



Northern Ireland
Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

Overview of Ministerial Priorities

29 January 2020

NORTHERN IRELAND ASSEMBLY

Committee for Finance

Overview of Ministerial Priorities

29 January 2020

Members present for all or part of the proceedings:

Dr Steve Aiken (Chairperson)
Mr Paul Frew (Deputy Chairperson)
Mr Jim Allister
Mr Pat Catney
Ms Jemma Dolan
Mr Seán Lynch
Mr Maolíosa McHugh
Mr Matthew O'Toole
Mr Jim Wells

Witnesses:

Mr Murphy	Minister of Finance
Ms Sue Gray	Department of Finance
Ms Joanne McBurney	Department of Finance

The Chairperson (Dr Aiken): This evidence session on an overview of ministerial priorities for the mandate is being reported by Hansard.

May I welcome Conor, Sue and Joanne to the Committee? Hopefully, we will have a full and fruitful relationship over the remaining years of this mandate.

Ms Sue Gray (Department of Finance): I very much hope so.

The Chairperson (Dr Aiken): Minister, we would be delighted to hear from you.

Mr Murphy (The Minister of Finance): Thank you very much, Chair, and thanks to the Committee members for the invitation to come along. I will say at the outset that I am a previous Chair of the Finance Committee, and I was very ably assisted by Jim, there, in my time as Chair, and I am a previous Chair of the Economy Committee, so I recognise —.

A Member: Which Jim?

Mr Murphy: Jim assisted me at times, too. *[Laughter.]*

Mr Wells: I deny that entirely.

The Chairperson (Dr Aiken): For the sake of clarity, given the number of Jims: Jim is the Committee Clerk.

Mr Murphy: So, I very much recognise and realise the importance of a good working relationship between the Department and the Minister and the Committee. I value the crucial role that the scrutiny Committees play in the whole arrangement of devolved government here, so I very much want to work with that.

I know we had hiccups at the start, given the frantic nature of the first couple of weeks of the business that we are all back at, but it is my intention to work very closely with you to make sure that you are provided with whatever information is required and appropriate, at the earliest possible time, so that the Committee can get on with doing its important work. I want to develop that relationship as we go along. I had an earlier meeting with yourself and the Deputy Chair in which we made that clear, but, as I say, I want to demonstrate that as time goes on and to build a good working relationship with the Committee.

The key priority, I am sure, is no surprise to people. In the past two and a half weeks that we are back, it has been to try to secure a financial commitment attached to the commitments that were given in the 'New Decade, New Approach' document, drafted by both governments. In the view of the Executive and certainly in my view, the initial offer that was made on behalf of the British Government is not anywhere approaching the commitments that were given.

All the parties that were party to the negotiations know that the commitments given in that document were not a kind of Santa Claus wish list. They were carefully worked out through a series of discussions between all the parties, senior officials from the Department of Finance, the head of the Civil Service here, and senior officials from the Northern Ireland Office.

The Chairperson (Dr Aiken): Conor, at some stage in your remarks, if you have an indication, could you allude to the difference between the ask and what we are expecting?

Mr Murphy: I probably could not give an accurate figure. I can tell you what we were offered. The exercise that we were involved in, which is continuing and on which we have asked for all Departments' cooperation, is to cost carefully. Some of the priorities that were listed in the document involve strategies and programmes that are not easy to cost in an accurate way, but the exercise was to collate the costs of that.

We had a preliminary discussion with Treasury last Thursday, which I thought was very productive. I think there is an acceptance that this is a discussion that has to continue. We want to see the commitments delivered on, and we intend, as an Executive — working with the other Ministers but with this Department taking the lead — to go back to Treasury with a carefully costed proposition and to begin the more intensive engagement to try to secure that.

The final part of that, in terms of the entire quantum, has not been thoroughly worked through yet. That work has been ongoing, over the past week and a half or two weeks, across all Departments. In some cases, it involves cross-cutting issues, which will involve Departments cooperating. The sooner we have that work done, the better, because it means the sooner we can go back to Treasury.

The Chairperson (Dr Aiken): I am being slightly more interactive about this: is there a rough timeline on when we can expect that?

Ms Gray: I think the exercise will be completed in the next couple of weeks. It is also about getting Departments to look at their pressures, the costing of those proposals and the prioritisation to deliver. It is a big piece of work for them.

Mr Murphy: It will also have some Executive sign-off, because if we propose to go and engage in that document, we will have to know what the priorities are in relation to that. It, therefore, requires an Executive input as well.

Anyone who has been following the situation will know that £2 billion was on offer, of which £1 billion related to future Barnett consequential, which means that it was money that was already coming to the Executive; it is not new money. Of the remaining £1 billion, £240 million was previously committed under the confidence and supply arrangement between the DUP and the British Government. It was

intended that it be carried in through this, as part of it, rather than separate from it. That leaves something like £760 million.

The only formal communication that the Department has had on that is the document itself. There has been nothing further from Treasury to say, "This is what it is" or "This amount is over a particular year". Our understanding is that that was over five years, which represents an amount that is a significant way short of what is required. That is £150-something million of new money, per year, for five years. We made the point that Health alone requires almost £500 million next year, so it is way short of all of that.

That has been my focus, as mandated by the Executive: to go off, engage, try to get that work collated and begin that engagement with the Treasury. I am not using that as a reason why I have not been dealing with all the other constituent parts of the Department. I have, alongside me, two people who know the Department inside out. If there are questions that I cannot answer, I will be asking them and relying on them, certainly, in the first instance, to pick up on some of them. That has been the focus. While, I suppose, a lot of other Ministers have been delving into their Department, we have been off fighting the fight on behalf of the Executive and trying to do that piece of work. That is not an excuse for not knowing all that I need to know, but it has been my priority over the past while. As I say, we are doing the costings.

We will be into a one-year Budget, as you will know — we will be coming fairly soon with propositions in relation to that — because there is a spending review in Whitehall, as a consequence of the new Government. It is, therefore, not possible to put in a multi-year Budget now. The intention is to get into that as quickly as we possibly can and to align a multi-year Budget and Programme for Government outcomes, so that we can start to see a much fuller picture ahead. My sense is that that is welcomed by all stakeholders, certainly with regard to the pay discussions that we have been having. People want that certainty going on over the years, and, with regard to transformation, we want that certainty built in and budgets attached over a number of years.

The Chairperson (Dr Aiken): During the closed session, we were trying to get the timeline, and we were reporting back conversations that we have had. For clarity, Sue, can you outline where we are with the Budget, the comprehensive spending review, the next Budget and how that is likely to work over the year? Obviously, this year is going to be different.

Ms Gray: The Treasury has set the date for the Budget at 11 March. After that will follow a spending review. We have not got exact dates from them, but we are expecting that to take place in late spring/early summer and to be completed in July or August. They will then reflect on all that, and I think it is for discussion as to whether there will then be an autumn statement, which would follow that spending review. The slight hiccup for us is that we need to set a Budget here earlier than 11 March to get rating bills out, and everything else. The timing is not ideal, but we are working on the basis that we will probably have to do a Budget before 11 March. The plan would be to do some reconciliation or further announcement early in the financial year to take account of what might be in the Budget that might be coming our way. That is the timeline that we are working to.

Mr Murphy: It is obviously not an ideal situation, because the choice is then to leave it until beyond 11 March, which gives us a very, very compressed time frame in which to get the Budget correct, particularly in relation to getting the rates bills agreed and out. It is probably too short a time frame. It means you are taking decisions ahead, which are then impacted on by whatever comes out of the Budget. If it is a very significant amount of money as a consequence of that, we would have to consider what process we would do that by. If it was not so significant, perhaps the June monitoring round would allow us to reallocate some money flowing from the Budget. It is not ideal; it is certainly not the position that you would want to be in this year, but the intention is —.

The Chairperson (Dr Aiken): Bearing in mind that we are doing this at the same time as we are trying to work out the pressures for —.

Ms Gray: Absolutely. Yes.

