



Northern Ireland
Assembly

Committee for Regional Development

OFFICIAL REPORT (Hansard)

Budget 2015-16: Mr Danny Kennedy MLA
(Minister for Regional Development) and
DRD Officials

25 March 2015

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 Joe Byrne

Mr John Dallat

Mr Alex Easton

Mr Ross Hussey

Mr Chris Lyttle

Mr Declan McAleer

Mr David McNarry

Mr Cathal Ó hOisín

Witnesses:

Mr Kennedy

Minister for Regional Development

Mr Peter May

Department for Regional Development

Mr John McNeill

Department for Regional Development

Dr Andrew Murray

Department for Regional Development

The Chairperson (Mr Clarke): I welcome the Minister for Regional Development, Mr Danny Kennedy, and his officials. I do not believe that we need any introductions, as you have all been here before. The floor is yours, Minister, to make a short statement.

Mr Kennedy (The Minister for Regional Development): Thank you very much indeed, Chairman and members of the Committee. You will know Andrew Murray, Peter May, the permanent secretary, and John McNeill from the Department's finance section. I welcome the opportunity to speak to the Committee and to clarify my Department's position on the allocations provided through the 2015-16 Budget process and the implications for the programmes and services supported by that Budget.

The key issue that I want to address is the view that my Department has a reduction of only 0.6% in its resource budget and therefore is one of the least affected Departments in the 2015-16 Budget. That is totally misleading and unrepresentative of the real impact on my Department's budget. In reality, my Department faces cuts to and pressures on my resource budget of some £60 million, which is around 18% of the 2014-15 baseline. The scale of pressures facing my Department was highlighted at a briefing provided to the Committee on 27 November 2014 and at the Committee's meeting with my senior management team on 3 December 2014. Indeed, at a subsequent meeting in December 2014, the Committee Clerk and researchers were provided with a detailed explanation of how those pressures were derived.

The situation in 2015-16 has in no small part been exacerbated by greater funding constraints this year. In addition to the £15 million reductions to meet the Executive's 4% cuts, funding has not been provided to meet the £20 million pressure for the release of value from the Belfast Harbour Commissioners. Funding reductions this year and next have forced me to take some very difficult decisions, particularly on service delivery.

Let me say that this is not a case of me playing politics. The actions that I have taken are entirely necessary and are driven by available resources. However, where there is potential for an impact on public safety, it is my duty as a Minister to highlight that. Frankly, I make no apology for that. Indeed, I have taken the decision in the 2014-15 year to continue to deliver what I consider to be basic safety-related services, such as the gritting of roads, even though, as a result, it is highly likely that the Department will overspend.

I have been working intensively with officials to determine how best to spend the limited resources that are available to me next year to provide the key water, transport and road services. Those are services that, as the Committee will know, the population of Northern Ireland relies on 24 hours a day, seven days a week. However, the scale of the reduction required means that serious impacts on core services cannot be avoided. I have sought to maintain as far as possible the services that NI Water and Translink provide, but, in doing so, both are still taking significant cuts to their budgets. However, even with those cuts, I have still had to move money from roads to NI Water because the company would not have been able to meet its basic legal and licence obligations otherwise.

It might be useful if I discussed each of the functions in my Department and highlighted the likely impacts as a consequence of the budget allocations. NI Water is subject to independent assessment by the Utility Regulator, and the regulator's final determination recommended a resource departmental expenditure limit (DEL) allocation of £113.9 million for 2015-16. That represents the regulator's judgement of the greatest level of efficiency that Northern Ireland Water can deliver. At the draft budget stage, the proposed allocation was some £15 million short against the regulator's assessment, and that was mainly due to a massive increase in rates revaluation. Northern Ireland Water is subject to significant statutory duties as a company and as a water and sewerage undertaker. It has also to certify to the regulator that it has sufficient funding to carry out its regulated activities. The draft budget allocation would have made it virtually impossible for the company to comply with its legal duties and obligations under the licence. To enable NI Water to meet its legal obligations, I have significantly addressed the shortfall through the allocation of a further £10 million, bringing its resource allocation to £109.2 million for 2015-16, thus reducing the shortfall to some £5 million. I anticipate that the additional resource funding will go a long way towards enabling NI Water to mitigate any significant deterioration against water quality or waste water compliance, which appeared to be inevitable at draft budget stage. A significant risk remains. Northern Ireland Water is still £5 million short of the budget cover that the Utility Regulator recommended and was therefore unable to accept the final determination. It will need to absorb that shortfall. There is no funding to cover unforeseen events.

My Department will make robust bids to the Executive for funding through the 2015-16 monitoring rounds to mitigate potential negative impacts on customer service, such as incidence of low pressure, supply interruptions, pollution incidents and out-of-sewer flooding. Given the level of funding, Northern Ireland Water and the Utility Regulator are still seeking to review the required output targets within the PC15 business plan. I believe that NI Water, working closely with the regulator, my Department and other stakeholders, will continue to provide sustainable high-quality water and sewerage services to the public.

The draft budget left Translink facing pressures of some £15 million. As you are aware, an additional £2 million was provided to Translink in the final budget for town services. It is undertaking a number of further actions to reduce its funding pressures. Those include efficiency savings from staff reductions of some £2.1 million targeted at non-front-line staff, as well as service review and reorganisation savings of £5 million. Although the network will continue to operate on its current geographical basis, it is inevitable, given the funding constraints, that there will be reductions in frequency — I stress the word "frequency" — to some services. However, in taking forward any proposed service rationalisation, Translink will consult with passengers, local community representatives, politicians and other stakeholders. Translink's proposals for 2015-16 mean that it is now projecting a loss of £10.8 million. That, on top of a projected £14 million loss for 2014-15, is the reason that Translink needs to make savings to secure its long-term future. As the Committee will be aware, the chief executive, David Strahan, has expressed his concern about that.

As a consequence of addressing pressures in Northern Ireland Water, further reductions are required from Transport NI. Its budget has limited room for flexibility. After taking into account inescapable costs totalling almost £84 million, including £40 million for public-private partnership (PPP) commitments, together with staff costs of some £61 million, Transport NI has only £13 million to cover all remaining activities. Those include street lighting and traffic signal energy; funding for external contractors, including those who normally repair traffic signals and street lights; supplies, including patching materials and salt; and fleet maintenance and fuel. Indeed, the £13 million will cover only the street lighting and traffic signal energy costs and inspections. The cost of all those services is normally over £40 million. The annual cost of street lighting and traffic signal energy alone is over £11 million. A further £2 million is required to meet legal obligations that are associated with the inspection and testing of street lighting installations. As a result, I will be unable to utilise external contractors to carry out routine maintenance work and street lighting repairs in 2015-16. The stopping of those activities is likely to have serious public safety implications. In addition, due to the budget position, around 500 industrial staff employed by my Department would be confined to depots with no work. That situation would be totally unacceptable. I am therefore proposing to allow my industrial staff to provide a skeleton routine maintenance service until the outcome of June monitoring is known. Let me make it clear that that will be done at risk and that I will keep the position under careful review.

I have been forced, in view of the severe budget outcome, to reduce funding to community and rural transport providers by some £2 million. I think that there is scope for greater efficiencies in that area whilst still protecting the service to the most vulnerable. My Department will actively facilitate discussions with service providers to assist in that process. To that end, on 11 and 12 March officials met the organisations concerned.

With regard to wider departmental reductions and the front-line business areas where I have pursued reductions in costs and other efficiencies, I have already secured a £2 million reduction in administration costs to help to offset funding pressures. This year, my Department is planning a further £3 million reduction in staffing and other administration costs in 2015-16, including savings associated with some 225 staff leaving through the voluntary exit scheme.

Chairman, I hope that I have enlightened the Committee about the real consequences for my Department. It is not a case that there is a 0.6% cut to my Department's funding, as we said in the budget document; the cuts are considerably more substantial, with potentially devastating impacts on the key public services that my Department provides.

I am happy to engage in questions and a wider discussion. Thank you.

The Chairperson (Mr Clarke): Thank you, Minister. I know that you have been at pains to try to explain to us that it is not a 0.6% cut. For the record and for those who are listening, if I look at your document, I see that the opening budget for 2014-15 was £344 million and that your opening budget for this year is £333 million. In the most simplistic terms, that is a reduction of £11 million. When you went out to grab the headline, you referred to £60 million. That is certainly not reflected in the document that your Department forwarded to us today.

I want to touch on some other areas on that. You reduced the level of funding to Translink, but it has increased its income by £4 million. If you want to keep the mathematical equation going, we can see that that has reduced the deficit to £7 million. You said that reorganisation in Translink of another £5 million reduces the deficit to £2 million. You paint a very gloomy picture. I am not entirely sure who the mathematician in the Department is, but the sums do not actually add up. I appreciate that you gave me time to meet you one day, whilst you did not actually give me access to that document. I hope that my voice holds out here. Now that I have sight of it, I can see that the figures are there. Maybe you could speak to that, Minister, so that we could see where the gap is between the £60 million that you have cited versus the figures in your paper. Certainly, on the initial look, it looks like £11 million.

Mr Kennedy: Let me say that there is no attempt on my behalf to falsify, shroud wave or make a situation worse than it actually is. I will ask Peter to take us through the £60 million again. The dispute between the Committee and ourselves seems to be about reconciling the £0.8 million against the £60 million, so —

The Chairperson (Mr Clarke): Before Peter speaks, let me say that there should not be a dispute, Minister: the facts are the facts. Your Department has presented a paper today on your opening budget in both years, and there is a difference of £11 million. In the context of your £60 million, when

you made your statement, you talked about pressures. We would not like to think that you were carrying forward pressures from previous years and trying to bring them into the mathematical equation. I am happy to hear what Peter says on that.

