



Northern Ireland
Assembly

**COMMITTEE FOR
SOCIAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

**Welfare Reform Bill:
Social Security Agency**

10 November 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Gregory Campbell
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Ms Pam Lewis
Mr Fra McCann
Mr David McClarty

Witnesses:

Ms Heather Cousins)
Mr Tommy O'Reilly) Department for Social Development

The Chairperson:

We will now receive a briefing from officials from the Social Security Agency in the Department for Social Development (DSD). I welcome Tommy O'Reilly and Heather Cousins. Members will find the papers for this item in their packs. Without further ado, I will hand over to you.

Ms Heather Cousins (Department for Social Development):

Good morning. The purpose of our briefing is to give you a high-level overview of the welfare reform proposals. We sent through a short briefing paper, which we intend to supplement with

our presentation this morning. This briefing is an introduction, so it will be followed up by others on some of the detail of the proposals in the Welfare Reform Bill. Therefore, there will be a lot of opportunities to explore the issues.

My principal responsibility in the Department is dealing with the legislation. My team, which you will know very well, includes Anne McCleary, etc, and it is responsible for bringing forward the Bill and the subsequent regulations that will fall out from it. I thought that it would be worth our while looking at the process and at where we are at the moment.

Great Britain's Welfare Reform Bill, which was introduced in 2011, is going through the House of Lords as we speak. We cannot progress with our legislation until that Bill receives Royal Assent. However, that does not mean to say that we have not been working on the drafting, etc, so that when we are in a position to proceed, we can do so with efficiency.

Under the Northern Ireland Act 1998 and the principle of parity, the meaning of which the Committee has explored in a number of sessions, we will bring forward a Northern Ireland-specific Welfare Reform Bill in 2012. That will be the enabling legislation, which will then need to be followed by detailed regulations on a number of the points in it.

There are some complicating factors in this Bill. When the GB Bill receives Royal Assent, some of its provisions are due to be implemented from 1 April 2012. However, given that we will not be able to introduce our Bill until early 2012, we will not be in a position to enable those provisions to go forward by 1 April 2012. Therefore, technically, at that stage, we will be in breach of parity. However, there is an understanding that because it is a timing issue, as long as we introduce the Bill with as much speed as we can, that breach will be overlooked, but not for a particularly lengthy period. There is one main provision that that refers to, which is employment and support allowance (ESA) time-limiting changes, but we will get more detail on that later.

We will now look at the principle and policy intent behind the Bill. A lot of information has been released on welfare reform, and there are positive aspects of it but, unfortunately, a lot of those have been overshadowed by the negative impacts of the Welfare Reform Bill. Therefore, we want to try to bring a bit more balance to the issue. The key policy intent behind the Welfare Reform Bill is about making work pay for those who are out of work and for those who are in work. There is no doubt that there is a significant benefit trap and that when people seek to work,

the amount that they lose instantly in benefits sometimes makes it not worth their while going out to work. Therefore, the policy intent behind the Bill, and universal credit in particular, is very much about making work pay. It is also about simplifying and fixing what many regard as a broken system. The benefits system is extremely complex, and this complex set of changes is designed to try to simplify it.

The policy intent is also to reduce levels of benefit dependency. We have generations who have no experience in their families of people being in work. Having said that, the intent is also to try to target and to focus welfare on those who need that support.

It is also about stopping those who seek to defraud or abuse the system and very much about establishing a contract between citizens, the welfare system and claimants so that there is an understanding of what the welfare system is for and an understanding of the responsibilities of the state and the citizen. It is about putting that back into balance. There is no doubt that it is also about reducing the annual costs of social welfare benefits. That is a fact of life.

Following on from that, there is an opportunity to reduce levels of economic inactivity. That, no doubt, will be a challenge. It will be about ensuring that there are jobs for people to take up, and it will involve the Executive and the Northern Ireland Departments working together to ensure that that happens.

There is also an opportunity to ensure that the welfare system is focused on meeting the needs of the most vulnerable. I think that there are a lot of scare stories around about that. I was at a housing conference yesterday, and I know that some of the ideas that people have had about the impact of the reform need to be addressed fairly quickly. However, the welfare system will still support the most vulnerable, and that is the key principle.

As we go through the Bill, we will also have the opportunity to look at its provisions to assess the scope for the administrative flexibilities that we talked about before to ensure that some decisions can be based on the needs of people in Northern Ireland while maintaining parity.

The reform is also about making long-term improvements that can contribute to social cohesion in our society. If we have less economic inactivity and more people working to support their families, we will see long-term improvements in health and education, and so on.