The Chairperson (Dr Aiken): OK.

Mr Murphy: We are serving notice to this Committee, because this is the Committee that will be dealing with it. We are giving you a sense of the issues that are facing us and the thinking behind them. We are saying, "We are doing this Budget", and people are asking, "Why would you do it now,

when there is more to come?", but you understand that it is too tight a time frame on the other side of that. When we have had this discussion in the Department, the current thinking is to go ahead with it and then try to reallocate if anything flows from that Budget. It is not ideal, but, to us, it is better than losing the time frame that is too short on the other side of 11 March, and who knows what consequence might arise from it.

That brings us on to the discussion on rates. We have to do the regional rate poundage levels for next year; that is a core part of the Budget settlement. We also need to take into account discussions with Treasury on the level of funding to be provided to the Executive. We will be looking at both domestic and non-domestic rates very carefully in the context of the Budget. No decision has been taken on either as yet. We have begun the discussions, over the last few days, in the Department. I presume that I am not any different from anybody here: we are trying to find a rates system that is fair and fit for purpose and which assists the Executive's policies for growth, in terms of the economy and the high street, and for households as well. That is not an easy thing to balance out. When you change the rating system or make alterations, you will always find that some people are content with that and some people are not. It is about trying to find a balance, and the revaluation has fitted into that. There has been an extensive consultation in relation to non-domestic rates over the autumn. That has come back in; we will look at that as part of this. We have to look at both the domestic and non-domestic, and that will be an important part of the Budget process.

Another issue that is coming up and that people will be aware of is the pay award for the Civil Service. Last week, I met NIPSA, which represents some of the unions. There has been discussion with some of the industrial unions on that as well. It was a positive discussion. It was made very clear what the unions require, and the Department has officially begun negotiations with them. Those are rolling on, as we speak. We hope to be in a position in the next number of weeks to try to bring that to a conclusion. Obviously, this pay settlement, as with the health and teaching pay settlements, will be coming out of the Budget available to us, and so there are big, big choices to be made in relation to that. Nonetheless, we want to try to find a fair and reasonable *[Inaudible]* for people and also to ensure that the ongoing reform process of how work practices are carried out is part of that discussion.

That is much more easily achieved in a multi-annual Budget process, because you can chart that into the future and chart progression in terms of work practices. The unions we spoke to were very clear about the position. We have just been telling you about the need to do a one-year Budget, and the objective is to use that as a bridge to a new arrangement into the future. That is essentially what we have been talking to them about. Departmental officials have been negotiating with the unions over the last —.

The Chairperson (Dr Aiken): Is it your sense that the unions are aware of the constraints that we have within year? Looking at the potential for industrial action and the rest of it: are they cognisant of the issues we have at the moment, or do you feel that we are heading to a more difficult situation?

Mr Murphy: The unions can obviously speak for themselves. They have a duty to represent the interests of people who are the workers that are part of their union. They are obviously going to try to get the best deal possible for them; I fully accept that. They have publicly said that they understand that the Executive are operating under a very restricted financial situation, but the negotiations will roll on. They have a duty to represent the people they represent, and we have a duty to try to manage the purse and see what is affordable. That goes not just for the Civil Service, which is obviously within the ambit of my Department, but for the Education Department, which is talking to teaching staff and others, and we had the issue in relation to the medical staff, which we managed to resolve early in the existence of this Executive. This is just a quick gallop through, and then I am happy to take questions. Obviously, Sue and Joanne will chip in as needs be. One of the other issues is the 'NDNA' document; that is kind of now the code for it because most people cannot remember its actual name.

Ms Gray: We all keep wanting to call it "Deal" rather than "Decade".

Mr Murphy: It contains work from the work streams that were done. The five parties that are in the Executive were involved in the work stream relating to transparency. We had an agreement to have a significant improvement in transparency, responsibility and accountability, and a number of measures were undertaken.

The Department was responsible for taking forward not just the code of conduct for special advisers but the strengthened draft of the ministerial code and the Northern Ireland Civil Service code of ethics. All those documents are now being worked through as a consequence of the discussions that all the

parties had as part of the talks process, particularly last summer. There are no major surprises in relation to that. The intention is to strengthen those codes.

Obviously, we will have to take account of what emerges from the RHI Inquiry, which we are expecting in a number of weeks' time. Again, we do not have any input into setting a date for that, so it is a matter of when the Inquiry is ready to come forward with its report. Whatever is produced will certainly get us off on the road to strengthened requirements in those codes and increased transparency. We will have to take into account what recommendations may flow from the RHI Inquiry, so that may involve revisiting these.

However, there was a necessity, particularly with the special advisers' code, because people needed to be employed. They are an important part of the machinery of government here, and that is why we took that out of the pack, if you like. Some of the others were not just ready and had not completed. It was so that Ministers could go ahead and make those appointments. That document was sent to you, and I know that, in normal circumstances, we would have hoped to get that to the Committee earlier for it to have some input to it. However, that has been published. Some advisers have been appointed, and some are in the process of being appointed. Obviously, if we wanted Ministers off working quickly and the Executive starting to function as quickly as possible, we needed to get those people in place. That is why that was done earlier.

I will just pick up on some of the other issues. I made the January monitoring round statement the other day in the Assembly. Generally speaking, some issues have to go to the Executive for approval before they can be shared with the Committee. We want to just get that process right so that we gain an understanding and then, as early as possible, share it with the Committee. Again, it was one of those issues that needed Executive approval. There was a time factor in getting the January monitoring round statement out, and, therefore, we were squeezed again. However, as everybody will know — yourselves and the Committee staff — everybody is scrambling to catch up and get ourselves back into a rhythm of how these things operate. I anticipate that, in the coming weeks, as we start to get into a more streamlined way of working, we can get these processes sorted.

One of the issues that arose in the January monitoring round statement was financial transactions capital (FTC) and the return of £150 million, which none of us wants to see. It is lost because we have not been able to spend it, which is not a position that the Executive want to be in. There was some commentary in relation to what it could have been used for and should have been used for, which is incorrect, so I want to make sure that people understand that financial transactions capital can only be used for loans to, or equity investment in, private-sector bodies. It cannot be used to settle pay disputes. It cannot be used to tackle waiting lists. There are restrictions in how it is used. The nature of this means that, before it can be issued, there is significant preparatory work to ensure due diligence, which requires appropriate lead-in time. That is why it was not possible for the Executive, in the two-week period that they were in existence, to try to get in behind that and make some changes to it. It could not be used to fund other pressures such as pay claims or any other pressures in the system.

The Chairperson (Dr Aiken): Minister, we thank you for that, but I think the concerns were the culture within the organisation when there were no Ministers; the fact that this had been around for some time; and the fact that there did not seem to be any degree of urgency to be able to utilise this resource. As Sue well knows, the Treasury smiles at you when they give you the money, and, when you give it back to them again, they are more than happy to take it. There is something about the culture. That cannot be put at your door at the moment, but, going forward, the Northern Ireland Civil Service must be fully aware of what it should be doing to be able to do that.

Mr Murphy: We have been discussing that in the Department. You are correct in that we want to ensure that it does not happen. It is not a good position to be going to Treasury in relation to the commitments made in the document and handing back money, even though it is a different type of money, if you like. That is not a position that we want to be in. Some of the things were beyond the control of the Departments here, such as the legislation that should have been —.

Ms Gray: Housing associations.

Mr Murphy: Housing associations. That should have been passed in Westminster and was not. That would have allowed a significant uptake in some of that. There are other tweaks that we need to make to the system to give Departments more scope and more vires in how they develop. Some it has to be developed by Departments and then put back into TEO for approval through business cases and that. There are perhaps some layers of bureaucratic control that can be loosened somewhat without getting

rid of the propriety that is required. That can be loosened to ensure that Departments have more authority in how they spend it.

