

# Northern Ireland Benefit Cap Information Booklet

*March 2016*



## Contents

Headline Statistics (Impact of the Benefit Cap as announced in the Summer Budget 2015).....	3
The Impact of the Benefit Cap in Northern Ireland.....	4
Introduction.....	4
Background on the Benefit Cap.....	5
What is the change in policy? .....	5
Who could be impacted by the Benefit Cap? .....	7
Estimated Impact of the Benefit Cap .....	10
Profile of those Households Affected by the Benefit Cap in Northern Ireland.....	11
Degree to which Households will be Impacted by the Benefit Cap .....	15
Capping Households based on Housing Benefit receipt .....	17
Mitigating Measures for those Households who are financially impacted as a result of the introduction of the Benefit Cap .....	18
Annex A: Benefit Cap Analysis at £23,000 Threshold .....	19
Annex B: Development of a Household Administrative Dataset to Model the Impact of the Benefit Cap.....	20

## Headline Statistics (Impact of the Benefit Cap as announced in the Summer Budget 2015)

- Legislation was announced in the Summer Budget 2015 that would introduce a Benefit Cap at a threshold of £20,000 per annum for couples and households with children. When the Benefit Cap was first announced in April 2013, the threshold was £26,000 per annum in Northern Ireland.
- The total number of households to have payment in excess of the £20,000 Cap is estimated to be 55,440, the vast majority of whom are exempt. There are 45,440 households estimated to be exempt because an adult in the household is in receipt of DLA; a further 7,560 are exempt for other reasons. The remaining **2,440 households are estimated to be impacted by the Cap**. At the original £26,000 threshold, the Cap would have affected approximately **400 households**.
- Almost all of the households impacted by the Cap are comprised of either lone parents or couples with children. The impact of the Cap on single person households is negligible and thus too small to report on within this booklet.
- The 2,440 households impacted contain approximately 9,140 children. The equivalent estimate at the £26,000 threshold was 2,060 children.
- An **average of 3.8 children** live in impacted households. At the £26,000 threshold, the average number of children living in impacted households was 5.2.
- All of those households impacted by the Benefit Cap are in receipt of Housing Benefit and almost all are in receipt of Child Benefit (99%). There are 94% in receipt of Child Tax Credit and 65% are in receipt of Income Support.
- Approximately half (48%) of the households that are estimated to be capped will lose up to £50 per week and a further 31% will lose between £50 and £100 per week.
- The average amount that affected households receive in excess of the Benefit Cap threshold is **£63 per week**.
- The total **amount of benefit monies that will be recovered through the implementation of the Benefit Cap following the introduction of Universal Credit** is estimated to be **£8.0 million** per annum. At the £26,000 threshold, this figure was estimated to be £1.1 million per annum.
- The analysis presented within this booklet assumes that there will be no change in the circumstances of existing benefit claimants between now and the point at which the policy is implemented. The analysis does not take account of any future socio, demographic or economic developments that may impact claimant behaviour.

# The Impact of the Benefit Cap in Northern Ireland

## Introduction

1. This information booklet provides information on the Benefit Cap and the potential impacts on the population of Northern Ireland.
2. The booklet provides information on the following areas within the Benefit Cap:

**The current policy**

**The changes in policy**

**Who could be impacted by the Benefit Cap**

**Estimated impact of the Benefit Cap**

**Household profiles of those affected by the Benefit Cap**

## Further Information

**Issued by:**

Analytical Services Unit  
Department for Social Development  
Level 1, James House  
Gasworks Business Park  
2-4 Cromac Avenue  
BELFAST BT7 2JA  
Telephone: 028 90819942 Facsimile: 028 90819961  
Email: [asu@dsvni.gov.uk](mailto:asu@dsvni.gov.uk)

An online version of the publication can be found at <https://www.dsvni.gov.uk/publications/welfare-changes-benefit-cap-information>.

## Background on the Benefit Cap

3. The Benefit Cap should be seen in the context of the budget deficit and the reductions in public expenditure that the Government is making to tackle it. The main objective of the policy is to restrict the amount of welfare support a household can receive to broadly the average take-home pay of working households. By doing this the policy aims to;
  - Improve work incentives;
  - Deliver fiscal savings;
  - Sit alongside the other measures announced in the Spending Review to make the system fair and affordable, as workless households will no longer receive more in benefits than the average working household receives in pay and;
  - Deliver fairness to the taxpayer in work.

## What is the change in policy?

4. In April 2013, the Government introduced a cap on the total amount of benefit that most working-age households can receive. At this time, the Benefit Cap limited the combined sum that a household may receive in benefits to £26,000 a year for couples and households with children, and £18,200 a year for single people without dependent children.
5. Analytical Services Unit published analysis regarding the impact of the Benefit Cap at the £26,000 threshold in Northern Ireland in November 2014.
6. On 8<sup>th</sup> July 2015 the Chancellor of the Exchequer, George Osborne, announced a number of welfare measures as part of his Summer Budget 2015. Regarding the Benefit Cap, it was proposed that the threshold would be reduced to £20,000 per year for couples and households with children, and to £13,400 per year for single person households. These reduced Benefit Cap thresholds would apply in areas outside of London.
7. It was also announced that in London, the threshold would be reduced to £23,000 per year for couples and households with children, and to £15,400 per year for single person households.
8. The proposed implementation of the Benefit Cap in Northern Ireland is scheduled for 31<sup>st</sup> May 2016, at the £26,000 threshold initially. A reduction to the £20,000 threshold will follow later in 2016.
9. In February 2016 it was announced that the Benefit Cap (Housing Benefit) Regulations 2016 which come into effect from 31<sup>st</sup> May 2016, provide for Carer's Allowance to be included as an exemption. This means that an exemption for households in receipt of Carer's Allowance will apply from the go live date of 31<sup>st</sup> May 2016 in Northern Ireland. The exemption includes those in receipt of Carer's Allowance as well as claimants with an 'underlying entitlement' but who do not receive any payment.
10. Analysis in this document applies the Carer's Allowance exemption. This differs from previous analysis where Carer's Allowance was not an exempting benefit.
11. Almost all of the households impacted by the Cap are comprised of either lone parents or couples with children. The impact of the Cap on single person households is negligible and thus too small to report on within this booklet. **The focus of the analysis in this document is on the impact of the Benefit Cap in Northern Ireland if implemented at the £20,000 threshold. References to the**

**impact at the £26,000 threshold are included for comparative purposes.** For completeness Annex A contains analysis of the impact of implementing the £23,000 London threshold in Northern Ireland.

