution should be applied when interpreting this result).

Figure 5.6: Proportion of tenants in rent arrears by benefit unit work status and cash sum of arrears



5.19 The likelihood of being in rent arrears is much higher for those 'in work'. Over 60% of the 17,100 'in work' tenants are behind with their rent, albeit very few have rent arrears of £1,000 or more. The rate of rent arrears amongst 'in work' tenants varies little in terms of either gross income or receipt (or otherwise) of partial Housing Benefit.

5.20 Households with dependent children also have a much higher likelihood of rent arrears, especially arrears of £500 or more. This holds true regardless of employment status. In contrast, pensioner households are the least likely to be in arrears regardless of Housing Benefit status.

Making ends meet: tenants not wholly reliant on Housing Benefit

5.21 Tenants not wholly reliant on Housing Benefit, of whom we identified 188 valid cases, were asked a series of questions to explore their budgeting behaviour and financial resilience. The questionnaire can be found in Appendix 4

5.22 The survey asked how easy it is for them to afford to pay the rent and if it has become easier or more difficult for them compared to a year ago. Almost four out of every five of the 25,000 tenants in this sub-group said it is 'easy' (35%) or 'neither easy nor difficult' (43%) to pay the rent. Similar proportions say it is no more difficult to pay the rent compared to a year ago. As NIHE rents for 2016-17 have been frozen, this finding is not too surprising.

5.23 On the other hand, around 5,300 find it difficult for their household to afford the rent, of which 40% say it is now more difficult to afford the rent compared to a year ago and 52% say there has been no change one way or another. When asked why it has become harder to pay the rent, some pointed to the increasing cost of living and stagnating wages. Others pointed to a drop in household income because of reduced working hours, loss of work and/or changes in benefit entitlement, which presumably was interpreted to include Tax Credits.

Table 5.3: Actions taken by households not wholly reliant on HB to pay rent (%)

	Yes (%)	No (%)
Cut back on food shopping	21	79
Delayed or did not pay rent for more than 2 weeks until I had money /went into arrears	17	83
Delay paying fuel bills (gas, electricity and oil)	14	86
Delay paying other bills (phone, insurance, TV)	13	87
Financial help from family or friends	13	87
Cut back on car fuel	10	90
Postponed visit to the dentist	5	95
Borrowed money from bank, credit union or lender	5	95
Delay paying loans or repayments (credit cards, hire purchase, mail order, Social Fund loans)*	4	89
Overdrawn from a bank account to pay rent*	4	92
Pawned or sold something to get cash	3	97
Used credit card to pay rent due to lack of income*	1	93
Taken at least one or more of the above actions (row)	31	69
sample base= 188 (weighted 24, 958) The cases marked* could also state not applicable and thus these figures do not sum to 100%		

5.24 Of the 25,000 households not wholly reliant on Housing Benefit, , 7,900 (31%) have taken one or more of the actions listed in Table 5.3 in order to manage rent payments in the last year,.

Of those (7,900), more than half have cut back on food shopping and/or delayed rent payment for more than two weeks and more than two-fifths have borrowed from family and friends and/or delayed paying other bills.

5.25 Although most do not say it is difficult to pay the rent, the budgets of households not wholly reliant on Housing Benefit are often tight. Half (12,400) reported having experienced a shortfall in funds in at least one budgeting period in the past 12 months. Overall, 11% reported that they had 'often' run out of money, 28% say they sometimes ran out of money and 10% say they have run out a few times (3 times or less). In response to these financial pressures the most common responses have been to:

- Cut back on social and recreational activities, such as visiting friends, cinema, sport, pub or eating out (59%) and/or cut back or cancel family day trips (47%);
- Cut back on heating and fuel use (45%) and/or to cut back on food and meals (40%);
- To delay paying energy and other household bills (43%) and/or delay rent payments (39%);
- Secure financial help from family or friends (42%).

Table 5.4: Ability to afford purchases by households not wholly reliant on housing benefit

	Afford	Struggle to Afford	Can't Afford	Total
Eat meat, fish or vegetarian equivalent every other day	80	16	4	100
Eat fresh fruit and vegetables every day	78	19	3	100
Keep home adequately warm	76	23	1	100
Keep home in reasonable decorative order	71	23	6	100
Replace worn out clothes and shoes with new (not second hand) ones	60	34	6	100
Have friends or family for a drink or meal at least once a month if desired	55	26	19	100
Replace broken electrical goods	50	38	12	100
Pay for recommended dental work	41	38	21	100
Replace any worn out furniture	38	45	17	100
Home contents insurance	38	29	33	100
Run a car	35	34	31	100
Regular savings (£20 a month) for rainy days	34	32	34	100
Regular payments into an occupational or private pension	28	22	50	100
Holiday away from home for one week a year, not staying with family	23	29	48	100
Pay for unexpected bill of £500	19	30	51	100
sample base 188 (weighted 24,958)				

5.26 Those who find it difficult to afford the rent also tend to be those who 'sometimes' or 'often' run out of money or have to cut back on other expenditure to pay the rent. The limited numbers of responses precludes firm conclusions, but it seems plausible that up to a third of tenants not wholly reliant on Housing Benefit experience financial anxiety and may be struggling to cope financially. This is equivalent to some 9% of all NIHE tenants. Further analysis suggests that:

- These tenants tend to be younger, some have children and are far more inclined to have rent arrears in excess of £300.
- There is a more-or-less even balance in terms of those in receipt of partial Housing Benefit and those not in receipt of Housing Benefit. Part of the reason for this is that some of these households tend to have fluctuating earnings.
- Many have responded by cutting back on essentials (such as heating and food), delayed paying rents and other bills and sought financial help from family or friends to make up the shortfall.

5.27 Households not wholly reliant on Housing Benefit were also asked if they could afford a variety of purchases. Table 5.4 confirms that around a quarter say they struggle to afford or cannot afford some essential daily purchases such as fresh food. Moreover, half say they cannot afford major expenses such as a holiday, a pension plan or unexpected bill of £500. Overall, it seems that most households not on full Housing Benefit manage their finances on a short-term basis and many appear to have limited scope to save or cope with unexpected expenditure.

Potential responses to rent reform

Possible response to rent increase

5.28 Table 5.5 shows actions that households said they would take if they had to spend a higher share of their household income on rent:

Table 5.5: Steps HRP and /or partner might take in response to spending a higher share of income on rent

Possible actions	Yes (%)	No (%)	NA/DK (%)
Spend less on essential items to cover the rent	35	57	8
Get advice from welfare or community organisation	35	56	9
Seek employment or continue to seek employment	15	59	26
Look for additional work or an extra job	13	57	30
Look for better paid job	13	56	31
Try to increase hours in current job	12	48	40
Apply to transfer to a cheaper social rented property in my present area	12	76	12
Apply to transfer to a smaller social rented (NIHE/HA) property in my present area	10	78	12
Borrow money from somewhere	9	84	7
Apply to transfer to a smaller social rented property outside of my present area	5	85	11
Apply to transfer to a cheaper social rented property outside of my present area	4	85	11
Look for a cheaper private rented property in my present area	3	86	11
Look for a cheaper private rented property outside of my present area	3	86	11
Ask another family member to move in	2	89	9
Increase money contributed by a non-dependent child or lodger	2	77	21
Take in a lodger	1	93	6
Ask a non-dependent adult child to leave the home	0	75	25
sample base: 650 (weighted: 85,244)			

- The most commonly cited actions amongst all households were to economise on spending and to seek advice from a welfare or community organisation. Around a third of households said they would consider either option.

- Options to reduce housing costs through moving to another property or taking in lodgers or other family members were not popular (see shaded rows). For the most part, upwards of 75% said they would not consider such options.

5.29 The patterns of responses around employment were more complex. Although only 15% of benefit units stated they would seek to increase earnings, this increased to upwards of 36% for benefit units not in receipt of Housing Benefit and for benefit units where at least one adult was in full-time work. In contrast, working age benefit units in receipt of full Housing Benefit were often uncertain about whether they would seek work.

5.30 The survey also included follow-up questions to ascertain what, if anything prevented the adults in a benefit unit from seeking to earn more money. Table 5.6 confirms that the main reasons for being unable to seek to earn more money are health, age and child care responsibilities. Further analysis of this evidence suggests:

- In terms of those not claiming Housing Benefit, over a quarter said they were too old or retired, 35% cited health reasons and a fifth cited work reasons, such as employer could not increase hours or would be hard to find another job.
- In terms of those claiming partial Housing Benefit, a third cited retirement, a further third cited health reasons and a quarter cited caring responsibilities.
- In terms of those on full Housing Benefit around two thirds cited health reasons.

Table 5.6: Factors that would prevent HRP and/or Partner from seeking to earn more money (%)

Factors	Yes (%)	No or NA (%)	Main Reason (%)
Health (i.e. in poor health/has a disability etc.)	63	37	53
Age (retired)	35	65	25
Caring responsibilities (incl. looking after home/children)	14	86	8
Lack of jobs available	7	93	3
Childcare costs	7	93	4
Lack of access to childcare	4	96	1
Current employer not able to increase hours	3	97	1
Lack qualifications/skills	3	97	0
Too low pay (financially not rewarding)	1	99	0
Lack of public transport	1	99	0
Cost of travelling	1	99	0
Adverse impact on benefit entitlement	1	99	0
Other, please specify	1	99	1
Don't know			3
Total			100
sample base: 488 (63,400 weighted)			

5.31 The above findings might be assumed to imply that at this point in time tenants' behaviour and housing choices are not particularly sensitive to changes in rents. However, the findings reported in Table 5.5 should be treated with caution. Experience of welfare reform suggests that households typically take steps to increase income or reduce costs to cope with changes after measures have been introduced and that tenants are not always willing to engage with landlords until they feel the adverse effects of policy changes.

Priorities, rents and investment

5.32 Tenants have expectations of what they should receive from their landlord in return for the rent they pay. Tenants' perceptions about service priorities, investment in their homes and neighbourhoods and their disposable income after paying rent are therefore likely to be important in framing any future rent policy proposals. With this in mind, the survey probed tenants' views on such matters.

Table 5.7: NIHE services that tenants consider one of their top three priorities

NIHE services	Yes (%)
Provide high quality home	72
Improvement Work (major work such as bathrooms, kitchens and heating systems)	65
Deliver high quality and customer friendly repairs service	62
Listening to tenants' views and acting upon them	44
Well maintained neighbourhood	25
Dealing with anti-social behaviour	22
sample base: 650 (weighted 85,244)	

5.33 Table 5.7 confirms that NIHE tenants' three top priorities centre on the quality, condition and maintenance of their home. Over seven out of ten tenants (72%) identified the provision of a high quality home as one of their three top priorities whilst over six out of ten selected property improvements (65%) and a high quality repairs service (62%). This prioritisation of services was broadly consistent across all subgroups, including tenants in receipt and not in receipt of Housing Benefit. This suggests that capital investment is very likely to be one of the key drivers of whether or not tenants see future rental payments as offering value for money.

5.34 Results also indicate that tenants place considerable importance on being kept informed and having their views taken into account. At 44%, the priority assigned to this is relatively high and may reflect tenant desire to be more fully engaged and involved in discussions over the future direction of the NIHE and decisions that will affect them, their home and their tenancy.

5.35 Survey respondents were asked whether they agreed or disagreed with a series of statements. These statements and the resulting responses are summarised in Table 5.8:

- Close to 83% agree or strongly agree that their home represents good value for money compared to just 8% who disagree or strongly disagree. Echoing this positive view, most perceive that living in a NIHE property makes it easier to 'get by' and that it would be difficult to find a cheaper or more affordable alternative property.
- Around 59% agree that rents would still represent good value for money if they increased by £2.50, with just 22% disagreeing. However, more disagree (43%) than agree (32%) that rent increases of £5.00 would represent value for money and 62% agree it would be unreasonable to charge a higher rent for their specific property.
- Three quarters or more of tenants agree that NIHE rents levels are enough to allow them to invest in improving their homes (78%) and their local area (75%).

5.36 The inconsistent nature of these findings is hard to interpret. In particular, the perception that current rent levels are sufficient to pay for stock investment is at odds with the widespread coverage of the stock investment gap identified by Savills.

5.37 One possibility is that the continuing difficult economic climate and welfare benefit reforms have heightened tenants' concerns about future rent increases. Feedback from the programme of interviews suggest that many tenants fear that they will lose income because of the incoming welfare and tax credit reforms and that a programme of ongoing rent increases will compound this problem.

Table 5.8: Tenants agreeing and disagreeing with statements about possible rent reform (%)

statements	Strongly agree (%)	Agree (%)	Neither (%)	Disagree (%)	Strongly disagree (%)
The rent charged by the Housing Executive is enough to allow them to invest in improving my home	13	65	18	4	0
The property I rent is good value for money	19	64	9	5	2
The rent charged by the Housing Executive is enough to allow them to invest in improving my local area	11	64	19	5	0.6
Living in this property makes it easier to get by on my income	16	56	20	6	2
If my rent increased by £2.50 per week it would still be good value for money	9	50	19	18	4
It would be unreasonable to charge a higher rent for this property	18	44	29	8	2
If my rent increased by £5.00 per week it would still be good value for money	5	27	24	34	9
There are cheaper properties to rent in this area of similar size and quality to mine	1	10	34	39	16
It would be easy to find an affordable alternative property to live in if I were to move home	1	8	23	43	25
sample base: 650 (weighted 85,244)					

5.38 Another possibility, as noted in Section 3, is that NIHE tenants may be reluctant to pay for past political decisions that have led to under-investment in the stock. Press coverage about the presence of asbestos in NIHE homes at the time of the survey fieldwork may have increased tenants' perceptions that they are already paying for services that NIHE is failing to deliver.

5.39 The relatively high proportions that answered 'neither agree nor disagree' to several statements also suggests many feel they lack sufficient information and understanding to offer an informed opinion on many of the statements.