Essentially, we now have an opportunity to create a welfare system that is fit for purpose and customer focused rather than being based on what is best administratively. I will now hand over to Tommy.

Mr Tommy O'Reilly (Department for Social Development):

Thank you. At its core, the Welfare Reform Bill is a set of proposals that are designed to make the welfare system more sustainable by improving incentives to work, simplifying benefits and reducing expenditure. We briefed the Committee previously on the social fund and, over the next couple of weeks, members are due to receive more detailed briefings on specific aspects of welfare reform, namely universal credit, personal independence payment (PIP), fraud and error, and conditionality and sanctions. Those will underpin and inform part of all the reforms.

I want to run through the key measures today. Universal credit is the cornerstone of the radical shift in welfare policy. The aim is to reduce benefit dependency and worklessness by ensuring that work always pays. The aim of the policy is to protect the most vulnerable by ensuring that there are improvements in the levels of benefit uptake; that fraud and error levels are reduced; that the benefits system is streamlined; and, ultimately, that benefit expenditure savings are achieved.

Universal credit will be the single allowance that is paid whether a person is in or out of work. It will replace income-related social security benefits, housing benefit and working and children's tax credits. It will be based on household earnings, and depending on individual circumstances, additional components will be payable for items such as housing and disability and where children are involved. As people move into work and increase their hours, their earnings will increase and there will be a corresponding reduction in benefits.

From October 2013, universal credit will replace all working age benefits except housing benefit and tax credits. By October 2014, there will no longer be housing benefit or working and children's tax credits. Between 2014 and 2017, all existing benefit cases will migrate to the new universal credit regime.

As regards reform of disability living allowance (DLA) and PIP, the latter, which will be introduced from 2013, will replace the former for all working age customers. The purpose of PIP

is to assess objectively what a person is capable of doing. That means that it will assess how their disability impacts on their day-to-day living, rather than looking at the condition itself. So, it will enable those who are capable of doing so to move towards work at the earliest opportunity and with the right support. I stress that the new arrangements will continue to provide unconditional support to those who cannot work and those who face the greatest challenges in living independent lives.

PIP will mirror DLA in that it will be a non-means-tested, non-taxable and non-contributory benefit. Like universal credit, it will still be paid regardless of whether a person is in employment. An objective assessment test is being developed, and it will be introduced to facilitate the implementation of PIP. It will help to ensure that PIP payments are focused on those who really need the benefit.

As I mentioned, the Committee received an in-depth briefing on social fund reforms, but I will give you a brief recap. Due to parity, elements of the social fund that will be abolished in Britain following the successful passage of the Welfare Reform Bill will also be abolished in Northern Ireland in 2013, following the Northern Ireland Assembly's passing the Northern Ireland version of the Bill.

We are not bound by parity in how we design and develop the replacement scheme. That, therefore, will provide a unique opportunity to shape a solution that meets the needs of the people of Northern Ireland. We are implementing a three-phase approach in developing a solution, commencing with research to ascertain requirements. That research is coming to a conclusion, and we plan to come back to the Committee in December to provide members with feedback on the outcome of that research and to give the Committee an opportunity to comment on the emerging proposals that will be sent to the Minister.

As part of the wider package of proposed changes to housing benefit, which are designed to address affordability, unfairness and poor work incentives in the system, there will be a number of further changes to the way that housing benefit is paid. Annual increases in the local housing allowance rates that are used to calculate housing benefit for claimants in the private sector will be restricted to equivalent increases in the Consumer Prices Index (CPI). The amount of housing benefit paid in weekly rents will be capped, and shared accommodation rates will be extended to the under-35s. Those proposals will build on the previous housing benefit reforms.

Council tax benefit, which is the equivalent of the rates element of housing benefit in Northern Ireland, will be abolished in Great Britain from April 2013. In Northern Ireland, localised arrangements will have to be put in place to cover the new arrangements for the rates element of housing benefit. Those have yet to be determined.

Last year the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) issued a joint fraud and error strategy. It is planned that elements of that strategy will be implemented in Northern Ireland in line with the Welfare Reform Bill, and the Department for Social Development is having discussions with DWP on how that can be taken forward. However, the key issues will include a single fraud service, improved data sharing and greater powers to investigate fraud. Conditionality and sanctions will also be revised, and enhanced conditionality and tougher sanction regimes are intended to be introduced to encourage people to actively participate in seeking employment.

