



## Northern Ireland Affairs Committee

### Oral evidence: Outcome of the Spending Review and Talks, HC 639

Tuesday 8 December 2015

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

Questions 1-113

#### Examination of Witnesses

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

**Q1 Chair:** Secretary of State and Permanent Secretary, thank you very much for joining us for what I hope will be a general discussion. I know we are going to focus on the spending review and also on the outcome of the recent talks. However, if you are happy, we can stray into one or two other areas as well. I hope that is alright.

*Mrs Villiers:* I will do my best to answer them.

**Q2 Chair:** I know we are meeting you tomorrow as well, so thank you for that. Thank you very much for joining us. Would you like to make an opening statement on one or two of the main issues we are going to discuss?

*Mrs Villiers:* I am entirely happy to go straight into questions.

**Q3 Chair:** Perhaps I could ask the first one. It looks like the spending review reduces the block grant allocation in Northern Ireland by an average of 1.3% in real terms. I hope this is not pedantic, but I am slightly wondering how we calculate the real terms. We have inflation, basically, at 0% at the moment. Is it anticipated to rise? I just wonder how we get to that calculation.

*Mrs Villiers:* Yes. Sir Jonathan may be able to advise on the technicalities, as a former Treasury civil servant. These real-terms assessments are made on the basis of what inflation is expected to be over the coming years. So, on that basis, in terms of how inflation is expected to go, whilst the resource spending for the Executive block grant goes up marginally in cash terms, as you say, it comes down in real terms by around 1.5% per

year. The capital side of things is rather more cheerful, though, and that goes up by 12.5% in real terms over a five-year period.

**Q4 Chair:** Is the devolution of corporation tax arrangements built into those calculations at all?

*Mrs Villiers:* If the devolution of corporation tax takes place in that period, then a deduction would be made from that block grant, so that would be the starting point from which the deduction would be made.

**Q5 Danny Kinahan:** You are very welcome today. Could I ask how that would be calculated?

*Mrs Villiers:* The calculations were discussed at length in the working group between the Executive and the Government. In essence, one takes the direct costs of the tax reduction initially and then you add in the costs of behavioural change caused by things like profit-shifting and tax motivated incorporation. That is how one essentially assesses the cost of the tax deduction because, as you will appreciate, under EU rules, that cost needs to be borne by the Executive from their block grant. It is not possible for the UK Government to pay the cost.

**Q6 Lady Hermon:** It is delightful to see you here, Secretary of State and Permanent Secretary. Thank you very much for coming as a volunteer willingly to the Committee, as ever. The deduction would be made from the block grant; that is corporation tax. Let's just have this in figures: how much is the deduction in corporation tax actually going to cost the Northern Ireland Executive? How much is coming out of the block grant?

*Mrs Villiers:* The most recent figure that was discussed when the legislation was going through was an estimate of about £325 million a year in the first steady state year, which would be 2019-20. However, circumstances have changed since that estimate was made. I think that also includes a reduction in the UK rate of corporation tax, so the calculations are being re-done and it is expected that a new estimate will be published I hope relatively soon. So that £325 million probably will be revised. I think it is assumed it will come down somewhat.

*Sir Jonathan Stephens:* It will come down because it was calculated at the old level of UK corporation tax.

**Q7 Lady Hermon:** So that is a reduction of £325 million.

*Mrs Villiers:* Yes, so the likelihood is it is not now expected to cost as much as £325 million, because the difference between the UK main rate and the Northern Ireland 12.5% rate is smaller.

**Q8 Lady Hermon:** Yes, so that will be less money for the Northern Ireland Executive to spend on schools and hospitals, etc, in order to reduce corporation tax. It has to be paid for, otherwise it is an illegal state grant.

*Mrs Villiers:* The EU rules do require the cost to be met through the block grant, yes.

**Q9 Lady Hermon:** So it will mean less money for the Executive to pay for new schools and hospitals.

*Mrs Villiers:* It will mean that the block grant is lower. How they choose to make the savings needed will be a matter for them. It is perfectly possible to run efficiency programmes that mean the Executive will be able to continue to maintain their levels of funding for frontline services, but, obviously, that will be a matter for them. It will be important to run the public sector as efficiently as possible to make room for the kind of reductions to the block grant that are needed.

**Q10 Lady Hermon:** That will be a huge efficiency saving if they can save £325 million, but let me ask another question. There are many people who have favoured the reduction in corporation tax and the devolution of responsibility for setting the rate of corporation tax in Northern Ireland, but what guarantees are there that reducing corporation tax will create any additional jobs in Northern Ireland?

*Mrs Villiers:* There are quite a lot of expert views that it would be very attractive for inward investment. Although, of course, the Republic of Ireland has had significant difficulties over recent years, I think overall, people view the 12.5% rate there as part of their economic success. I know that the Executive's estimate is that 40,000 new jobs could be created. So whilst we cannot be 100% certain about the consequences of a reduction in corporation tax, I think there is some quite impressive evidence that says it will help rebalance the Northern Ireland economy, and it will boost the economy and provide more and better job opportunities.

**Q11 Lady Hermon:** But it does not on its own guarantee more jobs for Northern Ireland?

*Mrs Villiers:* Even on its own I would say it would have a positive impact. You are right that to have its maximum impact it needs to be part of a broader strategy, including, for example, investment in skills. Another crucial element to competitiveness in terms of attracting inward investment is having the best quality workforce, and Northern Ireland is a real success story on that, but there is always more that can be done in that kind of area to give people the skills they need to take on the jobs.

**Q12 Lady Hermon:** So the message to the Northern Ireland Executive is that one of their main priorities, while they are saving in order to devolve corporation tax, should be to invest in education and skills.

*Mrs Villiers:* Devolution means it is a matter for them, but, certainly in terms of the approach we have taken in non-devolved areas, investment in infrastructure and in apprenticeships and skills has come at the same time as trying to keep our business taxes as competitive as possible. All those things are important in boosting the economy.

**Q13 Lady Hermon:** So moving on slightly, as well as agreeing not only when corporation tax was going to be devolved to the Assembly and the rate it was going to be, Sinn Fein surprised—it certainly surprised me—in that, after refusing to agree welfare reform for tedious months, months and months, they suddenly changed their minds. On the Floor of the House, I have asked what persuaded Sinn Fein to change their minds. How did they agree suddenly to welfare reform? Why did they agree to welfare reform?

*Mrs Villiers:* I am afraid I am probably going to reiterate what I said in the House. The only people who can answer this are Sinn Fein, but my understanding of the position really comes down to the fact that, as a party, they wanted and still want to make the devolved institutions work. They recognise that to do that they have to have a workable budget. That has meant taking some quite difficult and pragmatic decisions on welfare. I think the outcome of the Fresh Start Agreement is a good one for Northern Ireland as a whole and for the political parties, because it means that we still have a devolved Executive and we also have a reformed welfare system with some quite generous top-ups funded from the block grant. Overall, as a package, it is a good one and I am pleased that Sinn Fein were one of the parties that signed up to it.

**Q14 Lady Hermon:** So did Sinn Fein make a choice between direct rule with a Conservative majority Government and welfare reform, and choose welfare reform, rather than direct rule?

*Mrs Villiers:* Again, Sinn Fein are notoriously hard to read in terms of why they take the decisions that they do, but all I can say is that my understanding was that they were trying to do the right thing. They were trying to ensure the continued survival of the institutions, because there was no doubt that if that budget dispute had continued, sooner or later, it would have put so much strain on political relations within the Executive that it is likely that there would have been a collapse that would have given rise to the risk of a period of direct rule. I think they were seeking to avoid that, as were the rest of us.

**Q15 Lady Hermon:** This is the final question at this stage on welfare reform. Did you seek to rush through the welfare reform Bill and have all its stages in one day even though it was not an emergency—the Order in Council was taken in an hour and a half and, of course, an Order in Council is not amendable—because you did not want the deal to unravel? Was there a fear in your head that the deal with Sinn Fein would have unravelled had we taken longer over the legislation?

