



Northern Ireland Affairs Committee

Oral evidence: Responsibilities of the Secretary of State for Northern Ireland, HC 322

Wednesday 15 July 2015

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Members present: Mr Laurence Robertson (Chair); Mr David Anderson; Oliver Colvile; Mr Nigel Evans, Lady Hermon; Kate Hoey; Danny Kinahan; Jack Lopresti; Dr Alasdair McDonnell; Nigel Mills; Ian Paisley; Gavin Robinson.

Questions 1-93

Witnesses: **Rt Hon. Theresa Villiers MP**, Secretary of State for Northern Ireland, and **Sir Jonathan Stephens KCB**, Permanent Secretary, Northern Ireland Office, gave evidence.

Q1 Chair: Secretary of State and Sir Jonathan, thank you very much for joining us at the beginning of the new parliamentary calendar. This is the first public session we have held. Thank you for agreeing to join us at what was relatively short notice. Would you like to make an opening statement about how you see things in Northern Ireland at the moment?

Mrs Villiers: I would be happy to say a brief few words. First, I congratulate you, Mr Chairman, on your unanimous return as Chair of this Select Committee, which reflects the fantastic job you have done in this important role for a number of years. I would also like to congratulate everyone else on their election to this very important Committee, and I look forward to continuing to engage with the Committee in the months to come.

Reflecting on the disgraceful violence that occurred on Monday evening, this is a solemn time for Northern Ireland. I know that you will all have condemned that, as have all Northern Ireland's elected representatives. It is hugely damaging to Northern Ireland, and my great sympathies go to the people injured as a result of what happened—the police officers and the young woman who was injured in the car collision in Ardoyne. That was completely unacceptable, as was the disgraceful threat issued to members of the Parades Commission and the police. It is simply unacceptable for threats to be made to hard-working public servants who are only doing their job, and it was right that that was universally condemned.

On the political side, I am sure I do not need to tell you that things remain difficult. There continues to be deadlock over the impasse on welfare reform. The UK Government continues to do all it can to unblock that situation. We believe that implementation of the Stormont House Agreement is vital. It is vital for delivering a workable budget for the Executive, and

thus for ensuring that the Executive continues to be able to deliver on its priorities, but it is also vital for delivering more effective structures to deal with the legacy of Northern Ireland's past.

We are pressing ahead as far as we can with our side of the deal. Ultimately, it is all a package, so unless the welfare question is settled, all the rest of it is in jeopardy. But we believe that it is important for us to do everything we can to try to keep things moving along, which is why we are working hard on the Stormont House Agreement Bill. We expect to be able to present that to the House in early autumn, as planned. I very much hope to be able to come back and talk to the Committee about it in September, in advance of the Bill's publication. That concludes the main points with which I thought it might be helpful to kick off.

Chair: Thank you very much for your kind remarks. I am sure that the Committee will echo your condemnation of the unacceptable violence and threats that set Northern Ireland back in terms of both peace and the economy. It really is not the way to proceed. We will go straight into questions, if that is okay, by starting with a discussion about the Stormont House Agreement.

Q2 Danny Kinahan: Thank you very much, Secretary of State. Likewise, our thoughts are with the families of the police and the woman hurt. The Queen's Speech stated that the Bill would be coming through. Will we, as a Committee, get a chance to go through it and conduct scrutiny? Where I was on Monday showed how parades and such things should be. We should note that in the whole of Northern Ireland, it is not all as it would seem to be elsewhere. Will the Stormont House Agreement be coming past this Committee and the House? If it does not come into place, what are your plans?

Mrs Villiers: On the first question, as I said, I very much welcome this Committee's input in the scrutiny process. Because of practicalities, it may not be possible to produce draft clauses in advance of the introduction of the Bill to Parliament, but we are working as hard as we can to move things along as quickly as possible. We certainly feel able to produce a more detailed report on what the Bill will contain and how it will be structured, which we plan to publish in early September and share with the Committee.

As I said, I am very keen to come back to give evidence on how we intend the Bill to work and what we expect it to include. I would also be very happy to put my officials at your disposal for informal briefings on the Bill's technicalities. You will find that much of it covers elements that could be legislated for in Stormont, but for various reasons the Northern Ireland parties thought it might be appropriate to do it all in a single package at Westminster. There are certainly elements that relate to reserved matters, which would need Westminster legislation.

On your second point, I agree that it is important to remember that a little more than 600 parades took place very successfully on Monday in an atmosphere of celebration and respect for cultural expression. It is important to remember that, although the violence that we saw was completely unacceptable, it was confined to a limited number of locations—in particular with the problem in north Belfast. It is well worth remembering that a little fewer than about

3,000 parades with links to the loyal orders take place over the course of the year in Northern Ireland in an atmosphere that is free from problems.

Q3 Gavin Robinson: Good morning, Secretary of State. You indicated that the Bill's intention is to bring forward matters that could have been dealt with at Stormont but over which there was unanimous agreement that they were dealt with here. Do you have any intentions to insert aspects for which there is not unanimous approval for Westminster to legislate?

Mrs Villiers: Certainly not at the moment. The scope of the proposed Bill is as set out in the note that I recently sent to the Chair. It is essentially the mechanics of the HIU, the ICIR and the oral history archive. There is some talk of a technical change in relation to the ability to retain DNA for the HIU but, fundamentally, we plan to put in the Bill those three key aspects of the structures in the Stormont House Agreement on the past.

Q4 Ian Paisley: Secretary of State, you are very welcome to our first meeting. It is nice to see you here. The wider issue that flows from the Stormont House Agreement is the stability of the institutions. Have you any preparations in place in case the institutions actually collapse? As you know, the First Minister indicated last week that they may not even get to elections next year. The situation looks so perilous because of the inability of some parties to hold to the Stormont House Agreement. Are you preparing for a worst-case scenario?

Mrs Villiers: I don't think we are at that point yet. I appreciate what you say. The situation is grave. There is a threat—even one of potential collapse—to the continued effectiveness of the institutions. But we are not there yet; I think it is certainly possible to resolve this dispute. It is important for the five parties to work together on that. My colleagues in the UK Government and I continue to be engaged in ensuring that the agreement is implemented. It is important for the two nationalist parties to find a way to be able to deliver on the undertakings that they signed up to, particularly in relation to the Stormont Castle Agreement and welfare reform. It was very clear that that had five party sign-up.

The focus now has to be on: getting the Stormont House Agreement back on track; finding a way to ensure that the dispute over the implementation of the welfare provisions is resolved; and ensuring that Sinn Féin and the SDLP find a way to live up to what they agreed at Stormont Castle, which was, indeed, championed as a very good deal by Sinn Féin. Those things, rather than hypothetical questions about what might or might not happen, are our focus. We are determined to do everything we can to get the process back on track and avoid these kind of doom scenarios.

Chair: The welfare cap is a slightly separate issue but, as we have touched on it, we might as well run into it.

Q5 Oliver Colville: Secretary of State, thank you for coming to see us. We are very grateful. I have been on the Committee for the past five years. Never, during the course of that time, have the Executive and the Assembly in Northern Ireland collapsed. I would be grateful if

you talked through what would happen if it were to collapse completely. What role would you, as the Secretary of State, take in the process?

Mrs Villiers: I am not sure that it is terribly productive to focus on hypotheticals. It is important to recognise that the situation now is very different from periods when the devolved institutions have been suspended in the past. The only thing that would trigger an early election would be the resignation of the First or Deputy First Minister and the refusal by either of the two largest parties to nominate a successor. If there were to be a resignation by the First Minister or Deputy First Minister and an inability to get a successor appointed, an Assembly election would follow on from that, and then we would face the question of whether it would be possible to build a new Administration with a new First and Deputy First Minister.

There is no legislative route any more simply to suspend the institutions. If there were to be consideration of suspension, that would require primary legislation in Parliament, but, as I say, I think we are some way from that. It is important for all parties to work together. Walking away from this would not be productive and would not resolve the problem. I do not think it is particularly in anyone's interest to have an early election.

That is the process now which takes place. If there is a First or Deputy First Minister resignation, there is an early election. If we are unable to secure a new Administration, in theory we could continue having further elections after that until a new Administration was formed.

Oliver Colvile: Permanently knocking on doors then, delivering leaflets, and everything like that.

Mrs Villiers: It is not a cheerful scenario to have a permanent cycle of elections coming up.

Q6 Oliver Colvile: Would you have direct rule yourself and take responsibility for managing the Province or not?

Mrs Villiers: There is in statute no provision any more for direct rule. If there is a resignation, if the Administration falls in Northern Ireland, the result is the same as it would be in the Welsh Assembly or the Scottish Parliament. If an Administration falls, you have an election, and in theory you could carry on having elections until you get an Administration successfully formed.

