



Political and Constitutional Reform Committee

Oral evidence: [The future of devolution after the referendum](#), HC 700

Thursday 8 January 2015

Ordered by the House of Commons to be published on 8 January 2015.

[The Committee met at the Stormont Hotel, Belfast]

This meeting was not filmed or recorded

Members present: Mr Graham Allen; Mark Durkan; Duncan Hames; Fabian Hamilton, David Morris

Questions 435 - 509

In the absence of the Chair, Fabian Hamilton assumed the Chair

Witness: **David Ford MLA**, Leader, Alliance Party of Northern Ireland, gave evidence.

Q435 Chair: I should point out that, as you can clearly read, I am not Graham Allen, the Chair of the Committee. He is on his way here. In the meantime, I have the task of taking up the Chair of the Committee for the proceedings until he arrives. I do not think he will be here before you have to leave. Thank you very much for joining us. This is a very important session on devolution and obviously we need to know, from the leaders of all the parties here in Northern Ireland, what your views are.

Let me kick off by asking you this. The Smith Commission Agreement envisages that devolution from Westminster of the many new powers for the Scottish Parliament, including substantial fiscal powers. The Stormont House Agreement, reached in December, just last month, envisages the devolution of some fiscal powers to the Northern Ireland Assembly. What do you think the primary implications of the Smith Commission Agreement are for further devolution here in Northern Ireland?

David Ford: I suppose I will start that question by not actually answering it, Chair. Part of the issue that we have to address is the fact that in the UK we have a unitary state that has somehow developed three entirely different forms of devolution. We do not have anything that is a federal-type arrangement and, therefore, to some extent, we are in the bizarre position that what is proposed in one of the devolved nations does not necessarily have a read across to the other two.

Not that long ago, I was discussing the issue of potential justice devolution to Wales, which, it seemed to me from my perspective as Justice Minister in Northern Ireland, is entirely essential if you are to have an Executive with real power. On the other hand, Wales and England has been a unitary system for 700 years in that respect. I am not sure there is a direct read-across from the Scottish proposals. Clearly, the issues for us are what an appropriate level of devolution around

fiscal matters is for Northern Ireland, and I am not sure that Smith necessarily relates that directly to us in the absence of a more overarching constitutional settlement for the UK as a whole.

Q436 Chair: Thank you; that is very helpful. I wondered whether there are any further changes to the devolution settlement for Northern Ireland that you would like to see over and above what was agreed in December. Is December adequate?

David Ford: To be very political about it, I would describe December as a deal to make a deal. You are not particularly concerned with the issues of flags and parades and so on, but those are aspects where we simply failed to deal with issues that we have failed to deal with for two years and we promised we would sometime. In terms of the constitutional arrangements, the method of operation of the Assembly and the Executive we believe needs a significant reboot and we do not believe the current arrangements are working particularly well. I shall not use a phrase like “ugly scaffolding”, in the phrase of Mark, but the challenge to learn the lessons of 17 years since Good Friday and provide a system that provides better governance for Northern Ireland, while still taking account of the three key principles of partnership within Northern Ireland and the north, south and east-west arrangements we believe is essential. We believe that we have missed out on that opportunity merely by looking at tinkering with the number of Government Departments and potentially reducing the number of MLAs.

Chair: Thank you very much indeed, Minister.

Q437 David Morris: The Stormont House Agreement proposes that the power to set a rate of corporation tax on trading profits be devolved to the Assembly, but only if certain conditions are met, including a balanced budget, reform of the public finances and passage of welfare legislation. In your view, do you find this carrot-and-stick approach to further devolution acceptable?

David Ford: It is probably not desirable in the face of what I would regard as failure of the two parties that currently have the responsibility of leading the Executive to make agreements in a number of crucial areas. It probably is the only appropriate way, which is a bit of a poor admission on the part of a devolved Minister, but I believe it is the reality at the present time is that we have not shown sufficient maturity around the Executive to show that we can get those powers without ensuring that the kind of commitments that were made before the G8 came to this region are honoured in the way that they were not honoured previously.

Q438 David Morris: Given the conditions applied to the devolution of corporation tax, is it a reform worth having, do you think?

David Ford: It is a reform worth having. It would have probably been a reform even more worth having if we had received it when we were talking about it 2007-08. The length of time it has taken for a number of factors, one of which was clearly the recession, for the general reduction in corporation tax in UK levels means that the gap between the UK and Ireland is less, but we are still in the position that we have the only land border—though I believe the MP for Folkestone might claim otherwise—and we have real issues of investment that might come to Northern Ireland going to the Republic. Therefore, I believe it is essential that we have it, but we clearly will have some fairly difficult decisions to take as to how we manage executive budgets to deal with the implications of the Azores judgment and the reduction in the block grant.

Q439 David Morris: Are there any challenges that you can identify for the Executive in implementing the Northern Ireland rate of corporation tax?

David Ford: Well, beyond balancing the budget I am not sure. We have not worked through the question of timing, whether it is possible to set a determination that in two or three years' time we

will reduce it or we will reduce in stages and that kind of thing, which might be more financially manageable, but that is the level of detail that I suspect we will have to work out on the basis of what we expect to be an announcement from the Secretary of State, which he is apparently making this morning.

Q440 Duncan Hames: Is the Barnett Formula a sustainable way to determine the future level of block grant to Northern Ireland?

David Ford: It was not supposed to be long term when it was introduced, and remind me how many years ago it was introduced. We can all say there are difficulties with Barnett. It is not entirely clear to me what we could produce that would necessarily be better. We can produce easy ideas from one of the more deprived regions of the UK and talk about a needs-based formula, but it is very difficult to devise something like that. I am not sure at the moment I would be campaigning to change Barnett, while recognising that Barnett is not all that it might be, as indeed the late Joel Barnett recognised himself.

Q441 Duncan Hames: You are sceptical about a needs-based calculation. If we were to continue with Barnett, given the other changes that we have discussed, you do not favour any particular reform of the way it works?

David Ford: I suspect if we have Barnett we will continue to have Barnett. I am not sure there is any great change around in that. As I say, it may be that it is possible to devise a better formula taking account of needs rather than in effect still working from the time when Harold Wilson was Prime Minister and Joel Barnett devised the formula. It has not been significantly changed since then. It is almost the devil you know rather than the devil you don't know.

Q442 David Morris: The Stormont House Agreement proposes a number of changes in the operation of the Northern Ireland Assembly and Executive—for instance, a reduction in the number of Ministers in the Executive, a reduction in the overall number of Assembly Members and procedures for a party or parties to form an official opposition. What do you think the significance of these changes is?

David Ford: Sadly, rather less than they ought to have been. The reduction in the number of Departments is something that certainly my party had in its manifesto for the last Assembly election in 2011, and the talk is not very far from where we were at that stage. I think 12 Departments for 1.8 million people with only devolved powers is excessive and there are certainly one or two Departments that can be easily dismissed as not having a real function. So that is essential.

We also believe that it is extremely difficult to justify, 17 years on from Good Friday, a continuation of 108 MLAs. We would favour a reduction to something in the region of 80 to 90. We would also suggest that that might be done on the basis of constituencies linked to local councils and not linked to Westminster constituencies. Had the proposed changes in Westminster gone through, we were within 3,000 votes of only having 15 MPs, not 18, for Northern Ireland. If it is only based on Westminster constituencies by x times five or x times six is not a particularly helpful way of providing a coherent body.

We were in favour on the basis that the only available change at this stage was reducing it to 90, but we believe it could be done better based on the 11 councils with Belfast splitting and making, therefore, 12 constituencies, which would be largely seven or eight-seaters. That would have been a fairer and more balanced way of dividing it up.

Q443 Mark Durkan: The three main parties of Westminster have all brought forward proposals in response to events in Scotland and that includes proposals from some for a form of constitutional convention to consider the future of devolution and the UK. Obviously, people have various issues that they may want that convention to discuss beyond devolution. Would you support the establishment of a constitutional convention?

David Ford: As somebody who, the morning after the Scottish referendum, felt that the Prime Minister rushing to a microphone in Downing Street to announce arrangements for England was not the best way of getting coherent proposals, yes, I think a constitutional convention for the UK is necessary. Without being entirely sure what is meant by it, I would like to say something that is more akin to a federal system and less the lopsided triple devolution that we currently have. I think the only way that can be done is by bringing together representatives from across the UK to look at how that would then operate. I say “something more like a federal system” because, for the reasons that you and I know best, Mark, Northern Ireland will not ever be governed in the same way as other regions of the UK.

Q444 Mark Durkan: If there was such a convention, what do you think would be some of the priority issues that it should address in UK terms? Are there any issues that you think might be non-priority in the eyes of others but would be particularly important that would be brought under its consideration from your perspective?

David Ford: Am I allowed to be deeply offensive to all your colleagues?

Mark Durkan: Yes, please.

David Ford: I think the first issue that you and I might agree on is we have to solve the English problem. If I am allowed to make one of my cheap jokes, what is the last British colony? England, because we, the Scots and the Welsh govern themselves and then send MPs to Westminster to govern the English. That is why I talk about something more akin to a federal system, to recognise the balances. The whole concept of English votes for English laws seems to me to be utterly flawed on the basis that there are not English laws.

There are laws that may have formal applicability to England or to England and Wales that have implications, including financial implications, to Scotland and Northern Ireland, and it is just not possible to resolve that without finding some form of English devolution. I accept it is difficult to take the 83%, or whatever it is, of the UK that is England and treat it the same way as Scotland or Wales; nor do I suspect that we are in the position of saying that Wessex or Cumbria is the equivalent of Scotland or Wales or Northern Ireland, but there has to be some resolution of that problem to provide a coherent way of governing the UK.

Q445 Mark Durkan: I want to come back to you on the English votes for English laws and a number of those considerations that you raised, but, just again on the constitutional convention issues, you said representatives from across the UK. What character of representation would you see in a constitutional convention? When you say “representatives” are you talking political, non-political or a mixture?

David Ford: I suspect it would have to be a mixture. Probably the best example of that—now having forgotten the name which is slightly embarrassing—was the discussions in Scotland that preceded 1999, where there was a broadly-based convention that included political parties and civic society working together with the result that, while there were plenty of political rows in Scotland until the issue of independence or maintaining devolution, there was very little discussion about the concept of devolution because it was so well teased out in those prediscussions. The kinds of things that you and I engaged in in Castle buildings briefly for two years, but there was a much wider

ongoing discussion in Scotland and something that therefore brings civil society in alongside politicians seems to me to be necessary.

Q446 Mark Durkan: There was the example of the constitutional convention in the south as well, although there is a different dynamic there because of the requirement to deal with things separately, to get a number of separate changes through. I know it is not the same.

David Ford: It was not the same thing to me because it was looking at one or two specific issues rather than a wider constitutional point. I am also not quite sure that the concept of a citizen's jury, as opposed to bringing in representatives of civic society, necessarily would move on the wider constitutional issues, as opposed to consideration of the individual issues that were considered in the south.

