



Committee for Finance

OFFICIAL REPORT (Hansard)

Budget and Other Issues:
Mr Conor Murphy MLA, Minister of Finance;
Department of Finance

15 December 2021

NORTHERN IRELAND ASSEMBLY

Committee for Finance

Budget and Other Issues:

Mr Conor Murphy MLA, Minister of Finance; Department of Finance

15 December 2021

Members present for all or part of the proceedings:

Dr Steve Aiken (Chairperson)
Mr Keith Buchanan (Deputy Chairperson)
Mr Jim Allister
Mr Pat Catney
Ms Jemma Dolan
Mr Philip McGuigan
Mr Maolíosa McHugh
Mr Matthew O'Toole
Mr Jim Wells

Witnesses:

Mr Conor Murphy MLA	Minister of Finance
Mr Colum Boyle	Department of Finance
Ms Joanne McBurney	Department of Finance

The Chairperson (Dr Aiken): Minister, you are welcome to the Committee for Finance. I thank you again for providing the Deputy Chairperson and me with an informal briefing on the draft Budget on Monday. That was very much appreciated. I invite you to make your opening remarks.

Mr C Murphy (The Minister of Finance): OK. Chair, thank you very much for the invitation. I will try to keep my opening remarks brief. Members will probably get more value from the question and answer session. With me is Colum Boyle, the permanent secretary, and Joanne McBurney, who is our public spending director. Of course, they will pick up any questions of detail or difficulty, as opposed to me. There are a couple of areas in particular that, I know, the Committee has looked at. I will make some opening remarks about those.

Since the last time I was with the Committee, I have set out the outcome of the spending review on 27 October and its implications for public finances. Last week, the Executive agreed to consult on a draft Budget. As you said, earlier this week, I announced that to the Assembly and had a conversation with you and the Deputy Chair. As you know, this is the first multi-annual Budget announcement in 10 years. That helped with planning, but it did not give us the quantum of allocation that we would have needed to do all the things that we would like to do. The impact of 10 years of austerity Budgets is still being felt across public services. Therefore, while the three-year span and being able to plan is very much welcomed, we certainly would have wanted a much better outcome. Chair, as, I think, you said, it was not as bad as we anticipated, but it was certainly not as good as we had hoped.

As you will know, the health service is under particular pressure, but there are other areas of concern. Those include skills shortages, increased wage costs, supply chain shortages, continuing struggles to return to pre-pandemic trading levels, a cost-of-living crisis as a result of rising food and energy costs and the increase to National Insurance contributions and the cut to universal credit by the Government in London. Of course, COVID and its variants are also a constant source of pressure.

As I said in my statement to the House on Monday and my written statement last Friday, the Budget outcome prioritises health. It directs 2% of the other Departments' baselines to Health. It also provides support to businesses and households by freezing the regional rate. It provides specific support to businesses with a one-month rates holiday and a three-month rates holiday for specific sectors. You will have conversations with officials later about coronavirus rates legislation, but that announcement was agreed on Friday at the Executive.

It is a challenging time, and it will continue to be challenging over the next three years. We have to make the best possible use of the resources that we have and prioritise. The Budget that I proposed attempted to, if you like, put a fit to the declared priority of the Executive for health, not just because we have a real responsibility to resolve public health and make sure that we look to the health of our population but because of the cost of health over the last 10 years and the continued growth in health spending. This is an opportunity for the Executive to put some reforms in place to try to reduce some of the acute problems in health with waiting lists, cancer services and mental health services — some of the key priorities that, I have no doubt, all MLAs have mentioned at some stage over the last two years — and to get some measure of control and direction on future health spending. If we do not do that, in three years' time — it may not be me as the Finance Minister — we will be having a conversation about health eating up even more of our public finances. Therefore, there is an imperative on the Executive to prioritise that.

Of course, the Committee will be consulted on the draft Budget, and we very much look forward to hearing its views during the consultation period. The Fiscal Council will also make some commentary. We look forward to that also.

It was important for us to get the Budget out in a timely fashion. It is the first multi-annual Budget in a decade. There is an onus on us to ensure that the public have an opportunity to have a say, and, as you know, the consultation period crosses the Christmas holiday period, meaning that, in effect, some time will be lost. It was important to get it out and get the fullest public consultation possible. We look forward to the consultation's return. I am happy to discuss that with the Committee, and I will certainly continue to discuss with Executive colleagues the pressures that they face and how we can manage that. Throughout a number of those discussions, we made some alterations to the paper. I think that we were at version 4 of the paper when we finally got it through the Executive last week. That was the consequence of a discussion with Executive colleagues about some of the pressures that they face and about how we might be more flexible in our approach to some specific issues. We will continue to do that until the Executive are asked to agree a final Budget. We will then go to legislate in the Assembly, and the Assembly will have its say on that.

The Committee wanted us to provide further updates on the annual report and accounts since the briefing on 10 November 2021. The Comptroller and Auditor General (C&AG) concluded that the audit opinions qualified on three matters: a regularity qualification as a result of ineligible payments made under the localised restrictions support scheme (LRSS); a limitation of the scope qualification as a result of multiple grants being paid to businesses under the additional finance assistance schemes; and a true and fair qualification regarding the misclassification of potential year-end commitments relating to COVID business grants schemes. The Department was operating in an exceptional situation, and the Comptroller and Auditor General acknowledged that. We will continue to engage with him and with you on those matters.

I know that officials will brief the Committee on the Non-Domestic Rates Valuations (Coronavirus) Bill subsequent to this session. We have written to you on three occasions since 3 November 2021 to address some of the questions that have arisen through the Committee. I welcome the onus that the Committee has put on processing that legislation. The Assembly had the debate on accelerated passage, which is the only device available to me to make sure that legislation is passed on time. If the Committee agrees, it has the ability to do its own scheduling of that. I very much welcome the focus that the Committee has put on that.

Since the meeting on 3 November 2021, officials from Land and Property Services (LPS) have been in contact with stakeholders to explain the rationale for the legislation and to answer some of their questions. I had a round-table discussion with the main business stakeholders on 18 November 2021.

We briefed the Association of Local Government Finance Officers. The Bill offers certainty to district councils in setting their rates for next year. I met senior representatives from district councils at the Executive and local government engagement forum on 25 November 2021.

I think that the final issue that you wanted to discuss was the outworkings of the renewable heat incentive (RHI) inquiry.

The Chairperson (Dr Aiken): Yes.

Mr C Murphy: That inquiry highlighted systemic failings in a range of areas, including access to expertise, programme management, communication, resourcing, management of risk and the business case process. The Committee has had an opportunity to analyse the Executive's response to the RHI inquiry. You will be aware that there have been revisions to the codes of conduct for Ministers and special advisers. Discussion of those revisions predated the Executive's return and were part of the New Decade, New Approach (NDNA) agreement. The new rules for special advisers were published in January 2020. The new rules for Ministers were published in March 2020. Following the publication of the RHI inquiry report, work began on how the Executive would respond through the subcommittee. We agreed a consolidated report that would go to the Executive. The themes that were identified in the RHI inquiry and around which the Executive's response was described will continue to be themes for reform going forward. The issues that were identified and that we have reported on will form the basis of ongoing work. We will work with the new head of the Civil Service (HOCS) to drive reform in the Civil Service. In that context, we have agreed a memorandum of understanding (MOU) between the Department of Finance and the Executive Office, making sure that there is clarity about respective roles and responsibilities and committing both teams to work together on that important agenda.

Work on reform, particularly of a large organisation like the Civil Service, has to take on different forms, and we have to change policies and rules. In practice, however, real change requires leadership from both the head of the Civil Service and at the level of the Senior Civil Service but also from Ministers. That work will begin with Ministers and permanent secretaries. That will be a programme of work. I know that the Committee has had an opportunity to speak to the new head of the Civil Service. We are committed to working with her on this and have established a basis of understanding of how we will work. I am responsible for answering to the Executive on Civil Service matters. The head of the Civil Service and the Executive Office both have a responsibility for that, so we need to make sure that we work in tandem. The MOU is about making sure that we bring that work forward. It will be based on the themes that emerged from the inquiry around competency, correct skills, having the right people in the right places and having the right measures to make sure that decision-making is supported and, essentially, that lessons are learned from the inquiry.

That is just a brief skip through some of the issues, Chair. I am happy to take questions. Colum and Joanne are here as well to pick up on any questions.

The Chairperson (Dr Aiken): Thank you very much for that overview, Minister. First of all, I want to concentrate on the Budget. It is good that a draft Budget has gone out for consultation, but we are all aware of the tensions behind the scenes in the Executive, and we are looking to get to the point where, hopefully, we get some form of agreement. Will you give us an idea of the timeline for when you expect it to come back to the Executive for agreement? What happens if the Executive do not agree to it at that point? Where will that leave us?

Mr C Murphy: We are essentially working back from the end date, which, I think, is 25 March. That is when we go into purdah. I thought that it was 28 March, but somebody said that it is 25 March; it is in and around that week. We will work backwards to go through the legislative process, the consultation process and the draft Budget.

It is understandable that, if we are to make health a priority — we have always said that health is a priority — we have a three-year opportunity now to fix not only some of the things that are wrong in health but some of the things that contribute to the significant increase in the cost of health. We have a finite Budget, which is not what we wanted, considering what our public services need. That will mean challenges to other Ministers.