Mr Peter May (Department for Regional Development): It is quite complicated. There are two ways of approaching it. The draft budget document sets out how we arrived at a figure of £65 million of cuts and pressures. That was the subject of the briefing that we gave the Committee in November. We then had a subsequent briefing with the Clerk and some of his specialist officials. You have started to compare the total budget this year with that last year. Let me try to explain how we arrived at the figure of around £60 million. You highlighted that the final budget for 2014-15 was £344 million. In that year, we received £6 million extra under an income heading for car parking charges. That —

The Chairperson (Mr Clarke): Sorry, can I just stop you there? I actually wrote that down, but I want to address it now. That £7 million came up in the Committee when we did the inquiry. I have since spoken to the new Mid Ulster District Council, which said that it has clarification that shows that it is worth considerably less than £7 million. Can you speak to that, Peter?

Mr May: I am not sure about the precise point. The point is that we —

The Chairperson (Mr Clarke): No, sorry —

Mr May: The £6 million I was raising —

The Chairperson (Mr Clarke): The point is that you described the figure of £7 million as a pressure. The Mid Ulster council chief executive said that the £7 million that was allocated to it is no longer £7 million; it is considerably less. If you take that equation, Peter, whilst you are using £7 million as a pressure, you see that, if that amount of money is not as much as £7 million, it is not £7 million of pressures that the Department is suffering. Maybe you could explain how the difference has arisen, given that the Committee had an inquiry into car parks. At the start of that inquiry, we did that piece of work in a fairly rushed time. Given what some of the councils are telling us and from what we see now, maybe we should not have rushed it. The figures supplied indicate that the pressure that you are talking about was £7 million. Now the councils are saying that it is much less. Maybe you will address that point before you continue, Peter.

Mr May: I was talking about the £6 million that the Department receives in income from car parks each year. That £6 million will not be received as income next year, because the car parks will have transferred to local councils. As a result, DFP included that £6 million in our baseline budget of £333 million. Whereas this year we had £344 million plus £6 million, which is £350 million, we have only £333 million, including the £6 million, next year. That is £6 million additional, which takes you up to £17 million of the total.

In addition, the Minister mentioned that it has not been possible for the Department to live within its budget this year. It is likely that the Department will overspend by around £13 million because of the delivery of essential services, such as winter gritting and so on. That £13 million of additional cost takes you up to £30 million. To make savings this year, we took a number of one-off steps that cannot be repeated. We took £14 million of one-off measures, including taking £10 million from Translink by reducing the amount of funding that it was given. Essentially, we reduced its reserves, which is a point that the Committee has made on a number of occasions. That £14 million takes you up to £44 million, if my maths is correct.

The pressure that we refer to is the one that the Minister mentioned for Northern Ireland Water. As a result of rates revaluation, Northern Ireland Water faced a £13 million additional rates bill this year compared with last year. That was reflected in the Utility Regulator's determination. That takes you up to £57 million. With roundings and some smaller items, that is the essential difference. That is how we arrived at the £60 million figure. I stress, as the Minister has, that we have taken a series of measures to try to reduce the scale of that pressure; it is just that we cannot see a way of meeting all the pressure without making the cuts that the Minister has referred to up to this stage.

The Chairperson (Mr Clarke): You are at pains to get to the £60 million figure again, Peter, but you still have not explained why the £7 million that you are describing as a pressure for car parks is not £7 million but considerably less.

Mr May: No, I think I have explained this clearly: the £6 million —

The Chairperson (Mr Clarke): No, it was not clearly, because —

Mr May: Let me try again. We receive £6 million of income every year under a separate income line for the Department. We are not receiving that £6 million; that is a matter of fact that we can demonstrate. We are not getting the £6 million next year. There is not £6 million extra being put into our budget because of that.

The Chairperson (Mr Clarke): Nor are you incurring any costs. The £6 million is income. That does not allow for costs. Let us look at what your balance sheet would say at the end of the day. That is where you have your £7 million initially, and it is no longer £7 million. Is that not right?

Mr May: No. We still run and pay for the car parking contracts. I do not know whether John can say —

The Chairperson (Mr Clarke): So, out of the £7 million that you are not bringing in, are you going to continue with the maintenance of the car parks?

Mr May: The £6 million that I am talking about is the income from car parks that is lost to us. Our belief is that we continue to hold the contract for the car parking. Andrew, can you fill in the detail on that?

Dr Andrew Murray (Department for Regional Development): We are running the contract on behalf of councils. That will be on a rechargeable basis. I think, Trevor, that —

Mr McNarry: How much are you going to get for that?

Dr Murray: Our costs.

Mr McNarry: How much are your costs?

Dr Murray: I do not have that figure with me. We can provide that in writing.

Mr McNarry: You do not have that figure with you.

Dr Murray: The cost for each individual council?

The Chairperson (Mr Clarke): The overall cost. There is a global cost to doing that. You are bound to know that.

Dr Murray: Our global cost is a mixture of off-street and on-street parking enforcement.

The Chairperson (Mr Clarke): So, you are saying, Andrew, that you have not done a calculation to separate the two.

Dr Murray: Of course the calculation has been done. We have told councils what it would be. We have offered that service to the councils, and —

The Chairperson (Mr Clarke): Can you tell us what it is, Andrew?

Mr May: The total for car parking enforcement and car parking service contracts is £9.3 million. That was set out in the draft budget document.

The Chairperson (Mr Clarke): So, you are still receiving that.

Mr May: No, that is the amount that we pay for the contract, and that is what we will recoup from councils on a direct repayment and recharging basis.

Mr Kennedy: In other words, we are not making money out of it.

The Chairperson (Mr Clarke): But you are not losing money, either.

Mr Kennedy: We are providing the service, but we are not net beneficiaries.

Mr McNarry: That is very good business, I must say.

Mr May: I think I got to the point of explaining the £60 million.

You also mentioned an issue about Translink. I do not know whether you want me to —

The Chairperson (Mr Clarke): Going forward, whilst you starved Translink of some of its funding, given the Minister's comments, its reorganisation brings in an additional £5 million, and there is a £4 million increase in fares. That does away with the £10 million that you did not actually give Translink, so it should be in the same position as it started.

Mr May: We started by inviting Translink to take £15 million worth of cuts —

The Chairperson (Mr Clarke): And you finished up giving it £10 million.

Mr May: We finished up giving it £13 million of cuts. The £2 million was taken off to help with the town services. It is looking to raise income through fares increases, and it is looking to reduce its costs to manage the deficit that that has caused. Even with that, it will still sustain a projected loss of £10.8 million in 2015-16.

The Chairperson (Mr Clarke): I welcome what I heard today, Minister. I hope that you stand by that and that we are not going to see a removal of service. I think that you talked about the frequency.

Mr Kennedy: Yes.

The Chairperson (Mr Clarke): There was a strong feeling from Translink that it would be coming back to you for another increase in fares. Now that we have you here today, Minister, can you tell us your view on that?

Mr Kennedy: I am against any second increase in fares in the same financial year. I have made that plain to Translink. When the chief executive of Translink was here, he raised his concern about the funding for Translink, as he is perfectly entitled to do on behalf of the Translink board. However, I do not support and will not sanction a second fare increase in the same financial year. I am trying to improve numbers in public transport and trying to encourage more, and we have been successful at that. I understand that, when you increase fares to a level, that will prevent people from spending money on public transport. That is a circular argument that, in my view, defeats the purpose of trying to promote public transport.

The Chairperson (Mr Clarke): I was starting to take comfort from your words that you would not impose a second increase in the same financial year. However, the first increase went on in 2014-15, and we are at the end of that year, so are you now suggesting that we are not going to see an increase going into 2015-16?

Mr Kennedy: I am sorry. If it helps to clarify, I meant the calendar year. I am against two increases in any calendar year, if that is helpful.

The Chairperson (Mr Clarke): That is helpful.

Mr Lynch: Coming from a rural area, I know that one of the issues there is resurfacing. I am aware that some resurfacing contractors have laid off staff, some are on temporary contracts and others are hanging in the balance. That is because of the lack of money in the January monitoring round. How much will be made available on 1 April? When will it be available? Will it be ready to hit the ground running so that those people can get back into work?

Mr Kennedy: I heard an interview with Gordon Best on the radio this morning on behalf of the Quarry Products Association (QPA). I understand that that organisation will make a presentation to the Committee at some point this morning. I spoke to Gordon and his colleagues in the margins of this

issue, and I offered a meeting, when it is appropriate, to hear some of their concerns. I am aware of the impact that this is going to have, particularly on external contractors. In real terms, this has the potential to cost jobs. I am not pleased about that or in any way satisfied that that should be the case, but simply, in terms of capital or resource budgets, we are severely underfunded.

Andrew, do you want to touch on the impact from 1 April?

Dr Murray: We have £22 million for structural maintenance, but that includes a number of different things, such as surface dressing, some patching work, structural drainage and, indeed, staff time in designing and supervising schemes. When you take all those things out of the structural maintenance total, you find that there is only a few million pounds left — maybe £3 million — for resurfacing at the start of the year. That is the worst position that I can ever remember the Department being in, and it is the worst position for the contractors as well. We know that we always get money during the year on the capital side, but we like to have enough at the start of the year to at least keep the contractors busy for the first quarter so that they can retain their skilled staff and take additional money later on. We are not in that position this year, unfortunately.

