

Work and Pensions Committee and Northern Ireland Affairs Committee

Oral evidence: Welfare policy in Northern Ireland, HC 2100

Monday 1 July 2019

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Members present: Nigel Mills (Chair); Heidi Allen; Neil Coyle; Rosie Duffield; John Grogan; Lady Hermon; Ian Paisley; Chris Stephens.

Questions 177 - 332

Witnesses

I: Kieran Donnelly, Comptroller and Auditor General, Northern Ireland Audit Office, Denver Lynn, Director, Northern Ireland Audit Office, and Anu Kane, Audit Manager, Northern Ireland Audit Office.

II: Tracy Meharg, Permanent Secretary, Department for Communities NI, Anne McCleary, Director, Social Security and Legislation Division, Department for Communities NI, David Sales, Universal Credit Programme Director, Department for Communities NI, and David Tarr, Department for Communities NI.

Written evidence from witnesses:

Department for Communities ([WEL0037](#))



Examination of witnesses

Witnesses: Kieran Donnelly, Denver Lynn and Anu Kane.

Q177 **Chair:** Welcome to a joint session of the Work and Pensions and Northern Ireland Affairs Select Committees. We are here to look at the welfare mitigation packages and Universal Credit in Northern Ireland. Our first panel are witnesses from the Auditor General in Northern Ireland. Kieran, please introduce yourself and your colleagues.

Kieran Donnelly: My name is Kieran Donnelly and I am the Comptroller and Auditor General. This is Denver Lynn, Director, health and welfare issues. To my right is Anu Kane, Audit Manager, who will know a lot of the detail—much more than we do—on how welfare works.

Q178 **Chair:** We will direct our questions to you and you can ask whoever you want to reply to them. Could you start by telling us how significant the welfare mitigations in Northern Ireland have been and how effective you think they are?

Kieran Donnelly: The amount of money allocated was certainly significant; £0.5 billion was allocated at the outset. We published a report on welfare reform as a strategic overview in January of this year. One of the findings was that the spend on mitigations was a lot lower than the budget. There was quite a significant underspend in the first couple of years. The report does go into the reasons for that.

The mitigations seem to have been helpful in some regards, particularly in mitigation on the social size clause and the so-called bedroom tax. That is one area where it has been very important and I can say a little bit more about that if you want.

Q179 **Chair:** Were you happy that the mitigations were reaching the people they were supposed to reach and only the people they were supposed to reach?

Kieran Donnelly: There is one sort of caveat to put in. The mitigations were derived when we had devolved Government. We have not had Ministers for well over a couple of years. I imagine that if we had a local Assembly, there probably would have been a review at the end of each year and some of the mitigations may have been tweaked a little in the light of experience. The budgets and so on were set on the basis of the best information at the time, but things have moved on over a couple of years.

Denver Lynn: It is important to recognise that the mitigations apply to all claimants. For example, once claimants exceeded the benefits cap



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they were automatically transferred on to mitigation and they did not have to apply separately. There was one slight delay in the personal independence plans, where the mitigation applied after an appeal. At the earlier stages claimants were not made aware that they had to appeal before a mitigation applied, but the Department very soon caught that up. But on the whole, no one had to apply for a mitigation; the Department passed people on to the mitigation process.

Q180 Chair: Are you happy that with all the systems for identifying people and making sure they had the mitigation rule working effectively, there were no people falling between the cracks or something, it was a system that works?

Denver Lynn: No, on the whole it was. The important thing to remember is that in respect of the parity principle, prior to the mitigation process the Department for Communities simply accepted the DWP computer systems, because the legislation was exactly the same. Mitigations involve a lot of manual workarounds, but our understanding has been that those have been appropriate, on the whole. The appropriate people have received the benefits they expected to receive. Early indications are that there are some errors within that, but the DfC annual report and accounts record error inherent in benefits and that would be the same for DWP.

Q181 Chris Stephens: Kieran, you touched there on the underspend. The welfare mitigations package was worth up to £585 million over a four-year timeframe but the report you produced shows an underspend of £136 million in the first two years. Could you tease out what the reasons are for the underspend and how we can address that?

Kieran Donnelly: There were a variety of reasons but I will pick out maybe the three or four that we think are the most significant. The original mitigations included a cost of work allowance. The concept there was to make it easier for people in work but in low pay to get to work with travel costs and that sort of thing. There was an initial budget of £35 million, but that did not roll out at all and there were complications on income tax treatment and perhaps that was a casualty of the suspension of devolution.

One of the other significant reasons for the underspend was simply the delays in the original timeframe for welfare reform generally. If you go to figure 1 of our report, there is an initial timetable. For example, in GB the social sector size criteria came in on 13 April. In Northern Ireland, it was 17 February before that came in, so it was 11 months through the financial year before it kicked in. The benefit cap kicked in in Northern Ireland at the end of November 2016. The delay in the reforms generally had a knock-on effect to the profile of the mitigation payments.

Subsequent to our report, the Department itself has been doing some work on, for example, the impact of PIPs, on losers and winners. The original assumption when mitigations were brought in was that quite a



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substantial proportion of people would have their awards decreased—and I think the assumption was over 30%—but the actual figure is 19% so far. There is an example where maybe less mitigation was needed than the original assumption.

Chair, you asked earlier about the mitigations reaching the people that need them the most. I suppose the fallback position was discretionary support measures, which are covered on page 54 of our report. These are to deal with emergencies and very low incomes. There has been an underspend on that; I think for 2018-19 it is a spend of £9.6 million. We still have a yearly £16 million budget on that, so the spend is maybe surprisingly low on that one. This is an initiative that was in the old Social Fund, which no longer exists. It is interesting why the take-up on those are maybe lower than we might expect to see.

Q182 Chair: It is fewer people needing that support rather than that support not being needed as more people are affected by some of the changes?

Kieran Donnelly: We have not done enough work to make a call on that, but it is something I think more work should be done on to get underneath what is going on here. There will be a number of dimensions. One factor is that the criteria for this discretionary support might be tighter than the old regime. It is worth exploring how these schemes are marketed and whether they are sufficiently well known in the community. We do not have the answers to that, but it is an area that is worth digging into more deeply.

Q183 Heidi Allen: Partly related to what the reasons might be for the underspend, in your report in January about the eligibility rules for the discretionary fund you said they were “at odds with the concept of discretionary awards” and were too restrictive. Is that around the type of claimant that might be appropriate for an award or the frequency that they can apply for a discretionary payment? Give us some more detail about what was wrong, in your view.

Kieran Donnelly: It is not that it is wrong. I will postulate on some of the reasons why. One of the criteria, for example, was an income threshold around £16,000, so that is possibly a factor.

Denver Lynn: It is important to remember that each discretionary support application will be different. It is more difficult for the Department to extrapolate exactly what it would need. For example, on something like the social size criteria, you can do an extrapolation of how long, by how much, by how many people. I think the Discretionary Support Fund is difficult and it is more demand-led than that. What we found slightly difficult or slightly hard to understand was why you would strengthen the eligibility criteria for that at a point in time when welfare reform was in place and the Department was then producing mitigation measures. We saw that as slightly at odds.

Q184 Heidi Allen: As in on one hand you are making it more restrictive and on



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the other hand you are being more generous?

Denver Lynn: Yes, that is right.

Q185 **Heidi Allen:** Do you have a view as to how the Department could improve that?

Kieran Donnelly: We do not have a precise view, but we think it is something that the Department itself should explore and get underneath the reasons for low take-up.

Q186 **Heidi Allen:** You do think there could be a link there?

Kieran Donnelly: There is more that can be done, I think, particularly in how the scheme is promoted, how well it is known about and marketed.

Q187 **Heidi Allen:** But that is different to my question, which was around your comment in the report that the eligibility criteria was too restrictive. That is different from saying you are not marketing it well enough.

Kieran Donnelly: Yes. Both points are worth looking at—the eligibility criteria as well, and having a second look at that.

Q188 **Heidi Allen:** Anu, did you have something?

Anu Kane: We have compared it to what the criteria were for Social Fund payments. It has been tightened up since then and I know from speaking to the advisory sector that it felt that it was a lot more restrictive and there was maybe an element of confusion about who was entitled to it. When we asked the Department why it thought that there was a decrease, it suggested—as in para 4.27—the reduction was due to the criteria becoming more stringent. I suppose that is where we were coming from on that.

Q189 **Heidi Allen:** Did you not push back on that? Forgive me if I am overestimating your role, but you are kind of teasing out how a Department is or is not performing. If it is saying that its own underspend is because of the restrictiveness of the eligibility, surely the pushback is that that needs to change.

Denver Lynn: It is fair to say that that is a reasonable point. This was our first welfare report in six years and we were covering an awful lot of ground. We found it to be peripheral to the main benefits that we were covering, the personal independence plan, the social size criteria and the benefits cap, that was one where we thought we had identified an issue. In fact, we thought the Department had identified the issue itself, which was that making the criteria more stringent, as we described earlier, seemed slightly at odds with the mitigation packages. We thought the Department had discovered what the issue was, but we did not push back on it to the extent of the issue.

Q190 **Ian Paisley:** You are very welcome and thank you for your evidence. For the record, Kieran, congratulations on your recent honour, it is much deserved.



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Kieran Donnelly: Thank you.

Ian Paisley: Can I bring you back to this issue of the significant underspend that occurred for mitigation of £136 million in the first couple of years? That money goes back to the Department of Finance for reallocation. If it is not reallocated, I understand that it ultimately comes back to the Treasury here. Did you get any sense or have you had any sense that that money will be taken up again, will be required again in the next year?

Kieran Donnelly: Taking your first point there, the money is available for use elsewhere in the Northern Ireland block, the assumption being that it has probably been channelled into the health budget in the monitoring rounds. We do not have final figures for 2018-19, but I think indications so far are that the spend is along the same sort of lines as the previous year. I think the Department itself has produced six-monthly figures for 2018-19 on mitigations, so it seems to have sort of plateaued.

Q191 **Ian Paisley:** You made a point in answer to Heidi Allen's question about making it easier by better marketing or promotion. Have you given any thought to what that would look like or have you made any suggestions to the Department of that nature?

Kieran Donnelly: One issue is clarity around how these arrangements work. It is important that all the stakeholders and the voluntary community sector are aware. There seems to be uncertainty that is creeping through our stakeholder engagement and people were not sure how this worked. I think there is something that can be done in giving a bit more clarity.

Q192 **Ian Paisley:** Has the Department given you any feedback on that point?

Kieran Donnelly: Not as yet.

Anu Kane: If I may add, we did this report at a point in time, so we would not have followed up anything that has come out of this report as yet.