I said at an Executive planning discussion that we all have the luxury of taking off our ministerial hats because we are setting a Budget for the incoming Executive. We may not be re-elected, and, even if we are re-elected, we may not be in the positions that we are currently in, so we should face into this

as a collective Executive and as leaders in our five-party structure who sit in the Executive and decide what is best over the three years for the longer-term interests of the people whom we represent.

Ministers will come in with some departmental issues that, they know, are pressures, some things that they want to do in the Department and some things that they are passionately committed to, and they know that a 2% contribution to Health through an efficiency saving over a period presents challenges. That is the end effect of 10 years of austerity, which means that services are cut to the bone. We recognise those pressures, though it is not a surprise that it presents a challenge, and, in Executive discussions, it presents a challenge.

As I said, the paper that we presented last Friday was the fourth iteration of the paper. That was a change process brought about by discussion with Executive colleagues on some flexibilities required and some new ways of looking at things, such as the idea of trying to max out other assistance for capital budgets.

We got an agreement. It was not a complete agreement, but we got an agreement to go out to consultation. No Minister has asked at this stage to put their hand up for a Budget. They asked to put a Budget out for consultation. The final decision on a Budget comes at that end point, which, I think, is mid-February. That is the end of the 12-week consultation.

Ms Joanne McBurney (Department of Finance): The consultation ends on 7 March, but we will engage before that.

Mr C Murphy: It is around that period. Then we will bring a final paper for agreement, because then you are into the legislative process in the Assembly, which has a fixed time frame that we need to complete before the end of March.

If there is no agreement on that, there will be real consequences. First, we have to agree a Budget because, even before the next Executive are formed, spend will be incurred in the new financial year. We have to ensure that spend can be carried out.

This is always a difficult matter. There are a lot of issues that a lot of elected representatives and Ministers —.

The Chairperson (Dr Aiken): Minister, will you brief the Committee on what the tensions will be like if we do not sign off on the Budget?

Mr C Murphy: I do not contemplate that that will be an issue. We are required to get a Budget through the Assembly by an end date. There is a legal requirement on us to do that, so I expect that that will be the case. However, I accept that there is a challenge because people are passionate about a range of issues, but we have always said that health is the number-one priority. From my perspective, the Budget that I have presented supports that and puts resource to health being the number-one priority over the next number of years. There is an imperative on us even looking at public finances from the perspective of doing something that makes sure that we try to get a grip on the costs of the provision of health services.

The Chairperson (Dr Aiken): You will have read, as we have all done avidly in the Committee, the reports from the Fiscal Council and the Independent Fiscal Commission. If you read page 9 of the executive summary of the Independent Fiscal Commission's report, it does not read well for the management of public finances in Northern Ireland over a long time. As a Minister reading that, what did you feel about how we have been mismanaging our entire process over the last decade and beyond? As a Minister looking forward, what should we do to put it right?

Mr C Murphy: The Fiscal Commission report reflected the views of a lot of people. They went out and consulted —.

The Chairperson (Dr Aiken): I respectfully return. One of the issues was the letter from the Treasury. We are asking to see the letter that the Chief Secretary to the Treasury wrote to you, which indicated that they were not happy to fully engage with the commission because we were not capable of managing our finances.

Mr C Murphy: To be honest, that is nonsense. Because there was not full agreement in the Executive for a Fiscal Commission to be established and produce the report, the NIO, running interference as is

its wont, advised Treasury that they should not cooperate with the Fiscal Commission. The Treasury has cooperated to a significant degree, albeit that could improve.

The issue about financial stability and the sustainability of the Executive's finances was exactly the phrase used in 2014, when we talked about transferring corporation tax. They wanted to see sustainability and a Fiscal Council. There is a Fiscal Council now. It was not in my gift to do it between then and now, but, as soon as I got into office, we put in place the process for establishing a Fiscal Council. To be honest, the idea that they will not engage because they do not think there is the capacity to do any of these things is nonsense. They have engaged with Scotland and Wales, and I am sure that they had the same concerns about it when they started out. They used a lot of the same arguments. I spoke with the Fiscal Commission —.

The Chairperson (Dr Aiken): Have you written back to the Chief Secretary to the Treasury, Minister?

Mr C Murphy: I have spoken to him directly about the issue. I said to him that all parties have engaged with the Fiscal Commission and that the advice they were given at the outset of it — that it was contentious and that Treasury should not engage with it — is nonsense and was given to them by the NIO. I have said to them that they should collaborate and that this is an academic exercise to inform an incoming Executive. Nothing can happen on these issues unless an incoming Executive, which would require cross-community support, decide that this is a good idea. That opens up a period of negotiation with Treasury and, by the time you get to the point where something is done — it should have happened many years ago — you are probably talking about the latter end of the next mandate. That would require a load of checks and balances to go through.

The idea that we do not want to inform ourselves for such a debate is ludicrous. Surely we would want access to all the information and inform ourselves. It is then up to the Executive and Assembly to decide whether they want to process that. However, I do not see how they can decide whether to process it if they do not have access to all the information.

After my discussion with the Chief Secretary to the Treasury, information was provided. More could be provided, and I intend to pick up that discussion with them again.

The Chairperson (Dr Aiken): OK. I must admit that, when I read the report of the Fiscal Commission — I do not know what other members of the Committee thought — I was expecting a bit more, even at the interim report. I understand the issues about income tax, landfill tax and the rest. However, the report seemed to pull its punches on the significant questions to do with what we call the "super-parity" issues. There was no real discussion of those. Were you a bit disappointed as well, or were you expecting them to address some of those issues as we go forward? Do you think that they will stick to the income tax issues and the five or six issues that they laid out on the table?

Mr C Murphy: I did not give the commission any steer on its work. That is important. Some of the reluctance in the establishment of the commission might have been because they thought that we were going to direct it in a particular way. We clearly did not give it any direction, other than the broad terms of reference. We did not give direction to look at any particular areas. It was free to come up with what it wished.

This is an interim report. Part of it was to stimulate a discussion, because there has not been that type of debate or discussion here for 20 years and there should have been. Part of that was to stimulate ideas. I am neither surprised nor disappointed. The commission did a valuable piece of work, and there is more to be developed from it. I encourage people, between now and when it produces the final report, to engage with it. It gives you a solid platform for engagement with the commission on what it suggests. Bear it in mind that it is not giving us a plan but a report on what is possible, what it would look like and what it might mean. It will be for the democratic institutions here to take that and decide to move forward with it. Whether they agree with some of it, all of it or none of it, it will be a matter of democratic choice beyond that.

The Chairperson (Dr Aiken): I will move on to RHI. A lot of information has come to the Committee, but some information we have not received, and, therefore, we have not been able to come to the full conclusions that we need. We will encourage the Department to furnish us with that information. We have worked closely before in other areas of sensitivity, but we have not got that information.

I will not go into that area now, but there is one part of the RHI piece that surprised me a bit. We saw correspondence from a member of your Department in 2018 to the RHI inquiry team pointing out the

various things that were already being done by the Senior Civil Service and the board. There was an entire annex of issues that they were undertaking, and the correspondence indicated that they were being undertaken. Fast-track to 2021, and it is obvious that they have not happened. I do not think it is you, as the Minister, who has been handed the responsibility to make sure that the lessons identified from RHI are dealt with. How can you be sure that the Civil Service is fit for purpose to deliver what it has to deliver?

In 2018, I think, Mr Pauley wrote to the inquiry and laid out in detail issues that were already being addressed. Then we had information that they were still being discussed and had not been implemented. We are close on 2022, so there has been a four-year gap. What is the impediment to real cultural change in the Civil Service? It just does not seem to be happening.

Mr C Murphy: In relation to information sharing, my position has always been to give the Committee as much information as we can. I am a former Chair of the Finance Committee. To give as much information as possible has always been my position. Obviously, that is balanced against legal advice and duty of care, particularly when it comes to individuals and when there are disciplinary matters attached that affect their career potential or whatever. The Civil Service has a duty of care towards the people it employs, so we have to balance that. I have continuously tested the legal advice, and I have been back and forth to the Committee in relation to that. It is only when there is clear legal advice in terms of HR and duty of care that I would consider holding anything back from the Committee. That is the basis on which information has been shared.

In 2018 — I am trying to remember the dates, but I know that, prior to the Executive coming back, one of our five work streams was looking at the issues emerging from the RHI inquiry at that time. I think that Bill Pauley, along with Sue Gray, serviced that. I know that Sue chaired that dialogue. I was not on that group. Some of you may have been, but I am almost certain that Bill Pauley acted as a service to that dialogue stream. It is possible that issues were being identified as they were arising in the inquiry, and people were saying, "If the Executive get back into place" — we were all striving to do that — "these are some of the issues that we need to tackle".

Some of the first issues that were brought to me, certainly when I came back, were around the ministerial code and a special advisers' code of conduct. Those seemed to be the acute issues from the inquiry. Then, there were longer-term systemic change issues in the Civil Service, and that work is ongoing. I am not aware that there has been a hiatus or impediment in relation to any of that work. We are focused on it. Since the last permanent head of the Civil Service, we have had interim arrangements, and we have gone back again only in recent times to having a permanent head of the Civil Service. Whether that acted as a brake on things or perhaps things not developing as quickly as they can, the head of the Civil Service now, alongside my Department and the Executive Office, is keen to press ahead with wider reform in the Civil Service. A number of work streams were identified. Work has been done on some of them. Maybe Colum can pick up on some of the broad headlines. However, I am not aware and have not been since I came to the Department that, in trying to press ahead with things, we were running into roadblocks, diversions or things having a dead hand put on them in the Department.