Q447 Mark Durkan: Then coming back to some of the points that you made in relation to the English votes for English laws, you have rightly made the point that a lot of the legislation in Westminster at the minute is patchy in that some of it is England only, some of it then applies also specifically in different ways to devolved areas, and some of it is just standard UK-wide, and that can all be within the same Bill. What would your response be if somebody said, "Well, we can still find a way of making sure that we can come up with Bills that are purely English only."? First, do you think that you will see such Bills coming along cleanly, given that we have the experience of the Assembly seeking legislative consent motions at times, or do you think that it is just going to be impossible to create a situation where MPs will almost have, like driving licences and different classes of vehicles, legislative clauses that they can vote on?

David Ford: Don't start that one. I think it is very difficult to see how you could have Bills that are clean in that term, if nothing else because of financial implications. There will always be some implications that will flow from one region to another, especially if they are Westminster Bills that purport to only apply to England. Once you propose a change in the education system or the health system in England, it may technically only be applying in English facilities but financial implications will flow from that.

Q448 Mark Durkan: Yes. It will load the base for Barnett, for instance.

David Ford: Yes. Once you are then in that position there is always the issue as to how Barnett consequentialia are applied, but who am I to tell a former Finance Minister that one?

Q449 Mark Durkan: As we know, there are variations of predictive legislation that can happen; so there are issues of principle and precedent at times.

David Ford: There are a number of Bills in Westminster at the moment where relatively late amendments—for example, the Serious Crime Bill—have put us into the position where we have had to consider parallel legislation here or LCMs at very short notice. To repeat one of my favourite whinges, I am not entirely sure that those who work in the Home Office and the MoJ fully understand the consequences for Scotland and Northern Ireland about what they propose.

Q450 Duncan Hames: LCM?

David Ford: Legislative consent motions: in other words, our formal request that Parliament should legislate for us on a matter that is technically devolved.

Q451 Mark Durkan: Often in Westminster, we find ourselves dealing with legislation and being told that a legislative consent motion will be sought, so we are often considering it without the legislative consent motion being passed.

David Ford: Yes, because the timings of co-ordinating can be extremely difficult.

Q452 Duncan Hames: The Committee has been doing a lot of work on a written constitution. I know that our Chair will want to follow up on my question here but if I get the ball rolling. You have embraced the idea of a constitutional convention for the whole of the United Kingdom. Do you support a written constitution as being an outcome of that process?

David Ford: That is not something I have given consideration to, nor have my party colleagues. We are, of course, in the bizarre position that to some extent we have a written constitution. It is called the Northern Ireland Act 1998. To some extent, when you get to the point that the devolved regions have constitutions then the question does start to arise as to whether there should be a constitution for the UK as a whole, but I know some people would think that I am toying with a millennium of history and I should be cautious of saying much more without thinking that one through.

Q453 Duncan Hames: Are there any Northern Ireland-specific issues that would need to be taken into account in preparing a written constitution for the United Kingdom?

David Ford: Well, certainly the recognition of the significant differences between Northern Ireland and the other nations: the issue of our relationships, north and south, on this island, which are clearly very significant. That is the point where it would be quite difficult to do that tidying-up exercise. I think that could be accommodated, but it would certainly be a complex document. It would have to take account of a variety of different issues, starting with the issue of the dual citizenship of anyone born in this region should they choose to claim it—obviously, not everyone does. Those kinds of points would add complexity to the concept of a constitution, which would have to recognise what I would see as a quasi-federal system developing but with one of the four nations having specific cross-border arrangements with what is another legal state in that respect, although clearly so many institutions within Ireland operate on an all-Ireland basis anyway. Those are the kinds of things that feed into the complexity.

Q454 Chair: You will have noticed, David, that our Chair has arrived from the airport and I think Graham has a question for you.

Mr Allen: Thank you, Fabian. David, good to see you again. Sorry for being a little late.

David Ford: I hope it was not the airport in my constituency that was delaying you?

Mr Allen: No, everything went very smoothly. It was not the George Best. It was the other one.

David Ford: That is my constituency.

David Morris: That is the one in his constituency.

Mr Allen: I made a point of coming in there.

David Ford: What my former council colleagues call Antrim International Airport.

Q455 Mr Allen: David, we have a situation where the Scots, happily, have income tax assignment. Wales are on the way to doing it. There is a very strong lobby among city leaders, county leaders and even parish leaders of all parties in England for something comparable. Is Northern Ireland interested in joining this bandwagon?

David Ford: I suppose we are at a point I made before you arrived, which was around the fundamental issue that we are only being given some of our financial measures, specifically around

corporation tax, if we are shown to be carrying through on the responsibilities that Northern Ireland parties signed up to before Christmas. It is a sad reflection as a devolved Minister but I believe it is also accurate that we have not shown that the two parties leading the Executive have delivered on promises they have made. Therefore, I think it is probably essential that delivery is proven to the UK Government, and specifically to the Treasury, before we would realistically be seeking any significant powers like income tax.

Whether we debate things like the aggregates tax or something is frankly fairly irrelevant. We did move on to air passenger duty relatively quickly because of the concerns of the threat to the significant one transatlantic route we had from the international airport, but I think to move to something like income tax would be a fairly major step when we have not demonstrated a properly functioning Executive.

Q456 Mr Allen: Although this could all happen with a big rush, so I would be ready if there is indeed a constitutional convention. You would not want to be left behind while everybody else is taking their chunk of income tax. It is an interesting question about competence and I am sure the Chair would bring me to order if I was to say if we turned the mirror around and looked at the competence of the Westminster parties—

Chair: Order, order.

Mr Allen: We will not go there. I will set a good example for the Back Benchers. David, another thing that interests me is what will become a very significant body, already an important body, which is the body that pulls together people from the nations of the Union, whether you call it intergovernmental ministerial conference or whatever, where people like yourself and Mark and Nicola Sturgeon and Carwyn come together and have a conversation. As I now share your view that, ultimately, there has to be a federal structure in the Union, how would you see that developing and growing, from your point of view?

David Ford: Having attended not many ministerial meetings but a few of the British-Irish Council, of course that is something that takes us beyond the UK—two sovereign nations, three devolved regions and three Crown colonies. It does illustrate the complexity of constitutional arrangements within these islands that we have to compete with. I have not attended any of the specific UK ministerial meetings, so I am not quite sure how they function. They tend to be simply covered by OFMDFM from our points of view, but there are clearly a number of issues that arise as to how that happens.

What we have at the moment, it seems to me, is a lot of fairly informal arrangements. For example, in the next couple of weeks, I will be in London for a meeting with the Home Office-led Human Trafficking Group because I represent the Northern Ireland Executive on that. That is a fairly informal meeting, but it does show the interesting points when you can have Ministers from the Scotland Office and the Wales Office, though not yet the Northern Ireland office, attending and then Ministers from Whitehall Departments. It shows the mixtures. To some extent, I think we have a classic British model at the moment and people make the best of it. The challenge is whether we need more formal structures flowing from that written constitution point to deal with it in a slightly better way than we are currently getting.

Q457 Mr Allen: Obviously, given your recent experience with corporation tax, while multi-speed taxation is possible and probably even desirable, thinking through with colleagues in other nations and other regions in the Union how that might work and not having a situation where it just becomes a rush to the bottom in terms of tax competition, it would be important that the intergovernmental arrangements worked and worked well so everyone understood what they were trying to achieve.

David Ford: Yes, but obviously the specific point for us is that sharing a land border with another nation with a lower corporation tax rate we believe has been damaging to our economic development and being able to modify that is essential. Exactly how we phase it in is the issue we have to manage, but the principle of it is absolutely right.

Q458 Mr Allen: Re-reading the stuff around the Smith package, and I am a very strong advocate of the Smith package and welcome it very strongly, just one thing where I have a question mark is around the devolution of all aspects of local government to Scotland because on some occasions it may well be that the federal level needs to defend local government in one of the nations or regions of the Union. I do not wish to make the partisan point, but it is often pointed out to me by my Scottish colleagues that Holyrood has become Whitehall writ small in that they have sucked up powers from the localities in Scotland. I know Welsh colleagues have some fears about that and I do not know whether friends in Northern Ireland do also, but guaranteeing local government freedom is one of those things that might be sort of pan-Union—something that you could bring in a judicial judgment on if you felt it was not happening locally. Given the rearrangements that you have just been undertaking in the north, how do you see that issue conceptually? Do you think it is important to ensure that there is some reserved power to ensure that local government is not dictated to by Cardiff, Westminster, Belfast or Edinburgh?

David Ford: It is an interesting one because in a sense we saw that sucking to the centre in 1973, when large swathes of local government power were taken to Stormont Departments. We are just in the process of handing back a very limited amount of that power, and it is pretty limited. I suppose it is partly because of the size of this region. When we are only 1.8 million people, it does not look quite so centralising if matters are dealt with at Stormont rather than in Strabane, as it does if they are dealt with in Westminster rather than in Worthing. That probably has meant slightly different things. Also, particularly since devolution, there has been the presumption that we are local people taking those decisions and that relatively small society may well have taken the edge off the concerns that you are expressing from England or Scotland as well.

Q459 Mark Durkan: This partly relates to that point that Graham has just made and back to his first question as well in relation to the question of tax assignment, which is a different issue that just devolving the outright power to decide the rate of tax. It is clear from the Scottish proposals that what is envisaged by way of tax assignment—for instance, the VAT that is going to be assigned—it is clearly going to be counted in as part of the Barnett formula sum. Given that those sort of proposals are going to be there and that it does not run the difficulty that you brought up about whether you have the competence to decide tax rates if there is not the competence to discharge balanced budgets, it does not arise in that situation.

How do you think Northern Ireland should handle the questions that arise around tax assignment in terms of what the relevant advantages or disadvantages are? Of course, one of the reasons why people in English local government seem to want tax assignment is because it gives a credibly projectable income that would support a borrowing power. I know there would be localities in Northern Ireland, not least my own city, that would say, “Well, maybe an identifiable borrowing power capacity could be one of the ways of us helping to replicate the city deals and growth deals that we are seeing across the water that are not apparent now in the north with everything just being stuck here in Stormont”.

David Ford: Is it stuck here in Stormont or is it too much stuck in our DFP, Department of Finance and Personnel? In that sense, it is a bit like the Holyrood is Westminster or Whitehall writ small. Is DFP Treasury writ small? There is that issue of very limited opportunity to do things differently when very rigid powers, including borrowing powers, are directed from the centre.

The other point is, when I was talking about the level of competence, I was being rather more generally insulting than merely talking about the financial matters in terms of the other issues that we have not seen delivered in Northern Ireland by the Executive in terms of progress on a number of areas. I highlighted parades and flags where there is simply a stand-off between the two largest parties and nothing happens because of that. It is that wider competence issue that I was referring to, but to go into the technicalities of how something like that might be administered, frankly, you are further ahead than I am on it, and I am not going to make myself look even more foolish by talking too much about it.

Q460 Mark Durkan: I do think that beyond the on/off debates we were having even during the Stormont House discussions around the different levels of fiscal power that may or may not be devolved, maybe parties in Northern Ireland do need to be tuning into the discussions around tax assignment in particular. I think that is going to be a new variant in the discussion that we need to catch up with.

David Ford: I take your point. It is just something that we have not sorted through far enough.

Q461 Chair: David, before we conclude, is there anything you want to add that we have not covered in this morning's session?

David Ford: Not that I can think of, Chair.

Chair: Then, Minister, it remains for me to thank you very much indeed for your time and for your very helpful answers. Thank you very much.