12. Initially the intention is that the Benefit Cap will be delivered through Housing Benefit payments. Ultimately though it will be administered as part of the new Universal Credit system. Before the introduction of Universal Credit, the Cap will apply to the combined income from the main out of work benefits, Housing Benefit, and other benefits such as Child Benefit and Child Tax Credit.
13. As the Benefit Cap will initially be administered through Housing Benefit, the maximum a household can be capped by in this scenario will be equal to their Housing Benefit award.
14. It should be noted that all figures quoted throughout the main portion of this report are calculated with reference to total excess funding over the Benefit Cap threshold rather than limiting the size of the excess to the Housing Benefit award as outlined in paragraph 12. This makes the analysis consistent with the implementation of the Benefit Cap through Universal Credit where the full Universal Credit award will be subject to the Cap. It should be noted that any changes in entitlement due to the introduction of Universal Credit do not feature in the analysis.
15. An examination of administering the Benefit Cap via Housing Benefit prior to the introduction of Universal Credit is presented at the end of the report.

## Who could be impacted by the Benefit Cap?

16. Once claimants are in receipt of Universal Credit the Benefit Cap will be applied to their combined income from Universal Credit and benefits such as Child Benefit. One-off payments will be excluded, as will non-cash benefits and passported benefits such as free school meals. Additionally, the childcare element of Universal Credit will be excluded from Benefit Cap calculations.
17. There are a number of scenarios where households shall be exempted from the Benefit Cap, despite having household income above the £20,000 threshold. A list of those benefits that exempt a household is presented in Table 1.1, along with those benefits that do not cause exemption and are included in the Benefit Cap.

**Table 1.1 – Identifying Benefits that do/do not cause exemption from the Benefit Cap**

Benefits that <b>do not exempt</b> households from the Benefit Cap	Benefits that <b>do exempt</b> households from the Benefit Cap
Bereavement Allowance (BA)/ Widowed Parent's/Mother's Allowance	Armed Forces Compensation Scheme payments
Child Benefit (CB)	Attendance Allowance (AA)
Child Tax Credit (CTC)	Carer's Allowance (CA)
Employment and Support Allowance (ESA) (contribution-based and income-related), except where the Support Component has been awarded	Disability Living Allowance (DLA) or its replacement Personal Independence Payment (PIP)
Guardian's Allowance	ESA (support component)
Housing Benefit (HB)	Industrial Injuries Benefits (IIB)
Incapacity Benefit (IB)	War Pension Scheme payments (includes War Widow's/Widower's Pension and War Disablement Pension)
Income Support (IS)	Working Tax Credit (WTC)
Jobseeker's Allowance (JSA) (contribution-based and income-based)	
Maternity Allowance (MA)	
Severe Disablement Allowance (SDA)	
Widow's Pension	

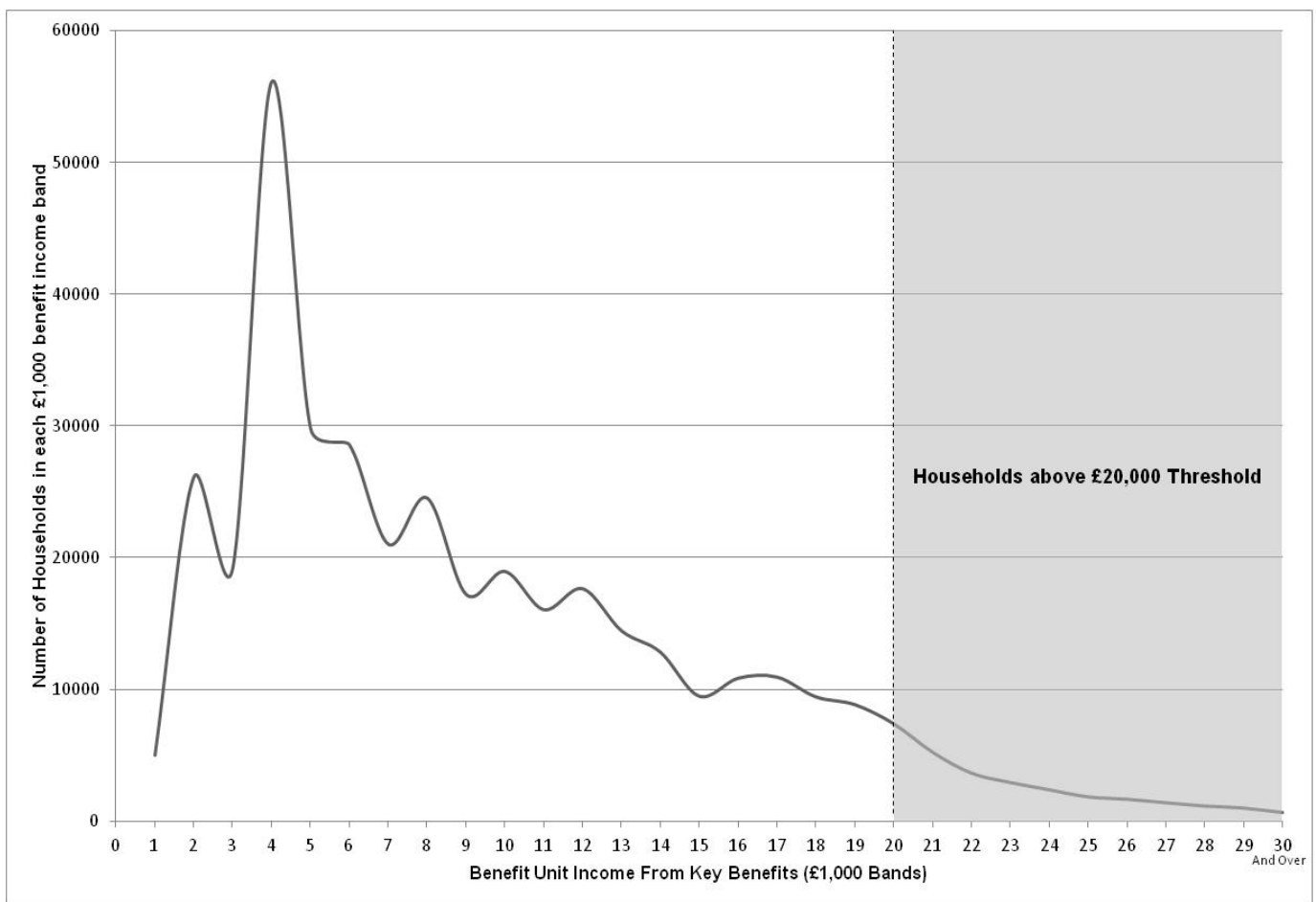
18. To analyse the impact of the Benefit Cap at each threshold in Northern Ireland, administrative data for the key working age benefits (extracted between September and October 2015) was merged at a benefit unit<sup>1</sup> level. This allowed the total benefit income for each benefit unit to be summed<sup>2</sup>.
19. Chart 1.1 identifies the distribution of total benefit income (for those benefits summed as referenced in paragraph 16) for each benefit unit in Northern Ireland. This chart shows that the vast majority of benefit units have benefit income that is below the £20,000 threshold, with approximately half of all benefit units having benefit income of below £8,000 per annum.

