THIS STATEMENT IS ISSUED ON THE STRICT UNDERSTANDING THAT IT IS NOT FOR PUBLICATION OR BROADCAST BEFORE *00.01 hrs* on 17 January 2019

NIAO

MEDIA RELEASE

Welfare Reforms in Northern Ireland

The Comptroller and Auditor General has warned that the full impact of welfare reforms has not yet been felt in Northern Ireland, and that some claimants may face significant hardships when current mitigation measures come to an end in March 2020.

Annual social security expenditure in Northern Ireland currently totals £7.3 billion, £6 billion of which is administered by the Department for Communities. The Westminster Government began introducing extensive welfare reforms in the rest of the UK in 2012 and in Northern Ireland in 2016, with Assembly consent, following the Fresh Start Agreement.

Mr Kieran Donnelly today (Thursday 17th January) issued his report on Welfare Reforms in Northern Ireland. The report examines key welfare reforms aimed at simplifying the benefits system, making it more affordable and creating stronger financial incentives for individuals to move from benefits to employment.

The Fresh Start Agreement provided £585 million from the NI block grant for the four years ending March 2020 to fund a mitigation package to “top-up” reductions in benefit payments. The Department subsequently estimated £501 million was required for specific benefit mitigations. Mitigation payments are scheduled to cease in March 2020.

Commenting on the effect of Welfare Reforms post-March 2020, Mr Donnelly said:
“Northern Ireland has been insulated from the full impact of welfare reforms by the availability of mitigation schemes and local flexibilities. When the mitigation schemes end, there is a risk that we will see the same hardship and increase in the demand for foodbanks, reported elsewhere in the UK. The Department’s current

review of mitigations should focus on what actions need to be taken to address this very real risk."

Welfare reforms of the benefit system include the implementation of the Personal Independence Payment and Universal Credit. The Department has estimated that these reforms in Northern Ireland will lead to savings of approximately £3 billion for the Westminster Government by 2025-26.

Mr Donnelly added: "**Welfare reforms provide significant challenges to the Department for Communities given the large number of claimants, complex benefit regulations (further complicated by mitigation measures) and ensuring claimants receive their benefits on time. Although the Department has made considerable progress to date, it is too early to comment on whether it is likely to achieve the savings it has estimated or overall value for money. Savings from welfare reforms go to HM Treasury directly not Northern Ireland. To balance this it is imperative that robust cross-Departmental strategies are in place to boost the local labour market and strengthen the economy to make work pay."**

Key Findings

1. **Mitigations:** The Department put systems for mitigation measures in place to tight deadlines. £136 million of the £213 million in mitigation payments allocated for 2016-17 and 2017-18 has not been spent. Over 25% of this underspend relates to a key element of Working Tax Credits and Universal Credit mitigation, the Cost of Work Allowance, which has not been introduced. Our analysis suggests a number of other reasons for the underspend which include uptake being lower than expected.

2. **Costs:** The Department estimates that implementing welfare reforms will cost more than £0.5 billion. A further £0.5 billion has been set aside to mitigate the impact of welfare reforms. The Westminster Government has not allocated any additional money to cover the additional £1 billion costs.

3. **Claimants' financial losses:** To date the largest financial losses to claimants have arisen from changes to Tax Credits, Child Benefit and reductions in annual benefit rate uplifts.

4. **Flexibilities:** Northern Ireland politicians agreed local flexibilities for Universal Credit. These include payments being made twice a month (rather than monthly) and the housing element of Universal Credit being payable directly to landlords.

5. **Universal Credit:** Universal Credit was introduced in the rest of the UK nearly 5 years ago. In June 2018, the National Audit Office concluded that this reform had not delivered value for money to date and it was uncertain that it ever would. It was introduced in Northern Ireland in 2017 and will be rolled out to all claimants on legacy benefits, such as housing benefit, by 2023.

6. **Personal Independence Payment:** Introduced in June 2016 for new claimants with the process of transferring existing Disability Living Allowance claimants expected to continue until April 2019. An independent review of the assessment process in June 2018 concluded that the process was viewed with "distrust and suspicion" and had a negative impact on both claimants and those who support them.

7. **Complexity of the benefits system:** Many stakeholders consider that welfare reforms have made the benefits system even more complex, for example, due to changes to entitlements and rules and the introduction of new benefits, operating in parallel to existing benefits. The introduction of mitigation measures has provided financial relief to existing claimants, but has also further complicated the system.

8. **Advisory services:** Good quality focused advisory services assist claimants in dealing with the complex benefits system. The Department has committed funding of £8 million to March 2020 for independent advisory services as well as providing its own 'Make the Call' service. With the roll out of Universal Credit not expected to complete until March 2023, three years later, the Department must carefully consider how best to make use of both external and internal advisory services.

9. **Vulnerable claimants:** Claimants with mental health problems and learning difficulties are particularly vulnerable under the new benefit processes. Without expert advice and support there is a real risk that some claimants will be unable to access their full benefit entitlement.

10. **Evaluation of welfare reforms:** The Department has developed an outcomes-based evaluation strategy to measure the impact of welfare reform policies and local mitigations. This is important work and has the potential to identify need at both household level and geographical area.

11. **Wider impact of welfare reform:** Welfare reforms are about "making work pay" (lower numbers of households on benefits and higher numbers in employment). The Department has set aside £25 million to reduce worklessness through Work and Wellbeing Programmes. However, employment prospects are closely linked to the state of the local and national economy.

    Welfare reforms may also affect the Department's ability to meet its Programme for Government targets for housing. Potential increases in rent arrears may pose a risk to both the building and maintenance of social housing in the future.

Notes for Editors

1. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He, and the NIAO, are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.

2. This report is available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01hrs on 17 January 2019.

3. Background briefing can be obtained from the Audit Office by contacting Denver Lynn or Anu Kane (028 9025 1063).