



Northern Ireland
Assembly

Committee for Regional Development

OFFICIAL REPORT (Hansard)

Draft Budget 2015-16: DRD Briefing

3 December 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Trevor Clarke (Chairperson)

Mr Seán Lynch (Deputy Chairperson)

Mr John Dallat

Mr Ross Hussey

Mr Chris Lyttle

Mr David McNarry

Mr Stephen Moutray

Mr Cathal Ó hOisín

Witnesses:

Mr Peter May

Department for Regional Development

Mr John McGrath

Department for Regional Development

Ms Deborah McNeilly

Department for Regional Development

Dr Andrew Murray

Department for Regional Development

The Chairperson (Mr Clarke): Peter, I think that this is your first meeting with the Committee.

Mr Peter May (Department for Regional Development): It is.

The Chairperson (Mr Clarke): Your team is familiar to us. Do you want to make a presentation first, or do you want to go straight into questions?

Mr May: I have some opening remarks, if that is helpful for the Committee.

I am grateful to the Committee for the opportunity to explain that the draft Budget is part of our consultation process. The Minister and the Department are keen to have as many comments as possible. That reflects the fact that, in many ways, this is an unprecedented Budget that creates significant impacts on the service and the services that the Department delivers. Those services affect every citizen every day.

The consultation document you have in front of you was prepared on the basis of seeking to minimise the impact on front-line services. The approach is to identify efficiencies and better ways of delivering services and then to reduce those services that have the lowest impact on citizens. Even after having taken those steps, we have not been able to avoid cuts to front-line services, as is set out in the document.

To try to be helpful to the Committee, I will draw out the main points of the consultation paper, starting by explaining how we arrived at £65 million as the total amount of savings that need to be found. The

table on page 8 of the consultation document tries to explain that. It draws out that it is a combination of cuts to the starting budget and inescapable pressures from two sources: the current price control process for Northern Ireland Water (NIW) and the Executive's policy on concessionary fares. The sum of £65 million equates to 19% of the DRD resource budget. We recognise the need to make savings. We will have made £20 million worth of savings this year in response to the Executive-wide 4.4% in-year cut and wider pressures. However, the reductions required next year are of a different order.

The Department's budget can be broken down into four main areas: Northern Ireland Water; Translink; Transport NI; and the rest of DRD. I will discuss each briefly in turn.

Northern Ireland Water is a regulated utility and has a clear price and performance regime. In essence, the regulator sets the price that the company can charge, which is at the level they believe to be the greatest level of efficiency that the company can deliver from where it is starting. In other words, the efficiencies that Northern Ireland Water can deliver are already set in the determination reached by the regulator.

In our system, DRD pays costs on behalf of domestic customers, and, in return, Northern Ireland Water has to deliver the efficiencies and level of service set. I think that Northern Ireland Water has made great strides in recent years under this regime. Under the draft budget, however, Northern Ireland Water would receive £15 million less in operating costs than that set out in the draft determination issued by the Utility Regulator. We are awaiting the final determination. The consequences of that will be damaging and are set out on pages 12-14 of the consultation document. On page 13, we set out the fixed costs that Northern Ireland Water has in PPP contracts, and rates, which will increase by over £13 million in the year ahead.

Another big area of expenditure is staffing, where reductions can be made but only over time. Northern Ireland Water has already reduced its workforce significantly through voluntary exit in recent years. That means that it has very few other areas in which it can reduce costs. You then start to look at power, chemicals and other consumables, all of which go directly to the quality of the output it can deliver.

The impacts on Translink are set out on pages 14-16 of the document. The Department provides the funding for the concessionary fares scheme and a subsidy to rail and bus services. In our draft Budget document, we set out the consequences of reducing DRD's budget next year by £15 million.

While a proportion of that can be delivered through efficiencies and rationalisation of services, Translink highlighted that it will also mean above-inflation fare rises, reduced frequency of some bus and rail services, and the removal of some other bus services, particularly the town service in a number of towns across Northern Ireland.

We have looked at reducing the subsidy paid to Translink still further, but, as a company, Translink has to be able to show that it is viable going forward. We do not believe that it is possible to go any further than we have set out in our budget.

Transport NI is where the biggest single cut is to be made — around £30 million. That is as a result of having little flexibility in other areas. Pages 16-18 of the consultation document set out the consequences of that as well as explaining the fixed costs that Transport NI has in PPP contracts, other legal contracts and obligations.

Once those costs and staffing are taken into account, there is little room for manoeuvre. We are left with a stark choice under the draft Budget between, on the one hand, keeping the remaining street lights on and having no road or footway maintenance, traffic signal maintenance, gully clearing or winter gritting and, on the other hand, switching off street lights and providing a limited service in those other areas. No final decision has been reached on that difficult area.

Finally, the rest of DRD has a smaller budget, but that still needs to take its share of the cuts. It will need to reduce the grants payable for rural and disabled transport and, with Transport NI, we will look to reduce staff numbers significantly in the Department.

The whole Department has 2,250 staff, and we made an initial estimate, which is subject to further work, that we would need to allow 300 staff to leave under a voluntary exit scheme. Given the time lag in that coming on board, that will not help significantly in making the cuts in 2015-16, but it is still essential for future years.

The draft budget is prepared on the assumption that the costs of a voluntary scheme will be met through the central fund announced by the Finance Minister. Translink and NIW indicated that they would also need access to the central fund to achieve the cuts imposed on them. I recognise that the picture painted is bleak. I highlight again that we looked hard to find less painful ways of living within the draft Budget.

Before I conclude, I want to say a word about capital, because everything that I have said so far has been about resource. Clearly, investment in infrastructure is important both to maintain what we have and to enhance it. The draft Budget provides £325 million for capital. Pages 10-11 of the consultation paper set out the detail. In previous years, we have successfully added to our budget through in-year monitoring, but I think that that is much less certain going forward, given the rest of the settlement. In the draft budget, we have reduced the amount of capital available to Northern Ireland Water by 15% compared with the assumptions that the regulator made in the draft determination.

While the budget provides the money needed to fund the contractually committed major road schemes, it will not provide for the level of structural maintenance required or for the preparation of new schemes. We estimate that the budget will be around £70 million below what is needed in those areas.

While the capital position raises concerns, the resource allocation gives rise to the most serious impacts on service delivery. We are open to ideas about other ways in which we can reduce costs and lower the impact on citizens. The high fixed costs and proportion of funding devoted to direct service delivery means that DRD has little room for manoeuvre. That gives rise to the scale of the issues I have set out today. We are happy to respond to your questions.

The Chairperson (Mr Clarke): Thank you for your presentation, Peter. The Minister wants to hear our views. I suggest that maybe the Minister should come and express his views before running to the BBC. We have an obligation to scrutinise the draft Budget. I do not think that it is the responsibility of the BBC or any other news media outlet to do that prior to the Committee doing so. The Minister leaves us in a very difficult position in situations like this.

Let us look at his language in the interview he gave:

"I think it is important to say that these are potential cuts. They are not proposed cuts and, certainly, these are not cuts that I would want to propose under any circumstances."

They are his cuts. They are his proposed cuts. If they are not his cuts, whose are they? Who is responsible in your Department? Why those specific areas? He goes on to say:

"These are [not] my choices."

If they are not his choices, whose choices are they? We will take that as a starting point.

Mr May: I am happy to take your invitation back to the Minister.

The Chairperson (Mr Clarke): It was not an invitation; it was an observation. You said that he wanted our views. Maybe I should express it differently. We are disappointed that he went to the media prior to coming to this Committee. It would have been good etiquette for him and the Department to speak to the Committee first. Let us not misunderstand the point that I am trying to make.

Mr May: Apologies if I did; that was not my intention. The paper that you have in front of you is a draft consultation paper for comment. It has been approved by the Minister for that purpose.

The Chairperson (Mr Clarke): Why, then, does he say that they are not his choices and that he would not propose them under any circumstances? He is certainly proposing them. Those are the proposals that you are bringing to us today to discuss. If they are not his, where are his proposals?

Mr May: There are no separate proposals.

The Chairperson (Mr Clarke): So what does he mean by saying that they are not his proposals, and he would not propose them under any circumstances?

Mr May: What I believe he said, although I am interpreting his comments, is that he does not think that it is a good draft Budget settlement for DRD —

The Chairperson (Mr Clarke): So why is he not challenging you if he does not think that you have come up with a good set of proposals?

Mr May: I do not think that that is what he is saying. I think he is saying that, if that is the draft Budget, those are the areas that we would need to look at to make cuts. It is just that he does not find the prospect of making cuts in those areas satisfactory.

The Chairperson (Mr Clarke): It is timely that you are here today, because each Committee is going through a process of scrutiny and financial control. In your presentation, you referred to the 19% cut. However, we received a research paper today that suggests that it is only a 4% cut.

Mr May: I am happy to look at the research paper. I have not had sight of that. On page 8 of the consultation paper, we have set out the way in which we arrived at the figure. We accept, as I said, that this is not only down to cuts that were imposed by the Executive but down to pressures the Department believes that it has little option but to meet. They are set out at the bottom of table 2. It suggests that the net reduction and pressure in the expenditure baseline is £41 million once you take account of the cuts and allocations given by the Executive and also a further £24 million of pressures that are faced by the Department. I have drawn out the two areas in which those pressures exist.

The Chairperson (Mr Clarke): Let us look at that. I know that members will be interested because we are at the Committee Stage the Off-street Parking (Functions of District Councils) Bill. The document refers to baseline reductions of £7.6 million. Surely the Minister has a choice to give that up. He is not being forced to dispose of car parks.

Mr May: The car parks are part of the review of public administration. Perhaps Andrew wants to comment on that.

Dr Andrew Murray (Department for Regional Development): You will remember, Chair, that the Executive agreed to freeze car parking charges for the past four years. They funded DRD to allow that freeze to take place. That is what the £7.6 million was for. It was extra money that was given to our budget to allow car parking charges to be frozen.