<sup>1</sup> A benefit unit is defined to be a single adult or a married or cohabiting couple and any dependent children.

<sup>2</sup> This household calculation involved summing Social Security Benefits, Housing Benefit, Child Benefit and Tax Credits. Benefits not included in this calculation (as data was not available), include: Child Disability Living Allowance, Guardian's Allowance, Widow's Pension, War Widow's or War Widower's Pension, Armed Forces Compensation Scheme, Armed Forces Independence Payment and War Pensions.

20. The Benefit Cap policy is directed at the upper end of the distribution towards the households with the highest levels of benefit incomes.
21. It is not possible to exceed the Benefit Cap threshold of £20,000 by claiming any one single benefit. The benefit units with income exceeding the threshold will be in receipt of multiple benefits, including disability benefits and many will have large numbers of dependent children living in the household.
22. The majority of benefit units with benefit income over the £20,000 cap in Northern Ireland will be excluded from the cap due to receipt of exempting benefits such as Disability Living Allowance, Working Tax Credit and the support component of Employment and Support Allowance.

**Chart 1.1 – Distribution of Total Benefit/Tax Credit Income at the Benefit Unit Level in Northern Ireland**





23. The following hypothetical examples show that it is still possible to be over the £20,000 threshold without receiving disability benefits, however for this to occur the household generally needs to be in receipt of multiple income related benefits including benefits received for children.
24. It is important to point out that these hypothetical examples would be equally applicable in any other part of the United Kingdom, and are not based on any specific households in Northern Ireland.
25. Table 1.2 looks at the first hypothetical household; an unemployed couple living in rented accommodation with three children.

**Table 1.2 – Example Household with Income broken down by Individual Benefit Components (unemployed couple with three children)**

<b>Benefit</b>	<b>2015/2016 Benefit Rate</b>
Jobseeker's Allowance	£114.85
Child Tax Credit (family element + 3 * child element)	$£10.50 + (3 * £53.30) = £170.40$
Housing Benefit	£83**
Child Benefit (high rate for eldest child + 2 * lower rate for remaining children)	$£20.70 + (2 * £13.70) = £48.10$
<b>Total Weekly Income</b>	<b>£416.35</b>
<b>Total Annual Income</b>	<b>£21,700 (to the nearest hundred)</b>

\*\*This is the average Housing Benefit award for an unemployed couple living in rented accommodation with three children

26. Table 1.3 looks at the second hypothetical household; an unemployed couple living in rented accommodation with six children.

**Table 1.3 – Example Household with Income broken down by Individual Benefit Components (unemployed couple with six children)**

<b>Benefit</b>	<b>2015/2016 Benefit Rate</b>
Jobseeker's Allowance	£114.85
Child Tax Credit (family element + 6 * child element)	$£10.50 + (6 * £53.30) = £330.30$
Housing Benefit	£94**
Child Benefit (high rate for eldest child + 5 * lower rate for remaining children)	$£20.70 + (5 * £13.70) = £89.20$
<b>Total Weekly Income</b>	<b>£628.35</b>
<b>Total Annual Income</b>	<b>£32,700 (to the nearest hundred)</b>

\*\*This is the average Housing Benefit award for an unemployed couple living in rented accommodation with six children

27. The analysis into the Benefit Cap in Northern Ireland shows that the Child Additions paid through Child Tax Credit and Child Benefit are a key driver for pushing households over the cap threshold as they are paid on a multiplicative basis for each child in the household.

28. Regarding Working Tax Credit entitlement, the policy is intended to incentivise claimants to move into work or increase their hours. Claimants who are capped can subsequently move into work and establish eligibility for WTC, which will then exempt them from the Benefit Cap.
29. As previously noted, the Benefit Cap will initially be applied through deductions from Housing Benefit payments. Therefore if the household is not in receipt of Housing Benefit the Cap will currently not be applied.

## Estimated Impact of the Benefit Cap

30. In order to produce an estimate for the impact of the Benefit Cap in Northern Ireland, Analytical Services Unit (ASU) developed a household administrative database which merged all social security benefit data (extracted between September and October 2015) with HMRC data. Annex B details the methodology, sources and data quality issues.
31. It should be noted that all figures have been rounded to the nearest ten households.
32. Merging the individual benefit and tax credit datasets together allowed the total amount of welfare payments to be calculated. The total number of households estimated to have payment in excess of the Benefit Cap was 55,440<sup>3</sup>.
33. However, the vast majority of these households will be exempt from the impact of the Benefit Cap as a result of being in receipt of certain benefits/tax credits (see Table 1.1).
34. The most significant exclusion group were claimants of DLA. Of those households that had an income in excess of the Benefit Cap threshold, approximately 45,440 contained an adult in receipt of DLA. Additionally, 6,570 households contained a child in receipt of DLA. It must be noted that these figures are independent of each other and overlaps potentially exist (i.e. a household could contain both an adult and a child in receipt of DLA and subsequently be counted in both groups).
35. When all the exclusions were removed from the analysis approximately **2,440 households are estimated to be affected by the Benefit Cap in Northern Ireland**. Please note this is an estimate and could be subject to change.
36. At the original £26,000 threshold, approximately 400 households were estimated to be affected by the Benefit Cap in Northern Ireland.

---

<sup>3</sup> This is the number of households over their respective Benefit Cap thresholds. It combines the number of couples with children/lone parents that receive over £20,000 per year, and the number of single person households that receive over £13,400 per year.

## Profile of those Households Affected by the Benefit Cap in Northern Ireland

37. Table 1.4 details the number of children who live in the households affected by the Benefit Cap. These households contain approximately 9,140 children.

**Table 1.4 – Number of Households Impacted by the Benefit Cap by Family Size and Total Number of Children Impacted**

Size of family (in terms of number of children in residence)	Benefit Cap Applied At £20,000 Threshold	
	Number of impacted households that have this size of family	Total number of children impacted
3 or less children	1,070	3,070
4 children	950	3,780
5 children	310	1,560
6 children	80	470
7 children	30	180
8 or more children	10	80
<b>Total*</b>	<b>2,440</b>	<b>9,140</b>

Source: SSA administrative data and HMRC administrative data at September and October 2015.