Ms Gray: That is absolutely right. First of all, with the housing associations, if we can get the reclassification sorted through legislation, that will make a huge difference. They will be able to access financial transactions capital, which they have not been able to do. We have been pressing for that. There is also a capability issue for us in the Civil Service as to whether we have the skill set to look at that investment funding. There is a piece of work there. Some Departments do not have the ability to use FTC, because they do not have the vires, so it has to be routed through the Strategic Investment Board and then through TEO. It is another hurdle, and we have to try to remove some of those hurdles. That is a very important piece of work for us.

Mr Murphy: To conclude, Chairman, the Committee will have an interest in the overarching picture of how all the Departments are functioning through the direction of and interaction with the Finance Department, but, in the Finance Department itself, there are a range of services. I understand that you are going to bring in some of the officials, such as those involved in rates collection, land registration, IT and HR. There is a continual programme to try to improve those services and to try to modernise and update them and to ensure that they are providing the best possible service to the public. That will be done through the work of the Department itself. While we have that overarching and strategic role in funding all the Departments, there is also in-house stuff, which I do not doubt the Committee will want to get its teeth into to see how services are working. There is a continuous attempt in the Department to improve those services, and we will be happy to speak to you, over the course of your work, about how they are coming along.

The Chairperson (Dr Aiken): Thanks very much indeed, Minister. I will kick off. One of the things in the 'New Decade' document — I am not going down that road all over again — is the establishment of the fiscal council and the question of when it will be up and running. We want that to happen early on, because we need to change the culture of how we do business. Can you update us on the setting up of the fiscal council and when we can expect it to be in place?

Mr Murphy: You are right: it is mentioned in the document. There is not much to say other than —

Ms Gray: There will be one.

Mr Murphy: — there will be one. It is up to the Department of Finance to start to scope out what it would involve, what the terms of reference would be, who would be on it and what type of people we want to engage. It would provide an important role in assisting the Executive overall with spending the budgets, strategic direction, revenue raising and additional fiscal powers, if those were made available to us. It is an important role. Obviously, it would have to chime with the Executive's priorities, the Programme for Government priorities and the finances available to us. Essentially, the ball has been passed over to us in the Department of Finance, and we have to start to do that work to scope it out. Some discussions have begun in the Department about that, and perhaps Sue can tell us about the time frame and when we might see some product.

Ms Gray: We have started the work to look at the options. We are looking at other models. We are looking at the Office for Budget Responsibility to see how it works and at other models, and we expect to be able to put something to the Minister in a couple of weeks on options for discussion. We are also looking at how we would appoint people to it, what the process would be and whether we would use external people. We are at a very early stage of scoping out our options. We have not been able to have the discussion with you yet, because we are still discussing the options. We are looking at how other models work, and sometimes they are very directly accountable to Parliament in Westminster, the Assembly and the Executive. We are looking at all of that. We do not have any formed view about it, and we are trying to be quite open.

The Chairperson (Dr Aiken): I encourage discussion with the Committee at every stage of this process.

Ms Gray: Yes, absolutely.

The Chairperson (Dr Aiken): If we are going to try to make this work, one of the keys is to be able to show that we have effective oversight. One of the reasons why we are in a mess is that we have not had effective oversight. As we are moving into the budgetary process and getting ready for next year,

we really need to have this in place, and it needs to be put in place with a degree of urgency. I will not speak for the rest of the Committee, but, from my perspective, it has to be as independent as possible or we will get into that state as well. Thank you.

Ms Gray: Yes.

The Chairperson (Dr Aiken): My second question, before I open it up, is about corporation tax. Where are we on corporation tax? Is it in? Is it out? What is happening? Is there any dialogue between the Department of Finance and the Department for the Economy? Where are we going with this?

Mr Murphy: There has not been an Executive discussion on corporation tax. There is no Executive position, other than the position in the Stormont House Agreement, which is that it is a power that the Executive would like to have, with the caveat applied that it was subject to affordability.

I was asked about corporation tax in an interview for Radio Ulster, just a few days into my brief. I made the observation that, when we were discussing it at Stormont House, the rate was 22.5%; it is now 17.5%. The difference between that and the figure in the South has significantly reduced. Those figures are prior to Brexit, which has had a big impact, and prior to the full impact of austerity, which means that the affordability factor is more acute now than when those discussions were happening. All those factors have come in, and I make the point that reducing corporation tax is not something that I am actively pursuing. I know that the Department for the Economy certainly would like to have it in its locker as a selling point when it goes to talk to businesses internationally.

The Executive have not had a discussion on it, as yet. I make the observation that the factors that were in consideration at the time the Executive agreed to pursue it have significantly altered, and I think that affordability is a real challenge now. The impact that it would have as a game changer, as it was then, has also altered, given the impact of Brexit and the reduction to the tax. With Britain leaving the EU and perhaps being able to set its own corporation tax rate without state aid considerations and all the issues that flow from that, there may be another change in approach to corporation tax in Britain, which is a factor, as well. It is not something that I am actively pursuing, because I do not think that we can ascertain, at this time, what the benefits or downside may be. The factors will change as the future relationships are negotiated between Britain and the EU 27, which will have an impact on us here, as well.

The Chairperson (Dr Aiken): OK. Thanks very much indeed.

Mr Frew: Minister, as Deputy Chair of the Finance Committee, I genuinely wish you all the best in your role.

Mr Murphy: Thank you.

Mr Frew: I also genuinely wish Sue, the permanent secretary, all the best in her role.

Ms Gray: Thank you.

Mr Frew: I am mindful that, since you came here, you are getting to turn the cogs. I genuinely wish you both the very best. Genuinely, I believe that we have only one more crack at this for the people of Northern Ireland.

Minister, I respect you, because I have sat on Committees alongside you and know that you ask the tough questions, and you will not expect anything less from us.

Mr Wells: That is just to soften you up. *[Laughter.]*

Mr Frew: On 21 January 2017, David Sterling sent a text message to fellow permanent secretary Andrew McCormick. Mr Sterling said of his Minister:

"I can't say whether the 'will' is there and wonder whether he knows himself. He may be acting under instruction."

That is a message from the most senior civil servant in the Finance Department, Mr David Sterling. He believed that the then Finance Minister, your ex-colleague, may have been acting under instruction. Minister, are you acting under instruction?

Mr Murphy: No, I am acting in two parts. First, I am part of a collective Executive. We have a collective responsibility in the Executive. While you have ministerial authority and autonomy to an extent in your Department, none of us should — or could — go on solo runs and do things in complete defiance of the Executive. So, there is that level.

We are also members of political parties, and I am here because my political party appointed me to be here; it nominated me to be a Minister. So I have a responsibility to my political party as well. All of us do. I am sure that you do in Committee; you are not here acting off your own bat. You are part of a team of DUP MLAs answerable to your party, as well as discharging your responsibility as an elected representative on behalf of the people who elected you. We all have, if you like, multiple accountability roles. However, in doing what is best, I am acting in accordance with the agreed Programme for Government of the Executive. I am acting in accordance with the deputy First Minister who appointed me to this position. I am not responsible to anyone else.

Mr Frew: The RHI inquiry brought to light emails and text messages showing the previous Finance Minister in constant contact with veteran republicans outside this elected Assembly. Padraic Wilson, Martin Lynch and Ted Howell are names that are in the public domain. What do those names mean to you, Minister?

Mr Murphy: I am very conscious, because the RHI inquiry has not reported yet, but, in general terms, when any party is in the minute of a crisis, you try and manage that crisis. That happens with all parties, I expect, and I do not think that we are unique in that. This institution was on the verge of collapse pre- and post-Christmas in the 2016-17 period. Parties pull together teams to manage a crisis to try to coordinate across all the activities going on in the party, so you had the deputy First Minister's office, the Finance Department, which is in the middle of perhaps setting up an inquiry into RHI, you had the people who are on the Economy Committee, you had other Ministers, you had people on the various scrutiny Committees. You try to manage that to make sure that, whatever your response to the crisis, it is in some ways coordinated so that you do not have one branch of the party off doing and saying one thing and someone else doing something contradictory. That involves people who manage.

