



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Welfare Reform Bill: Ministerial Briefing

31 January 2013

NORTHERN IRELAND ASSEMBLY

Committee for Social Development

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Ms Paula Bradley
Ms Pam Brown
Mr Gregory Campbell
Mrs Judith Cochrane
Mr Michael Copeland
Mr Mark Durkan
Mr Fra McCann
Mr David McClarty

Witnesses:

Mr Nelson McCausland	Minister for Social Development
Ms Martina Campbell	Department for Social Development
Mr Michael Pollock	Department for Social Development
Mr Tommy O'Reilly	Social Security Agency

The Chairperson: I formally welcome the Minister and his colleagues Tommy O'Reilly, Michael Pollock and Martina Campbell. In your papers, you will have responses from the Minister to issues that the Committee raised in its deliberations. It is our understanding that the Minister will be available for 45 minutes. That might have changed slightly, but I am not sure. I will hand the meeting over to you, Minister, so that you can go through your paper.

Mr Nelson McCausland (The Minister for Social Development): Thank you, Chair. I have been able to push the next appointment back, so there will be a bit more time than just the 45 minutes. Thank you again for the opportunity to brief members on issues that you raised on the Welfare Reform Bill. As you are all aware, the Bill has been the subject of scrutiny by an Ad Hoc Committee on human rights and equality issues. That Committee has now reported, and there was a debate on that report on Tuesday. I was pleased to see the level of interest in these matters in the Assembly during Tuesday's debate. That demonstrates that, as an elected forum, all Members are concerned for their constituents and, in particular, for vulnerable individuals right across our society. However, we have considered the Ad Hoc Committee's recommendations, and I now believe that we can move on to implement reform.

Before the Ad Hoc Committee was established, this Committee did some very good work in scrutinising the Bill to ensure clarity of understanding and to put together some suggestions that members consider may be desirable to protect certain interests or to facilitate claimants as reforms are

introduced. In some ways, things that were dealt with in the Ad Hoc Committee replicated many of the things that had been dealt with in this Committee.

In that context, I think that it is most opportune to meet the Committee to go through the issues that you raised and to set out my position as Minister. That is because it is not possible to ignore the financial and logistical challenges that the reform agenda poses not just for benefit recipients but for wider society in Northern Ireland and, in particular, our public spending programmes.

There has been much debate on parity, how it operates and what it means. Many of you have questioned the role of the Committee and, indeed, of the Assembly if we were to simply, as some people might say, parrot Westminster legislation. I assure you that that is not the case. Social security is a devolved matter for Northern Ireland, and, as Minister for Social Development, I intend to ensure that welfare reform is fit for purpose here. In that regard, I continue to work with ministerial counterparts across in Westminster to ensure that Northern Ireland's circumstances are being taken into account, that where we need operational flexibilities, we are afforded them, and that, where there are potential financial consequences, we secure the best possible deal for Northern Ireland.

The constraints of parity are frequently cited, and I can say that they are both financial and operational. In essence, parity means that an individual here in Northern Ireland should receive the same level of benefit, subject to the same conditions, as an individual elsewhere in the UK. That is equality in practice, and I do not think anyone here could seriously object to it. It also means, however, that Northern Ireland is hugely dependent on the IT systems that are provided through the Department for Work and Pensions (DWP). If changes are being made to the overall system, Northern Ireland needs to tie in with IT release dates or we will incur costs that are associated with introducing changes at later dates. The costs that are associated with any such departure are very significant.

As you will all know, the GB Welfare Reform Bill gained Royal Assent in March last year, and many of the changes that that legislation introduced are now being implemented. We have not yet finished our legislative process, which means that we are already lagging behind, and we are incurring additional costs either by having to implement clerical work rounds or to tailor IT solution.

Any breach of parity in the rates of benefits that are paid and the conditions applying are concerned states that Westminster has the right to review funding. That is clearly set out in the statement of funding, and that position was reinforced recently in correspondence from Iain Duncan Smith.

So, with that in mind, I am happy to move on to the issues paper, which my office issued on Monday, to try to get some sense of how we can move these matters forward. Officials are with me this morning and will be happy to provide further clarification on any of the details if necessary.

Chair, I do not know whether you wish to handle the meeting by going through the various points in order.

The Chairperson: Are members content for the Minister to go through the issues in order as they are in the paper?

Members indicated assent.

Mr McCausland: The first issue that you raised was on payments. It is listed as clause 2, but it refers to clause 99. I share the Committee's concerns about payment frequency and payment to a nominated person. As you are well aware, that is why I negotiated the flexibilities on those issues with Lord Freud. I accept that many claimants need more frequent payments and that, for some couples, a split payment may better serve their needs. I directed my officials to engage with members of the public and the voluntary and community sector to develop criteria for more flexible payment arrangements. That is out for consultation. There have been a number of consultation stakeholder events, and I attended a couple of them here at Parliament Buildings to hear the sort of feedback that is coming from different stakeholders.

We need to be very clear that many of the claimants for universal credit will be in work and will be well used to managing their money on a monthly basis and/or the wages being paid to the main earner. That is their current practice and experience. The vast majority of claimants will be able to work with that proposed arrangement, because they have joint accounts or are financially capable of managing their household budget. However, a minority of claimants will have difficulties. There will be the

flexibility to opt for either a split or a bimonthly payment. The current estimated cost of everyone receiving twice-monthly payments as the default position would cost in the region of an additional £24 million.

I want to be clear about whether the Committee wishes me to explore with the Executive the need to spend £24 million from the Northern Ireland block to provide every claimant with payment choice and to have that as the default position. We should bear in mind that that will not result in one penny more going to the claimant. Alternatively, is the Committee content to see the outcome of the consultation on criteria for payments flexibility and then to allow claimants to have the choice on a case-by-case basis? If you go for the default position, there will be a cost of £24 million. I am not sure of the exact numbers, but many people will already be in a position where they do not require that, so we would be spending quite a few millions of pounds unnecessarily.