Q193 **Ian Paisley:** You made one point that I find very interesting, which is that "It also suggested that fewer disallowed PIP claimants appealed than anticipated, and claimants received higher PIP awards than predicted, meaning that fewer claimants required mitigation". Has there been any work done or have you approached the Department to do any work on those who were expected, maybe under normal circumstances, to have appealed who have not appealed? Is there any element of their being in a grey area—that that is a group of people that should have appealed, who were anticipated to have appealed but just did not? Have they fallen off the edge? Have you done any work on that side of it?

Kieran Donnelly: We will be doing more work on this because we will be having a deeper look at PIP this year. The figures you quote there do raise more questions. There are some surprising features, in that the lack



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of people maybe challenging PIP assessments is lower than we might have anticipated.

Q194 **Ian Paisley:** It is hardly an outbreak of great satisfaction with the decision that was made against them. I get the view that perhaps they feel they are lost and they do not understand the system, or there might be an element of that. Certainly the feedback I get at a constituency level is that there would be frustration with that. I welcome the fact that you are doing some additional work on it.

My final question is on the implementation costs. These mitigations cost—they cost additional IT and additional staffing. Have you made any assessment of whether that was a value-for-money exercise or was it more cost than it was worth?

Kieran Donnelly: It is very difficult to do a conventional value-for-money assessment on this because of the parity principle and because it is just not feasible for Northern Ireland to do its own IT. We have ended up here with essentially manual workarounds for the mitigations and that is probably the only way it can really be done. There are some figures in the report that say the cost of processing, the administration, is slightly higher than originally anticipated. I think it was £9 per £100 of programme spend compared to a budget of £7, but this type of thing is administratively heavy.

That said, elsewhere in the report some of the admin expenditure is under budget, it has not been as costly as initially anticipated, particularly for some of the other flexibilities such as payment of direct payments to landlords, for example, and the two-weekly payment instead of the monthly payment. The actual admin spend on that is lower than originally thought.

Q195 **Ian Paisley:** Is there anything that glares at you as the one key point in this mitigation that could be fixed or that we could amplify and it could be made better? Is there anything, from your independent analysis of it, that jars with you and you say, "That is an issue and if someone is looking at this again, that is where they should be looking"?

Kieran Donnelly: One of the biggest areas around mitigation is on the bedroom tax. That is the most challenging one in a sense because of the composition of social housing stock in Northern Ireland. Historically we have a lot of larger properties in the social rented sector, three-bedroomed houses, so there is quite a lot of mitigation that goes to the Housing Executive; I think it was £16 million last year. There are 25,000 properties that are under-occupied, I think. A wider issue then is looking at the composition of social housing stock and in the longer run how to get that more commensurate with modern-day requirements. That is a big issue and that is where I suppose mitigation has been particularly beneficial. We have some case studies in the report that demonstrate the positive impact of mitigations.

Q196 **Neil Coyle:** One of the other areas that is cost and labour intensive for



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mitigations is the manual processing of private landlords' payments, for example. Is that a fair or reasonable use of the Fresh Start Agreement funding or would it not be more appropriate for the Department for Work and Pensions centrally to be funding processes like that?

Kieran Donnelly: That is one I have not thought about.

Q197 **Neil Coyle:** Is that a more detailed one for a colleague?

Anu Kane: Even for myself, with the detail, as far as I understand it the way that it has been set up in Northern Ireland is that payments to the social landlord are by default but I am not sure what the actual system is for paying private landlords. I expect, as you say, that there is a separate administrative process that has to be undertaken, but we would not have looked at that in any detail.

Denver Lynn: The Department is best placed to answer this question, but in my understanding, one of the benefits of the late implementation of policy is that you can learn from elsewhere. One of the aspects that was learnt by the Department for Communities was the increase in debt that claimants would fall into when monies were being paid to them to pay to their landlord. That was the reason for the intervention on that particular point, that the default position, certainly in the social housing sector, was that monies would be paid direct to the landlord. That would take the individual out of that and they would not fall into arrears because of that same point.

Having said that, for the Northern Ireland Housing Executive, in the early introduction of Universal Credit, rent arrears from tenants have increased from £10 million last year to £12 million this year. They put that down to Universal Credit.

Q198 **Neil Coyle:** But the Department for Work and Pensions says in response to changes it is making that it has always followed a test and learn narrative, if not system. My question is: should that test and learn approach be covering the additional costs of making the shift here for often smaller private rented sector landlords that are equally an issue elsewhere, including the many that will not ever be included in the landlord portal, for example?

Denver Lynn: The test in that is, yes, there is a cost in that, but if what you are doing is avoiding debt and possibly irrecoverable debt—again, the Department is better placed to answer that question. I think this was the consideration, which was about avoiding an increase in debt, an increase for landlords to be in a debt position, an increase for claimants with Universal Credit being paid four weeks in arrears and, as I say, funding being handed to individuals. The early indications from GB were that many individuals struggled with those personal finances and I think that was the reason to incur that administrative cost.

Q199 **Chair:** I suppose where we were heading there was does it make sense for the taxpayer to pay DWP to design one system that pays rent to



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individual claimants and then for the Northern Ireland taxpayer in effect to pay to redesign that system to pay it direct to landlords, effectively undoing the change that has just been made by the central system? Would it not be more sensible not to have made the change and just left the system how it was? Wouldn't that have been more cost effective in the long run?

Anu Kane: I am not sure that that would have been the case. If we are saying that the Northern Ireland Housing Executive has £16.5 million from the mitigation payments and say the payments were all being made towards the claimant and they had to budget properly and pay the landlord, its arrears would probably be huge. It is one part of the Government giving to another part of the Government.

Q200 **Chair:** I think we were talking about how effective the implementation costs of this would be when effectively you have one Department doing one thing and then a different one having to undo it and manually make a payment in a different way. It is quite an expensive way of going about it, producing two different systems to fight each other, isn't it?

Anu Kane: And all of the costs of that, yes.

Denver Lynn: It is, but I suppose we cannot be drawn on the policy side of this.

Chair: But your job is to opine on the efficiency and effectiveness of public spending, isn't it? I was just asking if you thought that was an efficient and effective way of doing it.

Q201 **Neil Coyle:** An automated system that equally covered the private rented sector would have saved the labour-intensive resource of the mitigation. That being covered by Universal Credit centrally, UK-wide, could have saved this money potentially.

Kieran Donnelly: Potentially, yes.

Denver Lynn: As Kieran refers to, policy mitigations are about policy. They are about Northern Ireland setting aside the policy in the UK and setting aside the party principle and saying, "We are prepared to step outside of that. We are prepared to pay for that money out of the Northern Ireland block" so it is Northern Ireland funding. Policy sometimes doesn't create the most economical, efficient and effective solution on every occasion, I am told.

Q202 **Chair:** If you thought these mitigations were going to be longer lasting than four years, would you have thought it more efficient and effective to design a different way of achieving them than manual interventions on a case-by-case basis?

Kieran Donnelly: Chair, you raise a very good point. It is the time, how long these mitigations last. I think some of the mitigations were designed to be transitional, to cushion the transition from one system to another. It gets a bit more difficult when you are into the social size criteria



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because of what was said earlier. There is a structural problem in the housing market, so it is more difficult to achieve a short-term adjustment there. There is a distinction between those mitigations that are transitional, just to cushion the transition, and those that are maybe trying to address a deeper structural-type issue.

Q203 Rosie Duffield: When you looked at Universal Credit in January, you said that it was too early to assess its performance. What will you be looking for when you come back to evaluate the rollout of UC?

Kieran Donnelly: There is a whole variety of things. We will be interested in processing times and efficiency. We will also be interested in the fraud level and has that gone up or down or whatever, so we will have a close look at that. We will be interested in unintended consequences, particularly in terms of vulnerable groups, and also to what extent the Department itself has assessed the impact on the employment market and the overall objectives of getting more people into work. We will look at all of those things.

That said, we have no immediate plans to go into Universal Credit. We know the National Audit Office has been doing quite a lot of work nationally. Our next topic will be on PIP, around the Capita contract and how that is working out locally. In Northern Ireland about 10% of new claimants and people with changes in circumstances are on Universal Credit, so 10% of the total are on it and there is a long way to go.

Q204 Lady Hermon: Can I pick up on that? Let's just establish some of the facts here. How far has Universal Credit been rolled out in Northern Ireland?

Kieran Donnelly: Denver can amplify there, but I think it has for all new claimants. It started off in the Limavady local office over a period of a year and it has been rolled out for all new claimants.

Anu Kane: New claimants with a change of circumstances.

Denver Lynn: That is a so-called managed migration. For those people who are currently on the previous six benefits it has been postponed in Northern Ireland, so it will be 2020 before those people are transferred over to Universal Credit. That reflects a postponement in GB in the rollout of Universal Credit for the managed migration in respect of existing claimants.

Q205 Lady Hermon: What will happen at that stage if we still do not have a functioning Assembly in 2020? What happens to the mitigations that were agreed by the then Executive, who were quite happy to have the parity principle with the rest of the United Kingdom set aside when it came to welfare reform? They agreed a package of mitigation. When do those mitigation packages run out?

Anu Kane: For Universal Credit, the transitional protection that will apply across the water, which applies in GB, will also apply in Northern Ireland.



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At the minute, I think the Department estimates it would be about 312,000 people who would end up moving on to Universal Credit. To date 32,000 have moved, so that is about 10% of them. Once the decision is made to move them as part of managed migration, anybody who is worse off will receive transitional protection. I think there was legislation passed in 2018 on that.

Q206 Lady Hermon: Yes, but the mitigations that apply in Northern Ireland had a timescale to them.

Denver Lynn: The mitigations essentially fall under two categories. There were those that were provided until March 2020, and those were claimants on the social sector size criteria and the benefits cap. The other mitigations apply to people on the employment support allowance and to those people who are moving from DLA to PIPs. The awards made in those instances were for 12 months maximum. Most people who received those awards will have already moved from PIPs to DLA, so that should not be an issue.

The Department's figures would suggest that people have moved in employment support allowance transitions as well. The Department anticipates that the issue that it will still have to deal with for mitigations in 2020 will be 34,000 claimants in respect of social sector size criteria and about 1,500 in respect of the benefits cap. In March 2020, as it stands, mitigations will end and those people will revert to the main benefit or the normal benefit.

Q207 Lady Hermon: How would that impact on a significant number? You have just given us thousands of people who are going to be impacted by this. If we do not have a functioning Assembly that can do something with the mitigations, like extend them or revisit them, what happens to those people?

Kieran Donnelly: An interesting issue is what can be done administratively as opposed to legislatively. I think elsewhere, as in Scotland, there are things like the discretionary housing allowance, so there may be other avenues to explore there.

