



## Cliff Edge Coalition- Briefing

June 2024

### Introduction

1. Welfare reform mitigations were first agreed by the Northern Ireland Executive in 2016 to alleviate some of the harshest impacts of the Westminster welfare reform agenda. With an impending 'cliff edge' of the mitigations in 2020, The Cliff Edge Coalition (The Coalition) formed in 2018 to campaign to sustain and strengthen these vital measures to protect people from poverty across NI.
2. Following campaigning by The Coalition, the Northern Ireland Assembly legislated to indefinitely retain the mitigations for the Social Sector Size Criteria (Bedroom Tax), close the loopholes which had prevented many claimants from accessing financial assistance through the mitigation scheme, and extend the benefit cap mitigations until 31<sup>st</sup> March 2025.
3. **However, there remains an urgent need for The Coalition to continue its campaign for a strengthening of the mitigations package in NI. The harsh impacts of new welfare challenges which have emerged since the original mitigations were introduced, and which have been exacerbated by the ongoing cost-of-living crisis, are increasingly affecting households causing financial hardship and poverty. According to research conducted by Inspire in 2022, 79% of adults in Northern Ireland said that their mental health and wellbeing had been adversely impacted by the rising cost of living.<sup>1</sup>**
4. The Coalition has drafted this short briefing to update elected representatives on The Coalition's three key asks. We have included new research findings which reinforce the rationale for our asks and support our recommendations.
5. The Coalition urgently asks elected representatives to advocate for these three asks, as well as to advocate for the continued mitigation of the impact of benefit cap, which is currently only mitigated until 31<sup>st</sup> March 2025. The assembly undertook to review mitigations for the benefit cap in 2024-2025.
6. The three key asks are:

#### **1. Resolving the five week wait in Universal Credit**

What is the five week wait? Under Universal Credit (UC), the first payment for new claimants is made five weeks after a claim is made. UC is assessed and paid in arrears with information taken from the HMRC RTI (Real time Information) System before payments are calculated.

What is the impact of the five week wait? An advance is available to mitigate the five week wait, however, this help comes in the form of a loan which can be repaid over a period of up to 24 months. This means a claimant's income is reduced due to the repayment of debt for up to two years<sup>2</sup>, effectively starting their claim off in debt. The Joseph Rowntree Foundation (JRF), in its UK Poverty 2023 Report<sup>3</sup>, highlights the five week wait as one of the key elements designed in the benefit system that increases poverty. Furthermore, alarming figures from The Trussell Trust in February

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<sup>1</sup> YouGov survey shows impact of cost of living on mental health of adults in Northern Ireland - Inspire Wellbeing

<sup>2</sup> <https://www.nidirect.gov.uk/articles/universal-credit-advance-payments>

<sup>3</sup> UK Poverty 2023: The essential guide to understanding poverty in the UK | JRF

2024 show the devastating consequences of the inadequacy of Universal Credit.<sup>4</sup> In addition, research by Ulster University has found that UC was repeatedly described as a driver for illegal lending particularly around the harm caused by the five week wait and issues with short-term benefits loans that were repaid from future benefits<sup>5</sup>

Recommendations: [The Mitigations Independent Review Panel Report](#)<sup>6</sup>, (Review Report) made recommendations for both interim measures and longer-term solutions to the five week wait. The Coalition endorses these recommendations.

- **Interim:** Amend guidance to interpret the Universal Credit Contingency Fund (UCCF) more widely; change the name of the fund, increase the Contingency Fund Budget to £5m; and wider promotion of the payment by the Department for Communities NI and beyond.
- **Longer term:** Work is needed to examine a number of alternative solutions to the five week wait through a dedicated working group, with input from those with lived experience and the advice sector.

## 2. Removing the two-child limit

What is the two-child limit? The child element of UC is replacing Child Tax Credit, which prior to April 2017 was available for all children in low-income families. Third (or additional) children born after 6 April 2017 now only qualify for UC support in a small number of exceptional cases.

What is the impact of the two-child limit? Currently, it amounts to the loss of £3,455.04 per child for the third and subsequent child. It is important to view this policy within the prism of NI, as the particular unfairness of this policy becomes all the more stark when considering the average family size in NI is larger than Great Britain (GB) with 21.4% of families in NI having three or more children compared to 14.7% in the UK.<sup>7</sup>

A report on benefits changes and larger families found that “its main effect is to push families with three or more children further into poverty”<sup>8</sup> Child Poverty Action Group (CPAG) has reported that the costs of child poverty are estimated to be £39 billion per year in the UK.<sup>9</sup> The End Child Poverty Coalition has estimated that removing the two-child limit would cost around £1.3 billion 2023/24 – less than 1% of the welfare bill.<sup>10</sup>

Furthermore, in March 2024, NI Audit Office reported a failure to tackle child poverty early and effectively risks lifelong impacts to children’s health, education and general development. They stated that there is also a considerable cost to the public purse, with previous estimates indicating costs of child poverty to be between £825 million and £1 billion annually.<sup>11</sup>

In addition, polling from Save the Children Northern Ireland reveals that the policy is out of step with public opinion with 64% of people believe it to be either very unfair or unfair, while 60% of people want to see it abolished.