From the consultation that we had and from the events that I attended, I got the impression that if the criteria were right and claimants were to have that choice on a case-by-case basis, it would ease their concerns.

Do you want to pick up on that point?

The Chairperson: That was an issue of concern to a lot of members, and you will be aware of that. Can you give the Committee any insight into the development of criteria?

Mr McCausland: It is out to consultation at the moment. I am not sure about the stakeholder events.

Mr Tommy O'Reilly (Social Security Agency): To date, we have had five public events, and we have a number of others planned. We also have an oversight group with representatives of different organisations and voluntary sector groups. They meet on a monthly basis to look at the criteria, and the proposal is that we will come back to the Committee some time over the next four to six weeks for a session to outline some of the initial thinking and to seek the Committee's views. That is the current proposal.

We also recently took a paper on direct payments to landlords to the Executive subcommittee. So, it is very much a work in progress that will move forward over the next couple of months.

The Chairperson: Thank you for that. How has the figure of £24 million been arrived at, given that the criteria have not yet been agreed and that Lord Freud and others said that we will have flexibility and can do all that? Where has that figure come from? How has it been quantified? I cannot understand.

Mr O'Reilly: We are working on the basis that there would be an estimated 300,000 households in Northern Ireland that would all have the option of taking bimonthly payments and split payments. That number of 300,000 households was multiplied by the average number of hours that we estimate would be required to carry out functions such as decision-making, clerical workarounds, deductions, housing benefit and the validation of evidence.

We would have to build a separate ICT system for Northern Ireland to do this. We would also have to take the core data from the GB universal credit model, extract them and drop them into an IT solution for Northern Ireland.

That is the way that we are currently working. We have allocated a total of six hours for a case over a year and multiplied that by the total number of cases and the average rates. So, the operational cost of running that system works out at an additional £24 million for Northern Ireland. However, that it is an early estimate.

The Chairperson: OK; thank you.

Mr Brady: Thanks for your presentation. Client choice is already built into the tax credits IT system. You said that another IT system would need to be introduced to make bimonthly payments but that that would be extremely expensive. I also want to ask you about the figures, which, as the Chair said, are speculative, to say the least. In your briefing document, you stated that the cost will be based on:

"full automation of payment arrangements with the clerical workarounds focusing on decision making, taking of claims, change of circumstances, dispute resolution and checking."

Claims, and so forth, are already an integral part of the system. That has to be done. So, would it not be more sensible to have an IT system that cuts out all that so that changes of circumstance could be automated? I cannot understand the rationale.

If I were being cynical, which, of course, I am not, I might think that the reluctance to have another IT system might have something to do with the future privatisation of the payments of benefits. I would like the Minister to assure us that that is not a feature and that it has not been factored in to all this. That could be a reason for the reluctance.

It seems worthwhile to have an IT system that is going to be effective in dealing with bimonthly, weekly or other payments. You would not then have all the added clerical work, which, according to you, is going to be much more expensive. So, I do not understand the rationale.

Mr O'Reilly: Let me assure you that we are committed to developing an ICT system solution for Northern Ireland to deliver the flexibilities that the Minister outlined and that have been agreed with DWP. Work is in progress to take that forward, and we are also taking forward the development of the flexibilities criteria. It is not our intention to say that we are not doing the work; the work is going forward. We are trying to provide an estimate.

If a couple decide they want to have a split payment, for example, the system will allow them to make a joint claim. The question then arises of who will receive the money and what allocation each partner should receive. Should they receive 50% or 60%, for example? How will that work if money is coming into the house or if deductions or overpayments need to be made? Furthermore, if they receive housing benefit, it will be paid on a monthly basis. We have to split that all down. We can do the calculations, but if there is no agreement between the couple about how that works, there will have to be some form of face-to-face intervention. If we are to protect families through the process, at some point the Department or some other body will have to make a decision about who the money should be paid to. So, we are trying to work through the processes and potential interventions and allocate an early estimate about the amount of time that it would take to do that in each case. That is what we have been asked to do. Given that we have not worked up all the flexibilities, that figure is only an early estimate. However, I take that point entirely.

Mr Brady: I have two other points to make. First, you referred to exceptional circumstances where the criteria are concerned. Presumably, that will have to be decided on an objective basis.

Secondly, on the payment arrangements, the Minister said that the majority of people on universal credit will be in work. We are really talking about people who will be on benefits. The whole idea of universal credit is that you go in one end on benefits and come out the other end in work. That is provided, of course, that there is a job for you, which, at the moment, is highly unlikely. The point of the frequency of payments, etc, is to protect people who are on benefits. If people go into work and are paid fortnightly or monthly, that is a different issue. Iain Duncan Smith said in the House of Commons that the reason they decided to go for monthly payments was to get people used to being paid monthly through a salary for when they eventually get a job. That is a different issue completely. We are talking about people on benefits who find it difficult to manage with weekly or fortnightly payments, without then having to wait for a month. That is the issue.

Mr McCausland: I said that many universal credit claimants will be in work at the same time.

Mr Brady: With respect, in the current circumstances, that is speculative, Minister. My constituency has some of the highest unemployment figures that it has had since 1995. Obviously, I hope that people will get jobs, but it is speculative to say that the majority of people on universal credit will be in work. I think that that is wishful thinking.

Mr O'Reilly: In one sense, it comes down to numbers. Over 200,000 people in Northern Ireland receive working tax credits and child tax credits and, at the moment, 95% of them are in work. They will all become customers of universal credit. So, in a sense, we are trying to deal with two different customer groups.

Mr Brady: It comes back to the point that the reason why those people get working tax credit is because we live in a low-wage economy — *[Inaudible due to mobile phone interference.]* People also

have the choice of having their tax credits paid fortnightly or monthly. That is part of the criteria whenever you claim tax credits; you are asked on the form whether you want to be paid fortnightly or monthly. It goes back to the original point: why can that not be followed through or factored in to the payment of universal credit?

