



**Northern Ireland  
Assembly**

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**COMMITTEE FOR SOCIAL  
DEVELOPMENT**

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**OFFICIAL REPORT  
(Hansard)**

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**Welfare Reform Bill: Universal Credit**

1 December 2011

**NORTHERN IRELAND ASSEMBLY**

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**Welfare Reform Bill: Universal Credit**

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**Members present for all or part of the proceedings:**

Mr Alex Maskey (Chairperson)  
Mr Gregory Campbell  
Mrs Judith Cochrane  
Mr Michael Copeland  
Mr Sammy Douglas  
Mr Mark H Durkan  
Mr Alex Easton  
Ms Pam Lewis  
Mr Fra McCann

**Witnesses:**

Ms Anne McCleary     )     Department for Social Development  
Dr Colin Sullivan     )

**The Chairperson:**

I welcome Dr Colin Sullivan and Ms Anne McCleary. It is good to see you back, Anne.

**Dr Colin Sullivan (Department for Social Development):**

Good morning and thank you, Chairman. The Committee recently received a briefing from two of our deputy secretaries, Heather Cousins and Tommy O'Reilly, on welfare reform in general. We have come back to the Committee to look at universal credit in more detail.

As I said, Anne McCleary and I are here to provide some more details. We will cover the policy intent, how the new benefit system should work, and issues that are being considered as

planning and implementation activity is being developed.

The scale of the change to the current welfare system that will result from the introduction of universal credit is significant. It is arguably the biggest change since the introduction of the welfare state in the 1940s. It involves developing the policy required for the new benefit to replace a number of existing in-work and out-of-work benefits. It is a major undertaking, and a number of key policy decisions remain to be finalised. Coupled with that activity is the design and implementation of new IT systems and work processes, which will represent a radical change for customers and staff.

A programme has been established to support the introduction of universal credit from October 2013, subject to the relevant welfare reform legislation being in place. That is being led by the Department for Social Development (DSD) but also involves colleagues in many other Northern Ireland Civil Service (NICS) Departments as well as HM Revenue and Customs (HMRC), which currently administers tax credits. The universal credit programme incorporates the policy, the ICT and the implementation aspects of the proposed changes.

With Anne's help, I will now take you through a slide presentation that we provided to the Committee earlier and then answer your questions.

The first slide is an overview, which tries to summarise universal credit. The first point is that the service will be largely online. There are different ways of engaging with customers: on the phone; face to face; and online. The primary channel that will be developed for universal credit will be online for the majority of customers. That will operate the policy intent, which involves a single taper, and I will talk about that in a moment. That will then drive the policy intent, which Anne will cover.

Underpinning the programme is the automation of the process to put in place the legislative changes. That means bringing together the working-age benefits that are currently in place; namely, jobseeker's allowance, income support, employment and support allowance, housing benefit, and both child and working tax credits. There will also be the non-discretionary elements of the social fund, excluding crisis loans and community care grants.

The next slide shows the universal credit constant taper. It highlights the situation for a single

customer with no children on the national minimum wage, and what will pertain when universal credit comes in. The pink line is the current position. The slide makes clear that if someone is working a few hours and wants to increase those hours, there is very little increase in the person's net income.

**Mr Campbell:**

Pink is a bit difficult to see in black and white. *[Laughter.]*

**Dr Sullivan:**

It is the line with the step change.

**Mr Copeland:**

Dotted or constant?

**Dr Sullivan:**

It is the constant line with the step change; it is almost a flat gradient. That means that the deduction rate is 94%. In other words, the person keeps 6p in the pound for every £1 earned. That is obviously a very minimal increase and creates a risk for a customer as to whether to take up a job opportunity. However, the line above, which is the steeper gradient, highlights the net income position under universal credit.

The taper that is being talked about at the moment — although it could be changed by the Chancellor — is 65%. In other words, the person keeps 35p in the pound.

