

Northern Ireland Affairs Committee

Oral evidence: [Levelling Up and Northern Ireland](#),
HC 1228

Wednesday 27 April 2022

Ordered by the House of Commons to be published on 27 April 2022.

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Members present: Simon Hoare (Chair); Scott Benton; Mary Kelly Foy; Mr Robert Goodwill; Claire Hanna; Ian Paisley.

Questions 1 - 50

Witnesses

I: Neil O'Brien, Parliamentary Under-Secretary of State, Department for Levelling Up, Housing and Communities; Sue Gray, Second Permanent Secretary, Department for Levelling Up, Housing and Communities; Conor Burns, Minister of State for Northern Ireland.



Examination of Witnesses

Witnesses: Neil O'Brien, Sue Gray and Conor Burns.

Q1 Chair: Good afternoon, colleagues, for the last meeting of the Committee of this parliamentary Session, and what a way to finish this Session by welcoming Minister Neil O'Brien and Sue Gray. You are both very welcome and we are very grateful to you for finding the time to appear before us this afternoon. We promise to be as gentle with you as we can. Let me start off with the questions. What does a levelled-up Northern Ireland look like? What are the main challenges that you have identified, either individually as a Department or through collaborative discussions with the NIO, to delivering that vision of levelling up?

Neil O'Brien: Thank you for having us. The analysis that we have, which your question alludes to, is quite overlapping with the analysis of the NIE. As you know, the levelling-up agenda has four themes about growing wages and living standards by expanding the private sector, spreading opportunity and improving public services, improving pride in place and community life, and then empowering local leadership. All those things are relevant in Northern Ireland.

Above all, the economy, living standards, wages and all those kinds of questions are central, absolutely, in Northern Ireland. Looking around NI, you have local authorities where average earnings are between a fifth and a quarter below the UK average. They are some of the poorest places in the UK and levelling up in Northern Ireland absolutely must involve raising productivity closer to other parts of the UK. While Northern Ireland has quite high qualification levels, despite the outflow of people with degrees, in terms of economic inactivity and long-term sickness, there is a widely recognised issue there in particular.

Q2 Chair: I think I am right that it is the highest by percentage across the whole of the United Kingdom.

Neil O'Brien: It is.

Chair: Somewhere around 27%, I think we have heard.

Neil O'Brien: You are right. I do not want to give you a figure, but you are right that it is the highest. Despite all those challenges, there are points of real strength in Northern Ireland in the economy and more broadly. You have some outstanding educational institutions. You have some really leading sectors in aerospace, defence and so on. You have some brilliant emerging clusters in fintech and agri-tech, with a lot of global growth potential, and a very highly skilled workforce.

There is a lot of potential there and levelling up, through a number of the different things we are doing, has to involve backing those strengths and addressing some of those problems. There is not in our analysis, therefore, a great difference between us and things like the 10X agenda and the opportunities being identified in that. We can come on to how to



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address those things, but addressing them is central to what a levelled-up Northern Ireland will look like.

Q3 Chair: You will not be surprised by this, Minister. Very often, when initiatives came along with regard to Northern Ireland, the tendency is always to view them through the prism of whether there is balance between green and orange. Do you see the levelling-up agenda as effectively being colourblind, or colour neutral, for want of a better phrase, and building on that more pan-Northern Ireland approach?

Neil O'Brien: The challenges are shared really by everyone in Northern Ireland when you look at the data, so, yes, in a sense, it is something that should work for everyone in Northern Ireland as an agenda and, indeed, for the UK as a whole, because one of the thoughts behind the levelling-up agenda is that you cannot really have a strong economy unless you have all parts of it performing as strongly as they could. If you have part of the UK that is booming, with high levels of congestion and sky-high house prices, and then other parts of the UK where there is a need for more investment and more growth, there is a potential win-win there that we hope to unlock through this agenda, as well as having something that is a win for everyone in Northern Ireland.

Q4 Chair: Have you identified any low-hanging fruit, easy wins, as it were, that would demonstrate both the necessity for a levelling-up agenda and the efficacy of one?

Neil O'Brien: There are no easy wins. One of the things we are at pains to talk about in the levelling-up White Paper is the sheer number of policies in this sort of space that have come and gone over the years. There have been 40 different regional policies over 40 years at least. There are no easy wins. There are some things that are high priorities where we think there are imminent opportunities. For example, in the levelling-up White Paper we set a goal to increase public R&D spending outside the greater south-east of England by a third within the next three years, over the spending review. That is a rapid increase and places like Northern Ireland should benefit from that, recognising some of the interesting firms and the things that are being done there.

Through programmes like Strength in Places, we are already investing in bleeding-edge things like nanotechnology and decarbonisation of shipping technologies. There are some very exciting opportunities, again through things we are doing as part of the levelling-up White Paper. More generally, the creation of the Global Britain inward investment fund and things like that are giving us new tools to potentially get those strategic inward investments into the UK and into places like Northern Ireland, in order to build on those emerging strengths. As well as the specific funds that we have, such as the levelling-up fund, CRF and Peace Plus, there are a lot of things we can do immediately, but we do need consistency, to keep going and to back what is strong. That is why I emphasise the overlap between our strategy and NIE's strategy, because, if you just constantly chop and change, you will not get anywhere.



Q5 Chair The Good Friday agreement began a process and lots of people just see it as being an event. One bit of process that has not seen as much dynamism and momentum as most people would like to see is that wider prosperity agenda of the Good Friday agreement flowing across all of the communities of Northern Ireland. There has been a recent commentary about those who identify as living within the loyalist community who do not look to university and who do not look to that modern skillset agenda. How does the work that you are doing and the initiatives that you are considering at the moment address some of the reignition of that process, which began coming up to 25 years ago?

Neil O'Brien: There is a mix of things. There are, on the one hand, levers that we directly control at the UK level and we have to play our part in making sure we are using those levers in a way that helps to open up new opportunities for prosperity, particularly opening up new opportunities in things like advanced manufacturing that can inspire and get the young people you have just mentioned really interested in hyperactivity and new industries.