Mr Lynch: What is the comparison with last year, Andrew? What sort of reduction was there then?

Dr Murray: Last year, I think it was around £40 million.

Mr May: The total budget reduction on capital is around £70 million. I know that the projection for what we should spend on structural maintenance is around £130 million a year. We have not been able to do that in recent years.

John, do you have a figure for 2014-15?

Mr John McNeill (Department for Regional Development): Our starting capital budget for structural maintenance — that is the equivalent of the £22 million in the current financial year — was about £45 million last year. We are hoping to out-turn around £95 million or thereabouts against our structural maintenance funding planned target this year. That is not quite as good as what we achieved in previous years where, through in-year monitoring, we got significant additional moneys that largely went on resurfacing. This is a particularly disappointing year going into 2015-16, given that we have gone from £45 million to £22 million.

Mr Kennedy: It is certainly a very bad start to the next financial year.

Mr Lynch: Are you saying, John, that you are hoping for £95 million?

Mr McNeill: This year, we are projecting that we will have a total structural maintenance budget of about £95 million or thereabouts.

Mr Lynch: Are you hoping to get that out of monitoring rounds?

Mr McNeill: No, that is based on the money that we have secured thus far this year. It is for a combination of patching and all the other types of structural maintenance that Andrew referred to. That is our total. We will still be considerably short of the £130 million, which is the accepted recommended level that we need to spend to keep the condition of the network in a more or less steady state.

Mr Lynch: Will it take you beyond 1 April? Will it be June before you get any substantive money?

Mr McNeill: June will be the first opportunity that we will have to submit bids to the centre for additional money.

Mr Lynch: So, you are really saying that there is just £3 million from April to June.

Mr Kennedy: Yes.

Mr Lynch: That will no doubt have negative consequences.

Mr Kennedy: Yes, potentially. I do not underestimate that, and, as I have said, there is no pleasure in that at all.

On the economics, the Committee will know and has heard me say before that we pick up money as the financial year progresses through in-year monitoring, and, come January, we are expected to hopefully spend a lot of capital money that other Departments have been unable to spend. That does not make good economic sense. It does not allow us to plan, and it does not happen at a time of year when we can get the best value. It also cracks contractors up too. We are pressing them to spend moneys that we have and it puts huge pressure on them. It is not a good economic cycle.

Mr Lynch: I want to finish on this point. Transport NI has £13 million, and it usually takes about £40 million. How will you bridge that gap? Will there not be major public safety issues and claims?

Mr Kennedy: Seán, there is a huge challenge in trying to balance it. That is not scaremongering or shroud-waving. There is a huge challenge in protecting not only front-line services but health and safety issues. That has to be at the very core and our prime responsibility, and we will seek to do that in the most cost-effective way that we can.

Mr Lynch: Can you elaborate on that, Minister?

Mr Kennedy: It is difficult to elaborate. We have not yet seen any significant increases in claims, but as the road structure weakens, and defects and potholes cause damage, there is that potential. That has to be looked at. There are also safety issues with street lighting and electrical installations that we have to protect and spend money on. That takes away our capacity to cut grass verges the number of times that we would like or desire to cut them, to clean gullies and to maintain structural defects.

All those issues are in the mix, and it is very difficult and very challenging. We hope that, as the financial year goes on, we can get more money. I and the Department will need the assistance of the Committee to continue to lobby for additional funds, and I would appeal for that. We genuinely are in a difficult position. Other Ministers will put forward their cases for the austerity that they face and for the cutbacks and savings that they have to make. My responsibility is regional development and the services that we provide. As well as having its scrutiny role, the Committee has an important role to play in ensuring that it lobbies the central Executive to ensure that proper funding is made available to provide the services that people expect on a day-to-day basis.

The Chairperson (Mr Clarke): Minister, that is a fair point, and none of us takes for granted some of the work that is done.

Seán, if you do not mind, I want to pick up on some of the last comments. You talk about grass verges and gullies. On one hand, Andrew said that we have 500 industrial staff sitting in the yard with nothing to do, but we have machinery —

Mr Kennedy: I could not —

The Chairperson (Mr Clarke): The Transport NI network has machinery to do those tasks.

Mr Kennedy: Yes.

The Chairperson (Mr Clarke): Andrew has said that we have 500 men — 500 individuals — we will not say "men" for the purposes of correctness. We have 500 employees who are sitting in the yard with no work to do. That does not sit well with me when you see —

Mr Kennedy: That would not be acceptable, and I could not justify that. Therefore, we will have to beg, steal and borrow to make sure that there is sufficient work and materials provided for them to carry out that work.

The Chairperson (Mr Clarke): That is one point. On the other point, anyone who is under financial pressure refocuses their mind. The new chief executive of Translink only came into the organisation last year. The figures that have been given today — by Peter or by you, Minister — show that he has identified £5 million of savings from organisational change. Why has it taken so long? A person has come into an organisation and, in a short time, has identified £5 million of savings. Minister, in how

many of your other departments are the chief executives not up to scratch and not identifying the appropriate savings so that the money can be spent in the right areas?

Another point — I will give you a few in one go, Minister — is the very good point that Alex Attwood raised on Monday about the York Street interchange. The Committee received a presentation on that, and the capital cost of that project is around £160 million. Someone made a presentation, but I think that the feeling was that the Department was fairly dismissive of that. He had a fairly imaginative idea, and the very least that your Department should have done was to take that man aside, get someone to do a bit of modelling and explore that. However, it seems to be a case of, "We have a problem. How do we fix it? We will build more bridges or more roads." Quarry Products Association Northern Ireland (QPANI) are here today. I am on for new roads, but I am on for roads that are needed, and if there are other solutions that mean that they are not needed, we should not be building them.

That was a typical example. Someone came with a good idea, and even your answer to Attwood and me was dismissive. That idea should be explored. If it does not work, that is fine, but it should not be brushed aside just because someone in your Department has a big ego, has come up with an idea and wants to make sure that it is a runner.

Mr Kennedy: It is not about egos, Chairman, either ministerial or departmental. Let me assure you of that. It is about delivering the best and most effective scheme for anything.

You will be aware that we are now proceeding to a public inquiry on the York Street interchange. There will again be an opportunity for people to test the proposals that are made; to make alternative proposals and to have those tested by the inspector. I am open to ideas for saving money in all aspects of the business — in maintenance and in projects that are going ahead. You will not find any dispute from me if there is a better way of doing something that is more cost-effective but achieves the same outcomes or improves the overall network. We will explore that fully. Let me make that absolutely clear.

Let me assure you that we are bearing down on departmental savings. Peter may want to pick up on this, but we are bearing down on costs where we can continue to save money. We are making progress on that and will continue to make progress on that.

Mr May: We are doing a line-by-line scrutiny of our budget. We are going through all the different processes to see how we could do things more effectively.

In response to Seán's earlier question, I say that the Minister has asked that we put in place a skeleton service. That is the very bare minimum that could be in place to protect public safety. We do not have the funding for that at the moment and would be proceeding at risk, and the Minister explained that in his opening remarks. That would be designed to ensure that we meet the public safety concerns and fully occupy the workforce. It would be unforgivable if that was not the case. Even so, at that skeleton level, people will notice a difference in the quality of service that is provided, compared with that which the whole organisation is used to providing. It will be very difficult for people in the organisation to come to terms with the fact that they will be delivering a lesser service than they are capable of delivering because of the financial consequences.

Translink is making savings. It has made £2 million of savings through efficiencies and management costs. The £5 million that you referred to includes the service reductions that it is consulting on at the moment.

Northern Ireland Water has been through a huge process of reducing costs as a result of regulatory impact. When it became a company in 2007, there were around 1,800 employees, and there are now around 1,300. It has also reduced costs elsewhere as well as improving the quality of its outcomes.

Within the Department, we have taken serious measures to reduce the size of our senior management group. We are now going through the voluntary exit process, which means that around 10% of the employees of the Department are likely to leave in the course of 2015-16. We anticipate that there will be some further reductions in 2016-17 beyond that. So all parts of the Department are going through a very rigorous process of cost reduction.

The Chairperson (Mr Clarke): On that last point, how much is that 10% going to save you in-year, Peter?

Mr May: In-year, we project that it will probably save around £1.9 million. Clearly, when you have the full-year impact, that is significantly more. It grows to £7.5 million; I think that it is around that.

Mr Dallat: Minister, it is traditional in the political world for the Minister to fall on his sword when his Department fails. I would be reluctant to pursue that — I believe that you inherited an awful legacy — but you are in the post a long time and you made promises that you would change things and would look seriously at the people on the boards of Translink, NIW and whatever else. It has not happened. This morning, just before you came in, we were told that there is an application in to extend the appointment of a person on the Northern Ireland Transport Holding Company. I am sure that the Commissioner for Public Appointments will be absolutely delighted with that, since he went to the trouble last January of producing a report with 22 recommendations on improvements to public appointments. That clearly [*Inaudible.*] That is just a side issue.

In your introduction this morning, you told us that you were moving money from Roads Service to NIW. Northern Ireland Water was presided over by Laurence MacKenzie and other people who nearly killed it off. Is the choice now water in the taps but no tar on the roads?