On the next slide, I wish to highlight the number of customers currently on legacy benefits. When that number is totted up, there are around 400,000 claims. If around 150,000 housing benefit claims are added to that, somewhere between 550,000 and 600,000 claims will go into universal credit. However, the point to make is that those are currently individual claims, and they will become household claims. When the amount of money that is being expended on those claims in Northern Ireland is totalled, it is in the region of £2.4 billion.

I will now hand over to Anne, who will cover the policy aspects behind universal credit.

**Ms Anne McCleary (Department for Social Development):**

The next slide refers to the universal credit policy drivers. Before I start on that, I will reiterate that the overall aim is to address poverty through tackling worklessness and benefit dependency. We hope that that will have knock-on effects for the Province's health and educational achievement. However, in Northern Ireland, where 40% of total unemployment is long term, there are 121,000 workless households. In 10% of those households, no one has ever worked, and that cannot be good.

People living in workless households are almost 10 times more likely to be below the poverty line than those in which both adults are in work. More than 50% of income support customers in Northern Ireland have been on that benefit for more than five years. In Northern Ireland, 14% — 50,000 — children live in a household in which there is no resident adult in employment.

Over the past 60 years, the benefits system has evolved to the point at which it now traps many of the people whom it was designed to help. In other words, it restricts the hours that people can work. One of the things that we are trying to do with universal credit is to reduce the cliff edges that have that effect.

I will now deal with the universal credit policy objectives. Universal credit aims to ensure that work always pays. It does that primarily by increasing the disregard — in other words, the amount of money that someone is able to earn before it affects their benefit — and through the taper that Colin described, where current figures that are being suggested would mean that 35p in the pound is retained by the person. The aim of that is to avoid those cliff edges; for example, if people are afraid to start work because they think that they will automatically lose other benefits that they receive.

We also want to protect the most vulnerable, and conditionality recognises that. It is also important to go back to the first point. It is not just important that work always pays, but, and perhaps more importantly, we need to make sure that it is seen to pay. The whole idea of universal credit is that it should be transparent. It should be easier for people to make the choice, but if they are worried about whether they should come off benefit and go into work, they should know what the consequences will be and know that they will actually be better off. That is one disincentive that we have found in the past.

We also aim to improve levels of benefit uptake. The Social Security Agency (SSA) has done considerable work over the past few years on benefit uptake and has had significant impact there, particularly in areas such as pension credit. However, at the same time, one of the things about universal credit is that, because all the benefits that Colin mentioned come into the same pot, it will be easier to ensure that benefit uptake is improved and that people get all the benefits to which they are entitled.

We also want to aim to see a reduction in fraud and error in the system. Northern Ireland is sitting at 1.1% overpayments, which is very good in comparison with the Department for Work and Pensions (DWP) big figure, but we want to ensure that people get the correct amount of benefit. Not more, not less, but the right amount.

We also want to streamline the system. We are sitting with more than 30 benefits, and this is the first step towards streamlining them. As Colin said, six benefits, I think, will go into the new universal credit, and that will effectively streamline things. We have to admit that one of the aims is to achieve administrative savings. Before you ask me how much will be saved, the answer is that I do not know. No one knows at the minute, because the two systems will be running in tandem for a period, and that will obviously have administrative costs. However, once universal credit is in place and the other benefits have come to an end, there will be some savings, but we do not know exactly how much at this stage.

**Dr Sullivan:**

I will move on to the ICT aspects. Our colleagues in DWP are leading the design of the new ICT system. We are involving customers and staff in the design process, and we are taking their views as we do that.

The new system will replace 22 existing IT systems. Claims assessment, payment and management, and the change of circumstances interactions between the customer and the system will be automated. The SSA is engaged with DWP to make sure that Northern Ireland-specific requirements are identified, such as different bank and public holidays and different ICT system dependencies.