Q7 Oliver Colvile: But in the meantime the place has got to operate, with a Government, and there are a number of issues which will almost certainly come up. If we have not got a First Minister or an Assembly, how does that whole thing operate and how does the place continue working?

Mrs Villiers: What happens is the same as in a scheduled election. The institutions continue. There is no scope for the UK Government to step in. Just as government continues at Westminster during an election, so it would continue in Northern Ireland during an Assembly election.

Q8 Oliver Colvile: Picking up the welfare bills and things like that, too—surely that is going to have a significant impact upon the Whitehall Government as well, isn't it?

Mrs Villiers: How do you mean, picking up?

Oliver Colvile: If there is nobody making a decision—if they cannot come to a conclusion about what is going to happen on welfare in Northern Ireland—that will potentially have an impact on how the Chancellor of the Exchequer puts together his Budget, and on the amount of money that is going into Northern Ireland. Is that not so?

Mrs Villiers: Certainly, as the Chief Secretary outlined in his letter, which I believe was published earlier this week, the UK Government as a whole is very concerned about the current situation in Northern Ireland. The provisional budget agreed by the Executive is only workable—it is only a proper, balanced budget—if the welfare provisions of the Stormont House Agreement are implemented. If they are not, the Executive and its Departments look set to exceed their control total. So, absolutely, that causes grave concern for the UK Government, which is why we think it very urgent and essential for the Northern Ireland parties to press ahead with their obligations under the Stormont House Agreement. I welcome the fact that three of the five parties in the Executive voted for welfare reform, for various reasons. It is obviously a grave concern that, for the moment, that legislation has been vetoed by the two nationalist parties.

In December there was agreement. There was also something very close to agreement—it looks as if the DUP and Sinn Féin had almost bridged the differences between them—back in March, so I think it is important to focus back on that, and on the detail of how the top-ups agreed at Stormont Castle would work in practice, so that we can get the welfare reform implemented. With the Executive having a workable, balanced budget, the Treasury's concerns, which I have outlined, obviously would recede.

Q9 Oliver Colvile: Hopefully, it will not happen, but if it does, I suspect we are going to have to take a very keen interest in all this, are we not, Mr Chairman?

Chair: Between now and any eventuality, yes.

Q10 Kate Hoey: There is a difference, isn't there, between the Welsh Assembly, the Scottish Parliament and Northern Ireland in terms of just having new elections. Is not the real problem that the Northern Ireland Assembly is not properly constituted in terms of how we would see democracy elsewhere in the United Kingdom? There is no Opposition, for example. Given that you are in Northern Ireland a lot and you are, I assume, talking to “ordinary people” out there, do you not get the feeling that the vast majority of people in Northern Ireland are sick to the back teeth of the Northern Ireland Assembly and the shenanigans that are going on? We need to get to a stage where we look again at the whole agreement in terms of how that Assembly works. We have to go back to “normal” politics in Northern Ireland.

Mrs Villiers: Obviously the Northern Ireland settlement has its specific characteristics, which, as you say, are unique to Northern Ireland within the UK. There are some aspects that the settlement has in common with devolution in Wales and Scotland, but clearly, as you say, there are other aspects that are very different. I, and the UK Government, continue to be very supportive of the settlement under the Belfast Agreement. We are open to proposals from the parties for change, and the Stormont House Agreement does in fact deliver some helpful alterations to make the institutions work better, not least of which is the provision for an official Opposition. I recognise the differences between Northern Ireland and elsewhere.

You made a statement about public opinion in Northern Ireland. I would be unwise to think that I could speak for public opinion in Northern Ireland, but from the conversations I have had, I think that many people are fed up with the current situation. There is a recognition that the dispute over welfare is holding back the Executive. There is a choice here: will the Northern Ireland Executive spend money on a more expensive welfare system, or will they spend their resources on schools, hospitals and policing?

Many people recognise a case for reform of the welfare system. I know that your party has a different view on these matters, but the reforms we have introduced in Great Britain are about rewarding work and dealing with worklessness. The change is partly motivated by affordability and ensuring that the system is fair to the taxpayers who go out to work and fund it, but it is also about delivering better outcomes for those who need support, and it is very much focused on protecting vulnerable groups. In many places in Great Britain, there is a recognition that the welfare system needed to change, that there were flaws and that affordability was getting out of control. I would say that there is some support for that approach in Northern Ireland.

Q11 Kate Hoey: In my constituency, there would be huge support for that in terms of what is happening in Northern Ireland, because people see that the welfare system in Northern Ireland gets more than we get in parts of my constituency. I do not need to be told that. How long will it go on before you, as the Government's representative, say, "Sorry. Enough. We are not having this anymore. It is finished. We are taking the money away"?

Mrs Villiers: I am in continual discussions with colleagues in the Northern Ireland Executive and the Treasury about what will happen over the coming weeks. There are likely to be significant problems by October and November with Departments potentially exceeding their control totals, which may have worrying impacts on public services. I have been warning about that for years. Ultimately, there will come a time when the blocking of welfare reform will cause so much strain on other departmental budgets that that strain will start to be felt in practice in Northern Ireland by vulnerable people relying on public services. That will raise difficult questions and is why it is hugely important that the Northern Ireland parties find a way to make the system work and to get the budgetary problems sorted out.

Chair: Thank you. Moving seamlessly on to budgets and welfare reform, Dave has a question.

Q12 Mr Anderson: Secretary of State, despite what you have just said about the impact of welfare reforms across the whole of the United Kingdom, there is a report from Sheffield

Hallam University that says that the consequences of those reforms will hit the people in Northern Ireland harder than those in the rest of the UK. Has that been considered by you or your officers? Do you share the conclusions?

Mrs Villiers: I have not seen that report, but I am happy to look at it. Obviously, I and my colleagues across Government have deliberated very carefully on the nature of the welfare reforms that have been introduced. Of course, the impact on vulnerable groups is always carefully considered. We have had to make some difficult choices, both in the first round of welfare reforms that is under discussion in Northern Ireland and indeed in the recent changes announced in the Budget. We have taken every step we can to ensure that we do everything we can to support those who genuinely need welfare support and provide as much protection as we can for people with illness and disabilities, for example.

Q13 Mr Anderson: You realise that not everyone agrees that that is what you have done. Clearly, that is not agreed by some parties in Northern Ireland or some parties in this part of the United Kingdom.

Mrs Villiers: Yes, of course. As I acknowledged to Kate, I completely agree that there is not a unanimous view on welfare reform. These are extremely difficult decisions, but as a country, we were spending more than we could afford. Even after the changes introduced in Great Britain, we are still spending £94 billion every year on working-age benefits. We still have one of the most generous benefits systems in the world.

Mr Anderson: It is what makes us a civilised nation.

Mrs Villiers: I appreciate that the Labour party has a very different view on welfare reform and does not support the changes that we are making. The same view is taken by Sinn Féin and the SDLP.

Q14 Mr Anderson: Given that that is the case, and given that these reforms will be even harder than the ones that you have not yet implemented in Northern Ireland, these additional reforms will make it even more likely that the parties that opposed your initial reforms will oppose these as well, so that will make things even worse.

Mrs Villiers: The changes we have introduced—the ones that were announced in the Budget—largely relate to tax credits and will not be the subject of a vote in the devolved institutions, because they are tax matters. I feel that the changes made in the Budget were fair. They have had a broadly positive reaction from many people. Again, there were some very difficult decisions, but those were unavoidable. We faced a choice. If we duck the need to get our finances in balance, we can see what happens from examples around Europe. Governments that cannot get their spending under control end up triggering the kind of economic chaos that we have seen in Greece, and that is extremely negative for the very vulnerable people we want to protect.

So there is a strong moral case for Governments spending within their means, because the consequences of not doing so are felt not by the wealthy, but by the people who lose their jobs and the people who have to cope with chaos as a result of deteriorating public services. You take a different view, but I think there is a moral case for a Government and a nation living within their means. To do that, we have to tackle the welfare bill, which has got out of control over the last 20 years or so. It is possible to provide a compassionate and humane system that supports the vulnerable, but also encourages work. The best way to tackle poverty is to get people into work.

Q15 Mr Anderson: Of course, a lot of the people you are attacking are actually in work. You talk about the moral side of things—if you want to talk about morality we will be here all day—but I asked a specific question that you did not answer. Do you believe that these additional reforms will make it more likely that the parties that do not want to sign up to the original reforms will find it even harder to sign up?

Mrs Villiers: I don't think it makes a difference. The parties signed up to—

Mr Anderson: It doesn't make a difference?