Maybe Colum can pick up on some the streams that have been happening, particularly in relation to Civil Service reform.

Mr Colum Boyle (Department of Finance): If it is any consolation to the Committee, the Northern Ireland Audit Office (NIAO) is also looking at this. We had the draft RHI action plan. NIAO wanted to go through that, but it also has a version that it has gone through recommendation by recommendation and by all of the sub-recommendations. It has, therefore, been a painstaking review. NIAO did a piece on that earlier this year. I went through it with Bill Pauley and his team about six weeks ago. A lot of the areas on which NIAO had taken an angle or perspective are out of date. Quite a bit has happened. NIAO is the acid test, because it will look at this forensically. We will meet NIAO at the beginning of January to go through it again. We have provided it with our update, and it will go back through it with us collectively again. I have no doubt that that will come here. NIAO has worked on an item-by-item basis rather than thematically, as we have looked at it. We tried to group things together.

I will pick up on the Minister's point about whether any dead hand has been put on it: there has not. At one stage, there was a delay in getting the RHI action plan to the Executive, and there are complicated streams running alongside each other. We have made good progress across a number of Departments with project management capability and setting up project management offices and so on. The commercial dimension is also kicking along nicely. Denis McMahon and the TEO team are

working hard on the policy piece. Denis, in his role as head of professions, is focused on delivering on that. I am most focused on the HR piece and on trying to kick it along further and faster. On foot of the RHI action plan and report, we have the capacity and capability angle. Jill and her team have been looking at the process of breaking down the recommendations from that and looking at the right person, right job, right time. We know that we need to sharpen that up. We have three separate reviews going on in that space, and they will feed into where capacity and capability wants us to go. They will also feed into a number of the recommendations around RHI.

A critical point for me is that we want to make sure that, from a recruitment or selection point of view, we put the best people into the job rather than put in people as blank slates and have to train them up for a long time. We are trying to create that mix and match. That is difficult, when we are a grade-based organisation and are used to bringing people in at staff officer grade and they go wherever they go. The job roles are now more nuanced than that. That is what we need to see coming forward. We need a mixed economy between job roles and grade-based recruitment. That is the direction of travel that we are going in. It is not easy to deliver that as one big thing when someone says, "Have you got that done?". You have to grow it organically, given the size of the Civil Service, the capacity of HR and the limited bandwidth that it has to take on board and service all of those roles. There is a lot there, and there are a lot of professions across the services. I am not making excuses. It is slow in parts, but it is also complicated and broad in parts.

The Chairperson (Dr Aiken): Jim Wells. [Pause.]

Mr Wells: Sorry.

The Chairperson (Dr Aiken): That is not like you.

Mr Wells: I have some papers to sign. They involve a lot of money. Sorry about that.

I have two questions, Minister.

The Chairperson (Dr Aiken): Are they about our pension, Jim? [Laughter.]

Mr Wells: As the chair of a fund worth £42 million, I have to look after it. That is only a drop in the bucket as far as these gentlemen are concerned.

I have one immediate question, which you would expect me to ask. Things have moved on in the coronavirus situation, even since you were last here. As we said to you then, your Department and the Department for the Economy were extraordinarily generous and efficient in dealing with business and the needs of business in the crisis. Do not quote that in the next election. It looks as though we face another crisis, and it looks as if the hospitality industry will take a terrible hit over the next month. Is there anything in the current Budget or in the incoming Budget to provide some support to the hotels and restaurants that will face an awful situation if things develop in the way that we expect?

Mr C Murphy: The short answer is no, in the current Budget. We operate on the basis of the health advice. Tomorrow, the Executive will hear from the Minister and the senior health advisers. We have been told that, although there is huge concern about the transmissibility of the new variant, the work that we are doing here and now — doubling down on that message and getting a cohesive message, which is not always easy, as, I am sure, he is aware — is sufficient. In a situation where more measures have to be taken, the answer is no: we have no funds set aside in this year. We do not know yet what will come back in January monitoring, so we cannot bank on having sufficient resources.

We are in dialogue with Treasury, because it is prudent and responsible of the Executive to plan for a range of scenarios. That is not to say that we will be advised that further measures need to be taken, but it is prudent, given the concern in the rest of Europe and in Britain, to make sure that we have access to whatever resources we might need to support any plan. We are in dialogue with Treasury. We have had no indication from it yet, although we expect to hear something of more substance from it in the next day or two.

The focus at the moment is on boosting the booster, so there may well be some consequentials from support for rolling that out, but other measures are not being indicated. Britain and the Government in London are only catching up with the measures that we took weeks back. They were not there before, but they are now catching up with us. They have not indicated that any further measures that would

necessitate support for businesses etc are being considered, but we will continue to have dialogue, because we would have to press the case in the scenario that further measures are needed.

We operate on the basis that the measures that we have taken to date were to prevent a need for further measures, but viruses and their variants are unpredictable, and it is prudent for us to scenario plan. If we were to do any significant interventions, we would need support and would ask Treasury directly for that support.

Mr Wells: I am relieved to hear that, because the answer that you gave to Stephen Dunne, albeit 10 days ago, was not as positive. As you can see, things look like they are moving fast in the wrong direction, so I am relieved to hear that you are, at least, pushing at the door on that one.

On the more general issue of the Budget that you are putting out for consultation, it is well known that there has been a bit of friction in the Executive. The Executive are united in the proposal to give extra money to Health. Everyone accepts that. Health is more than half of the Budget. It has the capacity to gobble up vast amounts of money. It is insatiable. With any health service that is free at the point of demand that is practically unlimited, that is bound to happen. My reading of what is happening in the Executive, which is in the public domain, is that some Ministers are concerned about being asked to make a 2% efficiency saving without precise information about how Health will spend the extra money. Are you having discussions with the Department of Health to see whether it can provide the focus that Ministers so desperately need on that spending? An extra 2% for Health is an awful lot of money.

Mr C Murphy: I appreciate the point, and I accept that. I am not sure who said that no plans were attached to that, but, of course, there are plans. The plans for elective care and getting rid of waiting lists are out there and are costed. The plan for cancer services is out there and costed. The mental health strategy is out there and costed. The £147 million plan for transformation is being funded in full. You are right that Executive colleagues, as well as supporting that priority, recognise that health eats up public finances and will continue to do so. What we have proposed for Health is not what Health asked for. Health would have asked for and taken much more. We had to strike a balance between what was doable and what the impact would be on other public services. That was not just at Friday's Executive meeting. We have had three or four Executive meetings about it. We agreed that, over the 12-week consultation period, Health would come forward to us and we would work with it. It would come forward with a clear plan for how the additional money would be spent, how it would be benchmarked, what impact it would have, what staging posts there would be over the three years and what an incoming Executive could expect to see from that. That is a reasonable request when Executive colleagues are being asked to allocate a significant amount of money, regardless of whether it is from their Departments. Significant additional money is going to Health, and the public, to whom we are responsible, want a clear sense of what that will achieve, what the time frame is for achieving it and how the money will be spent. We had already agreed, before Friday's discussion and agreement to put out the draft Budget, that we would get that information over the 12-week period. When it comes to the final Budget decision from the Executive, it will be based on clear information.

Mr Wells: Has that process reassured Ministers who are concerned about giving up part of their budget?

Mr C Murphy: We have not seen that plan yet, but we had agreed, before Friday's decision, that that is what we would do. Bear it in mind that it is a consultation exercise on a draft Budget. The member has been in Executive meetings: no one is asked to put up their hand for a final Budget at this stage. Ministers have a general sense of what we want to do, which is to support health, and then they will want to see the detail. When it comes to the final stage, they will want all the information to be available to them. Part of that detail is the feedback from the public, Committees and organisations. The purpose of a consultation is to see whether we are on the right track and whether there are specific areas that we have not thought of or improvements that can be made over the 12-week period that we can bring to the final Budget discussion.

Of course, I recognised from the outset that the idea of anyone surrendering money, even through efficiency savings, is a challenge. As a consequence of 10 years of austerity, it is a bigger challenge, because people have been finding efficiencies over the last 10 years and are down to the bone at this stage. We recognise that, and, of course, that will make people more anxious and unsettled. I expect that we will be fully informed and take decisions with eyes wide open at the final Budget stage.

Mr Wells: Thank you. This is not a walkout, by the way. I have an important document to sign outside.

Mr K Buchanan: Thanks, Minister, and the rest of you for coming along. My question is about breaking parity. The Committee wrote to you, Minister, about the Parental Bereavement (Leave and Pay) Bill. Does that Bill or breaking parity in general concern you? Is there any evidence of risk with that, either here or Whitehall going after other devolved Administrations for breaking parity? Has that happened, and is it a risk that you are concerned about, not only with that Bill but in general?

Mr C Murphy: Is that the Non-domestic Rates Valuations (Coronavirus) Bill?

Mr K Buchanan: No. The Parental Bereavement (Leave and Pay) Bill.

Mr C Murphy: Oh yes, sorry. Maybe Joanne could pick that up.