Mr O'Reilly: That is what we are trying to do at the moment. We are trying to develop the discussion about how we can take the best of the working tax credit arrangements and the best of the benefit system to provide the most flexibility for the people in Northern Ireland.

Mr Brady: With respect, it is a simple enough argument. Working tax credit is part of the benefit system. It is a benefit to supplement low wages. What is the difference? It is a benefit and can be paid fortnightly. Why can universal credit, which is also a benefit, not be paid fortnightly? I cannot understand the rationale. It is differentiating between two benefits that are, technically, in the same system. HMRC administers tax credits, but, presumably, there is some coming together of minds when you are working out those systems.

Mr McCausland: Martina wants to come in on that point.

Ms Martina Campbell (Department for Social Development): There are two different IT systems. The IT system for universal credit is a completely new system. DWP is taking over HMRC's customers.

Mr Brady: With respect, when you are developing that new system, surely there is an opportunity to be innovative. Why can it not deal with how frequently a person is paid?

Ms M Campbell: DWP is paying for the new system. The whole policy intent behind universal credit —

Mr Brady: We are back to policy intention rather than the practicalities.

Ms M Campbell: — is about getting people used to the world of work and to a monthly salary.

Mr Brady: Nobody is denying that

Ms M Campbell: We have been here before, Mickey.

The Chairperson: I am very conscious that we are 20 minutes in and we have not got off the first issue. Other members want to raise issues. We are not going to make decisions on any of this, but it is important that we get clarity. I want to —

Mr McCausland: Someone asked whether this is a clever plan to contract out or privatise. That is not the intention; no.

The Chairperson: That is a helpful assurance. Thank you, Minister, for that.

Before I ask anybody else to come in, I am getting elbowed here severely, because there is already serious interference with the recording system, and it is affecting Hansard. Can people switch their phones off? As I said, this is the worst room in the Building for telephone interference.

Tommy referred a minute ago to the direct payments for housing benefit, and so on, but I understood that we were given very clear advice that the payments to landlords, and so on, would be paid directly by default. Is that the case? It does not sound like that to me now.

Mr McCausland: That is not an issue. That is OK.

The Chairperson: That is grand.

Mr G Campbell: I want a bit more clarity on the cost. I know that we are in danger of running over our time, but I want to try to get my head around the implications. From what I can detect, the Committee and the Department are trying to achieve the same objective and may be looking at this from different perspectives as a glass-half-full or half-empty situation. I know that the overall objective is to try to

prepare people for the world of work and to get them used to monthly accountability procedures and money in and money out, yet there is a hard core or nucleus of people, as yet numerically undetermined, who might find it difficult to make the transition to monthly management of accounts. I want to get my head around the numbers and the cost. The £24 million sounds to me like an extreme and absolute worst-case scenario if nobody avails themselves of monthly payments. I would have thought that that is extremely unlikely. If 200,000 people or thereabouts are working, I would have thought that a significant proportion will probably be content enough with monthly payments. Is that right?

Ms M Campbell: We would make that assumption.

Mr G Campbell: So, is it possible to get a more realistic assessment of the likely cost? That £24 million is the 100% worst-case scenario. Is the figure likely to be £15 million, £10 million or £18 million? Is it possible to determine that roughly?

Mr Michael Pollock (Department for Social Development): The £24 million is the default position if everybody goes for it.

Mr G Campbell: That is not likely to happen; that is what I mean.

Ms M Campbell: That is what the Committee asked for.

Mr Pollock: It is not likely to happen, but we are talking about potential amendments to the Bill. We are saying that you have to be aware of that if you are considering amending the relevant clause to say that everybody gets paid fortnightly.

Ms M Campbell: The Minister has secured the facility for those people who wish to have a bimonthly or split payment.

Mr Pollock: The functionality will be there, but there is a non-cost in the transaction cost —

The Chairperson: Gregory is making the point that you have given a figure of £24 million if everybody takes the default position of the split payment. However, if people decide that they want to be paid every month and not every fortnight, that £24 million will, theoretically, come down.

Mr G Campbell: Maybe my memory is faulty, but I thought that the Committee's position was that the default position should be fortnightly unless people specifically requested otherwise. The point that I am making is that people will specifically request otherwise, so the total cost is extremely unlikely to be £24 million. Even if it is £10 million or £12 million, I would still want to look at that. However, I want a reasonable guesstimate of the likely cost implication before we say that we are prepared or otherwise to bite the bullet. However, I do not like being asked to bite the bullet on a figure that we know is probably not realistic. If it is £15 million, I will say yes or no to that, but I do not like saying yes or no to a figure that everybody knows will not be the one that we will have to pay.

Mr McCausland: Do we have any indication, Tommy, of the percentages that might be involved?

Mr O'Reilly: Yes. We were asked to produce an initial cost on the basis of a default position of bimonthly payments to families. The working assumption on that was that, in the context that people were given a choice, they would say, "I would rather have the money more frequently." However, on the basis of 150,000, which is the figure that we worked on initially, it was coming out at an estimated £12 million for that level of usage. If we move to a default, where everyone would be given the opportunity, that would be the working circumstances. The costs that have been included in the pack were calculated on the basis of 100% take-up. We can flex that down to provide whatever level the Committee feels is a reasonable assumption. So, we can provide figures on the basis of 25%, 50% or 75% take-up.

The Chairperson: Tommy, could I ask, with all due respect, that when we are being given figures, people actually qualify those figures? Could people actually say, "By the way, that is the maximum; it may not come in at that."? When we get a figure in front of us in black and white, we have to take it at face value. However, when you delve into it, you see it is actually slightly different. I am just putting a marker down.

Mr O'Reilly: Chair, that is fine.