The Chairperson (Mr Clarke): With regard to the £7.6 million, Andrew, are you saying that you do not believe that, come April, the transfer of car parks will happen?

Dr Murray: No, it is nothing to do with that.

The Chairperson (Mr Clarke): It is nothing to do with that. If you are freezing car parking charges but are transferring the function to local government, there will be no pressure on DRD. If there is no pressure on DRD, why is it budgeting for a £7.6 million reduction?

Dr Murray: I think that you are highlighting the unfairness of this. Deborah will comment on that.

The Chairperson (Mr Clarke): Sorry, it may be unfair, but this is how the Minister went out to grab a headline. He said, "Woe is me, poor me as a Minister, my budget is being reduced by 19%", even though it is 4%. He is grabbing headlines with some of those figures.

Ms Deborah McNeilly (Department for Regional Development): Andrew is quite right about the £7.6 million. When the Budget 2011-15 settlement was made, it was based on assumptions that the Department would earn a certain income. That related to the Department's plan to increase car parking charges gradually. The Executive, as part of their jobs and economy initiative and with regard to the impact of car parking charges on the economy, decided that they wanted to freeze car parking charges. We had already assumed that we would get £7.6 million of income in our budget. Given that the Executive wanted to freeze car parking charges, they gave us £7.6 million to offset the loss of the income that we would not earn. As part of arriving at our opening budget for the 2015-16 exercise, the Executive treated that £7.6 million as a time-bound allocation for us. Therefore, one of the first adjustments that was done to our opening baseline was to take that £7.6 million off, which means that we have a hole in our expenditure budget of £7.6 million before we do anything else.

The Chairperson (Mr Clarke): So the Executive decided on the freeze. How long did they decide that it would be?

Ms McNeilly: At least three years.

The Chairperson (Mr Clarke): When did that start?

Ms McNeilly: I think that it started in 2012-13, so this is the last year of the freeze. I think that that was part of the way through the first year.

The Chairperson (Mr Clarke): We have an extra £9.5 million for concessionary fares. Is it not true that you get additional funding of £9.5 million each year from the Executive, so it is not really an additional pressure because you have been funded that separately in monitoring rounds?

Mr May: My understanding is that, of the allocation that is set out for £17.3 million, £9.5 million was specifically for concessionary fares. Can you comment on that, Deborah?

Ms McNeilly: The table on page 8 attempts to illustrate the adjustments that have been done to our baseline in arriving at the bottom line, if you like, that the Executive have put into the draft Budget. With the first lot of transactions, £7.6 million was removed from our baseline, and then £50.7 million was removed from our baseline. That was part of the 15.1% cut that was proposed by the Executive. After they did those key reductions, they decided that they would give us some allocations. They gave us an allocation of £17.3 million. So with the pluses and minuses, adjustments to our budget total £41 million. That is a £41 million net reduction in our budget. Against that, we then have to meet the pressures that have accumulated with the draft determination, which is £15 million. We also have to address the pressure with concessionary fares, which is £9.5 million. The table attempts to show the money removed from our baseline, the money put into our baseline — £17.3 million — and the additional pressures. In overall terms, the measures we have to take to live within our reduced baseline total £65.5 million of reductions. Those are the actions that the Department has to take now to live within its baseline.

The Chairperson (Mr Clarke): I cannot speak for other members, but my confidence in the Department and how it functions is at a very low ebb. I am still relatively new in this post, but we had a Committee day last week in Enniskillen. An official sat at the end of the table, and, when he was pressed — this is in relation only to car parks, which is probably fairly minor in the overall allocation of money — he said that efficiencies could still be found in car parks. If an official can say that to us no later than last Wednesday, what confidence do we have when the Minister trots out to the press by the end of the week that, because of the draft Budget, all efficiencies that could be found have been found and that the pain is in the right areas as opposed to attacking the vulnerable.

Mr May: I believe that there is a need constantly to look for new efficiencies. We are continuing to do that in parallel with looking at the draft Budget. Our budget sets out the efficiencies that we have been able to identify to date. We are very open to new ideas about other areas. We are looking internally at how we can make further savings.

You said that you were told that it was a 4.4% cut. That is the level of cut that was made in-year. We have been able to achieve that level of saving with some loss of service — some street lights are out and so forth. If we were facing only a 4.4% cut next year, we would be perfectly able to achieve that on the same basis as we have this year. It says 4% in the budget document, but we have tried to explain why the reality of the impact on DRD is greater than that. We are very open to engaging with your researchers or whoever it might be to see whether we can reach a common understanding of the starting point of the process, if that were helpful to the Committee.

The Chairperson (Mr Clarke): Deborah, your 2014-15 allocation was £344 million.

Ms McNeilly: Yes.

The Chairperson (Mr Clarke): Your projected allocation this year is £322 million.

Ms McNeilly: Yes.

The Chairperson (Mr Clarke): That is definitely not a 19% cut. I am doing the maths quickly in my head, and that is less than 10%.

Ms McNeilly: There is a footnote that explains the £344 million. The adjustments —

The Chairperson (Mr Clarke): Sorry, where is the footnote? There is no indication of a footnote in the document.

Ms McNeilly: Is that the Executive's table?

Mr May: No. We are talking about paragraph 16. In table 2, we explain the total level of saving.

Ms McNeilly: I can take you through the adjustments to the Department's baseline —

The Chairperson (Mr Clarke): No. I am interested because this is how it is presented. We will talk about table 1.

Ms McNeilly: In table 1, the starting position for the Department in resource cash in 2014-15 was £344.6 million. That was the starting point for arriving at a baseline for budget 2015-16. The first two adjustments to that baseline were to take £7.6 million of car parking funding off us, and £1.5 million came off it for —

The Chairperson (Mr Clarke): Sorry, is that to get to this figure?

Ms McNeilly: That is to get from £344.6 million to £322.1 million. I can give you the details.

The Chairperson (Mr Clarke): OK.

Ms McNeilly: The first adjustments to the £344.6 million were to take off time-bounded allocations. That was the £7.6 million allocation for the loss of income from car parking. There was £1.5 million taken off, which was to do with the release of income-generating assets —

The Chairperson (Mr Clarke): Such as?

Ms McNeilly: That was the car park assets held by the Northern Ireland Transport Holding Company (NITHCo), which were to be disposed of. The Executive subsequently accepted that it did not represent value for money at this time to dispose of those assets, so they were not disposed of.

The Chairperson (Mr Clarke): So they are not taken off.

Ms McNeilly: The £1.5 million, which had been given to the Department previously to offset the loss of income from those assets, was deducted from the £344.6 million. It was taken off us as well. The £7.6 million and the £1.5 million came off. The next thing that happened was that £50.7 million came off: that was the 15.1% reduction that the Executive applied. That was the deduction that they applied, and it did not get into the draft budget. The next items are additions. The £17.3 million is an allocation that was proposed for the Department, so that gets added back onto the baseline, and there is an adjustment through our income lines to fill the gap on income not earned, and that is the release of value £20 million. All those numbers get you back to £322 million.

The Chairperson (Mr Clarke): Sorry, all this gets us back to £322 million.

Ms McNeilly: Yes. The reason why we say that the issue that the Department faces is £65.5 million and not £22 million is that, with the key items, the £20 million for the harbour is not £20 million that we were spending on services and that we have suddenly stopped spending; it is £20 million of income that has been recognised by the Budget review group as not coming in as cash any more.

The Chairperson (Mr Clarke): Was that not initially £40 million? Was it £20 million over two years, which you have received?

Mr May: Yes. What happened —

The Chairperson (Mr Clarke): Sorry. Deborah, was it not £40 million over two years, which you have now got?

Ms McNeilly: No. With the £40 million, the Budget review group agreed that the Department would work with the harbour on release-of-value projects. We have had legal advice that indicates that we cannot get the cash out of the harbour as cash, so it was agreed that the harbour would work on release-of-value projects. In other words, it would invest in capital projects, and it is doing that. Indeed, it has in excess of £40 million of capital projects that it is taking forward. Some of those projects include foreign direct investment accommodation, which, in the marketplace that we have, if the harbour had not been doing that, there was an expectation that Invest NI may have had to step in to provide it, in which case it would have had to fund it. So, instead of INI funding that, the harbour is building that foreign direct investment accommodation. This means that, instead of our getting £20 million in cash in 2013-14 and £20 million cash in the current year, the harbour is doing those release-of-value projects, but we have no way to score that on our books as cash income. So in 2013-14, in recognition of that, the Executive provided the Department with an allocation of £20 million to fill the income gap. This year so far, they have not provided us with £20 million to fill the income gap, but they have done so for next year's settlement.

The Chairperson (Mr Clarke): Did they give you anything this year?

Mr May: No. The consequence of that is that, if no adjustment is made, the Department is facing an overspend in 2014-15 because it does not have the means to find all the £20 million. We are looking at ways to see how much we can find, including through looking at the position of Translink. However, we believe that there will be a gap of around £13 million.

Ms McNeilly: I will now explain why we believe that the figure is £65 million. With the £20 million that is being provided, the gap is being addressed in the Department's income lines next year. Effectively, that means that it does not give us any more spending power in our budget, because it is filling in the income gap. It does not give us gross expenditure cover in our budget. It means that, if we had not got that £20 million into our baseline to fill our income gap, that £65.5 million would have increased to £85.5 million.

The Chairperson (Mr Clarke): So are you accepting the figure of £322 million?

Mr May: Yes.

Ms McNeilly: The Executive indicated a figure of £322 million in their draft Budget proposals.

The Chairperson (Mr Clarke): Sorry. We started with £344 million, we subtracted the sums you mentioned as pressures, and we then added on your additional allocations. Did you not say that we still arrive at £322 million?

