



Northern Ireland  
Assembly

Committee for Social Development

# OFFICIAL REPORT (Hansard)

Welfare Reform Bill: Committee  
Consideration

7 February 2013

# NORTHERN IRELAND ASSEMBLY

## Committee for Social Development

### Welfare Reform Bill: Committee Consideration

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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 Michael Copeland  
Mr Mark Durkan  
Mr Fra McCann  
Mr David McClarty

**Witnesses:**

Mr Tommy O'Reilly	Social Security Agency
Dr Colin Sullivan	Social Security Agency

**The Chairperson:** We wanted to deal with a couple of items first and foremost. I remind members that, at our meeting on Tuesday, the Department agreed to arrange for Social Security Agency officials to attend today to clarify issues regarding claimants being paid monthly for the first month, before bimonthly payments could begin. In the tabled items, there is a paper that gives some statistics, and it would be interesting to get some clarification on the stats attached to clause 103. The agency provided a paper on it, and it is in today's folder.

I welcome Tommy O'Reilly and Dr Colin Sullivan from the agency to speak to members on both those issues if they are in a position to do so. Thank you for being here this morning, gentlemen. Over to you, Tommy and Colin.

**Mr Tommy O'Reilly (Social Security Agency):** Chair, I understand that the Committee had three issues that it wished to discuss with us. The first was the question around costs, which we discussed at last week's meeting with the Minister. Sorry for the delay, but I have been in London for the past couple of days. I have some figures that I would like to share with the Committee.

**The Chairperson:** Thank you for that.

**Mr O'Reilly:** The second issue is that we had a discussion last week about tapers and disregards, and we supplied a paper earlier this week, or yesterday. The third issue was the question around writing off of debt.

I have provided you with three tables that set out the approach to the setting of costs. Those were to be used as the basis for the estimates for implementing the flexibilities when the Minister agreed with Lord Freud as to how we go forward. At the moment, we do not have an agreed process for handling

the universal credit flexibilities. That is still the subject of ongoing consultations with the voluntary and community sector and the political parties. Indeed, we are coming to the Committee in the near future to have a discussion on that.

Our working assumption is that there will be an IT system to support the flexibilities that the Minister has agreed, and that is how we move forward. As I said at last week's Committee meeting, we use the integrated complementing system that we use in the agency, which is a time and motion study for determining staffing levels. It takes specific tasks in the agency, assigns a time to each benefit, looks at all the different tasks together and takes that up by the total workload in that benefit to give us a total determination of the staffing levels required to administer the delivery of the benefit. In doing the estimates, we have tried to use the employment and support allowance (ESA) integrated complementing system's times as the basis to give us some approach.

Look at the table. At a very high level, the caseload for universal credit is estimated to be around 300,000. We have allocated a time that each case will attract during the year, which includes fresh claims right through to maintenance, of about six hours. The average cost per hour of an administrative officer in the agency is about £13.71. Therefore, at a very high level, when those three are multiplied, it comes out at about £24.5 million for the full caseload. We then started to break that down to try to test out the six hours, because the other two were pretty static. In the middle column of the table, you will see an allocation of time and, working from left to right, the initial weekly volume of telephone calls — that is, about 6,000 cases per week. It takes, on average, about 10 minutes on the telephone with those individuals to verify their identity, take some details and work through their application. If you work across the page, you can see the number of staff involved.

Each of those major functions, or pieces of work, that we carry out in each of the benefit areas has been allocated a time. Based on the current employment and support allowance processes, that works out at just under four and a half hours. However, as I say, that is ESA; that does not take into account that we will have tax credit customers whose cases are more complex because they are working, as well as jobseeker's allowance (JSA) customers and lone parents.

At this stage, we do not have an agreed process. We are just trying to use some mechanism, and this is how we worked out our costs.

In the table at the bottom, we work on the basis that the cost amounts to about £24 million for 300,000 claimants and, in some form of projections yet to be agreed, if only 75% or 50% will receive split payments and fortnightly or twice-monthly payments, those are the sorts of costs that will be included.

