



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Strategic Priorities for DFP: Ministerial
Briefing

25 September 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Ms Megan Fearon
Mr Paul Girvan
Mr John McCallister
Mr Ian McCrea
Mr Mitchel McLaughlin
Mr Peter Weir

Witnesses:

Mr Hamilton	Minister of Finance and Personnel
Mr Michael Brennan	Department of Finance and Personnel
Mr Stephen Peover	Department of Finance and Personnel

The Chairperson: Minister, I apologise for Paul Girvan's long-windedness towards the end of the previous session. *[Laughter.]*

Mr Hamilton (The Minister of Finance and Personnel): I will speak to the Chief Whip.

The Chairperson: You are very welcome, as are Stephen and Michael. Would you like to make some opening comments to the Committee before questions begin?

Mr Hamilton: Yes, please. Thank you for the invitation to come along, and I am sorry that I have been unable to meet with you before now. As you may expect, I have had a fairly busy first few weeks. Unfortunately, various pieces of business took me away from Northern Ireland, but they were all things that may come up in the conversation that we will have today, such as meetings with the Irish Finance Minister, with people from the banking sector and with the Organisation for Economic Co-operation and Development (OECD) in Paris last week.

This is a slightly odd and surreal experience for me, because not that long ago I was sitting over there in that seat beside Leslie, quizzing the then Minister. It is even odder because I know everyone here so well. Most of you have my mobile number in your phone. I thought to myself that, if you have any questions, you could just text them to me.

The Chairperson: Do not look for an easy time just because we know you.

Mr Hamilton: It would make it more straightforward for all of us. However, I appreciate the opportunity that I have now, and on an ongoing basis, for engagement with the Committee, and I am very keen to keep that good relationship going into the future. There will be times when you will want to tell me that I am not doing things that you think that I should be doing, and times when we will come together as one and work to try to achieve shared objectives right across the board. That relationship between you and me, Chairman, and the rest of the Committee is very important to me. I want to make sure that it gets off on the right foot and keeps going.

As you know, I have already styled the job — I think that most people would agree with me — as being the most important job in the Executive and that the Department of Finance and Personnel (DFP) is the most important Department. It is not that we have a lot of direct engagement with the public, aside from a few obvious examples, such as rates and Land and Property Services (LPS). However, what we do is absolutely critical to the whole of government in Northern Ireland. If DFP does not function well, government as a whole in Northern Ireland does not function well. Therefore, it is a huge challenge for me, or for anyone who sits in this chair. It was a particular challenge for my predecessor because of the economic and budgetary circumstances that he found us in when he took over about four years ago. It was an exceptionally challenging environment, in both budgetary and economic terms. I am lucky to be in this position, and lucky that my taking the job seems to coincide with the economy taking a turn in the right direction. Sometimes this Committee may not take a direct involvement in economic matters, but my Department is an economic Department and should be interested in all facets of the development of our economy. A lot of what happens in our economy is driven through this Department, particularly public spending. I will come to that in a moment or two.

The economy seems to be moving in the right direction. However, it is early days, and I do not think that everything is going to be fantastic in the next year or 18 months. However, I think that we are going to start to see more good news than bad. Look at unemployment and employment figures and at business activity, as highlighted in the Ulster Bank's purchasing managers' index (PMI) for the past two months: it is all moving in the right direction. At long last, there is activity in the housing market, which again is moving in the right direction. That all adds up to encouraging signs for the economy.

We are starting to see the outworkings of the sensible and wise investment that we have made as an Assembly and an Executive in things such as our rating system; for example, the small business rate relief scheme and the decision to ensure that the cap on industrial rates was kept in place. A couple of weeks ago, I asked what had been the impact of that on businesses and found that, since we took the decision to keep that cap in place, it has kept £300 million in the pockets of manufacturing businesses in Northern Ireland since 2007. That is a sizeable amount of money. In the times that we are in, that is a lot of cash flow that those companies now have, and that allows them to stay in place. That is why I think that, in part, we are seeing manufacturing being one of the sectors in the economy that have been very good throughout the downturn. I think that it has a lot of potential.

We have also seen the benefit of investing in infrastructure, such as telecoms. We are starting to see Northern Ireland become a global capital for ICT and professional services, back-office services and legal services. Those services are using the telecoms infrastructure that we have invested in as a Government, and we are now starting to reap the benefits of that.

There is a risk that we could lull ourselves into a false sense of security. The economy is moving in the right direction, so there is a temptation to think that public spending will move very quickly in the same direction. I am afraid to say that I do not think that that is the case. I do not think that we will see a significant improvement in public spending for a number of years. It is hard to determine when we will see an improvement, but if you take the 2015-16 Budget as an indicator, it was not as bad as it could have been. In fact, it was quite good compared with what it could have been. A slight increase in capital expenditure of up to 1.5% is almost cancelled out by a 1.2% decrease in resource expenditure. The Government are moving away from their policy of hitting hard on capital, but they are moving money towards capital at the expense of resource expenditure, and that also puts a lot of pressure on things such as hospitals, schools and other front line services. The environment that I have inherited is one of less spending overall, less resource spending and possibly more capital spending, but of very different capital. That is because a lot of that increase is due to the financial transactions capital, which requires a bit of innovation and new thinking on behalf of Departments to avail themselves of it, particularly in working with the private sector to unlock the capital.

We are moving into the early days of a Budget period for 2015-16, and one of the early decisions that I have to make in circulating advice to colleagues in the Executive is what approach we want to take on that Budget. I will touch on that briefly because I know that the Committee will be critical to and involved in that process. The choice that was facing me, particularly on the resource side, is whether

we go for a one-year period, which is almost exactly the same position Budget-wise as we had in the preceding year. Do we go for a zero-based approach of taking everything off the table and then starting to construct a Budget for one year when the public spending environment for that year was very similar to the one before, or do we go for an incremental, roll-forward approach? That is the approach that I favour. That is the advice that I gave to Executive colleagues, and the response that we have got so far from Ministers and Departments has been very supportive.

Capital is slightly different by its very nature. You will already have existing commitments going into 2015-16, so you have to make sure that they are covered in that Budget. However, there will then be other new, freed-up capital money that you will have to go through a bids exercise for. Capital expenditure is therefore a bit more zero-based in some aspects than resource expenditure is.

I have also asked for feedback from Executive colleagues on a range of issues. Those issues include questions such as what we want to do with rates for that year, what we want to do about an efficiency agenda and what we want to do about the Programme for Government targets that run out before that Budget year. Do we want to roll those forward and extend them? The Executive will have to consider that. We need to consider whether we want to continue offering protection for a certain Department or Departments, and we have also to bear in mind that, because of various decisions that we have already taken, there is a range of commitments pledged to, such as the institutional abuse inquiry and its outworkings. Decisions have also been taken on the education maintenance allowance (EMA) and tuition fees, and, of course, we have to keep in the back of our mind at least, if not at the forefront, the fact that the issue of corporation tax will arise in the next year. Even if we are not taking that hit out of our bottom line, there may be some preparatory work that some Departments will want to do to make sure that we are ready for corporation tax. However, I am still waiting for completion of feedback from colleagues, and I will be able to come back to the Committee later in the autumn to tell you exactly where we are going with that, but that gives you a bit of an idea of where I see it going.

That is the core business of the Department of Finance and Personnel. That is what whoever occupies the post has to contend. As a first priority, the Minister has to ensure that we have adequate resources to do the job that we are tasked to do, which is to deliver those key front line services and invest in our infrastructure.

The situation is perhaps not as bad as we might have feared. We as an Executive have handled the past three years reasonably well. I can remember headlines on the front page of the 'Belfast Telegraph' stating that 25,000 public servants would be sacked over this Budget period. I do not think that 25 have been sacked. We have done a good job using the money that we have, albeit less money, wisely and sensibly. We have handled the period well, so there is a risk of again lulling ourselves into a false sense of security and thinking that we do not have to continue to change, reform and drive efficiencies throughout the system.