David Ford: Not at all. Thank you.

Chair: I am going to suspend our sitting now because the microphones have arrived and our Chair has arrived as well. Thank you, David.

Examination of Witness

Witness: **Dr Alasdair McDonnell**, Leader, Social Democratic and Labour Party, gave evidence.

Q462 Chair: Welcome, Alasdair.

Dr McDonnell: Thank you. This is going to teach me to be a lot more sensitive to witnesses at various committees elsewhere.

Chair: I apologise for the delay, Alasdair. I know you have been waiting for a few minutes. We had a slight technical problem with our microphone and sound equipment, which has just arrived and had to be set up, so thank you for your patience. Thank you for sparing us the time for this hearing of the Political and Constitutional Reform Select Committee. I am absolutely delighted that you have been able to come along today. I wonder if, before we start, if there is anything you want to say, or shall we get straight on with the proceedings?

Dr McDonnell: I welcome the opportunity to be here. I am not coming here as an expert. You have managed to borrow or hijack our expert who sits at your right hand there, and Mark has a lot of expertise and you would be well advised to listen to him—

Chair: We do.

Dr McDonnell: In terms of his experience as Minister and all the rest. I take my steer from him, so I am very much the handmaiden at this.

What I would want to say to you is my interests in this are very much in the broad context, as is taken from the detail. I am coming here from a nationalist or republican perspective with an Irish context, and I hasten to add that is without guns or violence—but in the past situation, a nationalist sense. We have no desire to dictate or unduly influence issues that are relevant only to English constituencies or any parts of England either in terms of laws or legislation. We will not believe that it is in the best interests of the Irish people that Ireland should be reunited from that position; the Government and the people of Ireland should aim to work very closely with the Government and people of Britain in a way that serves the interests of both. That perhaps puts us in a slightly schizophrenic position, but we are coming here to be absolutely positive and we draw a lot of our inspiration from events in the Irish Republic.

We are very glad that relationships between Ireland and Britain have been transformed in the last number of years, and we feel a lot of that has flowed from the negotiations of a constitution or semi-constitutional nature that arose from the Good Friday Agreement. Circumstances then—the horrible violence at that stage—forced us into discussing many issues that previously were taboo.

Much has been achieved, some of that was crystallised and very obvious at the time of Her Majesty's visit to Ireland and equally the visit of the Irish President, Michael D Higgins, last year, has brought relationships to a whole new level.

What I am saying is in the context of discussing this thing, if you want to take it in its entirety, the relationship with Ireland is also a bit further out than perhaps your devolution within the UK, but it is a very special relationship—the relationship between Ireland and Britain—and needs to be protected as well and any changes that are taking place. Thus the broad thrust of where I might come from and the SDLP might come from. I am quite happy to answer any questions that you might have, as long as they are easy.

Q463 Chair: I cannot guarantee easy, Alasdair, but you know your colleagues in Westminster. Thank you. We are here to listen to your wisdom and to ask you some searching questions. I am going to start off to ask you about the Smith Commission Agreement, which envisages the devolution from Westminster of many new powers for the Scottish Parliament, including substantial fiscal powers. The Stormont House Agreement, which was reached in December, envisages the devolution of some fiscal powers to the Northern Ireland Assembly, and I wondered what you think are the primary implications of the Smith Commission Agreement for further devolution to Northern Ireland itself?

Dr McDonnell: I don't have a deep knowledge of Smith, but I have a summary of Smith in front of me, and the issues there are all interesting and we would like, in time, to be able to embrace some of those. But the devil is in the detail, and it is a question of the timing and the negotiation of that detail. Scotland is in a better sustainable situation in that they have more industry and more taxation to collect and all the rest, so we would be keen to explore the options raised in Smith; I think that is the best way of putting it.

Q464 Chair: Are there any further changes to the devolution settlement for Northern Ireland, which you would like to see over and above what was agreed last month in December?

Dr McDonnell: There are a lot of things. We were disappointed with last month's agreement because we only got to grips with about 25% of what needed to be discussed, and there are a number of issues hanging out there that were left over from the original Good Friday Agreement and the legislation that followed it, in terms of a Bill of Rights that would solve a number of our issues and would avoid a number of the confrontation situations that we find ourselves lurching into here from time to time.

But, equally, there are issues around an Irish Language Act. There are issues around the whole north/south access of function because if we take away the politics there is a massive amount of financial efficiencies of scheme to be gained on a cross-border basis and by sharing it, whether it is in education or health, or wherever, in the fairly remote borderland areas or maybe the less remote areas like Derry, where we have a tremendous hospital facility that could work to serve Donegal—the same applies to Newry—so there are a number of opportunities where there could be efficiencies.

Equally, there are also opportunities for just innovation and for creativity. We feel very strongly about that. We do not see any political Trojan horse or anything else involved and we just see it as good common sense, and we see this in the context of good working relationships between Belgium and Holland, for instance. If Belgium and Holland can work we do not see why, without creating a hoo-ha about it, the two parts of Ireland cannot work together. In reality, they are much closer than Belgium and Holland.

Chair: Good analogy, thank you. David Morris.

Q465 David Morris: That is a very good analogy. The Stormont House Agreement proposes that the power to set a rate of corporation tax on trading profits be devolved to the Assembly, but only if certain conditions are met, including on a balanced budget, reform of public finances and passage of welfare legislation. In your opinion, do you find this carrot-and-stick approach to further devolution acceptable?

Dr McDonnell: No.

Q466 David Morris: Straightforward. Given the conditions applied to the devolution of corporation tax, is it a reform worth having?

Dr McDonnell: The SDLP has always been in favour of opening the corporation tax in certain situations because, quite simply, we have that artificial land border with the Irish Republic and it creates all sorts of difficulties. While it may not be the whole answer it has, at times, been perceived as a major barrier to investment here. We do not accept that but we do believe that the reduction of corporation tax would create greater opportunities for foreign direct investment, inward investment, but the dilemma attached to it is that the Irish Republic, in implementing that, that is perhaps less than half the equation. The biggest half of the equation is education and skills. If you do not have the education and skills there is no amount of foreign direct investment will follow—the foreign direct investment will follow opportunity and the biggest opportunity is in the skills and the training. That is where we are somewhat worried here because, in the context of the draft budget that was brought forward recently, our skills side is being squeezed dramatically in the very circumstances where we need skills to be uplifted. It is worrying.

A personal view is the devolution of the powers around corporation tax is welcome. The big challenge for a lot of people now who are trying to think this through is whether it would be technically possible. Whether there is the financial breathing space to bring this in because again others were at the forefront—others in this room, dare I say?—but in the discussions that we had some years back in a previous Government around some of these issues we found the Treasury had absolutely no sensitivity to local needs: totally insensitive, in that fiscal uniformity was absolutely paramount for them, whereas we were genuinely trying to create the flexibility that would take advantage of local circumstances.

Q467 Duncan Hames: Do you think the Barnett formula is a sustainable way to determine future levels of the block grant to Northern Ireland?

Dr McDonnell: There are two answers to that. One is yes and the other is no. The Barnett formula is what we have and it has probably worked reasonably well but it is not perfect so, in principle, yes, but improvements could be made. We would feel strongly here that in a lot of the context of welfare reform and other things that have been thrust upon us in recent times, that there has been no real assessment of need. We have no benchmark.

There have been assessments in the Scottish context and in the Welsh context and perhaps there may have been someone in a regional context in England itself, but nobody knows for sure and all we are doing is cascading our fiesta days, our last year's impressions, so it is always subjective. Put it this way: we would welcome some sort of objective assessment of need. The Prime Minister in the course of discussions said to us, "Your welfare demand is 123% of what it is"—somewhere, whatever example he took—but we do not know whether that is justified or not.

Certainly, in the English context, we are aware that assessment of need in the north-east is much more significant than in the south-east. We just do not have that assessment here. Barnett has been useful and we are very reluctant to throw the baby out with the bathwater, to be blunt about it, because any change that will be made might very well take a while to bed down, and we would be somewhat anxious that we could be disadvantaged in the course of the change.

A real assessment of need would be helpful. If somebody was to come back and say, "Your needs are 5% or 10% higher than Manchester," then at least that would give us some yardstick to work on welfare and other things. But when we are saying, "Your welfare demand is far too high; it is going to have to be brought down to parity with the rest of the UK," our sense is because of circumstances here partly related to the Troubles, partly related to poor employment opportunities, much worse prospects than you might have in the Manchesters or wherever, that our benefit demands or higher.

Q468 Duncan Hames: Despite its objective how would you see that assessment coming about? It does not sound to me like you want the Treasury to do it themselves.

Dr McDonnell: I think you have to respect the Treasury. I am not coming down on them. They have a job to do, but coming at these things purely from a fiscal perspective, in my mind, there are only two dimensions and we need three dimensions. These needs can be run with the Noble index as the years go on.

I was personally a GP in a previous existence, and I am fully aware there are various measurements coming from a health perspective, coming from a welfare perspective, social welfare, whatever. Those things are needed. Some people might not give us as much credibility as we would like, but we have some very enduring legacy issues around but the fallout from the Troubles, generally lumped together as the past, whereas very significant—and I had a lot of personal experience of this—mental stresses, mental health that flowed from the Troubles. But there are also very significant physical injuries from people who were shot and bombed or whatever. Many of the members of the RUC, for instance, who had very severe injuries, but it was not just them exclusively. There were a lot of civilians severely injured, too, so we feel that they are piggybacks on to the broad needs, extra needs that we have in terms of marginalisation.

Because we are caught here and if you want to view the thing in a UK context, we have major transport costs—major extra. We are very peripheral. That is why—again, I am going back to the other point—a stronger, better relationship and a better economic dynamic cross-border with the Irish Republic would—it just creates a bigger market, creates a bigger space and creates a better economic flow. In time, it takes people out of welfare and that, to some way then, can compensate for the fact that we are 20, 30, 40 miles of sea between us and Scotland or us and Britain.

Q469 David Morris: The Stormont House Agreement proposes a number of changes in the operation of the Northern Ireland Assembly and Executive. For instance, a reduction in the number of Ministers in the Executive, a reduction in the overall number of Assembly Members and procedures

for a party or parties to form an official opposition. What do you think the significance of these changes would be?

Dr McDonnell: Again, like most of the other things we have talked about, there are two answers you can give to any of these questions, depending on which corner you come from. The significance in terms of the number of Departments, at the Good Friday Agreement and the following legislation, it was very clear that there be 10 Departments plus one to get the balance between the various parties. We are still not into a mature political situation here. Sometimes, in our rush to be normal, we say, “Let us be normal. Let us pretend we have no problems,” and then everybody will be happy and we will all be content. The reality is we have major fundamental problems here to work through. The recent discussions were all about that. In those discussions, we spent a lot of time redefining the problems, rather than defining answers, and we certainly redefined the problems 50 different ways.

We have difficulties here. We have the visions for our society. As I indicated earlier, we come to this where we do have an aspiration to a different constitution arrangement. We are intent on making this society work for its own sake and for the sake of all involved. That includes our connection with London. But some people are saying just downsize the number of Departments, save a few pounds and we will all live happily ever after. There is a decision made in those discussions to downsize to nine Departments. We were comfortable downsizing from 12 to 11 because that allowed a spread and a flexibility. If they downsize to nine, we will live with that.