Mr Kennedy: Thanks, Mr Dallat, for your question. We have worked closely with the Commissioner for Public Appointments. The commissioner has been complementary in my attempts to change the profile and nature of people who are appointed to public boards and bodies. I am seeking to ensure that there is greater participation, particularly from groups that are under-represented and people who have not previously been given a chance. The commissioner has recognised that. You will be aware that the term of the chairman of the holding company, John Trethowan, expires very shortly, and there are also appointments required for the board. So it was on that basis that I agreed to the extension of contract for one particular board member. It is by no means automatic that people, having been appointed for only one term, will be reappointed. I have made that clear. I understand that some people have been expressing unhappiness with that, but that is what I want to do. I want to see change and to bring people with new ideas and different life experiences to public bodies.

You may say that I am protecting NI Water at the expense of Transport NI. I am in a difficult situation, given the recommendations of the Utility Regulator, the pressure that there is in terms of water quality and European standards, and the potential for infraction action to be taken by Europe against NI Water. To ensure that the legal and operating status of NI Water is protected, I have had to, from draft Budget to final Budget, supplement by another £10 million, and there is still a shortfall of £5 million. I also have to maintain and keep Translink as a viable and operable company under law. I have no choice but to do that. Therefore, the only other option that I have within my overall Budget responsibilities is to take that money out of Transport NI. That does not give me any pleasure. We talked earlier about the pressures that are now attendant on Transport NI and the front-line services that potentially will be seriously impacted, but I have to deal with the hand that is given to me. I need the help and support of the Committee as we go forward and lobby the Executive so that we can achieve more funding to satisfy all aspects of my departmental responsibilities.

Mr Dallat: I thank the Minister for his answer, and I listened carefully as he repeated his appeal to the Committee for support. That support, Minister, has been forthcoming, but it has not been reciprocated. Things have happened that have upset individuals. Personally, I have sought to keep the politics out of it and to work with you, and you know that. I have correspondence from you in relation to that.

You know that the CEO of Translink said that the company would go bust in two years. That worries me. I am not straying into the capital project, but, Minister, you wrote to me recently to say that phase 2 of the Derry to Belfast railway could be funded out of Translink's budget. Now we know that Translink is likely to be bust in a few years' time —

Mr Kennedy: I cannot afford to let Translink go to the wall.

Mr Dallat: The point I am pursuing is —

Mr Kennedy: I just could not stand over that, John.

Mr Dallat: I understand that, but I was led to believe that the money for the upgrade of the railway was ring-fenced in Translink's budget. However, you and I now accept that Translink could face bankruptcy if it is not bailed out. Where is the money coming from for the upgrade of the railway?

Mr Kennedy: I am trying to protect Translink from going to the wall.

Mr Dallat: My question — I am sorry for cutting across you, Chairman — is that in protecting Translink from going to the wall, is it reasonable to assume that the money for the upgrade of the railway is not in its budget?

Mr Kennedy: It is in Translink's budget.

Mr Dallat: Is it?

Mr Kennedy: It is still in Translink's budget. It is a priority. I said in the House that I see that as a Translink commitment.

Mr May: As part of the budget for Translink — the capital —

Mr Dallat: You mentioned it. What is the figure?

Mr May: For 2015-16, £17.3 million has been allocated to Translink for the railway upgrade.

Mr Dallat: But the cost of the upgrade, we believe, is somewhere in the region of £40 million.

Mr May: That is for the one year of 2015-16 —

Mr Kennedy: That is not the total cost. The works will take longer than a single year.

Mr May: You cannot spend it all in one year, so you allocate only the money that you can spend in a year.

Mr Dallat: So, the upgrade is not going to be finished this year.

Mr May: It will be started in September, but it will not be finished —

Mr Kennedy: We anticipate that the work would start this year.

Mr Dallat: I am sorry, Chairperson; keep me right if I am wrong here. I understood that phase 2 — the passing loop — would be finished this year. How many years will it take?

Mr Kennedy: The contract will, hopefully, begin this year. There are other issues to be resolved. *[Interruption.]* I was always expecting handcuffs when I arrived here this morning, but I have avoided that.

The Chairperson (Mr Clarke): They are waiting for you on the way out. We want to hear from you first.

Mr Dallat: In trying to be helpful to you, Minister, and in trying to appreciate the difficulties that you have, I wrote to the Minister of Finance and Personnel asking whether he had made any provision for priority funding for the project. In his reply, however, he said that no request had been made. Surely you should be screaming from the rafters of the Minister of Finance and Personnel's office to get the money to upgrade the railway, rather than pinching the money from one department and moving it to another to keep NIW afloat.

Mr Kennedy: I made it clear, as part of the capital allocation from my Department to Translink, that I wanted to see the upgrade done as a priority. Generally, the message from DFP is that it is up to individual Ministers to manage their budget. I am managing the budget, and I am prioritising, as part of the capital transfer to Translink, the funding of that upgrade. I think that we are on the same side.

Mr Dallat: I hope that we are. Until recently, I believed that we were on the same side. Then, recent revelations suggested that there is worry. I hope that the assurance that we have got this morning is the one that I have spent 20 years fighting for. I appreciate that things were not rosy in the garden when you took over.

The Chairperson (Mr Clarke): John, if you do not mind, I will interject here. You are talking about the money that is secured from Translink. Did I not read somewhere that the money was being chased from Europe? Quite rightly so, if you can get it somewhere else.

Mr Kennedy: We look at all capital projects with the interest and hope that we can attract European funding, but you can never guarantee that, so you have to make provision. When it comes back from Europe, it actually goes straight to the Finance Minister.

The Chairperson (Mr Clarke): If you get it.

Mr Kennedy: If we get it. There is an argument, which I hope that the Committee would support, that Departments that manage to attract EU funding should be allowed to spend that EU funding within their own Department.

The Chairperson (Mr Clarke): I agree with that.

Mr May: Could I just correct a figure that I gave to Mr Dallat? I read the wrong column. I was doing it quickly. I said that the amount that was available this year was around £17 million. It is actually £16.2 million for 2015-16. I say that so that there is no inaccuracy.

Mr Dallat: We will not fight over that as long as the whole thing adds up to the £40 million that we believe is needed to give us a decent intercity service between Belfast and Derry.

Minister, on Monday night, I met some people who are involved in community transport. They are, as we speak, preparing to lay their staff off because there is no money. What are you saying this morning that can reassure those people? I will tell you why. One of our councillors in North Antrim gave me some figures for the cost of rural transport. To go from the glens of Antrim — Cushendall, I think — to the Belfast city hospitals costs £84 because there is no other way of doing it. To go to the hospital in Coleraine costs £62. That is by using taxis. Even the community transport that exists is not adequate to meet the needs of everybody, obviously. Can we say for sure this morning that community transport is safe?

Mr Kennedy: What I can say is that we will work with providers. We believe that efficiencies are possible. It seems to me that those transfer figures from the sites that you have indicated are very high. One would hope that we could improve efficiencies there without impacting on the service, because it is a very valuable service. We are in discussions with providers, offering advice and seeking ways by which we can offset some of the impacts, because we do not want to impact on the important services that community transport provides. In particular, it gives an outlet to rural dwellers who live in isolated communities. I am a strong supporter of the scheme, but I think that there are efficiencies there that can be worked on.

Mr Dallat: Finally, Minister, to take up your offer this morning of better relationships between this Committee and your Department, what can you do to stop the failure to provide papers to the Committee on time?

Mr Kennedy: I am prepared to look at and discuss with the Committee, Chair, Deputy Chair and Clerk a better relationship, both in the flow of information and indeed the necessity, I think, for us to combine and get our heads together on some of the challenges that we collectively face. I am open to that. I think that the Chairman is open to that. Presumably, the Deputy Chair is, too. I am open and willing for that engagement.

Mr Dallat: I am pleased to hear that. I do hope that it is for real. There is no point in this Committee wasting its time sitting here if we are not having the full cooperation of your Department and, indeed, those subsidiary bodies like Translink, which often puts up its fares without even talking to the Consumer Council. At the end of the day, Minister, the buck stops with you.

Mr Kennedy: I am aware of that.

The Chairperson (Mr Clarke): Cathal, do you have a supplementary question?

Mr Ó hOisín: Yes, it is about phase 2 of the Derry to Coleraine section of railway. I welcome the £16.2 million that has been identified for Translink, although the start date has somewhat slipped from what it was to be in May. Further to what you were saying at the time about European funding, I think that it says in the report that the capital and resource allocations for the incoming year are £0.5 million and £2.86 million respectively. I do not think that that adds up particularly to a significant amount that may come into the budget there. How would you answer that statement?

Mr Kennedy: Europe does not necessarily fund the work. Sometimes, it funds studies or the associated —

Mr Ó hOisín: I appreciate that. That is fairly minuscule.

Mr Kennedy: We are in the business of getting the maximum from Europe. Sometimes, that does not happen until the work is already under way and money is being expended. Again, the downside of it is that it goes back to the central source.

Mr May: We have been quite successful in drawing down European funding. I do not have the figures with me. Perhaps, we could write to the Committee and set out the levels of funding that we have secured, if that would be helpful.

Mr Ó hOisín: I just want to make the point that that looks like a very modest figure in the overall process.

Mr Kennedy: To be fair, we have the best record in the Executive at drawing down European funding. I would like to stay top of that league.