Ms McNeilly: You arrive at £322 million, but that is just the reconciliation of the numbers in the draft budget. However, when it comes to the impact of that on services in the Department, we have to take measures worth £65.5 million to reduce the expenditure side of the Department. We have to cover £65.5 million worth of cuts/pressures in the Department, which means that we have to take actions to live without £65.5 million worth of expenditure cover because our budget has been reduced in net terms. We must set aside the release of value from the harbour, which does not give us any more spending power but simply means that we do not have to cut services by £85 million. If we exclude the harbour, the net position is £41 million on the expenditure side of our budget. Then we have the inescapables: the price control determination, which costs £15 million, and the value of the concessionary fares, which gets us to £65.5 million. That is on the expenditure side. In essence, we have to take actions to bring our expenditure in less: £65 million worth of actions to reduce our expenditure.

Mr Lynch: Thank you for the presentation. The Department is very reliant on monitoring rounds to fund itself. Peter, you said that there will be less money available next year.

Mr May: It will be less certain, anyway.

Mr Lynch: Yes. Have you made contingency plans if the money in that remit is insufficient for the Department?

Mr May: Let us look at the resource picture first. If we were to receive money through a monitoring round, we would look to put it against the services being cut, and we would have to work up a prioritised list of where it would go. Similarly, in relation to capital, it is clear that if we get money in year there are areas where we can put it: structural maintenance is one of the most obvious. Equally, as I have said, Northern Ireland Water is not being funded to the level that the regulator had anticipated. So, we can easily spend money if it becomes available in year. The reason why I said that next year it is less certain is that the scale of the cuts faced by all Departments means that the likelihood of much money being returned to the centre will, I expect, be significantly less next year than in normal years.

Mr Lynch: What are the capital funding priorities for 2015-16?

Mr May: First, the objective in Northern Ireland Water is to try to maintain the network at the level that the regulator has set and then to spend as much as we can on the enhancements that the regulator has identified in order to live within that regulatory determination. On the roads side, Andrew may want to add something, but, in broad terms, we have some major road contracts that we wish to honour and pursue. Andrew can rehearse which ones. We can fund those in full. We would then like to be able to fund structural maintenance, and that is the area where we are short.

Do you want to say anything more about —

The Chairperson (Mr Clarke): Sorry, before Andrew comes in, Peter. You talked about maintaining the water side as the regulator set out. Surely, in your draft budget, one of the suggestions is that you will reduce that expenditure. Is there a conflict here?

Mr May: Well —

The Chairperson (Mr Clarke): For me, Peter, this seems to be a conflict because, although you are going to reduce expenditure, you are actually going to increase the financial pressure on the Department because you will invite infraction proceedings. There is a contradiction in what you have just said.

Mr May: There is not a contradiction, I think —

The Chairperson (Mr Clarke): Well, you are either going to maintain it or you are not, and if you are not going to maintain it, there is a contradiction.

Mr May: What we are saying is that we would like to be able to meet the regulatory determination in full. The draft Budget does not, in our view, enable us to do that in a reasonable way.

Dr Murray: The position on monitoring rounds is that we will make bids for resource and capital money. At each stage, we have to look at what we can spend before the end of the year. If it is an early monitoring round, we may be able to spend capital money on improvement schemes, but, as it goes towards the end of the year, it is more likely that we can spend our capital money only on structural maintenance, which is very important. If the draft Budget goes through, we have about a £70 million deficit on structural maintenance, and that will build up a backlog of work for the future.

Mr Lynch: I want to cover another point with regard to cuts to rural and town transport, which was mentioned earlier. How was it determined which routes would be cut? In the Programme for Government there is protection against rural isolation, rural proofing and other concepts. How were they determined? That affects my constituency very much.

Mr John McGrath (Department for Regional Development): As the paper indicates, Translink is envisaged as losing £15 million of income. The propositions that it brought forward start as far as possible away from front-line services and look at taking significant money out of management costs in the light of the TAS report and for efficiencies in the operation of garages and stations. However, it

still gets to the point that, in its view, it would have to run down the town services to a number of urban sites across the North.

That has not been finalised, but that is the scale of cut that we envisage. As Peter said, on departmental grants for transport for the disabled and rural transport, we see no way of excluding them from the cuts because we have nowhere else to go. There will have to be big changes, particularly in town services. There will have to be the appropriate level of consultation once it becomes clear that the Budget numbers have been finalised and the plans have been firmed up. That is the sort of territory we are in.

Mr Lynch: Enniskillen town service is one that may be earmarked. How did you come to that decision? That is a very important service that brings people out to the new hospital.

Mr McGrath: I quite understand that.

Mr Lynch: We had the rural transport providers up yesterday for the launch of their programme. What will be the suggested cut to rural community transport providers?

Mr McGrath: We envisage cuts of about £2 million to departmental grants to rural transport and transport for the disabled; we will have to work out how that will bed down and how providers can deal with a lesser sum. We spend the best part of £10 million across those two forms of transport, between ourselves and Translink, and we are talking about a 20% cut. If it came to the bit, we would want to talk to the providers about how to make the 80% stretch further than it does at the moment.

I stress Peter's point: we see nowhere else to go. We are quite happy for someone to identify alternatives. A range of town services across the North is likely to be affected: the effect will not be in any particular area, such as the south-west or north-west.

Mr Lynch: If services are cut by Translink, the gaps are often filled by the community. So, a cut to rural transport is a double-whammy in rural areas.

Mr McGrath: We recognise that. Unfortunately, the alternative is to keep some of the rural transport and take more money off Translink. In some of these areas, we are getting into a dangerous spiral. In the same way with water, NIW has pursued an agenda of improved efficiency, productivity and customer service. There is a danger that, if the gap between what we can provide for them and what the determination argues they should get, they will go into reverse.

Mr Lynch: I suggest that you communicate with community transport providers on how best those services can be provided in rural towns and isolated rural parts of the North.

Mr McGrath: Absolutely. We recognise the point that you make, particularly about the double-whammy.

Mr Dallat: Recently, I was in Hungary, and everywhere I went people said to me, "Is it true your street lights don't work?" Can you imagine the impact that that is having on tourism or potential tourists from emerging countries such as Hungary, where people have resources and have choice about where they go? Was that calculation taken into account when you made it public that you would not be repairing your street lights?

Mr McGrath: We made the point that all the cuts to the basic infrastructure will have a negative and ongoing effect on tourism and the image —

Mr Dallat: You are quite right: it is not just about street lights; it about the image and the potential to develop our tourism. It is a false economy.

Mr McGrath: This is the money hand that we have been dealt. We have been trying to articulate that there is a wider impact, as you say, on the image of Northern Ireland and its potential to attract visitors. In the same way, if we have deterioration in the water and sewerage services and, all of sudden, they do not work, you will get the same negative impact as the one that you just highlighted. Those are the things that people take for granted when they work.

Mr Dallat: In terms of accessing European funding, you will be aware of the setback to the second phase of the work on the Derry to Belfast railway line. If that project is re-tendered, is there money to carry out the work?

Mr McGrath: The Minister has made it clear that that will be a priority in his capital allocations for the next couple of years. He has made that clear, and he has said that to you. As you will be aware, there was a debate yesterday on the A6, and there was all-party agreement that there should be a bypass at Dungiven and that other elements of that road should be addressed. Is there money for that?

Dr Murray: We are working on our delivery plan from the capital budget, and there will have to be priorities. We are bringing the project at the southern end of the A6 to a stage where it is shovel-ready; the northern part has not yet gone through all the statutory procedures.

Mr Dallat: If something is shovel-ready, does that ensure that there is a geographical spread of resources to address economic and social deprivation, or does it just mean those projects that are ready to roll.

Dr Murray: "Shovel-ready", is a term that we use for our highest-priority projects that we want to be in a position to deliver should capital funding be available.

We previously brought schemes to the stage where they had been through the statutory procedures, and then, if we got money, a full year at least was required for the procurement of a major scheme. Now, to bring a project to the shovel-ready stage, we appoint a contractor at an early stage. The contractor assists with the development work and brings it to a stage where he can start as soon as money is available. So, if we appoint our contractor for the southern part of the A6 and money becomes available, we will be able to start at very short notice. That is on the capital side.

Mr Dallat: There are time pressures, so we will not start that debate all over again.

On the concessionary fares for those aged 60 to 65, do you agree that that has been a lifeline, has attracted people to use public transport, has filled a lot of empty seats and has given Translink money that has been critical to it in providing an overall service? Have you given any thought to what would happen if you withdrew the concessionary fare for those aged 60 to 65 and how that would impact on the rest of Translink's services?

Mr May: The proposals before you today envisage the concessionary fares being funded in full. When the Finance Minister made his statement on the draft Budget, he was clear that money had been allocated to DRD to fund the concessionary fares fully. So, we are not, at this stage, looking at a scenario where we will be removing concessionary fares.

Mr Dallat: Are you satisfied that you have done everything possible to source European funding that might, for example, provide Derry with a railway station — it does not have one at the moment — and part-fund the rest of it as part of the all-island rail network? Irish Rail has rebuilt the railway from Cork to Dublin on European money. Have you discovered why you were not able to get funding for the line from Derry to Belfast, which would go onwards to Dublin?

Mr May: DRD has been very successful in drawing down European funding. I will ask Deborah to explain why that does not always lead to an increase in our spending power.

Ms McNeilly: Where we draw-down competitive funding at the minute, it is generally TEN-T funding. You can apply for TEN-T funding on the basis that you have the money to commit to the project —

Mr Dallat: Do you?

Ms McNeilly: We apply for it, and if we get the TEN-T money we have to return it to the Executive for reallocation; so it does not increase our gross capital budget. It increases the Executive's capital budget and allows them to reallocate money to priorities.

An application is being prepared for the Derry to Coleraine line. Although the Minister has committed to fully fund the phase-2 works, and it is a priority in whatever capital envelope he gets, to generate more money we are applying for EU funding because that will bring more money into the block.