In the negotiations 16 years ago, we had argued for five-seat constituencies, but it was the decision then for inclusivity to have six-seat constituencies. We would accept that in due course a reduction is probably acceptable. The decision was taken last month that that be allowed to happen around 2020 or 2021, not in the immediate election cycle. We can live with that. But it will reinforce the larger parties and it will squeeze out any potential for an independent—any potential for, for instance, a Green Party candidate or whatever. We have one Green Party Assembly Member, so the thing is this: in our circumstances in 1998 a massive effort was made, a superhuman effort was made, to be inclusive and to ensure that everybody was at the table and to ensure that nobody was left outside because the frustration of somebody left outside creates the breathing space and the oxygen for violence, if people feel excluded or society is moving on. The massive effort was to ensure that nobody was excluded and the six-seat arrangement allowed those who were attuned to or those who had an understanding of the UVF to get two seats and those who had an understanding of the UDA—they did not get a seat, but the Women’s Coalition, for instance, had two seats. So it allowed all bits and that is the pivot that we are on at the moment.

As we progress towards some sort of normality do we rush it and risk blowing things apart, or do we take a little bit of time and allow it to move on. We would firmly believe in the SDLP that there is always need for change. There is always need for improvement. There is always need for modification and the system of government—a system that you set up 20 years ago—needs some further fine-tuning today.

Q470 Mark Durkan: Thank you, Alasdair. The three main parties at Westminster have brought forward various proposals in the aftermath of the Scottish position and other issues, and a number of questions were raised. There are variant proposals in the air about a constitutional convention, which among other things would consider the future of devolution in the UK. What would be your attitude to the establishment of a constitutional convention during the life of the next Westminster Parliament?

Dr McDonnell: On the back of the last question, I would repeat that it would be our view that we basically feel that, on change and improvement, there are always opportunities in any system for improvements and certainly we would feel that it would be very wise that there be some sort of a constitutional convention, and we would draw a lot of insight on this from the constitutional convention in the Irish Republic that worked fairly well for them and allowed them to bring in all sorts of elements of civic society, including non-government organisations and all the rest. While it

was probably laborious for those that were involved in it, nevertheless it brought a lot of issues that were lying underneath the surface in the Irish Republic to fruition.

I would agree with the concept, but I would also strongly urge that there be some mechanism obtained for tapping into the Irish experience, whether through the chairman, Tom Arnold, or whoever. While he may be outside the jurisdiction, nevertheless the experiences that they had there could short-circuit quite a bit of work at that end. While it would be obviously a very different context, it could help set the framework for such a convention.

Q471 Mark Durkan: The Irish experience was a bit more segmented in the sense they would have that broad range of inclusion rather than looking at the constitution on a wholesale or fundamental way; it was looking at particular issues but served an important purpose in doing that. In terms of a constitutional convention in the UK sense—beyond the obvious concerns that were addressed in your opening remarks about being sucked into the wherewithal of all UK constitutional construct, which might not particularly interest yourself or myself altogether—what would be the priority issues that you would want to see that would be useful to hear a constitutional convention address?

Dr McDonnell: I suppose there are many. Obviously Scotland—and the whole Scottish thing, the referendum—has thrown up issues. I personally feel that the whole Scottish issue has been badly mishandled and I draw analogies with the mishandling of the Irish situation 100 years ago. I do not think any of us have the right—was it Parnell that said it over 200 or 300 years ago?—to set the boundaries to the march of a nation. In the modern world people not only have the right but they have the expectation that they will be allowed to influence their own lives. Without going into the detail—and I am not going into the detail—I feel that some of the abuse that was thrown at Scotland has created the current situation, whereas, post-referendum, the determination for separation or the determination for independence has increased.

I am hesitant here, Mark, because I do not want to stray into dictating to Britain, but if Britain wishes to retain something of the present structure then a greater degree of flexibility is going to have to be introduced and it is how that flexibility is—that is what you guys are about probably—fine-tuned because if the Scottish situation is further mishandled, I believe it in turn will create problems.

Certainly, as I said earlier, in terms of what the constitution looks at, not only should they be looking at the nations within the United Kingdom, in terms of Scotland, Wales, but they should also be looking at special arrangements with the Irish Republic in terms of how that is at a further arm's length. I think those relationships need to be maintained because there is so much economic activity between Dublin and London that there has to be some sort of most favoured nation status in both directions.

Q472 Mark Durkan: It has also become very clear to the hearing of this Committee over recent months that there are very significant English questions surging—on the part of some people maybe even seething—around there as well, which may or may not be issues that could be addressed in a constitutional convention. Of course one way in which propositions have emerged around some of those English questions is the notion of English votes on English laws, and again the three main parties have come forward with different variants that seem to have different degrees either of outright English votes for English laws or at least some sort of bespoke English-only consideration stages in the life of Bills or whatever. Do you have any particular thoughts around either the desirability or the feasibility of these different notions of English votes for English laws?

Dr McDonnell: All I would draw from is our personal experience, and in terms of the House of Commons, we do not go charging in to vote on issues that are of a community or are very much a local government nature in the context of England. But, having said that—it is almost a self-restraint—there are very few laws that do not have a consequential, and even if they do not have an immediate knock-on consequential, there is precedent consequential in that that in turn is used. In

terms of our own situation, vis-à-vis the likes of again welfare reform, we will introduce what has been very floridly described as a karaoke legislation here where basically effectively the blueprint is set and all you are doing is rubber-stamping it or, at best, tweaking it slightly.

The concern I have is that while it may appear simplistic and superficial at a superficial level, that there can be containment. Does that mean only the 13 attending Northern Ireland MPs will vote on things and matters that are relevant in Northern Ireland? You get down into that. Will only the Welsh MPs vote on things that are pertaining to Wales?

I think for most of the issues that would be a mistake. There can be an unwritten convention or we can avert our gaze when something pertains to communities and local government in an English city or an English region. I personally feel at times a little bit patronising or condescending to stick my nose into such stuff I do not know an awful lot about. So these things can be worked out, as long as we do not rush headlong in some sort of panic into things.

There is also a lot of potential—something I would like to mention in terms of autonomy. We would strongly feel that we should devolve as much responsibility and authority down the food chain as far as possible, so that people have as much influence and are able to take control of as many elements of their own lives and livelihoods as possible, and in that way create innovation, initiative and development. There is a strong argument, I know it has been raised a time or two, around a tax assignment. The whole city deals and all the rest that are potentially there are very interesting, and the big advantage for us is the tax assignment allows borrowing and allows local people to create healthy circumstances around growth.

I had particular personal influence in this around the Laganaside development in Belfast, where albeit it was not on tax assignment but with a little bit of pump-priming from central Government, we managed to absolutely transform our whole waterfront. That transformation, once it started, keeps going. The public sector then start buying in and where you start out with a project that has to be subsidised up to 50% to get it off the ground, you end up with generally subsidising maybe 10% in the later stages. The cycle that we started 20, 25 years ago is still rolling on.

That would be very important. I do not think central Government is going to, with the best will in the world—I know Michael Heseltine did a lot of work at one stage and others—be able to do what is necessary, what needs to be done, in the likes of the north-east and Sunderland, Newcastle and places like that. It has to devolve and the whole question of tax assignment allowing borrowing powers creates the space for growth.

Q473 Duncan Hames: The Committee has been doing a lot of work on a written constitution, and I am sure Graham will have more to say about that later. There has also been a lot of discussion about the role of a constitutional convention coming about that. Is a written constitution something that you would support for the United Kingdom?

Dr McDonnell: It depends what is in the constitution or what angle or what line people take but anything that is written down is usually helpful. The difficulty you have is with an unwritten constitution people can reinterpret or misinterpret. I mentioned earlier, and again others will disagree and feel that it is surplus, it was in this context that we have argued for many years for a Bill of Rights in Northern Ireland that would have created the rules and regulations that would have prevented some of the worst of our disputes and some of the worst of our conflict.

We feel, in a very general sense, that the whole convention of human rights, and all of those things, are important and we worry at times when there are threats or individuals threatening to withdraw from these organisations because quite simply they may cause a bit of turbulent times or a bit of difficulty in a particular issue, but overall they have done tremendous work in terms of promoting the welfare of society overall. The broad answer is, yes, we would welcome something in writing, but again the devil is in the detail.

Q474 Duncan Hames: Are there issues specific to Northern Ireland that you would want to see taken into account in terms of whether or not it was codified in that way?

Dr McDonnell: That is why we argue and continue to argue for a Bill of Rights. There are issues because of our particular circumstances, because of our particular history, that people with cool heads need to sit back and take an objective view. There is a whole array of stuff here that is usually dealt with in a heated situation, which would be much better dealt with in the cold light of day, and that is where we would see specific issues, the rights and responsibilities and all the rest. The big one that jumps out at us all the time is the whole parading issue, and we are all affected by it and it needs a solution. We need to establish the rights of people to march, parade or walk down here, there, wherever, and we also need to establish the rights at a simple level of local people to say, "Sorry, we do not want that." It is how you balance those two. That is the immediate example, the hard example, which is with us here every day. There are many other issues like that where we have to balance one person's needs against another person's responsibilities.

Q475 Mr Allen: I will be fairly quick, Alasdair, since you have mentioned already income tax assignment, which is of interest to the Committee. I would like to pick your brains in terms of do you see the UK next year, 10 years' time, whenever, being a federation of individual nations within the Union and the federation might be the way forward in the longer term? Is that conceptually something that you think might work, particularly where we are sitting at the moment?

Dr McDonnell: I feel terribly humble making any suggestions on that context here because I am looking at people who have far more expertise than I have and whatever I say I am going to be wrong.

The answer is, I think, Scotland has forced a discussion that could have been had at any time over the last 100 years, and perhaps because of two world wars and the circumstances, the emotion and all the rest around them was never quite caught up with because anybody raising these issues was going to be somehow or other disloyal or whatever. The issues have been bounced on us.

I personally feel that the struggle in government today is how to deal with and how to support people who are on the margins and neighbourhoods that are on the margins. It is not healthy for Britain to have a very wealthy south-east and a very impoverished north-east. It is not healthy. Even in our own context here in a very small corner, very small region, it is not healthy to have degrees of wealth sitting alongside degrees of abject poverty because that is wasting a tremendous human resource at best. If we want to look at it in pure economic terms, if you take it beyond that to social justice terms and all the rest, it is even more stark.

I feel that there is a need and I have always felt angry at the Treasury approach to absolute uniformity, and one size does not fit all, and there is a desperate need within England—even before you get to Wales, Scotland, Northern Ireland—for some sort of project and that is why I mentioned Michael Heseltine. At a time there was a tremendous surge towards the north-west and some very good work was done at that stage. There is a degree, because of the rigidity of the Treasury and because of the uniformity of central Government, the potential for initiative and ambition can be squeezed out. I do not have any great detail or knowledge around some of the potential city deals and all the rest that might take place, but I believe that going forward the 21st century in its later stages will be probably more city based than regional based. I therefore think that there has to be some way found of opening up the potential for cities.