I have set the objective of trying to use DFP to make sure that the entirety of the public sector — not just what we are responsible for in the Civil Service or the 12 Departments but right down to local government — becomes much more efficient, innovative, creative, dynamic and visionary in what it is trying to do. That is all very easy to say. I think that everybody would agree with it. Mr Chairman, even you were very complimentary about the notion of a reform agenda. However, I think that we all accept that it is a lot more difficult to put in place. Transformation in any organisation is never easy.

The context is that we are in an entirely different dispensation. We have a different public expenditure landscape. All the while, public expectations of what we should be doing are rising. I do not hear any people out there saying that they want less from government. Whatever our views about the size of government and what it should be doing, the attitude out there is that if there is a problem, we should be in the middle sorting it out. Those expectations are rising at a time when our Budget is pretty flat and the nature of it is changing. We — as individual MLAs, as parties or, indeed, corporately as Stormont — are all judged on what we deliver and how we meet those high expectations.

We do not have money to throw at problems any more. I argue that, when we had a lot, money did not solve all our problems. The structural problems that we are talking about in the Assembly today — the economy, society and education — are very similar problems, and at the same level, to what we were talking about five, six, seven, eight or 10 years ago. When we had a lot of cash, we did not use it particularly wisely. We just threw in money expecting change to happen and results to appear, but it does not work like that. Anybody in business or in any organisation will tell you that that is not what you do to solve problems.

For me, the answer is pursuing reform. I stand up and say that I think that we should be reforming the way in which we do things as if that were a brand new and revelatory idea. We as an Executive have been very reform-focused over the past number of years. There are big structural reform changes going on, or pending, in education, local government, housing and health. However, I am trying to turn attention to how we can innovatively deliver the same services or innovatively deliver new services that achieve the outcomes that in our Programme for Government we all agreed are important to us and that the people outside of this place, who put us in this privileged position, want us to achieve.

Sometimes we focus far too much on what we put in. This Committee, and other Committees in this place, will scrutinise every pound and penny that we spend. However, sometimes we need to sit back and ask ourselves this: in spending that money on health or education, did we achieve the outcomes that we set out to achieve or did we just get the money spent? That is a cultural, attitudinal change that is required not just on our part but on the part of people external to this place.

I am very keen to look at how we can continue to use technology to deliver services in not only a more efficient way but a way that puts the citizen right at the centre; at different models of service delivery; and at collaboration across Departments, which is a problem that comes back time and time again. A lot of the long-standing problems are not the domain of one Department. Sometimes they straddle two or three Departments, and it is an inability to knit things together that means that the problem remains.

How can we look at outcomes? How can we focus much more expenditure on preventing problems from happening in the first place? A few years ago, this Committee did a nice piece of work on preventative spending and early-intervention spending. It is about time that that was taken forward as an idea. At the end of the day, we need people to deliver all those innovations. Therefore, most importantly, I want to look at how we can ensure that our public servants are as skilled as they can be and at how we can create some space for them to take a few risks.

I was at the Chartered Institute of Public Finance and Accountancy (CIPFA) conference this morning, at which we talked about how we can create space for public servants to do things that are new and novel without having to fear the wrath of the Public Accounts Committee (PAC), this Committee or other Committees coming down on top of them. You do not change things if you do not take a risk. If the risk is calculated and well thought out, and you are aware of where the risks and dangers are, nobody should be bashed over the head by a report or inquiry in this place. People will have taken a risk to try to do something that will transform lives in Northern Ireland.

Although it is our first priority, this is not just about getting better services and better outcomes. It is also about using the public sector a little bit more to encourage economic growth, not just in the investments that we make in skills and infrastructure but in how we use procurement — we had a good debate in the House yesterday about using procurement to be a lot more innovative — and different models of service delivery to encourage economic growth.

I am a big fan of using social enterprises to deliver services, where appropriate. I am keen to explore notions such as using mutuals and cooperatives to deliver public services. Where we have used those sorts of models of service delivery, our experiences have been good. There is huge potential. That helps to grow the economy in Northern Ireland. Yesterday, Leslie Cree mentioned Bryson Charitable Group and the work that it is doing, particularly on waste management. It is exporting that expertise across the border.

There will be a reception upstairs later hosted by Praxis. Given what it does outside Northern Ireland, Praxis is a huge enterprise. It uses the experience that it gets from providing services in Northern Ireland to bid for contracts in England, down south, on the Isle of Man and other places. Every £1 million of every contract that it brings back creates five back-office jobs in Northern Ireland. Therefore, we can use the power of our public sector to grow our economy.

DFP's role in all of this is quite clear. I do not want to go into Departments with a reform hat on and say, "Right, this is what you are doing." I want to work proactively. I want our Department to be very proactive and on the front foot. That is why I have created the public sector reform division within the central finance group. I want that division to be energetic and on the front foot, but I want it to work with Departments. Departments will know better than we do where their problems lie. I may have all sorts of ideas about what they should do, but I do not think that I would get away with telling them that. I want Departments to use the expertise that is already there.

We talk about reform and innovation, but some things are almost so obvious that we miss them. It is the things that are already happening. How can we use our assets better? How can we use more digital channels to deliver services? How can we use procurement? How can we use shared services better? We have the perfect structure for that agenda in Northern Ireland. In one Department, we have the ability to finance reform and invest to save up front. We then have the capacity to work with Departments to find the right way in which to make reform a reality.

Last week, I was in Paris — it is a hard life, I know — meeting the OECD. We had a fascinating series of meetings. The OECD is like a receptacle for all sorts of international best practice. When you go, you think that we do not do this really well here at all. However, when you start listening to people talking about what is happening in, for example, Italy, Denmark or Japan, you think to yourself that we are doing that as well. It might be in the early stages or at quite an advanced stage, but we have it already. We are doing things instinctively, but it is still beneficial for us to benchmark ourselves against the best in the world, because that is what I aspire to. I aspire to have the most innovative, dynamic and creative public sector in the whole world. It is a lofty ambition, but if you do not set those sorts of ambitions, you have no hope. I am keen to use that best practice, and I encourage the Committee to look at what the OECD does. When I was a member of the Committee, the furthest I got was Mallusk; I do not know whether the budget nowadays would extend to a trip to Paris.

The Chairperson: We got as far as the airport.

Mr Hamilton: You were halfway there.

Mr Mitchel McLaughlin: There was just the one flight.

Mr Hamilton: Just the timings were wrong.

The work that it is doing is genuinely fascinating, and there is a lot that we can learn through it about what other Governments are doing in reforms. That is all that I wanted to say. I am happy to take any questions, Mr Chairman.

The Chairperson: Thank you very much, Minister. On behalf of the Committee, we look forward to trying to build a constructive and positive relationship with you.

I have recently been thinking of something that came off the back of a conference that we both attended after you took up office, which is about how the Civil Service is structured and how you deliver best outcomes from that. There is certainly an argument that the Civil Service operates in silos and is not ideally placed to deliver objectives in health, education, and so on. There is the view that health issues belong to the Health Department and not to the Department of Education or the Department for Regional Development, and so on. Of course, the reality is that they belong to all those Departments. How do you tackle that silo mentality and the competition that is built into the system? How do you develop a team ethos throughout the Civil Service and all the Departments so that they are aware that they are all there as part of one government to deliver the same Programme for Government objectives?

Mr Hamilton: It is one of those nuts that, if you crack it, you have it. The Carnegie Trust conference that we both attended was very much focused on measuring national well-being and, during discussions, because of some of the people who were there, brought out what other jurisdictions have been doing, primarily Scotland. As well as having its Programme for Government, Scotland has decided to assess the success of that programme and the work of government generally based on a more outcome-focused approach.