Transforming the welfare system presents significant challenges where not only cultural and societal change but operational delivery are concerned. There will be major challenges in implementing a programme of reform that has all its key elements scheduled to commence in 2013. The final implementation will take up to four years.

We will have universal credit, the social fund and personal independence payment commencing in 2013, and the final stages of incapacity benefit (IB) reform will be entering its last year of operation. That will place significant strain on the management and staff of the agency as they implement the changes while continuing to provide existing services. It will also put a significant strain on the customers and the advice sector as they struggle to cope with the introduction of the new benefits. The agency is putting in place the necessary resources to plan for the changes, including working with customer representative groups and political parties, to keep them informed of the changes. Hopefully, by working together, we will all be able to overcome the challenges.

The need to control public finances and to reduce expenditure is well documented, and there is no need to restate the position. In implementing the changes proposed by the Welfare Reform Bill, additional administration costs will be incurred in running the agency, particularly during the final years of the 2010 spending review and during the 2014 spending review.

There will be a need to maintain the existing social security benefits, housing benefits and tax credits for working age customer regimes while migration takes place to universal credit and PIP. We are working on the migration plans, and it is hoped that announcements will be made on how those will be taken forward once the Bill has made substantial legislative progress.

The Department will also make significant administrative savings while making the benefits system more accessible and transparent. A key enabler in that will be the introduction of digital services for benefits customers. It will automate large elements of the benefits system, enabling customers to be responsible for managing their data, including updating changes that would impact on their benefit payments.

The benefits system in Britain is built on a series of ageing and inflexible legacy systems that need to be supported by large numbers of administrative staff. That makes those systems labour-intensive and expensive to operate. The reform programme will create a welfare system that is more efficient, supported by modern IT systems and with staff who are focused on providing quality support to customers.

Finally, as I outlined, one of the key elements of the reform programme is the achievement of a reduction in benefits spending. We will be required to introduce new arrangements to monitor benefit expenditure and to identify the savings being made through off-flows from the different benefits.

I hope that this short introduction has been helpful in providing what was intended to be a high-level overview of the Welfare Reform Bill.

The Chairperson:

Thank you, Tommy. Before I bring members into the discussion, I want to mention that Heather referred to some of the ongoing drafting work. Has there been any examination of what could be done that may help to alleviate some of the implications of the proposals but that is short of interfering with the notion of parity?

Ms Cousins:

We are actively looking at all the areas to see whether there is scope for slight policy differences

that would not cost any more. We will be looking at some of the housing benefit reforms to see whether there are any mitigating programmes that we could develop that will help people to get through some of the reforms.

The Chairperson:

OK. Thank you for that.

Mr Brady:

Thank you for your presentation. Obviously, you should be aware by now of the difficulties that I have with welfare reform. As the Chairperson pointed out, there is a Welfare Reform Bill in 2011 in Great Britain, and there will be a Welfare Reform Bill here in 2012. You said that it would be specific, but it is not really specific to here, because parity means that people will not really be affected by regional variations. So, it is not really going to be any different.

You talked about reducing the annual cost of social welfare benefits, which is really the aim of welfare reform. We cannot get away from that. You also talked about the reduction in the running costs of administering the benefits system and in achieving benefit expenditure savings. That is the core of the heart of this legislation.

Tommy talked about the introduction of personal independence payments. I am sure that most of us have been lobbied by now by a number of organisations, such as the Parkinson's Society. One of that organisation's concerns is that the nature of Parkinson's disease means it comes in at different levels, and because it is progressive, medication may work initially for some people for a longer or shorter term. The same applies to multiple sclerosis (MS), because people can go into remission. That also applies to motor neurone disease, because it can take a while before it starts to affect people. So, I wonder whether all that will be factored in, because there are inherent difficulties for people who are going to be under stress as a result of the assessment of their condition. They may not be able to articulate on a particular day how they are feeling or how they are going to be affected in the short or longer term. I think that that will be a big difficulty for people.

There are a number of things to consider, and I do not want to go on about it, because we could do that all day, but that is just one of the issues. Whether it will be factored in needs to be addressed, because it is a real concern for organisations.

Mr O'Reilly:

It will be factored in, Mickey, in the sense that there will be continuing reviews for people who are on DLA or PIP and who are on either the lower or the higher rates. There will be an opportunity for people to come back and have their cases reviewed. One of the problems in the current system is that periodic reviews are quite limited. The changes will allow for a much more flexible system that will allow people to make their case known and to have that undertaking.