*Mrs Villiers:* I think we just wanted to get on with the obligations we had taken on as swiftly as possible. It is a recurrent pattern for agreements reached in Northern Ireland that implementation is very, very difficult, so we thought it was important to seize the opportunity to press ahead. Also, the Treasury had agreed that, once the legislative consent motion had been passed, then the savings foregone payments, which the Executive have been required to make, would stop. There was an important reason to press ahead at speed: so that it would no longer be the case that there was that pressure on the Northern Ireland Executive's budget in terms of having to pay for a more expensive welfare system over and above parity levels. In so doing, it has arguably saved the Northern Ireland Executive around £40 million. That was another reason why we felt it was best to get on

with things. It was very welcome that the LCM was passed and we wanted to move swiftly on the legislation.

**Q16 Lady Hermon:** Let me just repeat: were you worried that it might unravel if you took time over the legislation? Past experience had shown that although the Stormont House talks came to agreement at Christmas of last year and everything seemed to be agreed—all five parties seem to be agreed—it did unravel. Experience would have, I think, flagged up to you that there was a danger it might unravel. Was there a concern in your mind—it is a very straight question—that it might unravel unless you took the legislation through very quickly?

**Mrs Villiers:** I do not think I was worried that it was all going to fall apart, but there continues to be a risk going on into the future that implementation may hit bumps in the road, as, indeed, it has for the Stormont House Agreement because we have still not secured agreement on those legacy bodies on the past. It is a continuing process. No, I was confident that it was a good deal and the deal was sticking. So the reason why we were pressing ahead at some speed was because we wanted to get on with the obligations we had undertaken. I fully acknowledge that, at all times, there is a risk that what has been agreed could come apart, but I will be working very hard to try to maintain support on as broad a base as possible, both for the Fresh Start Agreement and the Stormont House Agreement. That also includes trying to get the legacy bodies under the Stormont House Agreement established.

**Q17 Kate Hoey:** Secretary of State, the key political activists probably understand the implications of this, but I detect on the ground in Northern Ireland that the average person does not understand what is really different from the old deal with £585 million over four years and the new deal of £564 million over six years. Given that the last deal was a year ago, what really is the crunch that got this on the table, because what does it actually enable the Northern Ireland Executive to do that they could not have done a year ago?

**Mrs Villiers:** Are you talking just about the—

**Kate Hoey:** The welfare mitigation.

**Mrs Villiers:** Obviously, there is an overlap between the two agreements because in many ways the Fresh Start Agreement is about getting the implementation of the Stormont House Agreement back on track.

**Q18 Kate Hoey:** But on welfare itself, what is actually different? What has changed in a year of nothing happening?

**Mrs Villiers:** In substance, the thrust of the two agreements is very similar. It is a recognition that, for Northern Ireland, departing from parity and running the old welfare system would have been, for all sorts of reasons, very difficult indeed, not least in terms of building its own computer system. In substance, much of the Fresh Start Agreement is about returning to the Stormont House Agreement and getting the implementation back on track. I think there was a recognition that unless those questions around financial sustainability were resolved, ultimately the strain was going to be so great that it would

cause a collapse in the institutions. That was one of the reasons why the parties decided, in the end, to go ahead with the welfare reform implementation.

**Q19 Kate Hoey:** I suppose what I am actually trying to tease out is whether the extra money, supposedly, over the extra period of time and all of that—less money over a longer period—is actually going to make any difference. If the deal had stood from last year, would the people of Northern Ireland be any worse off than they are going to be now under this new deal?

*Mrs Villiers:* It would have been better if the Stormont House Agreement implementation had gone ahead as planned because the new system would have been set up more quickly. The two million a week, or whatever it is, payments to pay the difference between parity and what the unreformed Northern Ireland system is costing obviously would not have been incurred for the same period. I think the important thing is that we have got there in the end. We are now in a position where the Executive funding can be put on a sustainable basis. Yes, it would have been better all round if we had been able to do that smoothly—

**Q20 Kate Hoey:** So the truth is, really, that Sinn Féin, by delaying and delaying and delaying, has not actually ended up leaving the average person in Northern Ireland, in terms of welfare mitigation, any better off?

*Mrs Villiers:* I think the way the top-ups were formulated under the Stormont House Agreement and the Fresh Start Agreement both will make a significant difference. They enable the Northern Ireland Executive to do certain things with their welfare system that nowhere else in the country is proposing to do. That is why the end result will be a welfare system that is more generous in Northern Ireland than it is elsewhere. That is, no doubt, one of the reasons why the agreement was reached. There was concern, for example, expressed by the political parties about the application of the social sector size criteria and how its application in Northern Ireland would operate. As a result of the agreement reached between the parties, they have decided they will provide funding to disapply that, so I think that the parties can credibly say that they have got a good deal for Northern Ireland out of the Fresh Start Agreement. We should also remember that the aspects of the agreement on paramilitaries also take Northern Ireland's leaders further than ever before on that important issue.

**Q21 Mr Anderson:** Can I take it back, Secretary of State, to where Lady Hermon was? I will try to get the time scale right, but if I am wrong here, I apologise. You brought legislation to the House two or three week ago. Was that before the Autumn Statement?

*Mrs Villiers:* Yes, it was.

**Q22 Mr Anderson:** So were you aware at the time that the changes in the Autumn Statement would have big implications for the welfare budget?

*Mrs Villiers:* No, at that stage, I did not know what the outcome of the Autumn Statement was going to be.

**Q23 Mr Anderson:** Has the Autumn Statement had any impact on this package?

*Mrs Villiers:* The impact it has had is in terms of the funding set aside in the top-ups to be funded from the Executive's block grant. Obviously, a significant proportion of that funding was to mitigate the impact of reductions in tax credits. They are no longer going to happen, so that gives the Executive the option of doing something else with that funding. That is the main impact.

**Q24 Mr Anderson:** The assumption in terms of what is going to replace tax credit is that universal credit will fill that gap. The implications across the UK are that, when it is rolled out, five out of 10 families will be eligible for universal credit. Is that same process being looked at in Northern Ireland in terms of what the implications will be for universal credit?

*Mrs Villiers:* Certainly, the welfare changes as a whole, including universal credit, have obviously been debated at great length at the stages of the Assembly legislation and, of course, in the 20 or so weeks of cross-party talks. I think, yes, many of those implications were looked at in great detail. Of course, one of the outcomes of the Fresh Start package is the stream of funding to be allocated by the panel led by Professor Evason to see whether there are particular claimant groups that the Northern Ireland Executive would wish to top up in terms of the welfare system, including universal credit.

**Q25 Mr Anderson:** Would I be right in saying that we are not sure how badly or well these changes will impact on individuals?

*Mrs Villiers:* Huge amounts of work have gone into devising the reformed welfare system. The technical details are obviously more a matter for the Department for Work and Pensions, but as I have said, their impact on Northern Ireland was looked at in great detail in the legislative process that took place in the Assembly and ultimately failed. Of course, during hour after hour after hour in the cross-party talks, we looked at exactly these details. Outside of those talks, of course, there were extensive discussions between the parties about how the top-ups would work and what they meant. So these matters have been looked at in very extensive detail.

**Q26 Mr Anderson:** So if a constituent of one of my colleagues goes to their surgery this weekend and says, "This is my position at this moment in time. If I am in the same position in a year's time or two years' time, what will I be entitled to?" could they answer that question?

*Mrs Villiers:* In Northern Ireland, not as yet, because whilst they could answer the question about what the reformed welfare system would be expected to deliver, what is not clear yet is how the top-ups agreed by the parties will be allocated. So, for some of those constituents coming through the door, you could advise them on the minimum they might get, but a Northern Ireland MP might not be able to say whether they will get extra help from the top-ups. However, no doubt work will be taking place on that as soon as possible. I know DSD—the Department for Social Development—has done a lot of work on implementation generally and, no doubt, it will be working hard on how the top-ups will work.

**Q27 Mr Anderson:** Can I ask you about the bigger picture on funding for this? My understanding is that £125 million will be invested into the system, which should produce—this is the estimate—£300 million in savings, of which half will be kept in Northern Ireland. Is that right?

*Mrs Villiers:* The Executive, I think, believe that the amount they can save will be greater than that, but an expected figure of £300 million certainly would not be unreasonable. Something along those lines is, I would have thought, achievable.