I certainly personally had a tremendous experience as a director of Laganside for a number of years and it just gave me a whole new insight because basically what we were doing was cutting through the bureaucracy and cutting through the obstacles that Government created, because in order to control and create uniformity all sorts of obstacles got in the way. That experience was very good because it opened up so much potential for the city of Belfast. But we need to be doing that. We need to find ways of doing that in Newcastle, Sunderland, Liverpool. It is how you balance that with the needs of the south-east.

Q476 Mr Allen: Finally, could you see Northern Ireland being a member of a UK federation and a member of an Irish federation at the same time?

Dr McDonnell: I have, without going overboard, made my own ideas clear. We are at where we are at. Northern Ireland will be a member of a UK federation until alternative arrangements are made, and quite simply the SDLP position that I related earlier was that we want Northern Ireland to work for its own sake, whether it is within a UK federation or an Irish federation or whatever sort of federation. We believe that Northern Ireland has been paralysed with our divisions, with the conflict that led to violence that was totally disruptive for everything and everybody. We believe that we now have to get Northern Ireland functioning economically, functioning in terms of social justice, and functioning to serve its people regardless of where its ultimate Government lies.

Chair: Alasdair, that has been most helpful. Your replies have been fascinating. Thank you very much for sharing them with us. Thank you for your time this morning, we are grateful.

Dr McDonnell: Thank you and good luck.

Examination of Witness

Witness: **Mike Nesbitt**, Leader, Ulster Unionist Party, gave evidence.

Q477 Chair: We are going to move straight on if we may to Mike Nesbitt, and, Mike, I apologise for our slight overrun there, keeping you waiting until five past. Alasdair, you are most welcome to stay if you wish. Thank you very much for joining us this morning. As you know we are the Political and Constitutional Reform Committee and we are listening to the concerns of people and leaders in Northern Ireland on devolution and further devolution. Of course, your input is vital this morning. Before we start questions, is there any opening comment you want to make?

Mike Nesbitt: Not particularly, although maybe just one thought, which I think is common to the Smith Commission and also the Command Paper on devolution for England, which is a desire to see further devolution from Holyrood and Westminster. In the Northern Ireland context, I am conscious that Stormont was prorogued in 1972 and that led for our senior politicians to a long barren period where we had direct rule from Westminster. Even at that, for our MPs, most of the business with regard to Northern Ireland was conducted by Order in Council, so it was basically take it or leave it. There was not even the ability to debate and amend. That led to a great head of frustration, which was released with devolution in 1998 and a natural and instinctive power grab by Stormont up the hill, and the next mature step for us as MLAs would be to release that power and devolve it further down into councils and communities.

Our settled state, I believe, would be in taking a position where we set the direction of travel. Where we say, “This is our policy intent; this is where we want to go, but it is up to you as local communities to decide how best to achieve that.”

I do not want to bang on about this, but to take one example for us—a passion of mine—would be education. At the moment, we have highly segregated education, so you could have in the one area a state school, a Catholic-maintained school, an Irish medium— that is, Irish language school—and an integrated school, and all could be one quarter full. It makes economic sense; it makes social sense to bring everybody together. It would be an inoculation at age four against sectarianism, apart from anything else. But how you achieve it would depend on your area because if we said that was our policy and announced it at midday there would be parts of Northern Ireland who would start tomorrow.

There would be other parts who would say, “We would be more comfortable sharing for a few years to get to know each other,” and there would be parts such as interface areas of Belfast who would just say, “Absolutely not,” and it might take 10, 15 years. The job is not to beat them up and

say, “Why can you not be like the good people who started yesterday?”, just to understand their issues and to work with them so that people can move forward at their own pace.

Sorry, for somebody who said they had nothing to say as an opening comment.

Chair: That is very good; thank you very much.

Q478 David Morris: The Stormont House Agreement proposes that the power to set a rate of corporation tax on trading profits to be devolved to the Assembly, but only if certain conditions are met, including on a balanced budget, reform of public finances and passage of welfare legislation. Your party has not fully endorsed the Stormont House Agreement. What concerns do your party have about it?

Mike Nesbitt: We have probably four areas of concern and the first one is implementation. From bitter experience, and it is bitter experience, sometimes what is agreed is not what is enacted. We would point to St Andrews. What was agreed in Scotland in 2006 was not necessarily what came out of the St Andrews Act at Westminster in 2007. Particularly damaging from a party political point of view but also we believe to good government in Northern Ireland was a change to the way the First and Deputy First Ministers were elected. In 1998, the proposal was a joint ticket and that was endorsed by referendum. Then a reference back to the people at St Andrews, where it is the biggest party. We believe that was to spare the blushes of the DUP in having to propose Martin McGuinness as Deputy First Minister.

The practical difficulty of that is that when you go out asking for a vote for the Assembly as Ulster Unionists, you have the DUP saying, “If you vote for the Ulster Unionists, you split the Unionist vote and Sinn Féin will therefore come through the middle as the largest single party and you will have Martin McGuinness as First Minister.” This works because in May 2011 at the last Assembly elections they also had local government elections, and we polled approximately 25,000 more votes for local government where that was not an issue than we did for the Assembly.

Implementation is a big issue to us. If we are true to the spirit of the Stormont House Agreement, we probably will not have a difficulty, but we reserve our judgment based on that bitter experience.

Our second major area of concern is that the finances are not fixed. Anybody who believes that because we have secured up to £2 billion of additional spending power means we have fixed our finances and balanced our books is mistaken, so we want to see more work done to balance the books, in a way where we are less dependent on the block grant. I do not think we will ever be back to the point where we were 100 years ago, where we were net contributors to Treasury, but we should aspire to that. The very effort would be very good in terms of rebalancing the economy, but there is a lot of work to be done on that.

Our third area of concern was the fact that again bitter experience as sometimes the deals are not all done on top of the table, but some are done under it. In that regard, I note the Secretary of State’s comments in Westminster yesterday, that there were no side deals in this.

The fourth area is not a concern so much as a comment: it is not our deal. The real deal was between the Government, the DUP and Sinn Féin. On the morning of the 23rd, the last day, at 5 am I left Stormont House, got into my car, listened to the radio. The 5 am BBC radio news said the five parties and the Government were still locked in talks. We were not locked in talks at 5 am that morning. I was observing one of our talks team slumbering gently in one of the armchairs upstairs in the breakout room. So yes we are part of it, but it was a dual process.

Q479 Duncan Hames: You mentioned the challenges even with this £2 billion and also the need to be less dependent on the block grant. How sustainable do you think the Barnett formula is for setting future levels of the block grant?

Mike Nesbitt: We welcome the fact that the Prime Minister after the Scottish vote said that the Barnett would be remain because we are conscious that it is good for us, and I cannot imagine if Barnett was scrapped that we could come out of any renegotiation with a better formula than Barnett. So we are more than content that Barnett should remain.

Having said that, what Barnett does not do, and this was an argument we tried to make to the Prime Minister during the Stormont House talks, was take any account of any special circumstances that Northern Ireland has, and I refer in particular to the legacy of the Troubles. There is one area that I am particularly focused on, having spent some time as a victims commissioner, and that is, per capita, Northern Ireland has the worst mental health and wellbeing, certainly in Western Europe, possibly on the planet. There is the evidence that directly links this to the conflict. Something like 40% of adults were engaged in at least one traumatic event or saw or witnessed one Troubles-related traumatic event.

If you take a map of Northern Ireland and you superimpose bombings, shootings murders, Troubles-related incidents, you get hot spots. If you then superimpose a map of mental health issues in 2014 measured by alcoholism, attempted and completed suicides, drug abuse, the hotspots are a match. So Barnett does not take account of that. Politically, we all know that mental health and wellbeing is a major issue. It is a legacy issue. It is an issue as to why we are so dependent on welfare. It is an issue in terms of people not being economically productive and therefore rebalancing the economy. So it affects the whole piece politically. We know it is there and we know there are interventions, but we cannot afford them. On that basis, we try to make special arguments that Northern Ireland has particular needs for specific reasons, which are related to the Troubles.

Q480 Duncan Hames: You would not support a comprehensive fresh needs assessment for Northern Ireland to consider general social and economic factors, but you do make a specific case around factors that are a legacy from the Troubles.

Mike Nesbitt: Yes. In the same way, we would argue that corporation tax is something that is related to the fact we are the only nation or region of the UK with a land border with a eurozone country with a corporation tax rate of 12.5%. That impacts Northern Ireland in a way it does not impact England, Scotland and Wales.

Q481 David Morris: The Stormont House Agreement proposed a number of changes in the operation of the Northern Ireland Assembly and Executive. For instance, a reduction in the number of Ministers in the Executive, a reduction in the overall number of Assembly Members and procedures for a party or parties to form an official opposition. What do you think the significance of these changes will be?

Mike Nesbitt: I think they will lead to a more efficient and effective devolved Administration. If you take yourself back to the negotiations that led to the Belfast Agreement in 1998 what was the main objective? The main objective was getting people convinced that politics was the way forward and to give up violence. So you had people who thought terrorism was the way forward, people who thought politics was the way forward and people who effectively tried to ride the two horses. So it was all about inclusiveness politically, and therefore you had to bake a very big cake to make sure everybody got a slice. Even after that, one of the small unionist, loyalist parties failed to get elected.

Sixteen years on, we have to factor in effective and efficient Government to inclusive Government and all these measures are part of that, particularly opposition. The next mature step towards normalising politics here would be to have an opposition that offers effective scrutiny of the Government and gives the electorate choice at the next election. However, within that I should emphasise that from the Ulster Unionist point of view we would never see a position coming where we went back to majoritarian rule. You would still need to enshrine the need for a cross-community Government, but in our view, based on the 2011 Assembly results, the DUP and Sinn Féin would have first refusal in forming a Government. The third largest party would then form in opposition. If that were us we would clearly want to work at a minimum with the SDLP because if you are offering an alternative to DUP Sinn Féin, it cannot be Ulster Unionists; it has to be Ulster Unionists plus a nationalist party.

Going down to nine Government Departments is a no-brainer. We would have gone to fewer. On that point, there was a review commissioned in September 2009; an independent review of economic

policy was commissioned by one of the Executive Departments. Its main recommendation was that the core economic functions, which are currently covered by Enterprise, Trade and Investment and Employment and Learning, by two Executive Departments, should be brought together under a single Department of the Economy. Everybody agreed that that made sense; the economy is our number one priority. That is September 2009. We still await the single Department of the Economy. So if that comes because of the commitment to nine Departments and the Stormont House Agreement, so much the better. We are not very efficient; we are not very effective, and that is where we need to get to.

Q482 Mark Durkan: There is a lot of talk in the air about English votes for English laws, and that is one response to a number of the English questions that are now surging around on the back of Scotland and proposals that are afoot there. What would be your view on the implications of English votes for English laws and even the feasibility of it?