I have been wrestling in my mind with the theory, which I know, that you have got to be outcome-focused; if you are not, you do not achieve. We can sometimes sit up here and say, "That's good for Northern Ireland or that's good for that part of Northern Ireland or that group of people." However, we do so without really understanding particularly whether it is making a positive impact and having the desired effect. When I was preparing for that conference, I thought that there was something here; there is the potential for something here.

Scotland has integrated into or layered it on top of its Programme for Government through a framework called Scotland Performs, which measures the success of its government based on indicators other than just ticking boxes or assigning red, green or amber lights to the Programme for Government. So, I think that there is something there. I know that the likes of, I think, Sweden and

Finland are working with Scotland. I will go to Scotland in early November, and I will try to get onto my agenda some meetings with officials who are operating that framework.

There is a risk and a downside to it in that you create another document to assess whether we are doing a good job here. In the first year, I think that one of Scotland's experiences was to find out that things were not great and it was not achieving what it wanted to. I do not need to tell anybody here about what the media in Northern Ireland are like. So, were we to create another official document that states things are up or down, we would be bashed and pilloried. Therefore, it takes a degree of political courage to say, "If we can do something like this; if we agree that this is the right way to go, then we will take the slings and arrows that come when we get a couple of thumbs down or a few in-betweens on the cusp of it." It is something that I am keen to look at.

I would nearly give myself this message: good luck getting a team ethos across the Civil Service. Over the past couple of years, and particularly the past few months, I have noticed that there is much more collaboration than you would think or see. You do not publicise it because that is just the way that it is done. Mike or Stephen regularly meet colleagues from across Departments. Sometimes, by its very nature, it may be confrontational, although that may be too strong a word. However, you could have two Departments with differing views and they are trying to get those together, but efforts go on to try to resolve problems. Even in the past number of days, I can think of key areas of work where we had protracted problems. I am thinking particularly about some of the consequences of welfare reform, rates rebates, and so forth, where we have ironed out difficulties with DSD to ensure that we can find a way forward. That was between two DUP Ministers that we had difficulties in getting something across the line.

I see the reform division, which Colin Sullivan will head up, playing a role in trying to get that team ethos. It is about DFP driving it and directing those sorts of changes but not necessarily taking the credit for it. I do not really want to get the credit for it; I am quite happy for somebody else to get the credit for it so long as it happens. We need to be sitting in the centre and enabling reform and innovation to happen across the public sector. Other jurisdictions that do that sort of work pretty well have a strategic centre that usually includes, if not in totality, the Finance Department. I am mindful of the structures of government that we have in Northern Ireland. DFP should be and is a strategic centre in Northern Ireland. We have a role to play in facilitating types of change that other Departments want to make happen, not least because, more often than not, change requires some money up front. They are going to have to come to us at some stage. If they are working with us at the beginning, they have more chance of getting the money to make the change happen and get the results on the ground.

The Chairperson: In the previous session, the Committee touched on the debate that we had last night about the DVA workers, based mainly in Coleraine, and the unanimous decision of the Assembly to back the retention of those jobs. I think that the Minister is called Hammond. It is scandalous that those Ministers are involved in essentially going over and above the heads of Executive Ministers such as yourself with the proposal to take those jobs away from the North and give them to Swansea. Will you consider putting together a case to bring DVA functions and the public sector staff affected under the remit of the Executive so that we can save those jobs in the medium and longer term?

Mr Hamilton: I am well aware of the issue and the consequences of the decision that has been made. It is a decision that the Department for Transport has taken right across the board. It is not just Northern Ireland that is suffering; offices in Scotland, Wales, the north of England and elsewhere in England have been closed down in a similar way to the proposal for Coleraine. I am intimate with the issue because I was on the Environment Committee for the past two years. I have incredible sympathy for the position that people find themselves in. All the evidence is that they have been doing a good job. Nobody is criticising the standard of service that they have been delivering out of Coleraine.

On the other side, one of the consequences of modernising services is that everything is now very much centralised in Swansea, as you said, so that the service that the customer receives is much more integrated and centralised. You can renew your car tax online, for example. If I have read the DFT stuff right, the argument is that that cannot happen for Northern Ireland without it being centralised. You are then caught between the position of wanting to absolutely look after and protect the staff in Coleraine, and the corresponding demand for having the ability for you, me and everybody else in Northern Ireland to be able to renew our car tax online, although you are now cycling everywhere, aren't you?

The Chairperson: Yes.

Mr Hamilton: You are also taking trains, so that is less of a concern for you, Chairman.

The Chairperson: I still pay my tax.

Mr Hamilton: It is one of those conundrums that you get as you modernise and change. We always have to be very mindful of those risks.

I am not aware of what discussions are going on. I have had no direct discussions with the Environment Minister about how he wants to take us away from that. It is a function that has been transferred by DFT to Northern Ireland. We do that on its behalf here. The power rests with it to take that back at any stage, so we are not in an entirely envious position. If we wanted to take the approach that you talked about and take DVA functions entirely away from GB, that is obviously a possibility, but I am sure that there would be cost and other consequences of that. I have no idea at this stage what backup plans the Minister has for the staff there. Perhaps he hopes to deploy them elsewhere in his Department, or he might be looking at working with other colleagues on where to deploy them should we get to the stage at which, unfortunately, the decision is taken out of our hands and the facility in Coleraine is closed. It is obviously one that we will keep an eye on and monitor. We are obviously very concerned about it, because we are dealing with people at the end of the day. We can talk about services all we want, but there are obviously people involved in this, and we need to be extremely sympathetic to their circumstances.

The Chairperson: I know that the Committee has not looked at the devolution of those powers before. We raised that with Esmond Birnie in the previous session. Will you raise it with the Environment Minister and the Transport Minister in London to see whether it is a viable proposal, because, ultimately, there are 300-plus jobs on the line? There is also the issue of the service they provide, as well as the issue of cross-border policy. All that is at risk, especially the jobs.

Mr Hamilton: I am due to meet the Environment Minister about other issues in the next week or so, so we might be able to raise it on the margins of that conversation. I have to say that that is the risk we run in performing some of those functions. That is a transferred function. There are other functions, mostly in social security, that we perform on behalf of England because we have been able to provide a very high standard at a low cost, but there is always the risk that those services could be taken back, at the click of someone's fingers, once the contract finishes. I am sure that there is always the temptation to do that and that lots of MPs across the water would like to have those services delivered from their constituencies. So, it is a risk that we have as a result of performing those functions. I think that about 1,000 staff in Belfast perform Social Security Agency functions and do a good job, just like the staff in Coleraine. From time to time, it is on a knife-edge because of the cost. There is always that risk there, unfortunately.

The Chairperson: I have one final issue before I pass over to Peter. The issue of prompt payments to the construction sector and subcontractors, which we have seen with Patton, has exercised the Committee over the past year.

I note that the Construction Contracts Act 2013 was enacted by the Oireachtas over the summer. That puts in place procedures for contracts worth €10,000 and above and provides for the right to refer payment disputes to adjudication, where a decision will be made within 28 days. So, they are taking quite firm action for subcontractors, etc.

Now that you have entered office, do you think that enough is being done to reduce the risk to subcontractors as well as to contractors, who — we raised this matter yesterday — are having to wait up to eight weeks for an initial payment from public organisations after the work starts? That has a knock-on effect for subcontractors in the chain. What are your plans to address that issue?

Mr Hamilton: To date, I think that we have been pretty responsive to that problem as it has reared its head more and more over the downturn. It obviously affects particularly the construction sector quite badly. In the debate on procurement yesterday, I tried to get the message across that there is this perception that procurement, and everything to do with the delivery of infrastructure projects in Northern Ireland, is very rigid and inflexible and that there is no change. I could bombard you with reams of paper showing you that the changes that we have made, sometimes at a low level, are quite impactful for those affected. The system does change from time to time and is flexible enough to be adapted. There are lots of examples of that.