There are levers like that that we have to reshape and, over the course of the last 20 years, public spending on things like R&D has become increasingly concentrated in Oxford, Cambridge and London, which are wonderful places, but there are other places that need investment as well and happen to be less rich. Lots of things coming through our work on, for example, the net-zero agenda have obvious potential benefits, such as the hydrogen agenda, for new industries in Northern Ireland.

There are things where we have to directly play our part, but there are also things that we also have to both give the NIE the financial firepower to do, for example through the record £15 billion block grant, and work with them on to compare notes candidly, so we can all learn from one another. I am a believer in devolution and that we all mutually learn through experimentation and by doing things in a different way.

For some of those levers that are more devolved, particularly in the skills space, it is using processes like the new structures of the IGR to work together to learn from one another what could work, because some of these challenges, though they may have a particular NI dimension or may be more entrenched in NI, are not unique there. I am not saying you think otherwise, but what you just described about disengaged young people is true in a number of places where the levelling-up agenda is particularly relevant.

Q6 Chair: Could I just say, only because neither of you has eyes in the back of your head, that the Minister of State at the NIO, Conor Burns, has joined us? He is not part of the official panel. It is encouraging to see a commitment to joined-up working between the Departments and I have said to Minister Burns that, if there is something he wants to specifically chip in on, he is very welcome to come up. I know you cannot be here for the whole of the meeting, Conor, but thank you for coming. The fact that you are here, the Committee will draw encouragement from.



I have a housekeeping question. What will the role of your Department's staff based in the UK Government hub in Belfast be? How many staff are going to be based in Belfast? Are they temporary appointments coming from London or are they drawn from the professional classes of Northern Ireland? When will the move happen? How is it going to manifest itself?

Sue Gray: We have an excellent team in Northern Ireland led by Christine, who is also here. The team were recruited in Northern Ireland and are Northern Ireland-based. There are between eight and 10 currently, and they are playing a really important role. We are also recruiting for levelling-up directors; there will be a levelling-up director in Northern Ireland. The area team, headed by Christine, will be supporting the levelling-up director.

I was over there last Thursday and Friday. Part of the role is to get out, talk to people, support them in a lot of the application processes for the various funds and work very closely with colleagues in the Northern Ireland Office. When we were over on Thursday and Friday, we were in the NIO office. There is really good collaborative working with the Northern Ireland Executive as well and that is also hugely important. I feel very fortunate to be able to draw on my experience in Northern Ireland with the links with the Northern Ireland Executive and NICS, but also with stakeholders and others.

Q7 **Chair:** I am not asking this question on behalf of Jacob Rees-Mogg, though I am sure he would have a very keen interest in it. Where am I going to find these bottoms on seats? Are they going to be in Stormont? Are they going to be in the NIO office in Belfast?

Sue Gray: They are going to be in Erskine House in Belfast. We are in the same building as the NIO. It is a temporary arrangement, but hopefully it will be longer term. It is working really well.

Chair: He will know where to come and pin his stickers.

Sue Gray: Pin the sticker on, absolutely.

Chair: I did not appreciate the Minister had become an Avon lady. "We call to see you, but find you out".

Q8 **Scott Benton:** Good afternoon, Minister, and thank you for joining us. The Chair has already alluded to the acute economic and social challenges that Northern Ireland has and there is probably no region of the UK that is more in need of levelling up than Northern Ireland. We are aware of the broader aims of levelling up; there are 12 stated missions within the White Paper, but, if I am a working-class person living in east or west Belfast, how is levelling up directly going to benefit me? What does levelling up mean to me, as somebody who has been disengaged from the economic and social projects of Government over many decades?



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Neil O'Brien: First, it will mean for you new opportunities and new chances to get a better paying job or, for people who are looking for a job, to get one by backing the growth of new industries and backing a stronger Northern Ireland economy overall.

Secondly, through some of these funds, it means the opportunity to bring about very tangible quality of life improvements in your current community. It might be about regenerating a high street that is struggling in the face of online shopping. It might be measures to clamp down on antisocial behaviour, or to back community events or sporting events that are important to different local communities.

Some parts of what the Government are doing that are not always branded as levelling up are very central levelling-up measures. If you think about things like raising the threshold at which people pay NI, that is a tax cut for 800,000 workers in Northern Ireland. The UC taper rate that we are doing is making people £1,000 better off. Increases in the national living wage are similar.

We do not always describe all these things as levelling up, but they are very tangible levelling-up things for people who are working hard on lower incomes in Northern Ireland. Those are an important part of this as well that is sometimes overlooked. There are lots of tangible ways in which this will affect your life if you are the person you were just describing.

Sue Gray: I completely agree. Belfast is very important; so is the rest of Northern Ireland. We are quite keen to work with the further education colleges and the universities to drive up skills and experience using some of our funding. That is a big part of levelling up and all of that. Much of this is devolved as well, but how can we work together to make those opportunities for those young people real? That is what we are keen to do.

Q9 Scott Benton: There is a plethora of funding streams that have been allocated to Northern Ireland over the last few years. You have the city deal, the new deal, the levelling-up fund, et cetera, and the Executive are spending their own money on their stated purposes as well. Clearly, there is a risk that the two may not run in tandem or in parallel and we could be looking at different economic objectives and broader aims. You recognise this in the levelling-up White Paper, where you stated that the Government will try to manage investment in collaboration with the Executive, local partners and agencies in Northern Ireland as well.

How does the White Paper support Northern Ireland's own strategic economic objectives, including those set out in the 10X economic strategy, and make sure they are coterminous with local priorities on the ground, whether they are from the Executive or different district councils?

Neil O'Brien: They are very much informed by what NIE and others have been doing already—not just the 10X strategy and the skills strategy that



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follows on from that, but also the programme for government. They are very much the same kinds of goals and a lot of the same sectors and opportunities being identified as priorities.

There is alignment in that sense, but you are right that there are different funds and they do somewhat different things. For example, the levelling-up fund is really capital larger-scale projects in regeneration, transport or culture. UK SPF is a much more flexible fund that can be up to 90% revenue, so you can use it for ongoing costs. You then have Peace Plus, which has a particular set of dynamics as well.

They are, I hope, complementary. There has been some change and we have had things like CRF as an interim fund as we have moved over from European funding, but I hope the suite of policies we have now should be complementary to one another. In all of these things, they can only be a success if they are both designed by and then delivered with local people.