The Chairperson (Mr Clarke): Following on in that vein; in one of the first meetings that I had with Andrew and other senior officials, the same topic of giving money back to the centre was discussed. I do not think that anyone, including me, would not support you or your Department in securing that money. However, when I read the news today and see the announcement by the Quarry Products Association that 200 jobs could be lost, I ask whether there is not another opportunity at the moment, given that there are some big schemes out there that are sitting on the back burner, to go and chase additional capital? Let us try to forget about it going to the centre. Surely, if big capital jobs were identified, the centre would see the necessity to continue jobs within the likes of the Quarry Products Association companies and all its associated subsidiaries. If we take the point that you made earlier, there is a four-month gap now already where it looks like that suggestion by the Quarry Products Association could become the reality. Going forward, we would certainly like to see those people reinstated. There is a feeling, which I sensed that day. I do not think that Andrew made the point, so I am not trying to be disrespectful. I can understand the disappointment when your officials go in search of funding and are successful, but lose it on the other hand. At the same time, that should not stop them going to get it. You make the very valid point about your success. Given the climate that we are in today, and the fact that there are some big schemes sitting on the back burner awaiting money — I could be parochial; everybody else is. I could talk about the A6, which would take us right up to Londonderry, at £300 million-odd.

Mr Kennedy: Let me say that I can confirm that my officials are pursuing funding opportunities from Europe for the A6, the York Street interchange and the southern relief road in the Newry area. Just because we do not automatically benefit from the potential proceeds of that, it does not lessen our resolve to try and obtain it. The likelihood is that we would get some benefit, if not all of it.

The Chairperson (Mr Clarke): I think that that is something that we should explore together to see how we can address that with the centre to try to ensure that the money that you are successful in getting is directed back to the network as opposed to going to the pipedreams of some other Ministers.

Mr McNarry: You are welcome, Minister. You concluded your opening remarks to us by saying that you hoped that we would be enlightened. Can I say that you have enlightened us? Your Department is a shambles with little sense of a professional recovery. Today, you are projecting a £30 million overspend. I must say that that looks like gung-ho, wing-and-a-prayer economics. To me, that is very reckless.

Perhaps we could look at Translink first. In deference to the worried workers and indeed consumers and customers, can I ask directly how long you will go on with the loss-making in Translink, especially

when it trades below the threshold set by the Department? We all know that, without subsidies, it would be insolvent.

Mr Kennedy: We are the principal and only shareholder of Translink. To a large extent, public transport is funded by the Department and, therefore, by central government.

Mr McNarry, you have hinted before that the privatisation of some of Translink's services would somehow be a lucrative solution. That is not the case, because —

Mr McNarry: That was not my question either. My question was this: how long will you put up with this loss-making company? You said —

Mr Kennedy: It provides essential public transport services to the people of Northern Ireland.

Mr McNarry: — that you could not afford to let Translink go to the wall. That was your statement: you cannot afford to let Translink go to the wall.

Mr Kennedy: Would you —

Mr McNarry: No, no, it is you —

The Chairperson (Mr Clarke): One at a time.

Mr Kennedy: No, no. Mr McNarry, would you advocate —

Mr McNarry: You are the Minister.

Mr Kennedy: — the public transport system going to the wall?

Mr McNarry: Answer the question.

The Chairperson (Mr Clarke): Let him answer the question.

Mr Kennedy: It does not make any sense. We can have sound bites, you can make allegations and can call again for me to resign. That will not solve the issues that are before us at the Committee, David.

Mr McNarry: Far from it, Minister, because you are not solving anything to do with Translink. There is no pressure on it and no incentive —

The Chairperson (Mr Clarke): I remind you both that all comments should be made through the Chair, please.

Mr Kennedy: Indeed.

Mr Dallat: Hear, hear.

Mr McNarry: Your budget has taken £5 million from roads to assist with the losses in NIW. You have not taken money from anywhere else to put back into roads. In a very recent reply to a question for written answer, you told me:

"351,000 carriageway, hard shoulder and lay-by surface defects"

have been instructed for repair. Although my question related to roads in general, your answer concentrated on carriageways, lay-bys and so on and did not give any figures for other roads, particularly rural roads. Can you put a figure on that? Are we talking about an additional quarter of a million or half a million repairs out there beyond the carriageways, lay-bys and hard shoulders?

Mr Kennedy: Through you, Chair, it is hard to estimate the total number of defects. However, the representations that I have had — I mingle in the community and hear at first hand the concerns of

people in rural and urban communities — are that the roads network, particularly the minor roads network, is under severe pressure. I do not underestimate that. I do not think that we have an absolutely accurate total that we could stand over at this point. If we can research that and provide it, we will certainly do so.

Mr McNarry: That would be very useful. You also told me that those 351,000 defects were recorded by officials during inspections. I assume that the same officials, different officials or some officials are recording defects on the rural roads.

What I am trying to get at is that road users are probably among the most heavily taxed, and I am sure that you, like me and everyone else around the table, is getting it in the neck about the state of the roads, particularly the rural roads. I am concerned that you are able to allocate some £5 million in your budget for compensation to motorists who have been affected by the disrepair of the roads and are still proceeding with a policy of not repairing those roads. Would it be possible to put more "unsafe" signs on the roads or to give a list to road users and the public of the roads that will be repaired in the next year rather than the roads that will not? Both would be very helpful.

The point that I am getting to is that it appears to me, very clearly, that the public have lost confidence in a situation that presents them with roads that are in a very poor state of disrepair. Most do not have to go far from their driveways or doors to hit bad pockets. I know that you have a problem, and, in reply to an earlier question, you said that you are identifying priorities. I have not heard that road repairs are a priority. Are they a priority? Are they a priority out of 10 or out of three?

Mr Kennedy: The challenge, Mr McNarry, through the Chair, is that there are more defects in the road network than we can address. We simply do not have the money to address them in the time that people would like them to be reacted to. Absolutely everywhere I go, even when I go to my place of worship, people sidle up me and say, "I know that this is not the time and place, but there is a pothole or a defect". As public representatives, we are, I am sure, all the same, whichever church we choose to go to or if we go to none.

Unfortunately, we are in a very strained financial position. It is, of course, a priority, and there is a desire on my behalf to seek to have repairs done as quickly as possible —

Mr McNarry: If I might just interrupt. I am trying to address advice that one might give to constituents when I am grabbed by the shoulder coming out of church and asked about things.

Mr Kennedy: That is not the only place, of course.

Mr McNarry: It was just that you mentioned it, so I am letting you know that you are not the only one who goes to church on a Sunday.

Catch-up information is required. Let us take a round sum: if the figure is 10 now, will it be 20 at the end of the year, and how do you catch up so that you go back?

Mr Kennedy: It is pretty much never-ending.

Mr McNarry: People in the industry need to have information so that they can plan for themselves and their workforces. I am not saying that you have ignored it, but it has been demonstrated very clearly that the state of the roads is not acceptable, and nor is it acceptable to say that you do not know when you will have them back in good repair.

Dr Murray: I agree with almost everything that you say, and I am very concerned. My role, really, is managing the decline of Northern Ireland's road network. We know that we need more than £130 million a year to keep the road network in its current condition.

Mr McNarry: Does that include rural roads?

Dr Murray: That includes everything, and we know that its current condition is not good enough. We also know that, if we get less than £130 million in any particular year, that will build up the maintenance backlog.

Mr Kennedy: To be fair, within the last couple of years, we have come close to if not hit the £130 million mark. However, that is simply to maintain rather than improve, which is your point. If more money is spent on road maintenance, there will be fewer defects.

Mr McNarry: Finally, on the state of the roads, through you, Chair, is there any need to be alarmed and cautioned about the safety factor to road users when those roads are in disrepair. In other words, will it become necessary to close roads or declare that roads are unfit for use? How close are we to that? That is what I am hearing from people who are more expert than me on the state of the roads.

Mr Kennedy: Circumstances like that would be absolutely exceptional and so rare that I would not want such a situation to arise.

Mr McNarry: That is very good to hear.

Finally, Chairman, in the capital expenditure aspect of your budget, you state that the allocation will support the progress of Belfast rapid transit, but you do not give any expenditure. What expenditure is required? What monetary allocation is being given out of your budget this year for Belfast rapid transit?

Mr McNeill: In total, there is £13 million.

Mr McNarry: For this year?

Mr McNeill: That covers the vehicles for the rapid transit and infrastructure works, such as preparation on the roads.

Mr McNarry: Just out of interest, does that mean that, in this coming and concluding financial year, £13 million will see the completion of the rapid transit system?

Mr McNeill: No. That is just —

Mr Kennedy: It is estimated that the rapid transit scheme will cost about £100 million. That has been trimmed back from the original projection of what we were hoping to spend.

Mr McNarry: Is that £13 million likely to be an annual sum that you will take out of your budget, or will it rapidly increase as progress is made? In other words, is it £13 million this year, £15 million next year and so on to reach the £100 million?

Mr Kennedy: The target date for its introduction is still 2017, so it would have to be well supplemented in the new financial period.

Mr McNarry: The obvious question is this: how are you going to find that money? You are leaping from £13 million to trying to find £100 million. That is £87 million that you will have to find, according to plans, in the next two years for one item.

Mr May: I think that some of the money has already been spent.

The Chairperson (Mr Clarke): Is that capital money?

Mr May: Yes, it is capital money. Some of the money will be factored in for contracts that have already been entered into this year and will run into future years. There will be financial pressures, and we will need to see whether there is enough money in the budget for 2016-17 to be able to support this and everything else.

Mr McNarry: At the moment, my constituents and, I am sure, other constituents, are looking forward to the rapid transit coming —

Mr May: Work is proceeding.

Mr McNarry: — from Dundonald. At this time, you believe that you are on schedule for completion without any financial problems by 2017.