Mike Nesbitt: The feasibility is doable. You can do it through legislation; you can do it through custom and practice; you can do it through nods and winks, I am sure. But the implications are potentially quite serious because as a Unionist I believe in the United Kingdom. I believe in devolution because the nations in the regions of the United Kingdom have different needs and, as I said in my opening remarks, the ideas to devolve are as far down as you possibly can. There is a very good phrase in the Command Paper, “The principle of power should be decentralised to the lowest appropriate level,” I think is where I would be in terms of that. But I also believe in sharing best practice. I think there is a danger here that you would replicate basically what we do in terms of, say, when we grant aid to voluntary and community groups, where you have to apply for your money and you do so normally on an annual basis. Because of that, organisations that should be sister organisations don’t share best practice. They do not say, “I am doing something that would be good for your members, because I am conscious in a few months time we will not be sister organisations; we will be competing organisations looking for the grants.” So I wouldn’t like to see Westminster becoming a place where you basically have English MPs, Northern Irish MPs, Welsh MPs, Scottish MPs, and nobody is working together for the common good. That would be the clear danger that I see in this. Against that, if we have our own devolved Administration looking after health, housing, the economy and education—and Scotland has it and Wales has it—there has to be some sort of change to the dynamic because that allows English people and English representatives to feel they have at least the same amount of control and authority and responsibility.

Q483 Mark Durkan: Does that mean then that there would be some of the particular proposals, say, around like having a bespoke consideration stage for English or English and Welsh MPs only, as an aspect of it without going down the full road of English votes for English laws, or have you something in mind?

Mike Nesbitt: I think that some form of weighting seems to make sense. Again, in the Command Paper, they talk about city growth and growth areas and these new specific devolved functions that would take powers away from Westminster. This makes a lot of sense to me and to some extent would address that, would it not?

Q484 Mark Durkan: Yes, there may be better timeless capacities than powers, in some sense, which doesn’t relate power but it is more than just the former transfers of power. Finally, on the English votes for English laws, have you any observation on the fact that the proposals all seem to pertain to the House of Commons and not to the House of Lords?

Mike Nesbitt: Do you know what, I haven’t given that any consideration whatsoever? What a non-political answer that was.

Q485 Duncan Hames: Mike, the Committee has been doing a lot of work looking at the codification of existing constitutional arrangements. Is a written constitution for the United Kingdom something that you would support?

Mike Nesbitt: It is not something again—as I we have previously answered—that I or the Ulster Unionist Party have given a lot of consideration to, Duncan, so I am afraid I would reserve my position on that. But I would be interested in exactly what it would achieve, and I know there may be areas where it would be advantageous. I know that Alasdair McDonnell made reference to parading. There is also an issue in Northern Ireland with regard to the flag; the Union flag. To my mind it goes back to the commitments of the 1998 Belfast/Good Friday Agreement where, on the one hand, we made references to identity and, on the other hand, we made references to sovereignty. I think this probably applies throughout the United Kingdom. So on the one hand on identity we are saying, “If you live in Northern Ireland and you want to be British, that is fine but it is equally fine to say, ‘I define myself as Irish or as some other,’” and that is one thing in terms of where you give your allegiance, your music, your culture, everything, your history. Sovereignty is a different thing. Under the Belfast Agreement and subsequently, what we have said is that constitutionally Northern Ireland is part of the United Kingdom, and that is an absolute. Therefore, in terms of the flags of the world there is only one sovereign flag that reflects our constitutional status and that is the Union flag. Whereas, on the identity piece, it is perfectly fine for people to say, “My allegiance is to the Irish tricolour.” That does not mean that the Irish tricolour flies equally with the Union flag as some people seem to wish.

An example of that is Manhattan where I believe there are 132 nationalities on that island, and those 132 communities will respect and celebrate their own culture. They will dance to their own dances; they will eat their own food; they will fly their own flags; but it all happens under the Stars and Stripes. So if a written constitution was to clarify that sort of an issue that would be incredibly helpful for Northern Ireland.

Q486 Mr Allen: Mike, hello again. I think the last time we spoke was a couple of years ago.

Mike Nesbitt: Yes.

Mr Allen: Things have moved on considerably, not least with the Scottish devolution referendum and this looming issue of financial independence being inseparable from the independence of powers and the exercise of powers within the Union, within the different nations of the Union. I want to ask you a couple of questions and get a couple of thoughts from you: first, your view on income tax assignment, which has obviously now rocketed up the Scottish agenda. It was always going to be in the Scotland Act 2013; they were always going to have the 10 pence retention, but now it is going to be 100%. Wales are looking at this also. They are very likely to go for some income tax retention and there are a lot of people pressing, particularly in English local government, for something comparable in England. So, Mike, a couple of things: first, where do you see yourself on that debate; and secondly, what is your opinion of the outcome in corporation tax in the recent discussions?

Mike Nesbitt: I would be very nervous about us taking any powers with regard to income tax because, as I said in my opening remarks, I do not think we have cracked the financial piece yet. I think we have a considerable way to go to prove that we can manage our own financial affairs, and that is absolutely key to any Government. So we need to be thinking more in terms of baby steps. Having said that, corporation tax is potentially a massive step for us, with regard to the implications for the block grant.

Devolving the power to set our own corporation tax was an Ulster Unionist Party initiative, and I pay tribute to Lord Empey particularly for bringing that forward and liaising with the Conservative Party ahead of the last general election. In our view, it is quite reasonable to put some conditionality

on the devolution of corporation tax. I know the Secretary of State has probably just made a speech in Lisbon this morning, which may well have detailed some of the next steps.

In our view, it is important to get it and then to make the commitment, no earlier than 1 April 2017. We should also set the rate. I do not think we necessarily need to go to 12.5 to match the Irish rate. Personally, depending on the final calculation of the cost, 15% to me seems like a reasonable figure because to do what you want to do—attract the foreign investment—that will create up to 50,000 new jobs. It is not the silver bullet. It has to be part of a package. It can be the tip of the spear, but within there you need the skills, you need the A-grade office accommodation, particularly in Belfast, which currently isn't around. So you need a package to offer.

But if you are not doing it in a way that shows fiscal responsibility we are in big difficulties. So corporation tax, I believe, is a long way down the road for us. The other lever that is not in the Stormont House Agreement is air passenger duty. Again, that is something that is particular I believe to Northern Ireland, because if you and I go down into the centre of Belfast, we can get ourselves to Dublin Airport where there is no air passenger duty, on a luxury coach in two hours for £17.60 return. You cannot do that from Gatwick or Heathrow or Birmingham Airport or Newcastle or Manchester or Edinburgh, Glasgow Airport. You cannot get on a coach for two hours and do away with APD.

It was a huge issue when we were charging the £60 for the band B and above for transatlantic, because two hours on a luxury coach and no car parking and you are dropped off at the door of the terminal. So if it was a family of four going to Florida, you were basically saving £200 cash by taking the coach. We are down to, I note, band A, but it is still a big issue because, outside of the Highlands and Islands of Scotland, we are more dependent on air transport than any other nation or region of the United Kingdom. These are the areas where I would see us taking the steps before we were looking at something that I feel is just massive, taking any sort of control over income tax.

Q487 Mr Allen: Whitehall will tell me and Nottingham and people in my area—as they no doubt will tell people in Northern Ireland—that we would not get competent to run some of these affairs. I am not going to question of course the cost of financial competence of the Governments over the last 20 years in running the British economy, otherwise that will take us into a whole different field. Then they judge us often not competent enough, because one of the things we will do is of course go crazy and try to undercut each other on absolutely everything. One of the obvious answers to that is it is perfectly open to us to sit down and co-operate and agree on levels of taxation, whether it is air passenger duty, whether it is corporation tax, indeed, whether it is an element of income tax assignment. But that does mean much stronger intergovernmental instruments. Obviously, some gatherings take place at the moment, Mike, but how do you view that? As well as the Whitehall Administration telling us all what to do, is there an alternative power source that we could all develop where we could all sensibly sit together as the regions and nations of the United Kingdom and figure out some of these things for ourselves? Is it possible to do these things without the Treasury being there telling us what we ought to be doing?

Mike Nesbitt: It is probably not possible to do it without the Treasury being there. The level of influence that they exert is maybe where there is a bit of wriggle room. I should have said in the previous answer it seems to me that one of the things that would be good for our fiscal powers would be something along the lines of the Office for Budget Responsibility. I think we do need some sort of independent analysis forecasting expertise that is independent of the Government, and we do not have that at the moment.

I think the Smith Commission makes some useful observations in terms of how we work together. The Joint Ministerial Council could do better. I am particularly taken with the idea of regional Ministers having an input with UK delegations going to the European Union. We don't have the sort of fishing fleet that we used to have, and that is largely—certainly in the narrative of the fishing fleet—down to EU regulations, very unfair quotas. It seems to us that that is an area where our Minister could well even potentially lead a UK delegation.

Agriculture is very big in this country and coming up to every Christmas the EU writes something like £300 million of cheques in the Single Farm Payment. Again, the narrative would be, "If we left

the European Union, would that nice Mr Cameron write the same level of money for agriculture in Northern Ireland?” No, he would not. So it is very important to us and, if that narrative is correct, more important than it is on a UK-wide basis. So, again, it would be nice if we could have more influence in terms of negotiating particularly with the European Union. So, yes, I think there are things that can be done and some of them are in the Smith Commission.

Q488 Mr Allen: There are things that again, leaving Whitehall aside, it is perfectly possible to build an alternative structure of that intergovernmental nature, the nations and regions of the United Kingdom, to define best practice, to discuss things like levels of taxation, to do a whole raft of inspection, things—Ofsted or whatever—outwith Whitehall, but just because we are doing it in our nations and regions and we have decided there is a better way of doing these things, rather than needing the permission of the Treasury and the Whitehall mandarins to tell us in Nottingham, or Northern Ireland, what our potential is.

Mike Nesbitt: We do have some bodies already, the Joint Ministerial Council, the BIC—the British-Irish Council—and the next speaker may have more in-depth knowledge of that than I but of course there is nothing so good that it cannot be built upon.

Mr Allen: One very last thing if I may, Chair?

Chair: Yes.

Q489 Mr Allen: Mike, when we spoke last I was impressed—I am always impressed with people that agree with me—because you were very strong on the next stage down, the second level of devolution: local government and strengthening local government. If I may say so, that is even more evident today; even more emphasis from you on subsidiarity and the role of local government, and I have asked other witnesses this, which is: there has been some conversation that Holyrood, Belfast and Cardiff have—and I welcome very strongly their devolution—sucked up powers from the localities. Do you see this as something that we need to take steps around on an all-Union basis—in other words, guarantee the independence of local government? Or do you see it as something very precious to devolution and you can’t tell people in Northern Ireland how they should run local government or in Holyrood how they should run Scottish local government because that should belong to the nation or the region as part of the Union? Is there a moment where the federal level needs to sometimes step in and say, “I am sorry, you are attracting more power. You are in a sense being ultra vires by attracting additional powers to the devolved level up from the local level.”?

Mike Nesbitt: The way I would answer it is to say that I think it would work best—the objective that I think you and I would share—is if it comes on a voluntary basis from the devolved Administrations. Specifically to this one, I go back to where I began. I believe that having had that vacuum—that democratic deficit, as we used to call it over those decades—it was inevitable and natural that, once it came back to Stormont, that it was grabbed and retained because it had been missing for so long. The mature next step is to say, “Actually, it does us no damage.” In fact, it does us credit if we pass it on because, as in the rest of the United Kingdom, the kind of public perception of the body politic, and particularly Stormont, is not high—not high at all—and I am not sure the extent to which even the Stormont House Agreement in its implementation will significantly improve that. I think the single most important action in terms of approving that would be to start further devolving power down to councils and also to communities.