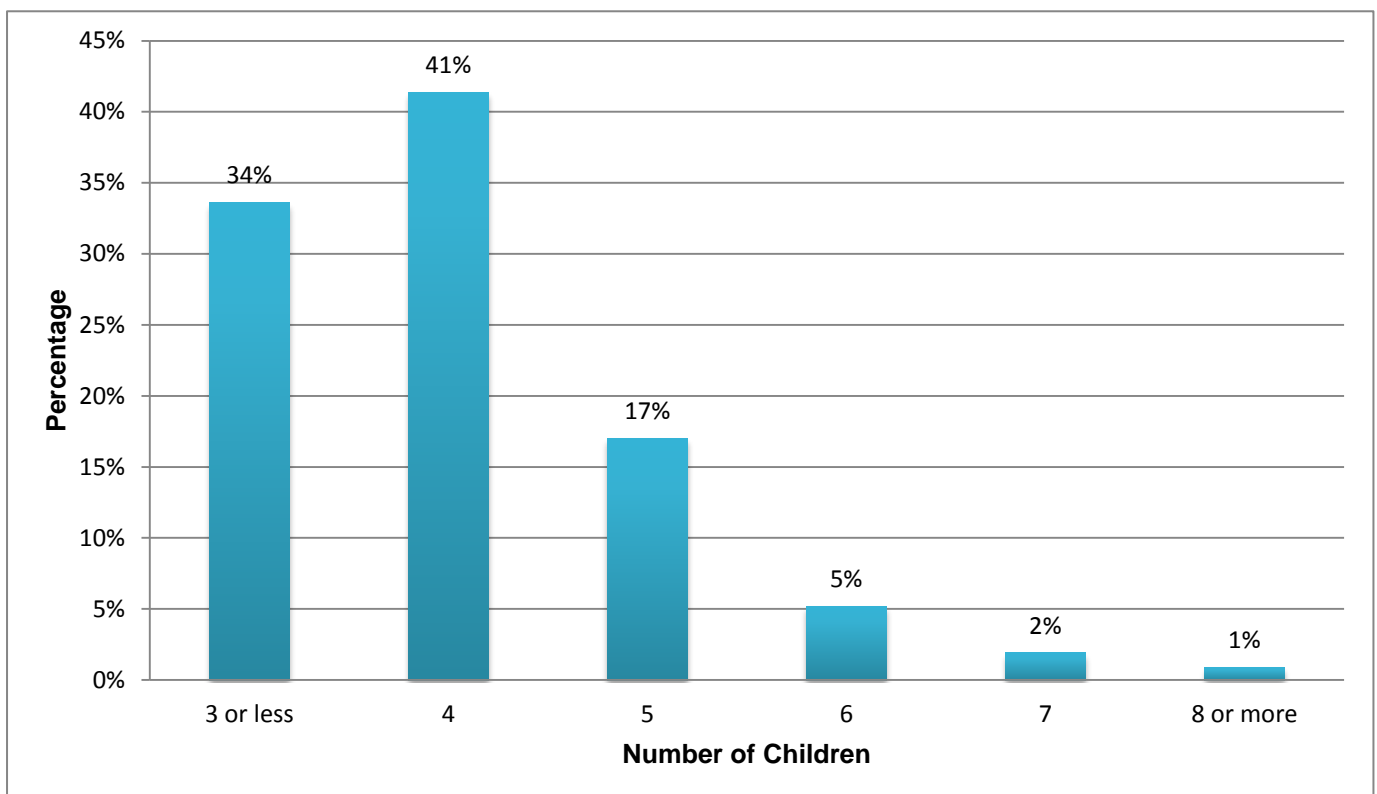
Notes: 3 or less children and 8 or more children were grouped to avoid small sample size and disclosure. To estimate the total number of children affected by the Benefit Cap the methodology is to multiply the number of children by the occurrence of the household types in which they live. Figures are rounded to the nearest 10.

\*Totals may not sum due to rounding.

38. The information contained in Table 1.4 is also illustrated graphically in Chart 1.2. This chart shows that 75% of households estimated to be affected by the Benefit Cap had four children or less.

39. There is an average of 3.8 children present in households impacted by the Benefit Cap. Comparatively at the £26,000 threshold, affected households had an average of 5.2 children. At the higher threshold, those households with a higher number of children are more likely to be impacted because they will be in receipt of much higher amounts of Child Tax Credit and Child Benefit (both of which fall within the scope of the Benefit Cap). The reduced £20,000 threshold impacts households with lower benefit receipt and therefore can impact households with fewer children.

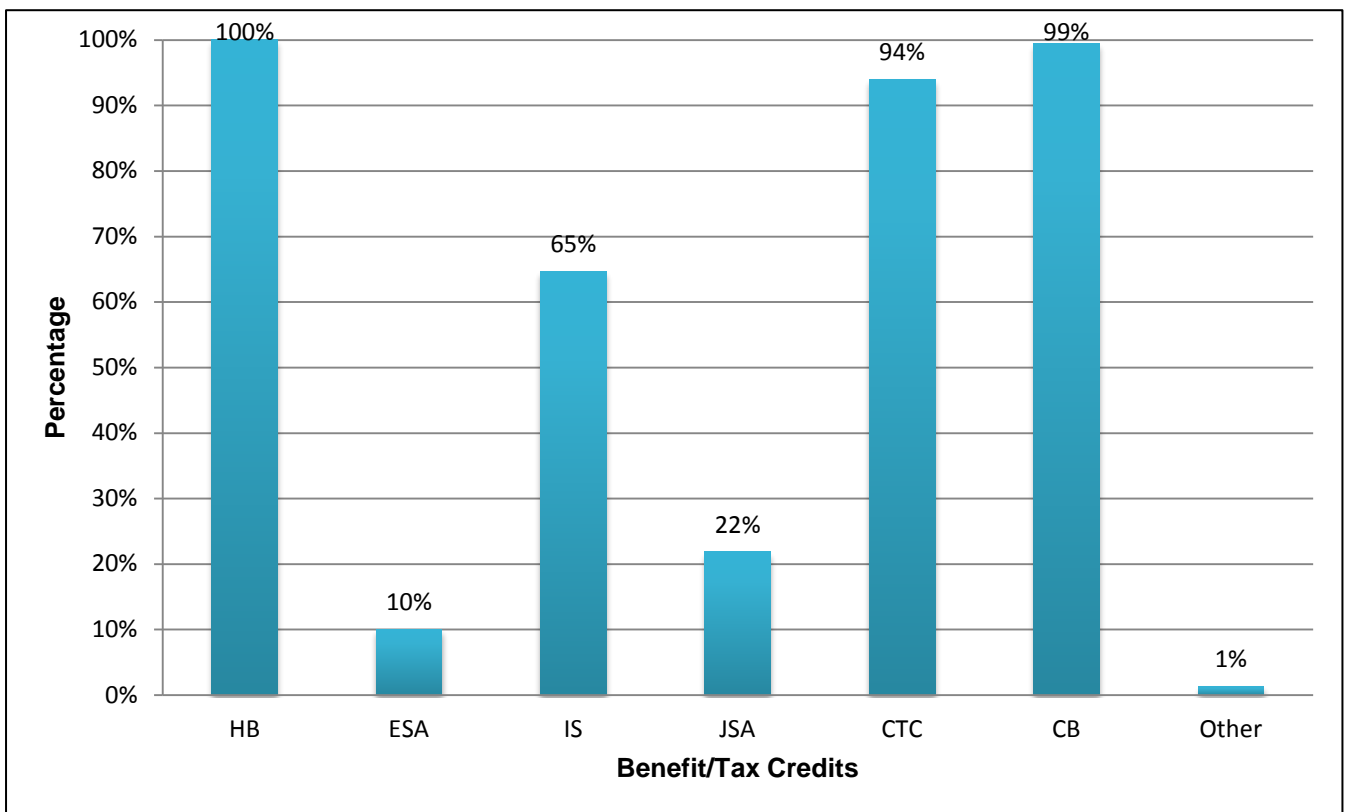
**Chart 1.2 – Proportion of Households affected by the Benefit Cap by Household Size (in terms of number of children affected)**