The Chairperson: I do not like that approach. Gregory, you were —

Mr G Campbell: No. I am happy enough.

Mr F McCann: I agree with you totally, Chair. A lot of stuff that we spoke about this morning is entirely speculative.

There is a working group and meetings are taking place. If, at the end of the day, it came back and said that it believed that people wanted bimonthly payments, and given that it went through that exercise, would the Minister then advocate that regardless of the cost?

Mr McCausland: Sorry. I was reading something. I missed that. Sorry. Say it again.

Mr F McCann: You picked it up when I mentioned cost. *[Laughter.]*

Mr McCausland: There was a silence.

Mr F McCann: A consultation exercise is ongoing. A working group of sorts is sitting down and looking at those issues, one of which is about monthly or bimonthly payments. I take it that if it comes back and says that the results of its consultation are that bimonthly payments are the way to go and that a cost will come back, you would take the results of the survey as the position that you would run with regardless of costs.

Mr McCausland: Ultimately, those things involve a political decision. You consult the stakeholders. You have got to balance it because people in stakeholder groups will not know whether we can afford £x million or however many million pounds the figure might be. Those are pragmatic decisions that, politically, we have to make in the Assembly. We look at the argument, the criteria and the cost alongside that if you apply those criteria. Until we get to that point and complete that, it is premature to come to a decision on it. We need to see what the criteria are and what the costs would be. Then, it is up to the Assembly to take a decision.

Mr F McCann: This morning's conversation was all in the air of speculation. What I am saying is that it would be a wasted exercise if the consultation group was to come back with the idea that there should be bimonthly payments and you, as the Minister who has called it in the first place, do not support the results of the consultation.

Mr McCausland: Well, now, people having consultations and automatically following what the consultation says is not always the case in politics.

Mr G Campbell: As we found out.

Mr McCausland: We will move on quickly.

The Chairperson: OK. We need to let other people in. Michael is next, then Mark. Then, we need to move on to the next issue.

Mr Copeland: Tommy, I apologise for going back to the £24 million again. I presume that that money would be broken down into that which is for some sort of hardware or software that might need to be purchased and that which is for man-hours, or woman-hours, as the case may be. Does that £24 million account for the recruitment of additional people for additional work or will that be done within the existing organisation?

Mr O'Reilly: The current estimate is that additional resource would be required to run that aspect of the service.

Mr Copeland: Is that on a once-only basis? How much of that is a once-only effort and how much is ongoing with regard to existing claims and new claims?

Mr O'Reilly: At the moment, we are working on the basis that there would be additional running costs annually because those cases will require bimonthly interventions just to deal with the complexities of making payments and ensuring that they are right, accurate and on time.

Mr Copeland: That would have to be done twice or month, or each —

Mr O'Reilly: Again, the level of automation is something that we have to work through.

Mr Copeland: How much of that would occasion spend on this side of the water? Is any of that included in the costs that we would have to pay because of work done on the mainland?

Mr O'Reilly: The universal credit GB system works on a monthly assessment process, so it will calculate people's income and how much they are entitled to on a monthly basis. If we want to make payments on a fortnightly basis and split payments between couples, specific to Northern Ireland, we would have to pay the additional costs to do that. That is the estimated cost to meet that on a bimonthly basis in Northern Ireland.

Mr Copeland: Are there estimated establishment and/or overhead charges included in that, above and beyond the man-hours or woman-hours involved?

Mr O'Reilly: Sorry?

Mr Copeland: The cost of doing something is whatever we have to pay the person to do it, but, above and beyond that, there are all the associated costs. I am just wondering how the £24 million is actually structured. Is it just based on man-hours?

Mr O'Reilly: The way that we work in the agency is that we time each activity in the processing of claims, and we break that down. That takes a series of the normal activities that we have for the paying of benefits and allocates that time for it. To make bimonthly payments and split payments, we have allocated x number of hours in total, and then multiplied that by the staff numbers.

Mr Copeland: Does the gross cost of the hours per person include —

Mr O'Reilly: It is based on salary costs in Northern Ireland.

Mr Copeland: But it does not include the overheads for the building, the heating, and so on?

Mr O'Reilly: No.

Mr Durkan: Thank you, Minister and officials. Of the approximately 200,000 people out of the 300,000 households who are in receipt of benefit but who are working, do we have any estimate of how many are in receipt of a monthly wage and how many are receiving weekly wages? I know that previous research indicated that those on lower wages are more likely to get paid weekly.

Mr O'Reilly: About 55% of the current approximately 200,000 tax credit customers receive four-weekly payments under the working tax regime, and the remaining 45% receive them on a weekly basis. Under social security legislation, 99% of all social security claimants receive their payment on a fortnightly basis. There are three payment regimes in place within the social security tax credit regimes.

Mr Durkan: Thank you, Tommy. I do appreciate that we are getting costs, at last, on which the decisions are going to be based, but you simply need greater analysis of those costs. That is why I have been going on about the need for us to have access to the outline business case when we are going to be making decisions and, hopefully, amendments to the proposals.

I attended the consultation event in my constituency. If the fortnightly payment does not become the default position but remains an option for people when necessary, we will, therefore, have to establish criteria for when it is necessary. Officials at that event mentioned that those who are deemed to be in need of fortnightly payments will then be subject to review to see whether they will ever graduate to monthly payments. I hope that people who are not deemed to need the twice-monthly payments will

also be reviewed. How far would someone in receipt of a monthly payment have to fall in to debt for a fortnightly payment to be deemed necessary? Is there going to be a flag system?

Mr McCausland: If there are criteria, and a person's circumstances change, the position would change, but we have not yet got to the point of seeing what the criteria will be.

Mr Durkan: Their circumstances might not necessarily change. It might just be someone who cannot budget.

Mr McCausland: Sure. If a person is getting into debt, that is one of the things that they would flag up to say that there is a need to do something.

