



## Northern Ireland Affairs Committee

### Oral evidence: [Investment in Northern Ireland](#), HC 792

Tuesday 22 March 2022

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Members present: Simon Hoare (Chair); Mr Gregory Campbell; Stephen Farry; Sir Robert Goodwill; Claire Hanna; Ian Paisley.

Questions 207 - 236

### Witnesses

[II](#): Conor Murphy MLA, Minister of Finance at Northern Ireland Department of Finance; Jeff McGuinness, Acting Head of Central Expenditure Division, Public Spending Directorate at Northern Ireland Department of Finance; Laura McDonald, Strategic Policy and Reform at Northern Ireland Department of Finance; and Aidan Higgins, Departmental Assembly Liaison Officer at Northern Ireland Department of Finance.

Written evidence from witnesses:

- [Conor Murphy MLA, Minister of Finance, Northern Ireland Department of Finance](#)



## Examination of witnesses

Witnesses: Conor Murphy MLA, Jeff McGuinness, Laura McDonald and Aidan Higgins.

*[This evidence was taken by video conference]*

Q207 **Chair:** Good afternoon everybody and good afternoon to our witnesses. Thank you for joining us for this second session as we look at investment in the economy in Northern Ireland. Thank you for joining us, Minister. We are very grateful. I am conscious that you are pressed for time, so we are going to be quick in our questions and if that could be reciprocated in the answers, we can cover the ground that we would like to.

As an opening question, could I ask you this, Minister? There is a lot of stuff going on at the moment with regard to the economy in Northern Ireland. We have heard from businesses, individuals and their organisations that they look for two things when formulating their business strategies: peace as a foundation and political stability as the bedrock to build their strategy on. What is your anxiety, if you will, over the collapse of the Executive and the impact that that might have on business confidence, investment, job creation and prosperity?

**Conor Murphy:** First, thank you for the invitation to speak to the Committee today. I am waiting on news from the Chamber about whether I am needed sooner rather than later. I apologise in advance for that.

**Chair:** These things happen. There is no need to apologise.

**Conor Murphy:** In relation to the instability due to the collapse of the Executive, it is frustrating because we had a two-year mandate, effectively, and a lot of good work has been done over the course of that mandate both in the Executive and in the Assembly Chamber itself. We are in the last week of the mandate now in the Assembly Chamber.

Even with all the challenges of the pandemic and other issues, the Executive has—for a five-party coalition, which is a tricky business at the best of times—managed to work together and to deliver significant support to business and right across the community and services to try to meet the challenges of the pandemic. There was a recognition that the Executive had been functioning as well as could be expected with all of the political challenges within it.

Business was already experiencing a significant level of austerity because of the protracted nature of the negotiations around the protocol. There is a recognition that there are issues that need to be fixed with the protocol. The protocol was compromised between a Brexit position that was foisted upon us, which we did not want, and the damage that that may well have done to economic development on the island of Ireland and the significant amount of cross-border trade that we had on the island, so the protocol was put in place to try to mitigate against the impact of Brexit.



Undoubtedly, the protocol needed some fine tuning and tweaking, and those were matters that clearly needed to be resolved between the UK Government and the EU. For the Executive to be brought down on the basis of trying to influence those discussions, when clearly it is not a matter that the Executive has any authority over—we all have our views that we would give to the various negotiators—has added to the uncertainty for businesses, particularly at a time when, after many years, we had the potential for a three-year budget. While it did not give us the full funding that we would have liked, nonetheless, it did give us the opportunity to plan over the three years and did give us an opportunity to fix some of the issues in relation to health that needed significant attention, not just reforming the health service but also dealing with issues like waiting lists, cancer treatment services, mental health strategies and so on.

There was a real opportunity to use that three-year plan to deliver significant change in how we do our business, and that has now been lost to us because, when we had an opportunity to get a draft budget out of the constitution, we had not agreed a delivery budget and we would have had to agree the budget in the last number of weeks, which would have allowed Departments to begin planning now for the next three years. That opportunity has been lost.