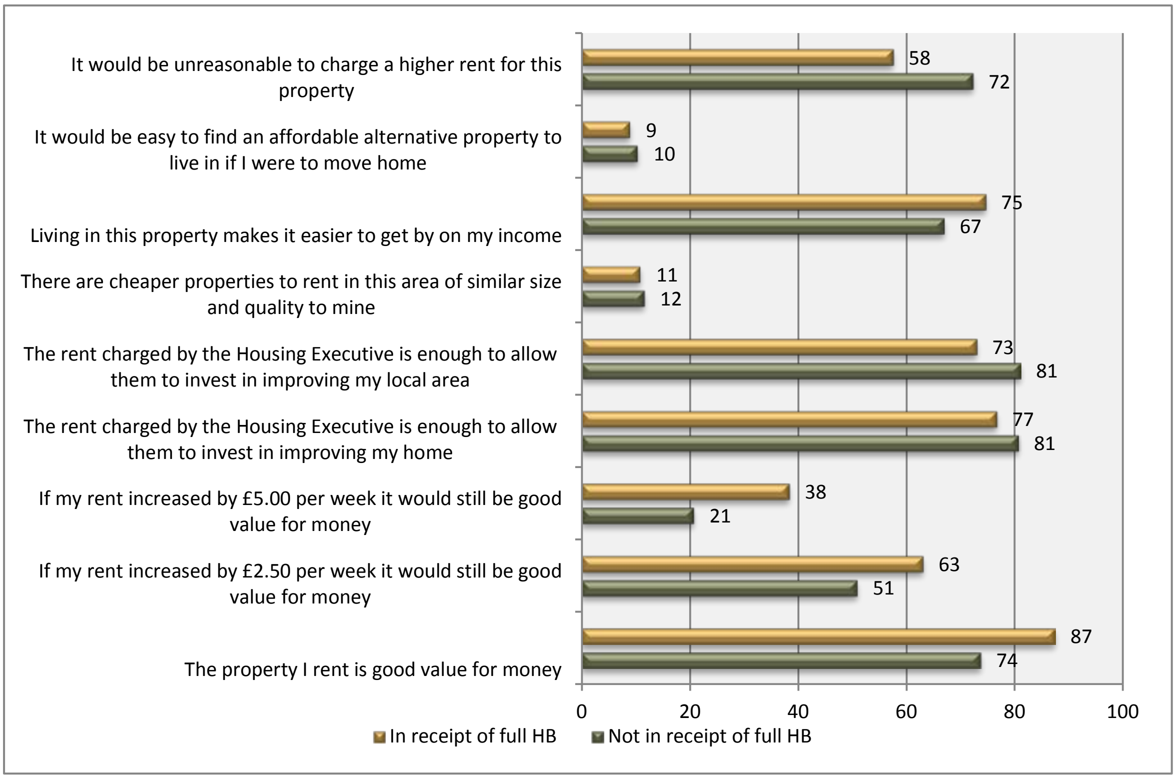
Views of NIHE tenants not wholly reliant on Housing Benefit

5.40 There is some variation in views, with younger tenants and those living in larger households tending to be slightly less inclined to agree with the statement 'the property I rent is good value for money' and older households more inclined to agree.

5.41 However, the only variation of any real note is between the views of those in receipt of full Housing Benefit and those not wholly reliant on Housing Benefit. The views of those in receipt of partial Housing Benefit and those not in receipt of Housing Benefit are grouped together because they are very similar.

5.42 Figure 5.7 confirms that relative to those in receipt of full Housing Benefit, tenants that are not wholly reliant on Housing Benefit are less inclined to agree the property they rent is good value for money. They are also less likely to agree that the rent would still represent good value for money if it were to increase by £2.50 per week or £5 per week. In contrast they are more likely to agree that rents are sufficient to fund investment in their homes and local area.

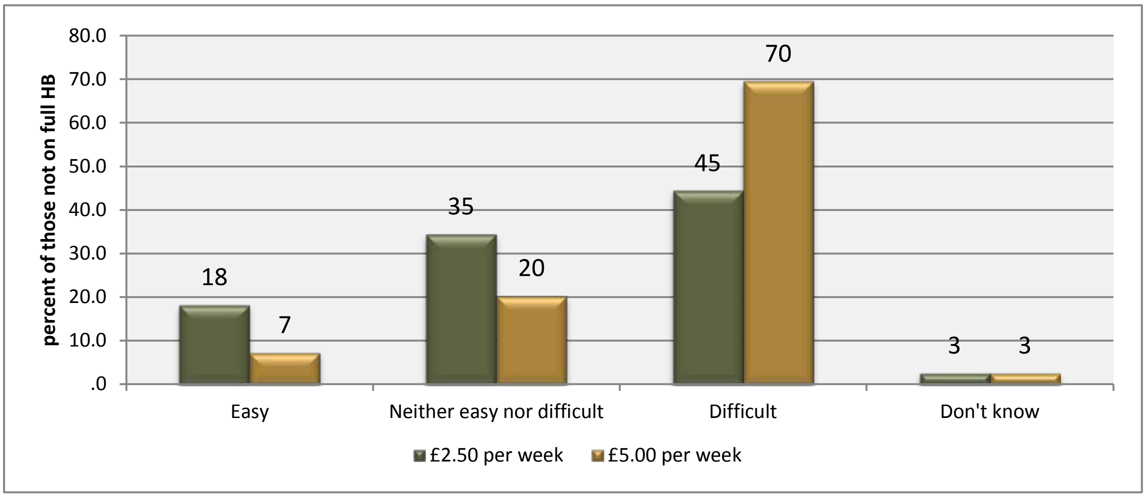
Figure 5.7: Tenants agreeing with rent reform statements by Housing Benefit status (%)



5.43 The 'lack of appetite' for rent increases amongst those not wholly reliant on Housing Benefit may reflect a lack of confidence that they may be able to keep up rent payments:

- Although only a fifth said it is difficult at present to afford rent payments, few believed it would be easy to pay a rent increase of £2.50 (18%) or £5.00 (7%).
- Around 70% said it would be difficult to pay their rent if it was to increase by £5 (see figure 5.8). The responses from those in receipt of partial Housing Benefit and those not claiming Housing Benefit were very similar.

Figure 5.8: Proportion of tenants not on full HB that state easy or difficult to pay rent increase (%)



Concluding remarks

5.44 It has not been possible to calculate rent-to-income costs. Household incomes data is collected on a banded basis and earnings data is only available for 15% of respondents and is difficult to verify. It has also not been possible to estimate how many households that are not currently in receipt of Housing Benefit would become eligible if rents were to increase, even by a modest sum.

5.45 On the other hand, the CTOS survey evidence does suggest that a large majority of the 3,900 in-work benefit units with dependent children that are not currently in receipt of Housing Benefit will be eligible for Universal Credit. Close to nine out of every 10 of these benefit units already report that they are in receipt of Tax Credits. Building on the analysis reported in Chapter 4, this suggests that virtually all in-work families and lone parents that rent their home from the NIHE should be 'protected' from having to meet the cost of future rent increases once they transfer onto Universal Credit.

5.46 Survey evidence suggests most tenants not in receipt of full Housing Benefit are on low to modest incomes and face competing pressures on their budgets. For many, reducing day-to-day spending on household essentials and securing financial support from family or friends are as important as delaying the payment of rent and other bills in managing budgets and juggling finances.

6. CONCLUSIONS

Introduction

6.1 The previous sections concluded with a number of key findings. In this final section we therefore highlight the key issues to emerge from this study and offer suggestions for policy and practice.

Key issues

6.2 Affordability is a complicated business. It is complicated because housing affordability is a continuum. There is no obvious single cut off point (or tipping point) where it is possible to state categorically that a given rental figure is or is not affordable. It is also complicated because issues of rent levels, subsidy and capital investment are very much intertwined. Rent policy decisions therefore need to consider the issue from the perspective of both existing NIHE tenants and future generations of social tenants.

6.3 Decisions to continue to limit the annual NIHE rent increase would benefit the small minority of tenants not in receipt of Housing Benefit but sustained under-investment in the repair and improvement of NIHE homes could have adverse effects for the health and well-being of current and future generations of tenants. Conversely, higher rents would help ease funding pressures and permit greater investment, albeit rent increases alone would not generate the required level of capital investment identified by Savills (2015). To the extent that higher rents increase investment that improves the energy efficiency of NIHE dwellings and reduces households' heating and hot water costs, they would improve affordability by freeing up more of tenants' disposable income to meet their other living costs.

6.4 A pressing issue remains the need to find a politically acceptable model for the future governance, ownership and management of the NIHE housing stock that can generate the capital investment needed to ensure that NIHE dwellings provide good quality and affordable homes for existing and future generations of tenants. This issue has been further complicated by the ongoing reform of the system of welfare benefits and tax credits and other UK Government efforts to curtail public expenditure.

6.5 In terms of the welfare reform, the outputs from the modelling exercise suggest that, in the period to 2019-20 inclusive, the risks to affordability posed by annual rent increases of up to CPI+4% would be modest for tenants not in receipt of Universal Credit or Pension Credit Guarantee.

6.6 The modelling exercise also illustrates that entitlement to support with housing costs for social tenants will reach further up the income scale under Universal Credit than under the current Housing Benefit system. Universal Credit will therefore see an increase in benefit entitlement amongst NIHE households regardless of which rent policy option is adopted. In particular, it will considerably increase the earnings thresholds at which households with dependent children and households that contain someone with a disability of working age will no longer be eligible for Universal Credit. Overall:

- Couples and lone parents with dependent children and that rely on one adult in full time work would need to be earning well above average wages to no longer be eligible for Universal Credit.
- Single persons and couples where one adult is able to work full-time at the National Living Wage are most likely to move off Universal Credit and would be the key groups most likely to benefit directly from keeping annual rent lifts reasonable.

6.7 Whilst the projected rent levels do not appear to be especially problematic, the welfare reforms may increase the vulnerability of tenants, especially when the current mitigation package ends in 2019-20.

6.8 There is some uncertainty over the extent to which the NI Executive will be able to continue to mitigate GB welfare benefit cuts beyond 2019-20, including the household benefit cap, the 'bedroom tax' and the LHA limits on eligible rents in the social rented sector. Each of those policies would have major implications for NIHE rents should mitigation not continue.

6.9 High rates of working age NIHE tenants are in receipt of disability benefits, especially DLA. The rules accompanying the transition from DLA to PIP implicitly assume that tenants should pay more of their income towards their housing costs or find some other way to adjust their housing costs if they are assessed to be capable of working. The extent to which tenants may be exposed to the impact of any future rise in rents will therefore partly depend on whether or they are successfully migrated from DLA to PIP.

6.10 Some tenants are already struggling but cutbacks in financial support for households in work and out of work, are likely to increase the proportions of tenants that fall into debt and run short of essentials. This reinforces the need for the NIHE to retain its strong focus on promoting financial inclusion and tackling the material and non-material dimensions of poverty.

6.11 Irrespective of whether or not the LHA limits and household benefit cap are fully extended to social tenants in Northern Ireland, there may be reasons why social rents, even if they move closer to local market rates, should remain below the expenditure choices of households that freely choose to access the private housing market. For instance, Hills (1988) and Wilcox (2009) argue that:

- Substantially higher rents may weaken the incentives for NIHE and other social tenants to move into work or to increase their earnings.
- Households with savings of £16,000 will not be eligible for Universal Credit or Pension Guarantee Credit and would be required to pay their rent in full, which could create affordability risks for households that have small private works pensions.
- Rent at or above market rates may limit the numbers of working households that find renting from a social landlord preferable to private renting. Whilst this may help to ensure social housing is allocated to those in who most value what the sector has to offer, it could hinder efforts to create more mixed and sustainable communities and increase the risk of low demand problems in less popular estates and communities.

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Appendix 2: Affordability Module -Tabular Outputs

Appendix 2: Annex 1: Worked Example

Summary description

- Couple with two children
- Working full-time at the Living Wage
- Weekly rent of £74.66 (Median rent after CPI + 4% annual increases)
- Universal Credit work allowances mitigated; but not the removal of the higher allowance for a first child.

Calculation

Gross Earnings		£ 320.63
Income Tax and National Insurance Deductions		- £ 38.01
Net Earnings		= £ 282.62
Maximum Universal Credit (including rent)	£ 296.12	
Less deductions for earnings over level of work allowance (£282.62 - £51.09) X 65%		= £150.50
Universal Credit Entitlement		+ £145.62
Child Benefit		+ £ 34.40
Total Net Income Before Housing Costs (BHC)		**+ £ 462.64**
Total Housing Costs (£74.66 rent + £14.00 rates)		- £ 88.66 per week
Total Net Income After Housing Costs (AHC)		= £ 373.98
Out of work income (full Universal Credit plus Child Benefit)		- £ 255.86
Total net AHC income above out of work income		= £ 118.12
Gross rent as a percentage of total Net BHC Income		16.1%

Note: At this income level there is no eligibility for rates support.