That is a broad estimate of how we went about calculating the figures that we previously gave to the Committee.

**The Chairperson:** OK, Tommy, thank you for that.

**Mr Brady:** Thank you for that, Tommy. If administrative officers are getting £13.71, I should have stayed in the Civil Service.

**Mr O'Reilly:** Yes, they do. That is their average cost.

**Mr Brady:** I am telling you that I should have stayed there.

**Mr O'Reilly:** What is the average cost of an MLA?

**Mr Brady:** An hourly rate of £13.71 is twice the minimum wage. It obviously depends on how long someone has been in the job. There are other factors.

**The Chairperson:** Anyway, let us get to the point.

**Mr Brady:** I have a couple of questions. Management has two staff officers and eight executive officer 1s. Will their cost be additional? Are they not there already?

**Mr O'Reilly:** These are the additional staff for the universal credit element.

**Mr Brady:** I am sorry, but the point that I am trying to make is that, irrespective of how the benefit is paid, the staff would be there anyway, would they not? Looking at the list of costs, the figure of £333,000 is quite high. I assume that they will be an integral part of the set-up anyhow.

**Mr O'Reilly:** Where the staff come from is a slightly different issue. We were asked to estimate the cost of providing this service, which is additional to the universal credit service that we provide. It is what might be called a vanilla service. It is an additional service that we do not currently provide.

**Mr Brady:** I am looking at the figure for the weekly volume of the workload. That will happen anyhow.

**Mr O'Reilly:** That is the weekly volume, and that will happen anyway, yes.

**Mr Brady:** What is the extra cost of changing the payment system? You mentioned tax credit customers. They can already choose to be paid monthly or fortnightly. That is in their system, so I cannot see that being, necessarily, an additional cost. It will be subsumed by universal credit. I understand that aspect of it.

Regardless of all these figures — the workload, the weekly volume and the time spent on a telephone call — I am trying to work out the extra costs that will be incurred if payments are to be made fortnightly rather than monthly. You are saying that if 100% want to be paid fortnightly, for instance, it will cost £24 million.

**Mr O'Reilly:** No. At last week's Committee meeting, I made it quite clear that we were talking about split payments and twice-monthly payments.

**Mr Brady:** Rather than fortnightly payments.

**Mr O'Reilly:** It is both of those together. We hope that if it is simply twice monthly, the cost would be significantly reduced because large elements would be automated. You have to take into account that, for a lot of people, there will be issues with overpayments and third-party deductions. Housing benefit cannot be paid twice monthly; it has to be paid only once a month. Those benefits have to be checked to make sure that they are accurate. We hope that, for a large number of people, there will be a straight flow-through.

When you get into the complex area of having split payments, and split payments with twice-monthly payments, it starts to mushroom. I take your point: you could probably argue that, in the centre where they are working, there is already a level of management staffing. However, where there are additional staff to provide these services, additional management staff would be required. This is broadly the way in which we would work out the numbers.

**Mr Brady:** In a sense, if you will have to employ extra staff, this is job creation. The argument put forward is about how much it will cost to have an IT system that differentiates between monthly and bimonthly payments. It is really the difference between how much it will cost to pay people monthly or bimonthly within that system.

**Mr O'Reilly:** What I have given you does not take account of the costs of development of the IT solution. That will be a separate cost, which the agency will have to pick up, and we are in discussions with the Department for Work and Pensions (DWP) about that. These are our estimated costs at this point in the process. When we come on to the next item and Colin walks you through the example of housing benefit, it will help to illustrate some of the complexities involved in trying to develop our own flexibilities in Northern Ireland and trying to ensure that we get it right when building the IT system and delivering the right service. It would be interesting to hear your views on that. We are working on those costs.

**The Chairperson:** Tommy, there are two wee points that I want to make on that. Members were concerned about the figure of £24 million. The Committee was of a mind that it wanted something to happen, but now we are being told that it will cost £24 million. Clearly, that will be a major consideration in how members may vote on the Bill. A query was raised last week about whether that £24 million would be an assumption on the basis that everyone would take up the split payment option and, if they do not, would that figure start to go down? I think that Gregory raised that issue in the first instance. If not everybody took up that option, it would not cost £24 million.