Mrs Villiers: No. I think the recent Budget leaves the questions in Northern Ireland unchanged. The five parties, before Christmas, agreed at Stormont Castle to accept welfare reform and to top it up from the block grant. That gives them a reform system that in my view is better, but it also gives them a system that is more generous than anywhere else in the United Kingdom. I believe that was a good deal for Northern Ireland, and that is why I am working to ensure that it is implemented, and I will continue to work with the parties to try to get through this impasse. The changes in the Budget will no doubt be debated and discussed by the Executive regarding their response, but that does not change the simple fact that a good, sensible and pragmatic deal was agreed at Stormont Castle and we need to press ahead with it. The alternative is an Executive that get increasingly dysfunctional because they do not have a workable budget.

Q16 Mr Anderson: What plans do the Government have, if they cannot reach agreement, to use powers in this House to force it on the people of Northern Ireland?

Mrs Villiers: Many people ask me that. As I have said a number of times, that is obviously something we cannot rule out and that we would be forced to look at, but it is not something that we want to resort to. That sort of thing would only ever be a last resort, and we do not think that we are at that stage at the moment.

You will appreciate the significant political sensitivity; we do not want to have to go down that road, but we are obviously prepared to consider it. I think there is still scope to work with the parties to try to get the Stormont House Agreement back on the road without resorting to legislation at Westminster.

Mr Anderson: We shall see.

Q17 Dr McDonnell: Thank you, Secretary of State, for your comments on the violence and the injured.

There seems to be a bit of a misunderstanding. Would you accept that the SDLP do not have a difficulty with the Stormont House Agreement? The issue is not the Stormont House Agreement. We agreed there, and we will agree. The difficulty is that the devil was in the detail, and it was in the interpretation or follow-through where some differences emerged. It is perhaps unfair of you to imply that somehow there is a reneging on what was agreed at Stormont House.

I will pick up the point made by David, but first I will go back a little. Stormont House covered much more than welfare, which was but a part of it. It was the gaps that were left in that welfare that had to be fleshed out by discussion. I think you should honestly accept that the SDLP in particular has hung in at the discussions, week in, week out, ever since. We are committed to trying to ensure that the Stormont House Agreement is delivered. There are gaps, though I will not go into them today. There is no point going into the detail of the gaps unnecessarily. Underlying all of that was the point that David made, that all the evidence is that Northern Ireland would be hit much harder than Britain by some of the reforms.

Chair: Is that the question?

Dr McDonnell: Yes, but I want to lead on to a couple of other points. You mentioned worklessness. I think we would all be with you in terms of workfulness. The difficulty we have in Northern Ireland is that when reforms are intended to try to move people towards work, the work does not exist. While the unemployment level may not be significantly high, there is a massive amount of underemployment in Northern Ireland where skilled people are operating in unskilled jobs.

The question I want to put is one I have raised with you privately and publicly before. What can we do together to ensure that job opportunities open up and that a prosperity process—for want of a better description—starts moving, and that work is created to allow people into move to it? That is the biggest challenge we have.

Mrs Villiers: I obviously welcome your reiteration of support for the Stormont House Agreement on behalf of the SDLP. That is tremendously welcome. Every time you say that I very much welcome it. It is also reassuring to hear you emphasise that the current dispute is about a point relating to implementation. The reality is that it is a serious blockage, and the SDLP is part of that because of the petition of concern, but very much welcome your willingness to try to work through that and find a way to get that blockage overturned.

In terms of working together on prosperity in Northern Ireland, as I have said publicly and privately, I am always happy to do that. This is one of my absolute highest priorities, as it continues to be for the Government.

There is some very good news in Northern Ireland about its exceptionally strong track record in relation to inward investment. We have seen 40,000 more people in work over recent years. The economic pact does signal a pathway that sees the Executive and the Government working more closely than ever before, but I am always very willing to look at further ways in which we can work together to deliver prosperity, opportunity and jobs in Northern Ireland.

Q18 Nigel Mills: Just a quick question. Are you prepared to give more money to Northern Ireland to try to get it through this impasse, or is it that there is no more and there needs to be a deal within the existing framework?

Mrs Villiers: We will not be giving additional money to Northern Ireland on top of the £2 billion or so in extra spending power that comes with the Stormont House Agreement. That is still very much on the table. We hope the agreement will ultimately be deliverable, in which case the financial package comes with it. But we are not going to top up that financial package, and in particular, we do not feel it would be right to fund a more expensive welfare system for Northern Ireland than we do in the rest of the United Kingdom.

Chair: Thank you. Perhaps we can move on now and look at the issue of parading.

Q19 Gavin Robinson: Thank you, Secretary of State, for your comments earlier in your opening remarks about Monday and some of the difficulties that arose. In comments subsequent to that, you placed the burden on political parties locally to agree any change that is necessary on parades, yet that is the same situation we have found ourselves in for the last number of years, and as you know, parades are a perennial issue. They cause difficulty from a security perspective and they can cause associated issues from a community perspective and a breakdown in community relations.

As the guardian of parading legislation, do you not feel the time has come for the Northern Ireland Office, and you in particular, to make some progress in delivering balanced legislation that gives at least equilibrium or equity between all of those involved—those who have an interest in parades and those who have a difficulty with them—so that there is at least

a balance, and to recognise that, for as long as one side of that discussion can achieve great strides by doing nothing and not engaging in discussions, the onus is really on you to deliver?

Mrs Villiers: I appreciate how important parading issues are to many of your Belfast East constituents. I continue to believe that the best way forward on potential reforms of parading legislation and the means of adjudicating parades is through the Stormont House Agreement. Following on from the successful party leader discussions that took place in the summer before the start of the Stormont House talks, we have published an outline of what reform might look like. My understanding is that the Office of the Legislative Counsel for the Executive, which was tasked by the agreement to come up with more detailed options, has completed that work. That is the pathway to a different system, but I am very conscious that whatever changes there are to the system of regulation and adjudication, we are still going to have difficult and sensitive parading decisions, some in your constituency, but most particularly in north Belfast. I acknowledge that we do need crucial local engagement to try to resolve and take the tension out of those local disputes.

Q20 Gavin Robinson: Do you agree at this stage that, without local agreement, the legislation remains unbalanced and that for so long as the only mechanism that the Parades Commission has is to put determinations against parades, those who are opposed to parades have no incentive to engage in positive discussion?

Mrs Villiers: No, I would not agree with your characterisation of the current legislation, having discussed this many times, including to a certain degree with some of the parties in the Stormont House talks. There are obviously proposals on the table that would see adjudication take place in a slightly different way, but ultimately we are always going to have a situation where some form of third-party adjudication is going to be needed. Decisions will always be made that please some people and do not please others. It is crucial to remember that Parades Commission determinations have the force of law, and they should be complied with. The rule of law should be respected.

I emphasise that even if we had a completely new system with a different set of criteria, local disputes would not necessarily be resolved. There will always be situations where it means a huge amount to one side to be able to carry out a parade on a particular traditional route and it means a huge amount to the other side because it has concerns about the use of that route.

It is important to engage in discussions between all those involved in parading and all those involved in protesting. Building mutual understanding and trying to build some mutual trust has worked in many parts of Northern Ireland, as we have heard emphasised today. There were 600 very successful and entirely peaceful parades on Monday. It is important for all of us to work on those areas where there are still difficult local disputes to be resolved.

Q21 Gavin Robinson: You don't agree that the legislation is unbalanced, but we are hearing the same things that we hear every year. As Secretary of State, have you ever read a determination that had consequences for those who oppose a parade?

Mrs Villiers: Consequences for?

Gavin Robinson: For those who oppose a parade. The legislation does not enable the Parades Commission to do it. I have never read a determination that says that if a protesting organisation or a body opposed to parades fails to do something, a parade will go through. Determinations, due to the unbalanced nature of the legislation, are written in a way that always has consequences for the parade organiser, but not for the protest organiser or those opposed to parades. Have you ever read a determination that lays down consequences for

those who protest against parades for failure to engage positively in discussions on a resolution?

Mrs Villiers: I do not comment on individual determinations, but it is clear, within the structures that govern the Parades Commission and its decision making, that local dialogue on all sides is encouraged. Part of the commission's remit is to encourage those involved in parades or protests to try to work with one another to remove tension and get a local resolution. That is at the heart of decision making by the Parades Commission, and I am confident that it takes that very seriously.

Gavin Robinson: I would suggest you haven't, because the legislation does not permit the Parades Commission to write such a determination. I suspect we will not get a meeting of minds.