**Q28 Mr Anderson:** Where will the £125 million be spent? My understanding is that you have not reached half of that under the present regime, and that the money being saved in up-front fraud is less than half of what is being projected. So, specifically, where will £125 million be spent?

*Mrs Villiers:* £125 million is the contribution under the Fresh Start package to support the programme on fraud and error with, as I say, the Executive believing that that will yield significant savings. The UK Government have undertaken to—

**Q29 Mr Anderson:** I do not know what you mean. Let us be up front: are you going to employ 100 fraud investigators? Are you going to have a new computer system? Are you going to make people—I genuinely do not know. I am asking you because if it is as good as it seems to be, I am wondering why we do not do it over here.

*Mrs Villiers:* Certainly, these are matters primarily for the Northern Ireland Executive. They have obviously done quite a bit of technical work, but more will be needed. I have no doubt that if they produce good ideas that work well, then my colleagues in the DWP will be very interested to emulate them here.

**Q30 Mr Anderson:** So you cannot tell us. There is £125 million going to be spent. Are you going to buy £125 million worth of biros? I genuinely do not know what you are saying.

*Mrs Villiers:* They have a proposal. It has been under consideration by the Treasury, but, clearly, it will require more work.

*Sir Jonathan Stephens:* So these are proposals to be put forward by the Department for Social Development in Northern Ireland. They have to convince the Office for Budget Responsibility that the promised savings will materialise before those savings can be verified and, obviously, they have to put a business case forward. They have not put that business case forward yet to the OBR.

**Q31 Mr Anderson:** So this could fall apart if the OBR says that the plan does not hold together?

*Sir Jonathan Stephens:* The Executive have reviewed this and are confident that the savings can be achieved with the required backing that the Government have put in.

*Mrs Villiers:* With the delivery of all of this, there is a degree of risk.

**Q32 Mr Anderson:** I still do not understand what you are going to do with this money. You are saying that you have put the money in in order to back the Executive's plans to do what?

*Mrs Villiers:* The Executive have put a proposal to Her Majesty's Treasury. In due course, presumably, they will be more public about that, but they are very confident that their proposal will save them money. At this stage, it is not possible to say exactly how it is going to work, but HMT was sufficiently confident to be able to commit up to £125 million on the basis of assuming the Executive are able to present a credible business case to do this, and the Executive are confident that they can.

**Q33 Mr Anderson:** We have come back to where I started. You, Secretary of State, brought a Bill to this House in an emergency situation and got us to vote on it and now we want to get the detail. We do not know what we voted for.

*Mrs Villiers:* No, that is a separate issue. Whether welfare reform is applied in Northern Ireland is a separate issue to the efforts of the Northern Ireland Executive to make savings in welfare fraud and error.

**Q34 Mr Anderson:** They all depend on each other.

*Mrs Villiers:* Not necessarily, no. The one stands alone. Regardless of whether the Executive manage to deliver these savings in fraud and error, it is still essential that welfare reform is delivered in Northern Ireland because, without it, it does not have a workable budget. If you do not have a workable budget, sooner or later, you do not have a devolved Executive.

**Q35 Mr Anderson:** You will not have a workable budget if this does not work, will you?

*Mrs Villiers:* Yes, you will. If those savings do not materialise, then the Executive will have less money to spend on their priorities, but it certainly is not going to cause the budgetary crisis that failing to implement welfare reform has caused.

**Q36 Dr McDonnell:** Secretary of State, thank you; it is great to have you here. Lady Hermon talked earlier about corporation tax. While being an advocate of corporation tax, I have deep concerns because corporation tax is only, if you like, one tool in the box. We have a big problem with worklessness—in some cases unemployment but in other cases under-employment. In my opinion, and the opinion of many, corporation tax will be of very limited benefit without the skills, the training and the apprenticeships, in a broad sense. We have talked about this repeatedly, and I apologise for bringing it up again, but we have, in my mind, a disappointing situation, where Allstate is having to go to England, and perhaps more so, abroad to Europe to seek staff. Equally, Almac, one of our world-class pharma companies, was doing the same. What can we do? Can we get a serious agenda going? With all due respect, it is not enough to say, "Leave it to the Executive". We need you—the NIO—and national Government throwing their weight behind a programme. I am not exaggerating, but there was an expectation that, somehow or other, peace and political progress would bring stabilisation and prosperity. While there has been some progress—and

I will not take away the fact that here has been some progress—there is still a big worklessness situation. There is a lack of hope. Can you give me some reassurance or, better still, can you give Gavin some reassurance across East Belfast, where there is an equally big problem?

**Mrs Villiers:** The key thing here is delivering our long-term economic plan to deliver financial security and stability. Without that, we have seen from experience around the rest of Europe that you get huge disadvantages for people seeking work. Through the work we have done with the parties, we have also got this agreement that has secured the continuance of devolution. It would have had negative impacts if those crucial decisions on many of the prosperity issues you are talking about were taken away from local hands and had to be decided here in Westminster. We have continued to strongly support the Northern Ireland economy through the block grant being higher than elsewhere and through the financial packages under the two agreements. However, we have also done things like retaining the assisted area status, which enables subsidies and grants to be given across Northern Ireland that would otherwise fall foul of state aid rules. We are also, for example, introducing the apprenticeship levy. It is not yet clear exactly how that will operate in relation to Northern Ireland, but we are determined that business will benefit from the skills and apprenticeships programmes that are being funded through the levy. So there are a whole range of ways in which we are determined to work with the Executive to deliver economic improvement, not least through the economic pact we signed a couple of years ago, much of which is now delivered.

**Q37 Dr McDonnell:** But do you accept that something needs to happen to boost us and lift us up to the next stage? There is an economic stagnation, to a degree, albeit Invest Northern Ireland does its best, and does a very good job in many ways, but it is still operating against the old triangle I have referred to in previous conversations of low skills, low pay, low productivity, feeding round and round in a downward spiral.

**Mrs Villiers:** Yes, we want to transition the whole of the UK to a higher pay economy. Another thing that we are very focused on doing is supporting investment in infrastructure. That is one of the reasons why the capital settlement provides for an increase over the next five years. I think that is a real opportunity for the Executive to invest, for example, in the road network because, in terms of spreading opportunity and prosperity, road improvements are one of the best ways to deliver that. Particularly for areas like the north-west, improving road connections is a hugely important way to increase competitiveness and spread prosperity throughout Northern Ireland.

**Q38 Dr McDonnell:** Where are we with City Deals?

**Mrs Villiers:** The economic pact was based on the City Deal model. One of the things with City Deals is they tended to be about devolution, but Northern Ireland has already got the most maximised devolution settlement in the UK. However, we are quite happy to continue talking about whether other types of City Deals are possible. What I would highlight is that the economic pact also provides for a potential enterprise zone. I think it would be great if one of those was set up. I think the Executive identified areas around Coleraine as a potential site for an enterprise zone. I very much hope that we will see that happen in due course.

**Q39 Dr McDonnell:** A very quick one—I do not want to hold you up, Chair—where are we with the past and legacy issues? Can they be resurrected? Can the bits that were functional be progressed, or is that issue dead now for the time being?

**Mrs Villiers:** I do not know. I look on this with a degree of optimism. These issues will continue to be very sensitive, but you yourself will be aware that there were a number of areas that were discussed during the talks process where it looked as if there was an emerging consensus. It was obviously a big disappointment that we could not agree on all points, but I am determined to do all I can to get the implementation process for those institutions back on track. They are important and they will deliver better outcomes for victims and survivors. I think a key thing here is engagement with victims' groups. I have met many of them over the years and my main sentiment coming out of the talks process was that some more intensive engagement with victims' representatives was probably going to be crucial to trying to find a way forward. Unfortunately, with these bodies, they are never going to be perfect. As is inevitable with these kind of institutions that come out of cross-party agreements and the various agreements over recent years, unfortunately, to get something off the ground, inevitably there is compromise. So no one tends to get 100% of what they want, but I think we should still strive to try to find enough consensus to take the legislation through. We are not a million miles from that. There are some difficult sticking points, but, through the first Stormont House Agreement and the Fresh Start Agreement, we are getting closer than we have before to some consensus on this.

**Chair:** Perhaps we can come back to the wider issues in a minute, and I will bring Ian in on policing. There are just a couple more questions on the budget and then we will move on.