Source: SSA administrative data and HMRC administrative data at September and October 2015.

40. Chart 1.3 shows the benefits/tax credits that are claimed within households that are estimated to be impacted by the Benefit Cap. All impacted households were in receipt of Housing Benefit and almost all were in receipt of Child Benefit (99%). 94% of households were in receipt of Child Tax Credit and 65% were in receipt of Income Support. These figures are not mutually exclusive meaning that a household could be in receipt of more than one of these benefits.

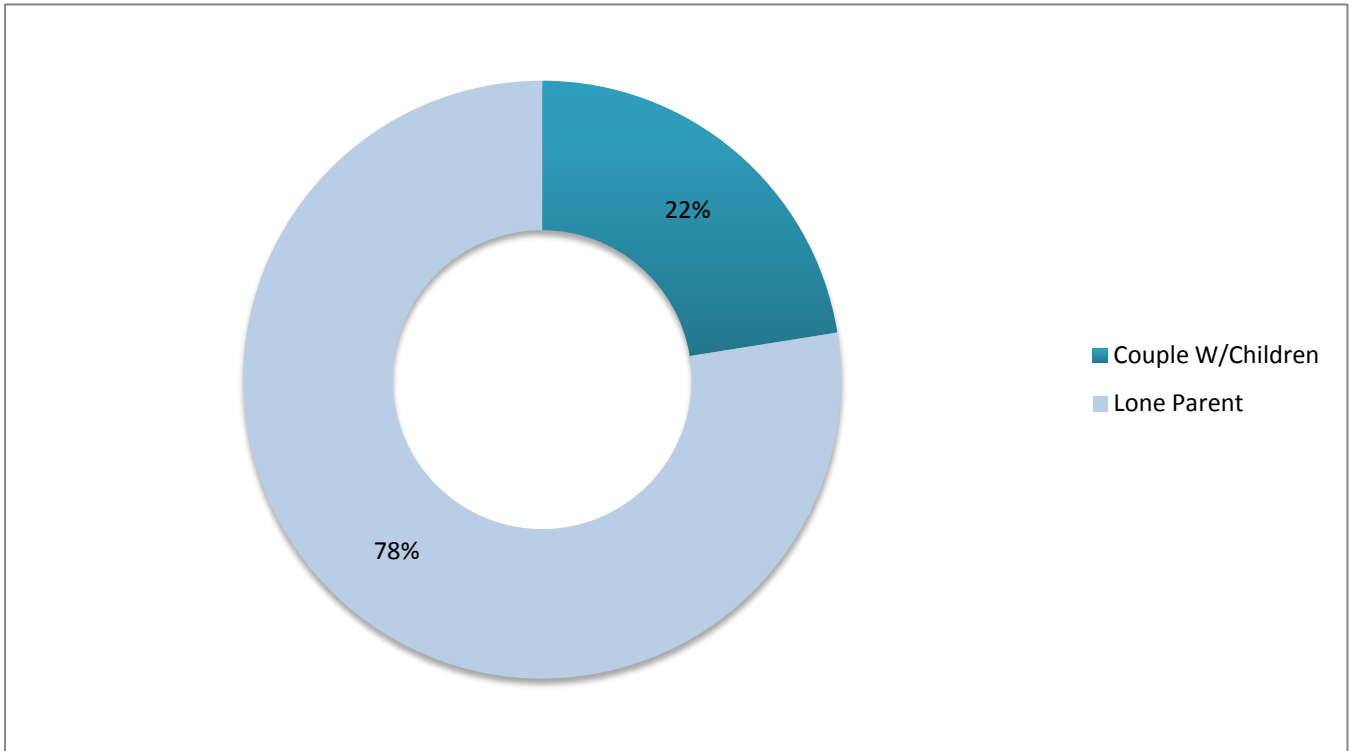
**Chart 1.3 – Proportion of Households affected by the Benefit Cap by Benefits/Tax Credits claimed**



Source: SSA administrative data and HMRC administrative data at September and October 2015. The 'Other' grouping is made up of Bereavement Allowance, Maternity Allowance and Widow's Benefit. The number of households receiving these benefits were grouped together in order to avoid disclosure.

41. Households with children that are affected by the Benefit Cap are made up of both lone parents and couples with children. 78% of these households are lone parents, with 22% of households being couples with children. The higher incidence of lone parent households mirrors the results of the equivalent impact assessment conducted by DWP.