Ms McBurney: Yes, I will answer that. There are two parts to breaking parity. First, if we break parity for something that is funded through annually managed expenditure (AME), we take the cost for that in the departmental expenditure limit (DEL). The other part, which, I think, you are referring to, is where we do something that breaks parity and then devolved Administrations or England have to do something similar, and the statement of funding policy is clear that the body that makes the decision takes the cost. I am not aware of that ever having happened. That is not to say that there is no risk that it could. If that risk emerged, we would take legal advice on that.

Mr K Buchanan: Yes. To be fair, that is what you indicated in that note.

Mr C Murphy: While that risk always exists, it has never been applied.

Ms McBurney: Not that I am aware of.

Mr C Murphy: Even where people have broken parity, it has never been followed through. In giving advice, we have to say that the risk exists.

The Chairperson (Dr Aiken): Joanne, previously, when we went into super-parity, was there anything pushed back?

Ms McBurney: No. There never has been. The welfare mitigations are a key example of when we have broken parity. We have taken the costs for those in the DEL, but other jurisdictions have not been forced to put the same measures in place. That gives a degree of comfort around that risk. The risk always exists, so we have to warn about it.

Mr K Buchanan: Thanks for that.

Minister, you referred to a round-table meeting on 18 November on the rates Bill. How did that go, what was the outcome and who were you discussing it with? I presume that you put your point across. How did that come back from the stakeholders?

Mr C Murphy: It was a good discussion. It was with representatives of business sectors — for example, Retail NI, Manufacturing NI, the Federation of Small Businesses and the Hotels Federation. About eight or 10 representatives were at it. As always happens at such meetings, some people had other issues that they wanted to raise, and we got some of that. I explained it, and, as I said in the Chamber, at its core is the fact that the legislation was not designed for seeking compensation in relation to a pandemic; it was designed for seeking compensation for specific circumstances that affected a restricted geographical area. Businesses were better compensated for the lockdown here than had they been in England, Scotland or Wales. We gave a more generous compensation package, which I was glad we were able to do. However, there would have been a question, given, as you will know, all the other public services that we are struggling with, if we were then, through some legislative loophole, to have compensated businesses again when they had already been compensated. To be honest, I did not get any real pushback from them. I do not want to represent people's views, but —.

Mr K Buchanan: They accepted your position, I presume.

Mr C Murphy: Yes. Generally, I did not get any real sense of pushback. A lot of the organisations either have parent organisations or are related to organisations in Britain, so they were already aware

of the discussion. I think that the Westminster legislation has now gone for Royal Assent. Some of them who had been kept informed of matters happening across the water were well informed. There had not been any pushback there either. There was some quibble, I think, in the House of Lords about some aspects of it, but, in general terms, there had not been any pushback. I do not want to characterise it as all views — it is a broad sense — but, no, I did not come away from that meeting feeling that we had significant consternation around this. I was doing some work outdoors this morning and meeting people, and I had a conversation with a business sector representative who said, "Yes, we have been up to the Committee. We get that this is necessary", and then wanted to talk about other aspects of rates and what we might do in the time ahead. People get the sense that it would look unfair if businesses were, through a loophole, to be compensated twice when we have been trying to give assistance to such a broad range of public- and private-sector interests throughout the pandemic.

Mr K Buchanan: You briefly discussed, the other day in the Chamber — we talked about this in the meeting — the one month and the additional three months. I think that the cost was £23 million for the one-month rates holiday next year, and that goes to everybody. My colleague raised this the other day. I appreciate that that happened in the past. We could have a debate about the previous £10,000 and £25,000. Some needed it and some did not, but, at the time, everybody who was eligible got it. Do you think that that one-month payment should be looked at to say, "You need it and you do not need it", without talking about different sectors, or do we just say, "OK. Everybody gets it at the cost of £23 million"? Is that the compensation for losing the right to appeal?

Mr C Murphy: A number of considerations went into this. The Barnett consequential was £50 million, and we modelled interventions at a higher cost. We had to set that against the context of doing this at the time when we were doing the Budget and were essentially asking Departments to squeeze. I thought that it would be unfair to go to the Executive and ask for additional money for something that the Department of Finance was doing, so we decided to stick to the £50 million fund that was available and not to ask for additional funds out of the Executive's Budget, when we were discouraging other Departments that were presenting real pressures and difficulties from asking for additional funding. That set the context for the amount, because we had modelled it against higher levels.

There is another factor. When we initiated the rates holiday at the start, the first four months were for all businesses until we got a handle on how the pandemic was playing out. It is not really in that context. There is a sense that, if this is compensation for businesses for losing the right to appeal on a certain ground, that would be contradictory, because, at the time, we were satisfied, as best we could be, on that ground. There was a question, because, if you start to target that and say, "Well, you are being supported on that issue, and you are losing the right to appeal. You have lost the right to appeal, too, but we are not supporting you", and that is why we did one month across the range of people. We then recognised that businesses would continue to struggle, and so, with the funds available, we were able to take them through three months and up to the summer period. That involved tourism, retail, hospitality, airports, childcare and some of the sectors identified in Ulster University's study as the businesses most impacted by the pandemic.

That is, generally, the thinking that went into it. It was to use the amount that we had to make a one-month, one-payment recognition that everybody was losing a certain entitlement as a consequence of the legislation. I am not one for removing rights from people, but I thought that this was justified in the circumstances. It was to recognise that and then, for three months, to support those businesses that need it most. It is not a huge amount. Well, £50 million is a huge amount, but it is not a huge amount that goes to those businesses. I have been in conversation with some of them since that, and they recognise that and are glad of that support to bring them to the summertime, when, we hope, things will have resolved themselves much better.

Mr K Buchanan: I think that that is my three questions, Chair, or seven minutes; I do not know which.

The Chairperson (Dr Aiken): Well done, Keith.

Mr McGuigan: Tá fáilte romhat, Minister, agus go raibh maith agat. You said today and spoke in the Chamber about how the Executive's priority is health and the Budget is based on that fact. Nobody could or should disagree with that being a priority. I think that most people expected that and will welcome that fact. Obviously, when you make a decision on key priorities in a constrained financial situation, it has a knock-on effect.

Another priority should be the climate emergency that we are in and green growth. Hopefully, before the end of the mandate, we will have climate legislation that will give future Executives and

Assemblies a path to travel. Is green growth a priority in the multi-year Budget? Will Ministers in the next Executive be able to kick-start green growth? It would benefit the economy and businesses. Departments would be able to kick-start climate issues, and it would allow the economy to move in a green growth way.

Mr C Murphy: We agreed that the priority was health, but we discussed other priorities, one of which was green growth. Skills and the issue of getting people back into employment was another. We find that, although jobs are available, we cannot get the people. Too many people are economically inactive. The fix is to give people the skills to get back into employment. We also talked about tackling inequalities as a priority.

A number of Departments will take the lead on green growth in various ways. Obviously, one is the Department of Agriculture, Environment and Rural Affairs, and the Department for the Economy has a significant role to play, but it is not confined to those Departments. We ring-fenced some money for green growth in the initial Budget papers, but we then reversed that decision because people wanted flexibility across the three years. When you ring-fence money, it almost has to be spent, and, if it is not spent, it is surrendered, so people wanted some flexibility. When I answered a question about that on Monday, some people took it as a sign of downgrading the environmental and green growth issue. The Executive have targets to meet on carbon reduction. We have to meet those targets across all the Departments; we are committed to those. There is clearly a commitment in that regard. The purpose of not ring-fencing it was to allow more flexibility to deliver it.

Each Department also has significant latitude for internal prioritisation. If there are issues that Ministers are keen on and want to prioritise, they have control over a significant amount of their budget to do that. We took the ring-fence off the green growth area to allow people to make sure that they could spread that over the three years. There is a commitment to that. I would like to see more actions in that regard. Some of that will require significant capital investment. We are trying to work with people, particularly in relation to year 3, when capital is more squeezed, to make sure that they meet targets that they have for that. It is a priority in the Executive.

Mr McGuigan: Another pressure is one that faces NI Water. A number of towns and villages in my constituency have reached a limit in terms of development because of a lack of water infrastructure. Is there any intention to get extra money in the January monitoring round? How much funding does NI Water need, and how is that contained in the multi-year Budget?

Mr C Murphy: I think that, this year, we met the amount required by the Utility Regulator.

Ms McBurney: We have built that amount and the amount for this year into the Budget.

Mr C Murphy: This year's requirement was met in full, so, unless there are increased costs for construction or materials, I do not anticipate there being any increased demand in January monitoring this year. Will you, Joanne, update us on where it is in the next three years?

Ms McBurney: I will update slightly on this year. We are aware that there is a pressure on NI Water because of energy price increases. We will look at that in January monitoring, but not specifically in relation to the Utility Regulator's determination. We funded the price control (PC) determination in full in the Budget; we ring-fenced that amount of money. As the Minister also said, the Infrastructure Minister will have the ability to reprioritise other funding in her budget towards that.

Mr C Murphy: We put a paper to the Executive two weeks ago — I hope that it gets on to the agenda for decision tomorrow — about recognition of cost-of-living pressures. We asked for an early return from some Departments, rather than waiting until January monitoring. The Department for the Economy had a significant amount of money to give back. We put a paper to the Executive to try to get support out through the Department for Communities for home heating. There is an added bid of, I think, £1.7 million or £1.8 million.