Mr Dallat: Presumably the crisis that we are in makes it all the more important that you are on top of this.

Mr McGrath: We are on top of it. As Deborah said —

Mr Dallat: To be fair, I have been here for 16 years and have been asking about this throughout that time, yet it is only now that applications are being made.

Mr McGrath: We are one of the more productive Departments in securing European money.

Mr Dallat: That is true, but the rest are bad.

Mr McGrath: I could not possibly comment on that.

Mr McNarry: You have been in the other Departments. Sure you know about that.

Mr McGrath: I could not possibly comment now, David.

The Chairperson (Mr Clarke): You would be in a position to draw that money and also to spend it on some of the large capital projects. That is why it has been identified with DRD and accepted by the Minister that the model that you have suited you because you could spend quickly, particularly at Andrew's end of the Department. That does not excuse you not looking at every opportunity.

Mr McGrath: Chair, we are now. We are one of the better Departments —

The Chairperson (Mr Clarke): Now? You said "now".

Mr McGrath: Yes.

The Chairperson (Mr Clarke): Are you saying that you were not previously?

Mr McGrath: This is an area where your success frequently depends on the time and effort you invest in it, and we spent a lot of time and effort on it. We are one of the better Departments. The block benefits from our success, rather than DRD in a narrow way, and we will continue to do that. The Minister is keen to create a system with greater incentive for the Department to secure European funding by being able to keep a bit more of it and invest in its own infrastructure.

Mr McNarry: Welcome to you again. Long time no see, Peter. Congratulations on your appointment; I wish you well. We may be here for some time. Can you confirm that we are dealing with a draft Budget of bottom-line figures and not estimates?

Mr McGrath: We are dealing with a Budget that indicates the amount of money that the Executive propose to give to DRD in capital and resource.

Mr McNarry: Yes, but is your budget estimated figures or bottom-line figures? You mentioned 19%. Is that estimated?

Mr McGrath: No, it is fact. We had this discussion before. There was a discussion around estimates for the cost of projects. This is the amount of money that the Executive propose to give us.

Mr McNarry: That is why I want to clarify it. We recently had a discussion about the Coleraine/Londonderry rail track when your officials said that the estimates were £22 million, but somehow the budget is stretched to £40 million. That is why I want to make sure that we are not talking about estimates. I just want to clarify it.

Mr McGrath: No, we are not talking about estimates. We would like to assume that the Budget will be better; unfortunately, however, the Budget is the Budget.

Mr McNarry: But this is fact. So there is no point then in me asking you whether there is still wriggle room to negotiate improved allocations.

Mr May: It is a draft Budget. The whole point of a draft Budget is that there is a consultation exercise. The Committee and all interested parties can comment on it.

Mr McNarry: On the basis that it is a draft and that you will come up with a final one, you have answered questions about new ideas or something new coming in. Are you telling the Committee that adjustments could be made to that factual Budget? Can you say that the adjustments could be 1%, 2%, 3%, 4% or 5%?

Mr McGrath: The actual Budget will only change if the Executive change it from the draft to the final; it is not in our gift to change the numbers at all.

Mr McNarry: No, but you will go into negotiations. I am just asking whether, when you enter into negotiations, instead of 19% you will come out with 18%, 17%, 16% or 15%. What is it? What are you going for?

Mr May: It is conceivable that there could be change. We are looking at a range of areas to get additional resource so that we can more fully meet the services that are needed while recognising that, like all Departments, we have to make cuts.

Mr McNarry: OK. In that case, how do you square the draft, which is a fact but which may alter? This is a horrendous presentation. How do you square that with what you say on page 3 of your budget paper when you talk about your Department's vision and strategic objectives? They are clearly set out. Will you stand over, allowing for the proposed allocations and the 19% reduction that you put before us, being able to live up to and deliver that vision and the objectives that you have detailed on page 3? How on earth can you do that?

Mr May: The vision and the objectives existed before the draft Budget came into being.

Mr McNarry: No, that is in our paper.

Mr May: I accept that it is in the paper; however, the vision and the objectives were crafted before the draft Budget existed. There is no doubt —

Mr McNarry: Are you going to rewrite them?

Mr May: I do not know; we have no immediate plans in that respect. There is no doubt that the draft Budget does damage to the ability to achieve that vision and those objectives.

Mr McNarry: That is a very skilful way of putting it.

Mr May: I am saying that it does damage to it.

Mr McNarry: It is in the Hansard report. I am only asking you if you are going to rewrite it because I do not think that you can stand it up now.

Mr May: Once we have a final Budget we will have to look at a whole range of things.

Mr McNarry: So that final paragraph will not be in your final budget? Are you going to change the stated vision and objectives?

Mr May: They will not have been changed by the time the final Budget is agreed. Once we see the final Budget, if we then need to adjust our vision and objectives we will do so.

The Chairperson (Mr Clarke): Just for the record, did the Minister vote against the draft Budget? I see you nodding, John; is that a "Yes"?

Mr McGrath: I definitely did not nod, Chair.

Mr May: I would need to check the details.

The Chairperson (Mr Clarke): I believe that he did not vote against it. I believe that only one Minister voted against it, and I think it was the Minister of the Environment.

Mr McGrath: I think that that might be correct.

The Chairperson (Mr Clarke): So the Minister has agreed with —

Mr May: I think that he might have abstained.

The Chairperson (Mr Clarke): So he agreed with the Budget?

Mr May: No; if you abstain you do not agree with something.

The Chairperson (Mr Clarke): He did not disagree.

Mr May: That is abstaining, yes.

The Chairperson (Mr Clarke): So he did not disagree with the Budget.

Mr McNarry: To come back to the Minister, as the Chairman said, as a member of the Committee he actually did make a presentation to me. He did it on BBC. He disrespected me, and that is bad business. It was totally inappropriate that I was watching BBC television, and my Minister — as I consider him, because I sit on this Committee — did a presentation on the Budget to me. Who advised him to do that?

Mr May: The draft Budget was produced last week —

Mr McNarry: No, who advised him to do the media performance?

Mr May: I was just explaining. The consultation document was produced last week and was sent to the Committee; immediately thereafter it was placed online. As a result, my understanding is that journalists contacted the Department in the normal way seeking an interview, which the Minister decided he would do.

Mr McNarry: So the Minister decided on his own, and there was no advice given to him? Frankly, I would have expected that somebody might have said, "Minister, do you not think that you might respect your Committee and that this media interview — it's online; the information is out there — you might actually respect your Committee and not go on television until this session has happened?"

Mr May: I think that the Minister was mindful of the fact that we were coming here as his senior officials to give you this briefing and to get into much more detail than would be possible in a media interview.

Mr McNarry: OK. So the Minister is more concerned about his image on television than he is about his image before the Committee. You say on page 16, paragraph 45, that an increase in fares and significant reductions in service delivery cannot be ruled out, and then you use the words, "would be unavoidable." Is that fact? Is that what the figures are telling us — that what you are saying in draft form is likely to remain the situation?

Mr May: The proposals that Translink put to us on how it would achieve the £15 million of savings would involve both an increase in fares beyond inflation — that is in addition to any annual rise that might come in from January 2015 — and reductions in services.

Mr McNarry: I appreciate what you are saying, Peter, but what we have is a Budget presented to the public. The responses from the public, as I understand, were that it scared the life out of them, because it talks about many vulnerable people. To me, the draft Budget indicates jobs at risk, pay restraints, fares up, lights out, potholes turned into craters and transport for the disabled hit very

hard. When I see that, I look back and recall, as you have, what the Finance Minister said in his statement. He did not specifically mention your or any other Department, but he talked about raising revenue from the sale of assets. Correct me if I am wrong, but I see nothing in this document about your Department raising revenue from assets. Nor is there anything about the assets of Translink or Northern Ireland Water being put into the frame. There is nothing about offloading the biggest asset of all that comes under our remit, namely the Belfast Harbour estate.

Are you telling me that there are no assets to benefit from the sale of, as the Finance Minister said? It is important to know what benefits there may or may not be. Deborah gave us the lowdown on Belfast Harbour. As the most senior people in the Department, can you tell me that there have been no discussions at the highest departmental level about selling assets such as I have mentioned?

Mr May: The Department is fully engaged in an Executive-wide drive to maximise the benefits from assets. That may mean the sale of assets or looking at better use of assets. I do not know whether John or Deborah wants to speak about some of the specifics that you mentioned.

Mr McGrath: Deborah will give the detail, but it would be wrong to be under the illusion that we have some jewels that we could sell off and realise —

Mr McNarry: You most certainly do: you have the Belfast Harbour estate.

Mr McGrath: We do not own the Belfast Harbour estate.

Mr McNarry: Are you saying that it is not a realisable asset, when in fact it went from £40 million to £20 million?

Mr McGrath: The issue earlier about the release of value highlighted the fact that the legal advice is that government cannot expropriate the assets of the Belfast Harbour Commission.

Mr McNarry: I understand that, John. It was a very good trick. The legal advice said that you cannot take any money off it. The Harbour said, "What we will do is spend the £20 million that really we cannot give to you" but which everyone thought they should. Now whose asset is it? It is not yours. It is not anybody's. It is certainly not the public's, but it belongs to the Belfast Harbour Commissioners. That is how you get £20 million out of budgets etc.

If you have not made any mention of assets — and I respect Peter's answer — is this budget then likely to be extended with a paragraph or two about the sale of assets that you are looking into?

Mr McGrath: If we sell off assets, that is capital. It does not improve our resource position. We have a number of assets, particularly in Translink, that actually earn resource, so the level would be —

Mr McNarry: It might help the shovel-ready stuff that Andrew was talking about.

Mr McGrath: It might; and if we sell off some assets that earn revenue, and we forgo that revenue, then the 19% gap gets wider. It is not as simple as simply saying, "Sell off".