Mrs Cochrane: I have just a wee query. Are we talking about bimonthly payments or fortnightly payments? There is a difference. Some people are paid their benefits four-weekly at the moment, and salaries are maybe paid monthly. There could already be a change here that people will have to adapt to anyway. Will you clarify that? Fortnightly and bimonthly are talked about, but there is a difference of 26 payments or 24.

Mr O'Reilly: That is correct in the sense that there is a lot of language around all these issues. In the benefit world, we talk about it as being a bimonthly payment. Under the universal credit regime, we are moving to 12 payments over the year. Therefore, different arrangements would be on the basis of a bimonthly payment rather than a fortnightly payment. One of the problems is that, as happened over the Christmas holidays, we can have some technical issues with a small number of cases. The system did not recognise that last year was a leap year; therefore, it paid benefits early, in terms of the additional week. It is just the way that the system works with 26 fortnightly payments. The additional day threw it out as part of the cycle. So, we are working on the basis that universal credit will be a bimonthly system.

Mrs Cochrane: So, are all people currently on benefits that they receive weekly or four-weekly going to experience a change anyway?

Mr O'Reilly: Everyone will continue to receive their benefit payments under their current arrangements until they move to universal credit. That is when the new bimonthly or monthly arrangements will be explained to them.

Mr McCausland: There was a second one —

The Chairperson: Mindful of your time and when you might have to go, I suggest that we discuss housing, which is one of the big issues, particularly underoccupancy. Obviously, we can go through some of these things in more detail with your officials later. Are members content that we move to housing as the next item, and to other matters after that, should we have time?

Members indicated assent.

Mr McCausland: The first issue raised in regard to housing was underoccupancy and then there was the change in support for mortgage interest (SMI).

I would not really support a proposal to depart from the GB policy on SMI. There has already been some movement from the UK Government in respect of support for mortgage interest assistance. The qualifying period is to remain at 13 weeks instead of reverting to 39 weeks, and the capital limits are to remain at the higher level, so those are two changes that were introduced in the rest of the United Kingdom. I do not see the zero earnings limit and part-time workers as a particular problem here, simply because there is evidence that individuals with mortgage commitments will not accept part-time work. The advice from DWP is that the rules on tapers and disregards would, in any case — even were the changes made — ensure that an individual is not worse off through taking up part-time employment. That is my view on the SMI issue.

I would certainly welcome the Committee's views on the underoccupancy provisions. On the face of it, there is nothing manifestly unfair about the proposal. It is not reasonable for taxpayers, through the benefit system, to subsidise individuals or households to live in accommodation that many households in work but on low incomes could not afford.

Similarly, although I recognise the difficulty around segregated housing, which came up in the Assembly the other day, as a legacy of our past conflict, I do not consider that it would be acceptable for me, as an elected Minister, to use the segregated nature of our society as a reason to choose not to implement these provisions. The issue of underoccupancy and availability of smaller accommodation applies probably to a similar extent in both communities. I certainly encounter it across the board. Something that utilised blanket exemptions on this basis would surely be seen as perpetuating division. I do not think that is something that I, as Minister, or you, as the Statutory Committee, could be seen to endorse. I have commissioned some work to determine the actual scale of the issue in Northern Ireland. Although preliminary figures are available, it is premature to be alarmist. History dictates that many previous reforms on housing benefit, which had been heralded as catastrophic before they came in, have not had the repercussions that were envisaged, including the dreaded shared-room rate that was hotly debated here before being introduced. However, the impact was not as great as some of the predictions at the time.

I have also, in the past, mentioned discretionary housing payments by way of mitigation. Although Committee members are somewhat dismissive of that, I stress that significant amounts have been set aside specifically for those purposes, and I have no difficulty seeking additional discretionary housing payment assistance from DWP or the Treasury should the need arise. Work is ongoing on housing. We are getting a better sense of the market out there because of the work that has been done. There has been a particular focus with the Housing Executive and the housing associations on ensuring that there is a better provision of the right size of accommodation for smaller units. The Committee has brought some examples to my attention where additional smaller accommodation could be provided fairly readily.

The Chairperson: OK, Minister. Thank you.

Mr F McCann: Where, Minister?

Mr McCausland: There is your own example. You talked about the block up at the hospital, which would be suitable for singles.

Mr F McCann: It is in an atrocious condition.

Mr McCausland: I know that, and that is why you would be giving the housing associations —

Mr F McCann: About 6,000 people may be affected, but we are talking about no more than a couple of hundred units. We have also heard that, over the next three to five years, only 300 units will be built by housing associations that will take that into consideration. If you talk to the housing associations or the Housing Executive, they will tell you that it will be impossible for them to meet the demands. I have serious difficulties with why segregation is not being considered. I pointed out that there are a number of areas — I can speak only for Belfast — where houses are lying empty. If people came along and put their names down on the transfer list, would you support them moving from, say, the New Lodge area into Tiger's Bay?

Mr McCausland: I noticed that you asked the question about the number of properties in Tiger's Bay. Nobody will be moving into them. You could not even move people into them. Even the people in Tiger's Bay could not move into them.

Mr F McCann: You used the blocks of flats at Broadway as an example. Therefore, you could use the same argument. I am trying to establish that there are more major differences in housing in certain areas of Belfast than there are in any part of England.

The main thing is the whole question of discretionary payments. In some of the documents that I read recently, it is paid for 13 weeks at full rate, paid at 80% for the second 13 weeks, and after that there is nothing. Therefore, people will just go back to square one, and face debt, arrears and eviction.

Mr McCausland: I will pick up on your first point about the underoccupancy issue. I noticed on TV this morning a report from Westminster yesterday — it could have been the Parliament channel — and that point was being made in England. The issue is certainly not unique to Northern Ireland; it applies elsewhere. The argument may be made that it is more acute in Northern Ireland, and that we do not have the right mix of smaller units. However, it was interesting to hear the number of people across the water who were saying that it is an issue for them as well. I am not arguing that we have got this

right. Undoubtedly, a lot of work still has to be done on this. That is why I was disappointed last year when the social housing development programme came forward and no account was taken of welfare reform. That was wrong. Obviously, account should be taken of it in the nature of the mix of properties that are being brought forward, and that had not been done. That is why, more recently, we had to call in the associations and the Housing Executive to talk to them about that.