The universal credit system will allow us to interact with the HMRC real-time information system. I will briefly talk you through the schematic diagram that shows that interaction. I am

conscious of the fact that the diagram is not in colour. If it were, it would be much easier to describe the boxes. In the bottom right-hand corner is HMRC, which sets the tax rules and collects revenue, and above it is the employer. Therefore, there is a relationship between the tax rules and the employer. There is a feed of money — the payment of net earnings after deductions — flowing from the employer to the customer, which is in the top left-hand corner. Below the customer is the payment system, which is the new universal credit payment system that is being developed. There is a diagonal line between the payment system and HMRC to show that the system will get a real-time feed from HMRC. The feed will indicate whether the person concerned is in employment or doing part-time work and what income they are getting, and then whether that income is to be topped up by the payment of universal credit. The two are, therefore, highly dependent on each other.

You will see a timeline for the implementation aspects. Universal credit will start in autumn 2013, unless there is some pathfinder programme activity for a limited number of cases. Then, in a phased fashion over the six-month period from October 2013 to April 2014, new claims will cease for the existing benefits. The order of that has still to be worked through, but it is likely that, over those six months, the likes of jobseeker's allowance will be first, followed by some of the more complex benefits. From April 2014, there will be no new claims for tax credits. From April 2014 to October 2017, the existing caseload for customers already on those benefits will migrate. We need to work through the detail of how we will move those people over.

There are also implications for customers of pensionable age. Some pensioners are currently receiving housing costs from housing benefit. In some cases, they are also receiving childcare costs through child tax credits. Changes need to be made to pension credit to take account of that, because housing benefit and child tax credit will no longer exist.

Finally, on the implementation aspects, we are working through the financial impacts of universal credit. We are developing a detailed outline business case, and we hope to have the first draft of that completed around Easter. We are assessing the capacity required: staff numbers; the capability of staff; and their training requirements. We also have to look at the estate requirements. We need to develop a comprehensive communications package, and we are working with stakeholders to do that. The first part of that is a communications plan.

We are considering the options, as I said, for the migration of existing customers between

April 2014 and October 2017, and we are working with other Departments, because they are also impacted by the introduction of universal credit. One example of that is passported benefits. Benefits that use the social security system at present to determine eligibility will be affected because universal credit will cover a much wider group of people for those currently on tax credits and in work and those out of work on social security benefits. Decisions must be taken by those Departments as to at what point people jump off.

**Mr F McCann:**

Thanks for the presentation. I am sure that everyone across the part was listening and that they will rush out straight away and sign up for universal credit.

In the build-up to universal credit, I have heard people say that it will be a good thing because it brings all the current benefits together. However, it leaves a number of problems. There will be a £500 million cut to the social security payments in the North every year. Housing benefit cuts will lead to homelessness, especially with the shared-room allowance. Underoccupancy liability will be coming in. The abolition of the social fund will have a devastating impact on many communities. Changes to the way that one-parent benefit is paid will also have an impact on people. Disability living allowance (DLA) will be abolished. There will be a reduction in the numbers claiming employment and support allowance. There is now a sanction-led approach to benefits. To crown it all, when universal benefit comes in, it will be capped to ensure that large families cannot claim over a certain amount. When all is said and done, this is supposed to encourage people to work, but there is no work and we have been told that there may not be any for 10 years or more. So how is this beneficial to people? It forces them to work when there is none available.

Just one other thing: we are told is that there is a 7.5% or 8% unemployment rate across the North, but that hides the fact that you can go to some areas where it is 50%, 60% or more, and where unemployment is generational.

**Dr Sullivan:**

There are a number of points there. Anne will know better than I about the details of the Welfare Reform Bill. Universal credit is just one aspect of it, and you have highlighted a whole series of issues and mentioned figures. As to the resources, although we have not worked out the business case, the expectation is that, within universal credit, the annually managed expenditure will



actually increase.

**Mr F McCann:**

The cuts will have already taken place.