Some people may draft in people who are elected representatives. Most parties have chief executives. They have people on their executive committees who are not elected representatives, and you involve people who can manage negotiations, as we have managed negotiations since the early 1990s with all Governments, with Prime Ministers, with Taoisigh, with US Presidents, people in the European Union, and we managed that.

A party management team manages in the middle of a crisis, and all the individual members of that team try to coordinate their activities. That is a general point to answer your question. I do not want to get into the specifics, but that is how we do business, and if there were a crisis here tomorrow morning, I do not doubt that we would draft in a team to try to manage our response to it, which would involve a range of people, including elected and non-elected representatives.

Mr Frew: Thank you for your answer, Minister. How would that be logged and catalogued and be transparent to the Executive, the Assembly and the wider public? We know that meetings between officials and politicians and various interest groups will now be minuted. If there is a crisis tomorrow and you pull together a team from outside elected representatives and the wider political party, how will that be documented and how will it be transparent to the public?

Mr Murphy: There are requirements in the code for ministerial responsibility and special adviser responsibility if they are meeting on issues germane to the Department. The issues that were thrown up about spads and the minuting of meetings were one aspect referred to in the inquiry, but the primary source of investigation was the behaviour of spads in relation to RHI and the roll-out of that scheme, not the response to the crisis that it created.

I understand the focus of your questions, but we want to ensure that special advisers and Ministers understand the requirements. We also changed the code to ensure that Ministers are responsible and accountable for special advisers. They employ them and the special advisers answer to the Ministers. Special advisers have a responsibility not just to the Minister but to the whole Executive so that you do

not get into this kind of silo mentality. There will be changes to the Civil Service and ministerial codes. There are attempts to improve all of that, but, as I said, the primary driver in response to all that was from the behaviour that happened in the Department of Enterprise, Trade and Investment over the space of the roll-out of the RHI programme. The response to that from other parties is also part of that and informs some of the changes that have been made, but that is the primary driver behind it.

Mr Frew: Minister, who will select your spad?

Mr Murphy: I select my spad.

Mr Frew: You alone?

Mr Murphy: Yes. I am responsible for selecting them. I bring the name of the person that I wish to appoint to the Department, which carries out that function for all special advisers, not just the Department of Finance. It provides that function for the Executive as a whole. It examines that person's CV and decides what the appropriate pay scale will be for that person. It will not be my responsibility to determine the pay of a special adviser. Responsibility for the management and behaviour of that person is mine. If the special adviser steps out of line or does something in relation to that, that is my responsibility. The special adviser is a temporary civil servant, so they have a responsibility under the Northern Ireland Civil Service code, which is due to be published shortly as well. The responsibility for the special adviser falls to the Minister.

Mr Frew: Has the permanent secretary sought advice from her colleague, David Sterling, with regard to transparency and the issues that he had back in 2017 with Ministers being under instruction?

Ms Gray: Not on that specific issue. Obviously, as permanent secretaries, we have been working through what has been coming out of the RHI inquiry. We have been making changes to a lot of our codes and processes. I chaired the working group on governance and transparency over the summer, and we have been reflecting on all of that. In addition, I was in a very fortunate position in my previous role to be able to bring practice from that into looking at the codes that we have here, and we discuss those issues regularly.

Mr Frew: I have one final question. Will the Minister release his first-day brief to the Committee in the interests of transparency?

Mr Murphy: Yes. You might find it very disappointing, because there are only about four pages. I do not have any particular problem with doing that. It was not a detailed first-day brief; it was a general skip over the Department. Ever since, I have been meeting the individual component parts of the Department and going through things in more detail. I am happy to release the first-day brief, but I do not think that you will find anything out of the ordinary in it. It should not take you too long to study it.

Mr McHugh: A Aire, ar dtús, ba mhaith liom fáilte a chur romhat anseo inniu.

Mr Murphy: Go raibh maith agat.

Mr McHugh: Agus roimh do fhoireann fosta. I would like to welcome you and your team here today. Gabhaim buíochas leat as do thuairisc. Thank you for your report. In your report, Minister, you mention the confidence and supply arrangement. Can you provide us with an update on it and tell us whether it is the case that the residual funding has been withdrawn?

Mr Murphy: We are still trying to work through that. What we have at the moment, I suppose, is what was given to us verbally by the Secretary of State at a meeting, in which he said that the confidence and supply arrangement was over. We were not privy to those discussions or arrangements prior to the formation of the Executive. Therefore, it was felt that the moneys, particularly in relation to broadband roll-out, were being reprofiled and rolled out over later years. There was, obviously, some difficulty in getting the contracts up and running. There was also a fund, I think, of £10 million a year, for mental health projects over five years, was it?

Ms Gray: Yes.

Ms Joanne McBurney (Department of Finance): There was £20 million a year for a severe deprivation fund.

Mr Murphy: A deprivation fund. There were three —.

The Chairperson (Dr Aiken): May I just invoke the Chairperson's prerogative? I want to ask about the confidence and supply for broadband. Was that the £150 million that was not —?

Ms McBurney: Yes.

Mr Murphy: It amounts to a total of £240 million.

The Chairperson (Dr Aiken): Yes, but the £150 million specifically?

Ms McBurney: It was for broadband.

The Chairperson (Dr Aiken): Only £3 million of that has been spent; is that right?

Ms McBurney: No. There has been further reprofiling, so it is the whole £150 million.

The Chairperson (Dr Aiken): Right. I am sorry for doing that.

Mr Murphy: There was a hold-up, and there was an understanding that — I am reporting what was said at a meeting — it was being reprofiled and carried forward. The Secretary of State made it clear that it was not, and that it was part of this £1 billion, which was new money. As I said, it did not just include the broadband; it included a fund, over a number of years, for mental health and a fund, over a number of years, for deprivation, so there were three elements to that.

We have been told that. The only documentation that we have in relation to this is the agreement documentation, so we have to bottom that out. It would, obviously, be disappointing if, even within the limited offer that they have made, some of that is already committed and is removed from it. That will take it down to about £760 million, which is actually new money, not the £2 billion figure that had been announced.

Mr Catney: Thanks very much, Minister and Sue, for coming today. That is *[Inaudible]* there. We do not have a conflict of interest, but I think that we both shared the same profession once as publicans. Not "republicans"; I said, "publicans".

Ms Gray: We both ran pubs.

Mr Catney: Just to make that clear. There is a difference.

Minister, my question has to do with small businesses and rates. We have moved on from it, but I wanted to go back to the issue of broadband. When you brought your statement to the House on Monday, I saw a figure of £38 million and, I think, another figure like £68 million. That was the broadband money that was not used; that loan that was set out for that. You also said in that statement that you had serious concerns. Are we talking about the same money that you mentioned in your answer to the question from my Committee colleague?

Mr Murphy: You are talking about the monitoring round statement?

Mr Catney: Yes, that is right.

Mr Murphy: I do not think that it was —.

Ms McBurney: The broadband money was not in the monitoring round.

Mr Catney: There was money brought back that was loan money. There was £38 million — I saw it because I read it — and £68 million. You do not have an update on what that was used for? At the end of the statement, you said that you had serious concerns.

Mr Murphy: I think that what you are possibly referring to is the financial transactions capital that, in total, amounted to £150 million, and the way in which that can be spent is very constrained. My concerns were that we had got to a situation, as Sue outlined, where legislation that perhaps the housing associations expected to be passed in Westminster did not happen, and that would have accounted for a significant proportion of that.

We want to work with Departments to make sure that they work closely with us and the Strategic Investment Board and that, if necessary, changes are made to the way that this is handled so that Departments can avail themselves of it and use it properly and that we do not end up in a situation where it has to be given back.

The broadband money that we referred to was part of the confidence and supply arrangement between the DUP and the Conservative Party. In that, a figure for broadband roll-out was profiled. That obviously could not go ahead in the time frame envisaged originally, because of, I presume, some contractual issues. There was an understanding — this is what was reported — that that would be re-profiled and brought forward in a number of years. The Secretary of State told us, "No, that's part of the £1 billion of new money", so it was giving it with the one hand and taking back with the other.