**Q40 Oliver Colvile:** Thank you very much for coming to see us, Secretary of State—and also, Sir Jonathan, as well. You talked a bit about the block grant. If I put this wrong, then tell me, but are you saying that the block grant was actually more generous in Northern Ireland than it was in other places? Whereabouts does it come in the scheme of things? Is it better for Northern Ireland than for Scotland or Wales, or what?

**Mrs Villiers:** Yes, it is the highest level of public spending per head of anywhere in the United Kingdom; it is 23% above the UK average and 25% above England.

**Q41 Oliver Colvile:** Right, gosh. That is quite a large amount, is it not, for my constituents to have to pay?

**Mrs Villiers:** There is a substantial difference, but the population being so much smaller in Northern Ireland obviously—

**Q42 Oliver Colvile:** I have a low-wage and low-skills economy in my constituency, too, and we are trying very hard to make sure that we have got a bigger private sector. Because, at the moment, as you may know, down in Devon, if you work in the public sector, you end up getting paid probably a 13% premium compared with if you are working in the private sector. So you also talked about how the welfare bill is quite generous as far as Northern Ireland is concerned. Are we talking about similar kinds of figures in Northern Ireland?

**Mrs Villiers:** The spending envelope for the top-ups that are proposed to be funded from the block grant for the welfare system in Northern Ireland is around £500 million. However, some of that, as we have heard, was supposed to be for tax credits. Now that is not happening, it is not clear what will happen to that money. It is worth emphasising that the United Kingdom as a whole has one of the most generous welfare systems in the world. Yes, it will be somewhat more generous in Northern Ireland as a result of the Fresh Start Agreement, but, as we were discussing before, the technical details of how those top-ups will work and who will benefit from them have not yet been decided.

**Q43 Oliver Colvile:** So is it a better deal than if you were in southern Ireland?

**Mrs Villiers:** Undoubtedly. I am probably not enough of an expert on the welfare available in the Republic of Ireland, but my understanding is that it is more generous in Northern Ireland. When one combines it with free healthcare as well, my understanding is it is a considerably more generous system than the Republic of Ireland.

**Q44 Danny Kinahan:** Going back to the top-up funding, if there has not been an agreement because of the tax credit cuts no longer being put in, is there a mechanism for getting it spent? So if there ends up with a stand off, as there has been over some spending parts, is there a mechanism for making them spend it or will it just go back to the Treasury?

**Mrs Villiers:** Well, the top-ups come from the Executive's own resources, so it is entirely up to them how they spend it? If they want to shift the funding that they had intended to top up tax credits to other welfare payments, they could do that, or they could spend it on policing or use it to pay down their debts. It is really a matter for them.

**Q45 Danny Kinahan:** But if they have not spent it by the end of the four years, what happens—or the end of each year, rather?

**Mrs Villiers:** Usually, there are the normal carry-over rules. So there are, conceivably, instances where the Treasury takes it back if there is an under-spend at the end of the year.

**Sir Jonathan Stephens:** It is the same as any other part of the block. So it is not dedicated funding from the UK Treasury; it is part of the block that the Executive is deciding to set aside for these payments.

**Q46 Danny Kinahan:** So they could carry it over?

**Sir Jonathan Stephens:** They could, subject to the normal Treasury arrangements for doing so.

**Q47 Ian Paisley:** Thank you, Secretary of State for attending. Rather than talk about doom and gloom and thrash this horse to death, we should congratulate you for helping to secure an agreement for Northern Ireland. It was very hard won and was a very tough deal, and Northern Ireland is the better as a result of it. Politics is stabilising and, hopefully, investors will now come to the place. I hope a positive message will go out instead of us talking ourselves into depression, which is often the way. We should congratulate you on that.

I want to turn to the issue of policing and legacy, because there are a couple of issues that, in my view, are outstanding, need to be addressed and will continue to run. First of all, on policing issues, at our last meeting, you indicated that you would take up with your counterpart in the Republic the issue of SPED—special evacuation measures for police officers who originally come from the Republic of Ireland and have their home and families there, but who serve in our jurisdiction in the United Kingdom. SPED does not exist for them, yet they are under dissident Republican threat in the Republic of Ireland. I note from your letter of 27 August that you put this on a foreign affairs and trade meeting with the Republic's Department of Justice and the Irish Minister there. I am wondering if you are able to give us an update on the SPED issues.

*Mrs Villiers:* I do apologise. I am afraid I am not able to give you an update, but I can certainly write to you with the latest information on that.

**Q48 Ian Paisley:** It only affects, I understand, about a dozen officers, but obviously it is important that it is resolved for them. I would certainly appreciate a speedy response, Secretary of State.

The other issue that concerns me is that of former police officers. They are currently subject to being held to account by Police Ombudsman reports under section 62, PSNI legacy hearings and HIU—if it gets up and going—inquests. They are subject to being criticised and having their reputation ruined and soiled by such inquiries and inquests, whether they be witnesses or whether there are allegations against them with regards to charges. Here on the mainland, if you are a British soldier and you are a witness or you are going to be charged on an issue to do with legacy, the MOD pays all the legal costs. For police officers, that is not the case. I think that is wrong. If a police officer is going to help an inquest, an inquiry, a legacy issue or a report 62, then a former police officer should have those legal costs met. Given that there is now a small industry going on that drags these officers out day and daily to hold them to account for very many allegations of past deeds but not the substance of past deeds, I think a separate stream of funding needs to be established within the Northern Ireland Office to assist with legal costs. There is no use telling these officers that legal aid will cover them; legal aid does not cover them. Legal aid is reducing in Northern Ireland and officers will not get that, so I was wondering whether you can put them on the same footing as the MOD has put former army officers.

*Mrs Villiers:* I recognise the difficulty here. I can understand there is an awkward contrast between their position and the position of former servicemen and women. I am afraid we do not have a funding stream in the Northern Ireland Office to provide legal advice to retired police officers. This is something that now falls squarely within the devolved arena. However, I have discussed this with representatives of retired officers and also with the Chief Constable because the responsibility tends to lie with the PSNI on these matters. This is a question that is being looked at again by the PSNI, not least because they want to make sure that they take a consistent approach to all cases. At the request of the retired officers, I did raise it and discuss it with the Chief Constable. He recognises the sensitivity of this issue. Obviously, he is constrained by affordability, but he gave me his assurance that this was being actively considered to see whether there need to be any changes in the approach that PSNI have taken to date.

**Q49 Ian Paisley:** Secretary of State, do you really think it is good enough to say to our Chief Constable, “Here is your budget. You have got one of the most difficult policing issues present and future, going forward, to deal with. Spend this budget on lawyers dealing with the past.” I do not think that is fair on him; that will affect his calculations in terms of recruitment and it will affect how he polices the current and the future. What we really need is some sort of consistent position that reflects the fact that if you are a former serving soldier, you are covered by Her Majesty’s Government. Many of these police officers can help and want to help, but they realise that by being a former police officer they could be subject to all manner of outlandish reputational allegations. They have to put their hand in their own pocket to defend themselves when they want to try to help. That is grossly unfair.

*Mrs Villiers:* You make some very fair points. I would respond by saying that, actually, we are working very hard to try to relieve the burden on the Chief Constable in relation to the legacy of the past. That is why we have been trying to get these new institutions set up and why the UK Government will provide funding for those new institutions. In addition, obviously, we continue to support the PSNI’s efforts in relation to counter-terrorism. So there are a whole range of ways in which we fully accept that they have a unique challenge and that they need extra help with it. What I would also say is that, in the discussions in the talks on the legacy bodies and the discussions with stakeholders, at the heart of what we want to do is to make sure that people are treated fairly by this process. That includes retired police officers, as well as serving police officers and other people.

**Q50 Ian Paisley:** Could I ask you then, finally, if you could bring forward to us a matrix of what the current financial arrangements are: how much money Her Majesty’s Government puts into the military for this; how much money, if you are a former Met officer, Her Majesty’s Government pays to protect former Met officers; and what the calculation would then be to support former RUC and PSNI officers?

*Mrs Villiers:* Publishing those kinds of figures would be awkward if the intent was to criticise the PSNI. As I say, the decisions on these matters—

**Q51 Ian Paisley:** The intent would be to criticise Her Majesty’s Government, Secretary of State, for not doing it, to be perfectly blunt.