Some of the associations said that there are things that can be done and some are more proactive than others. However, this is not something that we are going to solve in six months or whatever; there are no quick fixes. I was just using the Broadway roundabout as an example. There are other examples of properties that are empty and which could be brought back into use and would be suitable for smaller units.

You are absolutely right: to refurbish a block to make it fit for purpose takes time. It is not going to be a place into which you can move people instantly. If a housing association takes over the site, it will have to negotiate the finance and commission the work. We are talking about a significant period of time. I have no doubt about that; I realise that and accept it.

This is a piece of work that will take some time. That is why, in the shorter term, there will be a significant reliance on discretionary housing payments.

Mr F McCann: Six months. After that, nothing. I have another couple of points to make.

It is crucial to this whole debate that the Bill will be in law sooner rather than later, if it is accepted by the Assembly. From that point, people will be eligible for those payments. By your own admittance, however, the properties are not available to deal with the demand. People are being charged for something that they have no way out of. In England, they had a year's run-through. By and large, people are being given a few weeks' run-through and they are going to be hit.

My other question is about adaptations. Many adaptations are specifically tailored to the needs of one individual in the house. That individual is living in a three-bedroom house but is the only person living there. What happens in those circumstances?

I read somewhere that where people are fostering children in the longer term, the foster child will not be taken into consideration when the number of rooms in the house is being looked at.

Mr McCausland: It is a difficult one; there is no doubt about that. I am not saying that this is an easy thing to solve. It is going to take time and concentrated effort. We have inherited a housing mix in Northern Ireland; we cannot do anything about that, it is what we have got. We need to reshape that as we move forward to get a better mix of accommodation. I will ask Tommy to address the points about the discretionary housing payments in the shorter term.

Mr O'Reilly: The housing market in general is at the core of the underoccupancy issue. There are issues around the age criteria in particular. When people are deemed to be underoccupying, the age of their children has to be considered. There are men who are single parents because their relationships have broken up and they want access to their children. There are issues about bringing them to homes that are houses in multiple occupancy. There are issues about disabled children. All those criteria are going to be affected by the current regulations. Further work needs to be done on those to understand their impact in Northern Ireland. That is work that the Department needs to do.

Mr Pollock: That work is ongoing, as Tommy and the Minister rightly say. As the Minister said, this is a core issue as regards parity and the social security systems. Our concern, as the Minister said, is that these issues are not peculiar to Northern Ireland. From a social security system perspective, the parity issue — what you can pay for if you are eligible under housing benefit, or what housing costs you qualify for under universal credit — will apply. The mitigating factors and the issues around what you do for that are what the Minister was alluding to when he talked about the work and research that is ongoing on discretionary housing payments, the housing programme and the mix of social housing going forward.

Mr F McCann: I have to say, it is amazing that you are actually speaking about what the Minister may be alluding to. You may sit at a certain level in the Department, but most of us around the table deal with the facts and the hard problems and difficulties that there may be. The Minister has already said that there is a big problem with the mix of housing here. By the time you get to that stage, how many people will have been evicted? How many people are going to have serious debt problems that they

cannot get out of, before we even get to that stage? I have to say, Minister, with the shared-room allowance, we have not even reached the stage where we could quantify the problems and difficulties there are going to be. It is only in.

Ms M Campbell: Michael and I have already given figures to show that the cost of underoccupancy is in the region of £17 million. That is based on the actual number of people underoccupying by one and two bedrooms. How that figure was worked out should be in the response.

Mr F McCann: I have to say, Martina, that I have heard figures from £500 million to £300 million to £200 million to £50 million to £20 million. I am not too impressed when I hear figures being thrown out.

The Chairperson: Could I make a suggestion? The ultimate consideration of the Committee has to be in the context of the Bill we are dealing with. Minister, you and your officials have delved into some of the underoccupancy issues, and a bit of work is going on, as you rightly said, around quantifying the volume of people who are currently underoccupying under the terms of the new legislation. I do not know how long that work will take. When we identify the full quantity, I do not know how long it will take to redress that, because, clearly, we do not have the mix. The issue we have to deal with is that we have a Bill that we have to make a decision on. If the Bill is passed in its current form, we would have to deal with everybody currently deemed to be underoccupying, never mind the issues of the non-availability of other so-called appropriate accommodation and the segregated housing that we have across the North. How do we then deal with that? The discretionary payment is for only a limited time. It seems to me that people will end up having to rely on the discretionary payment. Where are the exemptions? Where are the criteria? We need to know. Obviously the Committee has taken a very firm view on that particular issue. We need to work out how that issue is going to be addressed by the Department. Under what we are being told at the minute, no criteria are being built in to exempt people because of the circumstances here. Where do we get any assurances on that? I have not heard anything yet. I appreciate that the quantitative work has to be done, but we are faced with the Bill, which will have an outcome the minute that it becomes legislation.

Mr McCausland: Yes, the discretionary housing payment is for six months. However, my understanding is that, in circumstances where that needs to be extended, it could be extended.

The Chairperson: But we do not know the circumstances.

Mr McCausland: I appreciate that. A lot of those things will follow afterwards.

It was interesting listening to David Cameron during Question Time yesterday, and the number of things about which he said, "That's something I'll have to look into." We are following on from GB.

The Chairperson: Our problem is that we are passing enabling legislation. I cannot, in my mind, stand over something —

Mr McCausland: I understand your point entirely. I understand the difficulty you are having, but I have the same difficulty. Things are being raised here, but we do not know what the position across the water is going to be or whether we will be departing from that or not. It is problematic, undoubtedly.