Q22 Kate Hoey: The Chief Constable told some of us when we were over on Monday that they now publicise everything that they put in about a parade so that no side can misinterpret what they have said. Why is the Parades Commission so secretive? Why does it not publish its minutes? Why is it so secretive about why it has made decisions? That adds to the concern. I know you do not think that you can measure public opinion, but there is no doubt that there is a feeling, certainly within the pro-Union community, that the Parades Commission is one-sided.

Dr McDonnell: This is outrageous, Chair. The Parades Commission is not—

Chair: Order. We are not having a debate among ourselves. If people want to come in after Kate, I will bring them in.

Mrs Villiers: The Parades Commission publishes, in many instances, quite detailed determinations that set out its rationale. I do not feel that further rules need to be introduced in relation to transparency, but as I have said, potential reform of the Parades Commission is envisaged by the Stormont House Agreement. The reality is that there have been various attempts to challenge Parades Commission determinations in the courts through judicial review. My understanding is that those decisions have always stood. Yes, the decision-making process is always going to result in determinations that are sharply divisive in the community. Unfortunately, that has been the case with parades over 100 years, but I think that the decision-making structures are appropriately transparent, and the Parades Commission publishes the reasons for its determinations.

Q23 Kate Hoey: So you have complete confidence in the Parades Commission?

Mrs Villiers: I have complete confidence in the Parades Commission, and I think the system is working acceptably. I am quite happy to consider reform in the context of the Stormont House Agreement, but I think the system is working effectively and delivering what it is supposed to deliver.

Q24 Kate Hoey: Just so I am clear, do you appoint the members?

Mrs Villiers: Yes.

Q25 Oliver Colvile: May I encourage you to ensure, when considering reform of the Parades Commission, that the people organising the more controversial parades end up actually paying the policing bill? At the end of the day, this puts enormous pressure upon police budgets, which we know are stretched.

Mrs Villiers: I take your point. I am always conscious of the importance of securing the public finances, but if the whole bill for the policing effort were to fall on parade organisers, you probably would not have many parades any more. There are certain problems with that approach.

Mr Anderson: You'd have no more parades.

Chair: That question probably did not meet with full agreement, but never mind. We will move on.

Q26 Dr McDonnell: It is not so much a question. I have to come in, because—

Chair: It is not a debate, Alasdair. We need a question to the Secretary of State, who has given up her time today, not a debate. We can debate these issues ourselves, but not now. Do you have a question?

Q27 Dr McDonnell: I have a question broken into three parts. Secretary of State, do you consider the Parades Commission to be open and honest in all its dealings?

Mrs Villiers: Yes.

Q28 Dr McDonnell: Do you think that these attacks and slurs thrown at the Parades Commission at times help in any way to create progress?

Mrs Villiers: In a democratic society, criticisms will obviously be levelled at public bodies. What is completely unacceptable is threats to the personal safety of Parades Commission members. While I do not agree with the criticism made of the commission by some in the Unionist community, they have the right to put those points of view across.

Q29 Dr McDonnell: Do you recognise that there were hundreds of contentious parades when the Parades Commission set out on its task, and most of those have now been resolved so that they can now be counted on one hand?

Mrs Villiers: That is certainly true, though there is always a risk that further parades will become problematic in future. But you are right; the current position is that there are many successful and peaceful parades, and only a handful continue to be contentious.

Q30 Dr McDonnell: One final point: do you think it would help immensely if the Orange Order talked to people and if there were dialogue?

Mrs Villiers: I certainly always encourage anyone involved in a parade or a protest to engage with the Parades Commission, local residents and others involved. That kind of engagement has successfully resolved some sensitive parading disputes in many areas. That is the way forward in areas where parades remain difficult.

Q31 Dr McDonnell: Have you any idea why the Orange Order continues to refuse to engage?

Mrs Villiers: I do not think it is true to say that they refuse across the board. Over the years, in relation to north Belfast, there have been members of the loyal orders who have taken part in things like the North and West Belfast Parades Forum. Admittedly, it is only relatively recently that the Orange Order has taken a formal decision to engage with residents. That is welcome and important, and I would encourage more of it to take place.

Chair: We will move on to the wider security situation.

Q32 Nigel Mills: The question is simple: what is your current assessment of the security situation? We heard about the threats this week, but what is the overall position?

Mrs Villiers: It tends to be constant and consistent, in that these groupings are small and enjoy virtually no support within the community but they retain lethal capacity and resilience. You will appreciate that many of their leaders have been arrested for suspected offences over recent months, but there is still a significant amount of targeting and planning.

It remains the case that were it not for the highly effective action taken by the PSNI and its security partners, including An Garda Síochána, I am afraid we would see many tragedies on the streets of Northern Ireland. The reality is that the PSNI and its security partners are effective in stopping almost all these attacks, but the need for a high state of vigilance continues and that is why counter-terrorism in Northern Ireland remains a tier 1 strategy as part of the Government's overall approach to security and counter-terrorism.

Q33 Nigel Mills: What is your assessment of the resourcing of the PSNI—do they have sufficient to tackle these threats? Are you planning to give them some long-term visibility? I think they were given £250 million for the last Parliament—will they get that for this Parliament?

Mrs Villiers: The Government have supplemented PSNI resources with security funding over the last five years and the funding for this financial year of £30 million has also been confirmed. No doubt, there will be discussions during the spending review on whether that could continue. I will be working with the Department of Justice and the PSNI on these matters as we all engage in the forthcoming spending review, but it is obviously important.

This is another reason why it is essential that we get the Stormont House Agreement implemented, because that is the only way to give the Northern Ireland Executive sustainable finances. One of the consequences of not implementing welfare and running on over future weeks with an unworkable budget is potential further in-year reductions to PSNI spending by the Executive.

The PSNI are confident that they are able to tackle the threat. They are doing it very effectively, but obviously sudden and dramatic further in-year cuts of their budget would pose difficulties. Certainly, one of the problems at the moment with the way the debate has gone on the Executive's budget is that—as experience has shown, if you plan for savings and efficiencies in advance, you give organisations in the public sector the time to think about how they start to operate within a more constrained financial environment, and it is possible to live within a smaller budget and still provide just as effective a service to the public. That is obviously a great deal more difficult if you have had sudden and unexpected in-year cuts at short notice.

Q34 Nigel Mills: On transparency of donations to political parties, you were given a power in the last Bill to review the publication of donations. Do you think that the security situation

is getting us any nearer seeing Northern Ireland's political funding being the same as the rest of the UK's, or is that not likely to happen in this Parliament?

Mrs Villiers: As I said, the security picture is remarkably consistent and our assessment is that it is a threat that is going to be present in Northern Ireland for more or less the foreseeable future. So while we are obviously going to press ahead with further transparency as soon as we can, there is not a dramatic change in the security picture for the moment.

Q35 Danny Kinahan: I want to follow that up, but less on the security situation. Secretary of State, are you aware that there is a perception on the ground, particularly in rural villages and others, that there is less PSNI and that, therefore, there is a greater likelihood of crime, so there is a fear of crime getting worse? I am not saying that that perception is true, but we need some form of telling everyone how new policing works and how we will get there.

Mrs Villiers: I am confident that Northern Ireland is actually one of the safest places in Europe. Obviously, crime levels have been falling in Great Britain and I think there is some reflection of that in Northern Ireland, though I have to confess that I have not seen the most recent figures.

There is no doubt that the PSNI have faced some difficult decisions, but I know they continue to place community policing and visible policing as a very, very high priority. Yes, they devote resources and time to counter-terrorism, which is absolutely vital, particularly in terms of protecting their own officers and other public servants, but they are also determined that they will continue with a very hands-on approach to community policing, which sees visible policing in towns and villages across Northern Ireland.

Chair: Thank you. Perhaps we can move on to the on-the-runs. I thank you for your response to our report and, indeed, to the banking report, which we will be publishing. We will probably come back in September and make comments as and when, but thank you for those responses.

Q36 Oliver Colville: What has been done to ensure that recipients of on-the-run letters—the comfort letters—who are suspected of involvement in crimes are not treated more leniently than loyalists and other republicans who did not receive such letters?

Mrs Villiers: I can absolutely give you that assurance. There is absolutely no justification for treating someone with one of these OTR assurances any more leniently than any other individual. I have made it clear, for example, in my statement to Parliament in September, that these letters are not and were never a “get out of jail free” card. They were not an amnesty: they do not have that effect. Where there is evidence to indicate that an individual is involved in crime, the police and prosecuting authorities will pursue that evidence in the same way, regardless of whether the individual concerned has an OTR letter.

Q37 Oliver Colville: Can I come to the issue that I have been talking about quite significantly during this whole process? The European arrest warrant was passed by us to make sure that terrorists, or potential terrorists, were brought back to this country to face trial. There is one

individual in particular—Rita O’Hare—who left the United Kingdom to go and live in Dublin and has never been brought to trial and justice, despite the fact that she absconded from bail as well.