*Mrs Villiers:* Look, the reality is that these are decisions for the Chief Constable. I have discussed them with him. Regardless of the approach taken by the MOD or the Home Office, these are decisions for the PSNI in Northern Ireland. Even if something is done differently in other contexts, it is not for me to be requiring the police in Northern Ireland to take a particular approach. I will certainly give some thought as to whether I can look at the factual details you are requesting, but my concern would be about getting drawn into a funding matter for the devolved Executive, which I do not think it would be wise for me to do.

**Q52 Ian Paisley:** I would ask, Secretary of State, that you look very specifically and see if there is any unfairness in practice if you are a former Met officer or a former officer in one of the services across the UK, and what happens if you are a former officer with regards your legal costs vis-à-vis what now happens in Northern Ireland. I think that that should be a starting point.

**Mrs Villiers:** I am certainly happy to look at that and if I can provide you with some information on it, I will.

**Gavin Robinson:** Good afternoon, Secretary of State and Permanent Secretary. I wonder, Chair, if I could just confirm at this stage the length of time we have for this session and whether I should confine my questions at this stage to policing and security, or whether we can branch out into other questions.

**Chair:** We can branch out a little bit.

**Q53 Gavin Robinson:** Okay, thank you. Can I ask, firstly, whether you consider yourself to be the Government's champion in Northern Ireland or Northern Ireland's champion in Government?

**Mrs Villiers:** My role involves both those functions, but, in particular, it is to make sure that Northern Ireland has a strong voice at the Cabinet table.

**Q54 Gavin Robinson:** Can I ask what happens should your own personal desires conflict with the best interests of Northern Ireland?

**Mrs Villiers:** Obviously my duty is to defend the interests of Northern Ireland.

**Q55 Gavin Robinson:** Do you know how many terrorist attacks there have been this year in Northern Ireland?

**Mrs Villiers:** There have been 16 national security attacks. Those are defined as attacks on emanations of government, essentially, so police, armed services and the public sector.

**Q56 Gavin Robinson:** Were all of them foiled? Were the majority foiled and some successful?

**Mrs Villiers:** Thankfully, they have not caused harm. Whilst I think there were some instances, for example, of partial detonation of explosives, thankfully no one has been harmed.

**Q57 Gavin Robinson:** I will agree with that. I think the money safeguarded in the Fresh Start Agreement for security issues is to be really welcomed, but are there any assurances that would frustrate DoJ from then passing on a reduction in the overall budget allocation they give to PSNI because of this additional money?

**Mrs Villiers:** I am not quite sure I understand the question.

**Q58 Gavin Robinson:** Is there anything that would stop DoJ from reducing the money they currently give to PSNI because PSNI have benefitted through the Fresh Start Agreement?

**Mrs Villiers:** These really are a matter for the Executive and the DoJ. In various ways, we are providing additional support to the PSNI. What other funds are allocated to PSNI by the DoJ is really a matter for them and the Executive.

**Q59 Gavin Robinson:** My view is that these funds are additional, and you are confirming that your view is that these funds are additional as well.

**Mrs Villiers:** I would certainly like to see them as additional, and in particular the £25 million in relation to the surge of paramilitary-related crime. The Fresh Start Agreement specifically says that the Executive will match it. On the additional security funding, in the last spending review the Executive matched that as well.

**Q60 Gavin Robinson:** So, your intention or aspiration would be that the DoJ would not reduce any of the budget allocation to PSNI—that this would be additional.

**Mrs Villiers:** It is really a matter for them, but it continues to be a priority of the UK Government to encourage the Executive to give priority to policing. There is an obvious overlap between fighting regular crime and fighting terrorist crime. It is in all our interests, given our shared responsibilities in relation to these matters, that the Executive is able, if it possibly can, to devote resources to crime and policing.

**Q61 Gavin Robinson:** You and I have both discussed previously the counter-extremism strategy, and there was an exchange on the Floor of the House of Commons this morning about counter-extremism measures within prisons as part of rehabilitation. You know that HMP Maghaberry is quite full with extremist terrorists, and I just wondered, given that the counter-extremism strategy does not apply to Northern Ireland, whether there are aspects of it that we could usefully use in Northern Ireland against extremist terrorists at home?

**Mrs Villiers:** There is a commitment in the counter-extremism strategy to seek to share best practice. I visited Maghaberry just a couple of weeks ago and was in discussions with the staff there about the work they do. There may well be learning from the counter-extremism strategy in Great Britain, but vice versa I think there is also some very impressive work already under way in Northern Ireland to deter people from becoming involved in extremist or terrorist groups, which is something that we can learn from in relation to the Islamist terrorist threat for the country as a whole.

**Q62 Gavin Robinson:** Picking up on a question that Alasdair asked about prosperity—and I think there were encouraging exchanges there, and we recognise the issues as neighbouring constituencies in Belfast particularly—how often would you engage with UKTI on Northern Ireland's behalf to secure investment nationwide in our province?

**Mrs Villiers:** It is not that regularly, because I have many more contacts with Invest NI, but I do keep in regular touch with UKTI, as do my officials. I always encourage them very strongly to work alongside Invest NI to the mutual benefit, given they both have the same goal in mind. We are also obviously very keen to ensure that Northern Ireland gets the benefit of things like the GREAT campaign, and my predecessor was personally responsible for having a whole redesign of that to ensure that there was an aspect of the

GREAT campaign that explicitly and expressly included Northern Ireland. That kind of work continues.

**Q63 Gavin Robinson:** I do not include you in this, but there is a view of some Members of Parliament that, because Stormont exists and because we have a devolved institution, it is almost easy for central Government Departments to forget about the impacts of Northern Ireland. How often do you make sure that your Cabinet colleagues are aware of their requirements, albeit recognising that there are devolved Ministers that sit underneath?

*Mrs Villiers:* I would certainly regularly remind them about the importance of taking on board the concerns of Northern Ireland—people like DCMS in terms of their work on broadcasting and broadband. It is a very regular and routine part of my work to make sure the rest of Whitehall is looking at matters with a perspective that includes Northern Ireland.

**Q64 Gavin Robinson:** I suspect the Chair might want to come in on the back of this, so I will ask it at this point: in your most recent contact with Cabinet colleagues, how often have you reminded them that the people of Northern Ireland are supportive of the extension at Heathrow?

*Mrs Villiers:* Obviously, I cannot share internal discussions about this very difficult decision that is coming up for the Government. I have always emphasised, and I absolutely know that my Government colleagues will take into account, the crucial importance of securing regional connectivity. That has to be absolutely one of our highest goals in relation to the decision that is going to be taken by the Government. I have made it very clear that is crucial for Northern Ireland. I think everyone is agreed that we definitely need new capacity in the South East, but we must make sure that, in building it, we deliver that regional connectivity.

A really interesting issue is raised by the Bill that Reg Empey presented in the House of Lords a few months ago. What concerns me is that, even if we had spare capacity, we would still be quite constrained in terms of any proposal to sort of ring-fence it for regional slots. The Davies commission obviously talks about use of PSOs, but PSOs, as currently drafted, are quite limited in scope. When a decision is made on where this new runway will be built, I hope my colleagues also take into account that an absolutely crucial thing is that it must be able to be used to service regional destinations. At the moment the PSO rules make it quite difficult. It is very rare to have an airport-to-airport PSO, and I think that needs looking at.

**Q65 Gavin Robinson:** Going back to my initial question about where and whom you champion, are you personally opposed to the extension at Heathrow?

*Mrs Villiers:* There are some very significant environmental questions that have to be answered, but, like the rest of the Government, obviously the issue now is to look at and respond to the Davies commission. A huge amount of work has gone into that over three years, and the question now is to decide what is the best option, and regional connectivity is crucial. It is very clear that, until that careful assessment of the Davies commission is done, it would not be proper for Ministers to reach a concluded view on what the right

option is. For all sorts of very valid reasons—this is one of the most important decisions we will take for our infrastructure for the next half-century—we need to make sure that all the technical detail is carefully considered. As things stand at the moment, it is important we look at all those relevant factors and a decision is made as and when we can.