Appendix 2: Annex 2 - Tables for Household Archetypes in Full-time Work

NIHE Rent projections 2019/20 with CPI + 1%, Universal Credit Cuts for a 37.5 hour week

Rents increased by CPI + 1% per annum UC cut	Rents		Living wage £320.63 Residual Income	Living wage £320.63 Incentive Income	Living wage £320.63 Ratio	Living wage £320.63 Benefit	30th Percentile F/T Earnings £392.76 Residual Income	30th Percentile F/T Earnings £392.76 Incentive Income	30th Percentile F/T Earnings £392.76 Ratio	30th Percentile F/T Earnings £392.76 Benefit	Income to leave benefit
One Bed											
Single - 21-25	**Median**	57.93	212.69	154.75	20.5	0.00	261.74	203.80	17.5	0.00	181.43
	75th	62.07	208.55	150.61	22.0	0.00	257.60	199.66	18.7	0.00	188.67
	90th	66.21	204.41	146.47	23.4	0.00	253.46	195.52	20.0	0.00	195.91
Single - 25 - 60	**Median**	57.93	212.69	139.54	20.5	0.00	261.74	188.59	17.5	0.00	208.03
	75th	62.07	208.55	135.40	22.0	0.00	257.60	184.45	18.7	0.00	215.26
	90th	66.21	204.41	131.26	23.4	0.00	253.46	180.31	20.0	0.00	222.50
Couple - 25 - 60	**Median**	57.93	212.69	97.87	20.5	0.00	261.74	146.92	17.5	0.00	295.85
	75th	62.07	208.55	93.73	22.0	0.00	257.60	142.78	18.7	0.00	305.22
	90th	66.21	204.41	89.59	23.4	0.00	253.46	138.64	20.0	0.00	314.58
Two Bed											
Lone Parent + 1	**Median**	68.28	261.42	114.26	19.90	39.76	277.97	130.81	19.00	7.88	410.58
	75th	74.48	261.42	114.26	21.30	45.96	277.97	130.81	20.30	14.08	424.61
	90th	76.55	261.42	114.26	21.70	48.03	277.97	130.81	20.80	16.15	429.29
Lone Parent + 2	**Median**	68.28	331.16	116.98	16.50	93.08	344.99	130.81	16.00	61.20	531.22
	75th	74.48	331.16	116.98	17.70	99.28	344.99	130.81	17.20	67.40	545.24
	90th	76.55	331.16	116.98	18.20	101.35	344.99	130.81	17.60	69.47	549.93
Couple + 1	**Median**	68.28	302.48	113.64	17.50	81.44	319.65	130.81	17.00	49.56	504.87
	75th	74.48	302.48	113.64	18.80	87.64	319.65	130.81	18.20	55.76	518.91
	90th	76.55	302.48	113.64	19.20	89.71	319.65	130.81	18.70	57.83	523.59
Couple + 2	**Median**	68.28	369.50	113.64	15.10	134.76	386.67	130.81	14.60	102.88	625.51
	75th	74.48	369.50	113.64	16.30	140.96	386.67	130.81	15.70	109.08	639.54
	90th	76.55	369.50	113.64	16.60	143.03	386.67	130.81	16.00	111.15	644.22
Three Bed											
Lone Parent + 3	**Median**	80.69	400.91	119.71	16.20	158.81	414.65	133.45	15.80	126.93	679.93
	75th	88.97	400.91	119.71	17.60	167.09	414.65	133.45	17.10	135.21	698.66
	90th	91.04	400.91	119.71	17.90	169.16	414.65	133.45	17.50	137.28	703.34
Couple + 3	**Median**	80.69	438.64	115.76	15.10	200.49	452.37	129.49	14.70	168.61	774.22
	75th	88.97	438.64	115.76	16.40	208.77	452.37	129.49	16.00	176.89	792.96
	90th	91.04	438.64	115.76	16.70	210.84	452.37	129.49	16.30	178.96	797.64
Four bed											
Couple + 4	**Median**	88.97	508.37	118.47	14.50	262.09	522.11	132.21	14.20	230.21	899.41
	75th	95.17	508.37	118.47	15.40	268.29	522.11	132.21	15.00	236.41	911.64
	90th	99.31	508.37	118.47	15.90	272.43	522.11	132.21	15.60	240.55	919.81
Couple + 5	**Median**	88.97	578.11	121.19	13.00	315.41	591.84	134.92	12.80	283.53	1004.58
	75th	95.17	578.11	121.19	13.80	321.61	591.84	134.92	13.50	289.73	1016.81
	90th	99.31	578.11	121.19	14.30	325.75	591.84	134.92	14.10	293.87	1024.98

Rent projections 2019/20 with CPI + 1%, Universal Credit Mitigated for a 37.5 hour week

Rents increased by CPI + 1% per annum UC uncut	Rents		Living wage £320.63				30th Percentile F/T Earnings £392.76				Income to leave benefit
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
One Bed											
Single - 21-25	**Median**	57.93	212.69	154.75	20.5	0.00	261.74	203.80	17.5	0.00	210.46
	75th	62.07	208.55	150.61	22.0	0.00	257.60	199.66	18.7	0.00	217.70
	90th	66.21	204.41	146.47	23.4	0.00	253.46	195.52	20.0	0.00	224.94
Single - 25 - 60	**Median**	57.93	212.69	139.54	20.5	0.00	261.74	188.59	17.5	0.00	239.14
	75th	62.07	208.55	135.40	22.0	0.00	257.60	184.45	18.7	0.00	248.51
	90th	66.21	204.41	131.26	23.4	0.00	253.46	180.31	20.0	0.00	257.87
Couple - 25 - 60	**Median**	57.93	218.39	103.57	20.1	5.70	261.74	146.92	17.5	0.00	333.53
	75th	62.07	218.39	103.57	21.2	9.84	257.60	142.78	18.7	0.00	342.90
	90th	66.21	218.39	103.57	22.3	13.98	253.46	138.64	20.0	0.00	352.25
Two Bed											
Lone Parent + 1	**Median**	68.28	271.42	124.26	19.30	50.38	288.59	141.43	18.40	18.50	434.60
	75th	74.48	271.42	124.26	20.70	56.58	288.59	141.43	19.80	24.70	448.64
	90th	76.55	271.42	124.26	21.10	58.65	288.59	141.43	20.20	26.77	453.30
Lone Parent + 2	**Median**	68.28	339.65	125.47	16.20	103.70	355.61	141.43	15.60	71.82	555.24
	75th	74.48	339.65	125.47	17.40	109.90	355.61	141.43	16.80	78.02	569.27
	90th	76.55	339.65	125.47	17.80	111.97	355.61	141.43	17.20	80.09	573.96
Couple + 1	**Median**	68.28	306.96	118.12	17.50	85.93	324.13	135.29	16.80	54.05	515.10
	75th	74.48	306.96	118.12	18.80	92.13	324.13	135.29	18.10	60.25	529.05
	90th	76.55	306.96	118.12	19.30	94.20	324.13	135.29	18.50	62.32	533.74
Couple + 2	**Median**	68.28	373.98	118.12	15.00	139.25	391.15	135.29	14.40	107.37	635.66
	75th	74.48	373.98	118.12	16.10	145.45	391.15	135.29	15.50	113.57	649.69
	90th	76.55	373.98	118.12	16.50	147.52	391.15	135.29	15.90	115.64	654.37
Three Bed											
Lone Parent + 3	**Median**	80.69	409.41	128.21	15.90	169.43	423.14	141.94	15.50	137.55	703.96
	75th	88.97	409.41	128.21	17.30	177.71	423.14	141.94	16.80	145.83	722.69
	90th	91.04	409.41	128.21	17.60	179.78	423.14	141.94	17.20	147.90	727.37
Couple + 3	**Median**	80.69	442.22	119.34	15.00	204.98	456.17	133.29	14.60	173.10	784.37
	75th	88.97	442.22	119.34	16.30	213.26	456.17	133.29	15.90	181.38	803.10
	90th	91.04	442.22	119.34	16.60	215.33	456.17	133.29	16.20	183.45	807.79
Four bed											
Couple + 4	**Median**	88.97	511.96	122.06	14.40	266.58	525.69	135.79	14.10	234.70	908.26
	75th	95.17	511.96	122.06	15.30	272.78	525.69	135.79	14.90	240.90	920.49
	90th	99.31	511.96	122.06	15.80	276.92	525.69	135.79	15.50	245.04	928.65
Couple + 5	**Median**	88.97	581.70	124.78	13.00	319.90	595.43	138.51	12.70	288.02	1013.43
	75th	95.17	581.70	124.78	13.70	326.10	595.43	138.51	13.50	294.22	1025.66
	90th	99.31	581.70	124.78	14.20	330.24	595.43	138.51	14.00	298.36	1033.82

NIHE Rent Projections 2019/20 with CPI + 3%, Universal Credit Cuts for a 37.5 hour week

Rents increased by CPI + 3% per annum UC cuts	Rents		Living wage £320.63				30th Percentile F/T Earnings £392.76				Income to leave benefit
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
One Bed											
Single - 21-25	**Median**	61.55	209.07	151.13	21.8	0.00	258.12	200.18	18.6	0.00	187.76
	75th	66.95	203.67	145.73	23.7	0.00	252.72	194.78	20.2	0.00	197.20
	90th	70.35	200.27	142.33	24.9	0.00	249.32	191.38	21.2	0.00	203.14
Single - 25 - 60	**Median**	61.55	209.07	135.92	21.8	0.00	258.12	184.97	18.6	0.00	214.35
	75th	66.95	203.67	130.52	23.7	0.00	252.72	179.57	20.2	0.00	223.80
	90th	70.35	200.27	127.12	24.9	0.00	249.32	176.17	21.2	0.00	229.74
Couple - 25 - 60	**Median**	61.55	209.07	94.25	21.8	0.00	258.12	143.3	18.6	0.00	304.04
	75th	66.95	203.67	88.85	23.7	0.00	252.72	137.9	20.2	0.00	316.25
	90th	70.35	201.74	86.92	24.8	1.47	249.32	134.5	21.2	0.00	323.96
Two Bed											
Lone Parent + 1	**Median**	72.55	261.42	114.26	20.8	44.03	277.97	130.81	19.9	12.15	424.24
	75th	79.14	261.42	114.26	22.3	50.62	277.97	130.81	21.3	18.74	435.15
	90th	81.34	261.42	114.26	22.8	52.82	277.97	130.81	21.8	20.94	440.13
Lone Parent + 2	**Median**	72.55	331.16	116.98	17.4	97.35	344.99	130.81	16.8	65.47	540.88
	75th	79.14	331.16	116.98	18.7	103.94	344.99	130.81	18.1	72.06	555.79
	90th	81.34	331.16	116.98	19.1	106.14	344.99	130.81	18.5	74.26	560.76
Couple + 1	**Median**	72.55	302.48	113.64	18.6	85.71	319.65	130.81	17.9	53.83	514.54
	75th	79.14	302.48	113.64	20.0	92.30	319.65	130.81	19.2	60.42	529.45
	90th	81.34	302.48	113.64	20.4	94.50	319.65	130.81	19.6	62.62	534.43
Couple + 2	**Median**	72.55	369.50	113.64	15.9	139.03	386.67	130.81	15.3	107.15	635.17
	75th	79.14	369.50	113.64	17.1	145.62	386.67	130.81	16.5	113.74	650.08
	90th	81.34	369.50	113.64	17.5	147.82	386.67	130.81	16.9	115.94	655.06
Three Bed											
Lone Parent + 3	**Median**	85.74	400.91	119.71	17.1	163.86	414.65	133.45	16.6	131.98	691.35
	75th	94.53	400.91	119.71	18.5	172.65	414.65	133.45	18.0	140.70	711.24
	90th	96.73	400.91	119.71	18.8	174.85	414.65	133.45	18.3	142.97	716.22
Couple + 3	**Median**	85.74	438.64	115.76	15.9	205.54	452.37	129.49	15.5	173.66	785.65
	75th	94.53	438.64	115.76	17.2	241.33	452.37	129.49	16.8	182.45	805.54
	90th	96.73	438.64	115.76	17.5	216.53	452.37	129.49	17.1	184.65	810.51
Four bed											
Couple + 4	**Median**	94.53	508.37	118.47	15.30	267.65	522.11	132.21	14.90	235.77	910.38
	75th	101.12	508.37	118.47	16.20	274.24	522.11	132.21	15.80	242.36	923.38
	90th	105.52	508.37	118.47	16.80	275.64	522.11	132.21	16.40	246.76	922.06
Couple + 5	**Median**	94.53	578.11	121.19	13.70	320.97	591.84	134.92	13.50	289.09	1015.55
	75th	101.12	578.11	121.19	14.60	327.56	591.84	134.92	14.30	295.68	1028.55
	90th	105.52	578.11	121.19	15.10	331.96	591.84	134.92	14.80	300.08	1037.22

Rent Projections 2019/20 with CPI + 3%, Universal Credit Mitigated for a 37.5 hour week

Rents increased by CPI + 3% per annum UC uncut	Rents		Living wage £320.63 Residual Income	Incentive Income	Ratio	Benefit	30th Percentile F/T Earnings £392.76 Residual Income	Incentive Income	Ratio	Benefit	Income to leave benefit
One Bed											
Single - 21-25	**Median**	61.55	209.07	151.13	21.8	0.00	258.12	200.18	18.6	0.00	216.79
	75th	66.95	203.67	145.73	23.7	0.00	252.72	194.78	20.2	0.00	226.23
	90th	70.35	200.27	142.33	24.9	0.00	249.32	191.38	21.2	0.00	232.83
Single - 25 - 60	**Median**	61.55	209.07	135.92	21.8	0.00	258.12	184.97	18.6	0.00	247.33
	75th	66.95	203.67	130.52	23.7	0.00	252.72	179.57	20.2	0.00	259.55
	90th	70.35	200.27	127.12	24.9	0.00	249.32	176.17	21.2	0.00	267.24
Couple - 25 - 60	**Median**	61.55	218.39	103.57	21.1	9.32	258.12	143.30	18.6	0.00	341.72
	75th	66.95	218.39	103.57	22.5	14.72	252.72	137.90	20.2	0.00	353.94
	90th	70.35	218.39	103.57	23.4	18.12	249.32	134.50	21.2	0.00	361.63
Two Bed											
Lone Parent + 1	**Median**	72.55	271.42	124.26	20.30	54.65	288.59	141.43	19.30	22.77	444.27
	75th	79.14	271.42	124.26	21.70	61.24	288.59	141.43	20.70	29.36	459.18
	90th	81.34	271.42	124.26	22.20	63.44	288.59	141.43	21.20	31.56	464.16
Lone Parent + 2	**Median**	72.55	339.65	125.47	17.00	107.97	355.61	141.43	16.40	76.09	564.91
	75th	79.14	339.65	125.47	18.30	114.56	355.61	141.43	17.60	82.68	579.81
	90th	81.34	339.65	125.47	18.70	116.76	355.61	141.43	18.00	84.88	584.79
Couple + 1	**Median**	72.55	306.96	118.12	18.40	90.20	324.13	135.29	17.70	58.32	524.69
	75th	79.14	306.96	118.12	19.80	96.79	324.13	135.29	19.00	64.91	539.60
	90th	81.34	306.96	118.12	20.20	98.99	324.13	135.29	19.40	67.11	544.58
Couple + 2	**Median**	72.55	373.98	118.12	15.80	143.52	391.15	135.29	15.20	111.64	645.32
	75th	79.14	373.98	118.12	16.90	150.11	391.15	135.29	16.30	118.23	660.23
	90th	81.34	373.98	118.12	17.30	152.11	391.15	135.29	16.70	120.43	665.21
Three Bed											
Lone Parent + 3	**Median**	85.74	409.41	128.21	16.80	174.48	423.14	141.94	16.30	142.60	715.38
	75th	94.53	409.41	128.21	18.20	183.27	423.14	141.94	17.70	151.39	735.27
	90th	96.73	409.41	128.21	18.50	185.47	423.14	141.94	18.10	153.59	740.24
Couple + 3	**Median**	85.74	442.22	119.34	15.80	210.03	456.17	133.29	15.40	178.15	795.80
	75th	94.53	442.22	119.34	17.10	218.82	456.17	133.29	16.70	186.94	815.68
	90th	96.73	442.22	119.34	17.40	221.02	456.17	133.29	17.00	189.14	820.66
Four bed											
Couple + 4	**Median**	94.53	511.96	122.06	15.20	272.14	525.69	135.79	14.90	240.26	919.23
	75th	101.12	511.96	122.06	16.10	278.73	525.69	135.79	15.70	246.85	932.22
	90th	105.52	511.96	122.06	16.70	283.10	525.69	135.79	16.30	251.25	940.20
Couple + 5	**Median**	94.53	581.70	124.78	13.70	325.46	595.43	138.51	13.40	293.58	1024.39
	75th	101.12	581.70	124.78	14.50	332.05	595.43	138.51	14.20	300.17	1037.39
	90th	105.52	581.70	124.78	15.00	336.45	595.43	138.51	14.70	304.57	1046.07