**Chart 1.4 – Family Type breakdown of those households with children that are affected by the Benefit Cap**

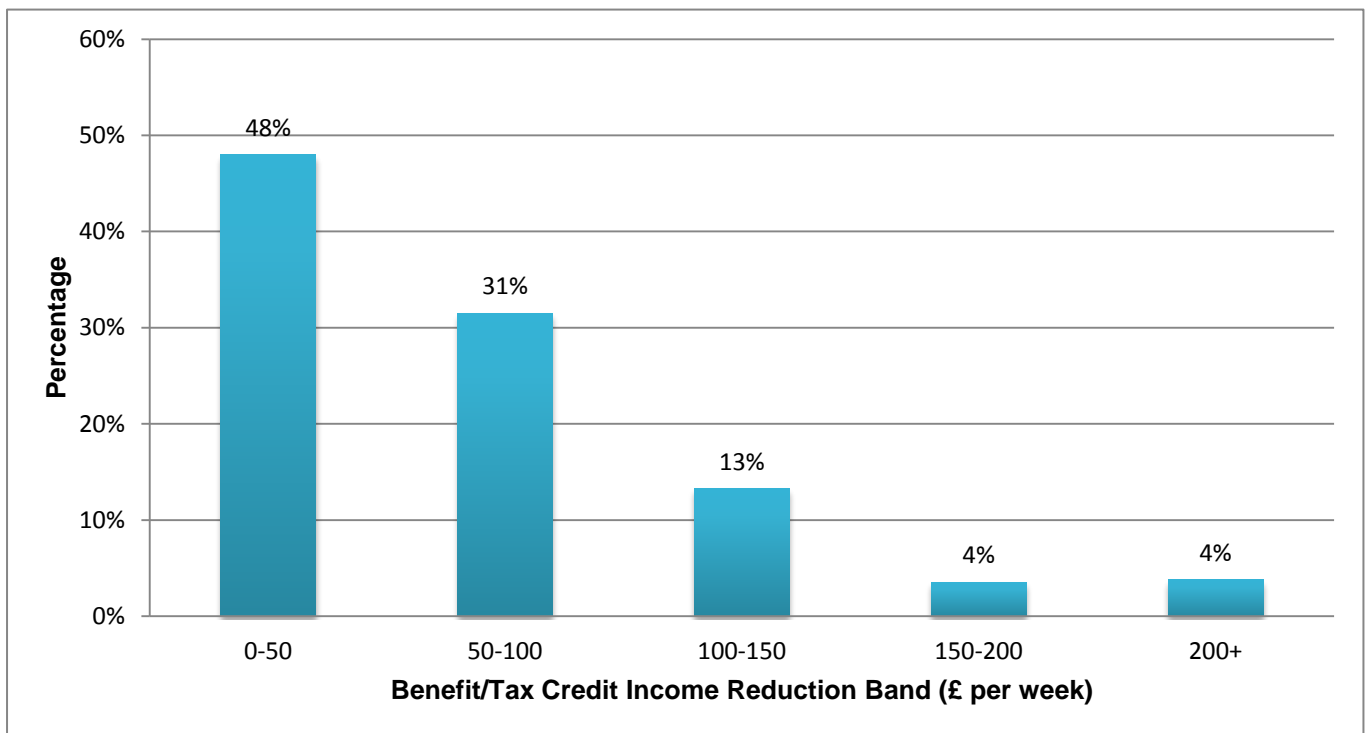


Source: SSA administrative data and HMRC administrative data at September and October 2015.

## Degree to which Households will be Impacted by the Benefit Cap

42. One of the most frequently asked questions regarding the Benefit Cap relates to the degree to which households will be impacted. As illustrated in Chart 1.5, 48% of households estimated to be capped will lose up to £50 per week and a further 31% will lose between £50 and £100 per week.
43. This chart is based on the amount of benefit income non-exempt households receive over the cap. When the cap is initially implemented through Housing Benefit the maximum amount a household will be capped by will be the size of the Housing Benefit award so very few cases will be capped by over £100 per week. However when the cap is ultimately implemented through Universal Credit the entire Universal Credit award will be subject to the cap.

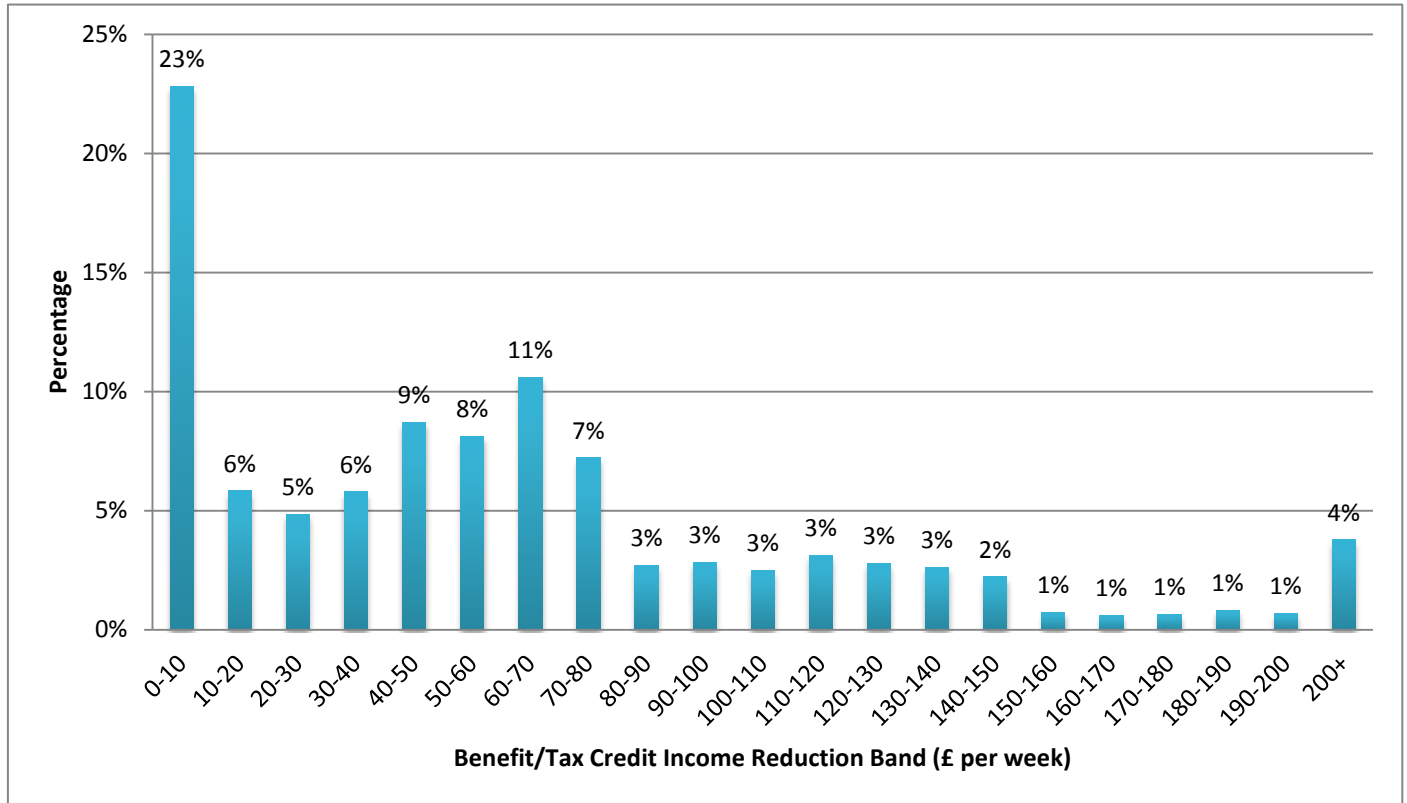
**Chart 1.5 – Proportion of Households by Capped Amount (£ per week) under Universal Credit**



Source: SSA administrative data and HMRC administrative data at September and October 2015.