Mr McNarry: But you do not sell off things. You give away car parks. You do not sell off assets. You just give them away for other people to sell them off.

Mr McGrath: Deborah will say what we do sell off.

Mr May: We transfer them. We will look at what can be sold. What Northern Ireland Water has in assets would already be taken into account through —

Mr McNarry: I would appreciate if we could get some idea of what you might do and we would see it through the stages that we go through in the Assembly with this budget. I am only going on the basis that the Finance Minister, and I agree with him, has obviously seen that there are opportunities. If there are any in this Department, they should be looked at.

Mr May: Deborah might say something —

The Chairperson (Mr Clarke): John answered David's point by speaking about capital. You also said, John, that there are some that you get a resource from. Can we get a list of all your assets, and the resource that you get from them?

Mr McGrath: I am sure we could produce a paper that would highlight our approach to asset disposal in general. We could pick —

The Chairperson (Mr Clarke): Could you give us a paper with all your assets and whatever resource they bring?

Mr McGrath: You want all our assets?

The Chairperson (Mr Clarke): Yes.

Mr McGrath: You would get an awful lot of paper.

The Chairperson (Mr Clarke): You did say, "Suggest alternatives."

Mr McGrath: No, what I was —

The Chairperson (Mr Clarke): In the absence of us having all the information, it is difficult for us to point out the alternatives to you. I will give you a suggestion: one of the things that you did say was that there is talk about staff reductions. We are sitting here with four very powerful people who are grossing probably close to £500,000. When the staff reductions come, it will be none of the folks we are looking at today; it will be some of the direct labour and some of the people who are customer-facing who will face the voluntary redundancy schemes. If you actually want our help, give us the papers and let us look at them. We will then help to identify the areas, John, that you are failing to find.

Mr May: We are happy to provide you with information. We were merely trying to provide it in the form that would be most useful to the Committee, but we are happy to provide the full list of assets.

In relation to senior staff, DRD has reduced its senior staff by 20% in recent years, so there has already been a substantial reduction in the level of senior staffing.

Mr McNarry: Translink is the baby that the Committee really loves talking about. There is an item that intrigued me on page 15. You do not quote any figures, but correct me if I give you the wrong figure. You have taken £10.5 million, which is the bus fuel duty rebate. That is a substantial amount of money. Why is that, and where is that money going to? You are taking it out. There is not a mention of it. It is half a line. When you give all these figures, graphs and things, shifting £10.5 million seems to be quite a bit of money, but you have not mentioned it. Where is it going to? What are you going to do with it?

Ms McNeilly: If you are looking at paragraph 42, and we are looking at 2015-16 and the £15 million reduction in funding, the Department has three main funding lines —

Mr McNarry: I am looking at paragraph 40.

Mr May: You are looking at the last line of paragraph 40, is that right?

Mr McNarry: It states:

"Translink, unavoidable, including cessation of the bus fuel duty rebate".

Mr May: That is a reduction in the level of subsidy payable to Translink. That is part of the way in which the £65 million is made. It is nothing like £10.2 million, however.

Mr McNarry: So you have not been paying a rebate to Translink of £10.5 million?

Ms McNeilly: The bus fuel duty rebate payable to Translink in any year is between £9 million and £10 million. In terms of —

Mr McNarry: Yes, so you have been paying it. Maybe I was £500,000 out.

Ms McNeilly: This year, it has been reduced by £4·3 million, and it is likely to be reduced further by another £5 million.

Mr McNarry: It is completely being reduced; you are wiping it out.

Ms McNeilly: You are quite right: in terms of 2015-16, the £15 million reduction in overall funding for Translink will include £10 million —

Mr McNarry: Let me cut to the chase, Deborah: where is it going? Where are you using that money?

Ms McNeilly: We have not got it.

Mr McNarry: Are you taking it back?

Ms McNeilly: No. The Executive have taken money off us. They have reduced our funding by £41 million.

Mr McNarry: So it is in there.

Ms McNeilly: In order for us to can manage with less money, which we do not have and cannot spend, we will not have it to give to Translink. It is not going anywhere else; the fact is that we do not have it to give to Translink.

The Chairperson (Mr Clarke): Poor Translink. How many buses does it project to buy next year, and at what cost?

Ms McNeilly: My understanding is that approval is in place for 12 coaches, 50% of which will be paid for by the EU. The maximum exposure for Translink in terms of self-financing next year is about £1·3 million to £1·5 million. That is all it has approval for.

The Chairperson (Mr Clarke): It is only £1·3 million. Translink has to be applauded: it has a modern fleet, and we have new carriages and trains and everything. Is it prudent for it to spend an extra £1·3 million in the environment we are in today?

Ms McNeilly: It obviously has an ongoing need for fleet replacement, but that has to be considered in light of constrained terms. There was an opportunity for it to secure additional EU funding. We were approached by the lead partner Department in relation to that. There was a possibility of EU funding being lost to the Northern Ireland block, so we were asked to come forward with projects that could access that EU funding. The 12 coaches I referred to were capable of being applied to EU funding. We worked with the other Department to bring that project forward and secure 50% EU funding for the coaches, which would otherwise have been lost to Northern Ireland.

The Chairperson (Mr Clarke): So we are spending £1·5 million just because we are getting free money to match that. Is that what you are saying?

Ms McNeilly: Again, it would be lost. We do need them, obviously. Back to the earlier point —

The Chairperson (Mr Clarke): Do we need them?

Ms McNeilly: Yes, we do.

The Chairperson (Mr Clarke): Why?

Ms McNeilly: There have been problems with that particular fleet. There have been fires on that fleet, and there is a clear need to replace those items. We referred earlier to the work in drawing down EU funding. This is part of us working with other Departments when they come to us and say, "We will lose this money if we do not come up with some projects. Can you help us identify some more projects that will fit into this category?" We work proactively with the other Departments to do that, and this is one of the areas where we have done that and have secured the EU funding. That means that the funding is not lost to Northern Ireland.

Mr McNarry: On the duty rebate, the estimate, or the fact, is it is 43·12 pence per litre. Translink uses oceans of litres. I can see how you would get to that sum, and I can see how Translink must have enjoyed that rebate. What was anybody thinking about that rebate, given that Translink operates fuel hedging?

Ms McNeilly: We still expect Translink to get the best value for money —

Mr McNarry: Do you know that Translink operates fuel hedging?

Ms McNeilly: I am aware that it does, yes. It makes good procurement —

Mr McNarry: You are making an admission in front of the Committee that that company operates fuel hedging.

Ms McNeilly: Yes, and it secures value for money. It is allowed to do that, and it is able to secure value for money —

Mr McNarry: It is a bus service funded by public money. It is not an airline. You are sitting there allowing that company to operate fuel hedging and paying it a rebate of millions of pounds.

Ms McNeilly: It operates the fuel hedging and secures value for money savings in relation to that. That means that it does not have to spend as much on fuel. You are quite right about the rebate. Yes, there is a rebate. The rebate supports the lesser-used services and the rural transport. Without that rebate, those services would be at risk.

Mr McNarry: You can argue all you want with me, Deborah. I think that you are an excellent person in your position. I just think that what you have said is an absolute disgrace. I will leave it at that, but I will return to that subject.

Mr McGrath: Can I clarify, Mr McNarry, why you think that it is a disgrace? It is value for money.

Mr McNarry: I am asking you the questions, OK?

In the section of your paper on public transport services, your scriptwriter has written comments — it is nothing new to us — as if the Department is besotted with Translink, and it appears that, at all costs, irrespective of the taxpayer and the bus and rail user, it will be protected from going into the red. Why is the Department protecting Translink's interests?

Mr McGrath: Translink is a publicly owned company. The Department is the shareholder. As a registered company, it is important that it maintains its viability. What the —

Mr McNarry: It is no coincidence that the £9·5 million in concessionary fare subsidies happens to be a very similar figure to that which Translink needs to stay in the black.

Mr McGrath: The paper is making the point that, because of the impact of the Budget, there will be a big challenge in maintaining Translink as a viable company.

Mr McNarry: Let me try to see how I and other members can explain that to our constituents. The reason is that the Department loves Translink. It is great. There is nothing else that it can do. They have a very cosy relationship. In fact, the reason that we have the increased costs and fares is nothing to do with all the things that we have discussed so far, because we will have not only increased costs and fares but reduced services in towns. Which towns are going to be hit?

Mr May: The decisions have not been reached in relation to —

Mr McNarry: Hang on a second. You made a statement in there, Peter. Forgive me, that is why I am alert to it. Is my town, Newtownards, involved in it? Is my town, Comber, involved in it? If you say that towns will be hit, you cannot leave it there, because you must have made a decision on some towns. I cannot believe that you have not.

Mr May: No, no decision has been made. The —

The Chairperson (Mr Clarke): Sorry, Peter. If no decision has been made, how did you calculate the cost?

Mr May: Translink has come to us with proposals on how it would reduce town services in a number of towns, and put a cost against that.

The Chairperson (Mr Clarke): What towns?

Mr May: I do not have a list.

The Chairperson (Mr Clarke): So, to go back to David's point earlier, is it the case that Translink comes and whatever it says is fine?

Mr May: No —

The Chairperson (Mr Clarke): "Translink, we will give you millions of pounds for this, no problem."

Mr May: The —

The Chairperson (Mr Clarke): "We have come up with a plan, and we need money for this." "No problem."

Mr May: There is a process —

The Chairperson (Mr Clarke): You are the golden goose that keeps laying. So we are going to take services off towns? It does not matter what towns. "That is OK, Translink. We will just put it in a report that we are going to reduce the service. We do not need to know what town it is."

Mr May: It is not that it is OK at all. We have a process —

The Chairperson (Mr Clarke): Well, you have not pressed Translink. We are here today because we want to actually drill into the facts and figures of how you have arrived at this draft budget. You have accepted a tongue-in-cheek comment by Translink that it will reduce services across towns, but you cannot identify which towns. I think that it is a fair question.