As I say, a couple of additional schemes in relation to mental health and deprivation were part of that confidence and supply money. It is two separate issues. The statement on Monday was reallocating, if you like, the surrendered money in the Departments. Money that Departments could not spend for the rest of the financial year was surrendered and reallocated. Some of it went to special educational needs, and some went to address contractual issues with teachers' pay. That was the portion of money that we were referring to on Monday.

Mr Catney: I was led to believe, Minister, that that money — the £38 million and £67 million — was then passed back; that it was not spent.

Ms McBurney: That is the element of the financial transactions capital that would have been allocated to Departments but which they are not able to spend.

Mr Catney: Right, OK. That is fine. Thanks very much for answering that for me.

My question was about rates. Coming from a small-business background, I noticed with Reval2020 and the revaluation of properties that there have been winners and losers. What are the Minister's views on the revaluations? Does he intend to look at the issue again and at the amount of revenue collected from business rates in future?

Mr Murphy: As you say, the issue with revaluations — I remember this from sitting on the previous Finance Committee — was that there had not been one for 13 years, so when people came to revalue the rates, there was, suddenly, a significant hike. Under Mervyn Storey, when he was Finance Minister, and Máirtín Ó Muilleoir, there was, therefore, an undertaking to do revaluations more frequently so that there would not be such a significant gap. Understandably, when revaluations are taken, as you say, some people feel that they come out on the right side. I think that something like 60% of small businesses either owed the same or less in terms of the rates due. Those who get an increase will, understandably, make an argument for why that should not be the case. There has been significant consultation with the business sector on the non-domestic rates, and I will get an opportunity to look at that in the near future. I have no doubt that the revaluation issue will come into that as well because it plays a part in determining what rates are.

The rates exercise is cost-neutral. It is not about trying to raise more money. It is about trying to shift the balance and make it fairer for who is expected to pay what. That always, as you say, has what are considered to be winners and losers, and that, understandably, creates issues. The economy is not going well; people are suffering the effects of austerity, which has an impact on how much they are spending in small businesses. We fully understand all that. I want to study the responses to the consultation. We are trying to organise a round-table with some of the business representative organisations to hear from them. People in hospitality, in particular, have been vocal about the impact on their sector, and we want to hear from those people.

The overall objective, as always, is to try to strike the fairest, most balanced rate possible and use it to assist the growth of the economy, town centres, high-street traders and small businesses. I want to

look at the full ambit of what we collect, where and how we collect it, and try to come up with as fair a system as possible.

Mr Catney: I am sure that you agree that small businesses are the backbone of our local economy. I worked in a small bar in the centre of Belfast. Rates always seemed to be a burden. They were always one of the first things that had to be paid. I always felt that it was unfair if they used any of that, which they termed a monopoly. I am not sure how that rating value is set now. For example, on crisps or food.

Given the crisis that the high street is in, I am sure that the Minister agrees that anything that relieves the burden of rates or taxation on our small businesses should be done. It stifles growth. If we are trying to rebuild our town centres or bring people into them, we really need to look at that. I urge you to do that. I have asked to relook at it. I do not know whether you have the process to look at that again.

Ms Gray: There are two issues. We are doing a wider review of business rates, which is really important. The consultation has been very good: we have had about 240 formal responses, but we have done an awful lot of consultation exercises with interested groups. We are analysing that and will come back to the Minister. The comments that we have had on the small business relief scheme will be part of that.

Revaluation is hugely important. It is being done after five years this time. Ideally, we would like to get to four years. It takes account of when a business is perhaps going through a little bit of a tough time. You will then see, possibly, a decrease in the rates, and, where a business is doing a bit better, you will see a bit of an increase. What we have published is draft valuations. Moreover, for the first time, we put it, in a very transparent way, on Spatial NI so that everybody can look at all the properties. For the first time, you can see whether what you are paying feels fair to you. That is a really good thing.

Having had a pub previously myself, I urge the hospitality sector to provide us with information. There has been a lack of information, and, therefore, we have to make assumptions. I urge all out there to look. It is a draft valuation. Start that dialogue now. We have from now until the end of March before the formal bills go out. This is a period in which a bit of consultation is going on, and —.

The Chairperson (Dr Aiken): Sorry, just to cut across — sorry, Pat and Sue — what, specifically, do you want from the hospitality sector that you do not feel you have?

Ms Gray: We need their accounts. There is a form to fill in, which gives details of their accounts. That is really what we need. Pat will remember it. I remember it. That is really important. That enables a dialogue to happen with Land and Property Services on trying to arrive at the correct amount. If we have it wrong, we are really happy to have that discussion. Obviously, we have had to make assumptions. In some cases, we have had to rely on Companies House data. That will not give you the granularity that you probably need. We have a couple of months, and it is really important. The wider review will, I think, come back on the issues around some of the really great suggestions that we have had on rates, all of which we are analysing now. The small business rate relief scheme is one of those issues that have been raised.

Mr Murphy: There is a wide range of issues in stimulating town centres and small business. Rates is a key factor because it is an immediate bill and cost to small businesses. The Department has been having some innovative lab discussions in relation to bringing in all the Departments into how we stimulate town centres through the built environment, parking, access and all those issues so that rates do not become the only determining factor in how a town centre fares. It is about how we try to piece all of this together and get the best return. I come from both sides. Coming from small business, I understand entirely how they struggle at times and how other times are better. We are trying to get all the various factors that contribute to town-centre growth pulling together rather than all doing their own individual bits.

Ms Gray: It is about how we can incentivise.

Mr Catney: That is encouraging.

The Chairperson (Dr Aiken): Just to recap, do you feel that you are not getting enough information from the hospitality trade at the moment?

Ms Gray: We have some information, but there is a large number from which we have not got enough information. We put that plea out and are asking people, if they have not provided information, to get the information to us so that we have actuals to work on. Pat, you understand?

Mr Catney: Yes, what we are talking about is on the turnover on the accounts.

Mr O'Toole: Congratulations, Minister, on being appointed, and thanks to the permanent secretary and the director for coming along today. You have a big job of work ahead of you, so thanks for taking the time. I mean that in an optimistic, hopeful way, not in a doom-laden way. The questions that I wanted to ask were about the fiscal council and the broader questions of fiscal sustainability that were at the heart, really, of the 'NDNA' document. As you both said, there are quite a lot of unanswered questions there, so I have a few questions on that area. Again, I appreciate, Minister, that you have only been in the job for five minutes. With that being said —

Mr Murphy: That is why I have Sue here.

Ms Gray: I have not been here a whole lot longer.

Mr O'Toole: — do you want Northern Ireland to have more fiscal autonomy?

Mr Murphy: There are two issues here. One is that, if you had more fiscal autonomy, a fiscal council would have much more to do. I think that we have very limited levers. We have talked about rates. People talk about the hardy annuals of water charging, prescription charging, and free transport for pensioners. There is a list of about nine or 10 things that we can use either to generate revenue or to reduce spending, which I suppose, in turn, would generate revenue. Scotland had a commission to look at the idea of more fiscal levers, and there are other organisations here that have done work in relation to that. They have said that if we had more fiscal autonomy and fiscal levers, those aligned to our Programme for Government objectives could assist in making an impact.

It seems that almost all the things that are proposed that we can do on revenue raising are, essentially, charges that we can put on households and on individuals. People talk about tough decisions, but maybe they are not tough for the people who are sitting around this table because we are not going to be at a food bank as a consequence. However, they are tough for an awful lot of other people. I think that there is a case to be made. What I would like to do in that regard is discuss establishing a commission to get people to look into that, to bring back a report that the Executive and, obviously, the Assembly can consider, which says, "Yes, if we had these powers aligned to our Programme for Government objectives, these are some of the ways that they could be used". There is an argument to have powers so that you can decide how and when to use them. We are restricted in our ability to influence the direction of our economy and the generation of revenue to assist us with public services by the limited levers that we have.