In my opinion, it has been lost in a futile way because the absence of an Executive is not having any impact whatsoever on the protocol negotiations. It is only harming the people we represent collectively here and damaging the capability of Departments to plan for the future and to give that level of certainty in terms of support, not just to business but to communities and a range of sectors that are providing essential services for us. It really is a frustrating development.

I think that a lot of the good work that the Executive did manage to achieve over the last few years has been undone as we go into the next wave. We have been effectively hamstrung in terms of an ability to take decisions. We do have funding that is available and we were able to get a significant level of carry-over because of some of the in-funding that came at the end of the financial year, and £300 million would be available to us now to try to tackle some of the cost of living issues, facing a lot of families, communities and businesses. We cannot allocate that funding now until such time as an Executive is in place, so that adds to that frustration.

**Q208 Chair:** Thank you for that, Minister. From your ministerial eyrie, what is your overall assessment of UK Government investment in Northern Ireland? To what extent do you feel that UK Government investment schemes are aligned with Northern Ireland's economic priorities? Is there enough synergy going on and enough consultation and engagement?

**Conor Murphy:** There is no shortage of engagement, but I still believe it is very fragmented or at least is in a very uncertain position. Where we got the three-year budget, which was welcome, the level of funding that



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we have comes very late in the day for us to be able to consult significantly on it, plus there are some areas of spend that have not been confirmed for us—some of the issues under the Fresh Start Agreement, confidence and supply, New Decade, New Approach, City Deals—and not all of the details for funding were provided, which means we cannot include those in the budget and we have to revisit them at a later stage.

In the City Deals there is a significant level of co-operation. That has improved over time, but it is still a very flat profile over the years when clearly large capital projects were moved. The Executive are obliged to cover that in our own capital budgets, and we do not have the flexibility that we would like there. However, the engagement has improved from where we were at the beginning. We would hope to see progress on those matters, so that there is a recognition that capital over a long number of years does move in a very smooth direction and we do need that capital cover and recognition that profiles in relation to that spend will change and we will need some assistance with it.

The biggest bugbear that we have is the replacement of EU funding and the decision to use the Internal Market Act to allocate funding directly from Whitehall. That cuts across a range of responsibilities in several Departments and needs to do it in a way that is consistent because it was tasked to a number of areas, most of which are managed here by the Executive Department.

We have a different governmental structure—the relationship between local government and central Government—from that which perhaps pertains in England, Scotland or Wales, so that a lot of the functions that fall to local government in England, Scotland or Wales fall to central Government here. Yet central Government was excluded from applying for any of the funding. Therefore, not only was it a competition being run from London with very limited knowledge or experience of what the issues were on the ground here, but it also excluded those perhaps who had a track record of being able to deliver on some of these larger projects for town centres, about transport, and about areas such as support of arts and culture. All are done through central Government Departments here, yet they were excluded. As a consequence, we had a suboptimal application and we ended up with a very poor share of the money.

The Executive has no role in relation to that, so some of that funding cuts across areas that we would want to prioritise. Some of it is completely outside where our priorities would be. We obviously had the experience over a long number of years of receiving—with all of the caveats and all of the accountability attached—levels of EU funding that the Executive could allocate according to our own priorities, particularly in the areas of skills and training. That is one area where we are finding that there are job opportunities available yet we have significant growth in economically inactive people, so there is a need to try to match skills and get people back to work.



That function was traditionally delivered under European funding to the Department for the Economy. It has not been replaced. Instead, we have a competition process where we cannot provide any level of guarantee to all the groups that provided training for us. The Department has to try to sustain them from its own budget, which leaves it with a significant hole in the budget. I know you have had my colleague, the Minister for the Economy, in front of the Committee recently and I am sure he confirmed some of the difficulties that arise here.

The principle of how it has been approached really ignores the devolved arrangements. It cuts across them in a blunt way, does not recognise our priorities and does not try to match those priorities. There has been a very limited engagement with us late in the day to try to provide some assessment of some of the applications. We were not certain whether that would secure the funding or how. Indeed, some of the most successful applications were not run by the Executive at all. It was a very patchy response.