Q208 Lady Hermon: Sorry to interrupt. I know we are going to take evidence shortly from the Permanent Secretary, but do you believe, on reading the legislation that was taken through earlier this year by the Secretary of State for Northern Ireland, that the Permanent Secretary has power to extend the mitigation beyond March 2020 administratively?

Kieran Donnelly: I am not sure, but—

Lady Hermon: Because there are no Ministers at the present time to make any decisions at all, obviously.

Kieran Donnelly: No. It is a good question to put to the Permanent Secretary, yes.

Q209 Lady Hermon: The reason I am interested is that in your earlier



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evidence in response to a question, I took down what you said, that the mitigations could be tweaked when they come to be reviewed in March 2020. How could the mitigations be best tweaked by the Permanent Secretary? Given a fair wind and a bit of generosity of spirit, he might have an Assembly up and running by March 2020. How could they be best tweaked?

Kieran Donnelly: What I was saying there was if we had an Assembly in place all along, it is likely that they would have been tweaked year upon year. That is all I was saying. Looking to the future, the big issue seems to be on the social sector size criteria and what could be done there. Unless there is something done post-March 2020, there is the potential for hardship.

Q210 **Lady Hermon:** Hardship in terms of social housing in particular?

Kieran Donnelly: Housing, yes.

Q211 **Lady Hermon:** You gave us an estimate of—I think I am right in saying—25,000 properties are under-occupied in Northern Ireland. Is that the figure that you gave us?

Kieran Donnelly: That is the figure, yes.

Q212 **Lady Hermon:** As you know, in Northern Ireland we do not have very many one-bedroom houses or flats in social housing, so how on earth is that serious problem going to be dealt with in such a short period of time?

Kieran Donnelly: The key point is the short period of time. You cannot deal with a structural issue like that in a short period of time. That said, there is a legitimate question: what is being done in the longer term in the housing strategy to recalibrate the housing stock? That is going to take time. It will take quite a long number of years for that to be achieved.

Q213 **Lady Hermon:** Has there been any change in the strategy for social housing in Northern Ireland? In the absence of a Minister, I know it is difficult.

Kieran Donnelly: That is the caveat, in the absence of a Minister.

Lady Hermon: Here we go again, yes.

Kieran Donnelly: That is another interesting area that you could explore with the Department. In other jurisdictions, particularly Wales, my counterpart in Wales published a report on how the Welsh Government are responding on housing strategy and size of units. There is a longer-term thing there that needs to be looked at as well.

Shorter term, I think that there probably is a stronger case for some type of either mitigation or other arrangement. The option of a discretionary housing allowance might come into the picture as an alternative, but



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these are not matters for me. I think they are for the Department to answer.

Denver Lynn: As an indication of the scale of the problem, 45% of those on the housing waiting list are waiting for self-contained one-bedroom properties. The housing stock has 18% of those properties, so there is more than double the demand for the actual properties that exist.

Q214 **Lady Hermon:** How long has that been the waiting list? What progress has been made in trying to resolve what is a really serious, difficult problem in Northern Ireland with our social housing? What effort has been made by any of the Departments?

Denver Lynn: That would be an appropriate question to address to the Department, but it would be fair to say that it is an issue that has been there for a considerable time.

Lady Hermon: It has indeed.

Kieran Donnelly: Yes, it is not a new issue.

Q215 **Lady Hermon:** No, it is not a new issue. It did not happen overnight when they started to roll out Universal Credit. All of the political parties in Northern Ireland were well aware that this was an issue in Northern Ireland that had to be addressed. Is there anything at all you could point to before the Assembly collapsed in January of 2017 where any of the parties or any of the Executive Departments or any of the Ministers in any party made any effort to address this issue of social housing, making it fit for purpose for the size of families? They were well aware of the welfare reforms, well aware of them. Did any Minister make any effort to address this particular issue?

Kieran Donnelly: All I can say is that this issue was certainly flagged up in various housing strategy documents going back to 2015.

Q216 **Lady Hermon:** That was 2015, two years before the Assembly collapsed, and nothing was done.

Moving on slightly, you mentioned—I think I am right in saying—that in fact your next assessment is going to be looking at the personal independence payments. Were you at all in any way surprised by the decision of the Public Services Ombudsman to use her powers to initiate an inquiry into PIP?

Kieran Donnelly: No. Under legislation, the Public Services Ombudsman is required to consult with me before she embarks on such an exercise and she did. We have had conversations about this.

Q217 **Lady Hermon:** Do you feed into her investigation?

Anu Kane: Yes. The intention is that we will set up a protocol. We will be letting her know what our findings are, just to make sure, because we were very keen not to duplicate with another Government Department.



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Q218 **Lady Hermon:** Obviously. That is why I am asking the question, because I was very struck by that.

Kieran Donnelly: We will be looking at it from slightly different angles. The Ombudsman will be very focused on the experience of individual claimants and any generic issues around that. Our particular focus is on the contractual side of this. There is a huge contract with Capita and we want to see how that is working on the ground.

Q219 **Lady Hermon:** Excellent. I hope you will be taking evidence from the clients who gave us evidence in our first session, for example, who were deeply unhappy about assessments being made.

Anu Kane: Yes. As part of the preliminary work, I have been out to support groups for Aware NI, because I think mental health is one of the key issues for PIP claimants, so we will be talking to them all to see what sort of issues they are facing.

Q220 **Lady Hermon:** Yes, so that work has already been undertaken before it starts?

Anu Kane: That was part of our preliminary work, yes.

Q221 **Lady Hermon:** Is there a timescale for your report? Is there a timescale for the Ombudsman's investigation? Are you aware of—

Denver Lynn: The Ombudsman is not sure what the timetable is. The Ombudsman's powers are fairly new, so I think this is the first time that she has operated these powers.

Lady Hermon: Yes, it is.

Denver Lynn: She does not have a routine that we would have. Our intention would be to report probably in the New Year.

Q222 **Lady Hermon:** Early in the New Year?

Denver Lynn: I would hope so, yes.

Q223 **Lady Hermon:** Good. That is a commitment. We will have to take evidence again early in the New Year when in fact you have completed that report.

Something that I am increasingly aware of in my constituency in North Down is the increased reliance upon foodbanks. In your inquiries, in your investigations into welfare reform, did you notice an increase in the referrals to foodbanks? Do you have any evidence that you could present to the Committee about how Universal Credit, when it is being rolled out, has had an impact on the number of referrals to foodbanks? Is that something you would have figures on?

Anu Kane: We spoke to members of the Trussell Trust and it had not done any analysis in Northern Ireland specifically. It told us that the work that it had done in GB had shown that there was an increase in foodbank usage, but I think at the end of June just past, last week, it had a press



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release out and it had noticed a 13% increase in the use of foodbanks in Northern Ireland and it is expecting—

Q224 **Lady Hermon:** A 13% increase in this year, in 2019?

Anu Kane: Between 2017-18 and 2018-19 and it is expecting the usage to increase significantly over the summer, with summer holidays starting and children not being at school and not getting school meals.

Q225 **Lady Hermon:** Had it made any analysis of why? That is a stark increase in referrals to foodbanks.

Anu Kane: We have not. As I say, it just came out last week, but as far as I know, it is to do with the rollout of Universal Credit, because that would have been completed in December 2018.

Q226 **Lady Hermon:** Is this something you will be looking at in your next report that we are going to hear all about in January or February of next year?

Kieran Donnelly: I do not think it will be particularly germane maybe on the PIPs piece of work, but certainly it will be something we will be keeping in mind as we roll forward our work programme, so we will monitor that.

Q227 **Heidi Allen:** Do you think there might be some urgency, Mr Donnelly, in this?

Kieran Donnelly: Yes. Well—

Q228 **Heidi Allen:** I just have to say that I am sitting here keeping my mouth shut. Forgive me, this is out of order. I just Googled and 2016-17 was the latest time I could find on the internet. Forgive me, Lady Hermon, I am sorry.

Lady Hermon: That is fine.

Heidi Allen: Your earnings were £140,000 and £34,000 in pensions. I cannot tell you, Mr Donnelly, how difficult I have found this session. I want some get up and go from you to respond to these very difficult issues. Lady Hermon was asking, "Is this an issue you might look at, Universal Credit and the impact on foodbanks?" I would like to see a little bit more urgency for that salary, please.

Kieran Donnelly: Okay, yes. I can give a commitment that we will look at it, yes.

Heidi Allen: Wow.

Q229 **Neil Coyle:** That is useful. Can I just add to that? I do think the taxpayer dimension of this is important, because we have seen a consistent lack of understanding of the broader costs of getting welfare policy wrong, in particular, for example, with the PIP assessment process for extra GP appointments, extra consultant appointments to gather medical information. If it is foodbanks, it is about personal health and what extra



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impact that has for people with mental health conditions across a range of benefits. It is about where they are going if support is reduced. Any analysis of that wider cost to the taxpayer of some of these changes that DWP does not always identify upfront would be very welcome. That is irrespective of what you earn. As long as you pay your tax, I do not think that is any of my business.

Kieran Donnelly: A big theme of my work is looking at joined-up Government and particularly mental health issues across the piece. There are certainly gaps in provision where people get into the justice system, for example. We had a report out about a month ago on mental health in the justice system, joined-up working between the Health Department and the Justice Department and were there welfare issues. Sometimes people are falling through the net and they are picked up in justice rather than in health or in welfare. There is some good work being done on the ground in dealing with vulnerable groups in some of our towns and cities in Northern Ireland.

Q230 **Lady Hermon:** Good work being done by whom?

Kieran Donnelly: By hubs at a community level in identifying problems on the ground.

Q231 **Lady Hermon:** Voluntary organisations. Charities have done superb work. In my personal experience, they have done superb work in helping vulnerable people, but I would like to know that there is joined-up work and thought between the Departments. What concerns me is the people that I know who have been turned down for PIP. When you mentioned in reply to Mr Coyle about the justice system, have you identified any availability or use of legal aid in Northern Ireland by those who have been turned down for a PIP or benefits for various reasons? Is that an area that you have looked at?

Anu Kane: We are not there yet, but that is an area—

Kieran Donnelly: That will be an area, yes. The vulnerable groups, for example people with Asperger's, and how they are being dealt with in the system is something we are very keen to look at.

Q232 **Lady Hermon:** Is there any assessment within your Department about rising levels of poverty in Northern Ireland, child poverty in Northern Ireland? Is that something that your office—

Denver Lynn: There is no work underway with regard to that at the moment. For that, we would rely on the Northern Ireland Statistical Research Agency stats to underline growing poverty, what they would be, and we would be conscious of that. I referred earlier to the fact that we had not undertaken any work on the welfare side for five years. As Mr Donnelly has referred to, there is the PIPs plan that is forecast. We have another welfare reform report programmed for later next year.