I think that we perhaps do not make enough of a song and dance about the things that we do because they usually happen as a result of either political representatives or those from the construction industry bringing the problems to us. We obviously meet those from the construction industry regularly through the Construction Industry Forum. When they bring their complaints or concerns directly to us, we will look at them and, if we can, we adapt.

Prompt payments is one of those areas. We now have an exceptionally high level of performance on prompt payments — well over 90% across all Departments. That is good given where we were, which was considerably lower than that. It is not just a matter of saying, "Right, that is the work done. The payment arrives within 10 days." The invoice has to be legitimate and it has to be tested to make sure things happened. Even still, 90%-odd is a good performance. The problem is ensuring that that trickles down the line to subcontractors.

We obviously had the issue with Patton in your constituency, which had a very damaging effect right down the line. That is why we have brought in project bank accounts. Other jurisdictions are now starting to look quite jealously at that initiative, and I think that you will start to see others copying it. That is for construction projects that cost over £1 million and have within them a significant level of subcontracting. That means that we have an ability to control that in a way that we would not have if we were just giving it over to you as a contractor and depending on you to trickle that down within 10 days, which is obviously not always the experience. So, in response to that, we have taken that measure.

I am not familiar with what the Irish have done in that regard, but it is not something that I would instinctively turn my face against. I am happy to take that away, have a look at it and come back to the Committee.

Mr Weir: Thank you, Minister. As a Member of the Committee, I look forward to working with you. Judging by how brief your opening remarks and previous answers were, I suspect that we will be getting plenty of meat out of the issues that we raise with you.

Mr Hamilton: He is shutting me up. Sarcastic so-and-so. If I venture into Attwood territory, you will let me know.

Mr Weir: A special light starts flashing at that point.

I just want to touch on one issue, but it is one that, in many ways, feeds into a number of the themes that you highlighted. You mentioned that we need to look at innovation and get away from a sense of complacency. There is always a danger that, if pressures are not quite as strong, there is a tendency to go along with what we have been doing, rather than look at reform. There is greater emphasis on capital spend at the moment, and we need to move as far as possible from the silo mentality and seek collaboration. At times, we tend to see the difficulty rather than the opportunity.

One of the major areas that will hit us within the next 12 to 24 months is the implementation of RPA. The Chair mentioned the silo mentality in the Civil Service and between Departments. Do you see any opportunities for innovation in the relationship between councils at the secondary level on capital spend, or between central government and local government? At times, there has been a tendency for the two to operate independently of each other. That links in with the idea of building teamwork in the Executive, with a much more collaborative approach.

Mr Hamilton: RPA presents huge opportunities for all of us in the public service in Northern Ireland. I can understand why, up to now, elected members at the local level and their officers have concentrated on ensuring that, on day one, as we bring together two or three councils, we make everything meet. Bins must be collected and services delivered, and that is the number one priority for the transformation of our local councils.

However, to focus entirely on that, would be to miss a massive opportunity with regard to RPA. We are now creating entities that have sufficient scale, in size and rates base, and giving them powers in regeneration, planning and vesting, backed up by those bigger rate bases, which gives them the potential to invest in infrastructure in their areas. It is this ability to shape the local area that councillors from the generation before this one would have cried out for. Some of the veterans of local government here would have loved to have had such powers in their heyday. So, I think that there is huge potential.

As the Committee knows, the Executive are restricted in going out to vehicles such as the European Investment Bank. If, as an Executive, we borrowed money from that, the sum would be netted off our block grant every year, so there is no point because we would be paying interest. We would be worse off as a result of it. However, councils are not restricted in the same way and, as we are giving them all these powers of regeneration and community planning — they themselves are the planning authorities — they have the potential to invest in regeneration and infrastructure in their local areas. So, I am keen to push that, but in doing so, I am aware that the biggest hurdle to achieving it is that there is not the experience or capacity at local government level to make it a reality. Mike had a meeting last Friday with corresponding senior officials in the RPA team in the DOE to sketch out what I think the potential is. There are all sorts of financial instruments, such as tax increment financing, which has the potential, though I do not say that it is the answer, or even that it will even work, to make some of that investment in infrastructure happen.

There is also the European Investment Bank, which also met recently. It is dead keen to get into Northern Ireland. It sees this area as one of potential growth. However, unless those sort of introductions are made and some of the nitty-gritty issues, Treasury rules and things like that are explained to local government, I do not think that they will be interested or will look at it because they are too busy trying to make the two things tie up. I asked Mike and his team to work with the DOE to start to create — certainly, for the short term, anyway — a vehicle, entity or forum where that discussion can take place. The next meeting is with the Society of Local Authority Chief Executives (SOLACE). So, we will get chief executives in and start sowing the seeds in their heads about where we think they can go in partnership with us to achieve those big objectives. I think that that area has huge potential. We talked about that when we were with the OECD as well. It is clear that every place around the world that has gone through local government reform has focused very much on availing themselves of those opportunities. If we do not focus on it now, I worry that we never will.

Mr Weir: In many ways, Minister, that is obviously a good example of where, potentially, innovation does not always have to be about putting extra money into things. Sometimes, as it seems to be in that case, it can be about DFP and central government generally acting as a facilitator for or bridge between, for instance, local government and the European Investment Bank. Obviously, you are keen to push for them to provide that sort of facilitator role.

Mr Hamilton: Yes. It is a perfect example of where it is clearly not us who delivers that as a Department; it is about us enabling it and shining a spotlight on opportunities that exist that would maybe either be missed by local government or they may just have thought, "That is not for us. We do not have the capacity to do that." We will help them on the capacity side. We will certainly point them in the right direction.

Mr I McCrea: Minister, you will not be surprised by the issue that I will raise, given that I did so before you were in office, as soon as you came into office and since. It is about the equal pay settlement.

Mr Hamilton: You are very predictable, Ian.

Mr I McCrea: I do not apologise for that. Anyone who knows me knows that I will not. I will continue to raise it until there is an outcome, which will, hopefully, be successful.

I know that you responded to my colleague during topical questions last week. Can you put meat on the bones with regard to what you hope or intend to do and how you plan to take that forward? What options are available? You will be pleased to know that the Justice Minister gave you his support yesterday during Question Time.

Mr Hamilton: He did not give me any of his money, though, did he?

Mr I McCrea: Well, that is maybe for you argue that one. It is important to keep the issue on the agenda. As Minister, you have the support of the Committee and the Assembly.

Mr Hamilton: I cannot really say much more than what I said to Paul in my response to his question last week. I knew that it was very much a live issue. In the past eight weeks, I could hardly have missed it for the volume of correspondence that I received directly from those who are affected or from people like yourself and other Assembly Members, and, indeed, MPs and MEPs as well. I know that the Committee has taken a very keen interest in the issue. Last year, it sought or asked for a resolution.

I know that the legal position is that there is no liability for my Department or any Department to deal with. However, I am sensitive and sympathetic to the case that is being made that here are people who feel a sense of injustice. It is difficult to avoid that there is a moral case for something to be done. In saying that, I reiterate that there is no legal liability. There are obviously cost implications in all of that. There could well be — in fact, I suspect that there are — significant ramifications of dealing with it in particular ways. I asked officials to prepare a paper, which I am considering, to look at all those issues of cost, the means to do it and the ramifications. As you would imagine, it is not simple or straightforward. I may have a personal view or desire in the same way that you or other members may have, but it is not as simple as that. We have to consider the cost, consider how you would do it and consider any ramifications that there would be. Given the size and scale of it, I suspect that it will require broader political support. That is why it is helpful to have the support of the Committee on record, and the support of the Assembly. I am looking at it; I am sympathetic; I am carefully considering it; and I hope that you and, more so, the people who are affected by it can at least seek some solace in the fact that it is being carefully considered.

Mr I McCrea: When we had the debate before recess, there were discussions around the fact that the Chief Constable had submitted his business case to the Department of Justice. As far as I am aware, that was not passed on to the Finance Department. The Chief Constable says that the business case is still there. They want us to progress the conversion from the Justice Minister this week to progress this, and the support will be there. Will the papers that are being prepared include the conversations with the Chief Constable and the Department of Justice? What is the process?