Mr May: Translink has thought about an indicative list of which towns will be affected. I do not have it with me today to provide to you. No decisions have been reached on which towns will be affected. There is a process of challenge that the Department goes through with Translink, as it does with all funding areas, including those that are internal. The reality is that there is an importance for government collectively to ensure that Translink, as a publicly owned company delivering public transport services to all of the people in Northern Ireland, can continue to be a viable entity going forward.

The Chairperson (Mr Clarke): David, is this a case of spin the wheel and come up with a number?

Mr McNarry: Do you think that it is very satisfactory that "towns" are mentioned in a draft budget and that, now, every town in Northern Ireland will be wondering whether it is one of them? At what stage do you think that you might be able to tell the Committee, or maybe get the Minister to go to the media and tell us all, which towns they are? I think that when you put something in like that, with all due respect, you actually need to come clean as soon as possible. Every town will be wondering. Are they towns that are going to be renovated or that money will be spent on? Are you able to tell the

Committee that it will be next Monday? Can you give us a date when you will release that? Translink has written this bit of the budget for you, so surely to goodness you could go and ask it to tell you which towns they are. They are the ones who are setting the pace. Do you think you could get the towns from Translink?

Mr May: There is an indicative list, but no decisions —

The Chairperson (Mr Clarke): There is what, sorry?

Mr May: An indicative list.

The Chairperson (Mr Clarke): There is an indicative list?

Mr May: But no decisions have been reached about the removal of services. I think it is important —

The Chairperson (Mr Clarke): Previously, Peter, you said that you did not know which towns they were. By the end of today, can you forward the Committee Clerk your indicative list of towns? We would like that by the end of the day.

I have another thing just when you are here, Peter. You are new in post. We have had John up previously. In terms of response to papers, I just want to fit this point in now because I think it is timely with regard to how your Department responds to this Committee and indeed how the Minister responds to this Committee or runs to the press. There has been an issue with papers. That issue continues. We are doing a piece of work on the Coleraine to Londonderry line. It is still continuing in terms of how your Department treats the Committee in turning those papers round. I am setting you a challenge today. I want the Committee Clerk to be in possession of this piece of paper that you are talking about today. It is only the cost of an email.

David, can I stop you there to let Cathal in? We will come back to you.

Mr McNarry: Yes. Thank you, Chair and members, for your indulgence. I was on a roll.

Mr Ó hOisín: Chair, I am very pleased that you have actually been able to identify and hopefully secure the indicative list of towns.

The Chairperson (Mr Clarke): You will take that commitment on, Peter?

Mr May: Yes.

The Chairperson (Mr Clarke): Thank you.

Mr Ó hOisín: That is a good piece of work. There are a number of more sweeping statements throughout the paper which refer to the whole rural aspect in its entirety with regard to roads, transport and grants. I am just wondering about the proposals for rural bus services. The paper states that they:

"are not as economically viable and therefore are likely to be the first to be curtailed".

Obviously, somebody has arrived at that determination about economic viability. I wonder how those routes are economically unviable. Quite a number of rural routes are economically viable, obviously. Again, in the report, withdrawing from the repair of rural roads is specified. What is the difference between rural roads and urban roads which maybe have the same flow of traffic? Furthermore, paragraph 54 states that:

"the budget set would also require a reduction in the grants for rural and community transport".

So, there we are losing services, roads and the sector that deals with the people who are not necessarily the hardest to access. It seems as if there is broad-brush approach here.

The Chairperson (Mr Clarke): I am just glad that they have not got access to Power NI, or they would turn the electric off on us as well.

Mr Ó hOisín: There are a number of references specifically to rural roads. Quite a number of us represent rural constituencies. Just because they are rural, it does not mean they are isolated or unpopulated. It does not mean anything. We have to look at the services there. I am just wondering how this has been determined and targeted.

Mr May: I will ask Andrew to comment on the specific roads point in a moment. I will come back to the starting point, which is that we in the Department have no desire to reduce services to anybody. We are looking at the best way — the only way — in which we believe that we can make these savings going forward.

Mr Ó hOisín: Sorry, Peter, if I stop you there. The paper states that:

"Core services which business and citizens take for granted will have to be withdrawn."

Mr May: If the draft Budget is confirmed, then we do not see a realistic alternative.

Mr Ó hOisín: But, by the same token as you can give us an indicative list of towns, could there be an indicative list of the services that could be withdrawn, and where?

Mr May: I would need to talk to Translink about that, but yes.

Dr Murray: I think that your question is getting to the nub of just how serious things are here. We have talked quite a bit about capital and Translink today. The most serious aspect of the budget, from the Department's point of view, is the resource part. As the permanent secretary outlined at the very start, we have looked at what flexibility we have in the NIW side. We have taken as much as we possibly can, we believe, out of NIW. We have then gone on and looked at Translink and all public transport services. We have taken as much as we believe we reasonably can out of that.

That has left us with a huge problem with road maintenance. There is more than £30 million of cuts to come out of road maintenance. I was going to pick this up on Mr Dallat's question: once our fixed costs like our PPP contracts and other things like that are taken account of, we are left with around £14 million for road maintenance for all of the Province's roads.

The Chairperson (Mr Clarke): Why rural roads then, Andrew?

Dr Murray: Let me come on to that. I am talking about all roads here.

The Chairperson (Mr Clarke): No, you are talking about rural roads.

Dr Murray: The £14 million is just enough to pay for our street lighting energy bill, the inspection and testing that we have to do on street lights by statute, and the electricity bill for traffic signals. That is all. There is absolutely nothing left for the maintenance of rural roads, urban roads, traffic signals, grass cutting or winter services. It is as serious as that.

The Chairperson (Mr Clarke): Why, in your paper, do you describe it as "repair of rural roads"? Why not just all roads? The Minister likes sensationalism. He loves to run to the press with a sensational headline. If he wanted a big story, that would have been a better one — "We are just not going to fix any roads" — but you have picked on rural roads in this paper. That is what we are talking about.

Dr Murray: Well, if any money becomes available through income generation or changes in the draft Budget, we will have to look at where it is applied.

Mr May: In my —

The Chairperson (Mr Clarke): Can I compare that to last year? This is one of things that gets me about DRD. The Minister did accept the provision of additional money in monitoring rounds. If we take a snapshot of where we were previously, what would the difference have been in the road maintenance budget, Andrew?

Dr Murray: Sorry, I have not got the figures.

Ms McNeilly: It was £42 million.

The Chairperson (Mr Clarke): By how much have you reduced the total budget that you are talking about today?

Ms McNeilly: The envelope that is available for roads maintenance for next year is £160 million in expenditure terms. The out-turn for last year, 2013-14, when we got monitoring round money and the budget was available, was over £200 million. There is a £40 million or £42 million gap between what we spent last year and what the budget will take us to in 2015-16. The offering on the table is that we can spend £160 million. Last year, we spent £200 million.

The Chairperson (Mr Clarke): But, Deborah, you are factoring in the monitoring money. In the absence of the monitoring money, what would the difference have been?

Ms McNeilly: The difference would be £12 million. It is a £30 million reduction between the opening baseline that we had in 2014-15 and the opening baseline in the envelope that will be available.

The Chairperson (Mr Clarke): Those two numbers are what?

Ms McNeilly: £190 million to £160 million.

The Chairperson (Mr Clarke): So it is not as dramatic if you see it that way, is it?

Ms McNeilly: You asked about the reliance on monitoring. In our paper, we explained that £12 million is what we need.

The Chairperson (Mr Clarke): I am asking you that specifically for a reason, because it is back to the sensational nature of how your Department functions and how you want to grab headlines. If we take the two baseline figures — John, you can nod if you like, but that is the reality here. If you take the £190 million reduced by £30 million, it does not have the impact that you are trying to portray here today. You have been dependent on monitoring rounds and have been very successful in the past, but what you are trying to project is that you are not going to be successful in the future. On the basis of that, you are running to the press with big headlines.

Ms McNeilly: We have not got any money this year for resource maintenance for roads. Indeed, our budget has been cut this year, so if we are looking forward to next year —

The Chairperson (Mr Clarke): I am talking about monitoring in general. In monitoring rounds, you have been very successful.

Ms McNeilly: In previous years, but the environment and the funding that is available to the Executive have changed dramatically. We are in unprecedented territory. We have no additional money for resource funding this year, other than the £9.5 million that we got for concessionary fares. On top of that, our budget was reduced by £15 million.

The Chairperson (Mr Clarke): You went with the begging bowl for £9.5 million, even though Translink is sitting with £30 million in reserves after the £15 million. You will remember this, Deborah, because it was your first day and my first day as well. I think that it had £50-odd million. We talked about £14 million or £15 million of pressures. You were actually taking off the £9.5 million for concessionary fares that day, even though you got it. So that actually leaves Translink with approximately £42 million in reserves.

Mr McGrath: We are predicating a loss for Translink this year. We are predicating taking more money off it this year. The projections —

The Chairperson (Mr Clarke): If it is sitting with £42 million in cash reserves, I think that it can afford to take a bit of a hit.

Mr McGrath: The projections that we have suggest that, by the end of next year, the only cash that Translink will be sitting on will be £15 million, which it needs for working capital.

The Chairperson (Mr Clarke): So where did it all go?

Mr McGrath: Losses over two years and money that we will have taken off it.

Mr May: Also, it self-funds some of its capital, some of which is needed for safety works. We have looked very carefully at whether there is scope to do anything further in relation to Translink's reserves. Just to come back to your point about the £190 million and the £160 million, in my opening remarks, I was very clear that Transport NI was being asked to reduce by £30 million. In paragraphs 48, 49, 50 and beyond, we have set out why it is so difficult to make those savings given the fixed costs that exist within Transport NI. As I said, it is an open-book approach. We are not seeking to wave shrouds or to scare people. It is an honest appraisal of where we think things are.