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To answer a question of yours earlier, in terms of these reports, it is important to bear in mind the scale of ourselves against the National Audit Office. There are about 10 of these reports a year, so that is just an important scale to remember.

The reason for not being in the welfare reform patch was because of the policy changes and the policy shifts. It is difficult for us to get involved when something is changing, but we were waiting for that to settle and it has settled for the mitigations. That is what we came into first, but certainly welfare is something that will be part of our annual programme for the next three or four years.

Q233 Lady Hermon: Can I ask, so we are fair to your office, what size is your office? How many?

Kieran Donnelly: Just over 100 staff.

Lady Hermon: You have 100 staff?

Kieran Donnelly: Yes, but most of the staff would be involved in the audit of financial statements, the accounts.

Q234 Lady Hermon: It would be very helpful to this Committee going forward if we had an independent assessment, through your office, about rising levels of poverty in Northern Ireland, the reasons why we have that poverty, looking at child poverty and pensioner poverty. Those are issues that I feel very passionate about. I would like to know and have the confidence and reassurance that your office is across those issues and will be reviewing them and looking at the reasons for them. Is that something you could commit to do?

Kieran Donnelly: How we put our programme together, we start off with a programme for Government and we have a balanced programme across Government objectives. We have a limited resource, so—

Q235 Lady Hermon: Are you saying that in fact you could not undertake that sort of inquiry yourself, that you have to wait for Government, for the Assembly to come back and have a programme of Government, or are you looking back at the latest version of the programme for Government by the then existing Executive of 2017?

Kieran Donnelly: I suppose the starting point is from the programme of Government objectives, so if there is an area where there is a policy gap, we can have a role in drawing that out where maybe there is not sufficient policy formulation. There is nothing stopping us getting into that territory.

Q236 Lady Hermon: Would you identify poverty in Northern Ireland as a policy gap? Surely, because that is a gap.

Kieran Donnelly: It is a gap, yes, because there has been a lot of public debate about the absence of a poverty strategy, but our normal starting



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point is that we take a Government strategy and see how it has been implemented.

Q237 **Chair:** But making people better off was part of that Government strategy, wasn't it? Presumably if they are getting worse off, that would tie in pretty well to an audit of how well the objectives are being achieved.

Heidi Allen: Yes?

Kieran Donnelly: Yes, sorry.

Anu Kane: Picking up on Kieran's point earlier, we do only 10 reports a year. I do the value-for-money stuff and I also do the financial accounts stuff, so I am doing only one report a year. At the minute we have planned to do PIP next, then our next one had been planned to be Universal Credit, so anything that we do, things like you are suggesting now, we will obviously take that on board and go away and think about which year could we slot this into and what we can do, but we don't have infinite resources either.

Q238 **Lady Hermon:** You must be able to prioritise what you do. I would have thought this was a priority.

Chair: We have probably made our point on this, I think.

Kieran Donnelly: Yes, of course we can prioritise. If we had an Assembly, the views of Assembly members would feed into that process and feed into the process of prioritisation.

Q239 **Heidi Allen:** Then you will have to do it yourself, won't you?

Kieran Donnelly: Yes, and take on board points from yourselves.

Heidi Allen: Perhaps on your salary, you might find that capacity.

Kieran Donnelly: Yes.

Q240 **Chair:** I think we have made our suggestions as to their work programme.

There is one recommendation you made we have not touched on, which was evaluating the value for money with funding independent advisory services and considering how best to structure that between internal advice and using other bodies. Perhaps you could just expand on why you came to that and what you perhaps think the Department should be doing.

Kieran Donnelly: Chair, we were not making a critical point there. It was simply in terms of good practice and the amount of money going in—£8 million a year—we felt it was important that there was a full evaluation. We think there is a lot of good work being done in the advisory service, but it would be good practice for the Department to have a formal review of that. That is all we were saying.



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Q241 **Chair:** We are looking at producing a report either for the Executive or for the Secretary of State, depending who is around when we come around to prepare the report. Is it fair to say that to date the mitigation spend has been efficient and effective in achieving the objectives that were set for it, that it has delivered what the Executive wanted it to deliver?

Kieran Donnelly: Certainly to some extent it has alleviated some of the hardships that it was meant to alleviate. The real problem is going forward, because of time lags and the fact that the fund is running out in March 2020 and it has not spent the amount that was originally projected.

Q242 **Chair:** If either the Secretary of State or the new Executive wanted to extend the mitigations on the benefit cap and the social sector size criteria, you would be happy, at least in theory, that that sort of spend going forward would remain efficient and effective and you would have no objection to the Department pursuing that policy?

Kieran Donnelly: It is not my job to question policy. In fact, I am precluded from questioning the merits of policy objectives, but in terms of implementation, I would not have any big issues.

Chair: Thank you all. Thank you for your time and for coming over. We are very grateful.

Examination of witnesses

Witnesses: Tracy Meharg, Anne McCleary, David Sales and David Tarr.

Q243 **Chair:** Welcome to our second panel this afternoon. Is it easiest, Tracy, if you start us off by introducing yourself and your colleagues?

Tracy Meharg: Certainly. Good afternoon, everybody. My name is Tracy Meharg and I am the Permanent Secretary in the Department for Communities. I have alongside me some colleagues. David Sales is responsible for the Universal Credit programme, Anne McCleary is responsible for policy and legislation and David Tarr is responsible for all the legislation around mitigations.

I should say that I joined the Department for Communities in December last year, so that was the same month that we finished rolling out the first phase of Universal Credit. I hope you found our written brief of help in this. I would say to you that my initial assessment would be that it has been a very complex and challenging programme rolling out a reform like this, which is the biggest change to welfare for over half a century, and alongside that rolling out a range of mitigations and flexibilities—really very challenging.

At the same time, we have had to do a significant amount of training of our staff. It is very challenging, because they also have the legacy systems running alongside the Universal Credit systems. Some of the



systems that we put in place have been manual, so that has been challenging also in terms of delivering the changes because, as you know, the systems run on an IT platform.

The NIAO report that you will have seen does acknowledge that there has been a smoother implementation in Northern Ireland than other parts. I think that is a real credit to our staff. I would say to you that since I have come in post, I have spent a lot of time in the JB offices going around and sitting down with staff and watching them engage with our customers. The very human side of this is that our staff deeply care about what they are doing here. They have cards on their tables and thank you notes from customers, so it is important to point out that the people who are delivering this care as well and they are doing the best that they can to do this. As I say, a lot of the people presenting have very complex issues, so we are in a learning phase in how to address that and trying to make sure that our staff have the appropriate skills to deal with that.

Also because of the political situation we are in, we feel it is important that we are very transparent about what we do in our decision-making process. That was why we published the "Review of Welfare Mitigation Schemes". We were obliged to do a publication, but we went much further than that and we show in that report how many of the mitigations have been used to date, what the cost is, but we also went further and talked about what evidence we could see around what would happen if they stopped. As you will see in that report, the two areas where we identified the biggest need were SSSC and also potentially benefit caps.

We are at the moment engaging with stakeholders, asking them what they think. This is a critical time for us, taking on board all of the evidence, so we really appreciate this work, because it is shining a light on the stuff that we are deeply thinking about at the moment. But I suppose whatever decision we take, there are a number of issues we need to consider. Budget is one; the mitigations budgets will have ended. Policy is another. Do we have the policy cover to do whatever we are doing? Does it need legislation? But also we can't forget the operational issues. If we make any significant changes, this is big. There are 1,600 staff in the front offices as well as the back office staff. We need the systems in place and we need them trained up to do it.

The other really important thing is the communications to our customers. If we are not going to have mitigations in place by March, we need to start letting people know and preparing for that. Our understanding is that at this stage a lot of people do not even realise they are being mitigated. We mitigate at source—that is, they do not have to apply for it—and our understanding is that up to 70% of people who are getting the SSSC do not even realise that that is being mitigated at the moment and they are not planning for that.

Q244 Chair: In the event that this mitigation stopped, when would you want to



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know that so you could start telling people?

Tracy Meharg: We would want to know as soon as possible. It really is challenging. Just to be clear on that point—

Q245 **Neil Coyle:** It is challenging with the current timeframe?

Tracy Meharg: Yes. At the moment, we are running on the mitigations. If we had everything else in place, we had the money, the policy, the legislation, we would just keep going with where we are going at the moment.

Q246 **Ian Paisley:** What stops you from rolling mitigation out after 2020, in nine months' time?

Tracy Meharg: Basically, the legislation falls off in 2020 and we do not have the ability to do anything. As civil servants we cannot address—

Q247 **Ian Paisley:** Sorry, Tracy, the Secretary of State's guidance does not allow you to keep that rolling or is that part of—

Tracy Meharg: The EFEF guidance does not give me any ability to legislate. It needs legislation. While the guidance does give me the ability to consider policy in the context of public interest, what I can and cannot do is quite narrow. Any rollover of the extension of the existing mitigations will require legislation.

Q248 **Chair:** Can I take you back to the timing? When would you want to know that you had to start preparing people that the mitigation would drop off? Is Christmas too late or would three months—

Tracy Meharg: These are judgments we are going to have to make. Obviously, the politicians are in talks at the moment. I am very reluctant to anticipate that this is or is not going to work. We are ourselves thinking carefully through that at the moment. The truth of the matter is that as long as the legislation was in place before the end of March we could continue, assuming that we continue to plan on the basis that we do not let anything drop off.

Q249 **Chair:** Okay, but without a decision to extend, when would you start telling people that their payments would reduce and they need to start preparing? When do you think you would want to start doing that?

Tracy Meharg: I really think we would have to start thinking about that in the autumn. There is a fine line here between panicking people and making people informed. We are going to have to have a complete communications plan for that. We are at the moment, of course, looking at whatever options we can, although, to be frank with you, none of them are looking great.

Q250 **Lady Hermon:** Those options are?

Tracy Meharg: One of the options we have looked at is discretionary housing payment, DHP.



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Q251 **Ian Paisley:** Scotland does that?

Neil Coyle: Sorry?

Ian Paisley: Scotland does that?

Neil Coyle: I am not Ian Murray.

Ian Paisley: Sorry.

Tracy Meharg: DHP at the moment is in Northern Ireland. It is a relatively small budget, £5 million at the moment. The big issues for that would be, first, we probably could get away with the legislation because it would be—

Anne McCleary: It does not come from the welfare reform legislation, so it is something that we could do but there is no money for it.