We have raised this very frequently. I had a meeting yesterday morning with the Chief Secretary to the Treasury alongside the Scottish and the Welsh finance Ministers. We do that quadrilaterally, and both Scotland and Wales have the same view as ourselves re the replacement of EU funding. That the funding that the British Government have decided to use in terms of levelling up should be given to the devolved areas, allowing us to allocate it to our priorities, to provide those kinds of strategies and prioritisation that we have a familiarity with and that also we are accountable for.

We are going to an election in the next couple of weeks on the basis of how we have managed these affairs over the last number of years, but yet we now find there is a funding stream, a series of funding streams, coming in to the devolved areas that we have no involvement with and cannot get any shape on. We have very little information to be able to even advise groups as to how they might apply, but, certainly, we cannot plan for that money. Effectively, when we are doing budget planning exercises we almost have to exclude a share of the UK Shared Prosperity Fund or any of the other funds that may come as part of levelling up from our considerations, because we cannot guarantee them and we cannot plan on the basis of what might come by way of competition.

**Chair:** First, thank you for that. We hear very clearly what you say. We have a lot of ground to cover with you, and I know your time is short, so I want to canter through this.

Q209 **Stephen Farry:** Good afternoon, Minister and team. I want to focus a bit more specifically on InvestNI, given that this is primarily an investment inquiry, and seek your thoughts on the potential impact of the current budget uncertainties on the work of InvestNI.

**Conor Murphy:** The draft budget that was proposed did give an opportunity to focus on what the Executive and all the Executive parties



had been consistently saying, even prior to the Executive being restored, on the priorities that we had, and we wanted to get a multi-annual budget to try to tackle the big issues in Ireland and continue the process.

As you will know, Stephen, many plans have been put in place for transformation in health, and we wanted to finally get down to that transformation process. The draft budget reflected those stated intentions, but it did not do it to such an extent that it reduced the level available to all other Departments so that all Departments effectively faced a cut. All the Departments had an increase in their budgets as well, perhaps not the overall level of support that we wanted—we certainly do not have the funding to do all that we want to do to undo the impact of the austerity budgets over the last 10 years or so—but there was nonetheless an increase in each Department.

As you know, in our devolved settlement there is a significant degree of autonomy within each Department in terms of its spending prioritisation, so it would have been up to the Department for the Economy to prioritise—if that was what it felt was needed—how to fund the spend of InvestNI to be able to provide the level of support it does to businesses.

I have to say there is a review of InvestNI, which I think is welcome. It is a long time since InvestNI was subject to any review, and I do think that in the current climate—I have spent the last week in Washington DC with colleagues from the north here—there is, I think, in the time ahead, significant uncertainty in terms of where foreign direct investment will come or whether investment decisions will be taken in the short to medium term between the pandemic experience, the Ukraine issue, and just general uncertainty.

I do think it is a time for InvestNI to reconsider where it provides levels of support and where it needs to provide its focus. Certainly, from our perspective, the Department for the Economy did have an increase in its budget each year over the three years. From my point of view, had the Department wished to prioritise funding to invest, it could do so within that funding level.

**Q210 Stephen Farry:** It is probably a similar answer, Minister, but over the past few weeks we have heard a lot of representation from witnesses around the impact of budget cuts on skills and how important skills are for investment.

Is there anything further that you want to add on skills specifically or is it more or less exactly what you are saying around InvestNI more generally?

**Conor Murphy:** As you will know, the skills agenda is generally funded through the European Social Fund money that the Department got. I think it was roughly around £40 million a year. I am sure Jeff McGuinness will correct me if I am wrong, but it was around that amount. That has now been subsumed into this kind of delivery from Whitehall, which



means that the groups who traditionally provided that element of training and support for people, getting them back into employment, could not guarantee funding going forward, so they were effectively issuing redundancy notices over the last while.

They did not engage with us to try to find a way to ensure that they had support, because the Department for the Economy had found a £40-million hole in its budget that traditionally it had got through European funding, and there has been no sign of a direct replacement. There have been some assurances given to some groups. I know we certainly offered a solution to both the Department for Communities and the Department for the Economy to try to provide that support, because we recognise how important it is. The Department for the Economy has informed us that it will give assurances to groups that they will receive funding, but that now comes out of the Department's own baseline and that funding has not been received.