44. Chart 1.6 identifies the frequency of cases estimated to be capped in £10 bands. From this it can be seen that approximately a quarter (23%) of all cases will be reduced by 0-10 pounds per week.

**Chart 1.6 – Proportion of Households by Capped Amount (£ per week) under Universal Credit**



Source: SSA administrative data and HMRC administrative data at September and October 2015.

45. The average weekly amount that the 2,440 households are receiving in excess of the Benefit Cap threshold is £63.20. This means that approximately £8.0 million will be recovered annually through the implementation of the Benefit Cap following the introduction of Universal Credit: **£63.20 \* (365/7) (weeks) \* 2,440 (households) = £8.0 million (to the nearest hundred thousand).**

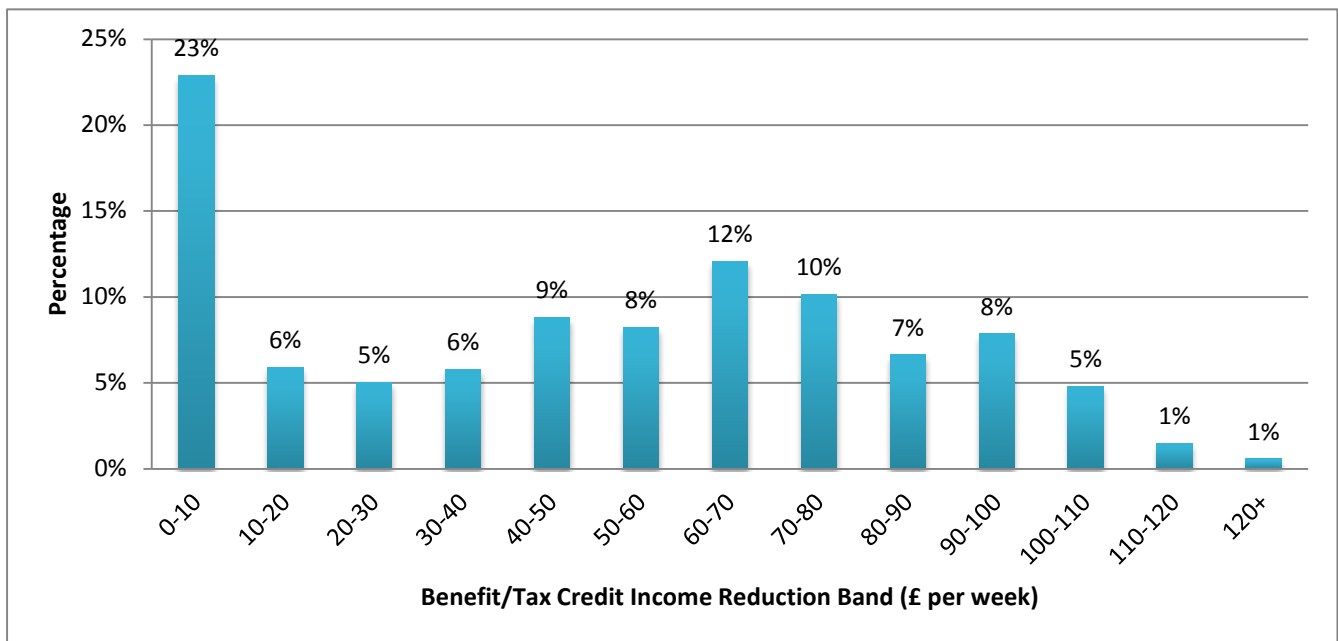
46. At the original £26,000 threshold, the average weekly amount that the 400 households were receiving in excess of the Benefit Cap threshold was £53.90. This means that approximately £1.1 million would have been recovered annually through the implementation of the Benefit Cap at the £26,000 threshold: **£53.90 \* (365/7) (weeks) \* 400 (households) = £1.1 million (to the nearest hundred thousand).**



## Capping Households based on Housing Benefit receipt

47. As first mentioned in paragraph 12, the Benefit Cap will be implemented through Housing Benefit initially; before Universal Credit has been introduced the maximum amount a household can be capped by is equal to their Housing Benefit award<sup>4</sup>.
48. The exact same group of 2,440 households will be affected. However, there will be a reduction in the amount that a certain number of these households will be capped by. This is due to the fact that the amount in excess of the Benefit Cap threshold is larger in many instances than the Housing Benefit award for the household.
49. Chart 1.7 illustrates the frequency of cases estimated to be capped in this scenario. A comparison of the chart below with Chart 1.6 shows that while the overall number of households remains constant, the amounts by which they are capped (particularly at the upper extremes) are reduced.

**Chart 1.7 – Proportion of Households by Capped Amount (£ per week) based on Housing Benefit receipt**



Source: SSA administrative data and HMRC administrative data at September and October 2015.

50. The average weekly amount that the 2,440 households were eligible to be capped by, when taking into account their Housing Benefit award, was £49.90. This means that approximately £6.3 million will be recovered annually through the implementation of the Benefit Cap before the introduction of Universal Credit: **£49.90 \* (365/7) (weeks) \* 2,440 (households) = £6.3 million (to the nearest hundred thousand).**
51. At the original £26,000 threshold, the average weekly amount that the 400 households were eligible to be capped by, when taking into account their Housing Benefit award, was £44.20. This means that approximately £0.9 million would have been recovered annually through the implementation of the Benefit Cap at the £26,000 threshold before the introduction of Universal Credit: **£44.20 \* (365/7) (weeks) \* 400 (households) = £0.9 million (to the nearest hundred thousand).**

<sup>4</sup> A notional payment of £0.50 will remain to ensure that the Housing Benefit claim stays live

## **Mitigating Measures for those Households who are financially impacted as a result of the introduction of the Benefit Cap**

52. Households that are financially impacted by the introduction of the Benefit Cap in Northern Ireland will receive a time-limited mitigation payment to help them adjust to a reduced entitlement. The report produced by the Welfare Reform Mitigations Working Group detailing the mitigation is available at the link below:

<https://www.ofmdfni.gov.uk/sites/default/files/publications/ofmdfm/welfare-reform-mitigations-working-group-report.pdf>