Tracy Meharg: The big issue is that obviously you still need the budget but operationally it is also very challenging. We have 33,000 people at the moment on SSSC. If you think about that, how would you suddenly migrate 33,000 on to a discretionary platform, which is discretionary.

Q252 **Ian Paisley:** It is £16 million?

Tracy Meharg: It is £22 million a year if we were to mitigate every single person who is presently mitigated on SSSC. Not only that, there would have to be people doing this, taking the application and turning them around. Operationally, we would have to make that decision by October at the latest if we were to go down that route. I will be honest with you, we have talked to stakeholders. This is not seen as a particularly good move. Is it better than nothing? Then the question is: are there other things in place? Do we have the budget? Do we have the policy cover? The fact is people would have to apply for it.

Anne McCleary: It is not ideal.

Q253 **Neil Coyle:** There seems to be an issue there around awareness. I do not know how Scotland operates this, and I have been confused with Ian Murray in the past; that is why I make that comment. In London, for example, it is a 12-week limit on the discretionary housing payment and the assumption is that there has to be a likely change in that. It could be higher earnings or something else coming in. Would you have to change how discretionary housing payments are administered in some of those rules in order to make that a potential means of mitigating?

Tracy Meharg: I will let Anne go into the technical details of it, but the point is that we have limited ability to make significant changes.

Anne McCleary: The rules around DHP in Northern Ireland are largely dictated by policy in the Housing Executive. I understand at the minute that they usually have it for no more than six months at a time, but it is a policy, it is not in the legislation itself.



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Q254 **Neil Coyle:** It may need further changes even for that option to be viable potentially?

Anne McCleary: Yes.

Q255 **Neil Coyle:** Does this not expose the fact that you are referring to people as customers? I would dispute that. These are people seeking their rights and entitlements who do not have the option of somewhere else to go. Do you think "customer" is the right language for this discussion?

Tracy Meharg: This is a conversation we have all the time. Whether we call them people who claim or people who claim benefits or just people, at the end of the day we need to treat them as people coming in who are getting a service off us. I am happy to call them whatever you like. Sometimes I call them customers, sometimes I call them people who claim benefits and sometimes I call them claimants.

Neil Coyle: It is not that they can take their business elsewhere. They are seeking a basic amount to be living on in many cases. That is the point I would make.

Q256 **Chair:** While we are on discretionary support, I think that there is a feeling that it is a lot tighter in Northern Ireland than it perhaps used to be and it is elsewhere. Is that something that you are conscious of?

Tracy Meharg: Sorry, what was that?

Chair: The criteria for having a discretionary support award are tighter than they used to be and perhaps tighter than they are elsewhere in the UK. Is that something you are aware of or would agree with?

Anne McCleary: I think that you might be referring to the fact that it is available for the social rented sector in the rest of GB, whereas it is not in Northern Ireland. There are only a couple of very small, specific groups who are in the social rented sector who are currently eligible for DHP, whereas that is not the case in GB.

Q257 **Chair:** You can fix that through regulations and policy?

Anne McCleary: Yes, potentially, if there were a decision to do that.

Q258 **John Grogan:** You do have powers, though, to prepare for an Executive coming in, don't you? When you gave the deadline as March next year, you could very quickly get the different options in front of new Ministers?

Tracy Meharg: Precisely. Our commitment is that where we can we will make sure that when a Minister comes in we have as much evidence as we can to inform a Minister to make decisions. That is why we are going probably further than we would normally in putting the evidence out in the public domain about what has been happening to date.

Q259 **John Grogan:** Does it help you as civil servants that as far as I can see, and I will be corrected if I am wrong, there is a fair degree of political consensus between the different parties and the different perspectives in



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Northern Ireland that they would want to see these mitigations continue in some form or other? Does that help you with the preparations?

Tracy Meharg: Certainly, I think that there is quite a lot of consensus around SSSC.

Anne McCleary: Yes, there is general agreement.

Tracy Meharg: I would say that that would be a fair enough conclusion.

Anne McCleary: We have had a number of engagement events around the mitigation review and the general consensus of those events has been that they would like to see them extended.

Q260 **Ian Paisley:** Tracy, you accept that the structure of public housing and the Northern Ireland Housing Executive start the mismatch between what people require and what is available. It means that it is impossible to end this bedroom tax mitigation in Northern Ireland without there being a major crisis, either for the Housing Executive as a significant landlord or for, more importantly in my view, the tenants.

Tracy Meharg: The Housing Executive has about 83,000 houses and it no longer builds. That stock does not match with the requirements under the SSSC criteria. There are about 50,000 further homes that are owned by the housing associations. For the last number of years the Department has been encouraging an element of that to be built around single—I think that single rooms and two bedrooms is about 70% of the new stock that is coming on board, but it would take a long, long time to turn that stock so that we did not need to have the SSSC issue any longer.

Q261 **Ian Paisley:** I understand that only 18% of the entire self-contained social housing stock is one bedroom.

Tracy Meharg: That is correct.

Q262 **Ian Paisley:** It is a very small amount and the Housing Executive has given us evidence in writing that with Northern Ireland social housing stock, many tenants would be unable to move to a property with fewer bedrooms, even if they were willing to do so.

Tracy Meharg: That is correct.

Q263 **Ian Paisley:** The mismatch is there. How big a crisis are we looking at if you were putting it at zero to 10 in terms of the Richter Scale?

Tracy Meharg: In the policy document—and clearly, obviously, we have to go on the evidence that is in there—there appears to be a mismatch of stock. What we are trying to understand is how different that is from the rest of GB. What is for sure is that in the absence of the mitigation arrears would increase. While we would work with the Housing Executive and housing associations to ensure that they manage those in a way that avoided homelessness as much as possible, ultimately when arrears get to a certain extent they have a duty to collect the debts. I do think that—



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Q264 **Ian Paisley:** Sorry to interrupt, but do you have any idea of the scale of arrears at the present time? How many people are in arrears at the present time?

Tracy Meharg: The arrears have traditionally been quite low in Northern Ireland, but they have gone up over the last 12 months. I think that the housing associations have gone up about 6%. The Housing Executive has gone up about 1.5 million, so there has been an increase in arrears. At the moment, that is largely down to these technical and residual arrears. There are some things that we can do going forward in how we manage the payments to help reduce some of that. The fact is that Universal Credit is paid five weeks in arrears and that will mean there is always going to be a built-in situation where people get their money later. David, do you want to add anything on that?

David Sales: Yes. It is important to understand as well at the moment that most of the claimants would not be Universal Credit claimants because we have just recently completed the rollout of Universal Credit in Northern Ireland. That would be one of the issues with residual arrears as well. You have the technical arrears, which obviously is different with housing being paid in arrears. Housing benefit was paid in advance so naturally there is that change in policy, which is going to lead to some form of arrears. We also have the batching of payments to pay the social rented landlords. At the moment we are working with DWP to try to speed that process up so that we can automate that to get the money to the landlords quicker.

The other issue is what we call residual arrears, which is where the amount of support that someone is receiving for their housing does not match their housing costs and there is a residual amount left. Again, it is calculating that amount and getting that information to social rented landlords quicker so that they can then intervene and work with their tenants. Those are the main issues that are coming out of housing under Universal Credit.

Q265 **Ian Paisley:** Where do you think the scale of the crisis will sit?

Tracy Meharg: I have asked for some work to be done on this by the Housing Executive. I haven't got it yet. I am not going to use the word "crisis" because I do not know the evidence. What I can say for certain is the level of arrears will increase and that cannot be a good thing. When arrears increase, it is more difficult for people to keep their homes and if people do not have their homes, basically that is a significant issue about people in our society not being able to stay in their homes. I would be concerned but I do not know whether it is a crisis yet. I will answer that question when I get full evidence on that.

Q266 **Ian Paisley:** To mitigate that, there are several circumstances potentially. We have heard that £138 million was unclaimed under mitigation in the last two years. There is potentially now £30 million to £40 million not to be claimed this year. Is there any way of you clawing



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any of that back in advance of addressing what could be a social security crisis? This will have a dire impact, in my view, if it is not addressed.

Tracy Meharg: The way it works in Northern Ireland at the moment is we have one-year budgets. The budgets come in the year and they get spent in the year, and what is not spent is given to other priorities. If something is not spent in our Department, it might go to hospital beds or it might go to justice or policing or whatever. There is no residual money left that I can take to do something else in future years. It is just the nature of public sector financing. It is single-year budgets.

The underspends were down to a range of issues. Part of it was timing changed. Some of it was down to the policies themselves changing. David, do you want to add more to the reason why we had the level of underspend that we had?

David Tarr: There were issues for our analysts at the start when they were predicting the budget for the mitigations. They were trying to predict what the impact would be of the welfare reforms before they had actually happened. In particular, with the loss of the disability living allowance—I have the figures here—they had estimated, for example, that 33% of people would have a reduced award. It turned out to be only 19%. Then there were also fewer people who actually lost their award for DLA when they moved across to personal independence payment than we thought. That also has a knock-on effect on the other mitigation payments, like carer payments and loss of disability premiums. That is one of the reasons why there has been less spent.

Employment support allowance time limiting, of course, came in later and fewer people were affected by that. The Department did a communications campaign and encouraged people to make sure they were getting the right benefit. More people moved into support groups, therefore, exempt from time limiting. Then, of course, we had the cost of work allowance, which is £35 million per year. That is a big chunk of the underspend in the previous two years, £70 million total, obviously.

Tracy Meharg: The cost of work allowance was the one that we did not do in the end. There were two reasons that we did not do it. One was because we did not have the legislation, but also the fact is that we determined there would be a tax implication and it would not necessarily represent value for money to do that. That has been returned year on year.

Q267 **Ian Paisley:** Could I make one final point, Mr Chairman? I think the point that you made in your opening comments about your staff in Jobs & Benefits offices and the public face of your Department is a point that has been very well made by you.

Tracy Meharg: Thank you.

Chair: Rosie, I think that you had some questions going back to landlords.



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Q268 **Rosie Duffield:** Yes. We have covered a lot of this about the payments to landlords, but Housing Rights told us that your Department is encouraging social landlords to recover residual arrears from tenants. Is that right when arrears are caused solely by an administrative problem?

Tracy Meharg: Housing associations are social enterprises, so they will have to run under their board governance. The Housing Executive is a Department that is an ALB of our Department, and we would agree with the Housing Executive what their process would be in chasing arrears. It is absolutely entirely appropriate that they should be making sure that they get the money but in a balanced way. We are working with the Housing Executive, which we obviously have more powers over, so that we can agree with them the approach to that around the collection of arrears in a way that takes account of whether it is being done in a way that is balanced. It is not the fault of the individual in question there.