Mr Kennedy: We will continue to make the argument to the Finance Minister and to Executive colleagues as to the importance of the Belfast rapid transit system and its potential to transform public transport travel in our capital city. There is widespread support for it, as I know there is widespread support in the Committee for it.

The Chairperson (Mr Clarke): David, are you finished?

Mr McNarry: Just finally —

The Chairperson (Mr Clarke): Finally, finally. It certainly is "finally" this time.

Mr McNarry: I have no particular thoughts on the privatisation of Translink, and I never have had. I have seen the dismal performance of the company and the amount of money that is taken out of my pocket and everybody's pocket to prop it up for nothing. As far as I am concerned, it underperforms. I have always wondered why competition could not at least be considered, particularly when Translink is now acting like a privatised company and saying that it does not want to service non-profitable areas. That is what it is doing. I am not after Translink being privatised. Maybe there should be some competition. I think that most people are like me and are fed up throwing money at a white elephant.

Mr Kennedy: I do not accept that it is a white elephant. I defend Translink and commend it for the public service and public transport that it provides to serve ever-increasing numbers. I want that to continue, and I want to encourage it.

Mr McNarry: Fair enough.

The Chairperson (Mr Clarke): I think that everybody does. Before I call Joe in, you referred to the backlog, Andrew. What is the backlog? Can you quantify it today? How much would you have to spend to bring the roads up to an acceptable standard?

Dr Murray: The backlog is a measure of all the defects. It is a mixture of safety and non-safety defects, and it amounts to around £800 million at present. We have projected forward, and if we do not get significant in-year money in 2015-16, it will probably exceed £1 billion.

The Chairperson (Mr Clarke): You talked about £130 million as your baseline. How much are you bidding for annually? How much are you asking for?

Dr Murray: I want to make one point about the £130 million. Anything you spend less than that increases the backlog.

The Chairperson (Mr Clarke): I understand that.

Dr Murray: It is not just pound for pound; it is about £1.50 per £1.

The Chairperson (Mr Clarke): I remember you telling me that before. That is why I was wondering how much you will bid for.

Dr Murray: We will bid for as much as we can spend up to the £130 million. If, for example, we were able to keep our contractors busy for the first quarter, we would be bidding for enough to take us back up to the £130 million, because we could deliver that in the three remaining quarters of the year.

The Chairperson (Mr Clarke): I am sorry for holding you back, Joe. Why, then, are you not bidding for more to try to close the gap between where you are at and the £800 million-odd today?

Dr Murray: We do bid for more at the beginning of the year. The prospects of getting more are —

Mr Kennedy: As the year goes on, it gets harder and puts more pressure on contractors to be able to achieve. The nature of it is that the money comes late, and other Departments do not yield it until it is

clear that they are not able to spend it. It is then up to us to spend it, which puts extreme pressure on contractors. That economic cycle is not particularly useful or beneficial.

Mr Byrne: Following on the same theme, I am trying to see through the fog here. What is the current structural maintenance budget allocation for the incoming year, and how much of it is impacting Fermanagh and Tyrone, where we do not have one mile of railway?

Mr May: The total budget for structural maintenance for 2015-16 is £22 million. I am afraid, Mr Byrne, that I do not think that we can break it down by constituency.

Mr Byrne: I appreciate that, Peter, but what do we do about smaller roads contractors in Fermanagh and Tyrone who have machinery and staff? They are living hand to mouth. You also said that you have 500 blue-collar workers in Transport NI who are also looking around for work. How gloomy is the situation for those private contractors in Tyrone and Fermanagh who have remained in place and provided a good service and a cost-effective economic input but have been left hung out to dry?

Mr May: Most of the work that is done by our in-house team is on the resource side rather than the capital side. Most, but not all, of the work is of a maintenance nature. The Minister has explained that we understand the difficulties that this is causing for contractors. There is still a substantial amount of money being spent on major road schemes through the strategic road improvement network. A number of contractors will bid to be subcontractors on schemes of that nature, and there will still be opportunities through that. The total amount of money being spent on roads is significantly in advance of the £22 million; it is just that the structural maintenance itself is at that low level.

Mr Byrne: Chairperson, I have heard nothing for weeks about the big A5 capital project. I want a reassurance from the Minister on that. Community transport —

Mr Kennedy: I am sorry, Joe. Through you, Chair, the A5 remains an Executive priority. My understanding is that it also remains a priority for the Irish Government.

Mr Byrne: I welcome that reassurance, because more and more people are beginning to doubt whether it will ever be realised, given the austerity situation that we are in.

The starting point for community and rural transport was £7.9 million, and it has now been cut by £2 million — almost a 25% cut. Why are we being so severe in kicking the community transport partnerships when Translink is not as efficient or effective but is not suffering the same cut? Why are we coming down so hard on the community transport partnerships?

Mr Kennedy: I said that it is not my natural position to impose cuts of that level to any of our services, but we are in very stringent financial circumstances and are seeking to work with the providers of the transport schemes, and we will continue to do that. Efficiencies can be made, perhaps by working more collaboratively, and I am hopeful that the impact will not be so severe.

When you are faced with a £60 million deficit in real terms of resource spending, you have to take difficult and challenging decisions. That is where we are.

Mr Byrne: This Committee has devoted many hours' discussion to a very recent tragedy on the Malone Road, and I know that the Minister met the family. In today's meeting pack, there are 257 pages relating to safety barrier inspection, a detailed inspection pro forma, a letter to Sans Souci Park, correspondence between DRD and Sans Souci residents and so on. How many departmental man-hours go into that?

Mr Kennedy: My understanding is that, after this session, Andrew will make a presentation on that issue. The Committee asked for the full details, which we have provided. That gives an indication of the importance that we attach to all these aspects. Detailed preparation and investigation work must be undertaken. I know that it is a very sensitive issue. I have met the family, and I want to respect them completely.

Mr Byrne: Minister, when do you expect the barrier to be put up again? This cat-and-mouse game is going on, which is adding to the frustration and pain of the family and the student body.

Mr Kennedy: My understanding is that work commenced on site within the last couple of days and that the process can be expedited.

The Chairperson (Mr Clarke): We will get into more detail later, and I appreciate that Andrew is here to do that. While you are here, Minister, and as you are not here for the next evidence session, you will appreciate that, given the tragedy, this is a very difficult situation. I know that you met the family. The Committee has some concerns, but we will go into those later. What caused you to give a ministerial direction for something to be done on site, given that the Department was reluctant, even after the barrier was removed?

Mr Kennedy: I met the family, which, as you would expect, was a very considerable experience, and I took a personal decision — not a political decision; there was no politics in it — that I wanted, by that action, to at least give the family some comfort.

The Chairperson (Mr Clarke): I want to make two more points, because we will discuss the issue later. Have you read all the correspondence on this case from the departmental officials? I read one piece that is fairly graphic — it was prior to the recent incident — yet your officials told us that there were no recorded incidents on site.

Mr Kennedy: I am very familiar with the case. I have involved myself directly and am aware of all aspects. The real tragedy is the loss of life.

The Chairperson (Mr Clarke): It is, Minister, and I do not want to dwell on it. I hope, however, that, after the barrier issue is resolved, you will look at the whole background to the case. If someone needs to be brought to task for making the wrong decision, I think that that should happen. Some of the correspondence takes away from suggestions from one of your officials.

Mr Kennedy: I can confirm that I have instigated an independent review of the case and sought advice about any other measures that we need to put in place.

The Chairperson (Mr Clarke): I appreciate that.

Mr McAleer: Minister, you outlined a very dire financial situation. Whilst I welcome your commitment to meet the QPA, what do you hope to achieve from that meeting in light of the situation you outlined?

Mr Kennedy: It is always important to hear about the impact first-hand, and it is useful that the QPAN is sharing that impact with you today and potentially with other Executive colleagues. These services are important, and, while Health, Education and other Departments will plead special cases for additional funding, the services provided by my Department are essential, 24 hours a day and seven days a week. The upgrade and maintenance of our roads are important to the economy, and, given that improving the economy remains the primary objective in Northern Ireland, I think that additional funding should be made available to my Department so that moneys can be expended.

Mr McAleer: Not a great deal of money is allocated to community transport, and the proposal to take £2 million away really looks like penny-pinching. You made many mentions of health and safety. Transport partnerships fill the gaps in public transport provision. The proposal to cut 25% from their budgets is a double blow, because they are a vital lifeline. People around this table — Ross, Joe, John and I — represent areas like the Sperrins. These are isolated areas, and people there rely on community transport because public transport is infrequent. Community transport fills the void. Do you not agree that it is an attack on vulnerable and isolated communities?

Mr Kennedy: It is not a deliberate attack. I have met, even in the current period, providers in Newry and Mourne. They are serving isolated communities and giving people the opportunity to mix socially, attend appointments and so on. I understand the importance of that. The difficulty is that I cannot spend money that I do not have, so we have to take a critical look. Rather than simply abandon people to their fate, we seek to work with them, other agents and agencies to identify how we can plug some of the gaps.

Mr McAleer: During the last number of years, the Committee conducted an inquiry into the better use of public transport, and we considered more joined-up approaches. Have any of those recommendations been taken on board or acted on?

Mr Kennedy: We had a relatively successful reorganisation of some areas and groups, but we will have to continue to work on this. That will involve not only my officials but people who use the services and could assist us.