## Annex A: Benefit Cap Analysis at £23,000 Threshold

53. As mentioned in paragraph 7, on 8<sup>th</sup> July 2015 the Chancellor of the Exchequer, George Osborne, announced a number of welfare measures as part of his Summer Budget 2015. One of these involved reducing the Benefit Cap to £23,000 in London.
54. With the Benefit Cap yet to be implemented in Northern Ireland, Analytical Services Unit have conducted analysis on the impact of the policy if the £23,000 threshold was introduced in Northern Ireland.
55. It is estimated that applying the Benefit Cap at this threshold would affect **1,140 households** in Northern Ireland. These 1,140 households contain approximately 4,980 children, with an average of 4.3 children per household.
56. All of those households impacted at this Cap level are in receipt of Housing Benefit and almost all are in receipt of Child Benefit. There are 93% in receipt of Child Tax Credit and 66% are in receipt of Income Support. This is almost identical to the benefit receipt of those households affected at the £26,000 and £20,000 thresholds.
57. The vast majority of households that had an income which exceeded the Benefit Cap threshold are in receipt of benefits which exempted them from the Cap. There were 32,270 households exempted because an adult in the household was in receipt of DLA.
58. The average amount that affected households receive in excess of the Benefit Cap threshold is £52.40 per week. This is when the Benefit Cap is applied to the full Universal Credit amount.
59. The total amount of benefit monies that would be recovered through the implementation of the Benefit Cap at the £23,000 threshold is estimated to be **£3.1 million** per annum.
60. The average weekly amount that the 1,140 households were eligible to be capped by, when taking into account their Housing Benefit award, was £42.50. This means that approximately **£2.5 million** would be recovered annually through the implementation of the Benefit Cap before the introduction of Universal Credit.

## Annex B: Development of a Household Administrative Dataset to Model the Impact of the Benefit Cap

### Data Sources

61. The Benefit Cap limits the total benefit income that a household can receive. The policy is complicated to model as it will operate at a household level, whilst benefit claims are administered at an individual level.
62. The enforcement of the Benefit Cap will be determined by the income of the entire household, which can be comprised of one or more individual benefit claimants. It was therefore necessary to convert the individual level data to a household level.
63. In order to produce an estimate for the impact of the Benefit Cap in Northern Ireland, Analytical Services Unit developed a household administrative database.
64. In order to do this, data from a variety of sources were employed:
  - Social Security Agency benefit data was sourced from individual MIDAS benefit scans which are 100% extracts from the benefit administrative systems. The data scans included were Bereavement Allowance (BA), Disability Living Allowance (DLA), Employment Support Allowance (ESA), Incapacity Benefit (IB), Industrial Injuries Benefit (IIB), Carer's Allowance (CA), Income Support (IS), Job Seekers Allowance (JSA), Maternity Allowance (MA), Severe Disablement Allowance (SDA) and Widow's Benefit (WB).
  - Housing Benefit (HB) data from the Northern Ireland Housing Executive (NIHE)
  - Child Tax Credit (CTC), Working Tax Credit (WTC) and Child Benefit (CB) from Her Majesty's Revenue and Customs (HMRC).
65. Data for each benefit/tax credit was extracted at September and October 2015.

### Methodology

66. To develop a household administrative dataset, ASU merged all social security benefit data with HMRC data. As the Benefit Cap will be applied to the overall benefit income of the household, linking the individual data scans in this way allowed benefit payments to be assessed at the household level.
67. Throughout this document the term "household" is used as shorthand for the formal term "benefit assessment unit"; this being a single adult, or a married or cohabiting couple plus any of their dependent children.
68. A Benefit Unit identifier was created for each claimant. For single claimants, the identifier was their National Insurance number. Where a partner was present, both National Insurance numbers were combined to create the unique Benefit Unit identifier.

69. For each household, a summation of all individual benefit income was carried out. This enabled the overall benefit income of the household to be calculated<sup>5</sup>.
70. At this stage, it was necessary to apply the exemptions listed in Table 1.1. A series of exclusion flags were created in order to identify households that would be exempt from the Cap.
71. When all the exclusions were removed from the analysis approximately **2,440 households are estimated to be affected by the Benefit Cap in Northern Ireland**. Please note this is an estimate and could be subject to change.
72. Previous Benefit Cap analysis was conducted by ASU with data scans extracted between June and July 2014. At that time, it was estimated that there would be 3,190 households affected at the £20,000 threshold. When comparing this with the 2,440 households quoted in paragraph 71 it should be noted that Carer's Allowance was previously not included as an exempting benefit. Including this as an exemption, has resulted in a reduction in the number of households estimated to be affected by the Benefit Cap.

## Data Quality Concerns

73. The aforementioned data scans detail benefit receipt for all benefit claimants. The information is provided at an individual level. As mentioned earlier, the enforcement of the Benefit Cap however will be determined by the income of the entire household, which can be comprised of one or more individual benefit claimants. It was therefore necessary to convert the individual level data to a household level.
74. This proved a difficult challenge for two main reasons:
- The details pertaining to the partner of benefit claimants were not always provided or recorded on the system. Where these details were recorded, they could be contradictory. For example, where a claimant is in receipt of multiple benefits, they may be recorded as having a partner when claiming one benefit, but they may be recorded as being single in relation to their claim for another benefit. To address this, all data scans were cross referenced. Where partner details were found on one benefit data scan, these details were used to over-write the information recorded on other benefit data scans which suggested that there was no partner. However, it is likely that not all partner records have been able to be corrected through this data match.
  - The number of dependent children that a benefit claimant has is often recorded differently on different benefit databases. For the analysis, a benefit hierarchy was created to select the most appropriate source. As a result, where the Child Benefit data scan recorded a certain number of children present for a claimant, this was used in the calculation. If this was absent but the Child Tax Credit scan identified children present, the latter was used to identify the number of children in the household. In cases where both these were absent, it was taken that the household did not have any children present.
75. There are some data quality concerns with the HMRC Tax Credit data. In some cases, the Child Tax Credit payments recorded on the data appeared to be excessive compared to what would be

---

<sup>5</sup> This household calculation involved summing Social Security Benefits, Housing Benefit, Child Benefit and Tax Credits. Benefits not included in this calculation (as data was not available), include: Child Disability Living Allowance, Guardian's Allowance, Widow's Pension, War Widow's or War Widower's Pension, Armed Forces Compensation Scheme, Armed Forces Independence Payment and War Pensions.

expected for that household. To address this, the analysis uses a combination of the actual Child Tax Credit data in some cases and calculated amounts (based on the additions paid for each child under Child Tax Credit and the number of children recorded on the data) for targeted cases that appeared to have excessive payments recorded.

76. It is assumed that there will be no change in the circumstances of existing benefit claimants between now and the point at which the policy is implemented. The estimates produced do not take account of any future socio, demographic or economic developments that may impact claimant behaviour.