I wrote a letter to the PSNI, who I understand are responsible for this. They replied saying that they have no intention at all of pursuing this matter. I find it absolutely stunning that somebody who is wanted to appear before the courts, and who has gone through all of this, is not being brought to justice and brought to book here. I do not know what we can end up doing to make sure that Rita O’Hare does actually come and face justice.

Mrs Villiers: The system of the European arrest warrant means that the decision is taken by the police—I presume, with some input from prosecutors, too. It is not a decision which I take or which Ministers, either in the Executive or the UK Government take.

Oliver Colvile: Forgive me. We all voted—I voted, most certainly—

Chair: We did not all—

Oliver Colvile: Not everybody voted for this piece of legislation. To then be told, “Ah, well, it’s down to the local police”—there is no democratic accountability as far as this is concerned. What do I have to do—where do I have to put the pressure—to try to make sure that we do this?

Mrs Villiers: I know you have been in correspondence with the police about this. That really is the only way forward. I suppose, in theory, you could try challenging their decision in court. But there are all sorts of areas where decisions used to be taken in relation to criminal justice matters by Ministers where those decisions are no longer taken. One can have a debate about the rights and wrongs of that—much of that is down to the Court of Human Rights in Strasbourg—but it is clear that decisions under the EAW are for police and prosecutors, not for Ministers.

Q38 Kate Hoey: But Secretary of State, would you like to have her back? Would you like to bring her back? Do you think she should face some kind of redress for what she did in absconding?

Mrs Villiers: I do not think it would be appropriate for me to comment on an individual case. Indeed, if I did, that might potentially jeopardise future prosecutions or make them more difficult. The legal advice on this is very clear and there are certain famous instances of our elected leaders commenting on criminal cases in a way that is not actually helpful in terms of getting people convicted.

Oliver Colvile: I think we should invite the Chief Constable to come and talk to us about this matter.

Chair: That is another discussion.

We will move on to the issue of personal protection weapons.

Lady Hermon: We definitely could not possibly move away from on-the-runs while we have Sir Jonathan here, because of course Sir Jonathan chairs the implementation team that is looking at the implementation of the recommendations in the Hallett report. It is very nice to see both of you here. Since Sir Jonathan was questioned—challenged—about the on-the-runs scheme on at least two separate occasions, we thought that that would be very fitting, Secretary of State, if it is all right, if I directed some questions to Sir Jonathan.

Mrs Villiers: Certainly.

Q39 Lady Hermon: Don't worry, I'll come back to you, Secretary of State, so don't breathe a sigh of relief.

Sir Jonathan, who else sits on the Oversight Board with you? I do not mean representatives of the Police Service of Northern Ireland—I know that they do, and presumably the Department of Justice—but, by name, who actually represents those organisations? I know you are due to have a meeting this month, or has it already taken place?

Sir Jonathan Stephens: No, it has not taken place yet; it is due to take place in the next couple of weeks. I do not think I can add to what I have already said. Representatives of the PSNI are there at a senior level and, in addition to ourselves, the Public Prosecution Service is represented as an observer, as is the Department of Justice.

Q40 Lady Hermon: Does the DPP himself attend any of the implementation meetings?

Sir Jonathan Stephens: No.

Q41 Lady Hermon: When you say the PSNI is there at a senior level, are you able to identify who it is? Or do they vary?

Sir Jonathan Stephens: It has changed, but it is at least at Assistant Chief Constable level.

Q42 Lady Hermon: I am intrigued by your reticence to name those who sit on the implementation board to implement a public report, the Hallett report. Why should there be such secrecy over who actually represents these organisations?

Sir Jonathan Stephens: I am hesitating because I do not think we normally publish the names of individuals who sit on what is essentially an internal group. What is clear is that they are there to represent their organisations, and their organisations are committed to the implementation of the Hallett report.

Q43 Lady Hermon: With the greatest respect—I do mean that, so it is not building up to an insult—the OTR scheme was so controversial and so upsetting for so many victims and their families that I think it would give a great sense of reassurance if people knew the calibre and the status of those who are on the implementation board. I am really puzzled by your reply.

Sir Jonathan Stephens: I am very happy to consider it. It is not something that I have been asked to do before. I am rather hesitant about publishing the individual names of everyone who attends. That would not be the normal practice with what is essentially an internal management group, but I am prepared to consider it and at least make clear the sort of level at which the key organisations are there.

Q44 Lady Hermon: Perhaps you could go one step further and mention at your July meeting that it was raised by the Northern Ireland Affairs Committee as a good idea. Perhaps you will get their consent.

Sir Jonathan Stephens: I am happy to pass that on.

Q45 Lady Hermon: Secretary of State—I will come back to you in a moment, Sir Jonathan—do you have knowledge of individuals going on the run to the Republic of Ireland since your statement that comfort letters, the OTR letters, were in fact worthless?

Mrs Villiers: Normally, I would not comment on that kind of issue

Q46 Lady Hermon: Not on this occasion?

Mrs Villiers: I am not aware of any cases having been reported

Q47 Lady Hermon: You are not aware of any cases being reported to you or to the PSNI?

Mrs Villiers: I am not aware of any having been reported in the public domain. I am not aware of others being reported to the PSNI. Again, I am not sure I would be able to talk about it even if I was aware.

Q48 Lady Hermon: Which is why I asked whether you had knowledge. Do you have any information?

Mrs Villiers: I am not aware of any cases of people moving to the Republic of Ireland as a result of the statement on OTR letters.

Q49 Lady Hermon: That can be interpreted in one of two ways. I will think about that one.

Sir Jonathan, of the remaining recommendations in the Hallett report, which ones are the more difficult for the implementation team to resolve?

Sir Jonathan Stephens: As our response to the Committee's report makes clear, we have made good progress with most of the recommendations. Indeed, the outstanding ones are those that are really in effect covered by PSNI's Operation Redfield—the review of cases—and that is obviously an ongoing commitment and task of the PSNI.

Q50 Lady Hermon: Can you tell us, since you chair the implementation team, how much progress has been made within Operation Redfield?

Sir Jonathan Stephens: I should be clear that the board I chair does not take any decisions on individual cases. Those are for the police and the prosecuting authorities. The police have been clear about the priority with which they are addressing the cases, starting with those cases identified in the Hallett report as errors, and then progressing to the 36 cases that Lady Justice Hallett identified as a particular priority for review. They do not give us a blow-by-blow account of progress against that.

Q51 Lady Hermon: Presumably you ask, though, for a progress report from the PSNI senior representative at no less than ACC level?

Sir Jonathan Stephens: We have discussed how to ensure that the terms of reference address the right issues, as recommended by Lady Justice Hallett. We have discussed how to ensure that progress can be made properly and thoroughly, but also rapidly. But we do not get individual reports on individual cases, and I would not expect that.

Q52 Lady Hermon: But you can confirm to the Committee that Operation Redfield is well under way.

Sir Jonathan Stephens: It is.

Q53 Lady Hermon: Good. That is very reassuring. Would either of you like to respond to what I think is the last question on the OTRs? There was a huge reluctance from you, Secretary of State, and the permanent secretary to allow two junior-senior civil servants—as they were described—Simon Case and Mark Sweeney, to give us key evidence. First, do you agree with the Committee that they were actually excellent witnesses?

Mrs Villiers: I thought the evidence session went very well and that they performed very well.

Q54 Lady Hermon: That being the case, would you like to say that you were mistaken, or that you regret not allowing them to give evidence much earlier?

Mrs Villiers: I still feel that people who are responsible to Select Committees should be Ministers and, in some instances, their senior officials. I still think that it is generally not appropriate for those at middle rank or lower level to go through the Select Committee process.

The decisions are made at senior level, whether by Ministers or senior civil servants, so I think we should account for those decisions, not those who are simply asked to carry them out. Because the Committee felt so strongly about it, in the end I was happy to let the hearing

happen. It is still the case that in all normal circumstances, we should stick to the normal approach, which means Ministers and occasionally their senior civil servants, not their junior ones.

Q55 Lady Hermon: Even though you have confirmed that the evidence session went well and they were very useful and helpful witnesses, lessons have not been learned. In future, if we were to ask again, would you say that lessons have been learned? Would you be less reluctant to allow witnesses, who are valuable to the Committee but happen to be civil servants, to give evidence?

Mrs Villiers: I always thought the two civil servants would perform well in their evidence because they are of great ability, and the Hallett report had made it clear that civil servants were doing their best with a system that had quite severe administrative flaws as a result of systemic problems. Obviously, I will consider NIAC's future requests very carefully. I still think the general approach stands. For example, if I take a decision I would expect to answer for it, not the middle-ranking or junior civil servants I ask to carry it out.