Ms McBurney: £1.8 million.

Mr C Murphy: There is £1.8 million for NIW for increased energy costs, in anticipation that it will come back for more maybe in January. That is the only issue that applies to that. The price control issue that was raised was met in full this year. Again, like all areas, it will be challenged, particularly for capital-related works, given that the cost of construction has gone up significantly. We hope that it will start to

come down again. I think that the cost of timber has started to come down a bit. There are always challenges there. We recognise that it is not just about giving that to NIW but about the effect that that has on the ability to develop and the ability for other contributions to come in for developments, if they have the basic sewerage and water infrastructure.

Mr McGuigan: OK. Thank you. This is my last question. Specifically on the issue of learning lessons from the pandemic, how successful has the Civil Service been in allowing people to work from home or how big an impact has that had, and can it be continued in the future? Subsequent to that, I thank the Minister for the Civil Service hubs, particularly the one in Ballymena, which is in my constituency. Are there plans for more of those as we move forward?

Mr C Murphy: Colum can answer that too. I know that the Department of Finance will gather information from across Departments. That trend was developing anyway. As technology improved, the requirement for people to travel in and out and to sit at a desk in an office was starting to become less necessary. The pandemic obviously accelerated that, because it then became an absolute necessity to be able to work remotely. We invested a significant amount early on. The Department of Finance has responsibility for technology and IT support, so a huge amount of work went into providing people with the necessary technology to work from home. My sense of it is that it has been positive, but Colum can give you more detail on that.

As for the hubs, that process again preceded the pandemic. Some of those have been held up. I think that we are ready to open the one in Downpatrick and possibly Ballykelly, but we have been held back by the work from home directive. They are ready to go, and some of the others will come on stream next year. They are important because they allow for a blended working approach, which we will move to, whereby people can go to their local town and work there two or three days a week. That makes Civil Service jobs more accessible for those who live a rural or border community and particularly for younger women. When looking at a job and making an application, the prospect of only having to drive to Belfast one or two days week, as opposed to five days a week, provides different possibilities. That will be of long-term benefit to the Civil Service in some of the areas that Colum touched on, such as recruitment and the need to get different experiences into the Civil Service. In general terms, the feedback from staff is positive.

Mr Boyle: There have been a number of developments. First, lessons were learned early doors. If you look back to 2020, you see that lessons about what was possible were learned three or four weeks in. By the end of June and the first wave of the pandemic, there was a strong understanding that we could really go places with that in the future. I know that DOF had a particularly important role in looking to DAERA and DFC, in particular, which are very dispersed and had already started to plant people to work from home, to see whether they could further expand on that. It has gone across the entire service now.

The Minister has approved a new ways of working policy. That has been through a consultation process with trade unions, and it has been through the NICS board. The Minister has signed it off, so it is ready to go. The only thing stymieing that at the minute is the work from home message, given where we are with the pandemic at this stage. The infrastructure is there, in terms of the culture of where people need to work and how they can work and the machinery of that is there. There is a desire to make sure that we do not fall into the trap of saying, "Well, if you're going to work from home, here's the way you do it: it will be 60% at home and 40% in the office or the other way around". There has to be flexibility, depending on the Department or the division in a Department and the nature of the work. Of course, we know that, for some people doing front-line jobs, it is just not possible for them to work from home.

One of my jobs is to chair the people survey for the Civil Service. Our results are due in January, and they will be interesting. In the survey, we asked about new ways of working. It will be interesting to see what information emerges from that. Conor is spot on: we have had an overwhelmingly positive response from people about working from home. I look at the productivity levels where I used to work, and they stayed high while I was there. I look at the productivity now, and it looks good. You commented on the localised restrictions support scheme (LRSS) and so forth: a lot of that was delivered by people who were working from home, so it can be done.

Mr McGuigan: Thank you.

Mr McHugh: Tá fáilte romhat, Conor, agus tá fáilte roimh do fhoireann festa. You are welcome, Conor, and your team is welcome.

Conor, we all know the hardships that have been experienced this winter, particularly with living costs because of rising fuel prices, tax increases, the cut to universal credit, Brexit, the pandemic and all the other factors that have fed into that. What provision does the Budget contain to mitigate the cost-of-living crisis?

Mr C Murphy: We made one specific proposal and sent a paper to the last Executive meeting, and I hope that it is on the agenda for this week. The cost-of-living crisis came quickly, because energy costs increased rapidly in the autumn, and households are struggling. We had the double whammy of the removal of the universal credit uplift by Whitehall —.

The Chairperson (Dr Aiken): Sorry to cut across you. Is that the £55 million?

Mr C Murphy: Yes. We asked for early returns in the January monitoring. If we wait until the January monitoring to do a paper, it will be the end of January and the winter is nearly over at that stage.

The Chairperson (Dr Aiken): It is too late.

Mr C Murphy: We wanted to get that support out quickly. We also recognise the significant increase in construction costs, although there is some sense that the costs for some products are coming down again. That all has a real impact. The Departments have finite budgets, and the procurement side in our Department assists them to make sure that they understand the challenges that lie ahead. We give any assistance that we can in procuring goods and services.

It is possible to mitigate some things to a certain extent, and that will be about assisting households that are in real trouble. The bigger global issues such as construction costs are beyond our control. When we plan construction and capital projects over a long period, we have to recognise that some of those things are uncertainties. The risk has to be built into those projects. Anyone doing construction during the summer was not planning for the hikes that faced them in the autumn. Certainly, in this jurisdiction, those were beyond anyone's control. For those who are taking forward significant projects, the cost uncertainties need to be built in as risks over the next number of years.

One of our priorities was tackling inequalities, and the Department for Communities is focused on that. It is incumbent on us to do all that we can, albeit recognising that, if we prioritise health, there will be tougher choices across all the other public services that we provide.

Mr McHugh: In addition — I hope that this will not be regarded as my second question, as it is part and parcel of my first question — the VAT on energy prices could have been used by the Chancellor to respond to the situation. That could have affected everyone equally throughout the country and alleviated the difficulties.

Having made that statement, I will ask my second question. City of Derry Airport is in financial difficulty. I was the mayor of Derry City and Strabane District Council, and I know how crucial the airport is to the connectivity of the north-west. In about 2016 or 2017, an assessment showed that, whilst the airport cost roughly £10 million or £12 million, it contributed £18 million to the regional economy at that time. What is being done to support City of Derry Airport?

Mr C Murphy: In the last Programme for Government, we recognised that there was regional imbalance that needed to be corrected. Of course, connectivity is key to addressing issues of regional imbalance. We are well through the development of the A6. The A5, if we can get it started, will be another important factor. The rail line to Derry is being considered as well. However, the airport is a key part of connectivity to the north-west. We have supported the airport over the pandemic in particular. The airport acknowledges and is grateful for the support that we gave to the council, which runs the airport.

The airport has put forward a business case. One of the difficulties that we found during the pandemic when we were trying to get funding for not just City of Derry Airport but Belfast City Airport and Belfast International Airport is that no single Department has responsibility. Britain has a neater fit in that the Civil Aviation Authority can do it. The Department for the Economy has an interest in the airports because of the public service obligations (PSOs) and other matters, and the Department for Infrastructure has an interest in regulation. However, there is no overall responsibility. The Department of Finance has collaborated with the Department for Infrastructure and the Department for the Economy. We are trying to take a collaborative approach to ongoing support for City of Derry Airport. The business case that the airport has put forward needs to be assessed and brought to the

Department of Finance. I have had discussions with the Infrastructure Minister. We will have further discussion with City of Derry Airport and Derry City and Strabane District Council next week; I think that that meeting is scheduled for Monday. We are looking at that. The Department for the Economy will be kept on board and informed about those discussions. The airport has put forward a business case for support over the next five or six years.

We are in dialogue with London about PSOs. The process has been interrupted by the pandemic and the interruption to the North/South Ministerial Council (NSMC) arrangements, but we also need to have a discussion with Dublin Ministers. We are in contact with the Cabinet in Dublin to make sure that we get that discussion. It is a matter of what support we can provide, which we are looking at, and then what support the airport can draw from PSOs from London and other parts of Britain and the relationship that it has with the rest of the island. We are looking at that kind of threefold approach, Maolíosa, and we hope to make progress on it soon. We will meet the airport people and the council on Monday morning, I think.

Mr McHugh: That is welcome news, Conor. I have always believed that Dublin should make a contribution to the maintenance of City of Derry airport, given the contribution that it makes to the north-west region.

My third and final question relates to the health budget. We all recognise and welcome the substantial increase in that budget over a three-year period. Do you think that that increase will allow us to address both the waiting lists and cancer care, as well as implement the structural reforms laid out in the Bengoa report?

Mr C Murphy: We have agreed to fund in full the elective care plan, which will tackle the waiting lists. The Health Department put forward a costed proposition for that a number of months ago. It has a costed proposition for cancer services and for the mental health strategy, which we have agreed to fund in full.

Of course, there is also money for transformation. That will be the key issue. Some of the information that will come back between now and the final stage is about how that money will be spent, what we hope to achieve and how we can measure progress as we go along. This is ongoing funding over three years, and it is important that we are able to measure the progress of the transformation. That is a big challenge, because the health service is suffering, probably more than any other service, from the impact of 10 years of reductions to its budget.