The design of, for example, the SPF as a single allocation for all of Northern Ireland is a way of enabling us to have a view and come to an investment plan that is felt to be fair, I hope, by everyone in Northern Ireland. There is an offer of having seats for the NIE on the joint ministerial board to oversee that. We are keen to improve on where we have been in terms of the engagement and input of people locally into not just the way that individual allocations are made, but the basic design of the funds as well.

Q10 Scott Benton: You mentioned in your opening remarks that many of the objectives of levelling up overlap on other public priorities in different Departments—health, education, tackling crime, economic outcomes, et cetera. In my own constituency, when I talk about levelling up, people often ask, “How will we know when we have been levelling up? How are you going to monitor the metrics and the different objectives?” Clearly, it is a longer-term vision. It is not going to happen overnight. If we are sat around this table in 2035 or 2040—

Chair: Oh, please, no.

Scott Benton: I may not be, but how will you measure whether these objectives—

Chair: Will we have your report by then, Ms Gray?

Scott Benton: I thought we were not going to mention that.

Chair: We were not. Scott, you teed it up; you opened the goal. I could not resist it. I am sorry, Sue, my apologies.

Sue Gray: That is okay.

Chair: Delete that from the record.

Scott Benton: It is the elephant in the room.



Chair: It is. There we are. Anyway, you have shot the elephant.

Scott Benton: If we are sat here in 2040, how will we know whether the Government's broader levelling-up objectives have been successful, particularly whether with respect to Northern Ireland they have been a success? How are these going to be measured?

Neil O'Brien: There are two levels at which you can answer that question. In a very precise sense, we published a document alongside the White Paper on the missions and metrics, which gives you a breakdown of the theory of each of these missions, what we are going to measure and what roughly is happening with the data at the moment. It is about a 40 or 50-page document that was published alongside it. That gives you the very specific answer as to what you are going to measure.

At a higher-level answer to your question, it is about improving the relative performance and levels of income in Northern Ireland and getting at some of those longstanding health issues and inactivity issues. Those are probably the central things. Everyone would say that, if we could have tackled some of those things, then we would have done some real levelling up.

Q11 **Claire Hanna:** I wanted to ask you about some of those governance issues. Of the 12 missions that you have outlined, several overlap with areas that are devolved and you have outlined how you propose to run things in terms of delivery. I just wanted to understand a little more about how you have consulted the Executive on the priorities you have published and how you are going to engage with them going forward. You mentioned them perhaps having seats somewhere. Do you propose to go to specific Departments or Ministers or would you do that via TEO or Department of Finance?

Neil O'Brien: Shall I go first and then I can bring in Sue or perhaps even Conor? Conor meets an extraordinary number of people all the time and is absolutely exemplary in terms of the amount of engagement that he does. We work absolutely hand in glove with him.

In terms of how we consulted on the levelling-up White Paper, there were two senior official-led meetings in November and January before the White Paper. There were two meetings between Jayne Brady, the head of the NI Civil Service, and Andy Haldane, who is leading the Levelling Up Taskforce, which produced the White Paper. They were talking particularly about those leading-edge clusters, but also meeting with a wider group of people from the innovation sector and the private sector.

There was then a two-day senior official-led visit to Northern Ireland in August, where the team from the taskforce went over and met about a dozen voluntary organisations in Derry/Londonderry, Strabane, Belfast and Fermanagh. They were talking specifically about the voluntary sector and some of the challenges and opportunities there.



There was then a trilateral between the Secretary of State and the previous FM and DFM, just ahead of the launch of the White Paper, to talk about how we work together going forward. There is also some Northern Ireland representation on the Levelling Up Advisory Council through Cathy Gormley-Heenan, who is a former deputy vice-chancellor at Ulster University and is also on the Fiscal Commission. That is an ongoing role. I also had meetings with people during the process of developing the White Paper. I met the VC of Queen's University.

Then, going forward, engagement is continuing. I recently met Solace NI and NILGA to talk about UK SPF. I also met Conor Murphy to talk about the same subject. Christine's team, as we already mentioned, which is the Northern Ireland area team of DLUHC, is constantly engaging and is there to be eyes and ears for our Department as we work with NIO, to make sure that we are avoiding misunderstandings and everyone can communicate.

We are trying to really improve the way that we do things, particularly on funds. For example, yesterday there was an online webinar for people who were thinking of applying to round 2 of the levelling-up fund. Something like 300 people came along to that. We are conscious of the difference in the role of Northern Ireland local government and we are trying to put additional effort into helping people navigate the different funding streams in Northern Ireland as well. On top of all that then, there are all the new structures through the intergovernmental relations review and those structures are starting to get into gear now.

Q12 Claire Hanna: There is engagement with sectors. The perception I am having is that, at the moment, it is broadcast rather than engagement a wee bit, in terms of people being able to shift the priorities. I just wanted to understand about specific Ministers and how you will engage when the areas you are proposing to level up very much fall under their remit. Will you work directly with those Ministers? You mentioned that you had a bilateral with the First Ministers. Will you only go through them or will you work with individual Ministers?

Neil O'Brien: We will try to work at all levels.

Sue Gray: Yes, definitely. We would be working with the Departments and Ministers that are leading on particular issues in levelling up. If it is transport, we would be working with the Infrastructure Minister.

Q13 Claire Hanna: Has that happened yet?

Sue Gray: We have not done on the levelling-up fund, but on the connectivity review that Peter Hendy was leading, which is part of levelling up, Peter and I had a number of meetings with the Infrastructure Minister, because it is about how we can work together.

I led the August visits that Neil has referred to. We went and looked at a range of social enterprises, which are doing the most amazing work in Northern Ireland, working with various communities. We went and



listened to them about what more we can do and what more they need, and that helped really influence the levelling-up White Paper.

Q14 **Claire Hanna:** Will you use any of the new powers that were acquired through the internal market Act? Will any of those be used in the delivery of these aims?

Sue Gray: The Northern Ireland councils have a different role from the local authorities in England, Scotland and Wales, so we will look to see how we can work with the Executive and how we can best channel the funding, but there will be a lot of organisations and groups that will bid for funding direct through these funds. We will be paying direct that funding.

