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Mr Daniel Holder & Ms Patricia McKeown
Co-Convenors of the Equality Coalition
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31 October 2014

Dear Mr Holder & Ms McKeown

Thank you for your letter concerning the Government's welfare reforms.

From the outset I want to emphasise that this Government's approach to welfare is driven by the fact that the current system, in far too many cases, fails the very people it is designed to help, trapping them on benefits, penalising them if they go out to work and leaving them in poverty. This and the need to make the system more affordable shapes our policies.

And at the heart of our reforms is the principle that work should always pay and that no one should be better off staying at home on benefits than they would be by going out to work. Universal Credit will do that and provides more help for low income working families by enabling claimants to keep much more of what they earn.

Indeed, former DSD Minister Nelson McCausland has said that when implemented, Universal Credit could lift 10,000 children out of poverty and bring an additional £110m into the Northern Ireland economy. Department of Social Development profiling has also indicated that more people in Northern Ireland will see their benefit entitlement rise than fall, with potentially 102,000 households getting an extra £35 a week under Universal Credit. DSD has also estimated that about 64% of couples with children who rent property in

Northern Ireland will receive higher entitlements under Universal Credit. There will also be transitional protection for those currently in receipt of benefits

We believe the best way to lift people out of poverty is to support them into work. That is the effect of the reforms that we are implementing in Great Britain and so I must challenge strongly your assertion that welfare reform will entrench and exacerbate inequality.

The devolution settlement provides that if Northern Ireland does not wish to implement the reforms, then it is free not to do so. But should parity be broken then it is reasonable to expect Northern Ireland to pay for the additional costs of maintaining the old system (or any new system it wishes to introduce) from its block grant.

So this is why the Treasury has already made deductions from the Northern Ireland block grant. I am anxious that the Northern Ireland parties find a resolution to welfare reform soon because in the coming years the DWP will no longer require its current IT systems which currently pays out benefits for Northern Ireland. While there is no question of us 'switching off the computer' without warning, it seems entirely reasonable to me, and I suspect to taxpayers more widely, to expect Northern Ireland to take over the costs of that IT system or to procure and build its own if it decides not to maintain parity.

In respect of the points you raise about equality issues, these are matters primarily for Northern Ireland Executive ministers as the legislation is devolved. However I am aware that the Assembly established an Ad Hoc Committee on Conformity with Equality Requirements to consider whether the provisions of the Northern Ireland Welfare Reform Bill were in conformity with the requirements for equality and observance of human rights.

I understand that the MLAs on the Committee took oral evidence and accepted written submissions from a number of representative bodies, including the Equality Commission for Northern Ireland and the Northern Ireland Human Rights Commission. The Committee concluded that it could not identify any specific breaches of equality or human rights aspects in respect of the Assembly's Welfare Reform Bill.

You raised the matter of DLA rates and you believe that they are significantly higher in Northern Ireland. Some have claimed that Northern Ireland's level of DLA claims are a legacy of the Troubles but I am not convinced. 13.5% of people in Belfast receive DLA

compared to 12% in Merthyr Tydfil and Neath Port Talbot in Wales neither of which suffered the violence of the Troubles. This suggests that there are other reasons for such a high take up.

The Government believes that it cannot be right to assess people once and then just forget about them. Around 118,000 DLA claimants in NI (out of 190,000 claimants) will be reassessed for eligibility for the Personal Independence Payment until 2017 to make sure they still need they benefit and to consider if they need more or less assistance.

Those suffering from Troubles-related mental health disorder and in receipt of DLA may well receive more under PIP than they did under the old system.

You ask if HMG will screen and quality impact assess what you have termed the proposed policy of penalties on the NI Executive. The question does not arise – the savings forgone have been deducted in accordance with the Statement of Funding Principles which governs funding between HM Treasury and the Northern Ireland Executive. It is for the Executive to decide how Departmental budgets will be affected taking into account any consequent equality impacts required by law.

The Treasury Statement of Funding Principles is the basis for the deductions that have been made and the amounts were calculated in discussion with DFP and DSD. They represent the forecast proportion of estimated AME savings which would have occurred had the Executive implemented the reforms at the same pace as Great Britain.

You make reference to the fact that some assert that the current budgetary crisis is due to welfare reform. I should point out that even after the introduction of the welfare reforms, spending on social security in Northern Ireland will have risen from over £4.5bn in 2009/10 to £5.2bn in 2013/14 and to over £6bn by 2018/19.

Moreover, Barnett consequential payments from the Treasury over the last 4 years mean that the Northern Ireland Executive is now actually receiving more in block grant funding than was originally envisaged when they set their budgets. So taking on board those consequential payments, the actual reduction in the block grant over this spending review period has only been around 1% a year. And all this is set against a background where spending per head of population in Northern Ireland is some 27% above that for England.

You also raised the question of a Bill of Rights. The Government would like to see the issue resolved on the basis of consensus and we remain open to implement a Bill of Rights agreed by the Northern Ireland parties.

It is not true to say that this matter has suffered from a lack of attention. The previous Government was unable to find a solution despite various fora and Commissions examining it in great depth. There is scope for this issue to be considered as part of the current round of cross-party talks, but any solution ultimately has to command broad consensus in Northern Ireland.

You assert that there is an inconsistency in the Government's position in respect of a Bill of Rights, where we have said that there is a need to secure a broad consensus, and with our position in regard to welfare reform. I would say that the two positions are not comparable because there is a presumption of welfare parity continuing because of section 87 of the Northern Ireland Act 1998 which provides for a single system of social security, child support and pensions across the United Kingdom.

In conclusion, let me stress that this Government will always provide welfare support for those who need it, but we believe that those capable of work should be helped into a job because work is the most certain pathway out of poverty.

Our reforms will help do just that and I hope that the parties will agree a way forward soon.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Theresa Villiers', with a stylized flourish at the end.

**RT HON THERESA VILLIERS MP
SECRETARY OF STATE FOR NORTHERN IRELAND**