Q56 Lady Hermon: I think we got the words "very carefully" so I read that as a concession for next time, that you will review our request "very carefully".

There is another subject I want to raise with you. You responded to my colleagues on your assessment of the security threat. I took down the words you used: significant amounts of targeting continuing, and a constant and consistent threat. When talking about dissident republicans, you said they have lethal capacity and resilience. You also said that the threat would be there for the foreseeable future. That being the case—I have raised the issue of personal protection weapons directly with you, Secretary of State—I am very concerned by the number of PPWs that have been withdrawn from retired police officers when we have this consistent and constant threat from dissident republicans, who have a lethal capacity. Could you just explain why that is? This is a personal protection weapon for someone's individual protection, not a firearms licence for pest control—I will not even mention the word fox. With the devolution of policing and justice, where does an appeal lie for a firearms certificate that has been withdrawn for a personal protection weapon?

Mrs Villiers: Where it relates to national security matters, there can be an appeal to me as the Secretary of State. The trigger is whether the application in question raises national security matters. In relation to PPWs for retired police officers, the appeal will generally come to me as the Secretary of State and be dealt with by my colleague, the Minister.

Q57 Lady Hermon: How many appeals have been made to you as Secretary of State and have been heard by the Minister since you became Secretary of State?

Mrs Villiers: They are pretty regular, although I have to confess I do not have the numbers in my file right now. I am sure, however, that we can get you those numbers rapidly.

Q58 Lady Hermon: Yes, and how many of the appeals have been successful?

Mrs Villiers: Again, as far as I can see, it will be pretty straightforward to give you that information, although I apologise that it is not in the file of papers that I have in front of me for the Committee. We will get the information to you as quickly as possible.

Lady Hermon: Thank you, I appreciate that.

Q59 Chair: May I just touch on something that we may as a Committee look at in the future, which is what might be termed UK victims of state-sponsored terrorism from Libya? Obviously quite a lot of work was done on trying to make contact in the Gaddafi years with the Government of Libya. Things have moved on, but could you give us a statement or assessment of any activity that is taking place on possible compensation or of discussions—whatever it is—with the Libyan Government?

Mrs Villiers: I am sure that the Committee will be aware that around a year or so ago, the Prime Minister appointed Sir Kim Darroch to oversee these matters. He is one of the Prime Minister's security advisers. Sir Kim has subsequently visited Libya and, I understand, had some conversations about these matters, but it has always been clear that the Government does not espouse individual claims. What we want to do is encourage reconciliation and engagement between the Libyan Government and those who suffered at the hands of Gaddafi-sponsored terrorism. The reality is that the situation in Libya, where there are effectively competing Governments, is such that I do not think anyone is expecting significant progress any time soon. It is a matter that continues to be of concern to the Prime Minister, hence his appointment of Sir Kim with a special responsibility on this matter.

Q60 Chair: So it is very much a live issue?

Mrs Villiers: Yes.

Chair: Thank you. I do not want to go into that any further now. Let us go back to Sylvia and the Human Rights Act.

Q61 Lady Hermon: My colleagues will chip in afterwards, I am sure, but your Government have speculated—hopefully it remains speculation—that they are planning to have a British human rights Act, and you will be well aware that the European convention on human rights was a key element of the Belfast Agreement. We had referendums in the Republic of Ireland and Northern Ireland on 22 May 1998 following the agreement. Thousands and thousands of people across the island of Ireland voted in favour of the agreement, including the key element, which is the inclusion of the European convention on human rights. I am not asking for a blow-by-blow account, but what discussions have you had with your Irish counterpart? Could you reflect to the Committee the concerns that the Irish Government have expressed to you about a potential British Bill of Rights and the implications for Northern Ireland?

Mrs Villiers: I am not sure whether it is appropriate to share all the discussions I have with Irish counterparts, but the Human Rights Act has been raised with me by the Irish

Government. Indeed, it is something that I have discussed with a range of people in Northern Ireland and with Whitehall colleagues. As the Government's decision-making process goes forward, I am sure that my colleague Michael Gove will also engage directly with the devolved Administration on how his plans for reform of the way human rights law operates in the UK will work.

Q62 Lady Hermon: Have you, as Secretary of State for Northern Ireland, reflected directly and personally to your Cabinet colleague Michael Gove the implications for Northern Ireland and for the agreement of a British Bill of Rights?

Mrs Villiers: I have had a range of discussions with Chris Grayling, when he was looking at these matters, and with Michael Gove's team on these issues. Michael is very aware of the importance and significance of the Belfast Agreement in determining our way forward on human rights legislation.

Q63 Lady Hermon: Coming back to the Irish Government, how serious do you feel their views are on this? Are they seriously concerned or mildly concerned?

Mrs Villiers: That is probably a question for them, rather than me. We have had some very constructive engagement with them, and we are determined that we are still going to be protecting fundamental rights with our reform of human rights, while injecting a little bit of common sense into human rights legislation. As the Prime Minister says, we believe that we can do that while staying in the convention. We are also aware of the importance of engagement in Northern Ireland, and you are right to point out that engagement with the Republic of Ireland is also helpful in this context.

Q64 Lady Hermon: That is an interesting and helpful reply. You have just confirmed that, together with the Prime Minister, you believe that the United Kingdom should remain a signatory to the European convention on human rights.

Mrs Villiers: I was just echoing what the Prime Minister has said. Ideally, we believe that we can get the reforms we want within the convention. If that proves difficult, we do not rule any options out. For example, we believe it is possible to incorporate convention rights into law in a way that is different from the Human Rights Act. We believe that the Human Rights Act has had a number of unintended consequences and that it is not controversial to propose that UK judges should have the final say over human rights in the United Kingdom, rather than Strasbourg judges. This Parliament should have the final say over whether prisoners can vote. I do not think that either of those two propositions are unreasonable, and that is the sort of thing we want to see in our reform of human rights.

Q65 Lady Hermon: That is a very diplomatic answer. In your heart of hearts, do you think that the European convention on human rights is of such a status and value to us that we, as a country, should remain a signatory to it?

Mrs Villiers: In my heart of hearts, I have the same view as the Prime Minister. We are working to come up with a reform that incorporates a British Bill of Rights, and we hope that we will be able to do that while staying in the convention. We do not rule out different options at this stage, but our aim is to come up with a common-sense reform of human rights law in this country that focuses on protecting genuine human rights and tries to crack down on some of the abuse we have seen in recent years.

Lady Hermon: That being the case, Secretary of State, may I pick up on a comment made by Kate and Gavin about parading? It is going to be a British Bill of Rights. There was a very interesting suggestion from a senior constitutional lawyer called Albie Sachs, who came to give a talk to the Northern Ireland Human Rights Commission some years ago. He suggested that the way to deal with parading was to put it in a Bill of Rights. If that is what the Prime Minister and Michael Gove are considering, I will leave that with you.

Chair: Perhaps we should move on to the wider economic issues.

Q66 Mr Evans: Secretary of State, how is the economy doing in Northern Ireland?

Mrs Villiers: It is performing impressively. The claimant count has been down for each of the past 27 months in succession.

Q67 Mr Evans: Does that include today? Because we have had some figures out today that say that unemployment has gone up for the first time in two years in the UK. Have you got figures for Northern Ireland?

Mrs Villiers: Unfortunately, I have not seen today's figures, so I may have to correct that last statement, but I think we are seeing impressive recovery in Northern Ireland, with record levels of inward investment. But the recovery is still not as strong as in the rest of the United Kingdom; that is one of the reasons why the Government is pressing ahead with work under its economic pact to do everything we can to support prosperity in Northern Ireland. That is another reason why I think getting on with the Stormont House Agreement is important, because it can only be disruptive to the economy in Northern Ireland if we have political deadlock and potentially significant dysfunctionality in the Executive if it has an unworkable budget.

Q68 Mr Evans: Is it getting its fair share of inward investment?

Mrs Villiers: Yes. Some figures indicate that it is one of the most successful areas in the UK in relation to inward investment. Actually, much of that good news flowed from the action taken under the economic pact, not least as a result of the investment conference attended by the Prime Minister last year.

Q69 Mr Evans: Is it also getting its fair share of Government public procurement?

Mrs Villiers: I have to say I am not aware of the relative figures in relation to Government contracts, so I would not be able to tell you what sort of a share Northern Ireland has of those procurement contracts.

Q70 Mr Evans: On the broader scale, what discussions or involvement will the Northern Ireland Office have in response to the recommendations of the Davies Commission? I know you may have your own views as a London MP, but how important do you think the third runway will be for Northern Ireland?