The second issue that arose last week was that we were advised that everybody will have to get a monthly payment at the outset and then you will work your way through split payments. I take your point entirely that that is now out for consultation, so, in a way, you have to park what the criteria might be for that because you cannot be definitive. The idea that everybody had to get monthly payments at the start and that you would work your way through those who wanted twice-monthly payments seemed to confuse people. That seemed to throw a spanner in the works last week. It seemed to be new, but what did it actually mean?

**Mr O'Reilly:** Let me try to address both issues. We were working on the basis of 100% take-up, which would cost £24 million. From an operational perspective, currently, about 200,000 customers in Northern Ireland are on tax credits, of whom about 50% receive payments on a four-weekly basis. When those individuals move across to universal credit, it will be a matter for them to decide whether they want to move to fortnightly or twice-monthly payments or stay with four-weekly payments. If the choice is there, it is likely that a number of them will move across. We are working on the basis that if that is the default position, a lot more people will move to that arrangement than if it were something that they had to request. All we are simply doing is calculating different levels of take-up, which are shown in the table. So, if there is 75% take-up, we calculate that it will cost £18 million. It is not for us, as operational people, to say what that figure should be. We simply estimate that as the likely cost to the block grant as a consequence.

Your second point was about everyone having to go on to monthly payments. There is an issue about the first month when people make their claim. The universal credit payment is made in retrospect, so you have to get to the end of the first month, and that is when the calculation is done. Therefore, the system cannot calculate a twice-monthly payment during the first month simply because it does not have the information. How to handle that first month is an issue that we will have to work through. At this point, however, it remains an issue.

**Mr Brady:** Will you clarify one point? You say that people on tax credits can move over to the new arrangement, so there is no issue if they want to be paid monthly or fortnightly because they will have that choice. They have that choice now anyhow, but, when they move to universal credit, they will have the choice to be paid monthly or fortnightly.

**Mr O'Reilly:** The current default position is that people will receive monthly payments but will have the right to request twice-monthly payments.

**Mr Brady:** That should apply to everybody.

**Mr O'Reilly:** That will apply to everybody. However, some people are, for example, on working tax credits. If they get a new job, they come off working tax credits. They may then lose that job and come back on to working tax credits. Such people may previously have received payments every four weeks, but if offered fortnightly payments, they may take that option.

**The Chairperson:** OK, Tommy, thanks, that is helpful.

**Mr O'Reilly:** Does that give you sufficient comfort?

**The Chairperson:** As I said earlier, the issue last week was that we were given a figure of £24 million, which was queried. In a way, Tommy, you have just re-clarified that it may not cost £24 million if not everybody opts for what may become the default position of twice-monthly payments. So the figures could come down naturally in line with the uptake.

The second point raised last week was the rationale of what happened if someone started off on a monthly payment. That threw a cat among the pigeons because it seemed to muddy the water around the figure of £24 million. At least, it did in my mind because I could not understand what it was about, but I do now.

**Mr F McCann:** I have a question about the first automatic monthly payment. From reading some of the documentation, I thought that anybody who requested twice-monthly payments after the first month would automatically be paid in that way by the system. Would that not cut down on the number of people who had to be paid manually?

**The Chairperson:** None of that is agreed yet.

**Mr O'Reilly:** The core universal credit system that we will use in Northern Ireland will calculate everybody's payment monthly. It is a monthly assessment cycle, and that will not change. We are building a separate system to sit alongside that. In effect, that means that all the Northern Ireland cases will be taken out and dropped into the Northern Ireland computer system. For people paid twice monthly, the system will calculate that payment and make two drops. In the majority of cases, if it is only a matter of making twice-monthly payments, that should be relatively straightforward and not a big issue. However, there are many exceptions in the social security world that must all be checked and any change of circumstance dealt with. That is where that issue starts to arise.

**Mr F McCann:** I appreciate that. It states in this document:

*"if someone needs a more frequent or split payment in the first month these will have to be done clerically".*

That means, more or less, that, after the first month, everything will be built into the computer, which will simply make the payment.