The Chairperson: That is fair enough.

Mr Brady: I have two quick questions, Minister. We have been given figures about the cost of intervening in underoccupancy. Would it not be wise maybe to do something about the cost of non-intervention? People are going to be on the streets. There are going to be all sorts of problems. The point was made about the single-room rate. That has not been around long enough for any detailed analysis of the effects to have been done. Certainly, we were told by the Housing Executive that possibly up to 6,000 people a year could become homeless. That is something that needs to be looked at. The cost of non-intervention might be useful.

The other thing is that you were, I have to say, dismissive of the idea that the zero-earnings rule would affect people here. Do you not think that, with an underlying principle of incentivising people to get work, to have something like this is bizarre to say the least? It flies in the face of the so-called policy's principle. With respect, in my opinion, you were dismissive of it. Do you not think it bizarre that you

are trying to deal with stuff like this, which flies in the face of the underlying policy principle of getting people back to work?

Mr McCausland: You raised a number of points. I will not take them in the same order, but in the order that I have jotted them down.

You made a point about the single-room rate. I remember when David Freud was over at the Northern Ireland Council for Voluntary Action for a stakeholder meeting. Somebody said that all of the discretionary housing payment fund had been spent and that it had been taken up because of the single-room rate. I thought: "that is desperate to know; nobody told me." However, when I went back to the Department and checked, I found that there was adequate money in the discretionary housing payment fund. This is what happens. Somebody hears or imagines something. Clearly, the discretionary housing payment has managed to deal with that situation.

All I am saying is that we do not yet fully know the impact of the single-room rate. However, it has not been as dire as some of the predictions. I am not aware of the extreme cases that were talked about at one time. That is why I am saying that we need to be cautious in the sort of predictions we make.

A lot of the issues being raised here are not part of the actual Bill; they are part of the regulations. We are going to have to come back to the regulations, and a lot of issues will be revisited. When we come to revisit them, there will probably be a lot more information, because, as Michael said, all the work on housing, and so on, is ongoing in order to get a better sense of things.

Mr Brady: Let me just say on that, Minister: the regulations flow from the enabling legislation. If it is flawed, by definition, the regulations will be flawed.

Mr McCausland: If the legislation was flawed?

Mr Brady: They are not being done in isolation; that is what I am saying. The regulations do not come along in isolation from the enabling Bill.

Mr McCausland: No, but the nature, shape, character and content of the regulations is something that we will have to come back to. A lot of the issues we are dealing with today are really about the regulations. There will be another occasion when I am back here, going through the same issues, because they are much more about the regulations than the actual legislation.

Mr Brady: Hopefully, there will be many occasions.

Mr McCausland: I am glad that Mickey enjoys my visits.

Mr Brady: Absolutely.

Mr O'Reilly: Could I just go back to the question about the support for mortgage interest and the policy intent? The evidence to date suggests that, in the main, if people lose their employment and go on to benefits, SMI would kick in under universal credit. If they go into full-time work, they would be back to where they were, and, therefore, have the responsibility —

Mr Brady: One hour a week.

Mr O'Reilly: I will come back to that issue. If people are in full-time employment, they will be able to pay their mortgage in the way that they did prior to becoming unemployed. The question then arises: what happens if people become unemployed and then want to take up part-time work? That is the question you raised around SMI.

Under the way that universal credit is set up, as people go into part-time work, the disregards that they get — the money that is taken from them for making additional income — are generous, on the basis that it gives people more money than they would get if they were on SMI. The tapers in disregards allow them to get sufficient money to start to pay off their mortgage. At the moment, we pay about £24 a week SMI, on average, for people who are on job seeker's allowance. The tapers and disregards will provide for that, as people increase their part-time working hours.

The evidence in Northern Ireland and in GB suggests that people with a mortgage do not go for part-time work: they look for full-time work. They want to go back to work full time because the current system does not support them to do otherwise. So, we are trying to address the policy intent, but we are interested in finding a different way in order to make sure that people are protected.

Mr Brady: Surely the whole concept is to ask people — force may be a better way to put it — to look for work.

Mr O'Reilly: Yes.

Mr Brady: So, the essence is that if people work one hour, they will lose their mortgage interest. You have talked about tapers, etc, and it is very complicated. It may be that someday, somewhere, somebody will be able to sit down and explain how they work. I have no doubt that somebody, somewhere, who thought them up is able to —

Mr O'Reilly: I am happy to arrange that for you.

Mr Brady: I am making the point that, at present, people see that if they work one hour, they will lose their support for mortgage interest. Therefore, there is a disincentive. That is the issue, because, by definition, it flies in the face of the underlying principle of incentivising people to work. Tommy, you probably understand tapers and all that a lot better than I do, and I am sure that some day we can sit down and you can explain them to me in detail. My point is that perception is everything: people see "one hour", "lose support for mortgage interest", and they say, "I am not going to go for that." It is as simple as that.

Mr McCausland: Tommy said that everybody acknowledges the complexity of this particular point. Again, it was one of the issues raised in Parliament yesterday. Even the people on television who deal with financial matters commented on the number of people writing in on that issue. Rather than rely on perceptions about it, we prefer that something be done to clarify and explain the point. The advice that we are getting from DWP is that an individual is not worse off through taking up part-time employment. If that is the case, let us get the facts out about that and, maybe, find some mechanism, which we can discuss, to get that clarity. Would that be helpful, Chair?

Mr Brady: Maybe you should take your own advice, Minister.

Mr McCausland: Sorry?

Mr Brady: Take your own advice and not necessarily DWP's, because that does not seem to be working in this instance.

Mr McCausland: I get advice sent across. I also get advice from all the officials in the Department. At the end of the day, the key thing is for us to get some structure, set up, or arrangement in place to get some clarity around this, if members consider doing so would be helpful.