Mr May: A pilot in Dungannon has been looking at a more integrated transport approach. If the pilot is shown to be successful, it might provide a model to expand on. At the moment, we have a lot of transport systems. In addition to the work that Translink does, the education and library boards, health providers and rural transport providers still run their own transport systems. Those systems are perhaps not as well joined up as they could be, and there could be opportunities there.

The Chairperson (Mr Clarke): On that point, Peter, when are you due to report on that pilot?

Mr Kennedy: The pilot was in place for a period of months, and we wanted to review it; it has not crossed my desk at this point.

The Chairperson (Mr Clarke): That is the point. I live in a rural constituency too, and we see this as an attack on rural communities. I appreciate that the pilot has been done, but we cannot attack rural communities' transport system, have a pilot done and not come up with a conclusion about whether it was successful. If we are going to attack one, we need to replace it with another, and we need to join those two things up, Peter.

Mr May: We will write to you with the time frame. Sorry, do you know the time frame, Andrew?

Dr Murray: We are very close to completion, but we are waiting on information from some of the other parties that need to cooperate with us on this. Subject to that information being available, we are within about two months of completion.

Mr McAleer: This has been talked about over the three years that I have been here. We went to Loughry on a fact-finding mission, right in the heart of that project, but we did not hear glorious ideas of how it was affecting students in college, for example. We did not pick that up, and we passed that to the Department.

With your budget, you are talking about £300 million for your allocations per annum. Thirty-five per cent of the North's population live in rural areas. We have £8 million for community transport from which you propose to take £2 million. So, we started from a piecemeal amount of funding, and we are penny-pinching. These are very vulnerable communities that need to be taken on board and considered when you are looking at budget allocations. You said that you can take £2 million [*Inaudible.*] your Department. Could that not be used to help?

Mr May: The savings have already been factored into the budget. The Minister has been trying to demonstrate that we do not have pots of money from which we can give to rural community transport. That is really the problem.

Mr Easton: In next year's budget, you have £13 million to find. Is that right?

Mr Kennedy: Sorry, this year there is a potential overspend of £13 million, which relates to the harbour and the transfer of assets — £20 million — that the Executive wanted to achieve from that in successive years. They plugged that gap last year. There has been a lot of toing and froing on this, even around the Executive table. It is clear that we are not able to extract the £20 million this year either. Next year, it is provided for in the budget, but this year the gap remained in spite of the fact that I made it clear to the Budget review group that it would not be possible to find it. Through careful use of our finances, we reduced that from £20 million to approximately £13 million, but that is the projected overspend. That will undoubtedly draw criticism from the usual quarters.

Mr Easton: OK. So, next year it will be £60 million.

Mr Kennedy: No, no, no. Next year, the £20 million has been plugged.

Mr Easton: OK. Does Translink still have reserves?

Mr Kennedy: They are increasingly dwindling.

Mr Easton: What is happening with them?

Mr May: There has been a lot of conversation about Translink's reserves. At the start of the year, it had £55 million of net current assets. It is projecting a loss of £14 million in 2014-15, which will reduce that to £41 million, and a loss next year of about £11 million, which will bring it down to £30 million. Translink normally self-funds some of its capital, and next year it plans to self-fund £12 million of capital, which will bring you down from £30 million to £18 million. The best estimate is that it needs £15 million of working capital to pay its bills and keep going. On that basis, by the end of 2015-16, its reserves will be down to the bare minimum that it needs to function as a business. It will have lost the ability to self-fund capital in future, which means that it will become entirely dependent on what the Department can provide it with rather than any money that it might have. Does that make sense?

Mr Easton: Yes. It is good to get that clarified.

The Chairperson (Mr Clarke): That is assuming a standstill. Was its reserve not increasing year on year?

Mr May: I do not think that it is; it is reducing because of the loss that it is making. Its reserves increase only if it makes a profit.

The Chairperson (Mr Clarke): Was its loss not based on the fact that you reduced your funding to it?

Mr May: Ten million pounds of that loss would be as a result of the reduced funding that we gave it.

The Chairperson (Mr Clarke): Maybe I should ask you in a different way: how did it ever get to £51 million of a reserve? Why did the Department continue to fund it if it was carrying such a large reserve in the past?

Mr May: It is because of the self-funding that it does of capital. It was about making sure that it was a stable place. You would not choose to keep it at the bare minimum of £15 million on an ongoing basis because if there were any shocks to the system, such as unexpected expenditure, the whole business becomes very vulnerable. Those figures do not take account of redundancy costs; they are projecting redundancy costs for 2015-16 of about £10 million, which we bid for against the voluntary exit scheme pot that was available to the whole public sector. If it is not successful in securing all the money from that source, there are extra costs that would come off its cash reserves. It is precisely because of such shocks that you would not choose to keep it at the very lowest level possible.

Mr Easton: Have you gone out to Translink staff on the voluntary exit scheme yet?

Mr May: I do not think that Translink has formally commissioned an exercise, but it is looking at making a bid. I think that some of the management posts have been announced. An announcement was made a few weeks ago about the £2 million of savings that it hoped to make through management and administrative savings. Clearly, it needs to know the outcome of the current consultation about bus services to understand where it may need to seek expressions of interest for a voluntary scheme in the wider business.

Mr Kennedy: Translink employees are not considered to be civil servants; they are public, not civil, servants. We are having discussions with DFP about the voluntary exit scheme as to how Translink staff might engage in it.

Mr Easton: If it goes ahead, it will be for all Translink staff to apply if they want.

Mr May: It is up to Translink management to decide how it does that, but it will need to be focused on the areas where it no longer needs people to deliver services because of changes to the service provision that it is making.

Mr Ó hOisín: I do not want to rehash what others have said, but I would have thought that Translink's reserves would have been quite a comfortable security blanket. For the life of me, I just cannot square the dichotomy between what the Minister said here this morning about having no option other than to keep Translink as a viable company and what the chief executive told us a few short weeks ago.

Much of what I was going to say has been covered. Among the first victims of these cuts were outside contractors, particularly for street lighting. Further to a couple of Assembly questions for written answer that I put to you about Transport NI and specifically snowploughs, blowers and gritting provision this year —

Mr Kennedy: I think that they are on their way back to you, if you have not already received them.

Mr Ó hOisín: I received them yesterday. Quite a percentage of that goes to outside contractors, farmers and others, particularly in rural areas. How much of that has been reduced in recent times? I refer to the 2 March incident, when it took me an hour to drive 11 miles — do not say, "I had a car like that once" — over Glenshane. There was only one private contractor present during the rush hour. Do you have a breakdown of what has gone out —

Mr May: I do not believe that there has been a change in 2014-15 in the delivery of the winter service.

Dr Murray: The 2014-15 winter service has been delivered as normal, which means that we have done most of the work ourselves. We bring in private-sector drivers where we need them and, if we need a snow clearance operation, we bring in contractors who are already signed up to us for that task.

Mr May: The challenge will be for 2015-16, when funding is not available for winter service. It may be part of the skeleton service, but it is still very challenging.

Mr Kennedy: I cannot tolerate a situation where there is no winter service. In popularity stakes, that would not be great.

Mr Ó hOisín: You were probably fortunate to have a relatively mild winter. That probably helped things, but there were questions about —

Mr May: It is part of the reason why we are overspending. The Minister directed that we should continue to deliver core public safety services, of which the winter service is one. The money that we are spending on winter service is part of the reason why there will be an overspend this year, as it is one of the things that we could have stopped doing. It is one of the few things that is not legislatively required of us, but it has huge public-safety implications.

Mr Kennedy: Ironically, the Department will face criticism for that overspend, but I could not tolerate — on a personal or on any other basis — winter or other essential life-impacting services being abandoned or reduced.

The Chairperson (Mr Clarke): On that point, Minister, or, maybe, I should ask Andrew, because we have experienced fairly light winters this past two or three years — certainly this year and last year — did you save money in those two years?

Dr Murray: It is not a question of saving money. You spend less money in a mild winter than you spend —

The Chairperson (Mr Clarke): That is the same as saving it, Andrew.

Dr Murray: We base our allocation for winter service on the average of the previous five years. Generally, that is not too far away from the real picture. If we spend less than that, and we know that we are going to spend less than that towards the end of the year, we reallocate the money to other functions.

Mr May: This year, we have spent slightly more than usual, because although there has not been as much snow on the ground, there have been a lot of days when there has been —

Mr Kennedy: — a lot of ice and frost.

The Chairperson (Mr Clarke): If you do not mind, will you give us a picture of what you have spent in each of the last five years? Will you send that to the Committee.

Mr Kennedy: Maybe over the past three years, if that is helpful. We will provide as much information as we can.

Mr Lyttle: It has been a lengthy session, so I will try to be brief. Minister, you have been fair in saying that we need to be open and honest about the difficult decisions in prioritising the very scarce resources available to you. We have heard warnings from NI Water and Transport NI, and we hear warnings from you about infrastructure provision. Those warnings have included potential service disruption in water, infraction fines, possible underinvestment in road repairs and street lighting, job losses, and a reduction in public transport services. At what point does the Executive subsidy of domestic water pricing, believed to be in the region of £300 million per year, become more of a public cost than a public benefit?

Mr Kennedy: Chris, you will know that those are issues that the Executive in their entirety have to approach. I am supportive of the current situation, as is my party, that no household charges will be applied in this mandate. Any changes to that would have to be looked at in the round, in context, and with political consensus. There are tough decisions for the Executive, not only in that regard, but on other issues, including the introduction of corporation tax. When you put all those into the mix, along with welfare and how it is funded into the future, you see that the Executive have challenges too. I will play my part in discussions, but it would be foolish of me to say that I would charge ahead and advocate a scenario that would not garner Executive, political or Assembly support.