NIHE Rent Projections 2019/20 with CPI + 4%, Universal Credit Cuts for a 37.5 hour week

Rents increased by CPI + 4% per annum UC cuts	Rents		Living wage				30th Percentile F/T Earnings				Income to leave benefit
			£320.63				£392.76				
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
One Bed											
Single - 21-25	**Median**	63.34	207.28	149.34	22.4	0.00	256.33	198.39	19.1	0.00	219.92
	75th	67.87	202.75	144.81	24.0	0.00	251.80	193.86	20.5	0.00	227.84
	90th	72.39	198.23	140.29	25.6	0.00	247.28	189.34	21.8	0.00	237.45
Single - 25 - 60	**Median**	63.34	207.28	134.13	22.4	0.00	256.33	183.18	19.1	0.00	251.38
	75th	67.87	202.75	129.60	24.0	0.00	251.80	178.65	20.5	0.00	261.63
	90th	72.39	198.23	125.08	25.6	0.00	247.28	174.13	21.8	0.00	271.86
Couple - 25 - 60	**Median**	63.34	207.28	92.46	22.4	0.00	256.33	141.51	19.1	0.00	308.10
	75th	67.87	202.75	87.93	24.0	0.00	251.80	136.98	20.5	0.00	318.34
	90th	72.39	201.74	86.92	25.3	3.51	247.28	132.46	21.8	0.00	328.56
Two Bed											
Lone Parent + 1	**Median**	74.66	261.42	114.26	21.30	46.14	277.97	130.81	20.40	14.26	425.02
	75th	81.43	261.42	114.26	22.80	52.91	277.97	130.81	21.80	21.03	440.33
	90th	83.70	261.42	114.26	23.30	55.18	277.97	130.81	22.30	23.30	445.47
Lone Parent + 2	**Median**	74.66	331.16	116.98	17.80	99.46	344.99	130.81	17.20	67.58	545.65
	75th	81.43	331.16	116.98	19.10	106.23	344.99	130.81	18.50	74.35	560.97
	90th	83.70	331.16	116.98	19.50	108.50	344.99	130.81	18.90	76.65	566.10
Couple + 1	**Median**	74.66	302.48	113.64	19.10	87.82	319.65	130.81	18.30	55.94	519.31
	75th	81.43	302.48	113.64	20.50	94.59	319.65	130.81	19.60	62.71	534.63
	90th	83.70	302.48	113.64	20.90	96.86	319.65	130.81	20.10	64.98	539.77
Couple + 2	**Median**	74.66	369.50	113.64	16.30	141.14	386.67	130.81	15.70	109.26	639.95
	75th	81.43	369.50	113.64	17.50	147.91	386.67	130.81	16.90	116.03	655.27
	90th	83.70	369.50	113.64	17.90	150.18	386.67	130.81	17.30	118.30	660.40
Three Bed											
Lone Parent + 3	**Median**	88.22	400.91	119.71	17.50	166.34	414.65	133.45	17.00	134.46	696.96
	75th	97.28	400.91	119.71	18.90	175.40	414.65	133.45	18.40	143.52	717.46
	90th	99.54	400.91	119.71	19.30	177.34	414.65	133.45	18.80	145.78	721.85
Couple + 3	**Median**	88.22	438.64	115.76	16.30	208.02	452.37	129.49	15.90	176.14	791.26
	75th	97.28	438.64	115.76	17.60	217.08	452.37	129.49	17.20	185.20	811.76
	90th	99.54	438.64	115.76	18.00	219.34	452.37	129.49	17.50	187.46	816.87
Four bed											
Couple + 4	**Median**	97.28	508.37	118.47	15.60	270.40	522.11	132.21	15.30	238.52	915.80
	75th	104.05	508.37	118.47	16.60	277.17	522.11	132.21	16.20	245.29	929.16
	90th	108.58	508.37	118.47	17.20	281.70	522.11	132.21	16.80	249.82	938.09
Couple + 5	**Median**	97.28	578.11	121.19	14.10	323.72	591.84	134.92	13.80	291.84	1020.97
	75th	104.05	578.11	121.19	14.90	330.49	591.84	134.92	14.60	298.61	1034.32
	90th	108.58	578.11	121.19	15.50	335.02	591.84	134.92	15.20	303.14	1043.26

Rent projections 2019/20 with CPI + 4%, Universal Credit Mitigated for a 37.5 hour week

Rents increased by CPI + 4% per annum UC uncut	Rents		Living wage £320.63				30th Percentile F/T Earnings £392.76				Income to leave benefit
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
One Bed											
Single - 21-25	**Median**	63.34	207.28	149.34	22.4	0.00	256.33	198.39	19.1	0.00	219.92
	75th	67.87	202.75	144.81	24.0	0.00	251.80	193.86	20.5	0.00	227.84
	90th	72.39	198.23	140.29	25.6	0.00	247.28	189.34	21.8	0.00	237.45
Single - 25 - 60	**Median**	63.34	207.28	134.13	22.4	0.00	256.33	183.18	19.1	0.00	251.38
	75th	67.87	202.75	129.60	24.0	0.00	251.80	178.65	20.5	0.00	261.63
	90th	72.39	198.23	125.08	25.6	0.00	247.28	174.13	21.8	0.00	271.86
Couple - 25 - 60	**Median**	63.34	218.39	103.57	21.6	11.11	256.33	141.51	19.1	0.00	345.76
	75th	67.87	218.39	103.57	22.8	15.64	251.80	136.98	20.5	0.00	356.01
	90th	72.39	218.39	103.57	23.9	20.16	247.28	132.46	21.8	0.00	366.25
Two Bed											
Lone Parent + 1	**Median**	74.66	271.42	124.26	20.70	56.76	288.59	141.43	19.80	24.88	449.05
	75th	81.43	271.42	124.26	22.20	63.53	288.59	141.43	21.20	31.65	464.36
	90th	83.70	271.42	124.26	22.70	65.80	288.59	141.43	21.70	33.92	469.50
Lone Parent + 2	**Median**	74.66	339.65	125.47	17.40	110.08	355.61	141.43	16.80	78.20	569.68
	75th	81.43	339.65	125.47	18.70	116.85	355.61	141.43	18.10	84.97	585.00
	90th	83.70	339.65	125.47	19.10	119.12	355.61	141.43	18.50	87.24	590.13
Couple + 1	**Median**	74.66	306.96	118.12	18.90	92.31	324.13	135.29	18.10	60.43	529.46
	75th	81.43	306.96	118.12	20.20	99.08	324.13	135.29	19.40	67.20	544.78
	90th	83.70	306.96	118.12	20.70	101.35	324.13	135.29	19.80	69.47	549.91
Couple + 2	**Median**	74.66	373.98	118.12	16.10	145.63	391.15	135.29	15.60	113.75	650.10
	75th	81.43	373.98	118.12	17.30	152.40	391.15	135.29	16.70	120.52	665.41
	90th	83.70	373.98	118.12	17.70	154.67	391.15	135.29	17.10	122.79	670.55
Three Bed											
Lone Parent + 3	**Median**	88.22	409.41	128.21	17.20	176.96	423.14	141.94	16.70	145.08	720.99
	75th	97.28	409.41	128.21	18.60	186.02	423.14	141.94	18.10	154.14	741.49
	90th	99.54	409.41	128.21	19.00	188.28	423.14	141.94	18.50	156.40	746.60
Couple + 3	**Median**	88.22	442.22	119.34	16.10	212.51	456.17	133.29	15.70	180.63	801.41
	75th	97.28	442.22	119.34	17.50	221.57	456.17	133.29	17.10	189.69	821.91
	90th	99.54	442.22	119.34	17.80	223.83	456.17	133.29	17.40	191.95	827.00
Four bed											
Couple + 4	**Median**	97.28	511.96	122.06	15.60	274.89	525.69	135.79	15.20	243.01	924.65
	75th	104.05	511.96	122.06	16.50	281.66	525.69	135.79	16.10	249.78	938.00
	90th	108.58	511.96	122.06	17.10	286.19	525.69	135.79	16.70	254.31	946.94
Couple + 5	**Median**	97.28	581.70	124.78	14.00	328.21	595.43	138.51	13.70	296.33	1029.82
	75th	104.05	581.70	124.78	14.80	334.98	595.43	138.51	14.50	303.10	1043.17
	90th	108.58	581.70	124.78	15.40	339.51	595.43	138.51	15.10	307.63	1052.11

Appendix 2: Annex 3 - Tables for Lone Parent in Part-time Work (30 hours and 16 hours)

NIHE Rent Projections 2019/20 with CPI + 1%, Universal Credit Cuts for a 30 hour week

Rents increased by CPI + 1% per annum UC cuts	Rents		Living wage £256.50				30th Percentile Earnings (30 hours) £314.10			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Bed										
Lone Parent + 1	Median	68.28	249.21	102.05	20.60	68.11	260.18	113.02	19.90	42.65
	75th	74.48	249.21	102.05	22.10	74.31	260.18	113.02	21.40	48.85
	90th	76.55	249.21	102.05	22.50	76.38	260.18	113.02	21.80	50.92
Lone Parent + 2	Median	68.28	318.95	104.77	17.00	121.43	329.91	115.73	16.60	95.97
	75th	74.48	318.95	104.77	18.30	127.63	329.91	115.73	17.80	102.17
	90th	76.55	318.95	104.77	18.70	129.70	329.91	115.73	18.20	104.24
Three Bed										
Lone Parent + 3	Median	80.69	388.70	107.50	16.60	187.16	399.67	118.47	16.30	161.70
	75th	88.97	388.70	107.50	18.10	195.44	399.67	118.47	17.60	169.98
	90th	91.04	388.70	107.50	18.40	197.51	399.67	118.47	18.20	172.05

Rent Projections 2019/20 with CPI + 1%, Universal Credit Mitigated for a 30 hour week

Rents increased by CPI + 1% per annum UC uncut	Rents		Living wage £256.50				30th Percentile Earnings (30 hours) £314.10			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Bed										
Lone Parent + 1	Median	68.28	257.71	110.55	20.10	78.73	269.87	122.71	19.40	53.27
	75th	74.48	257.71	110.55	21.50	84.93	269.87	122.71	20.80	59.47
	90th	76.55	257.71	110.55	22.00	87.00	269.87	122.71	21.20	61.54
Lone Parent + 2	Median	68.28	327.44	113.26	16.70	132.05	338.41	124.23	16.20	106.59
	75th	74.48	327.44	113.26	17.90	138.25	338.41	124.23	17.40	112.79
	90th	76.55	327.44	113.26	18.30	140.32	338.41	124.23	17.80	114.86
Three Bed										
Lone Parent + 3	Median	80.69	397.20	116.00	16.30	197.78	408.17	126.97	16.00	172.32
	75th	88.97	397.20	116.00	17.70	206.06	408.17	126.97	17.30	180.60
	90th	91.04	397.20	116.00	18.10	208.13	408.17	126.97	17.70	182.67

NIHE Rent Projections 2019/20 with CPI + 3%, Universal Credit Cuts for a 30 hour week

Rents increased by CPI + 3% per annum UC cuts	Rents		Living wage £256.50 Residual Income	Living wage £256.50 Incentive Income	Living wage £256.50 Ratio	Living wage £256.50 Benefit	30th Percentile Earnings (30 hours) £314.10 Residual Income	30th Percentile Earnings (30 hours) £314.10 Incentive Income	30th Percentile Earnings (30 hours) £314.10 Ratio	30th Percentile Earnings (30 hours) £314.10 Benefit
Two Bed										
Lone Parent + 1	**Median**	72.55	249.21	102.05	21.60	72.38	260.18	113.02	20.90	46.92
	75th	79.14	249.21	102.05	23.10	78.97	260.18	113.02	22.40	53.51
	90th	81.34	249.21	102.05	23.60	81.71	260.18	113.02	22.90	55.71
Lone Parent + 2	**Median**	72.55	318.95	104.77	17.90	125.70	329.91	115.73	17.40	100.24
	75th	79.14	318.95	104.77	19.20	132.29	329.91	115.73	18.70	106.83
	90th	81.34	318.95	104.77	19.60	134.49	329.91	115.73	19.10	109.03
Three Bed										
Lone Parent + 3	**Median**	85.74	388.70	107.50	17.50	192.21	399.67	118.47	17.10	166.75
	75th	94.53	388.70	107.50	18.90	201.00	399.67	118.47	18.50	175.54
	90th	96.73	388.70	107.50	19.30	203.20	399.67	118.47	18.90	177.74

Rent Projections 2019/20 with CPI + 3%, Universal Credit Mitigated for a 30 hour week