Mr O'Toole: Just so that I am clear on that: you see the commission as being separate from the council.

Mr Murphy: Yes. Ultimately, I think, whatever powers we exercise — the limited ones that we have now, or, if we agree and are able to get those transferred [*Inaudible*] — a fiscal council has a role in overseeing that and working with the Executive to ensure that they are used appropriately and to the best outcome.

Mr O'Toole: On a fiscal council, I appreciate that the permanent secretary said that the teams are providing work, but I am going to abuse my privilege as a member to ask loads of speculative questions about what it might look like, and make suggestions.

Do you foresee it having an economic forecasting role in addition to purely fiscal controls? For example, the Office for Budget Responsibility (OBR) publishes its economic and fiscal outlook twice a year, around the time of the Budget and autumn statement, or whatever the fiscal events are. In a sense, the principle is that you cannot make a serious fiscal judgement without rigorous economic forecasts across a four- or five-year profile. Is that something that you would want to look at, and would you see that being properly staffed by independent economists?

Mr Murphy: That almost strays into the Department for the Economy's function, which means that, in the working out of this, we will have to tease it out not only in the Department of Finance but across the Executive.

I think that there is an argument for that, because we do not have the data available to make proper economic forecasts, and that is an issue for us. There is no Northern Ireland economic model into which you could build data and then ask, "If we altered that piece, what would be the effect on the local economy?" We do not have that. Treasury holds some of that data, so you need to have a discussion with it. Obviously, the Department for the Economy has a significant role in that.

Yes: if we want to try to make change and grow the economy, and we want to try and grow the revenue that is available to us to provide decent public services, we need to have the data and the personnel who can interpret it and forecast on the back of it, but, at the moment, you have various people off doing their own thing and the information flow is limited. I am quite relaxed about whether that is the job of a fiscal council or a separate entity that advises or forecasts for the Executive. We have only a line in the document that says that there will be a fiscal council. We need to have a discussion collectively on how it functions and what services it provides to the Executive and Assembly.

Mr O'Toole: Is that something that you plan to raise with the Treasury? I cannot see why it would resist. Well, as a former Treasury official, I am sure that there is always a reason for the Treasury to resist. Could I suggest, or do you think that you will bring that to the Treasury early on and give it a clear steer that that is where you would like to go with this?

Mr Murphy: Yes, absolutely. That is where I would like to go with it. We have had economic policy here for a number of years with no analysis of how the economy has performed or what it generates, so it is done blind, which is not the way in which we need to do things. If we want to have a fiscal council and proper economic forecasts, it has to be based on proper data, and the Treasury holds quite a lot of that.

Mr O'Toole: Yes, it does.

Mr Murphy: Yes, absolutely. I would want to talk to the Treasury in the first instance about ensuring that we have access to the data that we need.

Mr O'Toole: I am glad that you have got that on the record here first, Minister.

I had another question. It might not be one to which you can provide an answer today. In addition to UK Government spending commitments, there were some Irish Government spending commitments in the 'NDNA' document. Is there a sense that that is in progress? Does the election cast any doubt on that? Where are we on that?

Mr Murphy: The Irish Government were prepared to put the figures that they were committing to in the document. The NIO was more reticent. Now, I understand why. We have spoken to the Taoiseach and Tánaiste since, and they absolutely stand over the commitments that they made.

There are some more vague propositions in this that I think need to be teased out. One of the first things that I was going to do was meet the Minister for Finance, Paschal Donohoe, but the Dáil election was called, so that obviously has to wait for the next couple of weeks until a new Government are formed in the South. We will pick up that discussion with them. One of the more vague propositions was the idea of a border community fund, which does not have any flesh attached to it. We would want a discussion on that, but we have seen the figures for the other items to which they committed actual spend. They say that they are standing over those figures. Obviously, we want an incoming Government to honour those commitments.

Mr O'Toole: I have just one other question, if that is all right, Chair, on the financial transactions capital side. It would be good to, in a sense, elaborate on what we talked about earlier. My understanding was — correct me if I am wrong — that a lot of that money came initially as a kind of consequential from the help-to-buy scheme in 2013. In addition to the housing associations — the legislation did not happen at Westminster that would have made their accessing that finance easier — what other areas could have sought, but did not seek, to access that money?

Ms McBurney: It is easier to talk about the areas that did that than the areas that could have and did not. If we had known where they could have, we would have tried to encourage that.

Mr O'Toole: That is a fair point. Those unknown unknowns. *[Laughter.]*

Ms McBurney: Yes, exactly. There has been a range. Invest NI make use of it for a range of schemes, so they have agri-food loan schemes, growth loan funds and other projects. The Northern Ireland Science Park has made use of it. There is some funding out for the sustainable use of poultry litter and, through Health, for GP premises. There are affordable home loans, and co-ownership housing was a key part of that. There have also been loans to Ulster University and Queen's University.

Mr O'Toole: OK.

Ms McBurney: We have put £100 million into the Northern Ireland Investment Fund.

So, it has been used, but the difficulty, as Sue elaborated on, is getting those projects to a point at which Departments are happy to take a risk on them and recipients are happy to take loans as opposed to grants.

Mr O'Toole: You mentioned capability inside Departments, Sue. Is it about capability, or is it about capability and the fact that there were no Ministers to take a risk in signing off in the past three years, or is it both?

Ms McBurney: It is probably a bit of both. There is an element of us asking Departments that do not have that commercial or market expertise to assess risk around loans. We are asking them to do that and take on the risk if they do not have that market or commercial ability to do so.

Departments are used to grant funding and getting money out in that way. It is about identifying new opportunities. As well as taking the risk in managing the loan, there is also the setting of interest rates when state aid applies, so it is not often that the FTC loans will be at beneficial rates. They will often be at market rates, so there may be a reluctance for uptake on that as well. There are a range of issues.

Mr Murphy: There are structural issues about Departments having the vires to do it or to assess the projects and then pass them on to SIB and TEO to complete. There are a range of issues.

Ms Gray: There is work to do here. It is great to have this available, and there is work to do to see how we can get Departments not only to be innovative but to bring forward projects and have open discussions about them.

Mr O'Toole: This might be ignorance, but is it right to say that, if the FTC money came initially as a consequential from the Help to Buy splurge — the big financial transaction that went on the balance sheet in about 2013-14? I think I am right in saying that, in GB, Help to Buy is stopping next year. Is that right — in 2021-22? Does that mean it would be fair to expect there to be less FTC money?

Ms McBurney: We honestly cannot say at this time. We thought at one time that the FTC was going to tail off, but it has not and has actually ramped up in some way. We will not know until the spending review when we see the allocations to Whitehall Departments and what those consequentials are. We just get consequentials of that spending.

Mr O'Toole: It has mostly been Help to Buy, has it, but not exclusively?

Ms McBurney: Not exclusively.

The Chairperson (Dr Aiken): Joanne, you said that it had ramped up; it had not tailed off.

Ms McBurney: We thought that it was going to tail off at some point, but it kept coming or kept coming in at slightly higher levels. It is very much in the same way we get all our funding, which is through Barnett consequentials from allocations to Whitehall Departments, so we have absolutely no control over the amount of money that comes to us.

The Chairperson (Dr Aiken): So it is still out there. We thought that it was an avenue that was going to close, but it is still there, so we need to encourage them to go out and —.

Ms McBurney: Yes, definitely.

Ms Gray: Definitely.

Mr Allister: Minister, in your opening remarks, you referred to the expectation in the 'New Approach' document to a commitment to greater transparency. In fact, the words of the document are:

"commitment to greater transparency ... aimed at securing and maintaining public confidence".

A specific of that was:

"to strengthen ... special adviser codes".

Why, then, did you weaken the special adviser code on appointments and transparency?