Mr Lyttle: Minister, you also recently said that you had put an options paper to the Executive on potential reform of governance in financial arrangements for NI Water. What response have you had? Can you give us some idea of those options?

Mr Kennedy: The paper was submitted some time ago, and it contains all the available options; it is still for consideration by the Executive.

Mr Lyttle: It would be remiss of me, Chair, not to take an opportunity to ask, in this Budget, what budget allocation do you have available to you to deliver the cycling revolution that you have spoken of and which I wholeheartedly support?

Mr Kennedy: I have sought to protect the very limited resources that we had allocated to cycling because, when you believe in something, you should put your money where your mouth is as far as you can. It is not just a matter of capital outlay; it is a matter of smarter thinking and a better and wider approach to cycling. In the development of road improvements or new schemes, we can make significant improvements to cycling infrastructure. That is a clear message that the Department knows that I am particularly keen on.

Mr Lyttle: There is no particular total for the cycling budget.

Mr May: There is a specific budget allocation of £2 million for cycling-only schemes, particularly focused on Belfast, and a small team in Transport NI is being created to make sure that those are delivered. As the Minister said, cycling can be part of many other schemes, and the budget would not be separately allocated on that basis.

Mr Kennedy: It is worth saying that we are exploring opportunities through European funding, particularly of a cross-border nature, where cycle paths can be developed.

Mr Lyttle: OK. In addition to that smart approach, investment in infrastructure across the board is essential. What is the potential impact for you and the Department should that overspend become reality, as you think it is likely to?

Mr Kennedy: At that point, the permanent secretary is in more danger of going to jail than I am, but I am heading that way because of the PAR report, apparently.

The Chairperson (Mr Clarke): We could maybe get you a twin cell.

Mr McNarry: He is pleading guilty already.

Mr Kennedy: Mr Lyttle's colleague, the Minister of Justice, might make special provision. I hope that both of us can avoid it.

Mr Hussey: There were suggestions that you would go on the run, Minister. You might get the prerogative of mercy as well, you never know.

Mr Kennedy: Unlikely, I would have thought.

Mr Hussey: Can I say how pleased I am to see you here this morning, like everybody else? I have a couple of questions. Clearly, a lot of stuff has already been mentioned. According to some, I could even say, "Yes, Minister" occasionally, but I will not this morning. If water charges were introduced, it would not necessarily mean that the money would go to your Department. If money comes in, it does not necessarily mean that your budget will be increased accordingly.

Mr Kennedy: That is right.

Mr Hussey: It is as simple as that.

Mr Kennedy: As I have said, it is for the Executive to determine outcomes.

Mr Hussey: Europe has been mentioned a couple of times. Before we go down that line, how many shovel-ready projects could we start tomorrow if we had the funding?

Mr Kennedy: I cut the first sod yesterday at Magherafelt for the bypass, and something similar is happening tomorrow for the A26. Those are long-awaited schemes for people in that area, and it is very good news and those allocations have been made. The next batch includes schemes such as the Castledawson section of the A6, which is effectively shovel-ready, subject to finance. As I said earlier, we are also exploring with Europe potential funding opportunities not only for the A6 but also for the southern relief road and for the York Street interchange. There is ongoing work and progress being made on the A5 too. So, there are schemes that are working their way through. It is my job to keep them moving so that, at any point, if a Finance Minister or the Executive say that we are good to go and we have shed loads of money for capital, we can hit the button.

As well as that, there are the other smaller but important schemes that impact locally, such as the Ballynahinch bypass or Millennium way in Lurgan. Those are schemes that we are trying to progress as quickly as we can, so it is not all doom and gloom. It has been a fairly heavy session looking at the downside, but there are opportunities to make progress, improve the overall infrastructure and seek to provide better maintenance of our road network. I firmly believe that infrastructure is one of the keys to reigniting the economy. As well as investment in jobs, encouraging foreign direct investment and all of that, it is important that we have the maximum ability to move people, goods and services in this country. The economy is bound to benefit from that.

Mr Hussey: You mentioned the A5, and you have three West Tyrone MLAs here today. Is it still the legal process that is holding up the A5 as opposed to DRD?

Mr Kennedy: We are still working through the judgement delivered by Lord Justice Stephens. We are not taking a predetermined view; we are being careful to work through it, dot all the i's, cross all the t's and make progress. I hope that, at some stage in the coming weeks, we will announce the various statutory orders for the scheme. We are still considering the public consultations that have taken place, but it is likely that it will necessitate a public inquiry. A final decision has not yet been made, but all those things are still in the mix.

Mr Hussey: In relation to Rural Link and transport systems, clearly, in a constituency such as West Tyrone, we have an awful lot of isolated communities. You know about it from your own constituency, so you know what we are talking about. When your officials are considering what cuts are being made, is rurality taken into account? For example, is weight given to the fact that, in rural Tyrone, they do not necessarily have access to public transport? Quite a bit has been mentioned about the railway system from Belfast to Londonderry. Unfortunately, when you travel to my part of the world, it is horse and cart, never mind the railway. Where do we go at that point?

Mr Kennedy: All those are considerations that are given. As we work with groups and providers we will seek to protect as much of the service as we can, and yet try to make sensible efficiencies as well.

Mr Kennedy: One of your major achievements must be the park-and-ride system that has been introduced quite widely in your tenure. Are many more planned?

Mr Kennedy: I think that we have added some 2,000 spaces to the park-and-ride system in recent years. The latest was at Dundonald. In having an overall plan to deal with congestion, most especially around Belfast, and other places, park and ride is a key feature. *[Interruption.]*

Mr Hussey: There seems to be a better party going on outside.

Mr Kennedy: They are having more fun than we are.

Mr Hussey: They seem to be. Although there has been a lot of criticism of Translink, over your tenure there has been a massive improvement in the rail system, the number of trains, the number of buses and the quality of them.

Mr Kennedy: Absolutely. The fleet is very high grade; Wi-Fi operates on many bus routes between many of our important destinations. Record numbers are using rail, not just since the '60s but since the late 1950s. That is when the glass is fuller than some of the half-glass stuff that we talked about earlier.

The Chairperson (Mr Clarke): It is interesting to note that even you recognised the increase in rail figures. It is a pity that the consultants on the Coleraine to Londonderry project did not recognise that there was going to be an increase when they fixed the railway line.

David wanted in for a supplementary question; just one, David.

Mr McNarry: I appreciate that, Chairperson. I am sorry; I had to go for a walk to straighten my back. If no one has mentioned it, perhaps I could ask this question: where is the Department with the Northern Ireland Water pay increase? Is that included in your budget?

Mr Kennedy: That is with DFP. We are waiting —

Mr May: We are responding to some of the queries that DFP raised with us.

Mr McNarry: Is that likely to be additional to your costs?

Mr May: The money provided to Northern Ireland Water is for it to run its business; it is not allocated specifically. Whatever pay increases there may be, it is for Northern Ireland Water to manage that.

Mr Kennedy: Northern Ireland Water would have to manage that.

The Chairperson (Mr Clarke): When was that sent to DFP?

Mr May: It was last week or perhaps the end of the week before; I cannot remember the precise date.

The Chairperson (Mr Clarke): You stopped industrial action in January, and it took until the end of March, almost, before you sent it to DFP for approval.

Mr May: There was quite a lengthy process to get the pay remits; there was more than one remit because they cover different groups of staff. The objective that I signalled to the trades unions was that we and DFP would work together to get a resolution by the end of March. We are still trying to achieve that.

The Chairperson (Mr Clarke): OK. Thank you. That concludes that, Minister. Today has been a long day, but the atmosphere has been friendly enough about a fairly serious subject. Do you have a question, John?

Mr Dallat: I am sorry, Chairperson; I have just one more question. The whole thing has been taken up with how to balance the books. Minister, some £2.5 million is outstanding in unpaid parking fines, although that is not the term that we use, I know. What is being done about that? There were 1,224,665 in the last year alone.

Mr McNarry: How much of that amount does Stephen Nolan owe?

Mr Dallat: He probably contributed to it.

The Chairperson (Mr Clarke): OK members, keep it —

Mr Kennedy: You are on better terms with him than I am, so you can ask him.

The Chairperson (Mr Clarke): Members, there is a serious question there.

Mr Dallat: It is almost £3 million over three years.

The Chairperson (Mr Clarke): Some people who get penalty tickets pay them; others do not, yet there does not seem to be any enforcement regime.

Mr Kennedy: Unpaid bills from this Executive are not a new feature, whether it is for rates or other issues. We strive to encourage prompt payment — payment, full stop — and we will continue to do that.

The Chairperson (Mr Clarke): By way of following up on the topic that John has raised, Peter, maybe you could give us a paper on that situation.

As I was saying, Minister, this has been a serious debate. We understand the difficulties that you and every Executive Minister have, given Northern Ireland's fiscal problems. We want to work with you on that and support you where we can. It is a serious debate, and, hopefully, some of your colleagues will not be as jovial today as they were the last time they were in your company. It was a serious debate the last time.

Mr Kennedy: I recognise the importance of the Committee's role, and you will accept that I have always afforded it proper respect and due consideration. I look forward to continuing that relationship. It may be that after recess and other excitements, if I am still in post, we will take the opportunity to catch up.

The Chairperson (Mr Clarke): OK, thank you.