Rents increased by CPI + 3% per annum UC uncut	Rents		Living wage £256.50 Residual Income	Living wage £256.50 Incentive Income	Living wage £256.50 Ratio	Living wage £256.50 Benefit	30th Percentile Earnings (30 hours) £314.10 Residual Income	30th Percentile Earnings (30 hours) £314.10 Incentive Income	30th Percentile Earnings (30 hours) £314.10 Ratio	30th Percentile Earnings (30 hours) £314.10 Benefit
Two Bed										
Lone Parent + 1	**Median**	72.55	257.71	110.55	21.10	83.00	269.87	122.71	20.40	57.54
	75th	79.14	257.71	110.55	22.60	89.59	269.87	122.71	21.80	64.13
	90th	81.34	257.71	110.55	23.00	91.79	269.87	122.71	22.30	66.33
Lone Parent + 2	**Median**	72.55	327.44	113.26	17.50	136.32	338.41	124.23	17.10	110.86
	75th	79.14	327.44	113.26	18.60	142.91	338.41	124.23	18.40	117.45
	90th	81.34	327.44	113.26	19.30	145.11	338.41	124.23	18.80	119.65
Three Bed										
Lone Parent + 3	Median	85.74	397.20	116.00	17.20	202.83	408.17	126.97	16.80	177.37
	75th	94.53	397.20	116.00	18.70	211.62	408.17	126.97	18.20	186.16
	90th	96.73	397.20	116.00	19.00	213.82	408.17	126.97	18.60	188.36

NIHE Rent Projections 2019/20 with CPI + 4%, Universal Credit Cuts for a 30 hour week

Rents increased by CPI + 4% per annum UC cuts	Rents		Living wage £256.50				30th Percentile Earnings (30 hours) £314.10			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Bed										
Lone Parent + 1	**Median**	74.66	249.21	102.05	22.10	74.49	260.18	113.02	21.40	49.03
	75th	81.43	249.21	102.05	23.60	81.26	260.18	113.02	22.90	55.80
	90th	83.70	249.21	102.05	24.10	83.53	260.18	113.02	23.40	58.07
Lone Parent + 2	**Median**	74.66	318.95	104.77	18.30	127.81	329.91	115.73	17.80	102.35
	75th	81.43	318.95	104.77	19.70	134.58	329.91	115.73	19.10	109.12
	90th	83.70	318.95	104.77	20.10	136.85	329.91	115.73	19.60	111.39
Three Bed										
Lone Parent + 3	**Median**	88.22	388.70	107.50	17.90	194.69	399.67	118.47	17.50	169.23
	75th	97.28	388.70	107.50	19.40	203.75	399.67	118.47	19.00	178.29
	90th	99.54	388.70	107.50	19.70	206.01	399.67	118.47	19.30	180.55

Rent Projections 2019/20 with CPI + 4%, Universal Credit Mitigated for a 30 hour week

Rents increased by CPI + 4% per annum UC uncut	Rents		Living wage £256.50				30th Percentile Earnings (30 hours) £314.10			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Bed										
Lone Parent + 1	**Median**	74.66	257.71	110.55	21.60	85.11	269.87	122.71	20.80	59.65
	75th	81.43	257.71	110.55	23.10	91.88	269.87	122.71	22.30	66.42
	90th	83.70	257.71	110.55	23.60	94.15	269.87	122.71	22.80	68.69
Lone Parent + 2	**Median**	74.66	327.44	113.26	17.90	138.43	338.41	124.23	17.50	112.97
	75th	81.43	327.44	113.26	19.30	145.20	338.41	124.23	18.80	119.74
	90th	83.70	327.44	113.26	19.70	147.47	338.41	124.23	19.20	122.01
Three Bed										
Lone Parent + 3	**Median**	88.22	397.20	116.00	17.60	205.31	408.17	126.97	17.20	179.85
	75th	97.28	397.20	116.00	19.10	214.37	408.17	126.97	18.70	188.91
	90th	99.54	397.20	116.00	19.40	216.63	408.17	126.97	19.00	191.17

NIHE Rent Projections 2019/20 with CPI + 1%, Universal Credit Cuts for a 16 hour week

Rents increased by CPI + 1% per annum UC cuts	Rents		Living wage £136.80 Residual Income	Living wage £136.80 Incentive Income	Living wage £136.80 Ratio	Living wage £136.80 Benefit	30th Percentile Earnings (16 hours) £167.52 Residual Income	30th Percentile Earnings (16 hours) £167.52 Incentive Income	30th Percentile Earnings (16 hours) £167.52 Ratio	30th Percentile Earnings (16 hours) £167.52 Benefit
Two Bed										
Lone Parent + 1	**Median**	68.28	220.59	73.43	22.50	134.54	228.77	81.61	22.00	155.55
	75th	74.48	220.59	73.43	24.10	140.74	228.77	81.61	23.50	121.75
	90th	76.55	220.59	73.43	24.60	142.81	228.77	81.61	24.00	123.82
Lone Parent + 2	**Median**	68.28	290.33	76.15	18.40	187.86	298.51	84.33	18.00	168.87
	75th	74.48	290.33	76.15	19.70	194.06	298.51	84.33	19.30	175.07
	90th	76.55	290.33	76.15	20.10	196.13	298.51	84.33	19.70	177.14
Three Bed										
Lone Parent + 3	**Median**	80.69	309.70	76.60	17.80	253.59	319.73	86.63	17.40	234.60
	75th	88.97	309.70	76.60	19.20	261.87	319.73	86.63	18.80	242.88
	90th	91.04	309.70	76.60	19.60	263.94	319.73	86.63	19.20	244.95

Rent Projections 2019/20 with CPI + 1%, Universal Credit Mitigated for a 16 hour week

Rents increased by CPI + 1% per annum UC uncut	Rents		Living wage £136.80 Residual Income	Living wage £136.80 Incentive Income	Living wage £136.80 Ratio	Living wage £136.80 Benefit	30th Percentile Earnings (16 hours) £167.52 Residual Income	30th Percentile Earnings (16 hours) £167.52 Incentive Income	30th Percentile Earnings (16 hours) £167.52 Ratio	30th Percentile Earnings (16 hours) £167.52 Benefit
Two Bed										
Lone Parent + 1	**Median**	72.55	229.09	81.93	23.00	149.43	237.27	90.11	22.40	130.44
	75th	79.14	229.09	81.93	24.60	156.02	237.27	90.11	24.00	137.03
	90th	81.34	229.09	81.93	25.10	158.22	237.27	90.11	24.50	139.23
Lone Parent + 2	**Median**	72.55	298.82	84.64	18.80	202.75	307.00	92.82	18.40	183.76
	75th	79.14	298.82	84.64	20.20	209.34	307.00	92.82	19.80	190.35
	90th	81.34	298.82	84.64	20.60	211.54	307.00	92.82	20.20	192.55
Three Bed										
Lone Parent + 3	**Median**	85.74	368.42	87.22	18.20	269.26	376.76	95.56	17.90	250.27
	75th	94.53	368.42	87.22	19.70	278.05	376.76	95.56	19.40	259.06
	90th	96.73	368.42	87.22	20.10	280.25	376.76	95.56	19.80	261.26

NIHE Rent projections 2019/20 with CPI + 3%, Universal Credit Cuts for a 16 hour week

Rents increased by CPI + 3% per annum UC cuts	Rents		Living wage £136.80				30th Percentile Earnings (16 hours) £167.52			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Bed										
Lone Parent + 1	**Median**	72.55	220.59	73.43	23.60	138.81	228.77	81.61	23.00	119.82
	75th	79.14	220.59	73.43	25.20	145.40	228.77	81.61	24.60	126.41
	90th	81.34	220.59	73.43	25.70	147.60	228.77	81.61	25.10	128.61
Lone Parent + 2	**Median**	72.55	290.33	76.15	19.30	192.13	298.51	84.33	18.80	173.14
	75th	79.14	290.33	76.15	20.60	198.72	298.51	84.33	20.20	179.73
	90th	81.34	290.33	76.15	21.10	200.92	298.51	84.33	20.70	181.93
Three Bed										
Lone Parent + 3	**Median**	85.74	357.80	76.60	18.70	258.64	367.83	86.63	18.30	239.65
	75th	94.53	357.80	76.60	20.20	267.43	367.83	86.63	19.80	248.44
	90th	96.73	357.80	76.60	20.60	269.63	367.83	86.63	20.10	250.64

Rent projections 2019/20 with CPI + 3%, Universal Credit Mitigated for a 16 hour week

Rents increased by CPI + 3% per annum UC uncut	Rents		Living wage £136.80				30th Percentile Earnings (16 hours) £167.52			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Bed										
Lone Parent + 1	**Median**	72.55	229.09	81.93	23.0	149.43	237.27	90.11	22.4	130.44
	75th	79.14	229.09	81.93	24.6	156.02	237.27	90.11	24.0	137.03
	90th	81.34	229.09	81.93	25.1	158.22	237.27	90.11	24.5	139.23
Lone Parent + 2	**Median**	72.55	298.82	84.64	18.8	202.75	307.00	92.82	18.4	183.76
	75th	79.14	298.82	84.64	20.2	209.34	307.00	92.82	19.8	190.35
	90th	81.34	298.82	84.64	20.6	211.54	307.00	92.82	20.2	192.55
Three Bed										
Lone Parent + 3	**Median**	85.74	368.42	87.22	18.2	269.26	376.76	95.56	17.9	250.27
	75th	94.53	368.42	87.22	19.7	278.05	376.76	95.56	19.4	259.06
	90th	96.73	368.42	87.22	20.1	280.25	376.76	95.56	19.8	261.26

NIHE Rent Projections 2019/20 with CPI + 4%, Universal Credit Cuts for a 16 hour week

Rents increased by CPI + 4% per annum UC cuts	Rents		Living wage £136.80				30th Percentile Earnings (16 hours) £167.52			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Bed										
Lone Parent + 1	**Median**	74.66	220.59	73.43	24.10	140.92	228.77	81.61	23.50	121.93
	75th	81.43	220.59	73.43	25.80	147.69	228.77	81.61	25.10	128.70
	90th	83.70	220.59	73.43	26.30	149.96	228.77	81.61	25.60	130.97
Lone Parent + 2	**Median**	74.66	290.33	76.15	19.70	194.24	298.51	84.33	19.30	175.25
	75th	81.43	290.33	76.15	21.10	201.01	298.51	84.33	20.70	182.02
	90th	83.70	290.33	76.15	21.60	203.28	298.51	84.33	21.10	184.29
Three Bed										
Lone Parent + 3	**Median**	88.22	357.80	76.60	19.10	261.12	367.83	86.63	18.70	242.13
	75th	97.28	357.80	76.60	20.70	270.18	367.83	86.63	20.20	251.19
	90th	99.54	357.80	76.60	21.00	272.44	367.83	86.63	20.60	253.45

Rent Projections 2019/20 with CPI + 4%, Universal Credit Mitigated for a 16 hour week

Rents increased by CPI + 4% per annum UC uncut	Rents		Living wage £136.80				30th Percentile Earnings (16 hours) £167.52			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Bed										
Lone Parent + 1	**Median**	74.66	229.09	81.93	23.50	151.54	237.27	90.11	22.90	132.55
	75th	81.43	229.09	81.93	25.10	158.31	237.27	90.11	24.50	139.32
	90th	83.70	229.09	81.93	25.60	160.58	237.27	90.11	25.00	141.59
Lone Parent + 2	**Median**	74.66	298.82	84.64	19.30	204.86	307.00	92.82	18.90	185.87
	75th	81.43	298.82	84.64	20.70	211.63	307.00	92.82	20.20	192.64
	90th	83.70	298.82	84.64	21.10	213.90	307.00	92.82	20.70	194.91
Three Bed										
Lone Parent + 3	**Median**	88.22	368.42	87.22	18.70	271.74	376.76	95.56	18.30	252.75
	75th	97.28	368.42	87.22	20.20	280.80	376.76	95.56	19.90	261.81
	90th	99.54	368.42	87.22	20.60	283.06	376.76	95.56	20.20	264.07

Appendix 2: Annex 4 - Tables for Full Mitigation of GB Universal Credit Cuts

Rent projections 2019/20 Lone parent with one child working full-time with full UC mitigation

	Rents		Living wage				30th Percentile Earnings (37.5 hours)				Income required to leave benefit
			320.63				£392.76				
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
						Two Beds					
CPI+1%	**Median**	68.28	281.87	124.26	18.8	60.83	299.04	141.43	17.9	28.95	458.25
	75th	74.48	281.87	124.26	20.1	67.03	299.04	141.43	19.2	35.15	472.28
	90th	76.55	281.87	124.26	20.6	69.10	299.04	141.43	19.6	37.22	476.90
CPI+3%	**Median**	72.55	281.87	124.26	19.7	65.10	299.04	141.43	18.8	33.22	467.91
	75th	79.14	281.87	124.26	21.1	71.69	299.04	141.43	20.2	39.81	482.82
	90th	81.34	281.87	124.26	21.6	73.89	299.04	141.43	20.6	42.01	487.80
CPI+4%	**Median**	74.66	281.87	124.26	20.1	67.21	299.04	141.43	19.3	35.33	476.29
	75th	81.43	281.87	124.26	21.6	73.98	299.04	141.43	20.6	42.10	488.01
	90th	83.70	281.87	124.26	22.1	76.25	299.04	141.43	21.1	44.37	493.14

Rent projections 2019/20 Couple with one child working full-time with full UC mitigation

	Rents		Living wage				30th Percentile Earnings (37.5 hours)				Income required to leave benefit
			320.63				£392.76				
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
						Two Beds					
CPI+1%	**Median**	68.28	317.41	118.12	17.1	96.38	334.58	135.29	16.4	64.50	538.67
	75th	74.48	317.41	118.12	18.3	102.58	334.58	135.29	17.6	70.70	552.70
	90th	76.55	317.41	118.12	18.8	104.65	334.58	135.29	18.0	72.77	557.38
CPI+3%	**Median**	72.55	317.41	118.12	18.0	100.65	334.58	135.29	17.2	68.77	548.33
	75th	79.14	317.41	118.12	19.3	107.24	334.58	135.29	18.5	75.36	563.24
	90th	81.34	317.41	118.12	19.7	109.44	334.58	135.29	18.9	77.56	568.22
CPI+4%	**Median**	74.66	317.41	118.12	18.4	102.76	334.58	135.29	17.6	70.88	553.10
	75th	81.43	317.41	118.12	19.7	109.53	334.58	135.29	18.9	77.65	568.42
	90th	83.70	317.41	118.12	20.2	111.80	334.58	135.29	19.4	79.92	573.56