Mr Murphy: I do not want to pre-empt the outcome of the inquiry or to make direct reference, but the public view of this criticism was that Ministers appeared to be going through an exercise in appointments that was expected but was not actually happening. The question for the parties that were looking at the code was, "Do we go through an exercise, or do we just make accountability and responsibility more apparent and laid down in the codes for the Minister who has appointed that person?", rather than try to rely on an exercise whereby people have gone off and conducted interviews and, perhaps, advertised. There is nothing to stop any Minister if he or she wants to advertise for a post of special adviser. They may conduct interviews and record them. The interest of the Department picks up when a Minister brings a name and says, "I want to appoint this person", and the Department of Finance then has a role in assessing the CV of that person.

Mr Allister: Yes, but the old code had specifics that were props to transparency: the Minister was required to consider a pool of candidates that must be broadly based; the Minister's reasons for his selection had to be recorded; and each stage of the recruitment process had to be recorded and retained for at least a year with corporate HR. You stripped all that out. Now, your reason for stripping all that out seems to have been because people like Jonathan Bell ignored it; people were simply handed a spad rather than making any selection from a pool of candidates. People like your predecessor got into trouble with the RHI inquiry because he tried to pretend that he had consulted someone to be a spad, and then that someone came along and said, "He never asked me". Your response to past breaches of the code is simply to validate that situation by no longer requiring any of those transparent acts. Surely that is weakening the code and is a backward step. Would it not be more important to enforce rather than validate the breach?

Mr Murphy: It depends where you see the greater need for transparency and accountability. I think that the greater attention paid to this issue in the inquiry was in the activities of a special adviser while in office; the responsibility they had to a Minister — or not, as the case may be — was a grey area; and the issue of a Minister setting the pay for their own special adviser. We felt that these areas needed to be strengthened as a consequence of the emerging discussion from the RHI inquiry. Of course, the RHI inquiry may invite us to revisit the issues that you are raising, and, if that is the case, we will certainly do that.

Mr Allister: Yes, but I remind you: Lord Justice Coghlin was very taken with the flagrant breach of the code of appointment. He came back to it many, many times because it was so stark. I just do not understand, within a context where there is an exhortation to strengthen the codes and to give greater transparency, that your response to that is to strip out the very components of transparency and validate the very wrongdoing so that it can happen again. There is nothing now, under your code, which would stop a Jonathan Bell or a Máirtín Ó Muilleoir doing what they did. You have validated that and said, "That is OK", under the guise of transparency. It is the very opposite.

Mr Murphy: As I say, if the RHI inquiry makes specific recommendations, I am happy to revisit the issue. I would argue with you that the greater issue was the behaviour of some special advisers in office — not all special advisers. Their accountability was to their own Minister, and the responsibility that that Minister had for their behaviour. That is all specifically enforced in the new code, including the decision on pay afforded to special advisers, which has been taken out of the hands of Ministers.

Mr Allister: I am focused on —

Mr Murphy: I know what you are focused on.

Mr Allister: — the code of appointments, which you have watered down. I am sure that the public do not need to be reminded that these are public appointments to public positions, paid for by public money. Yet the one post across the public sector that you can be gifted, without any record being kept, any process whatsoever being recorded or any consideration of others out of a pool of candidates, is special adviser, courtesy of the weakening that you have delivered on the code of appointment. Do you think that that is meeting the expectation of the public on transparency?

Mr Murphy: I will bring Sue in now. A special adviser is a different appointment. Special advisers become temporary civil servants. They are, in essence, political appointments.

Mr Allister: They are still temporary civil servants.

Mr Murphy: A special adviser has to be someone with whom a Minister is comfortable.

Mr Allister: I am not quibbling with that.

Mr Murphy: Yes. The question is this: are we more concerned with how they get there or with what they do when they are there?

Mr Allister: Both.

Mr Murphy: For me, the bigger focus in relation to the inquiry has been on —.

Mr Allister: They are not mutually exclusive; you can have both.

Mr Murphy: As I said, if the inquiry makes a recommendation, I will be happy to revisit the issue, but my concern in getting appointments made within the short time frame that we had to get special advisers in place was to ensure that, once appointed, the lines of accountability were very clear.

Ms Gray: The working group did a lot of work when developing the new code and contract. We looked at other jurisdictions, and a lot of the words that strengthen the code have come from what is in place in other jurisdictions.

Mr Allister: Sorry, it does not strengthen the code of appointments. I know that you want to talk about the code of conduct.

Ms Gray: No, I do not, actually. No, no. I am really happy —.

Mr Allister: It weakens the code of appointments.

Ms Gray: Other jurisdictions recognise the relationship between a special adviser and a Minister. They recognise that it is a personal appointment, and a Minister can make a decision as to who he or she wants to appoint. They give that name to the Civil Service, and a contract is then put in place. We are saying that, whatever happens behind the scenes before then, it is a matter for the appointing Minister. They provide the name to us and we go forward.

Mr Allister: With respect, Ms Gray, other jurisdictions have not had a public inquiry exposing the scandal of special advisers in many regards.

Ms Gray: There has been the odd public inquiry that has looked into the activities of special advisers in —.

Mr Allister: Do you dissent from my summation that your answer to the wrongdoing in the use of the old code on appointments is simply to validate that so that you do not have to submit anything to scrutiny? Is that not a fair summation?

Ms Gray: We are given the name of the person whom the Minister wants to appoint.

Mr Allister: Yes, you are given the name —

Ms Gray: Yes.

Mr Allister: — but you do not have to keep what you used to have to keep: a note of why; a note of the process; and a note of the fact that other candidates were considered. The old scheme had a tick-box exercise in which the Minister had to answer questions. "Have I a clear idea of the requirements of the job and the person to do it? Have I created a wide enough candidate field? Have I selected on justifiable grounds from the pool of candidates? Has the character-check vetting process been completed? Have I a written record of all stages of the appointment and selection processes?" — all, one might have thought, in the interests of transparency, very fair questions, but now liquidated. They are removed.

Mr Murphy: Arguably, a Minister could tick those boxes and say —

Mr Allister: And did.

Mr Murphy: — and did — when it came to the behaviour of a special adviser in the inquiry, that they were accountable but not responsible.

Mr Allister: Yes, you will get no argument from me —

Mr Murphy: Arguably, what is the greater transgression?

Mr Allister: — of the abuse of the code, of the appalling behaviour of Jonathan Bell and others — no argument whatsoever — but, instead of addressing that mischief, you simply seek to remove the mischief by removing the requirements.

Mr Murphy: That is because we want to place the responsibility firmly and squarely on the shoulders of the Minister.

Mr Allister: Ministers can now do anything. He can pick his daughter —

Mr Murphy: They will answer for that.

Mr Allister: — he can pick his wife. He can pick anyone.

The Chairperson (Dr Aiken): Minister, Jim — please speak through the Chair.

Mr Murphy: If the same requirement were put on the staff whom MLAs appoint, we could have another discussion about picking family members, but the issue here is —.

Mr Allister: MLAs have to advertise their posts.

Mr Murphy: Fair enough. There seem to be very fortunate family members who fit the bill time and time again. That aside, the responsibility is very clearly on a Minister now where, perhaps, it was not in the inquiry. Whatever way the Minister arrives at an appointment, they are responsible for the special adviser. The code for the behaviour of special advisers has been strengthened, and the codes of the Northern Ireland Civil Service, of which a special adviser becomes a temporary civil servant, will be further strengthened. There will be a further strengthening of the ministerial codes in relation to their own responsibilities. That is being done in the anticipation that further issues that arise from the inquiry's recommendations will require further work. If that is the case, these can be revisited.

Mr Allister: Chair, can I raise a final point?

The Chairperson (Dr Aiken): Yes.

Mr Allister: You have very frankly said that the only new money under New Approach is £760 million.

Mr Murphy: That figure is from our estimation of it.

Mr Allister: Yes. The expectation of requirement runs into billions. It was evident from reading the document that there was no guarantee on the cash: there were no figures against anything. Is it a fair observation that you and the other parties signed up to the agreement blind as far as the money was concerned?