Mr Brady:

Periodic reviews were initially random; people were just picked out, and they went along to have their cases checked. In my experience, most people's benefits were reduced. I very rarely came across anyone who received an increase, which, we were initially told, was the purpose of the periodic review. If the review is a tick-box exercise, which is what it appears that the work capability assessment may be, some medical conditions mean that a person may appear to be in a reasonable condition on a Monday but in a worse condition on a Tuesday. I am really asking how often there will be that kind of review. Will it be reactive rather than proactive?

Mr O'Reilly:

At this stage, I do not accept your comments about the work capability assessment, which has been in place for only just over two years. We continue to learn about it every year through the reviews that Professor Harrington has carried out. So, we are continuing to refine it.

The objective assessment test that is being undertaken for PIP has been through a first series of tests carried out in Northern Ireland and across GB. The criteria are being refined and the assessment process continues, which will be out for further consultation prior to its introduction. I think that we all accept that this is not going to be easy. It is a learning process, and we will continue to refine it. We need to ensure that the system deals properly with issues on mental health and progressive diseases, which you described. However, we are trying to put in place flexible monitoring arrangements. We should remember that we are not looking at the condition but at the question of its impact on individuals and their care and mobility needs. There will be opportunities to hear from representatives, and we will also learn from our experience as part of the process.

Mr Brady:

My comments on the capability assessment are based on people who I have spoken to who have been through it in the past number of weeks. For example, one person was not accepted as having mental health problems because they did not rock in the chair. To me, that conclusion is peculiar.

Mr O'Reilly:

The work capability assessment in Northern Ireland was brought in for the employment support allowance. Professor Harrington has conducted his year one review of it across the water and in Northern Ireland. In his report, which, I think, is before the Assembly, he makes some positive comments about the work of the agency and the decision-makers, which differ from his comments on the Department for Work and Pensions. We are now going through the process of collecting evidence for year two. We continue to review the test. We know that it is not perfect, and I take the point that cases reflecting that are coming out. However, we continue to review the test to make sure that it achieves its policy objectives.

Mr McClarty:

Thank you, Mr Chairman, and thank you, Heather and Tommy, for that presentation. I more or less want to pick up on Mickey's point. There are a lot of scare stories about the impact that these measures may have, particularly on the vulnerable. It was said in the presentation that these measures are designed to protect the most vulnerable. However, if one of the prime objectives of this exercise is to reduce the cost of social welfare benefits, you can see why such fears have arisen over time. As Mickey said, there are conditions, such as Parkinson's disease, multiple sclerosis and others, in which not every sufferer has the same symptoms. In fact, some of those symptoms might change not only daily but hourly. How do you assuage those people's fear of being disenfranchised by the proposed new scheme?

Mr O'Reilly:

The objective assessment test is being developed through a process that is largely being designed by independent medical advisers and representatives from organisations that are involved in working with a wide range of progressive diseases and the particular circumstances that they present. With the Department for Work and Pensions, the advisers have been through the process of starting to devise the criteria that should be used to ensure that benefit payments are made to the most vulnerable. That work started almost two years ago, and we in Northern Ireland have

been working with that group. We sent medical representatives across to the group. We brought across nearly 20 different types of cases to make sure that Northern Ireland-specific cases were considered. We particularly ensured that post-traumatic stress and mental illness cases were part of that process. That working group is continuing to provide assurances to the Department about the type of objective assessment test that will be developed.

This work around PIP is not about trying to take all people of working age off DLA. It is about ensuring that the current system is focused on the most vulnerable and that benefit payments help people on the basis not of their condition but of its impact on their lives, that is, what can be done for their care and mobility. I think that there is some evidence to suggest that the current DLA system has reputational issues. This is an opportunity for us to take that system, look afresh at it and ensure that it is properly focused. The assurance that I can give you is that that is not being done by government, in the sense that it is not civil servants who are developing it. Part of the process of developing the test is being done in conjunction with the voluntary and community sector and the medical world.

Mr McClarty:

Yes, but those fears are out there, and people are worried about this. Of course, for people who suffer from the likes of Parkinson's disease or multiple sclerosis, that worry exacerbates their condition. How do you get the information out to those who suffer from such conditions to say that they will not be disadvantaged by this change?

Mr O'Reilly:

We are proceeding in the same way as we did recently with incapacity benefit. It is about assuring people, talking to customer groups, talking to this Committee, making sure that we get the communications directly to customers and trying to explain it in simple language. At the moment, we are not there, and there is another year or 18 months to go with this. We have a responsibility to start to deal with some of the negative press. The responsibility to try to take it forward as a matter of urgency lies with us, as the Department and the agency. At the moment, we are planning to do that so that we can kill off the scare stories that will frighten a lot of people.

