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Dear Christine

GM-0761-2021: PERSONAL INJURY DISCOUNT RATE

Thank you for your letter of 28 September 2021 regarding the Personal Injury Discount Rate (PIDR).

The Committee has asked for details of pressures arising from the change in the PIDR, particularly for the Department of Health (DoH) and if these pressures are being reflected in discussions between the Department of Finance (DoF) and Treasury with a view to securing additional funding.

As noted by the Committee, the change in PIDR will have a significant impact for DoJ and DoH. I can confirm that discussions have been taking place between officials in DoF and their counterparts in DoJ and DoH. In July DoF received cost estimates for the recent change in PIDR from 2.5% to -1.75%. These costs were estimated to be in the region of £16m for DoJ and £20m for DoH in 2021/22.

DoF are in discussions with Treasury to secure funding for the aforementioned 2021/22 pressures. Treasury requested further information in relation to historic, actual and forecast expenditure on compensation cases, including details of the monthly profiling for both pre and post PIDR changes. This information was sent to Treasury on 10 August. On 9 September 2021, DoF requested an update on progress with the issue from Treasury. At the date of writing, DoF await a response from Treasury, but the Department will continue to press Treasury on this matter.

As the Committee will be aware the forecasted costs are based on a number of assumptions and due to uncertainties, the actual costs may change depending on the

number and type of cases settled during the financial year. In recent weeks DoJ has informed DoF that the cost pressure for 2021-22 has reduced by £3m, with the forecasted cost for DoJ in 2021-22, now expected to be £13m.

Going forward, should the Damages (Return on Investment) Bill be enacted, the PIDR is likely to be set at a rate of -0.75%. Although this rate is higher than the current rate set under the Wells v Wells methodology (-1.75%) and will lead to a reduction in the costs for both Departments, it will nonetheless represent an increase to the previous rate of 2.5%. From 2022-23 onwards, no additional funding will be provided by Treasury to offset any pressures arising from the change in PIDR which will necessitate the Executive to manage the cost increase through the normal budgetary process.

Yours sincerely

Andy Monaghan

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