Mr Ó hOisín: Again, I go back to the whole rural-proofing thing. We are losing out in its entirety, in terms of transportation, community, Translink and the roads system, in order to pay for street lights, which, of course, the rural areas, in the main, do not have either. On the face of it, it seems incredibly unfair. I wonder about the bigger question that you were asking, Chair, about any contingency funding, depending on the in-year monitoring round, the DFP identification of the investment fund and what efforts have been made to identify any moneys within that budget. That is £1 billion, I think.

The Chairperson (Mr Clarke): Do you want to take that, Peter?

Ms McNeilly: As I understand it, when the Finance Minister wrote up the investment fund — which is the £1 billion that you refer to — he indicated that they constructed the rules for that so that it is for social housing, not for the base infrastructure like roads, water and rail track. It is capital as well, so it will not help us with the resource maintenance running costs for our Department. It would be very difficult for us to get access to the £1 billion infrastructure fund you refer to. Even the Finance Minister's statement indicated the areas that it was appropriate for. It is not appropriate for the areas that we need to invest in, but that is not to say that we will not knock at and push the door. That said, it is capital; it does not give us any additionality in terms of the £160 million envelope available for roads maintenance activities on the ground and current running costs. We still have that drop of £30 million in the opening baseline this year to £160 million for services.

Mr Ó hOisín: Yesterday, the Deputy Chair hosted a meeting with the community and transport sector. That sector is critical in delivering outside the networks that Translink provides, as was explained yesterday. There are some 63,000 journeys that cover 2.5 million miles. That issue is on top of the fuel duty.

The Chairperson (Mr Clarke): I omitted to say that I met it in the afternoon as well. It gave me a letter about street lighting. We will maybe deal with that at the next meeting.

Mr Ó hOisín: OK.

Mr McNarry: Paragraph 63 on page 21 states:

"The sheer scale of the £65.5 million ... budget reductions ... is unavoidable."

Is that it? Is that your best shot? Will you tell the Executive what you are telling the Committee, which is that 19% reductions are unavoidable?

Mr May: What we said is unavoidable is the impact on services. If that —

Mr McNarry: You state —

Mr May: If that Budget were confirmed —

Mr McNarry: You state:

"The sheer scale of the £65.5 million ... budget reductions ... is unavoidable."

Mr May: No, the sentence says:

"The sheer scale of the £65.5 million of current expenditure budget reductions required is such that a severe impact on essential water, waste water, public transport and roads services is unavoidable."

It is the impact that is unavoidable if the Budget is confirmed.

Mr McNarry: I am not going to argue with that. I just shortened it; it is unavoidable — impact or whatever. That is the story that you have probably been back to the Executive with; you have said, "We've rolled over here". The Minister says it is not his Budget. He is on record.

Mr May: The Department is continuing to discuss with DFP the opportunities for additional funding. The Minister met the Finance Minister earlier this week with that in mind. This is a draft Budget.

Mr McNarry: Is the Minister likely to appear on BBC TV with a bit of white paper and say, "Whoopee, I've now had a success. Remember all that stuff where I scared the life out of you, folks? That's not gonna happen. What I told you was unavoidable"—

Mr May: The outcome of our negotiations will depend on the Executive decision that is going to be reached on a final Budget. We have no means of understanding what that decision —

Mr McNarry: Just for me to understand the running and management of the Department: is the Minister liable for the consequences of the cuts, be they 19% or whatever? Are you liable? Are the Executive liable? How, in these circumstances, can your Minister present a Budget to the Assembly when he is saying that he is neither accountable nor responsible for its implementation? How is the Assembly to grasp the role of the Minister in that when not only did he abstain but he seems to be almost abdicating his ministerial responsibilities? I do not know that, because he has not had the courtesy to sit there; I gauge that only from his television performances.

Mr May: Let me set out the respective responsibilities. The Executive set the budget that the Department for Regional Development will have for the year ahead. The Minister is responsible for the policy decisions as to how to implement that budget. I, as accounting officer, am responsible for ensuring that the Department lives within its budget.

Mr McNarry: So, we come back to the point that I made at the start: you are going to have to rewrite page 3, which is your vision and objectives.

I will not go too deeply into off-street car parking, but can you confirm to the Committee that all the car parks listed to be transferred will be accepted by the councils without question?

Dr Murray: It is an Executive decision that the car parks are to transfer.

Mr McNarry: I did not ask that. I asked whether you can confirm that the councils that are in receipt of the transfer —

Mr May: We are going through a due diligence process with the councils.

Mr McNarry: — are all going to accept them without question.

Mr May: I certainly cannot guarantee that they will accept them without question.

Mr McNarry: If they do not accept them, do they come back to you?

Mr May: They come back. There is an ongoing process in relation to the transfer of the car parks. We are engaging with each of the councils.

Mr McNarry: There is no big deal. If they do not accept them, they just come back to you.

The Chairperson (Mr Clarke): Or would you prefer to keep them?

Dr Murray: It is not an issue for us.

Mr May: It is a policy decision that has been made by the Executive. We are implementing it.

The Chairperson (Mr Clarke): No, your paper talks about your loses. Would you prefer to maintain the car parks and that councils did not take them?

Mr May: As I said, the Executive decided that they will transfer, so it is not a relevant consideration.

The Chairperson (Mr Clarke): The Executive may decide that they may transfer, but David's point is that the councils may refuse to sign. Peter, as permanent secretary, with this bad hand you have been dealt in this Budget — John said that you were dealt this hand, albeit that your Minister did not vote against it — would you now prefer to keep the car parks to increase your revenue or would you prefer that they were transferred to local government?

Mr May: With respect, Chair, you are inviting me to move into a policy space that is not appropriate for officials to move into because —

The Chairperson (Mr Clarke): No, I am not. You are —

Mr May: — a decision has been reached and it is my responsibility to make sure that it is executed properly. If councils choose not to take car parks, clearly we would continue to operate them.

Mr McNarry: At what stage will that happen? This time, I think, I can quote the Minister when, even before all this happened, he told the House that details were already being worked out on certain sites with developers. Can you tell us which sites?

Dr Murray: No, I certainly cannot. We are —

Mr McNarry: So, what information was the Minister referring to? Is he the only one who knows the sites? Is it a secret from the rest of you? He said it, so is this Minister, who does not want to be responsible for his budget, the only one who knows that a deal is going on with developers, because — with all due respect, Andrew, if it is your responsibility — you cannot tell us which sites?

Dr Murray: I am responsible for car parks at present. I am also responsible for the transfer of those to the councils as the Executive have required.

Mr McNarry: Are you telling me that nobody is informing you what procedures the Minister is involved in when he made the statement in the House that sites have been identified for development?

Dr Murray: Sorry, it depends whether you are meaning they are identified for development after they are passed to councils or whether they are sites —

Mr McNarry: No, no. We are in the middle of a discussion separate from this discussion in our Committee. There is legislation being pushed through —

The Chairperson (Mr Clarke): David, maybe if it is helpful, just to frame that slightly differently —

Mr McNarry: OK, anything that is helpful.

The Chairperson (Mr Clarke): Some car parks are not now being transferred. Even before we got to a particular stage, some car parks were withdrawn from the proposal to councils. To help you, David, with what the Minister said, it seems that they have been held back for a reason. Are those the ones that have been identified for development? That is a fair question and something the Committee

would really like to know. I believe that we wrote to the Department but did not get an answer on that one either.

Mr McNarry: You are the man, Andrew. You are in charge of all this. Tell us what is going on.

Dr Murray: As far as I know, the only car parks that are not being passed across are those that are used for park-and-ride, which are part of the network —

Mr McNarry: They are not in it.

Dr Murray: — or those that are close to being sold. That is all that I am aware of.

Mr McNarry: Close to being sold by the Department?

Dr Murray: Yes, there will be —

Mr McNarry: As assets?

Dr Murray: Yes, surplus assets.

Mr McNarry: What kind of money is involved in those that you are in a deal to sell off?

Dr Murray: We would need to come back to you in writing on that. I was really here to talk about next year's problems rather than that issue.

Mr McNarry: Will you come back to us in writing because if they are close to being sold — ?

Dr Murray: Yes. I think that might be the subject of a current DALO query.

The Chairperson (Mr Clarke): It is, but the problem is that we are not getting a response. You are here today, Peter, so you are the man we really need to speak to.

Mr May: Well, we —

Mr McNarry: Sorry for interrupting you. I know you are here, Peter, for the first time. This blooming Department of yours is smoke and mirrors. With all due respect, I hope that you will sort it out. It pays little respect to this Committee, as far as I am concerned as a member.

The Chairperson (Mr Clarke): No respect.

Mr McNarry: Your officials come here and tell us half the information. It is like pulling teeth, and this is an example of it.

Mr May: Andrew has volunteered to come back to you with the relevant information. The Department is committed to working with the Committee. I have offered to engage with the Clerk and the researcher on any concerns about the numbers; there seemed to be some concern that we were overplaying the concerns that existed. I am very happy to go through that process with you in a way that is designed to reach a common understanding.

Mr McNarry: I welcome that.

Mr Moutray: I apologise for being late; I was unavoidably detained at another event.

When I came in, David had raise the issue of fuel hedging. That subject intrigues me. Can we get more detail on fuel hedging and how long it has been going on for? Is it profitable for Translink, especially when we have a falling price in the oil market and there is loads of oil about? Have you done some work to see whether it has been beneficial, because we all know that it is, in effect, gambling with fuel?

Mr May: We will provide information on the Translink approach to procuring fuel.

Mr Ó hOisín: Did we clarify that a list of towns will be supplied?

The Chairperson (Mr Clarke): Peter is going to get it for us.