In that Command Paper, you see a route map. I was very impressed by the number of times investment in skills at a community level is mentioned in the document. So it would be perfectly fine for us as a devolved Administration and as an Executive to say, “Skills are going to be incredibly important to our people, to our children and our grandchildren, to rebalancing—that big picture statement—but how you give it effect may be very, very different in a rural area west of the Bann to

inner city Belfast. Is it really for us to write that manual, or is it for us to say, “You write the manual and we will resource it.”?

Chair: Mike, thank you very much; very, very helpful answers to our questions. Thank you for giving your time so freely this morning. We are very grateful indeed.

Mike Nesbitt: Let me apologise to the House of Lords; I will go away and think about that.

Chair: That is okay, no apology needed. Thank you, Mike.

Examination of Witnesses

Witnesses: **Rt Hon Peter Robinson MLA**, First Minister, Northern Ireland Assembly, and Leader, Democratic Unionist Party, and **Richard Bullick**, Specialist Adviser, Northern Ireland Assembly, gave evidence.

Q490 Chair: Welcome, First Minister. We are the Political and Constitutional Reform Select Committee of the House of Commons. We are here to take evidence on devolution and we are delighted you have been able to spare the time. I apologise for the slight delay in starting this particular session. Before we begin our questions, is there any comment or opening remark that you would like to make?

Peter Robinson: No, I do not think I will say too much at the beginning. I will wait for your questions, but thank you for your welcome to the Committee, and can I welcome the Committee to Northern Ireland? As long as I do have a promise that the last question that was asked of Mike gets asked to me, so that you can get the correct answer.

Q491 Chair: Graham will ensure that happens; I assure you of that. May I start off then by asking you about the Smith Commission Agreement, which as you know envisages the devolution from Westminster of many new powers to the Scottish Parliament, including of course substantial fiscal powers. The Stormont House Agreement reached in December, just last month, envisages the devolution of some fiscal powers to the Northern Ireland Assembly, and I wondered what you think the primary implications of the Smith Commission Agreement are for further devolution here to Northern Ireland?

Peter Robinson: The Stormont House Agreement itself envisages some further devolution to Northern Ireland, principally in relation to corporation tax where there is a commitment, but also it points in the direction of further devolution in relation to parades and protests. So, within that agreement, there is a commitment and an indication of further powers to be devolved. In our own submission to the talks process—and indeed there is a reference to further powers within the agreement itself—there was a recognition that, when the Prime Minister signed the economic pact with the Deputy First Minister and myself, there was a commitment from the Government that they would look at further fiscal devolution. Among the issues being considered were issues such as aggregates tax, land tax, the landfill tax as well as the land and property tax—those kinds of issues.

There are a range of other matters that have been considered over the years, but I do not approach this issue as some do. I approach it with clean hands because some take a constitutionally political position. It is a grab from Government of any powers that they can; taking it away from London and bringing it back here. Almost a sort of hyper-devolution collector's item: how much can you have? I look at it on the basis of where is it best capable of being used. Where can it function best? Because of the size of Northern Ireland, I think we have to recognise that there are some powers devolved or are intended to be devolved to Scotland that would not operate in the same way in Northern Ireland because of the cost of doing the work, so I think we have to take that into account.

Q492 Chair: I wonder whether there are any further changes to the devolution settlement for Northern Ireland, which you would like to see over and above what was agreed in December.

Peter Robinson: There are certain matters that we are considering in terms of the school policy. We looked at the prospect of more borrowing powers as well. Outside of that and in more political issues, I suppose there is a link between fiscal matters and, for instance, Crown Estates, which is an issue that is in the Smith Commission report, so that we can get all the benefits from fracking in Northern Ireland. Of course there are other matters that we have looked at in terms of devolution—parading being one of those matters that I think potentially could come to Northern Ireland. So we are open to look at further powers, but we are not obsessed by this issue of stacking up more powers. I think what we need to do is to prove that we can operate with the powers that we presently have under the very convoluted system and difficult system to operate that we have in Northern Ireland.

Q493 David Morris: The Stormont House Agreement proposes that the power to set a rate of corporation tax on trading profits should be devolved to the Assembly, but it is only if certain conditions are met, including on a balanced budget, reform of the public finances and passage of welfare legislation. Do you feel you find the carrot and stick approach to further devolution acceptable?

Peter Robinson: Not only do I find it acceptable, I would have been one of those advocating such a position. It comes down to how I ended off the answer to the last question. That is the fact that we have to prove that we can deal responsibly with the financial management. While any individual party might say that it is capable of doing that, when you are in a five-party coalition, on many occasions moving in different directions, it is important that we show that as a collective we are capable of dealing with those complex issues. So I think it was essential for us to show that we could have a sustainable budgetary situation in Northern Ireland. I think we have that under the agreement. I believe that we will have our budget agreed before the end of January as required under the agreement, and I am delighted that we now have agreement on how to move forward in relation to welfare changes. I think those were the main issues that were separating and causing difficulties within the Executive. They are resolved under the terms of the agreement. But I think what is more important is not so much because they are resolved under the terms of the agreement, but the five parties themselves meeting separately brought to the Secretary of State the resolution to those issues. So it is the parties' proposals on those matters that form the content of the financial section of the Stormont House Agreement.

Q494 Duncan Hames: In Wales, there is a vocal argument made that Barnett does not work for them any more. Do you think that the Barnett formula is a sustainable way to determine future levels of the block grant to Northern Ireland?

Peter Robinson: When I approach a question like that I have to consider what the alternative is, and there is no real alternative out there. There is some reference to a needs-based approach to it, and if it was a needs-based approach I think Northern Ireland would come out of it very well. What most of us recognise, particularly as we look to the kind of Parliament that we will have arising out of the next election, which will probably be a multi-party coalition at the end of the day, I would be very worried that instead of it being a needs-based approach—which is very much open to definition anyway, and I do not think there is any objective needs-based solution out there, it is obviously going to be subjective—it would come down to the politics of the United Kingdom. I would be very much afraid that, instead of getting something that is better than Barnett, we will get something that is politically driven.

In many ways Barnett is as far as it is likely to get. I know Wales is not content, but nor is Northern Ireland for that matter because while to the untrained eye, looking at the figures per head of

population, it might appear that Northern Ireland is doing very well out of it, the reality is that the region that comes out best under Barnett is Scotland. Because when you take into account the fixed cost of Government, no matter where you are in the United Kingdom, Northern Ireland with 1.8 million of a population has fixed costs that equate very similarly to Wales with twice the population or Scotland with three times the population, so in many ways the economy of scale favours Scotland much more than it does Wales and Northern Ireland, and they get a significantly better deal out of Barnett than we do. Add to that the greater need that there would be in Northern Ireland, there would be a good argument for us to look at a different approach. I just feel that the politics of moving to a different approach might not fare well for Northern Ireland, unless of course we had the balance of power at the time.

Q495 Duncan Hames: So the political situation is one of keeping Barnett for fear of something worse. Your own objective assessment for Barnett is that it needs some improvement, but you are not aware of any option that is realistically on the table that you would want to grasp.

Peter Robinson: That sums it up fairly well. I think if there was a needs-based approach Northern Ireland would do better than it does at the present time. But we have to recognise that Barnett is essentially a population-based approach, and Government in Northern Ireland has a cost, just as it does in Scotland and Wales, and when that factor is taken into account, we probably get less per head of population certainly than Scotland and perhaps something similar to Wales.

Q496 Mark Durkan: On that, there is of course the consideration that we tend to be looking at this in terms of how Barnett shares out what is counted out from Barnett. There is of course the question in terms of what is counted in, and I know you have had the experience of arguing with the Treasury, as I have had, as to what spending should be counted into the Barnett calculations and what shouldn't be. There does seem to be a degree of arbitrary Treasury choice around that that probably nobody is satisfied with.

Peter Robinson: Yes, that is the case. While Finance Minister, I had disputes about significant expenditure in England that was not subject to Barnett consequential. We took that to the JMC disputes procedure, which is a useless procedure. The people who have taken the initial decision want to decide what the outcome of the arbitration should be.

Q497 David Morris: The Stormont House Agreement proposes a number of changes in the operation of the Northern Ireland Assembly and the Executive—for instance, a reduction in the number of Ministers in the Executive, a reduction in the overall number of Assembly Members, and procedures for a party or parties to form an official opposition. What do you think the significance of these changes would be?

Peter Robinson: We prefer to talk about a reduction in the number of Departments rather than the number of Ministers. Of course if you have larger Departments there may be a requirement for some junior Ministers to be appointed to some of those larger Departments. We would have gone further in terms of a reduction in the number of Departments, but we had to reach a consensus position and therefore we ended up in a reduction from 12 to nine. We would have gone further in terms of a reduction in the number of Assembly Members. We are grossly overmanned when you compare it with Wales and Scotland. We would have reduced it to 72. We were prepared to compromise at 90, and at the end we had to compromise at 90 at some time in the future. We would have wanted it done straightaway. So I think that is essential. It is difficult to go out there and convince the population that we have to take all sorts of measures to cut our public services, but we are not prepared at the Governmental level to take any pain ourselves. So it was essential from that point of view.

Also if you look at the size of Northern Ireland, we are grossly overrepresented, so I think there was a good argument for a reduction. However, the other side of that equation is that the larger

numbers ensure that we have a wider representation within the Assembly, and we all have to make our own judgment as to when we can normalise our circumstances.

As far as the official opposition is concerned, that of course is an alternative to an unofficial opposition that already exists. The trouble is that the unofficial opposition would be people who are in the Executive, so what we are wanting to do is to exchange hopefully an internal opposition within the Executive, which sees its fruits in terms of leaks of Government papers given to the Executive and the unedifying spectacle of the representatives of the Executive going into different lobbies on issues that are Government business. So I think it is important that we do try to normalise our set of circumstances in Northern Ireland.

I detect from the expressions that this is not something that is unusual at Westminster either, but from a Northern Ireland point of view, I think there is a benefit to having an open challenge in the Assembly to the work that is being carried out by Government. Sadly in Northern Ireland the effect of us not having an official opposition or any real opposition in the Assembly has been that the present media see that as their role, and, therefore, any Government action goes through the sieve of an organisation that sees itself as the official opposition to what we are doing at Stormont. So hopefully it would help to normalise the way business at Stormont is treated.

Duncan Hames: Fascinating. In Westminster, the Prime Minister dealt with that problem by making him his Chief Whip.

Chair: Yes, that is true.

Q498 Mark Durkan: There are proposals for some sort of constitutional convention for the UK in the life of the next Parliament, from some parties more so than others, the idea being that that convention would deal not just with the searching questions that are around about devolution and all the English questions that are arising there, but also some of the other issues in terms of Europe, parliamentary sovereignty and other things. Have you any mind on the desirability of such a convention or the design of it, or any particular issues that should be considered from a Northern Ireland angle?

Peter Robinson: I do not get so exercised about the issue that I would be standing outside Downing Street with a placard, but I cannot see it being something that I would be motivated to oppose either. There are some advantages but it almost gives the impression that there should be some commonality between the devolution settlements in Scotland, Wales and Northern Ireland that we had to do things in some common format. Providing there is a recognition that each region will have its own needs and priorities and that what we are wanting to do is to be more a part of decisions that seem to be taken in Downing Street or at least not too far from Downing Street, so that we have our own input to matters that will have an impact on Northern Ireland, I am very content to move forward on that basis.