**Dr Sullivan:**

I am just highlighting the position in respect of universal credit. There will be opportunities to look at the other aspects of welfare reform, and this is one of a series of briefing sessions for the Committee. On universal credit, however, the expectation is that more will be spent on benefit.

You also mentioned the issues around worklessness and the unemployment rate. Of course, there must be jobs for people to take up when universal credit comes in. It is a long-term project; it will not reach fruition and steady state until 2017. It is also perhaps worth reflecting on the fact that, in the pre-recession period, we still had many people in workless situations. Because of the risk that they might have had to take in moving off benefit into work, and because of the difficulty of that threshold which I described in the taper, they were unable to take that risk. Universal credit seeks to help them to do that and, in the future, when there are opportunities available, to give people the opportunity to move into work.

**Mr F McCann:**

I was reading something a while ago on the introduction of the shared-room allowance, which stated that about 27% of those people are on low pay. That allowance helps not only to house them but to keep them in employment. It is going to have a direct impact on their employment. When housing benefit is cut, it will affect their housing and their employability. In this society, a high percentage of people are on very low pay. I just wanted to make that comment.

**Mr Copeland:**

There are similar concerns in the constituency that Sammy, Judith and I represent, where some of the wealthiest and poorest wards in this Province sit literally side by side. Colin, point 24 of the paper is about vulnerable customers. I do not want to flog a dead horse, but the document states:

“While Universal Credit deliberately promotes life-skills similar to those required by the world of work, not all customers currently have those skills and for many it will be a long process to acquire them.”

Has any thought been given to how they will acquire them, rather than just admitting that it will be a long process? The document also states:

“Some features of Universal Credit may also cause some customers problems”.

In that case, “may” is rather understated, particularly around monthly payments. Will the amount that is paid over the current 52-week, 12-month year be the same, or will we end up with payments equalling a 48-week year?

Secondly, on housing cost payments being made directly to customers, in my experience, given the statement at the start, there are people who will not be capable of receiving their housing costs and discharging their housing debt because, quite simply, the circumstances of their lives and personal history will not permit them to do so. That will create debt and a vast number of other problems because it leads to money lenders, evictions and intentionality when someone eventually becomes homeless; that is what will happen. The one lump sum payment being made to every household begs the question to whom in the household payment will be made and questions about the way in which they disperse that payment within their family. I know of one case in which a couple have been a couple and then not a couple seven times in four months. That is not unusual for transient relationships. How will the system cope with people who are not capable of living a settled lifestyle? At the back of that, you have children. They are already vulnerable, and they will, in my view, become more vulnerable. You will be glad to hear that that is much as I care to say at this stage.

**Ms McCleary:**

We are working quite closely with DWP on the policy side. It set up a team that I think is called the exceptions support group. We tend to refer to it as the “vulnerable group” because that is really what it is looking at. It is specifically looking at issues around the monthly payment and problems that people may or may not have when moving from two-weekly to monthly payments. It also looks at direct payments and purse-to-wallet issues, which is another aspect of what you are referring to.

There are a number of very significant issues, and you raised nearly all of them. There are probably more. Those issues are being looked at by DWP, and we are working with it and have a very close input. We are looking at that. In Northern Ireland, we recognise that there is a history of direct payments being made to landlords. We are already doing something slightly different to what was happening in GB. I cannot make any promises in that regard, but we are aware of it, we are looking at that and making representations to DWP about it.

**Dr Sullivan:**

Our Minister will obviously be very keen to get views from across the Assembly and beyond. There is flexibility in the system to take account of people who are in those vulnerable group areas, whether that means splitting the payment or not all being monthly payments. The normative approach is as we have described it: a monthly payment rather than a four-weekly payment. The scale of the exceptions may be different. The Minister will be very focused in ensuring that we have a system that works for the people of Northern Ireland.