The system here needs to be looked at. There was substantial buy-in for some of the plans, particularly those that involve co-design and cooperation with healthcare staff. We need to get back to those discussions and look at that transformation over the three years: first, because that will better serve the health needs of the population; and, secondly, because we have to get away from the situation with public finances whereby it is a matter of simply finding more resource but nothing changing. We have an opportunity over three years to realise some of the transformational changes that everyone has envisaged over the last 10 years. The current Health Minister is on board for that. We will work with him to present a plan for how that will be done and how it will be measured, which is also important.

Mr McHugh: Go raibh míle maith agat, Conor. Thanks ever so much for your answers.

Mr Allister: Minister, you put as brave a face as you could on the Fiscal Commission report, but it is hard to get away from some of its stark comments about doubts over the capability of the Civil Service to handle tax devolution, the political incapability etc. The report says that the Executive did not fully engage. Do you dispute that?

Mr C Murphy: It would be surprising if issues like capability and competence were not referred to. Given that some of those issues arose out of the RHI report and some were referred to in the Audit Office report, it would be surprising if the commission did not reflect on that and say, "There are capacity issues in the Civil Service". That is recognised. Colum and the team that we have put together to work with HOCS and TEO recognise that and are trying to move on it. I would have expected that to be flagged up.

Questions will always be raised about the politics of the Executive. Similar questions were raised, as Jim will remember, in 2007 and 2008 when we talked about the transfer of policing and justice powers. It was said that there was not the maturity in the Executive to deal with those issues and that it would

be a disaster for the Executive and lead to divisive politics. Actually, it has turned out to be practically the opposite. There are always questions before things are done. In its interim report, the Fiscal Commission has suggested a measured, step-by-step approach of testing some of the bigger and smaller items and considering how they would be done. There is a long way to go on this. A full report will be presented to an incoming Executive. If they are minded to pursue those issues, that will involve a negotiation with Treasury. I anticipate that it will be the latter half of the next mandate before some of those issues will be legislated for, if that is agreed.

On the Executive's engagement, at the time that we were bringing this through, there were questions in the Executive about what the approach might be. As the Member will remember, we launched the Fiscal Council and the Fiscal Commission directly from the Department of Finance. At that stage, there was a suggestion — from my discussions with Treasury, it seems to have emanated from the NIO — that, perhaps, this was too controversial and should not be engaged with. We had early reluctance from Treasury to engage with genuine questions of detail and analysis of taxation and other Treasury-related matters. That has improved somewhat over time. I hope that it will improve again to allow the commission to produce a final report.

Mr Allister: I understand the Fiscal Commission to be saying that the Executive did not fully engage with the commission; that the Executive, not the Treasury or the Chancellor's office, did not fully engage with the commission. Is that fair comment?

Mr C Murphy: All Executive parties engaged with the commission. Bear it in mind that the commission was established by me, as Minister of Finance. I asked it to produce a report and make that available to everyone, which it has done with the interim report. A final report will be made available to me to present to the Executive, if it is in this mandate. If it is not in this mandate, that will be up to an incoming Finance Minister. The Executive were not asked to formally engage with the commission as an Executive. Executive parties were invited to engage with the commission, and my understanding is that all Executive parties did that.

Mr Allister: Well, the commission got the belief from somewhere that there was not that engagement and expressed that, but be that as it may.

You mentioned RHI. As the Minister with oversight of the Civil Service, you will, of course, be defensive of it. However, the Civil Service is also required to carry public confidence. Whether the failings are in process or whatever, an outcome was signalled to the public that, after all that was heard at the RHI inquiry, only one civil servant merited a written warning. Does that tell you that there is a process failure in discipline or a level of toleration that is too high? Why is there that disconnect between the evidence that we all heard and the practical outcome?

Mr C Murphy: The disciplinary process was founded on the findings of the inquiry rather than the evidence given to it. That evidence caused concern to us all, but the actual implementation of a disciplinary process was based on the findings of the inquiry.

I have concerns about it. I share the Member's view about public confidence about the outcome. I am not making any judgement as to whether that was wrong or right, but I have asked for a review of the disciplinary process. I expect that to be concluded within a short number of weeks or months. We asked the Labour Relations Agency (LRA) to conduct a review of that. There is concern. We want to look again to see how, as he and others have outlined, what looked like a potentially stern disciplinary outcome of the inquiry emerged as a single letter of discipline for one member. That is not to go over the individual disciplinary hearings, because they have been done and it is not our job to re-examine all of that. However, there is an argument for examining how the process was framed and carried out. I have asked for that to be done, and I expect to have word back on it early in the new year.

Mr Allister: Specifically on that, who signed off the RHI disciplinary scheme?

Mr C Murphy: The RHI what, sorry?

Mr Allister: The disciplinary scheme. Who signed that off?

Mr Boyle: The permanent secretary.

Mr C Murphy: The permanent secretary, yes. The then permanent secretary of the Department of Finance.

The Chairperson (Dr Aiken): David Sterling?

Mr Boyle: No, it was Sue Gray at that stage.

Mr Allister: Sue Gray.

Mr Boyle: Sue, with the NICS board, signed off the adapted process for RHI discipline.

Mr Allister: I see.

Mr Boyle: The NICS board was the body that signed it off, but Sue led that.

Mr C Murphy: Colum is saying that the proposition would have been brought to the NICS board by the then permanent secretary of Finance but the NICS board would have signed it off.

Mr Allister: Yes.

Finally, let us look back, with all the benefit of hindsight, at the voluntary exit scheme (VES). That scheme cost £300 million, and 6,000 people exited under it. Yet, they have all been replaced, so to speak; the age profile is still the same; and the salary profile is still the same. What was achieved by the voluntary exit scheme?

Mr C Murphy: It is always better to look back with hindsight, but you do not take decisions with the benefit of hindsight. I was not involved with the Executive at the time that that scheme was undertaken. I know that the intent, as well as reducing the number of staff required and the associated wage bill, was to allow a transformation of the age profile.

Mr Allister: But it did not.

Mr C Murphy: We still have issues with the age profile of the Civil Service.

Mr Allister: The age profile is the same.

Mr Boyle: Yes, but there was a recruitment moratorium.

Mr C Murphy: I will let Colum pick it up from there. That was just some opening commentary.

Mr Boyle: That was impacted pretty significantly by the fact that we had a recruitment embargo for a long time post VES, so there was a lack of ability to absorb new people from the outside. Then, when there were recruitment competitions, most were run internally, so you were effectively having the same people moving around the system as distinct from new people coming in. Over the last year, there has been a drive from HR, with the support of the NICS board and the Minister, to move towards external recruitment so that we see the age profile changing.

The age profile is starting to creep up, but it is coming from a low base. I accept that the figures on that are not particularly good. We are at a low base, and we have to pull that up as quickly as we can. However, that will require a new set of HR services and a new approach to HR, which is what we are trying to put in place. The Minister commissioned a review of recruitment policy. We are doing an end-to-end review of the recruitment process. We are bringing in a new target-operating model for human resources in general, which will affect that as well. In order to change, there has to be a new paradigm of Civil Service HR.

Mr Allister: Does that mean that it was a waste of £300 million? It did not change anything.

Mr C Murphy: It may mean that it did not have the intended or desired outcome. As Colum said, it collided with a general austerity approach that meant that recruitment was put under a moratorium. You had people going out at one end, but, due to that policy, the ability to recruit externally into the Civil Service to change the profile, experience and capabilities and achieve the required mix, as

flagged up by RHI, was impeded at the other end. I am sure that those who embarked on it did so on the basis that it would have that favourable outcome, but other factors impeded it. However, I think that we are back on course in trying to get the outcome that was envisaged initially.

Mr Boyle: The other figure —

Mr Allister: Chairman, may I sneak in one further question? Are the increased National Insurance contributions — I think that they are about £300 million — reflected in the Budget?

Mr C Murphy: I will let Joanne pick that up. A Barnett consequential came to health and social services as a consequence of that. We have exceeded that Barnett consequential through our proposition.

Ms McBurney: As the Minister has said, while the levy is ring-fenced for health, it comes to us, in Budget terms, through the Barnett consequentials. Those have been factored into the Budget. We have allocated more funding to health in the draft Budget than we received through health-related Barnett consequentials.

Mr Allister: But part of that is the £300 million.

Ms McBurney: Yes.

Mr Allister: Thank you.

Mr O'Toole: Thank you, Minister and the team. We do not have much time, but we have a lot to go through. I assume that the Minister and the senior officials will be happy to join us at some stage in the new year to talk in more detail about the multi-year Budget.

First, on the multi-year Budget, my party and I have been vocal in supporting the prioritisation of health. Is it the Department's position that the 2% cut that has been applied to other Departments across the board — in the absence of a Programme for Government, which, presumably, would lead to detailed prioritisation plans — will have to stay, come what may, before a final Budget is presented and that there will be no more detail on prioritisation and no more change in the profile of that blanket 2% cut?

Mr C Murphy: It would be preferable if a Programme for Government were available to match the Budget. However, I have a legislative responsibility to get a Budget out within a certain time, so I cannot wait to see if the Programme for Government, which was outlined some time ago, is finally agreed. My preference is that it will be, but we still have to move ahead.