Mrs Villiers: I think it is very important for Northern Ireland to have an input into this. My understanding, for example, is that the CBI and a range of Northern Ireland's elected representatives engaged with the Airports Commission. And I emphasise that the stage we are at at the moment is that the Government is now looking in significant detail at the Airports Commission to decide on a way forward, so this is another opportunity for Northern Ireland to make its voice heard and certainly I make sure that the views I am given in Northern Ireland are fed into the deliberations by my colleagues at the Department for Transport. And in due course—

Q71 Mr Evans: What are those views?

Mrs Villiers: Again, this is not scientific, but the views I have heard expressed are generally in support of additional runway capacity in the south-east. Everyone I have spoken to emphasises the importance of frequent and regular air links between Northern Ireland and London.

I think virtually everyone who has raised it with me has said that they would like additional airport capacity at one of the London airports. Then people are divided: many people—I think probably the slight majority—say, “We don't really care where it is as long as it is built somewhere in the south-east,” and then, of course, there are a number who are very supportive of Heathrow expansion. But, as I said, this is not a scientific assessment of public opinion; this is just a broad summary of those who have raised the issue with me.

Q72 Mr Evans: Heathrow is important to people travelling between London and Belfast. On the announcement that IAG will take over Aer Lingus, as BA and Aer Lingus dominate the Belfast to Heathrow route, do you think there will be enough safeguards in the takeover to ensure either competition or competitive pricing into Heathrow, where many Belfast travellers go, including businessmen?

Mrs Villiers: It is slightly awkward for me to comment on this, because I gather that some of the UK authorities still have some role in the decisions by competition regulators in relation to the IAG takeover, but I am absolutely clear that it is vital that we retain significant numbers of frequent flights between Belfast and London, and Heathrow in particular is important.

Therefore, whatever the outcome of the takeover—whether it goes ahead or not—I very much urge that those Aer Lingus flights are retained, but ultimately these are matters, I am

afraid, for the airline concerned. My predecessors had a very helpful dialogue with British Airways over the BMI takeover and those flights have been retained. Obviously the Irish Government, with their ownership stake in Aer Lingus, have had discussions with IAG as well. My colleague, the Minister, has been engaging directly with IAG to make the case for the importance of retaining these flights. Ultimately, as a matter of EU law, it is for the airlines to decide how they use their slots at Heathrow.

Q73 Mr Evans: On the announcement in the Budget about the national living wage, I think the retail sector is the largest industry in Northern Ireland. What impact will the national living wage have on that sector, including on employment and unemployment?

Mrs Villiers: The Treasury publishes a range of statistics on the impact of its Budget measures, but it is important to look at the Budget as a package. The reductions in corporation tax are partly to help business cope with the additional cost of the national living wage. For smaller businesses that do not necessarily pay any corporation tax, the increase in the employment allowance is meant to offset some costs of the national living wage. The employment allowance has increased from £2,000 to £3,000, which makes it possible to employ more people without paying any employer national insurance. I acknowledge that there will be a bill for some employers, but the Budget seeks to get the right balance by reducing some business taxes to try to offset that cost.

Q74 Mr Evans: What is the latest on the devolution to Northern Ireland of setting the corporation tax rates?

Mrs Villiers: The legislation is on the statute book. It is subject to a commencement clause. It is really impossible to see how that commencement could take place in the current circumstances, because it is not possible to devolve further tax powers to an Assembly that is locked in a budget crisis. There is direct conditionality on this in the Stormont House Agreement anyway, but even if the Agreement was silent on the question, the Executive's finances would have to be on a sustainable basis, with a workable budget, before devolution of rate-setting powers could take place.

Q75 Mr Evans: You mentioned corporation tax rates eventually being dropped to 18%. What impact will that have on Northern Ireland?

Mrs Villiers: It will make Northern Ireland an even more attractive place in which to do business for overseas investors. It will close the gap between the UK and the Republic of Ireland. If rate-setting powers are devolved, it will make a further reduction in Northern Ireland corporation tax more affordable. The cost has to fall to the Executive because of EU rules, but the difference from funding a reduction to 12.5% would be less with 18% than it would be with the current rate.

Q76 Mr Evans: I know you are talking about the benefits, but as far as the Executive are concerned, what do you think the overall cost to them will be?

Mrs Villiers: As I recall, the conversations during the Budget said that the expected cost was around £300 million to £320 million. That will obviously need to be adjusted, because it was based on 20%. It should not be that difficult to calculate a new figure, but it will be somewhat less than—

Ian Paisley: It could be up to £60 million of benefit to Northern Ireland.

Mr Evans: The total cost, though.

Mrs Villiers: I don't know whether the Treasury has produced an alternative figure, but the last one was a little more than £300 million as the cost to Northern Ireland. I am not quite sure. I think that was at a certain point after a change, because in the initial years the cost is quite uncertain because of the transitional period. Once things have stabilised, it is expected that the cost will be about £300 million to £320 million with a 20% rate.

Q77 Mr Evans: And how are they supposed to make that up?

Mrs Villiers: Well, they have various options, like any other Administration. They could increase revenue—they have various revenue options—and reduce spending in other areas, which is perfectly possible. As I emphasised earlier, the best way to do that is through advanced planning and thinking about how best to deliver those savings through efficiencies, rather than directly impacting front-line services.

Q78 Mr Evans: Mr Mills, next to me, mentioned growth. Do you think that with the rate being dropped, there would be sufficient growth in the system, or is the £320 million a net cost to them after growth?

Mrs Villiers: Certainly it would be offset by growth in economic activity, but that is unlikely to cover the entirety of the cost to the block grant.

Q79 Kate Hoey: Has Sinn Féin changed its policy on corporation tax, or is that just a rumour?

Mrs Villiers: From what I could see, the comments that attracted news attention were stating that they did not think it was practical at the moment to have a corporation tax reduction, which is probably what I have just said. My understanding is that they probably still support the devolution of corporation tax powers. I have not seen anything that suggests that they do not.

Q80 Chair: It would be for the Executive to decide if they want to exercise it or not. Once it is devolved it is for the Executive to decide whether they want to exercise it.

Mrs Villiers: Yes.

Chair: I am aware that a couple more Members want to get in on the Heathrow issue. I will come back to that in a minute, if I may, but on corporation tax, I will bring in Nigel. I mean Nigel Mills—can you sit separately next time?

Mr Evans: Too many Nigels.

Q81 Nigel Mills: You might regret putting this in before Heathrow, Chair.

Devolving a major tax creates the issue of whether Northern Ireland MPs could vote here to set the corporation tax rate that will apply in the rest of the UK. Do you have any thoughts on how the EVEL proposals will impact Northern Ireland and Northern Irish MPs?

Mrs Villiers: Yes. Obviously, they would still be able to vote on these tax matters—that is a part of the proposals on EVEL. It is also worth emphasising that in almost all cases, Northern Ireland MPs will still be able to vote in exactly the same way as they did before. What we are talking about is a veto by English MPs in relation to certain legislation. The only theoretical instance where Northern Ireland MPs might not be able to vote under the EVEL proposals when they could before is at Committee stage in England-only Bills. But the reality is that they would not always have been on the Committees anyway.

It is vital that everyone understands that they still have as much decision-making power on Second Reading, Report and Third Reading as they did before. You still have to get your legislation through, getting the support of the whole House. The only difference is that we have sought essentially to replicate the legislative consent motion that we are all used to in devolved institutions for English MPs, by giving them a veto over legislation that applies only to England.

Q82 Nigel Mills: Do you think it is right that MPs can set a tax for part of the UK that will not be paid where they are from? That strikes me as the one totemic thing that people will really hate. Northern Ireland can compete with England to attract investment and jobs and then come and set us a higher rate, so our regions cannot compete. It is not as big as income tax with Scotland, but I sense that it is the one thing that ought to be made very clear—that if a tax is not paid by your constituents you do not set the rate.

Mrs Villiers: But you see, in Northern Ireland there will be plenty of people paying the UK main rate of corporation tax. There is a very specific carve-out for a devolved Northern Ireland rate. As we discussed during the Bill, that includes, for example, non-trading profits and excludes certain types of financial services. I think it excludes some energy activity. The UK main rate will continue, in a very real sense, to be part of the corporation tax system in Northern Ireland. That is one of the reasons that Northern Ireland MPs should continue to be allowed to vote on it.

Chair: Thank you. We will nip back to the Heathrow issue now.

Q83 Danny Kinahan: Thank you. Belfast international airport would like to see a new runway, because that would give it another link back to Heathrow. On the back of that, it has

always wanted to have an enterprise zone. We are meant to be having an enterprise zone, I think in Ballymoney.