**Mr Copeland:**

Anne used the term “exception”. The exception will be the norm for many who are most badly affected. I also have a point about the private landlord issues. Currently, before private landlords give a tenancy, they generally require a substantial deposit and a month’s rent up front. In many cases, when the person leaves the tenancy, the deposit is forfeited because the walls need repainted after four or five years, which I would assume to be the norm. Has any thought been given to how families or individuals in real need will be assisted in coming up with deposits and rent in advance, when they are struggling with it now in the current system? It seems that the availability has almost disappeared.

**Ms McCleary:**

I do not know whether that specific issue has been looked at. I am working with my colleagues on the housing side within the Department to look at the impact on housing policy in relation to all of that. That is the kind of issue that I will be discussing with them. I will take a note of it to make sure that we do raise that.

**Mr Copeland:**

That would be very helpful. Thank you.

**Dr Sullivan:**

The issue of hardship payments within the universal credit has not yet been resolved. It is one of the outstanding policy issues.

**Mr Durkan:**

I echo the sentiments expressed by both previous members. I have a general cynicism about the whole welfare reform agenda. I think that it is basically just about reducing the size of the

welfare platform and saving, not just on administration, but on the money that will be going out. It would be hard to argue with the universal credit policy objectives, although the first one, to ensure that work always pays, obviously does not apply if you are on a work experience programme. In relation to the wider issues, we as a Committee need to say that it does not necessarily have to come straight from Westminster and be rubber-stamped here. There are differences between here and other parts of the UK. I welcome the development about the paying of costs for childcare, but therein lies one of the differences between here and England. Do we actually have the capacity here to provide that childcare to people who are going into work?

**Ms McCleary:**

The situation in relation to childcare provision in Northern Ireland is, as you rightly say, very different to GB. That has been recognised. We have had very many discussions here about the costs of childcare and the provision for that. We are looking at childcare provision.

**Mr Durkan:**

The point that Michael was making is one that I have raised previously, here and in the Chamber, about the problems that will come with single payment. Are any resources going to be allocated by the Department or Departments towards training people in financial capability and the like?

**Ms McCleary:**

I think that is part of what that group that I referred to does. I genuinely cannot remember the title of the group.

**Dr Sullivan:**

It is the support and exceptions working group, which we are involved in. The whole issue of financial inclusion is one aspect that we are very focused on within universal credit. There is the issue of direct payments, the issue of whether you split payments and whether you need to give debt advice to people, because, if they have previously been receiving benefit fortnightly in arrears and then it becomes monthly, that is a huge challenge for some people if they live chaotic, difficult lives and a hand-to-mouth existence. We are very conscious of that. It is a much longer period to have only the one payment.

**The Chairperson:**

Thank you for the presentation, Anne and Colin. Clearly the tone of members reflects the

exasperation at times when we are hearing almost weekly what people are determining are bad news stories, with the negative impacts that, people are guessing, are likely to be the outworking of a lot of the changes. Some changes may be appropriate, and I do not think anybody would argue against the principle of streamlining the process, but, by the same token, people are saying that, in reality, negative things will happen. When I read things like paragraph 14, it annoys me. It is so patronising and a throwback to years ago — it is like a pat on the head. I am not suggesting that that was authored by you, but it reflects the underpinning notion that everybody in receipt of benefits is homeless, workless, feckless, and whatever the hell else. It is patronising. Anyway, thanks very much.

**Mr Durkan:**

Chair, I have another comment. There is still a degree of vagueness because the amounts have not yet been decided. We need that information as soon as possible.

**The Chairperson:**

Colin, you said a moment ago that some big elements such as the hardship payments and some policy issues are not yet addressed and finalised. So there is still a lot of work in this. Thank you for your presentations and for dealing with the questions. This issue is ongoing, and we will have more of these discussions. I am just making the point that there is a general frustration building up with some of these matters, and they are of concern to each representative here because we deal with them in varying degrees in our constituencies. Thanks very much, Anne and Colin.