Some of those groups may well apply for and attract funding from Whitehall, but we cannot provide that guarantee to them and, therefore, if that happens that is fine and it comes out of the Department's expense, but undoubtedly if we want to continue the services they provide—particularly in a situation where we are finding there are jobs available and a significant number of people who do need retraining and updating their skills—the Department has to step in to provide that funding itself.

**Q211 Stephen Farry:** Finally, will you comment specifically on the impact on InvestNI from the loss of the ERDF? I appreciate that you have made the point that there is no guarantee of the replacement funding doing the same thing as was the case previously.

Could you maybe comment also on the fact that InvestNI was unsuccessful in some bids last year? What sort of implications can we potentially draw from that, as to what the future might hold?

**Conor Murphy:** I will apologise in advance because I have been told to wrap this up and go down to the Chamber.

However, I can say yes, traditionally the Department relied on ERDF funding to support InvestNI. If the Department wishes to continue that support it will have to find the money from within its budget.

Over the course of last year, we were issuing quite a lot of money and allocating quite a lot of money as it came to us. Some of it would be around certain prioritisations. If a bid that came in at that time from a Department for investment was not aligned with whatever we were prioritising at that particular time, it may well not have been successful. I would need to have the detail of when a bid was submitted, what the call had been put out for and what the terms were, but we recognise that InvestNI has a very important job to do and we need to have support for it. That is why we would have argued for the replacement of EU funding



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so we could directly give the funding that InvestNI had traditionally been used to.

I apologise because I do have to go, but Jeff McGuinness and Laura McDonald are both here and I am sure will be content to answer any further questions.

**Stephen Farry:** Thank you.

**Chair:** Thank you.

Q212 **Mr Gregory Campbell:** Mr McGuinness and Ms McDonald, I was going to ask this of the Minister, but I can make a point to you both. The Minister had mentioned the draft budget, but I think it was clear from the publicly expressed comments of the leadership of all the other parties that that draft budget was not going to command any political support. It appeared that it was only the party that was proposing the draft budget, Sinn Féin, that would be in support of it. That was the publicly expressed view, I think, of all the other parties, wasn't it?

**Jeff McGuinness:** The draft budget was agreed by the Executive for consultation only.

Q213 **Mr Gregory Campbell:** Yes, but that was because there was no agreement on processing the draft budget. Anyway, that is probably more a political point.

To widen the issue out, the Minister had mentioned the lack of localised knowledge of some of the funding streams that are going to come on board—I am conscious of the time, even with the Minister's absence—but if we take the Levelling Up Fund, the community renewal fund and the Shared Prosperity Fund, what is the departmental view of the processes thus far in terms of localised knowledge being applied to getting best deployment of those funds to deliver what they are supposed to achieve? Maybe to you first, Mr McGuinness?

**Jeff McGuinness:** I will pass to Laura McDonald on this one.

**Laura McDonald:** The engagement we have had with DLUHC on this has been extensive, but there is a one-way flow of information. Although we are providing the Department with the information on the set-up of Northern Ireland and our local government structures, it is still choosing to deliver this fund directly. There has been a minimal amount of wider engagement. As an official, I do not think there has been enough engagement on these funds to recognise the differing landscape in Northern Ireland from that elsewhere in the UK.

Q214 **Mr Gregory Campbell:** Do you think, Ms McDonald, that this is a bureaucratic thing whereby there is simply a lack of knowledge of how to cut through some of the red tape? Or is it a misstep in terms of misunderstanding the political realities? Where do you think the problem is emerging in not getting the Northern Ireland views expressed in such a



way that it helps to deliver in the way that we would prefer to see it delivered?

**Laura McDonald:** I think it is a little of both. We have been trying to educate those Whitehall Departments at an official level on the way in which funding was applied here, the structures that we have in place, the way in which the funding was used, our responsibilities for delivering and our legal requirement to deliver in some of these areas. However, officials have expressed the view in the DLUHC that their Ministers want an approach for the funding here to be delivered at the most local level, and that does not seem to be through the Executive and the Executive Departments.