Q269 **Neil Coyle:** Can I ask a follow-up? David, you mentioned this. What else are you doing to prevent the build-up of residual arrears due to misalignment of assessment or rental periods? You acknowledged that there is a problem but you did not say what you and the team are doing to address that.

David Sales: I will come back on the previous point in both answers. The residual arrears are not caused by an administrative problem. The residual arrears is basically that the claimant has a liability and the state is only supporting part of that liability. If your rent is £450 and the state is providing £400, your residual arrears is £50.

What we are trying to do, particularly with technical arrears, which again is this batching of payments, is taking money and providing it to social rented landlords but we are rolling that up into a batched payment. At the end of the first four or five weeks when we take the money from the claimant's entitlement, rather than pay it directly then, there is no facility at the moment to pay it directly so we have to batch that up. It might be another four weeks before the first payment is received by the social rental sector landlord, which means they are always in arrears.

What we are trying to do is get a better information flow. In Tracy's opening remarks she gave commentary about some of the clerical or manual work that we are doing, and this is one example. We are trying to work with social rented landlords to tell them the amount of money that they are getting in respect of a particular claimant as early in that journey as possible so that they have the potential to intervene. They would understand that there may be residual arrears starting to build from month 1, similarly that they are able to match up and understand. Rather than pursue a claimant for technical arrears, they understand that there is a payment coming from the Department, it is just with the payment cycle. There is work that we are doing clerically now. There is also work that we are doing with the Department for Work and Pensions to automate that process so that the system would do that automatically.



Q270 Neil Coyle: It is interesting to dispute part of where these arrears come from because we were given specific examples in the evidence session in Stormont, including, for example, what I would term an info-lag, where someone moves between landlords and the previous landlord is still receiving the payment or has already received part of the payment and then the tenant being liable for the new rent but having absolutely no means of covering that. There are admin parts of this equation that are nothing to do with the tenant specifically.

David Sales: In that scenario, that is probably what we would call an unintended consequence of one of the Northern Ireland flexibilities. If a claimant moved and we pay the housing elements direct to a landlord, a claimant's entitlement is calculated on the last day of an assessment period. If a claimant has moved house and changed landlord during that assessment period, the payment will go to the landlord on the last day of the assessment period. That is the policy, so we are operating that in line with the policy. The issue in Northern Ireland is that we pay the landlord rather than the GB way of paying the claimant. There is an issue there that we would need to try to work out the responsibility on the two landlords, the claimant and the Department to work their way through that process.

Q271 Neil Coyle: But from what we heard, the onus is falling on the individual and people are being asked to pay back money they have never received rather than chasing the landlord, who has accessed funds that should not have been paid to them.

David Sales: Yes. As I say, it is an unintended consequence of the Northern Ireland flexibilities and the legislation around the recovery—

Q272 Neil Coyle: Do you have any plans to tackle the landlords involved in that equation?

Anne McCleary: We are looking at that. I think that is what David has said. We are looking at it to work with the landlords and with the tenants to see what we can do.

Tracy Meharg: To be honest with you, all the mitigation flexibilities have provided benefits but they have not come without their challenges. If we take, for example, the twice-monthly payments, a great idea except that it means that the claimant—if you want to call them that—does not get their full claim until the second lot. With the direct payment to the landlord, it means that if they change during the period the money goes to the wrong landlord. These are things that we have to work our way through in how we do them in the future, but we do acknowledge that those are things that we would want to be able to address.

Q273 Chair: I am intrigued by that from a system perspective. That means that the tenant has told you that they have changed landlords because presumably you have the new landlord's details. Presumably, they have told you whether the rent has changed up or down so you can calculate the amount you owe. Can't that system then cope with saying, "We need



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to split the rent payment this month to get it to the right place"? You would think it would be a flag on the system.

Tracy Meharg: We need to sort it out.

Q274 **Chair:** It is something that you could automate or systemise or whatever American phrase we want to use.

Tracy Meharg: We just looked at the figures and the payment to the actual private sector landlord is an issue for us, we know that. It is working very well with the social landlords, but the payments to the private landlords continue to be an issue for us and it is something we need to get better at.

Q275 **Chair:** How many a year of these incorrect payments, paying a landlord more than they are really owed, are happening?

David Sales: We do not have any specifics of how many claimants changed landlord in an assessment period.

Q276 **Chair:** Are we talking a few hundred a year or is it a few thousand a year?

David Sales: Certainly, the sense—and it would only be an uninformed guess—would be that you would not be talking hundreds, no.

Q277 **Chair:** But you must know how many complaints you are getting that one landlord has not been paid and others have?

David Sales: Roughly half of our caseload is receiving support with help for housing and then that is split between private rented and social rented. No, we would not have any kind of sense that this is a huge issue, but it is an issue.

Tracy Meharg: The population is 8,000, I think, so it is a percentage of 8,000.

Q278 **Chair:** Okay. You mentioned, Mr Sales, about the DWP trying to automate some of the batch payment stuff for you. It has not been very keen over here on the mainland to pay rent direct to landlords unless it really has to, but now it is talking about devising an automatic way of doing that for you, is it?

David Sales: Yes, and there are two elements to this, without getting too technical. There are also changes required to our central payment system, which is a different part from Universal Credit IT. We have a number of IT asks of the Department for Work and Pensions around our flexibilities and it has been gradually working with us on delivery on those. We are confident now that over the next probably 18 months we will have all of our IT requirements delivered.

Q279 **Chair:** One of those is so that you can say, "Here is the amount we owe to the social landlords"?

David Sales: The batching of payments to social rented landlords, yes.



Q280 **Chair:** That can actually be done much quicker than four months later?

David Sales: Yes.

Q281 **Lady Hermon:** It is very good of you to come to London to give us evidence here this afternoon. It is very valuable indeed and we do appreciate it. Thank you.

I have several questions here. What I was particularly struck by with the witnesses that we had in the first panel in Stormont was that all four of them did not have a happy experience of making claims on to the new scheme, Universal Credit. Tracy, forgive me for quoting back to you what you said at the beginning of the evidence session: that the experience is that there has been a very smooth implementation of Universal Credit in Northern Ireland and that clients have written—and I am not disputing this—thank you notes and they are on the tables of office staff. Could I also just reflect to you the evidence that we received? It was public evidence and it was not complimentary. It was certainly not complimentary at all.

In addition, we also know, as recently I think as last week, that the Ombudsman, Marie Anderson, has announced—and it is the first time she has used these powers—that she has initiated an inquiry into PIP. Somewhere along the line this is not as smooth a rollout as has been presented. We just need you to reconcile the evidence that we have had from clients. We can call them customers, but certainly they were accounting and giving us an account of a very unhappy experience of claiming benefits on to the new scheme. As I say, the Public Services Ombudsman has used her powers for the first time to look at PIP. So, reconcile those two for us, please.

Tracy Meharg: I saw the evidence that you had. We have had people coming to us and telling us things have not gone right, and they might not have gone right because we haven't got it right every single time. We acknowledge that and where we do not get it right we will say we did not get it right and we will try to make it as good as possible.

Q282 **Lady Hermon:** What changes have been introduced to help?

Tracy Meharg: Obviously, this is very new. We are learning and staff are learning as well. There will always be people that we do not get it right with and it would be absolutely ridiculous for me to sit here and tell you that it was fine, everything was okay. We have also engaged with those people, the point being, unfortunately—what does not get aired on the other side—that it does go right a lot of the time and most of the time. I just wanted to get that balance in the equation here.

Q283 **Lady Hermon:** You are saying that most of the time claimants are happy?

Tracy Meharg: We have started to follow up and assess all of these things. What would be the best evidence that we have around the experience?



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Q284 **Lady Hermon:** Well, you could give us some evidence about what steps have been taken by the Department to support vulnerable people in making a claim. What practical steps have you put in place? I know it is a short time after the rollout of Universal Credit, but having listened to the complaints there have been—and you have acknowledged and accepted that there have been complaints and it has not been a smooth journey for everyone—what has changed within the Department to address those complaints?

Tracy Meharg: Obviously, there is a significant amount of training for our staff. We are helping them with things like understanding mental health issues. There is also the toolkit that we have introduced to support them in addressing vulnerable people.

Q285 **Lady Hermon:** The toolkit is issued to all of your staff and front officers?

Tracy Meharg: Yes, it is. As we move forward, we are learning. Unemployment in Northern Ireland at the moment is 2.9%. A lot of the people who are presenting are people quite far from employment and they do need a lot of support and help from our staff. That is something that we are learning and we are supporting our staff through that. As this rolls out further, we will make sure that they get as much support as they can.

Marie Anderson came in and had a chat with me about her work. As far as we are concerned, if there is something not right here, we want to know so that we can fix it. We welcome any scrutiny.

Q286 **Lady Hermon:** You welcome this investigation and you will be delighted with her recommendations?

Tracy Meharg: Absolutely, fully co-operating with it. I spoke to Marie on this and we had the conversation. We have a huge responsibility here. We are dealing with lots of vulnerable people and we want to do it as best we can. We welcome whatever evidence comes in to help us and support us to do that better. The level of complaints that we are getting is not that high.

Anne McCleary: It is 2%.

Q287 **Lady Hermon:** Don't you recognise that, in fact, there is a vulnerability in that people feel that if they complain they will be done down for complaining? Do you not see that that is also a really serious issue to be addressed?

Tracy Meharg: I suppose I would have to reflect on that, but there are no sanctions for people complaining. People are entitled to make a complaint and the levels of complaints that we are getting are not—obviously, every complaint we get is too many, let's start on that point, because, as I say, these are vulnerable people and we do not want any of this to happen. For me, there is nothing in the evidence that I have seen that would suggest any maladministration or anything that I can see we



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really have to address in the short term. These are about working through.

Q288 **Lady Hermon:** In your conversation with the Ombudsman, you are going to co-operate fully, so what sort of timescale do you think will be needed to complete this investigation?

Anne McCleary: The Ombudsman was talking about her report being completed in the next year. I think that is what she was saying in her interview on radio on Saturday. We expect that it will be concluded by then, but how long it takes us, we will have to wait and see what she comes up with and see what happens next, I would imagine.

Tracy Meharg: There has been a lot of scrutiny on the Department. There was the review of welfare by Walter Rader. There is obviously the Northern Ireland Audit Office report. It is not that we have not had any scrutiny; we have had scrutiny.

Q289 **Lady Hermon:** I was just coming to the Comptroller and Auditor General for Northern Ireland. He did stress to us that the eligibility criteria were much stricter compared to the criteria that had been applied for the social fund.

Tracy Meharg: Is this the discretionary support?

Lady Hermon: Yes.