Mr Ó hOisín: And a list of the various rural routes, viable or unviable.

The Chairperson (Mr Clarke): I do not think that we clarified that one. Andrew, can we tie you down on that?

Dr Murray: Are you talking about rural bus routes?

Mr Ó hOisín: Yes, given that they would be the first to be curtailed.

The Chairperson (Mr Clarke): There are two different issues: the towns that have been identified and —

Mr Ó hOisín: The towns and the rural routes.

Mr Moutray: There is also the issue of reductions in rail routes.

The Chairperson (Mr Clarke): I am sure that you will have that as well, because you could not have done this without —

Mr McNarry: He said that he has only the indicative list.

The Chairperson (Mr Clarke): That will do us for a start.

Mr May: As I said, no decisions have been taken.

The Chairperson (Mr Clarke): No, but you have made a commitment today that we will have that information today.

Mr May: Yes.

Mr McGrath: We said that we would share the information that we have.

The Chairperson (Mr Clarke): That is what we are asking for, John. You would not hide anything from us, John.

Mr McGrath: No, I would not. There is an indicative list of towns; I am not sure that there is an indicative list of unviable rural bus routes to hand.

The Chairperson (Mr Clarke): Just to remind you, at the start there was no list, but there became a list.

Mr McNarry: Is there an indicative list of the car parks that you are already selling off? How many indicative lists are attached to this budget?

Mr May: I am not sure that I understand the point. We will provide you with a list of those car parks that are not —

Mr McNarry: Those that are already in the process of being sold and how much you are going to get for them.

The Chairperson (Mr Clarke): And have been "identified for development". I think that those were the Minister's words.

Mr May: Insofar as there are no commercial confidence issues. If the deal is not done, we will not necessarily be able to disclose the full commercial details. You would understand that point.

The Chairperson (Mr Clarke): Declaring the ones that have been identified for development will not divulge the commercial nature of the deals. So, there is nothing privileged in those.

Mr McNarry: They too might have an impact on your budget. That is why we are interested.

Mr McGrath: Well —

Mr McNarry: Will they not?

Mr McGrath: It depends when they are sold. If they were sold in the current year, the money would be capital income and come in this year; it would not impact on next year.

Mr McNarry: I meant the impact on your budget. Any income to any budget is surely beneficial.

Mr May: Yes, and we are looking to maximise it. Deborah was saying that our total capital income this year would probably be between £2 million and £3 million.

Ms McNeilly: Yes, and next year it may be between £1.5 million and £2 million.

The Chairperson (Mr Clarke): One final question, Peter. We are out to consultation. If the draft Budget remains as it is, will you recommend that the Minister accepts it?

Mr May: I am setting out the consequences of the Budget and indicating that, in order to provide a proper level of service, we need an increase in our budget.

Mr Lyttle: I apologise for having to leave due to unforeseen circumstances. Did you cover the concessionary fare, the change fund and the FT capital issues? If not, can I ask a quick question on them?

The Chairperson (Mr Clarke): John touched on them, but go ahead.

Mr Lyttle: It is my understanding that the 2015-16 Executive Budget has £30 million set aside for the change fund. It is an investment-to-save prevention programme. Does DRD have any applications in for that change fund?

Mr McGrath: We are working up applications. The rules came out last week.

Mr Lyttle: Can you give us an idea of what type of priorities or issues those applications might cover?

Mr May: There is one in particular to mention.

Dr Murray: Probably the largest one is for transferring current street lights to LEDs, but that will be tied up with what the position is on street lighting. As you will see from paragraph 52, if we keep all the street lights running, even at the current levels of service where we are not fixing the outages, there is really nothing left for anything else. So, there are decisions to be made as to whether we do that or not.

Mr Lyttle: The rationale for that funding is that they will be more efficient and, in the long term, will make significant savings to your costs.

Dr Murray: Exactly.

Mr May: Lower replacement costs and so on.

The Chairperson (Mr Clarke): And energy costs.

Mr May: And energy costs.

Mr Lyttle: In relation to the financial transaction capital, I understand that the budget for 2015-16 is over £100 million and is appropriate for infrastructure spend. Is the Department exploring that in working with Translink on the Belfast transport hub?

Mr McGrath: We are certainly discussing that with DFP and others. Indeed, it was discussed by the two Ministers on Monday. We will pursue the maximisation of private-sector investment in the hub, and, if FTC has a role to play in that, we will want to explore that.

Mr May: It is also fair, though, to be cautious about timescales. Big developments like that will not necessarily impact on a 2015-16 budget line. I want to make sure that that is clear.

The Chairperson (Mr Clarke): Can I ask you a final question? I do not want to upset Chris with this. What you have looked at in the draft Budget is what many of us see as things that will affect everyone, which they will, and I think that we will all agree on that. To what tune are you financing the cycling unit in the Department? Chris and I will probably disagree on this, but cycling is not a necessity in Northern Ireland. There are essential things that people need such as sufficient roads, and, in terms of people living in fear of crime, street lights are a must. To what tune is the cycling unit being funded?

Mr May: The main sources for funding are the people who work in the cycle units and then any capital investment that we put into developing the cycling infrastructure going forward.

The Chairperson (Mr Clarke): There is a resource cost as well.

Ms McNeilly: I think that the resource cost is largely attached to the unit in terms of the staff costs.

The Chairperson (Mr Clarke): Only?

Ms McNeilly: As far as I understand it, most of the other works are related to capital, but we can certainly get you an update on the resource.

The Chairperson (Mr Clarke): In going forward, if we are in a different place, that is fine, but there are essential things that many of us expect, and those are the ones that the Minister has targeted.

Andrew, you could maybe speak to people in the Department and find out why street lights are left burning for 24 hours a day for four and five days as is happening currently.

Dr Murray: I can explain that now. I do not need to come back on that one. Quite often, when there is a group outage of street lights, that is due to the photocell failing, and we have a choice of either leaving that light out because we do not have the money to fix it or switching them on all day. Even our client street lighting staff can do that.

The Chairperson (Mr Clarke): Economically, that does not make sense. Surely it would be more cost-effective to fix the faulty light as opposed to leaving lights on 24/7.

Dr Murray: The lights are not metered. There is no additional charge to the Department from leaving them burning 24/7.

The Chairperson (Mr Clarke): In the paper, you talk about disconnection.

Dr Murray: That is a separate issue.

The Chairperson (Mr Clarke): They are both energy-related.

Dr Murray: Street lights use energy whether they are lit or not. Energy goes through the system. The only way that we can stop them using energy is to physically disconnect them, and that is what paragraph 52 is getting at. If we want to reduce the electricity bill, the only way that we can do that is to physically disconnect the street lighting columns. We have not made any decisions on that yet. Because there is simply no money left for anything else, one way that we could make some money available for other aspects like traffic signal maintenance is by disconnecting some of the street

lighting columns. If you disconnected 10% of them, you would save £1 million in electricity costs. We have to look at that.

Mr Lyttle: Chair, you rightly said that I would disagree with you that cycling is non-essential. The overall vision for the Department is for modern, safe and sustainable transport, roads and water services for Northern Ireland. Obviously, street lighting is highly important, but I also think that investment in cycling is crucial to the delivery of that vision, and I do not think that they need to be pitched against each other. I think that we need to find ways to deliver both more efficiently, and it sounds like, encouragingly, you are thinking in that regard.

This is my final question. Another important part of investment in public transport is in relation to concessionary fares. I start by recognising the work of the Pensioners Parliament on some of these issues. They were at the Assembly yesterday, and they have a very strong campaign for the retention of the concessionary fare. The bus pass for over 60s costs around £40 million a year. When it was introduced in 2008 for those aged 60 to 64, it was estimated at approximately £4 million a year, but I think that costs have been rising exponentially. Has any work been done to see how many of those aged between 60 and 64 remain in work and whether they could afford to pay for fares? Or would that be counterproductive in the overall costs?

Mr McGrath: I do not think that we have delved into that. As a result of the Budget decision, the Executive are fully funding the concessionary fares scheme. That is an Executive decision, so we do not have any *raison d'être* to start pursuing issues like the number people who are between 60 and 64 and who are working and, therefore, theoretically do not necessarily need this. We are not —

The Chairperson (Mr Clarke): John, surely you would have reason. To go back to where this conversation started —

Mr McGrath: Sorry?

The Chairperson (Mr Clarke): I think that maybe you should have looked at it — not necessarily looked at that but at other options. You said that it has been provided for. If it has been provided for by the Executive, why are you including it in your —

Ms McNeilly: You will see that there is a plus and a minus in there, and they net off, in arriving at the total cost.

The Chairperson (Mr Clarke): Yes, but you have put it in as an additional pressure, so it is either a pressure or it is not.

Mr McGrath: Whatever way it was presented — there are different ways of presenting it — out of the £17 million that we got back, the Finance Minister made it clear that £9·5 million was hypothecated to cover the gap —

The Chairperson (Mr Clarke): To get you to your 19%, you included it, but in response to —

Mr McGrath: No, no.

The Chairperson (Mr Clarke): Yes.

Mr May: It is netted off within that table. The additional money that the Executive gave us included money specifically for concessionary fares. It was the Executive's decision to fully fund that, and that is the approach that we are taking. That then has an impact, because we cannot spend that money on other services.

Mr Lyttle: Obviously, as I said, the bus pass is vital for social mobility and social inclusion for older people, and that is why we support it in the way that we do with the scheme. Perhaps the reductions by isolating certain aspects of it would be minimal, but when we are experiencing the level of budgetary reductions that we are, I think that Departments need to start looking creatively at where efficiencies might be made. I appreciate those responses.

Mr McNarry: Do you want 64-year-olds to get on their bike and go to the nearest bus stop where the bus is not running any more? Is that what you want?

Mr Lyttle: I know many people of that age who proactively —

The Chairperson (Mr Clarke): Right members. We are running late. Thank you.