**Q66 Chair:** It was kind of Gavin to invite me to come in on that one. I would like to, because it is three years ago—30 November 2012—that we published a report on the situation regarding airports and air transport with regard to Northern Ireland. We said, “We recommend that the Airports Commission review, and the consequential Government decision, be expedited.” The reason we give is that: “In the meantime, airports such as Dublin, Schiphol and Frankfurt stand ready to fill the vacuum created by delay and confusion over the expansion of London’s capacity.” Also, just looking at competitors further afield, I read that the Civil Aviation Administration of China say that they are going to build 70 new airports over the next three years and buy 300 planes a year from now, and we are dithering over this decision. All these technical details surely could have been analysed during the last three years. I am going to be very blunt: I know we have a mayoral election next year, but all parties are standing in that. We are just losing so much business. There is so much frustration surrounding this, not just in Northern Ireland. I was with carriers last night. The point I am making is that the difficulty of the decision will not go away. Cabinet Ministers will still resign in three or four years’ time. We have got to get on with it, surely.

**Mrs Villiers:** I will certainly convey that to my Cabinet colleagues. I know the Government want to make a decision on this as soon as they can, but these are immensely important and difficult issues, and of course there is significant legal risk as well. It is absolutely crucial that this decision is taken in an entirely fair and proper manner. If it is not, we end up with more delay, because we get stuck in the High Court in a judicial review.

**Q67 Chair:** Indeed, but really that sort of detail could have and should have been analysed in the last three years, surely. The planning rules have not changed in the last three years, have they?

**Mrs Villiers:** The Government are not able just to say, “Okay, we will rubber-stamp the Davies report”. We are required by law to take a fresh decision on the basis of the information provided in the Davies report. That is why the Prime Minister could not respond straightaway when it was published. As a Government, we have to take the decision on the expansion of airport capacity in the south-east, and that requires us to test the findings of the Davies Commission report and decide whether its recommendations are correct.

**Q68 Kate Hoey:** Was the Prime Minister rather silly, really, to say he was going to give a decision before Christmas? Nothing has changed since he said that.

**Mrs Villiers:** I do not think it was at all unreasonable to wait for a decision before Christmas.

**Q69 Kate Hoey:** No. We were all waiting for the decision before Christmas, and now apparently it is going to be another six months.

***Mrs Villiers:*** This is a hugely important decision. We have to make sure that we consider all the relevant factors, and that may take some time.

**Chair:** We have probably made the point on this. There is a deep frustration in the Committee.

**Q70 Nigel Mills:** Can we just change tack a little and go back to the Stormont House and the Fresh Start Agreements? Can you just remind us how much extra money was promised to Northern Ireland to get both those agreements through?

***Mrs Villiers:*** In relation to the Stormont House Agreement, the extra spending power is around £2 billion, but £150 million of that is for the legacy bodies, which have not yet been established, so that is delayed. In relation to the Fresh Start Agreement, the overall amount is about £500 million, but that does include £100 million or so of the savings that I was discussing with David Anderson. They are not guaranteed, but the expectation is they are deliverable. When one takes those into account, it is around the £500 million mark.

**Q71 Nigel Mills:** Do you have any regret that this extra money had to be provided to get the deal over the line? Did you have any fear it means that, next time there is a disagreement, the parties might have some expectation there might be more money around to smooth a negotiation through?

***Mrs Villiers:*** What happened here was that a credible case was made that Northern Ireland faced cost pressures and difficulties and challenges because of its past, which made it unique. That is why we have funding focused on shared and integrated education, shared housing, dealing with paramilitary activities, and bringing down interface barriers. These are all problems that, thankfully, are not faced outside of Northern Ireland. While it is a very difficult public spending environment, given the size of the deficit we still have to eliminate, we felt that a credible case had been made to us that extra help was needed and justified, which is why we found the money.

**Q72 Nigel Mills:** Is the aim to try to reduce the differential in public spending per head in Northern Ireland compared with the rest UK slowly back down to the average level, or do you see it staying 20-something per cent higher for the foreseeable future?

***Mrs Villiers:*** We do not have a target for that kind of reduction. Obviously, we do want to boost the private sector to reduce the dependence on the public sector.

**Q73 Nigel Mills:** Can I just switch to reforming the institutions? Are you expecting to see a slightly different-looking Assembly and Executive after May than we see now?

***Mrs Villiers:*** There will be certain changes to the way Departments work, and we are hoping to take through the delay in the appointment of Ministers after an election, so that there is some time to put together the programme for Government so that that is less influenced by the knowledge of, "I will go for this aspect on health because I expect to

have the Health Minister from my party”. In terms of things like the protocol on the petition of concern, there will be a number of ways in which that will, I hope, operate effectively, and provision for an official opposition is very welcome.

**Q74 Nigel Mills:** Do you think we will see an official opposition? Do you think any parties will choose to go down that line if they are, sadly for them, unsuccessful?

**Danny Kinahan:** We have already gone down that line.

**Mrs Villiers:** Yes. The UUP already very much counters that. One would expect them to benefit from the new provisions made for official oppositions.

**Q75 Nigel Mills:** I thought they were not clear whether they would stay in opposition. I thought the idea was that, if they got two Ministers, they would happily form part of a minority government, but with one, they were not quite so keen, or something like that. It did not strike me as being very principled at that point.

**Mrs Villiers:** Obviously, after the election—

**Q76 Nigel Mills:** Alright. I am sure you want to be First Minister, Danny. Just one more question on democratic things: have you had any thoughts about transparency of donations? I know you get the right to review it at some point. Are you thinking, now we have got over this hurdle, that maybe there is more chance we should have a transparent system in line with the rest of the UK?

**Mrs Villiers:** We hope to make progress in that direction. To be honest, I am not quite sure where things have got to in relation to the secondary legislation that we have been working on for some time, but we do not see that the security conditions are yet right to move to exactly the same level of transparency in Northern Ireland as there is in Great Britain, but that is our ultimate goal.

**Chair:** Okay, thank you. I will come to Danny, then, on that point.

**Q77 Danny Kinahan:** Thank you. I was not actually going to go into that, but if we are on our position, we were very disappointed not to see any change to the Chairs of Committees. Where did that opposition come from? It seems wrong to look at an opposition, but not actually change the system for Chairs on the Committees.

**Mrs Villiers:** But then again, when one looks at the House of Commons, Chairs are generally allocated according to electoral strength, so the way it is done in the Northern Ireland Assembly at the moment is not out of line with the way it is done in this Parliament. There are arguments on both sides. What has been agreed as part of the Stormont House Agreement and Fresh Start Agreement is a step in the right direction. Other changes could be made, if there was a consensus for them.

**Q78 Danny Kinahan:** I would like, if I may, to move on. In the Autumn Statement, we heard of I think 26 enterprise zones, and yet we have one, possibly, going to happen. Was

there any discussion during the Stormont House Agreement of more enterprise zones, or more effort to have different trading mechanisms?

*Mrs Villiers:* It did come up from time to time in the talks. As I said before, I would be very keen to see the enterprise zone envisaged by the economic pact going ahead. Certainly, a degree of work has been done on it by the executive, so I will continue to encourage them to get it set up, because after all, there is a tax advantage that is on offer, funded by the Exchequer. It is a pity that it is not being taken up in Northern Ireland.

**Q79 Danny Kinahan:** Is there room for more enterprise zones?

*Mrs Villiers:* That depends on affordability. Certainly, more enterprise zones funded by the Executive is something that would be favourably looked on. If they were going to involve additional cost to the UK Government, we would consider them, but we would be constrained by affordability.

**Q80 Danny Kinahan:** The top-up funding could be used for that.

*Mrs Villiers:* As I said, it is up to the Northern Ireland Executive how it chooses to spend those welfare top-ups, if they do not want to spend them on tax credits.

**Q81 Danny Kinahan:** If I can move on, my last role at Stormont was education. The shared education funding of £500 million: did that suddenly get changed into shared housing, because there was not enough evidence of people applying for the funds for shared education? What was the logic behind suddenly deciding to share it with something else?

*Mrs Villiers:* It was the argument that there is huge merit in shared housing, as well as shared and integrated education. It was quite hard to say, doctrinally, “No, we will stick to shared and integrated education in all circumstances”. It was a request for flexibility made in the talks which we, essentially, thought was not unreasonable.