Rent projections 2019/20 Lone parent with one child working part-time (30 hours) full UC mitigation

	Rents		Living wage				30th Percentile Earnings (30 hours)			
			256.50				£314.10			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Beds										
CPI+1%	**Median**	68.28	266.91	109.00	19.6	89.18	280.32	122.71	18.8	63.72
	75th	74.48	266.91	109.00	21.0	95.38	280.32	122.71	20.2	69.92
	90th	76.55	266.91	109.00	21.4	97.45	280.32	122.71	20.6	71.99
CPI+3%	**Median**	72.55	266.91	109.00	20.5	93.45	280.32	122.71	19.8	67.99
	75th	79.14	266.91	109.00	22.0	100.04	280.32	122.71	21.2	74.58
	90th	81.34	266.91	109.00	22.5	102.24	280.32	122.71	21.7	76.78
CPI+4%	**Median**	74.66	266.91	109.00	21.0	95.56	280.32	122.71	20.2	70.10
	75th	81.43	266.91	109.00	22.5	102.33	280.32	122.71	21.7	76.87
	90th	83.70	266.91	109.00	23.0	104.60	280.32	122.71	22.1	79.14

Rent projections 2019/20 Lone parent with one child working part-time (16 hours) full UC mitigation

	Rents		Living wage				30th Percentile Earnings (16 hours)			
			136.80				£167.52			
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit
Two Beds										
CPI+1%	**Median**	68.28	237.45	79.84	21.4	155.61	245.63	88.02	20.8	136.62
	75th	74.48	237.45	79.84	22.9	161.81	245.63	88.02	22.3	142.82
	90th	76.55	237.45	79.84	23.3	163.88	245.63	88.02	22.8	144.89
CPI+3%	**Median**	72.55	237.45	79.84	22.4	159.88	245.63	88.02	21.8	140.89
	75th	79.14	237.45	79.84	23.9	166.47	245.63	88.02	23.4	147.48
	90th	81.34	237.45	79.84	24.4	168.67	245.63	88.02	23.9	149.68
CPI+4%	**Median**	74.66	237.45	79.84	22.9	161.99	245.63	88.02	22.3	143.00
	75th	81.43	237.45	79.84	24.5	168.76	245.63	88.02	23.9	149.77
	90th	83.70	237.45	79.84	25.0	171.03	245.63	88.02	24.4	152.04

Appendix 2: Annex 5 - Tables for Cases with limited capacity to work

Rent projections 2019/20 Single person with limited capacity to work (30 hours)

	Rents		Living wage				30th Percentile Earnings (30 hours)				Income required to leave benefit
			256.50				£314.10				
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
One Bed											
CPI+1%	**Median**	57.93	281.63	97.96	16.4	33.47	297.86	114.19	15.8	8.01	332.21
	75th	62.07	281.63	97.96	17.3	37.61	297.86	114.19	16.7	12.15	341.58
	90th	66.21	281.63	97.96	18.3	41.75	297.86	114.19	17.6	16.29	350.94
CPI+3%	**Median**	61.55	281.63	97.96	17.2	37.09	297.86	114.19	16.6	11.63	340.40
	75th	66.95	281.63	97.96	18.4	42.49	297.86	114.19	17.8	17.03	352.62
	90th	70.35	281.63	97.96	19.2	45.89	297.86	114.19	18.6	20.43	360.31
CPI+4%	**Median**	63.34	281.63	97.96	17.6	38.88	297.86	114.19	17.0	13.42	344.45
	75th	67.87	281.63	97.96	18.6	43.41	297.86	114.19	18.0	17.95	354.70
	90th	72.39	281.63	97.96	19.6	47.93	297.86	114.19	18.9	22.47	364.93

Rent projections 2019/20 Single person with limited capacity to work (16 hours)

	Rents		Living wage				30th Percentile Earnings (16 hours)				Income required to leave benefit
			£136.80				£167.52				
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
One Bed											
CPI+1%	**Median**	57.93	253.01	69.34	17.9	99.90	261.19	77.52	17.5	80.91	332.21
	75th	62.07	253.01	69.34	19.0	104.04	261.19	77.52	18.5	85.05	341.58
	90th	66.21	253.01	69.34	20.0	108.18	261.19	77.52	19.5	89.19	350.94
CPI+3%	**Median**	61.55	253.01	69.34	18.8	103.52	261.19	77.52	18.4	84.53	340.40
	75th	66.95	253.01	69.34	20.2	108.92	261.19	77.52	19.7	89.93	352.62
	90th	70.35	253.01	69.34	21.0	112.32	261.19	77.52	20.5	93.33	360.31
CPI+4%	**Median**	63.34	253.01	69.34	19.3	105.31	261.19	77.52	18.8	86.32	344.45
	75th	67.87	253.01	69.34	20.4	109.84	261.19	77.52	19.9	90.85	354.70
	90th	72.39	253.01	69.34	21.5	114.36	261.19	77.52	20.9	95.37	364.93

Rent projections 2019/20 Couple with limited capacity to work (30 hours)

	Rents		Living wage 256.50				30th Percentile Earnings (30 hours) £314.10				Income required to leave benefit
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
Two Beds											
CPI+1%	**Median**	68.28	324.04	98.70	16.8	85.81	337.75	112.41	16.3	60.35	450.64
	75th	74.48	324.04	98.70	18.1	92.01	337.75	112.41	17.5	66.55	464.67
	90th	76.55	324.04	98.70	18.5	94.08	337.75	112.41	17.9	68.62	469.35
CPI+3%	**Median**	72.55	324.04	98.70	17.7	90.08	337.75	112.41	17.1	64.62	460.35
	75th	79.14	324.04	98.70	19.0	96.67	337.75	112.41	18.4	71.21	475.21
	90th	81.34	324.04	98.70	19.4	98.87	337.75	112.41	18.8	73.41	480.19
CPI+4%	**Median**	74.66	324.04	98.70	18.1	92.19	337.75	112.41	17.5	66.73	465.07
	75th	81.43	324.04	98.70	19.4	98.96	337.75	112.41	18.8	73.50	480.39
	90th	83.70	324.04	98.70	19.8	101.23	337.75	112.41	19.2	75.77	485.53

Rent projections 2019/20 Couple with limited capacity to work (16 hours)

	Rents		Living Wage £136.80				30th Percentile Earnings (16 Hours) £167.52				Income Required To Leave Benefit
			Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
Two Beds											
CPI+1%	**Median**	68.28	294.95	69.61	18.1	152.25	303.14	77.80	17.7	133.26	450.64
	75th	74.48	294.95	69.61	19.4	158.45	303.14	77.80	19.0	139.46	464.67
	90th	76.55	294.95	69.61	19.9	160.52	303.14	77.80	19.4	141.53	469.35
CPI+3%	**Median**	72.55	294.95	69.61	19.0	156.54	303.14	77.80	18.6	137.53	460.35
	75th	79.14	294.95	69.61	20.4	163.11	303.14	77.80	20.0	144.12	475.21
	90th	81.34	294.95	69.61	20.8	165.31	303.14	77.80	20.4	146.32	480.19
CPI+4%	**Median**	74.66	294.95	69.61	19.5	158.63	303.14	77.80	19.1	139.64	465.07
	75th	81.43	294.95	69.61	20.9	165.40	303.14	77.80	20.4	146.41	480.39
	90th	83.70	294.95	69.61	21.3	167.67	303.14	77.80	20.9	148.68	485.53

Appendix 2: Annex 6 - Tables for Pensioner Households

Rent projections 2019/20 Single pensioner working (16 hours)

			Savings £8,000.00				Savings £4,000.00				Income required to leave benefit
			Private (works) pension				30th Percentile Earnings (16 hours)				
			£120.00				£167.52				
	Rents		Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
One Bed											
CPI+1%	Median	57.93	183.74	55.24	22.4	5.81	214.41	85.91	20.4	0.00	137.41
	75th	62.07	183.74	55.24	23.6	9.95	210.27	81.77	21.8	0.00	145.37
	90th	66.21	183.74	55.24	24.8	14.09	206.13	77.63	23.3	0.00	153.33
CPI+3%	Median	61.55	183.74	55.24	23.5	9.43	210.79	82.29	21.6	0.00	144.37
	75th	66.95	183.74	55.24	25.0	14.83	205.39	76.89	23.5	0.00	154.76
	90th	70.35	183.74	55.24	26.0	18.23	201.99	73.49	24.7	0.00	161.30
CPI+4%	Median	63.34	183.74	55.24	24.0	11.22	209.00	80.50	22.3	0.00	147.82
	75th	67.87	183.74	55.24	25.3	15.75	204.47	75.97	23.9	0.00	156.53
	90th	72.39	183.74	55.24	26.5	20.27	199.95	71.45	25.5	0.00	165.22

Rent projections 2019/20 Pensioner couple working (16 hours)

			Savings £8,000.00				Savings £4,000.00				Income required to leave benefit
			Private (works) pension				30th Percentile Earnings (16 hours)				
			£120.00				£167.52				
	Rents		Residual Income	Incentive Income	Ratio	Benefit	Residual Income	Incentive Income	Ratio	Benefit	
Two Bed											
CPI+1%	Median	68.28	263.43	58.33	19.9	33.33	280.46	75.36	18.9	15.12	196.59
	75th	74.48	263.43	58.33	21.3	39.53	280.46	75.36	20.3	21.32	208.52
	90th	76.55	263.43	58.33	21.7	41.60	280.46	75.36	20.7	23.39	212.50
CPI+3%	Median	72.55	263.43	58.33	20.8	37.60	280.46	75.36	19.9	19.39	204.80
	75th	79.14	263.43	58.33	22.3	44.19	280.46	75.36	21.3	25.98	217.48
	90th	81.34	263.43	58.33	22.8	46.39	280.46	75.36	21.8	28.18	221.71
CPI+4%	Median	74.66	263.43	58.33	21.3	39.71	280.46	75.36	20.3	21.50	208.86
	75th	81.43	263.43	58.33	22.8	46.48	280.46	75.36	21.8	28.27	221.88
	90th	83.70	263.43	58.33	23.3	48.75	280.46	75.36	22.3	30.54	226.25

Appendix 3: The Continuous Tenant Survey

About the survey

The NI Housing Executive (NIHE) has carried out the Continuous Tenant Omnibus Survey (CTOS) for over two decades. It is primarily conducted to monitor the changing profile of tenants and their attitudes towards Housing Executive services in order to inform strategic and operational decisions of the Housing Executive, especially in relation to areas for service improvement.

The CTOS is comprised of a main survey questionnaire, to which one-off survey modules can be 'bolted' on. The main CTOS questionnaire focuses on the perceptions of tenants in relation to housing matters, service and neighbourhood satisfaction and the social, economic and demographic profile of tenants. Findings from the main survey are reported annually, but the survey fieldwork operates throughout the year to minimise bias, in the annual findings, from any media coverage which might affect how respondents answer questions or by events such as the annual rent review.

In each survey year, 2,600 randomly selected Housing Executive tenants take part in the face-to-face interview, which is equivalent to 650 tenants each quarter. To maximise response rates, the CTOS employs substitution. A list of randomly selected addresses is held in reserve in case it is necessary (after three attempts) to replace a non-respondent with a substitute. A combined weighting and grossing factor is added to the dataset to ensure that the results are representative of the composition of the Housing Executive tenant base across Northern Ireland at the beginning of each survey year.

The spring 2016 'bolt on' survey module comprised 23 questions to explore tenants' attitudes towards, and experience of , money management and financial constraints as well as their initial impressions about rent reform and, where applicable, their earnings history. Some questions were asked of all 650 respondents, but most were targeted at 143 respondents that stated that they or (where appropriate) their partner was in work. The analysis is therefore primarily descriptive in nature and does not explore the relative strength of the associations between the socio-economic circumstances of tenants and their attitudes towards rent reform. For much the same reason, our analysis has been confined to the Northern Ireland level.

The survey data was captured using Computer Assisted Personal Interviewing (CAPI), which is known to improve data accuracy by promoting accurate routing of questions, embedding logic checks and minimising the need for manual data entry. The survey data was processed by the Housing Executive staff and then supplied as an anonymised and encrypted SPSS file, which also contained rent, rates and Housing Benefit variables taken from administrative systems. The data was further checked by the study team. In some instances open-ended questions were converted into coded lists and a few pre-coded variables were modified. A number of derived variables were also created to aid analysis.

As with any general purpose orientated survey designed to address a wide range of topics there are inevitable compromises in the measurement of certain variables such as income. The following paragraphs therefore explain how such matters were handled.

Family benefit units

The CTOS is primarily designed to report findings by household reference person (HRP)[17] and by household type, although basic data is collected on all individuals that live in a household. The CTOS differentiates between respondents that live in a dwelling that contain a single household and those that contain two or more households. The proportion of respondents that state their home accommodates two or more household units is small, at around 6%. Most second households are 'other' relatives of this household reference person (HRP).

The CTOS definition of a 'household' is common to that employed in many social surveys. However, it differs from the definition used in the British tax and benefit system and thus the Family Resources Survey. The 'family benefit unit' is used by the Department for Work and Pensions (DWP) to refer to a single person or a couple that live together with or without dependent children. The key feature of a family benefit unit is that all adults other than partners are classified as separate family benefit units even if they are related. A household may therefore contain several family benefit units. For example, two sisters that live together would be counted as two separate units. A lone parent that lives with her young child in the same home as her twenty year old son and her parents would be counted as three separate family benefit units. The lone parent and her youngest son would be a single benefit unit, the older son would be a separate single benefit unit and the parents would be a couple benefit unit.

The CTOS does not use the concept of a 'family benefit unit' but it was possible to use the socio-demographic data collected on up to eight individuals (i.e. household grid data) to identify the family benefit group of the HRP. The count and analysis of family benefit units was restricted to that of the HRP because we only have income and earnings data for the HRP and any partner.

The household grid data, collected during the CTOS spring 2016 survey, was used to group each HRP into one of eight categories of benefit unit. This was achieved by identifying whether the HRP:

- Was a single adult or part of a couple (spouse, civil partner or cohabitee)
- Had at least one dependant, which was defined as a child aged less than 16 years or aged 16-19 years and in full-time non-advanced (e.g. A level) education and unmarried.
- Was of pensionable age or if not, if any partner was.