Mr Murphy: I can speak about the negotiation from the perspective of my party only. We had not concluded the negotiation. The two Governments went out and published the document without announcing it to anyone else.

Mr Allister: You accepted it blind.

Mr Murphy: I do not doubt that that is the way it was framed. Our primary concern was the political side of the document and whether there was sufficient in it to allow us to re-enter these institutions: we concluded that there was. The expectation that you talk about was not created by the submission of wish lists on behalf of the parties. It was a carefully worked-out document between all the party representatives, senior civil servants and senior NIO officials, in which we were given a very reasonable expectation that this expectation would be met.

The fact that the Government have not been as forthcoming as they had promised is something that we intend to continue to pursue with them. As far as our party is concerned, we did not sit down and agree a document, say that we were good to go and publish it. A document was published, with no forewarning to the parties, on a "take it or leave it" basis.

Mr Allister: Chair, finally, I ask Ms Gray: will all the wish list issues in the agreement be subject to a business case to your Department?

Ms Gray: We are doing a costing exercise. We are getting Departments to tell us what their costs are for the various initiatives, and then we have an exercise to do whereby we will prioritise the commitments. At the stage when Departments want to bring those forward, they will be subject, as appropriate, to a business case.

Mr Allister: As appropriate? Are they not always appropriate?

Ms Gray: No, it will always be appropriate. If they are below the delegation level, it will not be required.

Mr Allister: Yes, I understand that.

Ms Gray: Of course they will be subject to a business case.

Mr Allister: Which has to demonstrate value for money.

Ms Gray: Yes.

Mr Murphy: That is why the issues in the document were carefully discussed and worked through with senior officials in the Department of Finance, the head of the Civil Service and senior officials in the Northern Ireland Office.

Mr Allister: But not costed.

Ms Gray: They were not costed at that stage. We had some costs but not the whole package.

Mr O'Toole: I want to ask a quick point of information on RHI. Your Department is the sponsor Department of the inquiry. There are a lot of different messages about when we might get the report. For clarity, will your Department be the first to find out from Sir Patrick Coghlin when it will happen, and what is your understanding of the process for telling the Assembly and the public?

Mr Murphy: When the previous Finance Minister set up the inquiry, in order to remove any perception of political interference, he wrote to the chairman of the inquiry to say that he did not want to be the

recipient of the final report. Since I took up office, I have written to the chairman to confirm that that is also my position. When the report is made available, it will be passed to Sue and other appropriate officials in the Department of Finance. It will then be disseminated through whatever process they agree, which I will not have any role in.

Ms Gray: It has been agreed by the Minister's predecessor that the chairman of the inquiry will publish the report. He will be responsible for publishing it. We do not have a date or the detailed arrangements. As with other inquiries, we will get an advance copy, but, as the Minister said, that will not be shared. That will be on a very small list.

Mr O'Toole: That is not the Maxwellisation bit.

Ms Gray: No, that is all done. This is just the normal process.

Mr Allister: How long would you normally get a report in advance?

Ms Gray: It depends, but it is normally 24 or 48 hours. It is not a huge amount of time. The chairman will be responsible for the release of the report. There will be liaison with the Assembly authorities about the date and arrangements. I do not know what those arrangements will be. Having not done an inquiry report here, I do not know whether it is different, but that is the sort of thing that has to be worked through.

Mr Lynch: Thank you for the presentation. Conor, at the outset you said that the Treasury meeting was productive. Will you expand on that? Were they loosening their purse strings when they saw you coming?

Mr Murphy: We wanted a discussion, and the Chief Secretary to the Treasury is responsible for the dispersal of money across Departments and regions. We wanted to ensure that he had an understanding of the document, what the expectations were, what the particular requirements are and the unique circumstances that we face. We understand that austerity has had an impact on many constituencies in England, Scotland and Wales as well as us, but we also face unique circumstances. It was that kind of high-level discussion.

What we wanted was a commitment from the Treasury to continue the dialogue with us when the costing exercise, which Sue and the Department have undertaken in collaboration with all the Executive Departments, was complete. We would have then been in a position to talk about the specific commitments that were made in the document. It was essentially to establish that the negotiation had not closed down, it would continue, and we had a job of work to do. We want to go back to the Treasury when that is done and begin a more substantive discussion on the actual figures.

Mr Lynch: Do we have a figure on the level of funding that would bring public services back to sustainable levels?

Mr Murphy: We are doing that type of exercise, and it is a rough estimate of what is required. An initial estimated figure of £1.5 billion over the next five to seven years will be required to put our public finances onto a fully sustainable basis. That is in general terms. We would then like to take the issues identified in the document and provide costings against them. Some of the issues are difficult to cost as they involve programmes and strategies that are sometimes cross-departmental. We have undertaken work to provide accurate costings in the next week or so.

Ms Dolan: I thank the team for coming along today. I have one question for Sue about the dormant accounts fund. Did the consultation close at Christmas?

Ms Gray: It did, and I have had a meeting this morning about it. The National Lottery Community Fund undertook the consultation, and it did a great job. It has done roadshows and consultation events, and it has had a number of written responses. The next step will be for it to come back to us with the outcome of the consultation responses and its strategic plan, which will be laid in the Assembly. I hope that that will happen soon. It is really good news.

Ms Dolan: Yes, that is brilliant.

Ms Gray: It has been a very good piece of work.

Ms Dolan: Yes, it has been. Thank you.

The Chairperson (Dr Aiken): Minister, permanent secretary and Joanne, thank you very much. Before we go, you have a lot to do before Easter.

Ms Gray: Pardon?

The Chairperson (Dr Aiken): The fiscal council.

Ms Gray: A lot to do before Easter. When is Easter this year? It is in the middle of April.

The Chairperson (Dr Aiken): As you said, we will get the fiscal council in the next couple of weeks.

Ms Gray: Yes, yes. Well, options.

The Chairperson (Dr Aiken): To me, that means before Easter, and we would like some updates on that. You also have work to do on the ministerial codes, the NDNA costings and the budget line.

Ms Gray: Yes.

The Chairperson (Dr Aiken): Thanks very much for the copy of the first-day brief; I will see that fairly soon. You are also providing updates on the financial transactions capital funding to make sure that the other Departments are up to speed. That is a lot to do in a very short time.

Mr Allister: And a Budget Bill.

The Chairperson (Dr Aiken): And a Budget Bill. *[Laughter.]* You have not quite got to the bottom of the list.

Ms Gray: We have rates.

The Chairperson (Dr Aiken): Yes, rates and the rest of it.

Mr Murphy: I understand that you will have LPS in next week.

The Chairperson (Dr Aiken): Yes.

Ms Gray: You will get a very detailed briefing. It has a lot of good work going on.

The Chairperson (Dr Aiken): We appreciate the openness, and we want this to continue in a spirit of openness and transparency. We would like to be kept fully informed of how we are progressing on those significant issues. Just a final question from me before we go: obviously, with the opportunity to talk to Treasury, have you reached out to the other regional Administrations yet? Have you reached out to the Scots and the Welsh yet?

Mr Murphy: Not as yet. We have not had the opportunity. I know that the First Minister and deputy First Minister were at a meeting, I think, yesterday at which the other institutions were represented. I have been hit with an election in the South, so I have not had an opportunity, because the Finance Minister in the South is directly involved in the document and the outcome of the document, but my intention is to reach out as soon as I possibly can to the Welsh and Scottish Finance Ministers and have some dialogue with them.

The Chairperson (Dr Aiken): We nearly got through this entire briefing session without using the B-word, but we are into Brexit. The United Kingdom leaves the EU at the end of this week. We have 11 months to go of the so-called transition period and the significant changes that need to be put in place for Northern Ireland to be ready for 1 January 2021. That underpins the work that needs to be done as well. Thank you very much indeed, all three of you, for coming to talk to us.

Ms Gray: Thank you. Good to meet you.

Mr Frew: All the best.