Q215 **Mr Gregory Campbell:** In terms of, say, localised priorities that the Department and other Departments might prefer to try to see a more effective delivery mechanism, do you think that message is getting across? Or is there a blockage or something prohibiting that getting across?

**Laura McDonald:** No. I think the Community Renewal fund and the Levelling Up Fund have been and gone and we have no way of shaping them. The rhetoric within the DLUHC has changed a little bit over the last couple of months with the change in structures within DLUHC, so there seems to be more of an opportunity for us to provide information to allow the Department the structure things in a way that will perhaps work out better for Northern Ireland. That is something that remains to be seen. We have had these promises before.

**Ian Paisley:** Chair, can I ask a very small question on levelling up?

**Chair:** Of course.

Q216 **Ian Paisley:** Laura, Wales and Scotland do not appear to have a problem bureaucratically taking on spending and allocating this money. I am wondering does the Department of Finance have a clear picture of where the buck stops? I am speaking specifically on levelling up. Is it the NIO that should be in charge or is it your view it is in charge? Is the levelling up Minister, Mr O'Brien or Mr Gove in charge? Or should it be the Department of Finance? Or do you think it should go to NILGOS or to the 11 local authorities? Have you a clear picture of where you would like to see it going?

**Laura McDonald:** As an official, that is a difficult question for me to answer. Within England, Scotland and Wales, the local authorities have a role in the Levelling Up Fund and are able to review applications and make choices that best fit them. Within Northern Ireland, that is not the case. Within Northern Ireland, the applications go directly to Whitehall and the Executive's Departments are only able to apply in the transport theme even though our Departments have legal responsibility for delivery in areas within the other two themes. We are excluded from applying for some areas within the Levelling Up Fund that we should be able to. I think that is where the quality of applications lets us down, because we



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were not able to apply in some of these themes so the amount of money that the Levelling Up Fund provided to Northern Ireland was less than we had expected to receive.

Q217 **Ian Paisley:** What do you mean, you are excluded from applying?

**Laura McDonald:** The DLUHC has made it clear that the Northern Ireland Departments cannot apply under any theme other than transport.

Q218 **Ian Paisley:** On levelling up?

**Laura McDonald:** On levelling up.

**Ian Paisley:** Okay.

Q219 **Chair:** Has the Department given a reason for that? It is just for infrastructure purposes?

**Laura McDonald:** Infrastructure.

Q220 **Chair:** Of all types?

**Ian Paisley:** Yes, it is for connectivity and infrastructure within the Kingdom. It falls under that sort of broad patch. I think I am right in that, Laura, aren't I?

**Laura McDonald:** Yes

Q221 **Claire Hanna:** Thank you very much to the officials. I want to talk about potential fiscal devolution. What do you think is realistic and achievable and what would be the Department's top priorities for potential future devolution and tax variance?

**Jeff McGuinness:** We have a fiscal commission established to look at this and the Minister will be clear that he would be keen to see the workings of the fiscal commission's report, which is due relatively shortly, and that will inform the thinking going forward.

Q222 **Claire Hanna:** I will not push and prod, but you are not in a position to indicate what the priorities would be or what the departmental thinking is prior to that report?

**Jeff McGuinness:** No, we would not be in a position to do that at this stage.

Q223 **Claire Hanna:** Okay. I will move on. What is your assessment—I think the Minister touched on it in his introduction—of the New Decade, New Approach funding package? Do you think it goes far enough? Do you think that the NDNA, so far, has made an impact on infrastructure in particular in Northern Ireland in the last two years?

**Jeff McGuinness:** The New Decade, New Approach financial package?

**Claire Hanna:** Yes.



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**Jeff McGuinness:** The Minister has been clear in the past that that particular package fell far short of the commitments contained within the New Decade, New Approach document itself.