David Tarr: The eligibility criteria for that are different somewhat to the social fund. It is not a direct replacement for the social fund, we acknowledge that, but the intention behind the policy was to open it up to make it available to more people who are in non-paid employment and things like that. It is a service that we offer in Northern Ireland and it is not available elsewhere in Great Britain. We offer loans and grants. We do acknowledge that the budget that has been set has not been spent as much or we are not spending as much of the budget as we would have done under the social fund previously. We are carrying out a fundamental review of the entire policy within the Department at the moment.

Q290 **Lady Hermon:** A fundamental review of the entire policy?

David Tarr: Yes.

Q291 **Lady Hermon:** That is an admission that, in fact, something has gone wrong.

David Tarr: Well, I don't know. What I would say is the discretionary support scheme is unique in the UK. We have moved from a social fund that applied across the UK. We have developed our own scheme within Northern Ireland. It has been operational for about two and a half years. Has it gone perfectly? I don't think that I can sit here and say that.

Tracy Meharg: The point is that we are learning as we go along here and, of course, we have to continue to review things to make sure that they are working for us. I am not uncomfortable with saying that we are



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reviewing things. I think we just have to do that at the moment because this landscape is changing constantly.

Q292 **Lady Hermon:** Can I go back and reflect on the timescale? As David has indicated, it is two and a half years. That sort of matches when the Assembly collapsed in January of 2017. Could we establish who set the criteria that is now being fundamentally reviewed? Was it the outgoing Executive and the Ministers or has this been an internal decision by the Department?

David Tarr: No, the discretionary support scheme at the moment is very prescribed in legislation, which was approved by the Assembly. The legislation is draft affirmative, so it was approved completely by the previous Executive and the Assembly.

Tracy Meharg: Perhaps the point that Kieran was talking about was the contingency fund and the fact that we do have criteria on that. People have to have claimed the advance payment before we give it, which is not in legislation. That is a policy for the Department.

David Tarr: That is something slightly different, yes.

Q293 **Lady Hermon:** That is a separate issue. The criteria that are being fundamentally reviewed at the moment are the criteria that were set in legislation by the Assembly and by a previous Minister. Okay, we can blame the previous Minister. That is fantastic.

The difficulty with that, of course, having been set in legislation is that the only way we can change these criteria is by legislation, so you are dependent on a Minister or, indeed, the Secretary of State in the future if the recommendation was to change the criteria.

David Tarr: Yes. The discretionary support legislation is draft affirmative and it sits within the Assembly. Westminster has no authority over it so it would require the Assembly to come back and approve any amendments. At this moment in time, the review we are carrying out would then go forward to an incoming Minister to recommend to him or her—

Q294 **Lady Hermon:** Forgive me, David, let me just make it clear. We are saying quite clearly that the Secretary of State has no role in changing this legislation?

Tracy Meharg: If she wished to do so, we would have to set aside the legislative consent; isn't that correct?

David Tarr: That would be a new legislative consent motion from the Assembly to Westminster, yes.

Tracy Meharg: We would be setting aside the Sewel convention; isn't that correct?

David Tarr: Yes. We are straying into—



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Q295 **Lady Hermon:** It did not seem to matter when they were making decisions about the Withdrawal Act when it was Brexit and we needed a legislative consent motion then and they set that aside.

Chair: And the budget.

David Tarr: Yes.

Q296 **Lady Hermon:** Yes, exactly. Can we just have a decision here and guidance? If there was a will on the part of the Secretary of State, if the conclusion was that these criteria—if we do not have an Assembly up and functioning, this is job for and a responsibility of the Secretary of State for Northern Ireland?

Tracy Meharg: She could in theory do it if we set aside the Sewel convention.

Anne McCleary: If there was the money.

Q297 **Lady Hermon:** If there was the money, so what is the price tag for doing that?

Tracy Meharg: It depends what we are asking it to do. What we are asking affects it. If we are talking about the SSSC, then we know that is about £22 million. If it is something else, it depends on what we are asking it to address.

Q298 **Chair:** That is a year, isn't it? That is the annual—

Tracy Meharg: £22 million per year, yes.

Q299 **Lady Hermon:** Right, so at the end of your fundamental review, and what timescale is that?

David Tarr: I would expect sometime this financial year; certainly within the financial year; hopefully by the end of the calendar year.

Q300 **Lady Hermon:** Could you keep this Committee updated with those facts and figures? I think that would be very helpful to us.

Tracy Meharg: I am happy to do so, yes.

Q301 **Chair:** I am slightly nervous here. There is a danger that we are giving the impression that you could change the criteria of these discretionary payments and it would be the same as the mitigation for the SSSC. That is not the case, is it? That would not be a great solution, if you want to continue that mitigation, to do it that way?

Tracy Meharg: It certainly would not be a perfect solution but, as I say, it is something that we will continue to explore.

Q302 **Chair:** To extend the mitigation also needs legislation?

Tracy Meharg: Yes.

Q303 **Chair:** It is not like this is a way of achieving the desired endpoint



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without having to have legislation somewhere. That, too, would require legislation to make it a viable outcome?

Tracy Meharg: That is right, although we could use the existing legislation on the discretionary housing payment to produce something.

Lady Hermon: To produce something very similar, not exactly the same.

Anne McCleary: The problem with it would be that you would have to have applications. People currently do not have to make applications. Secondly, it is discretionary and we cannot fetter discretion.

Q304 **Chair:** You could produce a discretionary scheme within your existing legislative parameters that sort of got you close but it would require every claimant who is currently getting it automatically, who does not know they are getting it, to start claiming for it.

Tracy Meharg: In theory we could but operationally it is very challenging. Every time we look at these we have to look through the four lenses of budget, operational challenges, legislative challenges and policy challenges. In theory we could, but those other things would have to be overcome, and then we would need a runway. We would have to think about what we are doing as we are funnelling 33,000 applications in this big funnel into a single vehicle, which is discretionary, which is operationally very challenging.

Q305 **Lady Hermon:** Let's assume we are going to have generosity of spirit and leadership skills on show and we are going to have the Assembly back and running in the autumn. What are the top priorities of your Department for an incoming Minister? I know you said that, in fact, you want as much evidence as possible to put in front of an incoming Minister.

Tracy Meharg: For clarity, in terms of this part of the Department, the biggest issue on welfare would be to put in front of the Minister the evidence around the SSSC criteria. That would be the number one thing that we would say from the welfare reform perspective. There are other things across the Department but that would be—

Q306 **Lady Hermon:** Yes, like addressing homelessness?

Tracy Meharg: Homelessness is a big issue for the Department and it is something that we recognise is very complex and not just about the housing. I have agreement to look at some cross-departmental work, working with both justice and health and also the Department of Finance in looking at options for homelessness going forward. Yes, homelessness is a big issue, but there are other issues about ONS and the classification for housing associations. There is a range of issues but for the purposes of welfare reform, no doubt about it, SSSC criteria would be the one that we would be putting up and saying that that Minister would have to consider whether they were comfortable with that. Then the Minister would have to take that to the Executive because they would have to find the funding too.



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Q307 **Chair:** Would the benefit cap be another one?

Tracy Meharg: The benefit cap would be one that we think would impact the most people at £3 million-odd.

David Tarr: £3.3 million per year.

Tracy Meharg: Yes. We think that that would be the other one that there would be reasonable evidence to consider in that too.

Q308 **Chair:** The other mitigations have all effectively timed themselves out now so they could drop off?

Tracy Meharg: Yes.

Q309 **Lady Hermon:** I feel dutybound to ask: surely within your Department you have looked—not you personally, or maybe you personally—at the increase? We have had evidence given to us today that the Trussell Trust has indicated that there has been a significant rise in referrals and the use of foodbanks in Northern Ireland. I see it in my constituency and I am quite sure it is mirrored elsewhere right across Northern Ireland. What is the Department looking at in order to monitor this dramatic increase of 19%? That is significant and must be sounding alarm bells.

Tracy Meharg: We are aware of what people are telling us about this. We have also spoken to DWP about that, which is saying that it does recognise that there is a link over a period of time, not in one year, between changes to welfare and the increased use of foodbanks.

Q310 **Lady Hermon:** Does DWP accept that there is a link? Has it said that publicly?

Heidi Allen: I would love to know who.

Lady Hermon: Yes, so would I love to know.

Tracy Meharg: As we believe, they have. From our perspective, one of the things that we are looking at is the social supermarkets, which is quite an exciting initiative. There are only five at the moment, but what they do is they address not just the issue of food poverty but also the wraparound services for the customers who come in to use the service. They help them with, for example, financial planning and employability. There is a real opportunity there to work in partnership to do more. We are waiting for the evidence on the social supermarkets. I am feeling quite positive about what is coming out of them. It is not that the Department is stepping away and saying there is no issue here.

Q311 **Lady Hermon:** You accept that there is a link, there is a direct correlation between increased use of foodbanks—

Tracy Meharg: I accept what people are telling about the increase in foodbanks. I have not actually seen any evidence that the two are linked, but obviously over a period of time the changes in welfare have had an impact on people's amounts of money.



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Q312 **Lady Hermon:** Thank you. You have accepted that there is a linkage between the changes in welfare and the increase in foodbanking?

Tracy Meharg: Welfare reform and what has happened is not my policy as such. We are implementing in Northern Ireland in line with the DWP, so I feel quite uncomfortable commenting on their policy. What we are saying is that there is a link. There is an increase.

Q313 **Lady Hermon:** Thank you. At least you are not in denial. That is very refreshing to hear that there is clearly a link. Have you been to visit a foodbank recently? Would you like to come and visit one in North Down?

Tracy Meharg: I would be very happy. I am actually in my diary to go to the social supermarkets. I am going jointly with another Permanent Secretary from the Department because we are trying to look at these things together to see how we address things.

Q314 **Lady Hermon:** Which Department is that?

Tracy Meharg: The Department of Justice. They are interested, too. What we are doing is we are looking at things we are doing. I am going to look at some of the things that Justice is doing and it is coming to look at some of the things we are doing to see what the read-acrosses are and how we can work more effectively together.

Q315 **Lady Hermon:** Following up on a previous question, when you are talking to the Permanent Secretary from the Department of Justice, could you make some inquiries about claimants/customers who may wish to challenge a decision to refuse them a particular benefit and their access to legal aid?

Tracy Meharg: I can't answer that question, sorry.

Q316 **Lady Hermon:** You can have that conversation with the Permanent Secretary for the Department. That is what I am asking you to do, to raise that. If you are working together and you are going together to one of these co-operatives—

Tracy Meharg: I am very happy to pass that on, absolutely.