It is not a question of whether it is the Department's position that the 2% has to stay. It will be the Executive's decision what the Budget looks like. Then, it will be the Assembly's decision whether it votes for it. Our proposition to secure more funding for health might not be all that people require or would like, but there was a balance to be struck between the impact that it would have on other Departments and what is necessary to try to get Health on to the right trajectory in dealing with some of its big problems and in transformation within the health service more generally. As I said, if we had decided to take 2% from some Departments and nothing from others, getting to the level that we need would have meant taking 4% from some Departments and 2% or nothing from others.

Our engagement with Departments on that proposition began during the summer. We asked them to look at a number of scenarios, and 2% was at the lower end. We got significant feedback on what 4% and 8% would mean for Departments' ability to continue to provide services. Our proposition struck the balance between what was required to get Health on to the right trajectory and that with which Departments could manage. That causes pain, which we have recognised. I have worked closely with Ministers to address some of the issues that they have raised.

The central, core proposition remains. The member has said on a number of occasions that he agrees with the prioritisation of health. It is a question of where you find the funding for that. If the outcome is that the Executive decide not to make the 2% cut, Health would not get the money that it needs to do that work. We would not get the full amount of money that is needed to tackle waiting lists, for cancer services, for the mental health strategy or for transformation. We would end up in the same place as

we have been for the last 10 years. The health service would continue to absorb money to keep going without having the money to invest to transform things so that it can create better outcomes.

We face that choice at the end of the Budget process. It is not a question of us insisting on 2%. We put the proposition to the Executive, and they have to decide. On the basis of the results of the public consultation, I am sure that they will decide to do that. Of course, the Assembly will have the final say on it.

Mr O'Toole: I reiterate that I agree that health should be prioritised; I am clear on that. You mentioned that one of the things that you expect to be unpacked in the consultation is more detail from the Department of Health on how it intends to spend the money. Is the corollary to that that, if there is more detail in the consultation responses about the specific needs and pressures in other areas — Philip McGuigan rightly mentioned and you mentioned in the Assembly this week the need for ring-fenced funding for green growth, decarbonisation and the pressures on NI Water, for example — would you be willing to look at those while still protecting the prioritisation and settlement for Health that we all want to see?

Mr C Murphy: I do not think that we suffer from a lack of speci— speci— specificity. I am trying to get that word out.

The Chairperson (Dr Aiken): I cannot do it either.

Mr C Murphy: I will just say that I do not think that we suffer from a lack of detail [*Laughter*] about the pressures that other Departments face. That is absolutely not to disregard those pressures, because they are real. Let me assure you that the Department of Finance suffers from the same issues. I have had discussions with people in our Department about the pressures that they are experiencing. The Department of Finance provides a range of key public services, and we have suffered 10 years of austerity budgets as well. I have no doubt about all of that.

I am very much open to hearing anything during the consultation period. That is what consultation is for: to hear the views of other Departments, the public, Committees and the Assembly. Of course, the premise of consultation is that you are open to the idea of change at the end of it. That will be a matter for the Executive. However, if we decide that we need to meet other priorities, there is only one place that that money can come from, and that is from the money that we have earmarked for health.

We have provided flexibility for the green growth strategy. As I said in response to an earlier question, that is not to downgrade or reduce in any sense the absolutely imperative need to reduce carbon and the importance of the green growth strategy. We want to give Departments more flexibility in how they engage with it.

Mr O'Toole: Right.

Mr C Murphy: However, if we decide that that priority, Northern Ireland Water or Translink need more resources, as part of our proposition, the only place in our finite Budget where we can take that from is from the money that we have earmarked for health.

Mr O'Toole: OK. Thank you. I do not have much time. You have covered a lot of ground for us. Thank you.

Just quickly, on the January monitoring round and where the pressures are in-year, what is the latest calculation of what you expect to receive in underspend from the Department for the Economy and of money that can be reallocated in January?

Mr C Murphy: We are attempting to reallocate now to deal with the cost-of-living crisis and to provide support for winter home heating and some money for energy costs to Northern Ireland Water. That was in the paper that we brought to the Executive last week. The Department for the Economy indicated that a £40 million surrender will come in January: is that right?

Ms McBurney: Yes, it is around that.

Mr C Murphy: We are preparing to use that and other money that we expect to come into the system following indications from other Departments. In January, we will probably also have the £50 million

Barnett consequential from the rates legislation that is going through Westminster. That will come to us in this financial year, and Treasury is insisting that we spend it in this financial year. However, of course, we cannot use it for that rates purpose in this financial year because that will come into play in the next financial year. As I said in the Assembly, we have an arrangement with Health whereby we do a kind of swap: we get money from Health on the understanding that we give it back to Health mid-year. That could be another £50 million.

Joanne can add to this, but the indications that we know about include the Department of Education's requirement for special educational needs (SEN) and Northern Ireland Water's further requirements for energy costs, which we intend to meet in January monitoring. I am not sure if anybody else has indicated anything.

Ms McBurney: A range of pressures were not met in October monitoring, and we expect some of those to come forward. SEN and NI Water are the main ones. There will then be the question of whether additional pressures come from developments on the COVID front.

Mr O'Toole: Thank you. Given that it is Christmas, I will not be too pointed in reminding the Minister and Joanne that we made a specific call around universal credit for about £50 million to be redirected to deal with the cost-of-living crisis. I was told that that was impossible and an unreasonable ask, but that underspend now looks to have materialised. Since it is Christmas, in a spirit of goodwill, I will not dwell on that too much [*Laughter.*] My final question relates to Civil Service reform, which we have been talking about. Minister, there is a lack of clarity on who owns the programme for Civil Service reform. We discussed that a bit with Jenny — not Jenny Pyper but her replacement, Jayne Brady, and Colum; Jenny Pyper has gone off to a different role, as we have discussed. Minister, are you the senior political owner of the programme for Civil Service reform, or is that the First Minister and deputy First Minister?

Mr C Murphy: On your first point, to set the record straight, the bid for that was in the October monitoring round, when we did not have the money for it. I also do not believe that a couple of months of universal credit uplift is sufficient; it should be continued. Since then, the cost-of-living crisis has become more acute, with the increase in energy costs. We were trying to assist people in that regard.

There is overlapping responsibility for ownership of Civil Service reform, which is why we have established an MOU between us, HOCS and TEO. HOCS is the leader of the Civil Service. I, on behalf of the Department of Finance, have responsibility for answering to the Assembly on Civil Service policy and other matters. TEO has overarching responsibility across all the Departments. Nobody in particular owns it. We need to make sure that we are all clear about what our roles are and that we have an agreement to work together with a central aim and drive. That aim is longer-term reform. Within that, there are interim measures and streams that we need to measure and press ahead with. Colum has referred to some of them in his responses. That is the clear purpose of the MOU.

When there is a question on the Civil Service, I have to stand up in the Assembly or provide a written answer. I have responsibility, but I do not have total ownership of the responsibility for it. That is why that collaboration between us, TEO and HOCS needs to be formalised. We have managed to do that under the new head of the Civil Service, which is a good thing. We are all agreed on how that works and, more importantly, on the work that needs to be done.

Mr O'Toole: OK. Thanks, Minister

Ms Dolan: Welcome, Conor and your officials, and thank you for your presentation. The joy of going second to last is that most of my questions have already been asked and answered. You recently announced that the Executive had been accredited as a living wage employer. Does that mean that, from next June, all public sector employees, even those who are contracted, will receive the living wage?

Mr C Murphy: The Executive are responsible for the employment of civil servants and those who work for the Civil Service. The policy is already in place. The announcement a couple of weeks ago was of the Living Wage Foundation's accreditation of that. That immediately affected about 350 families. The people who work for the Civil Service — cleaners, catering staff, security people — are then brought into that. The broad public service expands across councils and a range of areas including teachers and other people who are employed in it. We encourage organisations to go down that route.

What happens from next June relates to our ability to influence that through procurement. Anyone who tenders for a government contract will be obliged to employ their staff on, as a minimum, the Living Wage Foundation living wage. We are heading in the direction that we want to go of seeing the policy apply across the entire public sector. For the moment, we have done it for those for whom we can. We will continue to encourage it. A lot of private sector organisations take their lead from the Executive on these matters, so I hope that the policy influences those organisations as well. We are trying to get people into jobs. Every section of the private sector that I have spoken to, be it manufacturing, hospitality, retail or services, wants to employ more people, and they have to provide the conditions that make it suitable for people to take up employment. The idea of having zero-hours contracts and paying less than the living wage are anathema to getting people into employment. People not taking up job opportunities is counterproductive to our economic growth.

I hope that we have led by example, and I hope that that is followed across the public sector. That ambition should be realised across the public sector and, beyond that, into the private sector. Anybody who wants an Executive-awarded contract from next June will have to give those who work for them, as a minimum, the standard living wage.

Ms Dolan: That is great. Thanks for the clarity. Do not get me started on zero-hours contracts. You know that I have a private Member's Bill on the issue. Thank you very much for that, and thanks for everything throughout the year.

Mr C Murphy: OK. Thank you.

Mr Catney: Thank you, Minister. I thank your officials as well. I wish you and all your officials a merry Christmas.

Mr C Murphy: Thank you.

Mr Catney: I hope that you have a good one with a new grandchild in the house — everything changes.