**Mr O'Reilly:** Sorry, I am not sure where that comes from. Which document are you reading from?

**Mr F McCann:** It is documentation that Committee members have to help us through.

**The Chairperson:** It is from the departmental response paper.

**Mr F McCann:** I am picking up on the fact that the whole argument is about the number of people and the associated cost. However, if we accept that the computer makes the payment for the first month, people will then be on the system. If correct, what I quoted states that people will automatically be paid twice monthly anyway.

**The Chairperson:** The current default position of the Department and the Bill is that everybody gets paid once a month. So the criteria for if and when someone can opt for a payment to be made twice a month would have to be defined. A consultation on what those criteria and the circumstances may be is ongoing. The Committee wanted a default position of payments being made twice a month, or fortnightly.

**Mr O'Reilly:** Sorry, may I just —

**The Chairperson:** That, however, is not agreed yet. That was the view of the Committee —

**Mr O'Reilly:** That is just the view of the Committee.

**The Chairperson:** — and there were objections to that. The first was that there was not sufficient computer flexibility, but we were told that that could be worked through. Secondly, we are now being told that it would cost £24 million should everybody opt for the twice-a-month payment, which will not necessarily be the case. That is what we are trying to clarify. Neither twice-monthly payments nor the criteria for them have been agreed. That is out for consultation.

**Mr Brady:** Let us say that it is agreed that people can get paid twice monthly or whatever. When a person makes an initial claim, you have said that, for the first month, for logistical or operational reasons, he has to be paid for a full month because the payment is made in arrears. If, in his initial claim, he chooses to be paid twice monthly, he will, of course, be paid for that first month. Is there not a system whereby he has made that decision and the Department has accepted it? What I am saying is that it pre-empts what is happening. I am picking up that there is an issue if someone is paid after the first month and then decides to move to bimonthly payments, but surely that decision would already have been taken.

**Mr O'Reilly:** You are correct.

**Mr Brady:** He can be consulted and then make that decision in conjunction with the Department. Obviously, it would be mutual.

**Mr O'Reilly:** Yes.

**Mr Brady:** So would the Department not then have time to put him into the twice-monthly payment stream?

**Mr O'Reilly:** If Mr and Mrs Brady decide that they want to have a twice-monthly payment —

**Mr Brady:** Mr and Mrs Brady might want weekly, but we will not go into that. *[Laughter.]*

**Mr O'Reilly:** Mr and Mrs Brady ring up to start their universal credit claim. The form states that if Mr and Mrs Brady want more frequent payments — for example, twice monthly — please ring this number. Mr and Mrs Brady ring up and say what they want, and they discuss the case. Part of the telephone call is to discuss why they want to be paid more frequently, and, at some point, the box is ticked. So, after the first month, Mr and Mrs Brady are a straightforward case and will receive twice-monthly payments. The computer will generate and make those payments.

**Mr Brady:** Would it not be simpler for Mr and Mrs Brady to have a claim form that asks them to tick whether they want a monthly or bimonthly payment? That would cut out all those telephone calls.

**Mr O'Reilly:** No. The system into which we will download will be the core universal credit system. We are building something for Northern Ireland, so, in a sense, it has to come out of that core system.

**Mr Brady:** Yes, but can you not build that in at the start rather than —

**Mr O'Reilly:** No, because you would have to change the core system, and that is the problem. Let me just walk you through the process. It does not really matter because Mr and Mrs Brady have to be verified anyway, and they agree that they want bimonthly payments. Let us say that both also receive housing benefit, Mr Brady has a social fund debt and Mrs Brady has agreed to pay the electric company X amount out of her universal credit payment. The issue is this: as those payments start to roll through, how are they split? When are they paid, and when do they not get paid? That just needs to be checked to make sure that that is happening and that everything is accurate.