Q499 Mark Durkan: You will have also seen that there are a range of proposals on a spectrum of English votes for English law measures, some which involve an outright restriction on members representing constituencies outside of England voting in relation to particular laws, whether it is Bills or clauses or whatever is not quite clear. Others are more in terms of having a bespoke consideration stage for English MPs or whatever. Have you looked at any of those options and do you have any thoughts or concerns about them?

Peter Robinson: My first thought is that I can sympathise and understand the position being adopted by English MPs. It is a conundrum; there is no question about that. The West Lothian question goes back to my earliest days in Parliament. I suspect that if English MPs were being asked, those who would argue in favour of English MPs voting on English legislation being the only people who would vote on English legislation, I wonder would they say the same thing. If devolution in Northern Ireland was to break down, would they be saying that Northern Ireland MPs should be deciding Northern Ireland legislation? That might be a very good alternative, I have to

say, with a majority of Northern Ireland MPs in the House. But there is a problem and I am not sure that we have the right answer to it yet. It certainly does require to be addressed. It can really be properly addressed if you have a devolved Parliament for England. That is the only thing that gets everybody on all fours, or I suppose some kind of federal United Kingdom does the same. There is an issue that needs to be dealt with. I am just not sure that we have the right answer yet. I think somebody once said that the best answer to the West Lothian question was not to ask the question in the first place.

Q500 Mark Durkan: Based on your own experience—not just in the House of Commons but also then your devolved experience between the legislative consent motions and the Executive negotiating when there might be upturns to legislation or inclusion in particular clauses or whatever—how easy do you think it might be for those who seem to want English votes for English laws to come up with some sort of parliamentary driving licence that would give different MPs different classes of legislation that they could or could not participate in?

Peter Robinson: I think it becomes very difficult, but it is no more difficult than attempting to define what English laws are because, do not forget, there will be Barnett consequential to a lot of English legislation, impacts for other parts of the United Kingdom. So the definition on who would be the determining person or body that would make that decision would be another factor to be taken into consideration, and it does do what the House of Commons has consistently avoided doing: having different classes of MPs. I think there are real problems with that.

Q501 Duncan Hames: In his statement to the House, William Hague did seem to indicate that legislation with Barnett consequential would not come under his definition of English laws, but that might end up drawing it much more narrowly than his colleagues imagined.

Peter Robinson: As Mark said earlier, who then determines whether there are Barnett consequential on an issue?

Q502 Duncan Hames: We have covered a number of points about a written constitution, but I was struck by your very clear position about reducing the number of Assembly Members. We on this Committee are also doing a piece of work about where next in relation to changes to parliamentary constituencies for Westminster and the number of MPs. Do you take the same position on that?

Peter Robinson: Maybe I should add to the answer I gave to an earlier question about additional powers that could come to Northern Ireland. One of the additional powers that could come to Northern Ireland would be our ability to determine boundaries for the Assembly, just as we can within the system for local government. The difficulty we have in relation to reducing the number of seats in Northern Ireland is that it then largely favours the bigger parties if you reduce the number of seats under a multi-member constituency. If however we were able to reduce the number of constituencies and keep the same number of seats in an area it overcomes that difficulty, so setting our own boundaries might be a way forward in relation to dealing with the difficulty of ensuring that smaller parties still have a significant role in the Assembly, and at the same time bringing us down to the right levels.

Again, maybe it is just my 35 years in politics and the scepticism that comes with it: every time we end up looking at reducing the number of seats, there are political outcomes that are affected, and there is always a suspicion that numbers are chosen that will suit one party or another at Westminster. I think there probably is a case for some further reduction in the number of MPs at Westminster overall in the UK, but when I look at somewhere like Northern Ireland with the peripherality that we have, I think there has been in the past a recognition that there needs to be a significant number of MPs coming from Northern Ireland to be able to represent, because they are a minority voice at Westminster and that voice has to be heard.

Q503 Mr Allen: Peter, good to see you and particularly good to see you because I think the last time we hoped to see you there was an awful incident that kept you from meeting the Committee. The fact you are here today, I hope, is also indicative of calmer times in Northern Ireland, too. But I had better let you have your chance of answering the question that I put to your colleagues this morning, in terms of local government freedom and whether there is a danger that if we are not careful, or we do not have some sort of reserve power about maintaining local government freedom, that power could get sucked up into Holyrood, Cardiff, Belfast or whatever the answer is to the English question.

Peter Robinson: I come from a local government background. I spent 30 years in local government, so I am a very strong advocate and I believe that local government does things a lot better than some other levels of government. I came to the review of administration in Northern Ireland from a position where I wanted as much power as possible to be going down to council level. The truth is that there has been significant devolution of powers from the centre in Northern Ireland to local government in Northern Ireland. That has taken place during the course of the life of this Assembly. So rather than the Assembly bringing powers in, it has sent them out to local government. It has not gone far enough in my view. I noted that when we first asked each of the Departments to indicate the powers that could go down to local government, we had a very substantial list but as soon as we got Ministers in the Departments and they got their feet under the table, they started to retreat and some of those were clawed back.

In terms of the skills agenda that Mike was talking about, his party was in charge of the DEL, which has the skills agenda and did not offer any devolution of power down to local government when they had the chance to do it, and many other Ministers who I think could have sensibly given further power to local government decided to keep control of it. Even the powers that they handed over in some cases to local government, they wanted to keep some supervisory monitoring role or even last say in certain circumstances, so they couldn't release the grip entirely. As soon as the new local government system is up and running—and it starts in a month or two's time—and has established itself, I think there is an argument for looking at what further powers could be devolved to local government.

Q504 Mr Allen: Peter, are you not making an argument that, even with the best will in the world, with parties of all political persuasions there will always be somebody that comes along who does want to suck those powers back? Isn't the only answer to put that temptation beyond people's reach by entrenching those powers for local government, not just in Northern Ireland but throughout the Union, too?

Peter Robinson: Of course, in Northern Ireland, local government set up under legislation does have a range of powers that go to the councils. Whether there is a universal minimal level of power I am not sure, because we have an Assembly that is very close to people. We have 1.8 million people and 108 Assembly Members and the kind of systems that we have nobody has to go too far to be able to have an input into Government matters, and in many ways some people—perhaps unkindly—might even look at Stormont as being no better than a form of local government. There is an argument that the more you can devolve from the centre, the better it will be handled and the more there will be a community consensus about the way things should be done in a local area. But it is part of the devolution settlement that it is for politicians here to decide. I would prefer that they decided to give a bit more to local government. Maybe that is just because that is a stable from which I came.

Q505 Mr Allen: I have used the phrase before of England now is the last country in the Empire, now that the other nations within the Union are having some degree of devolution, and David Ford this morning referred to England as the last British colony. If we all get a measure of devolution,

why do we need Whitehall at all? Can't we have a look at our intergovernmental structures between Northern Ireland, Wales, whatever happens in England and Scotland and—if I may say so—at your level with your colleagues, Carwyn, Nicola Sturgeon and others, build an alternative power structure to the one where we are waiting to hear the instructions coming down from Whitehall?

Peter Robinson: I do not foresee at any stage that the devolved regions will take over responsibility for foreign affairs, defence and issues of that kind, so there is some need in the future for some central responsibility at a Whitehall level. If we reach the stage where England decides that it is beneficial to have its own devolved Assembly or Parliament, then we would be very close to the stage where you will have a federal United Kingdom. That would certainly reduce the size of Whitehall being a UK facility. You will obviously have a lot of the Departments in Whitehall working for the English Parliament.

Q506 Mr Allen: You have alluded to this a little earlier about income tax assignment. Obviously, Scotland in the Scotland Act 2013 had the ability to retain 10 pence of income tax and now they will have the ability to retain 100% of income tax. Wales are not far behind, and there are many people in English local government of all parties and of all levels, be it county, parish, city, who feel that income tax assignment could provide base load expenditure for them, too. You did refer a little bit to this earlier, but could I press you further on whether Northern Ireland would want to join the rest of the family in having some clarity around retention of income tax?

Peter Robinson: Certainly, in terms of Northern Ireland political parties, you have a variety of views on that issue. We just have to remember that we are a region of 1.8 million people. I cannot see that we are going to be significantly capable of changing social and economic outcomes in Northern Ireland as the result of any changes in the income tax system. If it were so then I think there would be an argument, but there are cost issues attached to it as well. To have the equivalent to the Scottish Revenue in Northern Ireland would be fairly costly and I think would take away any advantage that there might be in having a separate system.

Q507 Mr Allen: Although I suspect in the Chairman's own area—Leeds, Bradford—that they will be looking at an element of income tax retention. Certainly, Manchester may well be doing that, even in my own area, Nottingham and Derbyshire as a combined authority. Certainly the Chair's area and mine do not add up to 1.8 million, but we would be very keen to ensure that we had that sort of stability in local government finance, so that we could build a more independent level of local government to take devolution forward in the English context. I appreciate the point you are making.

Peter Robinson: A lot of finance in Northern Ireland of course is resourced through their own rates processes, as well as from a regional rate, so we are in a slightly different position than GB.

Q508 Mr Allen: I have been prompted to ask a further question about the joint ministerial committees. How you see those operating? How you see the intergovernmental arrangements operating? Do you think there is a way of taking those forward, modernising them in the way that they operate?

Peter Robinson: This is British-Irish and the Joint Ministerial Council and so forth?

Mr Allen: Yes.

Peter Robinson: Well, I think there is a need to review the operation of the JMC. We need to be looking at issues such as dispute resolution processes. I think there is a requirement for us to look at it in terms of our voice in Europe, and we will have different priorities than the rest of the UK. That comes up every year when we are looking at fishing quotas and when we have to deal with cap reform and so forth, all of those issues I think we would have liked to have had a voice at the table that does not exist as a right at the present time. That is not to say that the Ministers don't go

in and argue our case. When you have a vested interest you will argue a bit harder, so there are changes required there.

We have built up over the last number of years institutions and processes within the UK arising out of Northern Ireland issues, but which benefited Scotland and Wales as well, in terms of the British-Irish Council and the various working groups that it has set up where we share our views, we show what we are doing in our area and how it has made changes so that it can be picked up by other areas. So there are good processes in place. At the end of the day, there are still a lot of decisions that are being taken for us, and how you get that greater input without interfering to an acceptable level with the right of a Government to take the decisions that it wishes to, that is a difficult conundrum.

Mr Allen: Just on Europe, if I may, Chairman?

Chair: If you have time, Peter.

Q509 Mr Allen: If the UK pull out of Europe after the next general election, the mythology is that the Republic is one of the most adept nations in the European Union at getting its way and punching well above its weight. Could you ever see, Peter, a position where Northern Ireland could federate through the Irish Republic to maintain a membership of the European Union?

Peter Robinson: No, we are part of the United Kingdom. We stand and fall with the rest of our colleagues in the United Kingdom.

Chair: That is pretty clear.

Mr Allen: I think that is straightforward.

Chair: Peter, First Minister of Northern Ireland, thank you very much indeed for your time today. I am sorry we have overrun a little bit. I hope we have not made you too late for your next appointment.

Peter Robinson: Not at all. Thanks very much.

Chair: We are very grateful. Thank you.