Recommendations: The Review Report has recommended mitigating the two-child limit through the introduction of a Welfare Supplementary Payment called a “Better Start Larger Families payment”. Removal of the limit was also recommended in 2020 by the Expert Advisory Panel tasked to develop recommendations for the as-yet-

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<sup>4</sup> Over half of people receiving Universal Credit unable to afford enough food - The Trussell Trust

<sup>5</sup> ([https://www.consumercouncil.org.uk/sites/default/files/2020-07/Illegal\\_Money\\_Lending\\_Report.PDF](https://www.consumercouncil.org.uk/sites/default/files/2020-07/Illegal_Money_Lending_Report.PDF))

<sup>6</sup> Welfare Mitigations Review - Independent Advisory Panel Report found at <https://www.communities-ni.gov.uk/sites/default/files/publications/communities/dfc-welfare-mitigations-review-independent-advisory-panel-report-2022.pdf>

<sup>7</sup> Office for National Statistics – Families with dependent children by UK countries and English regions 2015

<sup>8</sup> Benefit changes and larger families

<sup>9</sup> The cost of child poverty in 2023 | CPAG

<sup>10</sup> Scrap the two-child limit to reduce child poverty ([savethechildren.org.uk](https://savethechildren.org.uk))

<sup>11</sup> NI Audit Office Media Release - Child poverty in Northern Ireland.pdf

unpublished Anti-Poverty Strategy.

On Tuesday 16 April 2024, representatives from the Cliff Edge Coalition were at Stormont for Opposition Day debates on poverty, which included a motion from the SDLP on removing the two-child limit.

Removal of the two-child limit is one of the Coalition's key asks to help alleviate poverty in Northern Ireland and we were encouraged to hear that there was consensus in the Assembly on the damaging impact that this policy is having on families across Northern Ireland. We were, however, disappointed that stronger actions and timelines were not agreed to remove this policy, which is one of the biggest drivers of child poverty in the social security system.

The SDLP's motion on the two-child limit called for Minister for Communities, Gordon Lyons, to present a plan by the end of 2024 on steps to remove the policy. However, a DUP amendment removed this and instead called for the Minister to *consider the merits* of a Better Start Larger Families payment. It must be noted however, the merits of the introduction of a Better Start Larger Families payment had already been considered and recommended by the Welfare Mitigations Review's Independent Advisory Expert Panel in 2022.

The motion passed with the DUP's amendment.

In light of this, the Cliff Edge Coalition is now asking that the Northern Ireland Executive does two things **urgently**:

- Produces a plan and timeline for the implementation of measures which would fully mitigate the impact of the two-child limit on families in Northern Ireland.
- Produces a report on any barriers to removing the two-child limit, including financial and IT implications and how the Northern Ireland Executive plans to overcome these barriers, including timelines.

We would also like to see the Executive negotiate a better funding settlement with HM Treasury to ensure that policies to improve the lives of people in Northern Ireland can be implemented.

The Coalition strongly believes that with the rates of child poverty rising from 18% to 24%<sup>12</sup> in the last year, we simply cannot afford not to invest in children who will be responsible for the society and economy of the future.

The Coalition would also like to highlight a recent report by the Institute for Public Policy Research (IPPR) and Changing Realities<sup>13</sup> - "Snakes and Ladders tackling precarity in social security and employment support", published in February 2024, which has examined short-term goals to shift the focus of the social security and employment system in the UK to protect people from poverty and open opportunities for sustainable good quality work.

The Report advises that its recommendations would bring improvements to the social security system which could lift one million people throughout the UK out of poverty overnight and make work pay for thousands of people on Universal Credit. The report sets out a package of reforms which would pull the UK's social security system into the 21st century, including a series of 'quick win' policies which according to the analysis of IPPR and Changing Realities would make an almost immediate

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<sup>12</sup> Northern Ireland Poverty and Income Inequality Report (2022-23) <https://www.communities-ni.gov.uk/news/northern-ireland-poverty-and-income-inequality-report-2022-23-released#:~:text=The%20percentage%20of%20children%20living,19%25%20over%20the%20same%20period>

<sup>13</sup> [Snakes\\_and\\_ladders\\_Feb24\\_2024-02-20-132351\\_vegy.pdf \(svdcdn.com\)](#)

difference.

Notably two of the key recommendations in the Report align with The Coalitions asks:

- To protect households from debt: address the five-week wait for income at the start of a claim, backdating rules should be reformed so that financial support is payable from day one of a claim where there are no earnings in the previous month.
- Remove the two-child limit and benefit cap, which arbitrarily cap benefit entitlement with no regard for the costs families face

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

What is Local Housing Allowance (LHA)? LHA is used to calculate the maximum amount of housing costs allowed for benefit claimants in the private rented sector.

What is the impact of Local Housing Allowance cuts? Rent has been rising at unprecedented levels in NI, almost twice as fast as anywhere else in the UK. As of Q3 2023, the average price per month for a rental property in NI was £810 per month, a 17% increase on the same period in 2021, when it was £691. Whilst some support is available via Discretionary Housing Payments (DHPs), this is discretionary and often not sufficient to cover the shortfall and the support is temporary. The situation has been exacerbated further by recent restrictions to DHPs. Those on low income rely on DHPs to pay their rent, and it's often the only thing keeping a roof over their family's heads. If they fall into arrears, landlords will not wait to evict.

Recommendation: The Review Report recommended establishment of a Financial Inclusion Service to provide advice and money management for low-income families who have been impacted by shortfalls in the LHA. This will provide access to a grant to assist in meeting shortfalls between housing costs paid through benefit and contractual rent. The Coalition endorses these recommendations.

### **Next Steps for elected representatives**

7. The Coalition urgently asks elected representatives to advocate for these asks in their daily work. The recommendations are evidence-based and pragmatic and will go a long way to protect those in Northern Ireland affected by financial hardship and poverty.
8. We look forward to further engagement with political decisionmakers as we continue our campaign to remove these harmful policies which are compounding poverty across Northern Ireland.