**Q82 Danny Kinahan:** Shared education is one of the keys that we have got to get, whether it is integrated—

*Mrs Villiers:* Shared and integrated education is crucial, but shared housing is also very important.

**Q83 Danny Kinahan:** If I can move to Maghaberry, you visited Maghaberry recently, and I wondered what you found or saw there in Maghaberry as the key issues or problems arising.

*Mrs Villiers:* I was very impressed, in meeting the staff, to hear about the work they do. It is a unique working environment. It comes with very significant challenges. It is important to bear in mind, although there was quite a difficult report, the issues identified in the recent report had already been identified in advance, and there is an important programme to remedy the issues that were raised. I heard about the work that is being done in Maghaberry to improve the way things work there. The work by the staff is very impressive.

**Q84 Danny Kinahan:** One issue is staffing. Sources that are feeding me information say that staffing is too low. Was that raised with you: that where there should be three prison officers, there are only two? Another issue that has been raised with me often is the pay. Those that were moved there were meant to be paid an extra sum, but that was no longer happening and they have got to carry on working. There is a whole lot of undermining matters. Were those raised with you while you were there?

*Mrs Villiers:* Some people raised resourcing, certainly, but I am very conscious that these are devolved matters, so it is not really for me to comment on them. But as I say, I was very impressed by the team in charge at Maghaberry, and the staff there. They are determined to deal with the issues that have been raised and put them right.

**Q85 Danny Kinahan:** Will you be talking to the Justice Minister here with regard to the report from your visit there?

*Mrs Villiers:* I had not planned to do that, but certainly we are always happy to share best practice. There are similar security challenges that are faced by prisons in Great Britain and at Maghaberry, so I am sure there is a good dialogue between them.

**Danny Kinahan:** Thank you. Thanks very much.

**Q86 Kate Hoey:** Have you been following our inquiry into the Libya situation, in terms of Semtex and victims? Have you been reading the evidence? I know you are busy.

*Mrs Villiers:* I have not got through all of it, but I will try to get through as much as possible.

**Q87 Kate Hoey:** I think you will see from that that there is really genuine concern about the way Governments of all political complexions have handled this issue over a period of time. Do you feel that you, as Secretary of State, could actually do more to influence the Foreign Office particularly, in terms of what they are doing to help and facilitate getting to a situation where there is some recompense to victims, not just in Northern Ireland, but in the rest of the UK?

*Mrs Villiers:* Reading through the evidence made me think that it was important that I had another conversation with the Foreign Office. The more important stage is when we receive your report. That will be an important opportunity for the Foreign Office and the Northern Ireland Office to reflect on what more can be done in response to your conclusions. I do not know whether you have a planned date for publication yet.

**Kate Hoey:** No. We have not seen all the people yet.

**Chair:** It is going to be a little bit stop-start. One of the things we are waiting for, of course, is for there to be a Libyan Government for the Foreign Office to be able to deal with. That is one of the problems.

*Mrs Villiers:* Yes.

**Q88 Lady Hermon:** I have a number of questions on different issues. Let me start with Libya. You have hinted at it already, and I am dismayed, to put it mildly. This is a very serious issue; this is about compensation for the victims of Libyan and IRA-sponsored violence throughout the United Kingdom, and that includes the victims of the Harrods bombing and the Brighton bombing. It is not just Northern Ireland; it is throughout the United Kingdom. My question here was: what have you said to the Prime Minister about the issue of compensation?

*Mrs Villiers:* I do not tend to disclose discussions with the Prime Minister, but this is something I have discussed with him.

**Q89 Lady Hermon:** You have?

*Mrs Villiers:* Yes. He takes these issues very seriously, but as you will have heard in your discussions, without a functioning Government to negotiate with, there is very little that can be done. The Foreign Office has always sought to try to give support and engage with those seeking compensation, albeit, as you will appreciate, they do not espouse individual compensation claims themselves as a Government.

**Q90 Lady Hermon:** But, Secretary of State, the British Government and the Prime Minister have rightly condemned terrorism around the world; we heard a lot about it last Wednesday—terrorism sponsored through Syria and through ISIL. Is it not the correct thing, and the morally right thing, for the British Government to make sure that once there is a Libyan Government to negotiate with, it seeks compensation? That it is not a responsibility of individual victims and their families to seek individual compensation, but that it is a moral duty of the British Government to do so?

*Mrs Villiers:* I am sure the UK Government will continue to engage on this issue. As and when there is a Libyan government to engage effectively with, we will continue to do that, but it has been a long-standing policy of successive Governments that it does not espouse individual claims. That does not stop us working for reconciliation between the groups affected by these terrible terrorist atrocities and the new regime in Libya. We will continue to do what we can to support their efforts.

**Q91 Lady Hermon:** But would you not accept that it actually weakens the Prime Minister's stance—a stance that I am proud that he has taken—in condemning terrorism internationally and on our doorstep? Does it not weaken his case that he does not see that it is the responsibility of this Government to put pressure on the Libyan Government when it is in place?

*Mrs Villiers:* The Prime Minister's representatives have taken up these matters with the Libyan Government. We do what we can to help, and we will continue to do so. I am sure that will be the case, as and when there is a proper Libyan Government to engage with.

**Q92 Lady Hermon:** We will come back to that when you are next in front of us. Could I just ask you: given the decision that was taken on Wednesday about British military

engagement in terms of airstrikes against ISIL in Syria—quite rightly, in my view—and given the significance of that, what discussions have you had with your Irish counterpart? Obviously, radicalised young people from Britain can come back through Shannon or Dublin just as easily, and through the Republic of Ireland, and then across the border into Northern Ireland and into the United Kingdom. What conversations have you had since Wednesday, since the vote, with your counterpart in the Irish Republic?

**Mrs Villiers:** I have had a number of discussions with Minister Fitzgerald on the joint challenges that we face, because, of course, both our countries are at risk from Islamist extremism. Primarily, these contacts are carried out by Home Office Ministers and their counterparts, but it is something that I have raised in my regular discussions on security matters with Minister Frances Fitzgerald, but not since the Syria vote, no.

**Q93 Lady Hermon:** I think that is odd. I think that is worrying. I think that is concerning. May I just suggest some better contact between the Home Office and the Northern Ireland Office?

**Mrs Villiers:** The Home Office may well have been in touch, but all I am saying is that I have not been on these particular matters, and it is a Home Office lead. As I say, I have raised it in discussions with Minister Fitzgerald, because I cover matters relating to Northern Ireland-related terrorism, but it is very much a Home Office lead.

**Q94 Lady Hermon:** I suggest that you speak to the Home Secretary, just to double-check that there has been ongoing discussions with the Irish Government. I would find that very reassuring. If you could confirm to this Committee that that has happened, and perhaps write to us subsequently, that would be very helpful.

On the dissident threat in Northern Ireland—because I can see that, in fact, time is marching on—just how concerned are you about the leakage from the Provisional IRA to dissident republicans?

**Mrs Villiers:** As I said when you raised this in Parliament, there is real risk there. That is one of the many reasons why it is vital that we see these paramilitary organisations disband.

**Q95 Lady Hermon:** How do we do that? How do we achieve that? I would love to see the loyalist paramilitaries, as well as the republican paramilitaries, disappear, but how do we achieve that?

**Mrs Villiers:** It takes a broadly-based strategy. It is important to have programmes to persuade young people not to engage with these bodies. We need to build on the kind of work done by excellent organisations in your constituency, who work to aid those who are in transition away from that kind of activity, as well. We also need to be rigorous in the way other organisations are given public funding, to make absolutely sure none of that could possibly be misused, or find its way into the wrong hands. Also, there is the declaration agreed in the Fresh Start Agreement between all of Northern Ireland's politicians, making it clear that paramilitary activity will never be tolerated and that it will

be actively challenged. I feel very confident that there will come a day when these organisations disband, but it is a long, difficult process.

**Q96 Lady Hermon:** You feel very confident, Secretary of State.

*Mrs Villiers:* I believe that will happen, yes.

**Q97 Lady Hermon:** So give me a timescale. Let me hope it is in my lifetime. Give me a timescale, so that I can live through a period of my life in Northern Ireland without paramilitaries. I would like to live a long life.