Q317 **Chair:** Sylvia, I think we need to move on. Can I check that I understand the timings of what you are asking the Secretary of State or hopefully a Minister to do? If they told you that they would at some point sort out legislation but they would like to keep the mitigation for the social sector size criteria and/or the benefit cap, you could carry on and you would happily have that legislation at any point before the end of March? You would not need it on a specific day before then if that was the policy intent?

Tracy Meharg: We have continued with some investment in our IT systems to ensure that if a Minister came back and wished to continue with those there would not be an operational reason why they couldn't. Isn't that correct, David? There is no reason why we—as I say, we have



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made investments at risk to ensure that is the case, so we don't cut the potential off.

Q318 **Chair:** A policy intent would be enough? You would not have to do all the work on the alternatives or start telling people about the problems that are coming? You do not need legislation by a certain day other than presumably by the end of March, you would just like a policy announcement? A nice, easy written statement by the Secretary of State would be enough for you at this stage?

Tracy Meharg: Yes, I suppose from a legislative perspective as long as the legislation is before the old legislation drops off.

Q319 **Chair:** Yes, but that could be wrapped up in the budget in the autumn or whenever.

Tracy Meharg: Yes, and the policy has been agreed, then we can continue to deliver mitigations.

Q320 **Chair:** You said earlier that from this autumn you would have to start working on the discretionary housing payment alternative and start telling claimants that they need to do something or they are going to lose some money at the end of March. That is what you said, that you would start in that way.

Tracy Meharg: Yes. If we determine that that is the appropriate vehicle, that would be the timeframe we believe we would need to start that.

Chair: Okay, so that is a clear deadline, that a policy announcement would stop you having to do that work and start worrying people.

Q321 **Heidi Allen:** Can I just say, Tracy, more Permanent Secretaries should do without Ministers above them because I think that you have been absolutely brilliant?

Chair: It is not very democratic.

Heidi Allen: Well, that probably says something about how I think DWP is being run at the moment.

It is a bit of a geeky question from me, a totally different subject. Split payments is something we have been interested in as a Committee, particularly from the domestic violence angle and women's access to money. You have offered that. There has not been a great take-up, really. What is your view on why you think that is?

Tracy Meharg: I was looking at it myself. Part of it is the fact that the majority of people claiming are actually single. Only 12% of the customer base are in families. Out of the, I think, four applications that we have had—

Q322 **Heidi Allen:** Out of a possible how many?

Tracy Meharg: So 12% of—



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David Sales: We have had 62,000 claims since September 2017 until now.

Tracy Meharg: It is tiny. Maybe we are not making it clear. The advisory services are out there. We have given a lot of money to advice to tell people about the options.

Q323 **Heidi Allen:** It is still a manual process for you, isn't it, to split the payment?

David Sales: Yes.

Q324 **Heidi Allen:** If it is not an unfair question to ask, the reason for our interest when we were looking at it for over here was the idea that if a woman is in a domestic violence situation, if she is proactively asking for a change it could set alarm bells with her abusive partner. Our argument was far better. If it is just default, it is also a modern thing in the modern age that a woman would have her own entitlements, not linked to the man or the partner in the house. I am not sure proactive advertising would help with that because what these women are asking for is just automatic by default. Do you have any views on whether that part of the system should be automated so that it becomes the norm rather than the exception?

Tracy Meharg: I suppose my only comment on that would be that quite a lot of families have only one bank account, so you would be asking them to set up a separate bank account. I do not know how comfortable people would be about setting up a separate bank account. Does anybody else have any comments on that?

David Sales: Yes, it is a fair point. Just for the Committee's information, having seen that there was only four out of probably 62,000 in our work with organisations in Northern Ireland, we did a sample of some of our claimants to try to understand what was going on. We sampled 100 of the 12% and what we discovered was that for 73% of that 100 the payment was going to the female in that instance, so a split payment would actually disadvantage the female. It is a very complex area and a very sensitive area.

The overall answer to your question is, yes, if the system was built in such a way that when the claimant was loading all their details they had more than the options that they currently have so they could specify from the outset anonymously that they want a split payment, that would enable the greatest amount of choice to claimants. We were reassured when we did that sample that in the main what seemed to be happening, certainly in Northern Ireland, was the female was taking the lead, sorting out all of the stuff and then telling her partner that they needed to link into that. They already had the financial arrangement in place, whether that was to their own individual bank account or a joint account. That was reassuring to the Department.

Q325 **Heidi Allen:** I have no idea, is there a cultural difference—forgive me for



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my ignorance—in Northern Ireland to England and Wales as to why the money would go to women? I don't know; I am asking the question.

David Sales: I would not have thought so, no.

Lady Hermon: Perhaps because women are good organisers.

Tracy Meharg: It is universal.

Chair: I am not sure we are ticking the diversity boxes here.

Q326 **Heidi Allen:** I just wondered because I am not sure we have that data for England or Wales or Scotland.

Chair: I have never heard that number before.

David Sales: It is quite similar to legacy benefits. We see it as a household benefit, but obviously couples claim ESA and JSA. We were looking at that as well and again it is very rare that you have a split payment in legacy, let alone UC.

Q327 **Chair:** We are near the end of our time. Can I ask you about something that the Comptroller and Auditor General said to us, which was had there been Ministers throughout the last four years they may have reviewed the mitigation policy and made some changes? Is that something you are conscious of? Perhaps you have some ideas for what you might have changed that might have helped with, I guess, the vulnerable people that we were trying to help in the first place with this.

Tracy Meharg: Obviously, Northern Ireland Ministers do not have the policy levers for the whole policy. It is just what we are doing in Northern Ireland about how we implement it and the mitigations. I would have thought that a Minister would have been watching very closely what the impact of the mitigations were and then determining whether it was appropriate to make changes. On the question of having that information any earlier, would we have had the information? I think that we are only just getting access to the information. That is why when we got it we did publish the report so we shared that with everybody else. This team has been around longer than me. Do you think we could have had more information earlier to inform a Minister about making earlier changes?

David Tarr: No, I think because of the delay in so many of the reforms coming in—for example, the DLA to PIP reassessment, the ESA time limiting being put off, Universal Credit coming in later—it would have been quite difficult to foretell and foresee just how much there would have been in underspend. The one thing that could have possibly been resolved is the cost of work allowance, of course, but the other schemes mean we still have people going through DLA and PIP reassessments. We still do not know how much that is going to cost us in the rest of this year. In the previous two years we know there have been underspends, but it does not necessarily read across that it would be the same underspends this year. Obviously, we need to ensure that we have sufficient budget to meet the demand as it comes across. I don't know



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whether there would have been a great amount of evidence we could have put forward to a Minister over the last few years.

Q328 **Chair:** I think that there was some evidence we heard in our last session that some people who had been turned down for PIP on the reassessment rather than appealing that decision were just taking the mitigation, not realising the mitigation was time limited, whereas if they had won their appeal they would have had the claim forever. Is that something you have been aware of happening or tried to advise people of?

David Tarr: One of the reasons our evidence would suggest for the underspend is the number of people who have appealed disallowance of PIP on reassessment is lower than expected. We have not done any research into why that is happening that I am aware of. We would have anticipated that anybody who was disallowed on reassessment would have appealed.

Tracy Meharg: Yes, 78% of people who went for PIP were moved across to PIP from DLA. When I looked at the budget requirements on that, people continue to get their levels during the appeal process so there is an automatic incentive to appeal, but fewer people chose to appeal than we expected.

Q329 **Lady Hermon:** Is it to a very tight timescale?

David Tarr: Normally, social security rules say it has to be appealed within a month. As long as you lodge the appeal we will start paying the mitigation payment automatically.

Q330 **Chair:** But if they do not appeal you are giving them three-quarters of what they have lost, aren't you?

David Tarr: Three-quarters applies where the person has an award of PIP but it is less than their previous award. You can actually appeal in both cases, of course. You could have a reduced award and then appeal that decision, but in the main when we talk about appeals for the DLA and PIP reassessment, it is the people who were not getting DLA and ended up with no PIP award at all, in which case we step in and we make up the 100% provided they make the appeal.

Chair: Sylvia, one last question. You have a minute.

Q331 **Lady Hermon:** Thank you. This is a very sensitive issue and has been raised with me by some constituents. I would like to take the opportunity to raise it. It is an extremely sensitive issue. It is to do with cases of terminal illness and the six-month rule. Obviously, cancer comes to mind and not all cancers can lead to a terminal diagnosis. We have wonderful medication now to deal with many cancers and people can live much longer and healthier lives. There are other illnesses that are not cancer, which when there is a diagnosis it is a terminal diagnosis because there is no cure and there is no recovery at this stage. Perhaps science will bring forward more cures quicker than we had imagined. It does seem a very



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harsh rule for those other terminal illnesses. Is there a review ongoing within the Department about the six-month rule as there has been in Scotland?

Tracy Meharg: As you say, it is a very sensitive issue and really challenging for families, and I can understand that. It is also very difficult to find a solution, which Scotland is looking at. We are watching Scotland to see what happens there, but other than that we are in line with the GB policy. We will watch Scotland and see what happens and what comes out of that.

Q332 **Lady Hermon:** When you say you are watching Scotland, is that with a view to perhaps following the change in the definition in Scotland?

Anne McCleary: I do not think we could commit to saying we are going to follow their change and it would not be for us in any event to make that kind of decision, but we are certainly in very close touch with our Scottish colleagues. We have visited them. They have come over to us with telekits and things. We know what they are doing. We know what they are looking at, but they are still at a very early stage. As far as I know, the Chief Medical Officer is discussing it and talking to people about it. I think that they might be quite close to publishing their proposals on it.

As you say, it is a very sensitive subject. One of the problems with it is that perhaps people do not necessarily fully understand what the rules are. These are rules that came across from legacy benefits. It was not new to PIP. The six-month rule occurred well before that in relation to the older benefits and still exists in relation to that. What it does is it means that if somebody's doctor is saying that there is a six-month prognosis, that person can immediately go on to the top levels of benefit.

However, even if they did not have that diagnosis they could still be on the top level of benefit and I think they probably could also be on a fast track through if they were very ill. It is very emotive and I think we all know people who perhaps could have benefited in some way from this. I know that certainly I do. It is something that Scotland is looking at and even it is finding it difficult to find a way of getting that balance right and not scaring people. There are those people who do not want to know what their prognosis is, and they are trying to find a way through it. We will certainly be looking at that and considering everything that they are doing. If and when we want to do something or to take action, that would need a Minister. There is absolutely no doubt about that.

Lady Hermon: Of course. Thank you so much. That is very helpful.

Chair: Time has escaped us. Thank you all for travelling over and for your evidence. It has been very helpful. That is the end of the session.