**Mr Brady:** I am sorry; I do not mean to go on about this, but surely in any system these changes have to be put in place. Someone coming on to benefit will not have the repayment of loans or whatever from before. Presumably, social fund debt, and so on, will be carried over, so the Department will be aware of it. What I am saying is that for someone claiming initially, all these exceptional payments, such as those for an electricity bill, will be carried over. Housing benefit is separate because it will be paid directly to the landlord or the Housing Executive.

**Mr O'Reilly:** Oh my. I wish it were so easy.

**Mr Brady:** There is no reason, logically, why it should not be. If you are introducing a system that is apparently designed to save money, surely, with a bit of thought —

**Mr O'Reilly:** We can come back to housing benefit in a moment.

**Mr Brady:** Let us be honest: I have more technology in my mobile phone than the Americans had when they put a man on the moon. I cannot understand why all these systems cannot cope. Surely there are people who can design systems that are able to cope. It seems to me that this is being made overly complicated by saying that you cannot do this or that with the system. You are designing a whole new system, which, I accept, is probably a huge undertaking, but the technology and people who deal with it are available. I really do not understand why there is such a huge problem. You talk about the core system and a system for the North that will drop in and out of it. Why can that not be done initially to save all the messing about further down the line?

**Mr O'Reilly:** That is because Westminster has decided that —

**Mr Brady:** Yes — exactly.

**Mr O'Reilly:** — this is the system that it is building for the people of Great Britain. Northern Ireland is part of the parity arrangements, but we buy the systems from Great Britain. If Northern Ireland

decides that it wants to build its own IT systems, the Northern Ireland Executive have the right to make that decision, but the cost of that would have to be borne.

If you want to buy into the GB system, that is how it works. I am not saying that it is right or wrong. All I am saying is this: the Executive and the Committee have asked the Social Security Agency to develop something to support flexibilities, and that is what we are trying to do. My point is that this is very complex. When we start to work through the processes, we think that we will find a level of complexity that will require additional staffing. I understand your view, but that is the way it is at present. I am not trying to be glib, but this is not easy; it is very complex.

**Mr Brady:** The irony is that we are told that the whole purpose of universal credit is not to have complexity but to simplify everything. Now you are saying that we have a very complex system, which is probably even more complex than the system in place.

**The Chairperson:** We do not need to have a debate about it. We need clarity on why it is happening and why we were given a figure of £24 million. That is the purpose of the exercise. We can argue, but the Committee has adopted the view that it wants a default position that will enable people to be paid more frequently than once a month. That remains the position of the Committee. Ultimately, people will have to grapple with whether they should be put off arguing for that because of the associated cost. Could it be £24 million, £10 million, or whatever? That is the information that helps us to make up our minds. We need to clarify the cost. You are giving £24 million as the figure that it may or may not cost, depending on the take-up, if this is agreed. I am not confident that it will be agreed, but it is out to consultation. Let us hold with that in good faith and see how it works out.

**Mr F McCann:** Chair, I am at a loss because we are talking about the entirety of the universal credit system and the information that will be input into it. I take it that people's details are being entered into the system. This is just for talk's sake, but, before the system goes live, every aspect of benefits will be put into that system so, as the system kicks off, all information will be contained within that one computer.

**Mr O'Reilly:** No, it cannot be done that way. It is just too large. It is being done in phases.

**Mr F McCann:** Would that not have happened anyway?

**Mr O'Reilly:** Yes, that will happen anyway.

**Mr F McCann:** All that information is going into the system. Mickey's point about phones was right. As I said the other day, I can turn on my phone, ask it to tell me how to get to Derry or Newry and what route I should take. It will talk to me and give me the route. You are paying hundreds of millions of pounds for a computer, so I cannot understand why you cannot make these adjustments, either by talking to it or by pressing a button that will give you access to it. It seems a nonsense to me that people choosing a different option will cost an additional £24 million if, by and large, all the information is already contained in a computer.

**Mr O'Reilly:** In the core universal credit system, you input a series of information about you and your family. The computer assesses that information against a set of rules, which are built into it, and decides whether you are eligible. If you are eligible, it makes a determination on what you are entitled to. It then takes that entitlement and assesses it against how much you have earned in the previous month. It does that by way of the real-time information that comes in from your employer, or, if you are not employed, a zero form. It then tapers that down at an agreed rate and reduces the level, depending on your earnings, to give you a final sum.