Mr Hamilton: I will not sketch out the fine detail of it, because I am not sure of every stage that we will have to go through to get it through. I think it is safe to say that broader discussions, including those that you outlined with the Justice Minister, are probably part of resolving this. I am taking it seriously; I am considering it carefully; and I am looking at options and issues that still surround it, and which would have to be ironed out before I would be satisfied to proceed on it. I think that that is how you would like us to go.

Mrs Cochrane: I thank the Minister for everything that he has shared with us today. People probably say that you do not have the most sexy Department, but you are the Department that is in control. As a result, you often get the blame for a lot of stuff around business cases, for instance. Have you any plans to try to improve the process which seems to be holding up other Departments?

A Member: Sex it up.

Mr Hamilton: I am not going to pass any comment. *[Laughter.]* I suppose it depends. It is a powerful Department, and that has its own attractions, I suppose.

Business cases are an issue. When I was running around as Sammy's apprentice for two years, I lost count of how many times people, including some who are in this room, came to me and said that DFP was holding up something that affected their constituency or some area of work. They said that DFP was to blame. I am not going to say that we were never to blame for any hold-ups, but we did probe it.

A piece of work was done by an economist from Scotland, Jennifer Anderson. She came over, and, because of the criticism that was out there that DFP was the blockage, we explicitly asked her to do this piece of work. It was said that business cases were being prepared, they were being channelled into DFP and then they were getting buried somewhere in Rathgael or Craigantlet Buildings. When she looked at it, she found that the reality was that we were turning around our business. However, I will come back to that in a second. When we received business cases, they were regularly being turned around within 15 days, which was below the target that had been set for the Department. I think that the problem was that the Departments that should have been sending them to us were, in some cases, using it as a convenient excuse, because they had not finalised or prepared their report. One of the conclusions was that we were seeing far more business cases than we should have been seeing, and, perhaps, that was taking a little bit longer in some instances than it should have been. So, we were actively looking at our delegated limitations for Departments to do the business case themselves.

Departments were risk-averse. They were sending things up too early, but those were getting sent back, and the Department was being told that it would have to come back because what it had sent was not sufficient. That started the myth that it was DFP that was holding it up because the Department was having to resubmit the business case. If you are sending up a bad business case in the first instance, you should expect to get it sent back. I suspect that there were also some instances

in which the Department knew that it was not complete but sent it up anyway. It was as if the Department was getting us to mark its homework and tell it where it had gone wrong. Then it would go back and fix that, and that would get it through. A lot of useless information was regurgitated in some of them: stacks and stacks of backup and big reams of paper. Too many business cases referred to related strategies. We do not need that in a business case. If a business case is presented like that, our economists have to read it all when maybe all they need to read is a small section. If you want to reference it, a link to a website should be provided, which shrinks your business case and makes it easier to read. We are looking at that.

We are also looking at new templates so that Departments, instead of producing what they think is the right business case, can produce the one that we want, which, hopefully, will lead to more success in getting them through. The lesson of the review was that we were not entirely to blame. In fact, we stood up to good scrutiny in that report and the work that was done.

Mr McCallister: Congratulations, Minister. As you said, I am probably one of the people who has your mobile number. I think that I even follow you on Twitter, so there is no escape.

Mrs Cochrane: He did not tweet you.

Mr McCallister: He did not. I noticed that.

Mr Hamilton: I do not follow you, John. *[Laughter.]*

Mr McCallister: It would probably be good for your career if you did.

Mr Hamilton: That would be a scary e-mail: "John McCallister now follows you".

Mr McCallister: That is frightening, all right. Following on from Judith's point about some business cases, we had a presentation before the summer recess about accessing European funding and the time that it took to get various things approved. The average wait in Northern Ireland is 13 months compared with about six months in other parts of the country and across the EU. How can we speed that up? It was suggested that there was a difference in timescale between the two and, dare I say it, gold-plating in Stormont.

Mr Hamilton: If Stephen or Mike have anything specific to say on that, they can come in after I have spoken. That is almost the same point that Judith made. Nobody, least of all me, wants the potential for investment in good schemes and good infrastructure projects being lost because we are taking a lot of time to get things through their assessment phase.

The problem with Europe, as we all know, is the laborious and tedious assessment phase that has to be gone through. The Special EU Programmes Body (SEUPB) is doing a lot of work on assessments, particularly with INTERREG and Peace funding. I am astounded by the number of hurdles that have to be overcome before it makes the desk of a Minister, and a Minister can sign off and it is gone.

As we saw with a few high-profile examples recently, including one in your constituency, things can go wrong. That then creates problems because, in that area, that expenditure has to be finalised by 31 December 2015. It is a sizeable chunk of capital money, and it is easier to spend resource money. It is harder to spend capital because you have to go through procurement, investment and other issues, never mind the approval phases.

It is incredibly laborious and tedious and causes unnecessary delays. I have seen no evidence to suggest that we are slower than others, but I will take on board what was said. I cannot think of a reason why we would or should be worse than anywhere else, but if there is evidence that we are, we are keen look at that to see what we can do.

It is not always DFP's responsibility either. Sometimes, the hold-up could be because of a project that the Department of Enterprise, Trade and Investment (DETI), the Department for Regional Development (DRD) or another Department is taking forward. The hold-up or delay could be as much there as at the SEUPB or DFP. Our role is usually the same as in business cases. The case will come to us at the very end. We are not usually involved at the start. I have co-responsibility for the SEUPB, but I do not interfere every day in what it is doing with business cases. We look for approval for match funding from the Northern Ireland Executive perspective at the very end. We have some

oversight and control, but it is not always our direct responsibility to get that moving. I do not know whether there are any clearer examples of where we are making progress.

Mr Brennan: I will pick up on your point about business cases in general. The problem across Departments is a nervousness or worry about applying common sense to the proportionality rule. Their default position is to send it to DFP to mark their homework. They do not apply common-sense rules in the application of proportionality. That is my first observation.

With EU rules, there is probably an additional level of complexity in some funding strands, because, for example, there are joint managing authorities and multiple layers of approval. Also, some of the funds are transnational, so there is greater complexity in the approval process before the business case ever comes to DFP for a decision, as the Minister said.

Mr McCallister: I appreciate that. It might be worth having a look at the Hansard report of our meeting at Magee, I think, with the SEUPB and a DFP official. You are bound to hit some of those problems in other parts of Europe. The very fact that we are taking more than twice as long, on average, is a matter of concern as to why we are so out of kilter.

Mr Hamilton: If the Committee has evidence or information that it wants to share with us, we are happy to take a look at it. I dare say that, if there are rules to be adhered to, we are probably ensuring that we adhere to every rule. I am not sure whether the Italians or the Greeks would be just as strict as we are.

Mr McCallister: I will turn to another matter that was raised: banking. I know, Minister, that you spoke about that in a recent radio interview, and I raised it with the Committee. We get very different stories from our constituents, businesses in our constituencies and from the banks. No doubt, when you meet bank officials as Minister, they talk about pushing the world in front of them and how they are lending more than ever. However, we meet fairly solid businesses that are struggling to get access to finance. I also have concerns that it is putting pressure on some of those pretty sound businesses to sell off assets, with people waiting in the wings to buy those assets. If there is any evidence of that, we could look at it. The Committee agreed that we would look at the issues around that and the Northern Ireland Affairs Committee's views on banking. Any pressure from your office would be hugely appreciated by the business community.