*Mrs Villiers:* I would be much less confident giving a timetable. It could take a long time.

**Q98 Lady Hermon:** Years.

*Mrs Villiers:* Undoubtedly years, yes.

**Q99 Lady Hermon:** Mr Chairman, I just need to hear Sir Jonathan's voice on one particular issue, and that is on our report on the OTR letters, the comfort letters, the administrative procedure and process. Sir Jonathan, as you chair the oversight of them, could you just give us an update about the implementation of the Hallett Review recommendations from last summer? Where are we?

*Sir Jonathan Stephens:* Of the 10 recommendations, five have been implemented in full, and all the ones that relate to the Northern Ireland Office have been implemented in full. Two are going to be long-standing recommendations, because they are about keeping the outstanding cases under review and addressing those cases in which errors arose, and the work of the PSNI under Operation Redfield continues on that. We are expecting to have another meeting of the oversight board early in the new year, at which I expect to hear that further progress has been made on the outstanding recommendations, which concern training and data-sharing, both within the PSNI and amongst UK police forces.

**Q100 Lady Hermon:** So in terms of Operation Redfield, which has been undertaken by the Police Service of Northern Ireland, with a dedicated team looking at every single case of an OTR letter that went out, could you give the Committee an update on how much progress has been made in that, and how many cases have been identified with errors similar to that of Mr John Downey?

*Sir Jonathan Stephens:* Those reviews are undertaken by the police; they are undertaken independently. We are not taking decisions on those cases.

**Q101 Lady Hermon:** Sorry to interrupt, but when you have an oversight meeting, and you chair that meeting, although I know you are not allowed to identify by name those who sit on the oversight board, surely there is a representative from the PSNI—from the investigation team—who gives you, and the rest of the oversight body, a report on the progress that has been made. Would you be able to share, in broad terms, the details of that sort of report?

**Sir Jonathan Stephens:** I cannot share the details, because these may yet turn into criminal investigations, in some cases.

**Q102 Lady Hermon:** I am not asking you to identify anybody by name. We are not jeopardising a fair trial. We are just wanting to know whether we are half-way through, or a third of the way through. How many cases have been identified with errors in them—two, three or half a dozen? No-one's name is going to be mentioned; I am not asking for a breach of confidentiality. No fair trial is going to be jeopardised. Just, where are we?

**Sir Jonathan Stephens:** All I can say at this stage is that the police continue to give this priority. They are giving priority to those 35 or so cases that Lady Justice Hallett identified as requiring priority, in addition to the cases where errors had already been identified. Beyond that, I am afraid that that I am not in a position to say anything more about the state of progress.

**Q103 Kate Hoey:** Who are they reporting to, eventually?

**Sir Jonathan Stephens:** The police are conducting independent investigations, and the decisions are ultimately for the police and, where relevant, for the prosecuting authorities.

**Q104 Lady Hermon:** So it is the decision of the DPP, Barra McGrory, to proceed with the prosecution if there is sufficient evidence.

**Sir Jonathan Stephens:** If the police bring forward sufficient evidence, yes.

**Q105 Kate Hoey:** But the Chief Constable will probably update us when we see him later this week.

**Sir Jonathan Stephens:** That is entirely a matter for the Chief Constable.

**Chair:** As far as he is able. We could do with moving on slightly. Can I move onto another one to do with the police? Oliver, I want to bring you in on a slightly different issue.

**Q106 Oliver Colvile:** First of all, thank you very much indeed, also, for what you have talked about during the course of the day, and you will be delighted to know I am not going to talk about hedgehogs this afternoon. What I do want to know is this: since we last met, frankly, there has also been the arrest or the potential prosecution of the Parachute Regiment soldiers who got involved in Bloody Sunday, and I just wanted to have an update on where we are on this. I wondered whether or not you might be able to produce that for me.

**Mrs Villiers:** Sorry, what did you want an update on?

**Oliver Colvile:** On the police arresting, or seeking to try to prosecute, the members of the Parachute Regiment who got involved in Bloody Sunday.

**Mrs Villiers:** That is subject to legal proceedings at the moment, so I am not able to give you an update on that. Those are matters, independently, for the police and prosecuting authorities, and I believe are subject to a judicial review at present.

**Q107 Kate Hoey:** Secretary of State, do you understand just how people feel? We have had this inquiry into on-the-runs. People who did heinous things have been given letters, and yet one soldier, so many years afterwards, is now being pushed and prosecuted and chased and harassed. It just does not seem that there is justice in Northern Ireland.

**Mrs Villiers:** I am very much aware of public opinion on these matters. It is important to emphasise that, for all sorts of good reasons, these decisions on arrests and prosecutions are taken independently of politicians. I would also reiterate that the so-called on-the-run scheme did not give anyone an amnesty. It was simply a scheme to inform people who were not wanted by the police that they were not wanted by the police.

**Kate Hoey:** Perhaps the soldier could be sent an on-the-run letter.

**Mrs Villiers:** Sorry, I did not catch that.

**Kate Hoey:** That was just a comment.

**Oliver Colvile:** The second question I wanted to ask, as well, is that we voted before the last election for the European arrest warrant.

**Chair:** Some of you did.

**Q108 Oliver Colvile:** I just really wanted to have an understanding. As you know, I have had an issue to do with one person who escaped bail, so I would like to understand whether or not anybody has actually been subject to a European arrest warrant and brought back to the United Kingdom to face prosecution as well. Do you know whether or not we have been successful in bringing any terrorists on either side back into this country?

**Mrs Villiers:** These days, extradition decisions are taken by the police and prosecutors. I can check what the figures are for the use of the arrest warrants, if you would find that useful. You are talking about extradition from the Republic of Ireland to—

**Q109 Oliver Colvile:** Or from wherever; people who may have escaped to other countries subject to the European arrest warrant. Yes, it would be very helpful just to know whether or not the European arrest warrant has been used in order to try and bring anybody who committed a terrorist action within the United Kingdom back to this country. I have not heard of any, but that may be because I have not read the newspapers as closely as I should have done. It would be really helpful just to know whether or not that has happened.

**Mrs Villiers:** I can certainly check to see whether there are published figures on that.

**Q110 Lady Hermon:** I had a final question about your Department, the Northern Ireland Office itself. Do you feel that you are understaffed, or do you feel your staff are overstretched? Can I just preface my remarks by saying I am actually full of admiration and gratitude for your enormous patience and diligence in achieving what you have achieved over weeks and weeks and weeks of dealing with politicians in Northern Ireland. During that period of time—prolonged negotiations last year in reaching the Stormont House Agreement, or what we thought was the Stormont House Agreement; we actually thought we had reached

agreement, and then, of course, it all got mixed up again this year—your staff must have been overstretched at some point. Do you feel you need more resources?

**Mrs Villiers:** I do not feel I am understaffed. Certainly, running two sets of talks processes in the space of the year was pretty exhausting, for me and many of the civil servants in the Northern Ireland Office, and they did an excellent job, including Sir Jonathan here.

**Lady Hermon:** I agree.

**Mrs Villiers:** Inevitably, in the current spending climate, we have to continue to work hard on delivering efficiency mechanisms, so we can devote the resources we have to our various priorities.

**Q111 Lady Hermon:** Is your budget being further reduced in this incoming year?

**Mrs Villiers:** The spending review gives us a flat settlement in real terms, so it goes up broadly in line with inflation over the next four years. We have had some reductions over the last spending review, but in the coming spending review, we get a flat real-terms settlement.

**Q112 Lady Hermon:** That is a bit of breathing space.

**Mrs Villiers:** It is, yes.

**Q113 Kate Hoey:** Secretary, can I just say that you are the one member of the Cabinet who actually uses the terminology correctly in terms of the United Kingdom, and does not use the terminology of “Britain” when they actually mean the UK? Can I commend you on that, and ask you to continue to give, particularly the Foreign Secretary and the Prime Minister, a little word on getting it right?

**Mrs Villiers:** I am delighted to pass that on. Yes, it can be quite frustrating that sometimes the terms are not used correctly.

**Chair:** We will finish on that positive note. Secretary of State, Sir Jonathan, thank you very much for joining us.