Mrs Villiers: Coleraine.

Danny Kinahan: That does not seem to be happening. Are the Government going to push on ahead with enterprise zones? If so, would they look at it for the airports?

Mrs Villiers: We believe in the concept of enterprise zones. They have been successfully established in many places in Great Britain. I think that includes some airports. There was certainly discussion about Manchester airport, and Newquay. There is an attractive case in relation to focusing enterprise zones around airports.

I would encourage the Northern Ireland Executive to press ahead with the enterprise zone that it has proposed. We are open to discussing further enterprise zones in Northern Ireland, but we would be constrained by affordability, because they come with certain tax breaks. The priority should be the Coleraine one, but we remain open to discussions if the Executive want to propose action in relation to an EZ around an airport.

Q84 Gavin Robinson: We have had a flag raised for Aldergrove, and now a flag raised for George Best Belfast City airport, but you will understand the significance of the link from Belfast City to Heathrow and the importance of it for businesses and commuters alike. More importantly than that, Heathrow is not just a hub from a UK perspective, but also internationally, and it connects us in Northern Ireland with much greater opportunity.

I was interested to hear that you have been representing a range of views to the Department for Transport on our behalf in Northern Ireland. As a representative of Northern Ireland, is it not your role to champion the right cause for Northern Ireland within the Cabinet and therefore form a view, rather than give the range of opinions that you hear in Northern Ireland? Should you not recognise that runway expansion at Heathrow is in the best interests of the province of Northern Ireland and in the best interests of business, residents and tourists alike? Should you not put forward one voice from Northern Ireland within the Cabinet to say that, for Northern Ireland, Heathrow is the better choice?

Mrs Villiers: I think it is important for me to make sure that views in Northern Ireland are reflected back in government, which is what I do. I think it would be presumptuous of me to say that there is a single uniform view in Northern Ireland about airport capacity in the south-east of England. But, as I said—I have been very clear, as I was with the Airports Commission—considerable support has been relayed to me for a new runway in the south-east of England. Certainly a significant proportion of that support related to putting that runway at Heathrow.

Q85 Lady Hermon: An issue that has been raised with me has caused considerable concern. As we all know, most regrettably, young British men and women have left England and, ostensibly going on holiday to Turkey, have ended up in Syria and become radicalised, and we understand they are intending to come back into the United Kingdom. Secretary of State, you will appreciate they can come back into the United Kingdom by coming back to the

Republic of Ireland, through Dublin or Shannon or wherever, and then crossing the border in South Armagh or wherever, and they would not be noticed. Can you reassure the community, as well as the Committee, that security has been intensified and that you discuss on a regular basis with the Irish Government how security can be improved to deal with the threat of radicalised young jihadists coming back into the UK?

Mrs Villiers: Responsibility for countering international terrorism and Islamist terrorism lies with the Home Secretary, but this is something that I regularly raise with counterparts in the Republic of Ireland in the context of the many discussions that I have. Of course, we face the same challenges in both the UK and Ireland. There are grave risks posed by people who travel to Syria and learn skills that could be used to do harm to UK citizens and, of course, citizens of countries right across Europe.

Q86 Lady Hermon: What I am looking for is reassurance that between you and your Cabinet colleague, the Home Secretary, in whom I have great confidence, security has been stepped up to deal with the very real and dangerous threat posed by young people leaving this country and being radicalised abroad, particularly in Syria, and coming back and posing a threat to all of us. Has security between the Republic of Ireland and the UK been improved and intensified?

Mrs Villiers: As you will appreciate, we have a system of a common travel area and open borders, but we are working closely with the Republic of Ireland through both police co-operation and political co-operation to counter this threat, so we are doing all that we can to deal with it.

Q87 Lady Hermon: “All that we can”—I will take that as intensification of security, I hope.

Mrs Villiers: In terms of intensification, I think it is best for the Home Secretary to respond on those matters, as they are within her responsibility. We take the threat very seriously, and we are taking action to do everything we can to counter it.

Chair: We will move on to one of the final areas: the situation with NAMA.

Q88 Ian Paisley: I note that this morning a statement has been made by Mr Coulter, the solicitor involved in this. At last he seems to have come out and said something, which has probably been quite beneficial. Obviously, Secretary of State, you welcome the fact that the National Crime Agency is now investigating this. How quickly will they report the findings back to the Government?

Mrs Villiers: They are an entirely independent body, so I am not able to answer that question. You need to direct that question to the NCA, I’m afraid.

Q89 Gavin Robinson: Secretary of State, did you have the chance to read an opinion piece in the *Irish News* yesterday? The first 40% or 50% of it was personally critical of an individual, so I will not ask you to comment on that, but the latter part of the piece focused

primarily on the sale of the NAMA loan book to Cerberus. It recognised that it was an important step forward for Northern Ireland and a great boost for property development. The sale has brought back to life many large developments that had been placed in stagnation, and has produced growth for the economy and jobs. Leaving aside the issues that will now be raised and investigated, do you see it as a benefit that the sale of such a large loan book has given an injection of life into the construction industry in Northern Ireland?

Mrs Villiers: I think I did see that article but, to be honest, I cannot remember the details. It is important to look at the substance of how the property formerly owned by NAMA has been handled. In my discussions on the joint ministerial taskforce, it was a focus for all of us to ensure that a responsible approach was taken to dealing with bad assets, whether that was in relation to NAMA or RBS.

If that article has given us a positive outcome on where things currently stand with the portfolio of property that was previously under NAMA's control, that is welcome. There are also welcome signs of recovery overall in property and construction in Northern Ireland. At least some of the anxiety about how sales of individual properties would be made by banks such as NAMA and RBS has, thankfully, proved in practice not to have caused the disruption to the property market that was feared.

Q90 Danny Kinahan: With the whole NAMA event, if I can call it that, we keep hearing more and more allegations. They are all deeply damaging to Northern Ireland and to our Government. Will you ensure that we get to the bottom of things? In the past things have been blocked and hard to get through. Will you ensure that the National Crime Agency gets to the bottom of it and that everyone is told what is going on?

Mrs Villiers: These are serious allegations, and it is important that they are properly investigated. But as Secretary of State I do not have responsibilities in this area, and I think it would be inappropriate for me to rush to judgment on what has happened. It is clear that there are extensive investigations of various sorts into this question, and it is right that proper investigations should take place.

Chair: Thank you. Fairly briefly—I hope—there are a couple of other issues to cover.

Q91 Kate Hoey: Secretary of State, I know you do not like making your personal views public, but were you surprised when the Equality Commission did not take any action on the naming of the McCreesh play park in Newry but did take action on other issues that were as, or perhaps more, contentious?

Mrs Villiers: As I have said, I think it was the wrong decision to name a play park after someone who was convicted of terrorist offences—I have made that clear. It is up to the Equality Commission what priorities they adopt in the cases they take forward; it would be unfair of me to try to second-guess their decisions.

Personally I think it would have been better if the play park had been called a different name, and clearly this has been a cause of continuing problems. Whenever decision makers are in a position to take decisions on this kind of question, I would hope that they would take into

account the potential impact on people from all sides of the community. That is why I think it was the wrong decision to call the play park after a convicted terrorist.

Q92 Kate Hoey: Have you full confidence in the current Equality Commission and its role and job?

Mrs Villiers: Yes.

Q93 Ian Paisley: Secretary of State, you will be aware that we have a SPED scheme that operates in Northern Ireland for evacuated properties, especially for police officers. We now have a number of police officers who have been recruited in the Republic of Ireland. The Republic of Ireland does not have a SPED scheme, yet I am aware that a number of those officers who serve in our jurisdiction and have a home in the Republic of Ireland now cannot go back to their homes because of threats to their lives where they live. It is not appropriate that our Government would pay for those properties, because they are in a completely different jurisdiction, but I think some work needs to be done with the Republic of Ireland to encourage them to come up with a SPED scheme for officers who might have to be evacuated.

Could you work on that issue and maybe come up with a memorandum of understanding between the Northern Ireland Office and the Government of the Republic of Ireland? I think it affects only about a dozen officers at the very maximum, but that is now a real issue for officers who are serving on our territory and protecting our people and property, whose home lives are being so disrupted. Something needs to be done, and the Republic of Ireland needs to be encouraged to do that. Will you take that issue away and work on it?

Mrs Villiers: I am happy to raise that with the Irish Government. I think it is welcome that there are officers in the PSNI who live south of the border, so I am happy to look at the issues you raise.

Chair: Any final questions?

We have had a very useful session. Secretary of State and Sir Jonathan; thank you very much for joining us.