Mr Hamilton: I agree. We are never entirely sure about what is really going on, because we do not have complete oversight of banking in Northern Ireland, so we rely on stories. "Stories" is not a bad word to use to describe it. I have discussed the banking issue, and my predecessor had regular meetings with businesses that were in exactly the sort of position that you describe. It is hard to know exactly what the full story is and what is going on. A business could say that it has a great proposition but is being turned down. Without being its accountant and seeing its profit-and-loss account and balance sheet, we do not always know exactly what is going on behind that. There could be a very good reason why the bank is not lending the money. It could be in a sector about which a bank is getting bad readouts and is worried about. That is not to stand up for banks, but I think that we all want banks to be a bit more sensible and prudent in their lending practices. We absolutely need them to lend. If we are going to make the most of the early signs of recovery, we need our banks to get finance out to companies, but we do not want them to be silly either, otherwise we will be back to square one.

When you talk to banks, individually or collectively, they tell you that they are well capitalised now, have money to lend and are open for business. The information that we get regularly from the British Bankers' Association shows that, consistently since we received that information, more than 90% of all loan applications are being approved. Behind that, however, the overall net lending picture is going down, so it is 90% of a lot less than it was at the start of the crisis. Somewhere among all that lies the truth.

There is evidence, or what appears to be evidence, of some sharp practices in some banks. In other cases, a mythology develops around banks whereby people have talked themselves into a position in which they see no point in going to a bank because they think that that the bank will simply not give them any money, even though they have no direct experience of doing so. I encourage and have been trying to encourage businesses through organisations such as the Confederation of British Industry (CBI), the Institute of Directors (IOD) and others, but if there are examples of bad practice, bring them to my attention or the attention of the relevant elected representative, and we can try to do

something. We have good bilateral relationships with the banks, and at times they have been helpful in such circumstances.

I have also told those organisations to encourage their members to go to the banks and to ask for money if they genuinely believe that they have a good proposition. If they are turned down, there is now an appeals process. Russel Griggs, who heads that up for the British Bankers' Association, is disappointed at the level of uptake for the UK as a whole and particularly for Northern Ireland. Of those who use the process, 40% win an appeal and get the money, so the process is working. It is worrying that as many as 40% are being turned down in the first instance, but there is that outlet. Rather than you, me and others discussing what we think is happening and relating the stories that we have heard, people can challenge their bank. If they do not succeed, they can go somewhere else to find out whether they were right or wrong. I encourage people to avail themselves of that. I also encourage everybody here to encourage businesses in their constituencies. If you hear those sort of bad stories, ask people whether they have looked at the appeals process. Let us start to gather that body of evidence.

The Chairperson: The Committee has discussed oversight and the fact that we do not have responsibility for banking, but I sense that we have an increasing accountability mechanism here. Would the Department consider a traffic-light system or a form of oversight of local banks on a monthly or quarterly basis, whereby the banks, voluntarily perhaps, feed in information and the Department provides an oversight? From that, the public could get a sense of how local banks are performing, and that may generate greater accountability of those banks.

Mr Hamilton: In theory, I would love to see something like that. Similar schemes will be operating at a national level in the UK and the Republic, but we fall between the two stools. That is part of our problem: we have an entirely different structure that is neither British nor Irish, and it is part Danish as well. We lose out as a result of that.

We get limited quarterly data from the banks, which is aggregated and anonymised. It covers headline issues. It is better than nothing, but we are trying to get more information through the British Bankers' Association, from which we are getting good feedback. We have not yet got what we want, but I think that we will get it. It will probably be aggregated and anonymous, and I will not be able to share it with you, never mind with the general public. In theory, I support the idea of a system whereby we could have better oversight of the banks, but capacity and capability in the Civil Service is an issue. Nobody on the staff has that skill. There are people who engage with the banks in different ways, but they do not have the ability to oversee them, and I am not even sure whether the banks would allow them. We could get into all sorts of discussions about how we own these banks, they are working for us now and are public servants, and so on. However, I have been surprised at the extent of engagement with Treasury Ministers and the Irish Finance Minister, who you would think have oversight over banks yet they are no better a position than we are in having control and authority over them. It is not a bad idea, but I do not know how it would work out in practice and whether we would have the capacity to get that information. We may have to buy it in and develop it, but, more fundamentally, banks will probably not give us the information.

The Chairperson: It is also about the way in which you approach it. Initially, the Ulster Bank experience with the Committees was quite negative, and it played out negatively for the public. To be fair, since then, the Ulster Bank has tried to address that by appointing a director for the North. Among the banks, there is a reaction to negative publicity and to how they respond to politicians and Ministers. That is worth exploring.

Mr D Bradley: Good afternoon, Minister. I will follow up on a point about EU funding. How concerned are you about the financial implications of the situation at the Maze? Is it a priority for you to ensure that Northern Ireland benefits to the fullest possible extent financially from the Maze investment, including the £18 million in European funding?

Mr Hamilton: My Department's role in the development of the Maze site, or any element of the site, is fairly limited. You mentioned the £18 million, which is the commitment from INTERREG funds for the development of a peace centre on the site. That is not proceeding, given the decision by the First Minister, on behalf of his party, not to go ahead. That has implications for the expenditure of that money, and the SEUPB is actively working through that. I mentioned an example, but I did not mention it by name: it is Narrow Water bridge, which is in a neighbouring constituency to yours. That is a similar situation as the money has to be spent by a certain time. Whatever happens with that situation is of concern to all of us because we do not want to lose a single pound or euro of European

money that is Northern Ireland's entitlement. As I always say, it is not Europe's money; it is our money coming back to us. We all want that to be spent to the benefit of Northern Ireland. It appears that that scheme will not go ahead, but that does not mean that other schemes could not avail themselves of the money. That would benefit Northern Ireland, not perhaps in the way that it might have done had the scheme been conducted properly, as some of us wished, but with other schemes. There could be benefits for other areas that would help community relations and development to try to ensure that the peace that we fought hard to develop over the years is enshrined in Northern Ireland.

I have always been convinced of the merits of developing the Maze site economically. It is in a wonderful, strategically important position in Northern Ireland, and for the potential development not to take place — whatever the elements of that development — would be a wasted opportunity for Northern Ireland.

Mr D Bradley: What is the timescale for the £18 million?

Mr Hamilton: The SEUPB has issued the letter of offer. That is extant and is still sitting there, so it is up to the SEUPB to deal with it and make sure about the moneys. We have a lot of experience of schemes, having been granted funding through European programmes, hitting the wall and not happening, and we are left scrambling around looking for things to spend it on. Not long ago, there was a good example, which, if I recall rightly, you took an interest in. It was money to do with Titanic Belfast, and another project had to be found to direct that money towards. I think that we bought a lot of buses.

Mr Brennan: Buses and road schemes.

Mr Hamilton: We have the capability of switching this around to give Northern Ireland the benefit of the money. The issue is somewhat politically charged. I have no objection to a peace centre per se on the site. There were understandable concerns about how that might develop. It would have been wrong if we had had a peace centre that was a source of conflict, and I think that the right decision was taken on the project. However, it has implications and ramifications for the use of the money, and I know that the SEUPB is pursuing the matter to ensure that the decision that has been taken does not mean that it will impact negatively on our ability to spend the money for the benefit of Northern Ireland.

Mr D Bradley: Before you came in, we had representatives from NICVA talking about its report on fiscal powers. I assume that you have had a chance to read that report.

Mr Hamilton: Yes, it was great holiday reading.

Mr D Bradley: What is your view of it in general?

Mr Hamilton: I think that it is a useful piece of work. I know that NICVA wanted to do it to stimulate a debate. The reason NICVA got PricewaterhouseCoopers (PWC) and Esmond in to do that piece of work was so that there would be an evidence base, as opposed to the organisation just putting forward what it thinks is a good reason, for politics or whatever. So, it is a useful contribution to the debate. It is timely, too. Obviously, the economic pact that was agreed back in June touched on exploring the possibilities of additional fiscal powers.

Sometimes, the position is politically characterised as one side of the divide or community not wanting any additional powers at all and the other side wanting them all. When you look at it, you see that the reality is that we actually have devolved, or pursued the devolution of, various tax powers. The obvious example that we have achieved is air passenger duty (APD) for long-haul flights, which is, I know, an issue that the Committee has taken an interest in.