In terms of what we did receive, the funding has helped to encourage things like low-carbon public transport under that infrastructure package, but it does not go far enough to do all that the NDNA has set out. In addition, there is an element of that in unique circumstances that is not within the control of the Executive. It is administered by the Northern Ireland Office.

Q224 **Claire Hanna:** The Joint Board that was set up under NDNA between the UK Government and the Executive has met only once. What is your assessment of the effectiveness of that and of the oversight of that funding?

**Jeff McGuinness:** It is hard to make a judgment call on that at this stage. In the New Decade, New Approach agreement, purely from a Department of Finance perspective, in a number of the areas the funding was allocated for very specific things and was allocated to Departments and spent on those specific areas. We can judge the relative success of that fairly easily in terms of being able to spend the money where it is meant to be spent. The role of the oversight board, less so.

**Claire Hanna:** Laura, did you want to add anything to either of those questions?

**Laura McDonald:** No, thank you.

Q225 **Stephen Farry:** As a Department, do you have any concerns about the effect Article 10 of the protocol, the one that applies to subsidy control, on Northern Ireland's ability to attract FDI? I appreciate that it might not fall under the direct responsibility of either of you so feel free to take a pass, if required.

**Jeff McGuinness:** Yes, I will take a hard pass on that one.

**Stephen Farry:** A hospital pass to you, Laura.

**Laura McDonald:** I am going to take a pass on that one.

**Stephen Farry:** Two passes.

**Chair:** Two passes?

**Stephen Farry:** Two passes.

Q226 **Ian Paisley:** Chair, if there is a little bit of room, can I come back on levelling up?

**Chair:** Yes.

**Ian Paisley:** Laura, it is to go back to this issue. Do you know or are you aware: has Minister Murphy, the finance Minister, met with Minister



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O'Brien or Minister Burns about levelling up?

**Laura McDonald:** He has, yes.

Q227 **Ian Paisley:** He has? Has there been any outcome in terms of addressing some of the issues as to where the buck stops and how these applications should be handled? Has there been any read-out from that?

**Laura McDonald:** There was a brief meeting the week before last about moving engagement forward on the Shared Prosperity Fund more than the Levelling Up Fund itself, but discussions are ongoing with officials on that. There have not been any solid outcomes on it as yet.

Q228 **Ian Paisley:** Is it your impression that it is really our framework, about how we deliver finance, that is the stumbling block?

**Laura McDonald:** I wouldn't say that, no. I think it is a want to deliver funding that aligns across the whole of the UK and because of the different set-up in Northern Ireland, it needs to be treated a little bit differently.

Q229 **Ian Paisley:** Have any solutions been brought to the table?

**Laura McDonald:** Yes. We are working through solutions, but there has to be agreement on both sides and that is for the Minister to take forward.

**Ian Paisley:** Thank you.

**Claire Hanna:** I presume that it is the position of the Department that post-Brexit the protocol and dual market access are opportunities. Does the Department have a particular world view? How would you assess the role of InvestNI in encouraging growth via dual market access? I know you do not have direct oversight. It was a question that we were going to put to the Minister.

**Jeff McGuinness:** The Department of Finance will support the role of InvestNI as much as we can. I am aware that the New Deal for Northern Ireland has provided InvestNI with about £8 million to promote Northern Ireland as a place for competitive investment. We probably cannot say much more than that about how we do that. Obviously budget support for InvestNI will be wrapped up in a wider draft budget or final budget process, whenever an Executive is restored.

Q230 **Chair:** Before we leave InvestNI, what do you hear? What is your assessment? What are you hearing with regard to business confidence, investment confidence?

**Jeff McGuinness:** We are probably sitting in ivory towers in the Department of Finance. We have less of an ear to the ground on business confidence. However, there have been reports in the news recently about the ability of InvestNI with budget uncertainty, and obviously that will have an impact. InvestNI and the Department for the Economy will always have to make sure that they can deal with that or can provide



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enough assurances around InvestNI funding going forward in the absence of a budget in place.

Q231 **Chair:** I take your comment about ivory towers, but you do not exist in a vacuum. We were hearing this morning about departmental cross-cutting, non-siloed mentality, common goals, and so on. You must have some understanding of business confidence and resilience, immediately post-Covid and looking to the next couple of quarters.