Mr Campbell:

It is difficult not to be repetitive, and I am trying not to be. I see that Les Allamby, whom you will be aware of, has written in the magazine article that we have an excerpt from. He makes a

bit of an understatement when he says:

“The Welfare Reform Bill is the most significant piece of social security legislation in a generation.”

I do not think that he underestimates its significance. It seems that the Department and the Minister will have an exceptionally difficult task., which has been referred to before. There is a single line in your presentation that states:

“Reducing the annual costs of social welfare benefits.”

That line will be taken out of context, and it will be the overarching sentiment under which all the other changes will be looked at.

How will it be possible to look at three different groups of people who are either directly affected by the Bill or, if they are not directly affected, will have an interest in it? The first group has been outlined, and it comprises people who are genuine claimants. You have answered that. You are going to have to try to reassure them, difficult as it might be, that that overarching sentiment does not apply to them because they are genuine claimants. At the same time, people who are not genuine claimants and who have milked the system for years will look at these changes in a derisory way. They will say, “We have been through all this type of thing, maybe it was not as comprehensive as this reform, but we have been through all these things before. We have worked the system without a problem, and we will work this one as well.” So, you have to try to make sure that they get the picture and that they are being targeted while trying to reassure the genuine claimants that they are not being targeted. The third group is probably an even larger group than either of the first two. It comprises those who are not directly affected by this but who are looking on with interest because they are taxpayers. They are cynical, and they say that this will not work, because it has never worked before. How will it be possible to give different reassurances, all built around the one legislative programme, to those three categories of people?

Ms Cousins:

We are developing comprehensive communication strategies for all this.

Mr Campbell:

You will need them.

Ms Cousins:

We will look at the different messages, and we will be proactive in our communications, rather than always reactive. That is fair to say.

Mr O'Reilly:

The different measures will send out different messages to different groups. Let us take the way that fraud and error are dealt with as an example of the way that the current system runs. In effect, the social security system, as it currently sits, works on the principle that fraud and error are corrected at the back end of the process. Therefore, you make a claim, we make a payment. If we discover that there is a fraud or there has been an error, we then have to chase the debt. We will turn the system upside down and move it to the front end, so that, before you get to the stage of making a claim, a series of measures, through fraud and error, will be in place. Depending on the response that you provide, the system moves into a different way of dealing with it. We know where the major areas of fraud are, because we deal with it on a daily basis. You can set the system up in such a way that means that, as you put information in, it becomes more intelligent in the way that it asks you the questions. We are trying to drive those people out of the system before they get to the point of making benefit.

We are starting to use much more data sharing between the private sector and public sector. There are issues with people who are trying to defraud the system or people claiming that they are separated when, in fact, they are living together. By using the private sector information, we can find out who is paying the bills and where the Sky contracts are and the hire purchase agreements are. You can then use the fraud and error. The message we are sending is that, if you want to cheat the system, it is going to be more difficult, but we are going to catch you. There is a very clear message out about that.

We are saying that the changes are not going to have an impact on the most vulnerable customers. They will continue to get their benefit. It might be a different benefit, but we are going to make sure that they get it, because they need it. The system is inherently about supporting the most vulnerable, trying to address poverty and supporting people through that process. That has not gone away. We still believe that that is a core element of the system. We are trying to say to the taxpayer that we are going to make the system fairer and that it will not be as expensive. The costs of social welfare have gone up exponentially over the past 10 years. The

current Government are saying that the system cannot go on like that and are therefore introducing reforms to bring it under control.

Mr Copeland:

I have a couple of small points to make. I, too, share some of the concerns about a whole range of illnesses that are variable in the way in which the symptoms show. I was also interested to hear that there would be a period during which we would effectively be in breach of parity to allow the legislative process on this side of the water to catch up. I presume that that will necessitate things coming to this Committee. Can we have an assurance that, within that time frame, whether it is open-ended or dead-ended, we will be afforded the courtesy of being allowed to do our job as a scrutiny Committee and that we will have sufficient time to analyse and discuss each item? We want to be able to do that without feeling that our being technically in breach of parity, through no fault of our own, will be levelled against us and used to try to pressurise us down a particular route.

Has your Department had any discussions with other Departments? For example, according to current legislation, a substantial number of people now are not capable of taking paid employment but will, no doubt as a result of the new legislation, find themselves ready, willing and possibly able to work. Have there been any communications between your Department and those Departments that are responsible for creating employment to make sure that the jobs are actually there when the new workforce becomes available?