These three variables were then used to create a family benefit unit variable with eight values:

- Single benefit unit under pension age; no dependants
- Single benefit unit under pension age; with dependants
- Single benefit unit over pension age; no dependants
- Single benefit unit over pension age; with dependants
- Couple benefit unit under pension age; no dependants
- Couple benefit unit under pension age with dependants
- Couple benefit unit over pension age; no dependants
- Couple benefit unit over pension age with dependants

[17] For the purposes of the CTOS, the household reference person (HRP) is the member of the household who pays the rent on the property. Where two people have equal claim (e.g. husband and wife jointly rent the property) the household reference person is the person with the highest annual income. The definition is for analysis purposes and does not imply any authoritative relationship within the household.

Employment status of family benefit unit

Each family benefit group was assigned to one of the following six working status classifications:

- All working full-time (single or couple benefit unit where all adults in full-time work)
- All working part-time
- No one working
- One working full-time and the other (if applicable) working part-time
- One working full-time and the other (if applicable) not working
- One working part-time and the other (if applicable) not working

Gross earnings and gross income: data quality

The CTOS collects background data on gross income by asking the respondent to select an income band that is equivalent to the gross income of the HRP and (if applicable) their partner from all sources (earnings, state benefits, savings and so on).

Due to the nature of this single income question and the limited space devoted to collecting associated data (such as receipt of state benefits) incomes tend to be under-stated in the CTOS. This is not usually problematic as income is primarily used as a classification variable. Indeed many surveys have historically relied on a single survey income question for such purposes, including the British Social Attitudes Survey and the European Social Survey.

To seek to improve on the income estimates , the CTOS module survey included additional questions that asked respondents to specify the gross earnings of the HRP and (separately) any partner as well as the associated time period covered (weekly, monthly etc.). In discussion with the steering group, it was agreed that it was impractical to ask detailed questions about other sources of income.

The income data and the earnings data were subject to item non-response. Around 20% of the 650 individuals did not report a gross household income and some 25% of the 143 individuals from working family benefit units, that completed the bolt on survey module, did not report any earnings for the HRP and/or any partner. This latter percent increased to 28% once those that reported earnings judged implausible or invalid were screened out. These rates are in line with expectations. Studies that have investigated non-response to survey questions suggest non-response to a single question on household income tend to be in the region of 15-20 percent, increasing to around 25 percent for earning questions and up to 50 percent for detailed household income questions[18].

Non response to income questions increases the risk of bias and some remedies exist that seek to minimise such risks, including imputation methods. It has become increasingly common to use ‘hot deck’ imputation to assign the earnings of a ‘similar’ case to individuals for whom earnings are not reported. The downside is the imputation for missing data runs the risk of introducing measurement errors that can contaminate estimates. This is a particular problem in respect of the CTOS due to the small numbers of cases that reported earnings that can be used as a ‘donor’ and the limited variables from which to identify a suitable ‘donor’. Another barrier is that non-response to earnings does not appear to be random.

Preparing income estimates for family benefit units

Most of the 34 respondents that were asked but did not report earnings data were not in receipt of Housing Benefit according to NIHE data embedded in the survey file. Many had also chosen not to

[18] See for example Moore, J., Stinson, L. and Welniak, E. (2000) Income measurement error in surveys. Journal of Official Statistics, 16(4), 331-361.

report household income. We therefore created a new variable (family benefit unit income). To do this:

- HRP and (where applicable) partner earnings were converted to an annual estimate of earnings and then combined to give a family benefit unit earnings estimate.
- The assumed earnings for each family benefit unit were then compared with the gross income bands reported through the main survey and summarised table A3.1.

Table A3.1: Summary of unweighted self-reported gross income of household (HRP and partner)

	Frequency	Percent
Less than £60 per week; Less than £260 a month; Less than £3,120 a year	*	*
£61 - £80 per week; £261 - £346 per month; £3,121 - £4,160 a year	13	2.0
£81 - £100 per week; £347 - £433 per month; £4,161 - £5,200 a year	22	3.4
£101 - £120 per week; £434 - £520 per month; £5,201 - £6,240 a year	41	6.3
£121 - £140 per week; £521 - £606 per month; £6,241 - £7,280 a year	40	6.2
£141 - £200 per week; £607 - £866 per month; £7,281 - £10,400 a year	147	22.6
£201 - £300 per week; £867 - £1,300 per month; £10,401 - £15,600 a year	151	23.2
£301+ per week; £1,301+ per month; £15,601+ a year	100	15.4
Refusal	37	5.7
Don't know	95	14.6
Total sample: base	650	100.0
Income data	518	79.7
Notes: * refers to less than 1%		

Where marked differences were found, the case records were subject to visual inspection:

- We found two data entry errors (for instance HB coded as £499 or an extra zero under earnings) but otherwise we found no other obvious errors, such as changing earnings period from a month to a week, which would bring gross earnings and income into the same cash range.
- If earnings were lower than the income band, we looked at whether this might be explained by receipt of state benefits or tax credits. This appeared to be the most probable reason in most, but not all, instances.
- If earnings were higher than incomes, the earnings figure was used. In the main, these cases were not in receipt of Housing Benefit.
- Where there was no obvious reason for the difference between (a) self-reported incomes (b) self-reported earnings and (C) NIHE recorded HB status and payment, the case was coded as “cannot define”

As we worked our way through this process, we also identified 35 cases where the Housing Benefit status reported by the respondent differed from the NIHE administrative record:

- In 22 cases, the respondent had reported inconsistent answers in respect of receipt of Housing Benefit at different points in the survey. Most of these households were older people who were in receipt of full or partial HB and were retained for analysis.
- In 13 cases it appeared that in the period between the administrative data capture and the time of the interview, the respondent’s circumstances had changed. All these cases

were excluded from most of the analysis presented in Section 5. As table A3.2 shows, the impact of this was negligible (less than 1%).

Overall, we concluded that we had reasonably plausible income estimates for 479 out of the 650 HRP family benefit units:

- Around 118 out of the 171 cases we excluded did not report income or earnings.
- 13 cases were excluded because their Housing Benefit status was not known
- 40 cases were excluded because the income and/or earnings data was judged invalid. In most of these cases, the household income band (or earnings) included the income/earnings of an adult member of the household other than the HRP and their partner (in most cases adult offspring).

Table A3.2: Comparison of profile of all respondents and those for which valid HB is available

Topic	Variable	All survey applicants	Survey applicants: valid HB data is available
Gender of HRP	Female	64.8%	65.2%
	Male	35.2%	34.8%
	Total	100%	100%
Age of HRP (band 1)	18 to 34	14.6%	14.7%
	35 to 49	23.5%	23.3%
	50 to 64	30.9%	30.6%
	65 and over	31.0%	31.3%
	Total	100%	14.7%
Age of HRP (band2)	18 to 34	14.6%	14.7%
	35 to 54	34.9%	34.6%
	55 to 64	19.5%	19.4%
	65 and over	31.0%	31.3%
	Total	100%	100%
Employment status of HRP	Working	22.0%	21.4%
	Not in work	19.6%	19.9%
	Retired	31.7%	31.7%
	Sick/disabled	17.6%	18.0%
	Other	9.0%	9.0%
	Total	100%	100%
Ethnic group of HRP	White	99.3%	99.2%
	Other	0.7%	0.8%
	Total	100%	100%
Stated religion of HRP	Protestant	56.0%	56.3%
	Catholic	36.5%	36.4%
	Mixed religion Protestant/Catholic	1.3%	1.4%
	Other or no religion	6.2%	5.9%
	Total	100%	100%
self-reported health	Long term limiting illness or disability	55.3%	55.6%
	No health problems	44.7%	44.4%
	Total	100%	100.0%

Likewise, we identified that earnings data appeared to be useable in around 95 out of the 143 respondents that were asked to provide earnings.

Finally, we created gross income bands for the family benefit unit of the household representative (employed or otherwise) for reporting purposes. In the main, the banding replicated that for household income used by NIHE. However, we replaced £15,601+ with two bands (£15,601-£20,000 and £20,001+) at the top end in the range to take account of reported higher earnings. We also merged the bottom end bands into a single band: £7,280 or less.

The overall results, excluding the cases for which we do not have valid HB data, is reported in Table A3.4 below.

Table A3.3: CTOS income data revised broken down by Housing Benefit status

	Housing Benefit status			Total
	Full	Partial	None	
Under £7,280	23.3%	11.6%	.9%	17.4%
£7,281 - £10,400	24.2%	25.9%	11.1%	22.3%
£10,401-£15,600	22.8%	21.4%	24.1%	22.8%
£15,601-£20,000	6.2%	16.1%	30.6%	12.1%
£20,001 plus	.0%	.0%	13.9%	2.4%
In work: cannot determine income	*	8.0%	13.9%	4.7%
Not in work: cannot determine income	22.1%	17.0%	5.6%	18.4%
total	100.0%	100.0%	100.0%	100.0%
sample base	417	112	108	637
weighted	23.3%	11.6%	.9%	17.4%

Benefit Unit Income Data % (all cases weighted)
Cannot determine: cases where respondent either refused or said DK as well as cases where earnings, receipt of HB and income could not be reconciled (see Appendix 3 for further details)
* Around 1 percent

Appendix 4: Continuous Tenant Omnibus Survey – Rent Policy Omnibus

Section (E): Rent Policy
The following questions relate to rent payment and the impact that any increase in rents may have on Housing Executive tenants, particularly those who are not in receipt of full Housing Benefit. Although some questions may appear similar to previously answered questions, there are slight differences, which solely relate to the outcome of the research into this specific topic.

Section 1: EARNINGS: Households were HRP and/or Partner (if applicable) are in paid work; hereafter referred to as "household". **Otherwise GO TO Q10**

Eq1 Firstly would you confirm again, whether or not the HRP and/or Partner (if applicable) are working or not working?

Please select one on each line

	Working full time	Working part time	Not Working	D/K	Ref
HRP	1	2	3	8	9
Partner	1	2	3	8	9

If response equals 1 or 2 for ANY AT Eq1, go to Eq2; otherwise go to Eq10

EARNINGS: Households were HRP and/or Partner (if applicable) is in paid work; sometimes referred to as "household". **Otherwise GO TO Eq10**

Eq2 Approximately, what is the household income, **from all paid employment before** any deductions for tax, national insurance etc., but including overtime, bonuses, commission or tips for the Household Reference Person/Partner (if applicable)?

Please complete on each line

	N/A	Write in to nearest £	Don't know	Refused
HRP	0		8	9
Partner	0		8	9

Eq3 For how long a period does that payment cover? *(Income specified at Eq2)*

Please select one on each line

	N/A	Weekly	Fortnightly	4 Weekly	Calendar month	Annually	Other (specify)
HRP	0	1	2	3	4	5	6
Partner	0	1	2	3	4	5	6

Eq4 Thinking of **last month**, on average how many hours **a week** did the HRP/Partner work each week?

Please select one on each line

	N/A	Under 16 hours	16-24 hours	25-29 hours	30-34 hours	35+ hours	Don't know
HRP	0	1	2	3	4	5	8
Partner	0	1	2	3	4	5	8

Eq5 Now thinking of the month before that, what were the average hours worked each week for the HRP/Partner? Was it approximately the same hours, less or more hours?

Please select one on each line

	N/A	The same hrs	Less hrs	More hrs	Don't know
HRP	0	1	2	5	8
Partner	0	1	2	5	8

Eq6 Now, thinking of this month, does the HRP/Partner expect to work approx. the same, less or more hours each week, than they did last month?

Please select one on each line

	N/A	The same hrs	Less hrs	More hrs	Don't Know
HRP	0	1	2	5	8
Partner	0	1	2	5	8

Eq7 Compared to this time a year ago, has your household (i.e. HRP/Partner) earnings **before tax and other deductions** increased, decreased or stayed much the same? **INTERVIEWER NOTE: If income =/- by less than £1,000, code 7 i.e. stayed the same.**

(Select one only) SHOW CARD

Increased by £5,000 or more	1	Go to Eq8
Increased by £2,500 -£4,999 per annum	2	
Increased by £1,000-£2,499 per annum	3	
Decreased by £1,000-£2,500 per annum	4	Go to Eq9
Decreased by £2,500- £5,000 or more	5	
Decreased by £5,000 or more	6	
Stayed the same or much the same	7	Go to Eq10

Eq8 What was the main reason for your household income to **increase**?

Please select one in each column

	HRP	Partner
N/A	0	0
New job	1	1
Promotion	2	2
Increased hours	3	3
Pay rise	4	4
Other reason (please specify)	5	5

Now go to Eq10

Eq9 What was the main reason for your household income to **decrease**?

Please select one in each column

	HRP	Partner
N/A	0	0
New job	1	1
Retired	2	2
Made redundant	3	3
Left job	4	4
Loss of income due to sickness or disability	5	5
Reduced hours	6	6
Other reason (please specify)	7	7

ASK ALL RESPONDENTS

Eq10 Would you confirm whether or not the household (i.e. HRP/Partner) are in receipt of Housing Benefit?

Please select one on each line

	Receive FULL HB	Receive Partial HB	DO NOT receive HB	D/K	Ref
Is Household in receipt of some level of HB?	1	2	3	8	9

If Eq10 = 1 go to Eq18, otherwise go to Eq11

Section 2: MONEY MANAGEMENT AND FINANCIAL CONSTRAINTS - The following questions to be asked of households who pay some or all of their rent (i.e. not in receipt of FULL Housing Benefit)

Eq11 How easy or difficult is it for your household to afford the rent?
(**Interviewer Note:** Regardless of how much rent (all or partial) households have to pay.)

(Select one only) SHOW CARD

Easy	1
Neither easy nor difficult	3
Difficult	5
Don't know	8

Eq12a. Compared to the same time last year, has it now become easier or more difficult to afford the rent you pay? (Compared to last year, paying rent is……..

(Select one only) SHOW CARD

Easier	No change	More difficult	Don't know
1	2	3	8
Go to Eq12b	Eq13	Go to Eq12b	Eq13

Eq12b Why has it become easier/more difficult to afford the rent?

____

____

Eq13 In the last year, in order to pay your rent, did your household have to take any of the following actions?