The Chairperson: OK; I think that that would be helpful. Thank you for that. I think that you will have to leave in five minutes or 10 at the most. So, members, may we move to the issue of sanctions?

Mr F McCann: Chair, may I make just one point that goes to the very heart of discretionary payments? The discretionary money available depends on the time of the year you ask for it. As the year goes on, it runs out. We are talking about an increase in discretionary payments over the next three or four years, but it then drops back again. I want to make the point that the fund that is there will cover only the costs.

Mr McCausland: Fra is totally right that this is interim. You are buying time. I would put it that you are buying time to get to the point where you have the right housing mix for the needs in Northern Ireland. We need to constantly challenge the Housing Executive and housing associations to step up to the mark over the next few years. If they do, there is no reason why work cannot be done to get things into a much better position over three years. Three to four years is a fair length of time. Done properly, the social housing development programme and other work will break the back of the problem. However, the challenge is there, and it is really over to the Housing Executive and housing associations to meet it.

The Chairperson: Thank you for that. It is all good information, which we need. If you do not mind, we will deal with the issue of sanctions. Your papers refer to the case of someone being convicted of fraud, and the example was given of a sentence of 240 hours community service. That person would not receive benefits for a further two and a half years. Most people would see that as unfair, and, more importantly, unsustainable for those in that position. How would they live? It would cause other problems. Perhaps you will deal with this in general or even specifically. It was an issue of key concern for members.

Mr McCausland: There is an argument that changing the sanctions from what is currently proposed would dilute their overall effectiveness. I assure members that sanctions are not applied automatically. They are always considered on an individual, case-by-case basis. Where claimants can provide good reason and set out reasons why they have not complied with the requirements under their claimant commitment, no sanction would be applied.

I am also looking at our monitoring information and will be considering with officials how I can be assured about the overall effectiveness of the sanctions. I will seek to ensure that we have the data available to take an informed view on these matters. Some members have raised the issue of childcare in this context. I assure them that a lack of quality, affordable and accessible childcare is seen as a good reason for not taking up work-related activity. Therefore, those individuals would not be subject to a sanction.

We are talking about serious cases. Seriousness is defined as being cases involving over £50,000. I see the figures coming through for cases that have gone to court, and, off hand, I cannot think of anything of that scale in the past while; generally, it involves much smaller amounts. Fraud over a period of two years and fraud involving identity fraud is where someone has gone out wilfully and over a sustained period to cheat the system. It is when you get into the area of identity fraud, it is running for years and where a sentence is imposed of 12 months imprisonment or over. Even in the biggest cases that I have seen go to court, which involved tens of thousands of pounds, the penalty was far short of what you mentioned. The sanction is there for really extreme and exceptional cases in which people go out of their way to defraud the system. We would all agree that you can see small cases, but this is serious stuff. The upper limit is reasonable for those extreme, exceptional and really serious cases.

Mr Brady: Thanks for that, Minister. Tommy, to me, the application of the sanctions will, to a large extent, depend on the guidance. Over the years, my experience has been that the guidance must be right and it must be applied consistently.

With respect, Minister, no one is trying to defend serial fraudsters of the social security system. There will always be people who will find ways of trying to do that. As I said, in my years of dealing with benefits, I only came across one case involving over £50,000. That was a long time ago, so a lot more money was involved proportionately.

The guidance will be so important. One of the issues raised concerned childcare. In 2008, a previous Minister told us that people would not be sanctioned. I came across the case of a person who was threatened with sanction and withdrawal of benefit because suitable affordable childcare was not available. Due to our lack of childcare provision, that is very important, and we need reassurance for people about that.

I think that the guidance and guidelines that are given to staff are important. Minister, you mentioned that staff will make informed decisions about good cause and what is reasonable in particular circumstances. That has to be done on an objective, individual basis for each claimant. That is because there will be people with mental health problems who may not have been diagnosed or whose condition may not be apparent, as well as those with all sorts of inherent problems that mean that they are not able to sign on, go to a job interview or whatever. I think that cases have to be dealt with sympathetically.

The guidelines will be very important, and the staff on the front line will, ultimately, have to implement them. I think that we need to be reassured that targets will not be set for sanctions, which you said will not be automatic. Without being too sceptical, targets can be a big factor within the context of the Social Security Agency. I just wanted to raise that.

Mr McCausland: First, on your point about vulnerable people who perhaps have mental health problems, I have had instances of such people coming into my constituency office, and I am sure that that is the case for you and other MLAs.

On the assurance that you are seeking; this is not about penalising vulnerable people or whatever. The guidance given on this will have to take account of all these things. That is one of the things that we are very clear on. As I said earlier, we are looking with officials at monitoring and considering information. I need to be assured of the overall effect of this. We need to get it right. Work is still ongoing on that. Those are things that will come later.

Mr Brady: Will the results of the monitoring — the number of people sanctioned; the type of sanction; and the reason they were sanctioned — be published on a regular basis?

Mr McCausland: Why not? Yes.

Mr O'Reilly: We will put arrangements in place to ensure that that happens.

Ms M Campbell: I think that that is in the agency's standards assurance.

Mr Brady: Finally, most Departments will do a risk assessment. In a sense, that falls into this. I am just wondering whether the Department has a risk assessment policy or strategy. If one is not already in place, will that be formulated and put into practice?

Mr O'Reilly: For which aspect?

Mr Brady: Will a risk assessment be done of who might or might not be impacted, the degree of risk involved and how people will be put at risk because of the implications of the Welfare Reform Bill?

Mr O'Reilly: Currently, we carry out a fraud and error risk assessment to understand the range of individuals and types of groups who might be impacted by potential fraud and error. That will continue as part of the fraud and error strategy.

Mr McCausland: We will come back to you on the guidance and go through that.

The Chairperson: I think that the Minister's time is up. If that is the case, I want to thank you for being here this morning and for dealing with those issues as comprehensively as you and your officials did.