Q15 **Claire Hanna:** You will be aware that my party and others expressed concern when that Bill was going through about the potential leapfrogging and overriding of devolution, as well as the very wide language that was in that Bill about the remit of those powers. It is not just about direct overrule where Northern Ireland's choices or priorities are imposed on it, but the confusion that it will create and the potential of Departments to use that lack of clarity or the existence of Whitehall funds to deflect bids or proposals. Have you given any thought to criteria or rules for or against cocktail funding that might be existing? Do you have anything in mind that would be restrictive or prescriptive?

Sue Gray: A key part of working as well as we can with the Northern Ireland Executive, Departments and councils is to understand the various strands of funding that are going into various projects. Having places on the joint ministerial board for the levelling-up fund is to have a bit of oversight.

Q16 **Chair:** Is there a very keen eye in order to ensure that we are not going to see duplication, multiplication or, indeed, conflicting, where you have groups making multiple bids to different pots, sometimes successful and sometimes not, but not getting the cumulative in order to deliver what it is they want to try to do, and then value for the taxpayer in terms of either having overriding or undermining work from your Department against the will of Ministers in the Assembly? Are we absolutely all over that in order to ensure that the maximum bang is felt for each buck, from both the recipient and the taxpayer's point of view?

Neil O'Brien: The funds have quite distinct roles and uses, so in that sense they are clear. Sometimes there will be organisations, particularly in the voluntary sector, trying to get funding through multiple means. They might try through UK SPF or through Peace Plus. We cannot and should not stop them doing that. The distinct nature and purposes of the funds are at least clear.

More generally, there are many funding streams in Government. As you know, through the White Paper, we have an agenda to try to rationalise them, but we do try, in the design of these things, to avoid creating more of those cocktail funding problems that you just referred to. For example,



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in UK SPF you do not have the same kind of match funding requirements that you used to in some of the European funding, because quite often that became, particularly for poorer areas, a stumbling block. You cannot get the money until you get the last piece of the jigsaw. We are trying to make things, conscious of those interactions, a bit easier for local communities and the users of the funds.

Q17 Chair: You mentioned there, Minister, the voluntary sector. We are inclined to refer to the voluntary sector as if it is a uniform amalgam and it is not. Some in the voluntary sector are very well versed, very experienced and quite well resourced in using the right buzzwords, filling out the forms and always being successful. I do not criticise them for that. Others will be new entrants, very small and not experienced.

I do not use this in a paternalistic sense, but is there any handholding role? For example, if you make an application to some of the lottery funding, a draft submission will be reviewed to see if it is in good order for submission without prejudging determination. Are you looking at ways to support new entrants and smaller operators within that very mixed and diverse voluntary sector?

Neil O'Brien: Yes. There are two ways into that as well. The first step is to try to avoid creating rules that make it difficult for them. I was just touching on that regarding European funding, where the audit requirements, the payment in arrears and some of the other ways that the funding was set up were pretty demanding. If you are a big charity, that was more doable than if you are a new entrant of the kind you described. By stripping back a lot of that, we can make it easier in the first place, so that less handholding, as you said, is needed. On these funds, I mentioned the webinar we were doing on the levelling-up fund. There will be similar things happening around SPF funding and more besides. There is probably more detail.

Sue Gray: We are very keen to try to support those organisations, particularly, that are new entrants into this. If we look at some of the rounds of the funding, we can do more to support people in those applications and that is very much a key role for me and the team in Northern Ireland.

Q18 Chair: Jess Phillips made a very powerful speech on the Floor of the House some months ago. When she was running a women's refuge in Birmingham before she came here, she just spent all of her time filling out forms for little bits of money and, if not all of them landed at the same time, the project could not go ahead because they only had 80% of the funding. That is what we have to try to avoid; otherwise people will lose heart, will they not?

Sue Gray: Absolutely, and that is very much what we are hoping to do. Previously, you would have a lot of business cases. We are trying to streamline a lot of that bureaucracy to do exactly what you said.

Q19 Chair: Conor Burns had indicated he wants to come in.



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Conor Burns: First, thank you, Chair, for allowing me to come and intrude upon your session.

Chair: Not at all—we are so grateful.

Conor Burns: We are working incredibly closely on this. Neil very generously includes me in all the Northern Ireland-facing meetings. There is a real challenge and danger if you try to over-codify how we run this. I am out and about all the time, as are the Secretary of State and Lord Caine, and we are feeding back in, because, although DLUHC is the legal accounting unit on this and holds the funds, we are doing all this as UK Government. We are very anxious that what we do through city and growth deals, and all the other community ownership funding, is all complementary and all pulling on the same rope.

As far as local Ministers are concerned, we have very good interactions and it is important to remember that a lot of this stuff is on top of the largest funding settlement that the Executive has got since the formation of devolution. It is very much the principle of the Government that prosperity and opportunity for our citizens in every part of the United Kingdom is of legitimate interest for the Government of the United Kingdom, whether there is a devolved Government or whether it is England. We keep in really close touch with Professor Bartholomew at Ulster, Professor Ian Greer at Queen's, the different business representative organisations and the chief execs of councils.

I was at Armagh, Banbridge and Craigavon last week at a meeting convened by the chief exec there, Roger Wilson. Neil and I were talking about this earlier. The council chief executives would like a meeting with DLUHC online to understand more about how all of this works.

Chair: That integration is coming through.

Conor Burns: Recently, we have opened the DIT office in Belfast, which I signed off when I was Trade Minister. That is not to replace Invest NI; that is an addition to plug Northern Ireland fully into the international networks of the international trade team, embassies and high commissions.

All of it goes back to the real starting point, which is Scott's question. How will someone notice if this has been successful or if we have made an impact? This was given to me on day one and it has followed me in every single meeting I have been in over the last seven and a bit months. If we could get Northern Ireland to the UK average in productivity and close the productivity gap, it would be worth £16 billion a year extra to the Northern Ireland economy. If we could get the economic inactivity rate for working-age adults in Northern Ireland just to the UK average, that would be an additional 50,000 people working in jobs in Northern Ireland. It would go a long way to fill some of the skills shortages that we see all the time.