**Jeff McGuinness:** You probably summed it up very well earlier on. Business is looking for a settled political space, and I think that is important. Without a draft budget in place, there is increased uncertainty about the financial position. That uncertainty relates to things such as support for InvestNI in terms of business. It also relates to our regional rates calculations here, the council tax equivalent for businesses here. If that kind of business rate support is not there, if you do not have a three-year budget in place, those things will contribute to businesses making decisions. The more certainty we can provide, the better.

Q232 **Chair:** Reflecting back on the last time Stormont ceased to function, which seems a long time ago but was not that long ago, as a Committee we heard from a variety of organisations about the atrophy that took place in the evolution and development of health policy, mental health strategies and initiatives in skills and education, housing infrastructure and so on, all of which are rather key fundamentals for businesses—either existing businesses expanding or new businesses coming in. As officials, do you have concerns, about effectively just potentially being water-treaders trying to deliver what has already been agreed without any space for innovation and change or being fleet of foot in this peculiar timeframe post a global pandemic?

**Jeff McGuinness:** The situation is slightly different going forward now because of the recent Westminster legislation. We will have Ministers in place post-election, even if an Executive is not formed. There will be a slightly greater degree of certainty in terms of Ministers making decisions in the time before we have an Executive in place. We will obviously be hopeful in anticipating the Executive being formed after the May elections.

However, without that Executive in place, there is a risk—I am speaking purely in budget terms—that the funding that we have available cannot be allocated or cannot be allocated in time to put in things that Ministers may wish to do in the incoming financial year. We are closely monitoring that situation, where the Minister has provided his ministerial colleagues with advice and guidance as to how we might put some contingency planning in place prior to an Executive restoring a budget. Obviously, however, without budgets, there is a risk that Departments are not able to spend the full allocation to Northern Ireland and also not able to spend it in the right strategic way if they do not have that budget base early enough in the financial year.



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Q233 **Chair:** If there are under-spends or non-allocations, what is your assessment as to the risk of those being—for want of a better phrase—returned to the mothership?

**Jeff McGuinness:** It will very much depend on how far into the financial year we get before a budget is put in place. Obviously the longer into the financial year, the more risk there is to that funding being lost to Northern Ireland but obviously not lost to the UK.

Q234 **Chair:** Lost to Northern Ireland?

**Jeff McGuinness:** Yes.

Q235 **Chair:** Potentially with an argument that the Treasury may turn round and say, “If Northern Ireland did not spend it, it cannot have needed it and so will not need as much next time”?

**Jeff McGuinness:** That is an argument that we would strongly resist, but you are right.

**Chair:** I am sure you would, but Treasury would as strongly advocate it.

**Jeff McGuinness:** Absolutely.

Q236 **Claire Hanna:** The infrastructure commission has the potential to be a gamechanger, I suppose, for taking forward some of those transformative ideas and obviously TEO was to take that forward because it was cross-cutting. Where did your Department get to on engagement with that before the resignations? Is there anything that you are able to progress before we get First Ministers back?

**Jeff McGuinness:** Our key input into infrastructure is making sure that we have an appropriate capital budget in place for all the Departments. We have been working with the SIB and also working closely with the Departments in that process. Part of the draft budget was a capital allocation or an indicative capital allocation to each Department. Now that we have no agreed budget and we have no Executive in place to make those decisions, we are working on a contingency position for Departments going forward into the new financial year. That will allow them to continue with existing projects, to ensure that capital contractual commitments are met and provide them with a baseline of ongoing maintenance and health and safety-type projects. However, we believe that Departments would not be able to sign or enter into new capital contractual commitments without the appropriate budget being in place so, therefore, there is a risk—especially on the capital side—that the funding will be lost should a budget not be in place early on in the new financial year.

**Chair:** Thank you very much for appearing before us this afternoon and unexpectedly stepping into the breach for your Minister. Our thanks to the Minister as well for finding time. These things do just happen. Thank you very much indeed.



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