**Mr F McCann:** That is wonderful, Tommy. The joys of modern technology never cease to amaze me. That is all well and good, but there must be something that allows you to pay people fortnightly without even going into tapers and reductions. All you are asking the computer to do is make twice-monthly payments.

**Mr O'Reilly:** Let me go back. That is what the core system does on the basis of the assessment period, which is the previous month. Once the system has made the assessment, it churns out a payment and states how much Fra McCann should be paid on his universal credit claim, or how much Mr and Mrs Brady should be paid on theirs. If you say that you want to take that and split it, that is a separate process to what the core system does. The core system was never built to do anything



except the monthly assessment. As well as that, you could say that, not only do you want to make the payment to Mr and Mrs Brady's household benefit unit, you want to split it between the two of them, either 60:40 or 70:30, and pay it into different bank accounts. All that brings complexity to something that is for a lot of people. It is just about checking that and making sure that is accurate.

**Mr F McCann:** So, when the Minister came to the Assembly and told us that he had a number of points of flexibility, one of which was split payments, he actually does not?

**Mr O'Reilly:** He has.

**Mr F McCann:** There was no top-up cost then. The additional cost of £24 million was sprung on us a couple of weeks ago.

**Mr O'Reilly:** I cannot remember the details of the Minister's speech. I would need to check that. In respect of the agreement with Lord Freud and DWP, who are not building this system, they are building on the basis of a monthly payment and direct payment to people for them to take responsibility for payments to their landlords. That is what the core system is doing.

We are ensuring that the flexibilities will be available in Northern Ireland to meet those on a much greater scale. Those are the flexibilities that have been secured against DWP. We are working with DWP, and that is part of the reason why I was in London in the past couple of days. We are working with DWP and building the IT systems so that it intercepts with the main core system in time for the launch of universal credit in Northern Ireland next year. That is what we are working on at the moment to make sure that those flexibilities are fulfilled.

**The Chairperson:** OK. Mickey, I think that you wanted back in again. We are not going to spend much more time on this issue.

**Mr Brady:** On a technical point, with regard to the 300,000 case load, you said that you have to go back to the previous month. I presume that those are fresh claims.

**Mr O'Reilly:** Yes.

**Mr Brady:** Is the estimate predicated on the existing case load or have you factored in the average fresh claims that you may have during a particular period?

**Mr O'Reilly:** We factor in the population of Northern Ireland, based on benefit unit definition, so the case load would be 300,000. Then there is a series of on-flows and off-flows each month. That is what we work on.

**Mr Brady:** Have you factored that in?

**Mr O'Reilly:** We have factored that in. About 75% of ESA disappear within one year, for example, and JSA is broadly similar, so we have factored those figures in.

**Mr Brady:** They will be disappearing if they only get paid their contributions for the year, but that is another story.

**The Chairperson:** OK. We will move on. I just want to make one point, and it goes back to Fra's last remark. We have been told that flexibilities have been agreed and the IT system will be enhanced to facilitate that, but now we are being told that that is fair enough, but it will cost us £24 million.

**Mr O'Reilly:** Chair, I will check the Minister's speech to see whether there was reference to the additional costs, which I think he mentioned, but I will certainly come back to you on that issue.

**The Chairperson:** That is fair enough. Really what you are saying is that it can be facilitated but at a cost. The Committee was always of the view that we wanted flexibilities built in, and we were assured that we could get them. I have never sworn blind that we would get flexibilities. In fact, I have always been very cautious around that. Anyway, we will see what happens. We have the information around that, and it is up to us to do what we want with that information. Thanks, Tommy, for providing us with that.

**Mr O'Reilly:** The second issue was the question around tapers and disregards, which we started to have a discussion on. Colin has provided with you a paper on our thinking around the payment of housing benefit directly to landlords.