The final thing I would say to all of you, which I tire of saying, is that Northern Ireland MPs can legitimately engage with Ministers in the UK



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Government on behalf of their areas. I say this, by the way, to the Sinn Féin MPs as well. They are as much MPs as we are; the only difference is that they are elected on a mandate not to go to the Chamber. I always strongly encourage even more effective working between council leaders, local Ministers and Westminster MPs in getting the ear of Government, because, ultimately, the people who know best what Northern Ireland needs are the people who live in Northern Ireland. We are blessed that Sue is an institutional powerhouse of knowledge of Northern Ireland.

Chair: If she did not exist, we would have to invent her.

Conor Burns: Indeed, and turning up here today is the first reversal of the case: Sue Gray was waiting for us.

Q20 **Claire Hanna:** You had mentioned the potential EU funds and there is also a potential opportunity with the shared island fund. It is £1 billion. Again, you both discussed skills and I believe there was a report six months ago by the very former UU vice-chancellor that you are talking about, which looked at how we could use higher and further education to regenerate border areas. How alive are you going to be to opportunities like that for cross-border funding? The aim, I am sure, of all of this is to make sure that the impact is more than the sum of its parts. Are you going to be able to design in that sort of collaboration?

Sue Gray: I have been talking to the Irish Government about the shared island fund. We have a number of projects. If you take rail infrastructure, I know transport is devolved, but how can all of us work together to deliver real change? Like Conor, I have met quite recently Ian Greer from Queen's and we have talked about the working he is doing with the Irish Government around student places, not just the people previously who would have gone to Queen's, but how they can look at the further education colleges and have that interchange, as well as the interchange with students from the Republic. Those discussions are going on, and it would be great to find a project that we can all—

Q21 **Claire Hanna:** The Royal Irish Academy might have done some pre-emptive work on that. They have a solid report on that.

Sue Gray: There are real opportunities.

Q22 **Sir Robert Goodwill:** The point that Minister Burns just made about productivity and the skills agenda reminded me of something we found out when we were last in the Province, meeting a number of businesses in fintech, cyber, cyber-security and robotics. They told us that, if the companies were big enough to pay the apprenticeship levy, they were not able to draw down that money because there was no mechanism in Northern Ireland, unlike the rest of the UK, for that to be drawn down. If we are going to improve the skills and the productivity, surely we should allow these companies that are paying the levy to be able to draw that down.

Neil O'Brien: I will need to dig more into that. It is an extremely important point, as part of skills agenda.



Q23 **Sir Robert Goodwill:** It was a Stormont issue.

Conor Burns: It is in the devolved space.

Sue Gray: There is Barnett that goes across, but it is in the devolved space and we do have discussions. It is not just in Northern Ireland. There are some other issues in Wales as well. They are very live discussions, but it is devolved and it is about how we can best support it.

Q24 **Sir Robert Goodwill:** They are paying the levy, and it may well be that the distribution and the mechanism is devolved, but they are still paying the levy, even though they are not getting the result.

Sue Gray: Yes, I get that.

Q25 **Chair:** That was a point that was made very powerfully to us and it does need urgent—

Conor Burns: This is the challenge when the Barnett consequentials are not ringfenced, so it is possible for the Executive to choose to do their priorities with a knock-on degree of funding from something we have decided to do here. There is an opportunity for some of the businesses to raise this soon. Your counterpart committee, the Science and Technology Committee, is going over to Belfast. They have asked me for some suggestions as to where they go and Queen's are hosting them, so that might be something they want to look at in their report.

Chair: Yes, indeed.

Q26 **Claire Hanna:** One of the missions is to establish a globally competitive city in each region, and I have been hanging around with my honourable friend for Foyle, because I did not want to automatically assume that that would be Belfast. While you are doing that work on Belfast, how are you going to be sensitive about the need for balancing levelling up within the region? There is precedent in terms of direct UK Government engagement. There is not just a Belfast region city deal. That is broadened out. How are you going to manage that?

Neil O'Brien: The Belfast deal does not just cover Belfast. It covers a much wider area.

Claire Hanna: There is another one for the north-west.

Neil O'Brien: Northern Ireland has a whole number of strong cities, like Armagh, Derry/Londonderry, Newry and Lisburn. They all have different strengths. I would not just assume it is all about Belfast. They all have different opportunities that we need to build on.

Sue Gray: Belfast is great, but it is not all about Belfast. It is about the whole area. In the visit that Neil referred to in August, we went around a variety of places. As we look to see how we can support people in this process, whether it is the north-west or wherever it is, they will be a really important part. We want to look to make sure that all parts of Northern Ireland are applying and being successful. Being successful



means that they need support from us and we are really willing to do that.

Claire Hanna: If we had not been caught for time, I would have asked you about what cities you see as Belfast competitors and also plumbing our unique dual market access into the plans, the proposals and how you want to design it for the future.

Q27 **Scott Benton:** A few moments ago, Conor, you spoke about Northern Ireland MPs knocking on your door to speak to you about investment and issues. Are they actually doing that? Are Northern Ireland MPs knocking on your door, including those who do not take their seats in this House?

Conor Burns: I have been up and done a levelling-up economic visit with two Sinn Féin MPs. That is pretty unusual over recent years. Neil and I have done most of the Northern Ireland meetings jointly. I will not embarrass them by saying, but we welcome them all because Members of Parliament know their constituencies brilliantly. Colum, in fairness, talked to me about Derry Airport. I was there last week.

Claire Hanna: You know I have a specific discussion in train.

Conor Burns: It is a very good point. You talked about the opportunity of all-Ireland collaboration. Some 40% of the users of Derry Airport are from Donegal. They are from the Irish Republic, yet the entire burden for supporting Derry Airport falls on the council tax or rate payers of Derry and Strabane Council area. There are things that we can be creative in exploring. I am not saying we can do them, but we should talk quite openly about creative ways to leverage.

Chair: It is good to talk, as somebody said.

Sitting suspended for Divisions in the House.

On resuming—

Q28 **Mary Kelly Foy:** Minister, you did mention a bit earlier about the disparity between the amount of R&D spending on the south-east and the east of England compared with Northern Ireland. Do the Government have any targets set for what funding Northern Ireland will get? How can you ensure that they maximise the benefits to Northern Ireland and, indeed, to the Government's own economic strategy?