Ms Cousins:

I will deal with the question on the legislative timetable. I suppose our choices are either accelerated passage or full passage, so that is entirely down to the Committee and the Assembly, etc. We will not be putting pressure on anybody. We will work with whatever time frame we have.

Mr O'Reilly:

We have had discussions with the Department of Health, the Department for Employment and Learning (DEL), the Department of Education and the Department of Enterprise, Trade and Investment (DETI). Our Minister has also made a submission to DETI on the economic strategy on the impact of welfare reform. There are continuing discussions with all the Departments, particularly the Department for Employment and Learning, about how we actually move people

off benefits and into the workforce. So, let me assure that those discussions are happening.

Mr Copeland:

Are you picking up any comforting indications that we will be able to produce the jobs that those people will first, be capable of doing, and secondly, will mean that they are capable of living on the salaries that flow from those jobs?

Mr O'Reilly:

There is no question that the number of jobs in the economy at the moment is going to present some challenges. We are talking about universal credit in October 2013 moving forward to 2017. It is not necessarily a short-term investment; it is a long-term commitment. We are trying to make sure that we do not put barriers in place. There are barriers at the moment for lots of people moving to employment, and we are trying to take them out. So, universal credit is really about that long-term structural reform. The economic cycle will come and go where job numbers are concerned, but this is about ensuring that the structural system is correct so that that can be dealt with.

Mr Copeland:

Would you care to comment on the widely held belief that some of those benefits came into being to avoid increases in the unemployment figures?

Mr O'Reilly:

I am not prepared to comment on such issues.

Mr F McCann:

I have a couple of points to make. A couple of good points have been made. Thanks for the presentation. I have to say that I do not relish your position. You came here today to give a presentation on a new policy that, according to estimates, will probably cut over £400 million from the social security benefit. When you match that against the £4 billion that has already been lost from the block grant, what we are discussing today will mean that those who are most in need in society will be far worse off.

Reducing benefit dependency levels by encouraging people to go to work has come up time and again. Heather mentioned it in her presentation. Everything that we hear on the airwaves

and read in the papers says that, for the next five or 10 years, no big advances in the workforce will be made and that the situation here will probably be much worse. We can have a figure of over 7% unemployment, but, when you go into the areas that this will impact, the unemployment figure is 50%, 60% or 65%. The people in those areas will not be able to be put into jobs, so that makes a nonsense of trying to encourage people into the workforce. Some juggling needs to be done to make sure that people are not being cast aside because the legislation makes it possible.

My understanding is that people who are on incapacity benefits or ESA are classed as being economically inactive, which means that they are not included in the workforce. So, if 100,000 people are on incapacity benefit, that hides the true unemployment figures. Therefore, you are starting at a very high unemployment rate, rather than the figure of over 7%.

Mickey raised a point about the assessments. I wrote to the Department about a recent case about a woman who needs two kneecaps replaced and has serious thyroid problems and a number of other illnesses. She received a letter from the Social Security Agency, and while she was reading it, she got a phone call from a doctor, who said that he was in the area, and he asked her whether she minded if he called round. This all happened within minutes. The woman said, "No problem; come round." The doctor sat in the woman's house for seven minutes. He asked the woman to walk to the door. She reluctantly got up and did so. The doctor estimated that she could walk 200 yards, so she lost all her benefits. I wrote in about that. The decision-maker assessed that the doctor was right, even though the woman's doctor and the people who she was telling in the hospital went against that. She still lost her benefits. That sends out all the wrong messages to people.

I think that David touched on this earlier, but there is an opinion that, rather than reforming a system, there is an agenda to cut the system and reduce the likes of DLA and ESA across the board.

Mr O'Reilly:

Let me pick up on the issue of the incapacity benefit reassessment. I am very happy to offer to come back to the Committee in the new year with the latest statistics and information on where we are with IB reassessment, the numbers that have gone through the process, the levels of capability to work and the numbers that have gone off to other benefits. Perhaps we will have a discussion on appeals. I am happy to take away that individual case, and if you want to send the

details to me, I will get it looked at again to make sure that, from our viewpoint, everything has been done properly.

Mr F McCann:

I have no difficulty with that. It is actually with the Minister at the minute.

Mr O'Reilly:

That is fine. We are happy to have discussions on the other issues that you raised about ESA. The savings that you alluded to are what were put in. However, I will go back to the point that the fundamental purpose of the system is to support the most vulnerable. We are focused on ensuring that that happens. The cost issues are not driving what we are really trying to do, which is reform the system to make it better for everyone.