**Dr Colin Sullivan (Social Security Agency):** This is one of the three flexible areas, and we will be doing similar work on split payments and more frequent payments, but I will just give you some early thinking, from a methodology point of view, about the options as to how we might deliver direct payments to landlords. It is a fairly complex paper, but I will take you through the three options that are presented. There is more detail to be worked up on each of these options.

At the outset, the paper sets the scene in respect of the current position with regard to housing benefit, and it outlines how the housing element will be calculated once universal credit is introduced. The main focus is the three different options and what effect the options would have on different household types. I will take you through that as well.

The three options that are presented are different places on a spectrum between more or less in respect of full and part payments of direct payments to landlords. We sent you copies yesterday. I am not sure whether you had those printed out in colour or in black and white, but the first option is on page 7, paragraph 25. That would involve paying the housing element directly to landlords in those cases where all the housing costs are met by the housing element of universal credit. That is shown in figure 1. It is only for full payments, not part payments.

**The Chairperson:** Sorry, Colin, members are looking for that paper, but I do not think that we have it.

**Dr Sullivan:** I will just describe it then. The first option is simply to pay all full payments, which would mean that there would be no part payments paid. So, if somebody were entitled to a part payment and not a full payment, they would get the money, and the onus would be on them to make it up from the other elements of universal credit or, if they have them, earnings and then pay the landlord. That is one option.

A second option is to apply the disregard and tapers equally to all elements of universal credit and to pay full payments and all part payments. With that option, you have more people being paid directly, but quite a number of them would get part payments rather than full payments, so the onus would be on them to make up that shortfall. At the moment, we know that, under housing benefit, between 15% and 17% of people receive part payments, and they make up the shortfall under housing benefit at the moment.

It is, however, slightly more complicated under universal credit. At the moment, if any change of circumstances occurs, a member of the public will make the Housing Executive aware of that change of circumstances. They are aware of that, and they expect the part payment to change, and they know that they will have a different amount — either more or less — to pay to the landlord themselves.

Under the real-time information system, that will happen automatically, and although they may be aware of the fact that they have changed the number of hours that they have worked, it may not occur to them that they will also have to change the level of the part payment. That could be complex for some people.

A third option is to protect the housing element and to cross-subsidise from other elements of universal credit so that you pay all full payments. Where it starts to be a part payment, you cross-subsidise from other elements of universal credit into the housing element, so you have more full payments and only get to a part payment where you get to that point of the taper where there is not enough universal credit to cover the housing element. In those circumstances, there will be a part payment, and all that part payment will be given to housing.

If you think of those three options, the advantages and disadvantages of those options are that the first one is fairly straightforward. It reduces complexity, and if you have a full entitlement, it is paid for you. If you do not have a full entitlement, the onus is on you to make up the difference and to pay the full amount, some of which you will get from universal credit and some of which you will get from your income.

Between options two and three, the difference is that because you have protected housing in option three over option two, you have fewer part payments and more full payments, and you have given

greater emphasis to housing over and above the other elements of universal credit. So, you will have fewer part payments in option three as opposed to option two.

If you do not have the paper in front of you, it is difficult to talk through the scenarios, but, at a high level, you will have situations whereby customers will receive a housing element, and all of it will be paid. In other cases, maybe because of underoccupancy, they will not have all the housing entitlement, and it will not all be paid. They will then need to take account of that extra bit to be paid. It changes with different customer types.

I am quite happy to come back to talk to you in more detail when you have received the paper.

**Mr O'Reilly:** I think that it would be better if members had a look at the paper, and then we will come back again. We are due to come back to you next month or so to have a discussion on flexibilities, given some of the work that we are doing with the voluntary and community sector and some of the political parties. This paper in particular is really helpful for starting to look at the challenges with housing benefit for us and everyone.

**The Chairperson:** I am trying to simplify this. Universal credit was supposed to simplify everything, but we are now told that it is very complicated under universal credit. I asked the Minister this the other morning, and he agreed that it is not a problem, and Hansard will have recorded that. From a position where we have been advised that we have resolved the issue of direct payments of housing benefit to landlords — in other words, that would be facilitated — we are now being told that it is a bit more complicated than that.