Neil O'Brien: The only actual target is the one that I mentioned earlier on for an increase of a third outside the greater south-east, which is south-east, London and the east of England, over the course of the SR and then a 40% increase over a longer period. There is a similar target for BEIS's own spending to have 55% of its R&D spend outside the greater south-east by 2024-25. MoD and a number of the other Departments with large R&D budgets, like DfT, also have commitments that are specific to them, but there is not a region, NI, Wales or Scotland target for a particular amount of spending.



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Our visibility of the data historically has been really poor on where the Government's R&D spending has gone, partly because of a view in policy that the Government should not be thinking about where it went and should be place blind, which is a view that we have now moved away from in the White Paper. We do not have good data on exactly which streams are landing in which parts of the UK. As we get better data, we can look at that and, as part of the work that BEIS will be leading this year, it will be looking at how we can hit those targets that we have set, so the third increase of the SR, the 55% and so on, and what that will mean for specific places.

There are a lot of different streams. There is the core budget of UKRI, the research councils and higher education funding councils, but then there are the Department's own budgets as well. There are quite a lot of different things to co-ordinate, a lot of which historically have not had any or certainly good data about where it has been going.

Q29 Mary Kelly Foy: I also want to ask a question on freeports. What assessment have the Government made of the potential benefits of freeports to Northern Ireland? Do you think the protocol will limit those benefits, given its alignment with the EU?

Neil O'Brien: Officials have had informal conversations, which are ongoing. Hopefully that will step up after the elections are out of the way. We are very keen to get freeports in all parts of the UK. We have now made great progress in Scotland. We are making good progress in Wales now, so there is real momentum behind the programme at the moment. Because of the elections, there are a lot of things that cannot happen, but I hope that we can make good progress as soon as they are over.

Q30 Mary Kelly Foy: What about the Northern Ireland protocol?

Neil O'Brien: There are lots of different elements to the freeports programme, a lot of which are not affected by the protocol. We need to look at any that are affected by the protocol, but there are about a dozen elements to the freeports programme, several of which can be done. We are always keen to adapt these things to local circumstances anyway. In Scotland there is a green dimension to the programme. In Northern Ireland we would have to think about both the opportunities and the challenges there and how we make them bespoke to the circumstances of Northern Ireland. Is there anything else?

Sue Gray: No. After the election we hopefully plan to be—

Neil O'Brien: It is very encouraging.

Q31 Chair: Northern Ireland did not receive the 3% of levelling-up funding it was promised in 2021-22. Why, and will this shortfall be addressed in the second round of bids?

Neil O'Brien: We are keen to get more good bids that are fundable in from Northern Ireland. That is why we have been doing the kind of



engagement that I described to you earlier in the session, and having lots of different partners come and get useful information about how they can navigate the process. It is worth saying that the share in Northern Ireland was still above the Barnett share, so there is no losing out in that sense, but we are keen to get more good bids, so we can drive that up further. We have to fund good projects that will work. That is the point of the exercise.

After that first round, we have an increased recognition of the need to provide that additional support, given the different context. A lot more bodies can bid in Northern Ireland, recognising again the different role of local government in NI. You can have bids from businesses, third sector groups and so on and so forth, and, in fact, also the Department for Infrastructure. There are more people who can bid and it is just about providing the help to everyone, so they can get good bids that make it across the threshold.

Q32 Chair: Is it that you had lots of bids and some of them were just not up to the mark or people were unfamiliar and, therefore, did not bother?

Sue Gray: We had a good number of bids, but perhaps not the number that we would have been hoping for. It is partly that we are keen to increase the number, but we are really keen to increase the quality. That is the work that we are doing to support organisations and others. It is a very different process probably from what they have been used to. Also, it was a new process. People came into it a bit late. Hopefully, this time around we will see a difference in the numbers and the quality.

Q33 Chair: As I mentioned earlier, I am aware of an organisation in my constituency that was bidding for some National Lottery funding. They have a service where they draft their application and then they submit it for pre-submission advice or scrutiny, if you will, where somebody can say with no predetermination of the outcome, "You need to amplify that"; "That is not quite phrased particularly well"; or, "You have not used the right set of words in the right sort of way." Is that something you would give consideration to offering as a way of helping fill that information and intelligence gap?

Sue Gray: Rather than having applications come to us in that draft stage, we are trying to do these webinars, go out and talk to people, and try to support them earlier. If we offered it, it would be a very difficult thing with the numbers that we are envisaging, but we do want to support.

Q34 Chair: I appreciate that, but could you not triage? I am going back, though not exclusively, to that point that I was making with the Minister about the diversity of the voluntary sector, in terms of age of some of it, scale and headroom to do these things. Often these organisations are just going to be so small that they do not have time to attend seminars, because they are out doing the good work that they are wanting to do.



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Sue Gray: I appreciate that. We were trying to make the webinars quite straightforward and give them useful pointers. We were trying to get out and meet people as well. That is where our focus is. We are not afraid to sit down with them and talk them through. The smaller organisations are very important.

Q35 **Chair:** Do you have any self-imposed criteria, if you will, of X amount of bids from the voluntary sector and/or organisations within nationalist areas and Unionist areas, or could one see 80% of successful bids in Unionist areas and 20% in nationalist areas? Have you been conscious of that perpetual seeking of balance between the two main traditions?

Sue Gray: We are very aware of looking across the region and seeing that every area is as representative as it can be. That is a big part of our focus, because, if we look at where we have got to with these funds, there are gaps where areas did not get funding. That is how we are approaching it, but we are looking at the place as a whole and trying to see that everywhere really is putting in good applications.

Q36 **Chair:** It is something you will keep a watching brief on.

Sue Gray: Absolutely.

Q37 **Sir Robert Goodwill:** When we were members of the European Union, many underprivileged areas or peripheral areas, in particular, benefited from EU structural funding, and both during the referendum and subsequently assurances were sought and given that we would not lose out. Indeed, the point was made that, as we were net contributors to the European Union, it could even be more generous. Have the Government fallen short of their commitment that the shared prosperity fund should match the level of support previously provided by European structural funding?