Mr F McCann:

I have no doubt, Tommy and Heather, that you are both genuine in your pursuance of what you would say is a better system that ensures that those who are most in need get what they need. However, the fact of life is that the legislation that we are dealing with, including the universal credit, does not go there. As a matter of fact, this whole policy pursuance is about getting people off benefit, and there is an idea out there, which Gregory touched on earlier, about the system. There probably are a number of people who might have milked the system, but the vast majority of people on benefits do not, and they are being penalised because of this.

Mr O'Reilly:

Nearly one third of Northern Ireland's population, that is, nearly 580,000 people, are on some form of social security benefit. We have 60,000-odd people on jobseeker's allowance, 118,000 on incapacity benefit and 116,000 on DLA. That is nearly 10% of the working age population. Nearly 60,000 children live in poverty, and a large number of them live in households where no adult is working. At the moment, the system does not seem to be achieving what it is supposed to. No one intended that to happen, but, as the system has grown over the years, we have ended up with people being trapped on benefits not because they wish to be but because of lifestyle, work options and financial issues. I think that this is an opportunity to start to look at those issues to see whether we can address that as part of the reform process while reducing the overall costs of the welfare system. So, a fundamental policy is being driven in to try to deal with the issues of benefit dependency and worklessness.

Mr F McCann:

Could you do that with £400 million or £500 million less? That is the point.

Mr O'Reilly:

We have an overall budget in Northern Ireland of approximately £6 billion to help those in work and those out of work. Over that lifetime, the reforms will help to drive out a number of those elements, Fra.

Mr Durkan:

Thank you, Chair. A lot of the issues have been covered. Tommy, you said that you believe that there is no doubt that the fundamental aim of this is still to protect the most vulnerable in society. However, we have already come across a couple of pieces of legislation that seem to be a direct attack on the benefits that are available for newborn children and children under one. It is hard to think of many more vulnerable people in society than them. Universal credit is held up as the big headliner, and there is no doubt about the benefits of a single allowance. However, I wonder what the Department will do to deal with the risks of a single payment of that single allowance, because that will have major implications for people here, and, as one would imagine, it will plunge people into further poverty and debt. I do not want to go into too much detail on any of the individual reforms, as we will discuss them over the coming weeks. However, you mentioned the housing benefit reform and housing benefit's link with any rise in the CPI. That has not always been the case, has it? Was it linked to the retail prices index (RPI) previously? What will that mean for recipients?

Ms Cousins:

The general change for a lot of benefits is that it links them with pensions and to CPI instead of RPI, and there is no doubt that a lot of that is designed to make savings. There have been occasions when CPI has been higher than RPI, but those are rare. On the housing side, we will link some of the reforms to try to reflect some of the difficulties that might arise through our homelessness strategy so that we are thinking ahead about what the outworkings might be. Although we cannot change what is happening with benefits, we could ask whether there are other things that we could be doing in policy terms and with programmes to help people in that situation who feel that they no longer have enough to pay for their current accommodation. There is a discretionary housing fund, and we can look at other things, such as how we can assist

people to find suitable accommodation if their current accommodation is no longer affordable for them.

I think that the Committee is due to have a presentation on the new homelessness strategy over the next couple of weeks. That will outline a plan that will be interdepartmental and cross-sectoral, emphasising working together to address these issues. We are aware of and are thinking through the impacts.

Mr Durkan:

There may be a need for a financial capability strategy of some description, although that would not necessarily be in this Department's remit.

Mr Douglas:

Thank you, Chair. I thank Heather and Tommy for their presentation. I found the accompanying handout very helpful.

Tommy, you spoke about the new process. You mentioned the need for rigour and for front-loading the process to flush out benefit cheats. I imagine that there will be equality there, in that everybody will have the same sort of assessment when moving from the disability living allowance to the personal independence payments. David made a point about people with conditions such as Parkinson's disease. I think that there are around 3,500 people in Northern Ireland with that condition. They often have severe conditions and do not know what those will be in three or six weeks' time. Can you reassure us that those people who have genuine long-term illnesses will not have to go through the rigour of people checking to see whether they have a television or checking their payments and so on? I think that David mentioned this as well, but there is stress for those people at the moment. Such a situation would increase that stress and could worsen their condition. I am talking about just one vulnerable section of our community.