**Mr O'Reilly:** No, not really, Chair. At the moment, people receive either full payment or partial payment, and that will be the same under universal credit. The question is this: what is the policy intent, and what do the Executive, the Social Development Committee and people think is the best way of using the universal credit housing benefit payment to achieve what you want to achieve.

At the moment, we pay out to people in the private rented sector. The vast majority of people who currently live in the private rented sector get their housing benefit payment made directly to the landlord, and they top it up themselves. In the social sector, the vast majority of the payments are made to the housing associations and the Housing Executive. That is full payment, or, if it is partial payment, the tenants top it up themselves. So, the policy discussion comes down to whether you want that system to continue or you want to move to a system whereby you protect the house at all costs and always make sure that the rent is being paid regardless. That is the choice. It is not a question of whether we will move away from where we are at the moment. We are trying to incorporate this into a system that allows you to make some policy decisions, and that is the discussion that we are having around the criteria.

**The Chairperson:** People wanted direct payments so that whatever amount of money you were given for your housing support would be paid directly to the landlord.

**Dr Sullivan:** That is an option.

**Mr F McCann:** The option already exists.

**The Chairperson:** If you want the option to have the £20, for example, that you need to cover your rent taken out of the rest of your universal credit to protect the house, you can do so?

**Mr O'Reilly:** That is an option.

**The Chairperson:** People may or may not take that up. OK.

**Mr Brady:** Presumably, the partial payments apply where there are no dependants in the house or something, and the tenant is expected to contribute.

**Dr Sullivan:** It could be partly that and also because of income levels.

**Mr Brady:** The Chair made the point about universal credit, and it is gratifying to hear that it will simplify everything. I would love to be in a meeting when you are trying to explain that to Joe Public. I

have been dealing with benefits for a long, long time, and it is more complicated, to be honest with you. I am not talking about the outworkings but in how you explain it.

**Mr O'Reilly:** At the back of the paper, there are three examples. It takes you through the universal credit notification note, and you can see where it works through. Maybe that will help. We will happily come back and have a discussion, or we are happy to have it offline.

The last issue was on the question around the £65 de minimis level for writing off debt. We provided with you a paper.

**The Chairperson:** Members, it is entitled, 'Response to further query received on 6 February 2013'.

**Mr O'Reilly:** It is a question around why debt below £65 is written off. We have set out the information to show the administrative costs. We were asked for a breakdown, so in table 1, we provide the numbers of people in each value band. So, 3,000 people were overpaid by between £0.01 and £5, which gave a total value of £6,000. In total, there were 22,000 cases, and their value was £580,000. The weighted average of overpayments in those cases — the write-off — was £32.

The question then became one of whether the Committee would recommend that that £65 be increased. Table 2 sets out the costs associated with that breaking of parity. The total cost, based on last year's figures, of moving the write-off level from £65 to £80 for a total of 4,382 people was £315,000. That would be the additional cost incurred as a consequence of raising it from £65 to £80. That table provides you with the other levels and the total numbers involved, as you requested.

**The Chairperson:** OK; thank you for that.

**Mr Brady:** We have the tables there and the numbers of small overpayments and all that, but may I clarify whether you have any indication how many of those are departmental errors as opposed to customer errors?

**Mr O'Reilly:** These are overpayments.

**Mr Brady:** I mean the reason why those overpayments occurred.

**Mr O'Reilly:** We do not reclaim departmental error or official error at the moment, so these are overpayments as a consequence of customer error or fraud.

**Mr Brady:** Is there no departmental error in there?

**Mr O'Reilly:** No.

**Mr Brady:** Might that be an additional —

**Mr O'Reilly:** That may be later on but not at the moment.

**Mr Brady:** Thank you.

**The Chairperson:** OK. Are members happy enough with that?

*Members indicated assent.*

**The Chairperson:** Tommy, thanks for that very helpful information.

**Mr O'Reilly:** Thank you very much.

**The Chairperson:** Tommy and Colin, thank you very much, again, for your support in our deliberations on this. No doubt, we will encounter each other again.