Neil O'Brien: The shared prosperity fund ramps up and does match in real terms—that is, after accounting for inflation—the level of spending that was happening through the European funds previously. It does ramp up, in the same way that previous European funding programmes used to, over several years as that European funding tails off. Across the UK there will continue to be tails of European spending going on. In real terms, it matches what was previously being spent, to be precise about this, by the European Social Fund and by the ERDF.

Q38 **Sir Robert Goodwill:** Figures that we have from the House of Commons Library suggest that the shared prosperity fund will total £1.5 billion compared with £2 billion that the UK received from structural funds in the past. Do you contest those figures?

Neil O'Brien: There may be a misunderstanding there. They may be including other funds that are being replaced elsewhere, like the European Agricultural Fund for Rural Development, which is being replaced through Defra funding. We have used gold standard Treasury Green Book ways of doing the exchange rate. We have used the



prevailing exchange rate for each year. We have used current inflation numbers and so on. I do not know how a different number so large has been reached. I have not seen that piece you have seen, but, as far as I can see, we are matching in real terms through the UK SPF and that is only part of the wider suite of funding.

You talked about total public spending and the opportunities presented by not making a contribution. It is one of the things that allow you to have the record block grant, which is the biggest since devolution in 1998. It allows you to do the city and growth deals, which are hundreds of millions coming into Northern Ireland on top of that. It also lets you have the levelling-up fund, the community ownership fund, the £17 million for the British Business Bank in Northern Ireland, and the new trade and investment hub. It is part of a wider suite of things. It is not the only new funding that is coming into Northern Ireland.

Q39 **Sir Robert Goodwill:** I appreciate that. It might be helpful for the Committee if your Department would look at the methodology used by the Library to see where this discrepancy comes from.

Neil O'Brien: I shall have a look.

Q40 **Chair:** I was just going to ask for maybe a note on which funds you have identified this money as replacing and then which other funds are replacing other bits, because this is something that will run.

Neil O'Brien: Yes, let us get you a note on that.

Chair: Thank you. That would be very helpful.

Q41 **Sir Robert Goodwill:** To get funding, one needs to be in a position to make a bid. While we are all hoping that, following the elections, power sharing will be restored, if the institutions are suspended for a prolonged period, as has happened before, how will you ensure that Northern Ireland is still able to bid for its fair share of levelling-up funding?

Neil O'Brien: Before I bring in Sue, I will give you a note on this. The SPF is deliberately designed as an allocation, not a bidding process, because we are conscious that we want a balanced diet. There are good things about competitive processes, but there are good things about the certainty of an allocative process. The SPF is also designed as a single NI-wide allocation, which lets you bake into it those considerations that the Chair mentioned, about making sure it is felt to be fair by all sides. Let me bring in Sue on this point about exactly how things would work.

Sue Gray: Even though there may not be an Executive and there may not be a First Minister and Deputy First Minister—I hope there will be—the Ministers in Departments will continue in their roles after the elections. We will carry on having our discussions with their officials, as well as all the other organisations that will be part of this.

Q42 **Sir Robert Goodwill:** We have had a situation in the past where, in effect, the Northern Ireland Civil Service had been on automatic pilot,



with the co-ordinates set by the last decision made by a Minister when there was one there. I suppose, if the direction of travel were already laid out, there is no reason why those decisions could not be made by civil servants.

Sue Gray: There is no reason why we cannot continue the work that we are doing.

Sir Robert Goodwill: Thank you. That is reassuring.

Q43 **Ian Paisley:** It is good to see you both. Thank you for your presentation. If this funding process does actually click in the way that we are hoping it does, it could be really transformative for all of Northern Ireland. It is actually quite exciting. I must say I do welcome the very obvious joined-up nature of it that I have already witnessed, Minister, in my meetings with you, with Conor being in attendance, and with others. That has been very helpful.

I must say I got probably one of the most helpful letters I have ever got back from a Government Minister, from you.

Chair: Will you share that, Mr Paisley? We would all like to see one of those in our political lifetimes.

Ian Paisley: I will tell you what I did, Chair. I had asked about a number of projects, and it set out exactly who I should talk to in each Department and the official's name, address and telephone number, effectively. As a result of that, a number of those meetings are taking place. In fact, I am meeting the deputy director on Friday on some of those key projects, and that came about as a result of that engagement. Thank you for that.

A lot has been made of the fact that Northern Ireland did not get everything it was entitled to get, and I am assuming that you are going to be incredibly generous, and, during the next round of bids, you are going to make sure that that bit that was lost will become additionality in the new round, if sufficient bids come forward and they are of a good enough nature. Would it be fair enough to take that view?

Neil O'Brien: You are right to take from what I am saying that we are really keen to get more good bids that we can fund in Northern Ireland, recognising the levels of deprivation and the need for levelling up. We are keen and that is why we are providing the kind of support that we have been talking about.

Q44 **Ian Paisley:** To make sure that there is proper co-ordination going forward, could you tell us something more about these levelling-up directors, the timeline for their appointment, and the sort of cross-pollination they will have between Whitehall and Stormont and between projects in Northern Ireland?

Neil O'Brien: I will get Sue to start, and then I can add on.

Sue Gray: We are currently recruiting for the levelling-up directors. The competition closed on Monday this week. We have a very large number of



applications, and we are going next to shortlisting and then interviews. Hopefully there will be more on this very soon. They are going to play a key role in all the areas, wherever they are going to be appointed for. They will have a very important role in the levelling-up fund and in levelling up. They will be bringing together stakeholders across Northern Ireland. They will be making those connections, not just in Northern Ireland but also here, with the UK Government, and in Scotland and Wales. They are just going to be a very important part of driving this. They will have a lot of expertise. They will hopefully be coming to meet all of you, in your areas, and taking forward those discussions. They are really exciting appointments.

Neil O'Brien: I agree. It is aiming to provide the kind of service you mentioned in your positive letter to a wide range of groups and local authorities, because we are very conscious of this point, which the Chair has made and Conor has reinforced, about the need for people to help navigate Whitehall and to advocate on their behalf in Whitehall, and to go and bang heads together or find the right person, because many smaller local authorities and smaller voluntary groups struggle with that. That is really the purpose of the levelling-up directors.