Conor, having looked through the paper, I see that there has been a 5% increase in the cost of living. How does that affect the Budget? I know that, as we go forward, you have to allow for that throughout the three years. I welcome your willingness to at least go for a three-year Budget. This ties in with what Jemma said about low wages. The increased cost of fuel and increased costs across the board are driving an awful lot of people into poverty. I know that there are two or three questions there. You have some powers to alleviate that. Hopefully, that will be supported by all political parties in the Executive, because I am fearful of the tsunami that will hit us.

Mr C Murphy: Thanks for that, Pat. Over the last number of weeks, I have tried to act on the powers that I have by putting out a call to Departments to surrender early money that they would not have otherwise surrendered until, perhaps, January. At that stage, from my perspective, we were too far into the crisis to wait. The Department for Communities had a Barnett consequential of some £13 million or £14 million.

Ms McBurney: £13.8 million.

Mr C Murphy: Between £13 million and £14 million was allocated to address the cost of winter heating. We spent something like £40 million or £50 million on that last year alone, and that was outside the hike in energy costs. It was fairly clear, therefore, that that was not going to be enough. That was why I asked for an early surrender. That is what I can do: I ask can for an early surrender, cobble together a proposition and put it to the Executive. Other Departments were not satisfied with what they got in October monitoring and were waiting to see whether they could raise their issues. They were anticipating some relief in January, so that call probably caused them some consternation. The Executive have to be flexible enough to recognise where issues arise and respond accordingly.

Over the autumn, we had a substantial hike in energy costs. That has a real impact on households. We are coming into the winter, which is when the need for heating rises, and people continue to struggle in that regard. We therefore put forward a proposition that Communities should receive £55 million, and we had some money for NIW's energy costs. That did not make it on to the Executive's agenda. My power ends there, Pat. I cannot get the papers on to the Executive's agenda. That is not within my gift. We presented that to the Executive, and we have re-presented it for tomorrow in the

hope that it gets on to the agenda. We can do something in the here and now to assist people, and we should do that where we can.

In the longer term, we have the Budget that we have, and we have the amount that we have. We have health priorities. We recognise that there is more to health outcomes than the Department of Health. People's living conditions, the poverty cycle and all of that contribute to ill health as well. One of our priorities is tackling inequalities, and that work needs to continue. It is cross-departmental, so, when Ministers prioritise in their own budget, they have to look at how they can tackle some of the issues that impact on people's everyday lives. There are rising costs, particularly in large capital projects, and Ministers have to analyse the impact of the increased costs of materials. We are getting a sense that some of those costs are coming down, and we hope that they will reduce in the time ahead. Those costs are, however, unlikely to come back to where they were. Those factors have to be taken into account when Departments decide their budget. The Executive decide the overall envelope and what goes to each Department. Within that, however, Ministers have a high degree of discretion in how to prioritise. Their departmental budget may not be all that they want, but they have discretion to prioritise within that. They decide what the priorities are, and we ask them, in doing that, to recognise the challenges that people face.

Mr Catney: Thanks, Minister. Conor, in my constituency — this is not a trick question in any way — there sits the Maze prison or the Long Kesh site. It is in the economic corridor. It is only about three miles from where I sit at the moment. I hope that there is some way that that, at least, can be developed. We need to think of high-end projects for high-end jobs. Our young people can be better trained and better matched with employment opportunities. There are many projects that can drive the economy. Maze/Long Kesh is just one of the projects that can help all of Northern Ireland. Although it sits with the Executive Office, now that we are coming to the end of the mandate and face an election next May, we should plan all those opportunities and assess the value of the assets that we are sitting on. I ask you, as the Finance Minister, to carry out a trawl of all the assets that sit idle but could boost the economy. You may have done that already.

Mr C Murphy: I agree with that. It is not for the want of trying, over many years, that that project has not gone ahead. It should be up and running and yielding benefits. We are asking Departments for efficiencies of 2% over three years. Efficiencies are not just about finding savings; they are about finding better ways to realise more resource from assets. All of that can contribute to efficiencies. A cursory glance across our estate shows an awful lot of underutilised assets, and the Long Kesh project is one. There are many more, big and small. We are carrying out a mapping exercise of the Civil Service estate. The new blended working arrangements that are under discussion will have an impact on that.

We have a responsibility to look at our assets. Managing assets that give us no return costs money. It is inefficient to manage an asset that generates no return. Absolutely, across all Departments, we need to look at the assets that we have and consider how we can get maximum value from them. Over three years, that process could yield the 2% that Departments need, if they go at it in a determined and imaginative way.

Mr Catney: Minister, I asked you yesterday about how we can build the green economy. You mentioned it to some of my colleagues. It is an ideal opportunity. You said that the money was ring-fenced prior to that. I have been trying to find out where, and, no doubt, I will see where it is over the next few weeks. You were not tempted to go again at it, were you? You said that you had looked at it.

There is another aspect to my question. I look back to before I was elected, to the Bengoa report, which sits on a shelf. I am sure that we have many other reports that tried to make savings. Can those reports not be implemented or even brought off the shelf to look at how we can make efficiencies in order to stop what is happening in the health service? I am all for money going into the health service, but, somehow, we need to live within our means in Northern Ireland and drive the economy forward, especially for young people. I hope that you can agree with me on that, Minister.

Mr C Murphy: Yes. I do not have any difficulty with that. The idea behind undoing the ring-fencing of the budget for the green growth strategy is to give Departments more flexibility in how they spend. As I said, that is not to downgrade the green growth strategy in any way. As part of this, Departments will publish their spending plans, so there will be an opportunity, as part of the Budget consultation exercise, for all Committees and, indeed, for any MLA to engage with Departments and look at their spending plans over the next three years. You will see much more detail across all Departments. There are many contributions from Departments to the green growth strategy, not just DAERA and the

Department for the Economy but across a range of Departments, so it will be important to look at those.

There are some important principles in those reports on health transformation. The reports are a number of years old, and we now have to factor in the experience of the pandemic, but the broad principle of co-design with people who work in the health service is still an important one. We want the Health Department to come to the Executive with a programme for transformation so that we can analyse that, agree it as part of the final Budget and get a clear sense of how that will work. We want the people who work in the health service to be on board with that plan as we spend the next three years trying to transform the health service and tackle all the acute issues in it.

Mr Catney: I am my party's spokesperson for small businesses, Conor. When I go round small businesses — I know that you are aware of them — it is like they are in round nine, have been knocked down three times and the smelling salts have been distributed to them. We need to be careful, therefore, about how we nurture them over the next three or four months. We need to reach out to them with any help that we can give, especially some form of VAT relief, which, I know, may well come from the United Kingdom Government, and rates relief, over which you have control.

Mr C Murphy: We are acutely aware of that. Our intention in taking the initiatives that we have in response to the increase in COVID is expressly to try to prevent the situation in which we close businesses again. We realise that, even with the support that we gave them, which was much more generous than in Britain, they are in a precarious state. We do not want to do anything that would damage those businesses, but we have to protect the health of the population. That is our primary interest.

Mr Catney: Yes.

Mr C Murphy: It is true that, if other interventions come from London, we will gladly accept them and put them to good use for businesses, but we are also looking at rates. I mentioned the idea of a continued rates holiday for some businesses for three months in the new financial year, and I think that that will be welcome to them. When it comes to our rates policy, we have been looking at things like Back to Business and small business rates support. We are discussing all of those issues with Ian and his team, who will present to the Committee in the final session of this meeting. We will continue to look at that, because we know that businesses will need continued support in the time ahead.

Mr Catney: Thank you, Minister.

The Chairperson (Dr Aiken): I have a question before we finish up. Colum, when we were talking about the disciplinary process for RHI, you said that Sue Gray and the board of the Northern Ireland Civil Service signed that off.

Mr Boyle: The RHI disciplinary process?

The Chairperson (Dr Aiken): Yes, the RHI disciplinary process. Will you let us know who was on the board at that time?

Mr Boyle: I am sure that we can check that for you.

The Chairperson (Dr Aiken): Yes, please.

Mr C Murphy: It is generally the permanent secretaries, the head of the Civil Service and some non-executive people, is it not?

Mr Boyle: Yes, but we can check for you.

The Chairperson (Dr Aiken): I am interested in whether David Sterling was on the board at that time.

Mr Boyle: I am pretty sure that he was not. I imagine —

The Chairperson (Dr Aiken): Will you check and let us have that information?

Mr Boyle: I am 99% certain that that would have been done —

Mr C Murphy: There would have been a conflict of interest, had he been on the board that signed off on that.

The Chairperson (Dr Aiken): I am not saying that that was what happened; we just need to know. It would be good if you could let us have that information.

Mr Boyle: Yes, we can get that through to you.

The Chairperson (Dr Aiken): Thank you very much for coming in, Minister, Colum and Joanne.

Mr C Murphy: Thank you for having us.

The Chairperson (Dr Aiken): Have a happy Christmas —

Mr C Murphy: We will.

The Chairperson (Dr Aiken): — and a safe new year. We will see you all early in the new year, hopefully with a Budget that has been well consulted on and that everyone is happy to go with. Thank you very much indeed.

Mr C Murphy: I admire your optimism. Thanks, Chair.

The Chairperson (Dr Aiken): You have to be optimistic at this time of year, Conor. Thank you very much indeed, team.

Mr Boyle: Happy Christmas to you.

The Chairperson (Dr Aiken): Cheers.