The big one that we continue to pursue, and will devolve if we are allowed to, is corporation tax. That is an exceptionally sizeable tax. It raises about £1 billion pounds a year in Northern Ireland; I think that £900 million is the amount that would be taken off our bottom line. So, the Executive and I are supportive of pursuing additional fiscal powers for Northern Ireland. However, the policy position to date is to do that where it has been to Northern Ireland's economic benefit. So, the devolution of APD itself was not because we wanted to devolve the tax per se but because reducing the duty to zero was the vehicle that allowed us to retain the direct flight to New York. That has the potential to get other direct long-haul flights into Northern Ireland. Devolving corporation tax is not because we want

corporation tax per se; it is because we want to boost and rebalance our economy. I would be open to examining other similar taxes that would give Northern Ireland an economic benefit.

One of the interesting points in the report, which I think is one for us to consider, is the accountability that is bound up in this. We are in a reasonably luxurious position as an Assembly. We spend money that we do not raise ourselves. Some would argue that that makes us not as accountable for that money and that maybe we are less concerned about achieving outcomes — we talked about outcomes — because we do not have the ultimate responsibility for raising that money. I think that that is an interesting area to explore.

The reason I would not be supportive at this time of exploring significant other taxes to be devolved to Northern Ireland is that we are pursuing corporation tax, which is £1 billion that is going to be taken out of our bottom line that we are going to have to recoup in part. Another reason is that the fiscal deficit between Northern Ireland and the rest of the UK has increased in recent years to £10.5 billion. Corporation tax will fluctuate. We talk about establishing a price, but that "price" will go up and down. That is the problem. For us to then start to devolve other significant taxes that fluctuate — say we did something similar with income tax, which would be up and down as the economy goes up and down — would put exceptional pressure on the economy. If we did devolve corporation tax, trying to move to rebalance and grow the economy and make a greater contribution to tax coffers as a whole, it would probably not be the wisest thing to then start pursuing other major taxes, which would put huge pressure on our ability to deliver public services in the short term and spend money on infrastructure, which is, as I said today and before, a huge contributor to the economy in Northern Ireland. I have no ideological objection to devolving additional fiscal powers. However, there has to be some economic benefit to Northern Ireland, and I think that we would be foolish to pursue other major tax-raising or tax-varying powers at this time, given the pursuit of corporation tax.

I am sorry that my answer is so elongated, Mr Chairman, but compare us with where other jurisdictions are. Scotland has gone for income tax but is not getting corporation tax. We are going for corporation tax and hoping that we get it. So, the development of what is going on is very similar. We are not further behind or ahead of anybody else; we are kind of similar. I think that we have to be mindful of the pressure that doing something, whether for accountability or even economic reasons, will put on the block grant and its ability to perform its function of delivering public services for Northern Ireland.

The Chairperson: We have five minutes left, and three members wish to speak: Mitchel, Leslie and Megan.

Mr Mitchel McLaughlin: The discussion has been wide ranging. Welcome, Minister, and congratulations.

Mr Hamilton: You are a veteran of the Committee.

Mr Mitchel McLaughlin: Indeed. I remember you when you were in short trousers and before you were Sammy's apprentice. I am particularly impressed by your preparedness to look at issues. In some instances, we have ended up headbutting for no particular benefit or purpose. The NICVA report is very useful. It recognises that we became involved in the discussion on corporation tax, because there was a general acceptance that the economy here was underperforming. Whatever about the limitations of its potential, we could and should have been performing better. We were not closing that performance or competitiveness gap. I continue to support the focus that there is now on corporation tax.

The report usefully points out that, whatever you decide to prioritise or pursue at any given time, Scotland and Wales have proceeded with examining the range of fiscal powers. I suppose that they will make choices about what to deploy or negotiate on or whatever. That is something that we should consider as well, even if it has to be banked in the context of where our energies or priorities are at this point. There are still issues that we will have to research at a given time in the future, when we decide to move in that debate from a to b. So, I recommend that to you for consideration.

Another subject that came up earlier was the equal pay dispute. I very much take comfort from the fact that you are prepared to look at it and that some work is being done in the background. I am not going to press for any detail at all on that. When you come to conclusions, you will be mindful of your requirement to talk to your Executive colleagues and to the Assembly. It would be helpful, given the Committee's interest in this matter, if we were given some indication of when you expect to come to a

decision on that and whether it has any implications for Budget preparations or whatever. I do not expect the Committee to get a heads-up before the Assembly or Ministers, but it would be helpful for our responsibilities if we had an indication of when that is liable to be made.

I think that we here have generally always had a good working relationship with the Department. You have a particular experience of and insight into that. Given that time is moving on, I will just comment that I expect that to continue. I think that that will be productive and useful for us all. I say that to Stephen and Mike as much as to you.

Mr Hamilton: I will look at those points in reverse. As I said to the Chair, there will be times when you will disagree with my decisions. I hope that we can always have those disagreements in a respectful way and accept that people come at things from different perspectives. Going back to your point about being open, in the two years that I had to prepare for the job, I had a lot of time to read a lot of things. The system gives you a lot of things to read. A lot of people externally —

Mr Mitchel McLaughlin: It keeps you busy.

Mr Hamilton: They are still trying to give me a lot of things to read. Externally, people want to share their ideas with you. I was always very open throughout that two-year period to engage with people and listen to what they had to say. Every argument or idea has merit in it somewhere. Meritorious as it is when applied properly to the situation in Northern Ireland that we find ourselves in, I found people telling me over the past two years, "They are doing this in such and such a place; that should work in Northern Ireland". They say that without understanding the particular fiscal environment, rules and constraints within which we have to operate. In explaining that, they think that you are being incredibly negative. You are not being negative. You might like to do what they are saying, but you just do not have the capacity to do it. So, I have always taken the view that it is worth listening to people's ideas, because there is merit everywhere and in all of them, and whether they can apply to Northern Ireland is an entirely different matter.

I do not imagine the equal pay issue going on for months and months. I hope that it will crystallise very soon, not least because a sizeable number of people would argue that they have been treated badly over the past years. I do not want to prolong anything. I think that I owe it to them. I do not want to raise expectations, even though I know that talking about it raises expectations in part. I think that they deserve my looking at it afresh and considering what could be done, if something can be done. Of course, I will share anything with the Committee at the appropriate moment, not least because I know that it has taken a keen interest in this across the board and is supportive of doing something.

To touch on the tax issue, I have nothing much to add to what I said in reply to Dominic's question. I hope that I made it clear that I am not against devolving taxes per se; it is not blanket opposition to it. We have already seen evidence of where we can do it for the benefit of Northern Ireland, and I would be keen to pursue such options if and when they develop. We have heard the argument about looking at what Wales is doing and at what Scotland is doing. We are not always entirely in the same place as all those other jurisdictions. Wales is further behind in its devolutionary journey. It does not even have policing and justice powers yet, although I know that it is pursuing it. It has only just got full legislative competencies, so it is in the really early stages. It was interesting that, in the Silk Commission, Wales said that it did not really want responsibility for corporation tax but that it would take it if everybody else gets it. I think that Wales would be wary of pursuing income tax, because were it to increase it by a few pence, companies would be able to go very close to the Welsh border and still serve Wales, which might have a very negative impact on the Welsh economy.

Scotland is perhaps sometimes a better comparator. However, it is always a little further advanced. While we were closed down here for five years, Scotland was continuing on its journey and is a little further ahead. Of course, you will appreciate that its motivation in pursuing tax devolution would be a little different from mine. It may be more akin to yours or your party's. My message is that I would not close my ears to any of these arguments, but I think that we need to be mindful of biting off more than we can chew. Income tax, which is highlighted and flagged up in the NICVA/PwC report, is a big bite to take, and we would be susceptible to being buffeted by economic winds that are not always benign. At least we all agree on corporation tax, which we should focus on and make work. Then, in the longer term, once that has settled down, we should consider other things. I think that doing too much at once would threaten the success of the big prize, which is corporation tax.