Sue Gray: They are going to know really well the area that they are appointed for. They are going to be passionate about that place. That is the role they are going to play. They are very exciting.

Q45 **Ian Paisley:** Will the remit allow them to go fishing for projects, if you know what I mean?

Sue Gray: Yes. It will be about taking account of all the discussions they have, identifying good things that need to be done and feeding that back, making contact with you, as local MPs.

Q46 **Chair:** Minister, at the top of the meeting you were talking about skills, the workforce, and this, that and the other. The Committee has heard from business representatives and the academics in the universities that too many young from Northern Ireland leave Northern Ireland, and some come back, but not enough. Many have talked about the cap on student numbers as an inhibitor.

If you want to address proactively the productivity issue, the need to create jobs, investment, and every good thing that flows from that, notwithstanding the devolved nature of education, is that something you should be giving consideration to as a strategic lever to pull and to change some of the issues?

Neil O'Brien: It is a strategic lever. It is unquestionably a strategic question for Northern Ireland. It is also an area where most of the levers are devolved, and it is for local leaders to take decisions on them. We need to be a bit careful. One of the main things we can do to ensure a brain gain for Northern Ireland is to try to create the right economic conditions, have those growing, exciting industries that will pull in highly talented young people, have the support for small businesses, start-ups,



those kinds of exciting jobs that are not in big, well-known firms as well, by helping them through the business bank and the like.

We do have a role to play. We should be clear about what our role is in partnership with local leaders.

- Q47 **Chair:** I know that there is always that sensitivity, and you are right to refer to it, because one does not want the mothership of Westminster dictating, but should we expect to see in conversations between Stormont and you, "This is where we are. This is the destination that we are travelling to. These are the devolved levers that need to be pulled, and this is how we synchronise it with what we are doing"? Or is there a danger that it could all be hit and miss and some benefits are either not maximised or not achieved at all, principally because the devolved levers are either not being pulled or being pulled in a different direction from what you are doing within the Department? Do you see those strategic planning meetings taking place with an action plan that A will follow B, or B will follow A, and then C follows on?

Neil O'Brien: I know exactly what you are driving at. The new institutional structures, like the levelling-up directors, are part of avoiding that grinding of gears and creating coherence. Again, the structures that have come out of the IGR are part of that as well. We can have conversations about what we are all doing on these things and actually get the benefit of devolution, which is being able to do things differently and to learn from one another, because unless you have that conversation you are just doing things differently without necessarily learning from one another.

All these things are very much in flux across UK Government skills policy, in terms of higher education funding and the reforms that have just been announced, the roll-out, on the technical side, of the T-levels, changes to the apprenticeships funding, everything to do with immediate skills and bootcamps, and so on.

There is a heck of a lot going on, and it would be good to compare notes about which of those things are replicable and learnable from in Northern Ireland and, vice versa, if there are things happening in Northern Ireland that we should learn from as well.

- Q48 **Chair:** I do not want to get too into the theoretical, but could you envisage this circumstance? Let us say you have had a series of bids and you have your "minded to" decision. The advice has been handed up to you as the Minister: "You should tick this box, cross this one", and so on and so forth. Do you talk those through prior to final determination with opposite numbers in Stormont to give them the opportunity to say, "It is all very interesting, and I can see why you might be minded to do that, but that cuts directly across and in the opposite direction to where we actually wanted to land X, Y or Z", or are these things going to be very siloed?

Neil O'Brien: We are absolutely keen to get as much local input as possible into our understanding of all these bids, what they are, and what



they are trying to achieve at multiple levels. We are keen on that, to make sense of how things fit or not. In funds like the levelling-up fund, part of the marking, effectively, is to do with the strategic fit and how it fits in with other local and NI strategy, so that that is built into the process from the outset. I do not know if Sue has anything else to add.

Sue Gray: No. That is right.

Q49 **Chair:** Finally from me, we have seen in the media, over the last few days, businesses with a very large question mark over them making applications for Covid funding and being successful in securing it. Going back to, I suppose, principally, the voluntary sector, what is the length of time that an organisation will need to have existed, with memorandums of understanding, audited accounts, boards of directors, trustees, those sorts of things? You could suddenly see a lot of very new entrants on the flimsiest of business plans making bids, potentially successfully, without having any track record of delivery and a very poor plan to do so.

Neil O'Brien: The different funds all have different rules, reflecting the fact that they are doing different things with different sizes of money. For example, the community ownership fund has certain criteria about what kind of group you need to be and what kind of plan you need to have, but that, in the grand scheme of things—not that £250,000 is not a significant sum of money—is a bit lighter touch than some other things.

SPF is explicitly designed to be able to pick up and help those smaller groups. It is very flexible. What we are looking for there is a clarity about what you are trying to achieve, roughly how you are going to measure it and whether you will know it has worked. It is about simplicity. With the levelling-up fund, because you are then talking about quite large capital sums, £20 million potentially in a single project, £50 million exceptionally, you are much more into quite heavy duty, heavy metal, Treasury business case, VFM assessment, using, if it is transport, quite formal TAG-type things, of a kind that would normally be done by a local authority. It is horses for courses in terms of how much detail we need to see for different types of funding.

Q50 **Chair:** Is there any involvement from the PSNI with regards to voluntary and community bids?

Neil O'Brien: I am not aware of that. I will go and have a look at that. I do not know what was done before on it. I am not aware.

Sue Gray: I am not aware of that, but we will go away and see. I can understand—

Neil O'Brien: Yes, what the motivation is.

Chair: It might just be something that might have a thought given to it.

Neil O'Brien: It would be worth checking out.

Chair: Minister and Ms Gray, can I thank you? As a Committee perpetually focused on Northern Ireland and all matters Northern Ireland,



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I concur with what colleagues have said. It is very encouraging to see the joined-up, collaborative approach between your Department and the NIO, and some more UK Government levers being created to be pulled, to the benefit of all the people of Northern Ireland. That of itself can only be a good thing. We wish you and your team, sitting very quietly behind you, in all their excellence, to use your adjective, every success and good fortune. Thank you very much indeed.