Mr O'Reilly:

We need to separate those benefits that are means-tested, where you are trying to understand the levels of income coming into the household, from benefits such as PIP, which is about the impact of the condition on the individual's life. Once it has been determined that the individual concerned has a particular condition, the impact of that is considered. In that sense, fraud would be different, as would measures that would be implemented to make sure that people are not

defrauding the system. Perhaps I should have clarified that. However, the general principle is that we are going to enhance the fraud measures up front as part of the way of showing the taxpayer that the system is robust and to try to ensure that it is respected for doing what it is supposed to do, which is focus on the needs of the most vulnerable.

Mr Douglas:

If I may come back to Gregory's point, this is a shift in benefits and how vulnerable people in particular will be treated. Do you have plans for us? We as an Assembly have limited powers on some of these measures, but we definitely have powers of implementation to make sure that the most vulnerable are protected, as you say, Tommy. People come to all our constituency offices on a daily basis with horror stories about how they have been treated. Perhaps that does not happen on a daily basis, but people have at times been mistreated through the process. Do you have plans to review the implementation? There will definitely be problems, because this is a major shift.

Mr O'Reilly:

I do not think that anyone is suggesting that this is going to be all right on the first day. The way that we have taken forward the employment support allowance and the Harrington review on work capability assessments are features that should continue to be part of the system. We continually listen to what people are saying, and we learn from that and from independent reviews of the system, as is the case with the work that Professor Eileen Evason is doing on decision-making. We check that we have proper rigour in the system and then feed that back. We also have Committee scrutiny, such as that of this Committee. We are always open and listening to what is happening. Implementing all this will be a mammoth challenge in the next couple of years. We will always need to be open and listen to what is being said to try to improve it. We are committed to that.

The Chairperson:

Mickey Brady and Michael Copeland have both asked to make a very brief point.

Mr Brady:

I have just a couple of points to make.

The Chairperson:

Mickey, sorry, I have not finished. I was just saying that you wanted to make a brief point, but we are now moving towards 11.40 am.

Mr Brady:

I look forward to a comprehensive communication strategy, because that may solve a lot of problems.

On the matter of fraud, you talked about everything being checked at the start. However, those who are going to commit fraud will get around that, whether you are checking Sky bills or whatever else. A lot is made of fraud. Three years ago, £62 million was lost in the Department. Of that, less than £30 million was lost as the result of fraud, while some £32 million was lost because of departmental error. So, I think that we need to put that into context. Less than 7% of the overall social security budget is lost as the result of fraud.

As to how these changes will impact, we have a higher rate of disability here, and DLA fraud is less than 0.1% of government figures. You are talking about changing a whole system. Although I accept that the new system will be reviewed constantly and updated, which is commendable, it needs to be right from day one. Benefits affect people's daily lives, and it is no good telling someone that you got it wrong today but that you will get it right in six months' time. If the new system is to come in, which is undoubtedly the intention, it has to be right from the start. That is important.

Mr O'Reilly:

We totally share that objective.

Mr Copeland:

I want to make one last small point. We have been entirely focused on working age benefits, but other benefits are reflected on the other side of retirement. Are we taking into account the changes on this side of the line and the foreseeable impact that they will have on those post-retirement benefits?

Ms Cousins:

A Pensions Bill will deal with some of those issues. That is being handled separately.

Mr Copeland:

What about the relationship between the benefits?

Mr O'Reilly:

We are working across pensions and the universal credit, because some pensioners will receive housing benefit and some will continue to work. A joint working element in the process is about looking at those pensioners who fall under the working age side and the relationship that they have with the system.

Mr Copeland:

Are carer's allowance and attendance allowance also being looked at?

Mr O'Reilly:

They are all part of that process.

Mr Copeland:

Thank you.

The Chairperson:

I thank Tommy and Heather for their presentation and for trying to deal with the questions. I also thank members for the questions that they posed. Clearly, as was said, this is a fundamentally important issue that will have huge implications for a wide number of people, particularly the vulnerable in our society. Therefore, it is important that we interrogate the issues as closely as we have been.

This is obviously an ongoing process. I appreciate that, and I realise that you will be back shortly to deal with other important components of this.

We agreed recently that we would, as far as possible, cost some of these things, so that, when we are talking about a new programme or policy, we will be able to understand the relative figures. Fra or Mickey mentioned that, when we received the initial briefing on these changes, we were told that they could mean a reduction of £450 million per annum in the local economy. If that is the case, that is a major amount of money. So, it is important that, when we are dealing

with the policy issues, we also try to understand the scale of the economic implications. We have already agreed on that, and I am just reminding the Committee.

There are no other questions, so I thank Tommy and Heather for making themselves available to discuss this issue. No doubt we will be continuing these discussions in an in-depth manner in the time ahead.