(Select all that apply) SHOW CARD

	N/A	Yes	No
Delay paying loans or repayments (e.g. credit cards, hire purchase, mail order, Social Fund loans) (Do not have loan =0)	0	1	2
Overdrawn from a bank account to pay rent (No bank a/c=0)	0	1	2
Used credit card to pay rent due to lack of income (No credit card = 0)	0	1	2

	Yes	No
Delay paying fuel bills (e.g. gas, electricity and oil)	1	2
Delay paying other bills (e.g. phone, insurance, TV)	1	2
Cut back on food shopping	1	2
Cut back on car fuel	1	2
Postponed visit to the dentist	1	2
Financial help from family or friends	1	2
Borrowed money from bank, credit union or lender	1	2
Delayed/Did not pay rent for more than 2 weeks until I had money/Went into arrears	1	2
Pawned or sold something to get cash	1	2
Other, please specify	1	2

Eq14 Thinking about the rent you pay now, how easy or difficult would it be for your household to pay the rent if it was increased by …………..

(Select one on each line) SHOW CARD

	Easy	Neither easy nor difficult	Difficult	Don't Know
£2.50 per week?	1	2	3	8
£5.00 per week?	1	2	3	8

Eq15 In the last year how often did your household (i.e. HRP/Partner) run out of money before receiving the next wage/salary/benefit (i.e. pension etc)? ***(Interviewer Read Out: Should include any time household has run out of money and had to use a credit card, an overdraft or borrow to get by).***

(Select one only) SHOW CARD

Often	Sometimes	A few times (i.e.<eq3)	Never	Don't know
1	2	3	4	8
Go to EQ16			Go to Eq17	

Eq16. Due to a shortfall in money in the last 12 months, has your household (**insert statement from grid**)?

(Multiple selection) SHOW CARD

	Yes	No	Do not have or N/A
Cut back on social and recreational activities (e.g. visiting friends, cinema, sport, pub or eating out)	1	2	0
Cut back or cancelled family day trips	1	2	0
Cut back on heating and fuel use	1	2	0
Cut back on food/meals	1	2	0
Not paid bills on time (e.g. fuel, phone, insurance etc)	1	2	0
Not paid loan or other repayments on time (e.g. hire purchase/catalogue payments, Social Fund)	1	2	0
Could not make minimum credit card repayments	1	2	0
Not paid rent on time	1	2	0
Got financial help from family or friends	1	2	0
Borrowed money from bank, credit union or other lender	1	2	0
Increased or extended existing loan(s) from lender	1	2	0
Got financial advice from welfare or community organisation	1	2	0
Pawned or sold something to get cash	1	2	0
Used a food bank	1	2	0
Other (please specify)	1	2	0

Eq17 Thinking of your household current income, could your household afford the following purchases, or would you struggle to afford the purchase or not afford it?
(Interviewer Note: Response is based on COST of whether or not the household could afford a purchase and NOT whether or not they choose to purchase it now.

(Multiple selection) SHOW CARD

	Afford	Struggle to afford	Could not afford
Eat Fresh fruit and vegetables every day	1	2	3
Eat meat, fish or vegetarian equivalent every other day	1	2	3
Have friends or family for a drink or meal at least once a month if desired	1	2	3
Keep home adequately warm	1	2	3
Keep home in reasonable decorative order	1	2	3
Replace broken electrical goods	1	2	3
Replace any worn out furniture	1	2	3
Home contents insurance	1	2	3
Pay for recommended dental work	1	2	3
Run a car	1	2	3
Replace worn out clothes and shoes with new (not second hand) ones	1	2	3
Pay for unexpected bill of £500	1	2	3
Regular savings (£20 a month) for rainy days	1	2	3
Regular payments into an occupational or private pension	1	2	3
Holiday away from home for one week a year, not staying with family	1	2	3

ALL RESPONDENTS

Section 3: POTENTIAL RESPONSES TO RENT REFORM: ATTITUDES AND BEHAVIOURS

Eq18. If, for any reason, you found that you had to spend a higher share of your household income on rent, would HRP/Partner consider taking any of the following actions? **(Interviewer Note: Not working = N/A)**

(Multiple selection) SHOW CARD

	Yes	No	D/K or N/A
a) Try to increase hours in current job	1	2	0
b) Look for additional work or an extra job	1	2	0
c) Look for better paid job	1	2	0
d) Seek employment or continue to seek employment	1	2	0
e) Apply to transfer to a smaller social rented (NIHE/HA) property in my present area	1	2	0
f) Apply to transfer to a cheaper social rented property in my present area	1	2	0
g) Apply to transfer to a smaller social rented property outside of my present area	1	2	0
h) Apply to transfer to a cheaper social rented property outside of my present area	1	2	0
i) Look for a cheaper private rented property in my present area	1	2	0
j) Look for a cheaper private rented property outside of my present area	1	2	0
k) Ask another family member to move in	1	2	0
l)Take in a lodger	1	2	0
m) Spend less on essential items to cover the rent	1	2	0
n) Increase money contributed by a non-dependent child or lodger	1	2	0
o) Ask a non-dependent adult child to leave the home	1	2	0
p) Get advice from welfare or community organisation	1	2	0
q) Borrow money from somewhere	1	2	0
r) Other, please specify	1	2	0

Eq19 Is there anything that would prevent the HRP/Partner from seeking to earn more money?

(Select one only)

Yes	1	Go to Eq20
No	2	Go toEq21
Don't know	8	

Eq20 What factors would prevent HRP/Partner seeking to earn more money? (Complete column A on each line.) Now, which of these factors would be the MAIN reason (Complete ONE response in column B)?

(Multiple selection)SHOW CARD

	A			B
	Yes	No	Don't know	MAIN REASON
Current employer not able to increase hours	1	2	8	
Health (ie in poor/has a disability etc.)	1	2	8	
Lack of jobs available	1	2	8	
Lack of access to childcare	1	2	8	
Lack qualifications/skills	1	2	8	
Caring responsibilities (incl. looking after home/children)	1	2	8	
Childcare costs	1	2	8	
Too low pay (financially not rewarding)	1	2	8	
Lack of public transport	1	2	8	
Age (retired)	1	2	8	
Cost of travelling	1	2	8	
Adverse impact on benefit entitlement	1	2	8	
Other, please specify	1	2	8	

Eq21. Do you agree or disagree with the following statements?

(Multiple selection) SHOW CARD

	Strongly agree	Agree	Neither	Disagree	Strongly disagree
The property I rent is good value for money	1	2	3	4	5
If my rent increased by £2.50 per week it would still be good value for money	1	2	3	4	5
If my rent increased by £5.00 per week it would still be good value for money	1	2	3	4	5
The rent charged by the Housing Executive is enough to allow them to invest in improving my home	1	2	3	4	5
The rent charged by the Housing Executive is enough to allow them to invest in improving my local area	1	2	3	4	5
There are cheaper properties to rent in this area of similar size and quality to mine	1	2	3	4	5
Living in this property makes it easier to get by on my income	1	2	3	4	5
It would be easy to find an affordable alternative property to live in if I were to move home	1	2	3	4	5
It would be unreasonable to charge a higher rent for this property	1	2	3	4	5

Eq22 Please select three of the following Housing Executive services which you consider to be your priorities?

SHOW CARD – Select only three choices

Provide high quality home	1
Deliver high quality and customer friendly repairs service	2
Listening to tenants views and acting upon them	3
Improvement Work (major work such as bathrooms, kitchens and heating systems)	4
Dealing with anti-social behaviour	5
Well maintained neighbourhood	6
Other, please specify	7

EQ23 Are either HRP/partner in receipt of a disability living allowance?

Please select one on each line

	Yes	No	D/K
HRP	1	2	8
Partner	1	2	8

Appendix 5: Summary of Main Welfare Reforms

The following table summarises known information about key welfare reforms at the start of November 2016, when the analysis presented in the main report was substantially completed. Readers should be aware that some of the planned reforms, and in particular the timescale for rolling out Universal Credit, are subject to possible further change.

Year	Reform
From April 2016 (or later in year as specified)	• Household Benefit cap introduced in May 2016, with the limits set at £500 a week for lone parents and couples (with or without children) and £350 a week for a single person. • From 7 November 2016, the weekly limits will fall to £384.62 for couples and lone parents and £257.69 a week for a single person. • In Northern Ireland, the cap is to be mitigated to 31 March 2020. Supplementary payments will be made to households with children that are adversely affected by the cap. The supplementary payments will automatically be made direct to social landlords in the same way as Housing Benefit. These payments are based on a claimant's circumstances at the time mitigation commenced. This amount can be reduced if their circumstances change but cannot be increased. • Households affected by the Benefit Cap but ineligible for a Supplementary Payment, may be eligible to apply for a Discretionary Housing Payment (DHP).
	• Personal Independence Payments (PIP) introduced from 20 June 2016 for new claims • PIP will replace Disability Living Allowance (DLA) for existing claimants aged between 16 to 64 years from December 2016 and December 2018. The NI Executive has introduced time-limited measures to assist DLA claimants adversely affected by transfer onto PIP.
	• The Housing Benefit Family Premium was abolished from 1st May 2016 in UK and from 5 September 2016 in Northern Ireland. • In Northern Ireland, Discretionary Housing Payments (DHP) are available to social tenants adversely affected by the abolition of the HB Family Premium.
	• Housing Benefit backdating reduced to 1 month and temporary absence restricted to 4 weeks from 5 September 2016.
	• Most working age non-disability benefits and tax credits plus Child Benefit frozen for 4 years
	• Housing Benefit applicable amounts and LHA rates frozen for four years
	• Disability and pensioner benefits effectively frozen for 1 year other than the basic pension and pension (guarantee) credit, which are both up rated by 2.9% • The Pensions Credit Savings Element expected to be frozen for four years
	• The Assessed Income Period (AIP) in Pension Credit awards removed
	• Universal Credit work allowances reduced to £392 pcm for those without housing element; £192 for those with housing element and £0 for non-disabled claimants and/or those without children
	• In-year income increase disregard for Tax Credit re-assessment cut from £5,000 to £2,500
	• Minimum Income Floor Threshold will be uprated in line with the 'National Living Wage' for self-employed claimants aged 25+ (NMW for under 25)
	• New single-tier State Pension will be introduced for people who reach pension age (man born on or after 6 April 1951 or a woman born on or after 6 April 1953)
	• Support for Mortgage Interest (SMI) waiting period returns to pre-recession length of 39 weeks but capital limit retained at £200,000 (£100,000 for Pension Credit applicants)
	• Contributory Employment And Support Allowance (ESA) payment limited to 365 days for people in the Work Related Activity Group
January 2017	• The social sector size criteria, also known as the Bedroom Tax, will apply to NIHE and HA tenants after 20 February 2017, although this will be fully mitigated until 31 March 2020. • The new criteria will allow for a carer (or team of carers) who do not live with the claimant but provide overnight care

Year	Reform
From April 2017	• Northern Ireland will begin transition of new benefit claims onto Universal Credit from September 2017
	• Rate Relief for social tenants in receipt of Universal Credit or Housing Benefit will move to Land and Property Services and will require separate application from September 2017
	• New claims for Universal Credit and Rate Relief will be made online and on-line applications will be launched in September 2017.
	• Child Tax Credit limited to 2 children (with some exceptions) and family element abolished for new claims or new births (born after April 2017)
	• Universal Credit limited to 2 children and 'first child premium' abolished for new claims or new births
	• Young people, aged 18 to 21 will no longer be automatically entitled to the housing component of Universal Credit), although there will be exceptions for some, including parents and vulnerable individuals. • The Youth Obligation will initially be introduced in areas of Britain with a Full Universal Credit service this will require young people aged 18-21 to participate in an intensive regime of support from day one of their benefit claim. It is not yet known if this will extend to Northern Ireland..
	• Parents that claim Universal Credit will be required to look for work when youngest child reach the age of 3
	• ESA Work Related Activity component abolished for new claims
	Universal Credit Limited Capability for Work component abolished for new claim
From April 2018	• Support for Mortgage Interest (SMI) to become a loan to be repaid when claimant returns to work or sells property
	• The State Pension age will increase to 66 for both men and women between November 2018 and October 2020 with further increases planned for 2026-46.
From April 2019	• Existing claimants will be migrated to Universal Credit in Northern Ireland between July 2019 and March 2022. HB claimants migrated to UC will need to apply to Land and Property Services (LPS) for help with paying their rates.
	• In GB from April 2019 the amount of rent eligible for Housing Benefit will be capped at the Local Housing Allowance (LHA) for social tenants living in general needs who are in receipt of Housing Benefit and signed their tenancies after 1 April 2016. The LHA will also apply to all claimants receiving the housing element of Universal Credit from April 2019 no matter when they entered into their tenancy. • Social tenants living in supported and sheltered housing will have their permissible rent and service charges funded through Housing Benefit or Universal Credit up to the LHA rate. Additional funding will be available to the relevant bodies (e.g. Local authorities in England) to administer a top up fund which providers of supported housing will be able to apply for. The LHA cap would apply to all Universal Credit claims from tenants in supported and sheltered housing not just those who signed a new tenancy since April 2016. . • The policy detail and timeline for any extension of the LHA in Northern Ireland is not yet known.
Other related changes	• National living wage: From April 2016, there will be a new National Living Wage of £7.20 an hour for the over 25s, which is effectively a 'premium' to the National Minimum Wage for those aged 25 and over. This will rise to over £9 an hour by 2020. • Personal allowances: The tax-free personal allowance will increase from £10,600 in 2015-16 to £11,000 in April 2016 and to £11.500 for 2017-18. The goal is to raise this threshold to £12,500 by 2020, which would mean people working 30 hours a week on the National Minimum Wage would not pay Income Tax. • Free childcare: From September 2017, in GB working families with children aged 3 or 4 years will be offered 30 hours of free childcare; up from 15 hours they are currently offered.

Appendix 6: List of Organisations Consulted

Northern Ireland Housing Executive

NI Executive - Department for Communities – Social Security

NI Executive - Department for Communities - Social Housing Reform Programme

Chartered Institute of Housing Northern Ireland

Scottish Government - Analytical services

Welsh Government

Clanmil HA

Helm HA

Choice HA

Supporting Communities

Housing Rights

Renfrewshire Council

Perth and Kinross Council

Wheatley Group