Mr Mitchel McLaughlin: I am worried about how we start over again with each individual or incremental initiative —

Mr Hamilton: Sometimes we also have to be careful what we ask for. Some these taxes that you ask Treasury for, it would happily give you.

Mr Mitchel McLaughlin: I am not suggesting asking for it; I am suggesting that we do our homework. That is really what I was arguing. Even the most enthusiastic champions of corporation tax also acknowledge that it is not a silver bullet and that we need to do more.

Mr Hamilton: I appreciate that point.

Mr Cree: On the equal pay issue, it is encouraging to see some money appearing now in the budget again. I take that as a good sign. I would like to ask you about savings, which is one part of the economy that —

Mr Hamilton: I am going to ask Mike where he has hidden it now.

Mr Brennan: We will talk about it later.

Mr Cree: With RPA imminent, what is your opinion of allowing councils to raise funds locally through mortgage or bond and/or perhaps the reintroduction of something such as the Ulster savings certificates?

Mr Hamilton: Councils can and will continue to go to the National Loans Fund (NLF) to get money at a distinctly reduced rate. However, they will not be able to go there for all the projects that we are talking about.

Mr Cree: Sorry, Simon, but on the earlier point, they can surely decide their own rate if they raise their own bond issues or mortgages.

Mr Hamilton: They can, yes. That is precisely the sort of thing that I talked about in response to Peter's question. You are asking about the potential for councils to have their own bonds, to go out into the markets or to work with the EIB. That is exactly the point. At the minute, we can sit here and have those ideas and say that there is potential and an opportunity, but I do not see much interest in local government. However, there are a few exceptions. I have spoken to some chief executives who are exceptionally interested in that type of thing and who are pursuing it on a very quiet level. I do not see a lot of evidence from the Department of the Environment (DOE) that it is pursuing it. That is not a criticism, but that Department is more concerned about making sure that the legislation is passed. Now that the legislation is heading towards its Second Stage and into Committee, that will hopefully free up a bit of time for that Department to look at the stuff that is on the horizon in the longer term. That is why I have asked Mike and officials to proactively engage with DOE to scope out those precise issues. It is a bit like Mitchel's point about educating ourselves about it. We should be asking councils whether this is the sort of thing that they are interested in. If it is, we can work with them to pursue the precise steps that they have to go through to make that happen and outline the potential dangers and pitfalls.

I have talked publicly about initiatives such as tax increment financing (TIF), but even I do not accept that that will be workable in every case in a Northern Ireland framework. However, if you do not ask the questions, you will not get the answers that you need that then allow the councils, ultimately, to take the decision on whether they want to raise a bond, go to the European Investment Bank or organise a TIF in their area. So, it is about lending our capacity, skill and experience to local government to allow it to pursue those things itself. I see my Department working with DOE in this case — perhaps even with DSD too, because of the regeneration side of it — to at least take councils in the right direction in the first instance and to give them all the support and help that we can and hope that they can do some of those things.

Loads of stuff is going on in local government elsewhere, even in Britain. We were in the Organisation for Economic Co-operation and Development (OECD) last week, and we had a particularly useful conversation on that front. We tend to think that councils cannot work with any other council to do things, but there is experience across the water of two or three councils coming together in a cluster to avail themselves of big infrastructure opportunities. The bond that they can get, or the finance from

the EIB or others, is massively higher than if they operate singularly. That is maybe a few steps even further down the line, but that is the kind of direction that we have to start pointing councils in. We have to lend our support, expertise and experience to them and open doors for them to allow them to avail themselves of those opportunities.

Mr Cree: The big attraction, of course, is that it means that local constituents would get interest rates higher than they get from banks. It could be a win-win situation, and, of course, that existed prior to 1973 anyway. What about the Ulster savings certificates, which are under your own bailiwick?

Mr Hamilton: They were closed down, and we are still trying to find people to pay money back to, I think. I do not know whether you have applied or declared your interest yet. That is the sort of thing that councils can do, and I am very interested in that whole area of work because they can do things that we cannot do. There is no benefit or merit in us raising a bond, because although the money will come in, it will be taken off your block and, eventually, you will have to pay it back. I could do it now gleefully, but some other poor Finance Minister will have to pay it back in 20 years. It is not for us, but it could be for local government.

Mr Mitchel McLaughlin: They may be in Dublin at that stage.

Mr Hamilton: Or China.

Ms Fearon: You will obviously know about the Programme for Government commitment to increase the drawdown of European funds by 20%. How confident are you that we can do that and to what extent are we willing to learn from other regions that are much better at it? I do not think that 20% is a high enough target. We can go well above that because of the fact that there are hundreds of streams that we do not even attempt to access.

Mr Hamilton: I was not involved in setting the target, but I imagine that that it was ambitious enough but not so ambitious that it would be absolutely impossible to achieve. Mike might know.

Mr Brennan: A task force has been established to report directly to the First Minister and deputy First Minister under the Budget review group (BRG) on how Departments can draw down greater funding from the various strands of EU funding that is available. That work is reported to the BRG quarterly, and there are improvements in the potential drawdown. However, it has to be acknowledged that there are significant constraints with the eligibility rule. People ask why one region can draw down x billion pounds when we cannot, but the EU rules that apply to various regions make the matter much more complex than it appears at first glance.

Mr Hamilton: I do not want to labour the point, but you perhaps need to take a totality for the region. Given some of those rules, local government can perhaps be in a better position to avail itself of some of the schemes. There are all sorts of wonderfully named things such as JESSICA — joint European support for sustainable investment in city areas — and JEREMIE — joint European resources for micro to medium enterprises. Somebody in Brussels spends all their time dreaming up those names. Although the EIB is not directly about EU funds — it is sourced from its member states who are paying into it — local councils have the potential to perhaps avail themselves of some of this much more than we, as a government, have. As I said, I consider it to be our own money coming back to us, and, the more of it we can get, the better.

Ms Fearon: I know that we are pushed for time, but I have another question. It has been in the news recently that money is being pledged for free school meals. Have you had any discussions with the British Government about that, and will we have assurances that it will be used for the purpose that it was pledged for?

Mr Hamilton: Mike can keep me right on the precise numbers. In principle, is it a good idea? It appears to have considerable merit, but it is unclear yet whether it is anything more than a Lib Dem political promise that was made at a party conference in the middle of conference season. It is unclear whether additional new money will be put forward for it. That will obviously be of interest to us, because if additional money is put forward, we will get the Barnett consequential for it.

Mr Brennan: We asked Treasury officials to clarify where that money will come from, and they said that they are not too sure themselves. It depends on whether it is a reallocation, as the Minister said, in the Department for Education, in which case we would not get a Barnett consequential. However, if

the Treasury decision is to give new money to the Department for Education, we would get a Barnett consequential. Depending on the rules that the Treasury applies to that, that Barnett consequential could be anywhere between £20 million and £60 million. However, officials said that they will not clarify the issue until the autumn statement, which is likely to be in December.

Mr Hamilton: It is not clear. We will keep an eye on it and see what happens. If it is a reallocation in the Department for Education in England, we would not get that, but that is one of those circumstances that happen when you have devolution. One region has a policy that everybody looks at enviously but cannot afford. England is looking at Scotland for certain things and at us for certain things, and that is devolution. The other answer is to give it all back and to let them do it, but I do not think that any of us is going there.

The Chairperson: Minister, thank you very much for your time.

Mr Hamilton: Thank you. Sorry for going on a bit.

The Chairperson: I echo what Mitchel said: it is very welcome that you have come with a listening ear and are willing to consider the views and ideas from the Committee. You nearly spoke for as long as Paul did in the previous session.