



Northern Ireland
Assembly

Committee for Infrastructure

OFFICIAL REPORT (Hansard)

Briefing from Northern Ireland Water

16 September 2020

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Miss Michelle McIlveen (Chairperson)
Mr David Hilditch (Deputy Chairperson)
Ms Martina Anderson
Mr Roy Beggs
Mr Cathal Boylan
Mr Keith Buchanan
Mrs Dolores Kelly
Ms Liz Kimmins
Mr Andrew Muir

Witnesses:

Mr Ronan Larkin	Northern Ireland Water
Ms Sara Venning	Northern Ireland Water

The Chairperson (Miss McIlveen): I welcome Sara Venning, the chief executive of Northern Ireland Water, and Ronan Larkin, who is the director of finance and regulation for Northern Ireland Water.

Mr Ronan Larkin (Northern Ireland Water): Good morning. The last time that we saw you was before the pandemic, so we were able to sit in a normal room.

The Chairperson (Miss McIlveen): We were; that is right.

You are both very welcome to the meeting this morning. We have just around an hour for your presentation and some questions, and if we run out of time there will certainly be plenty of opportunity to speak again. We appreciate the time that you took a number of weeks ago to meet the Deputy Chair and me to go through your report. That was very welcome. If you would like to start your presentation, we will follow up with some questions.

Ms Sara Venning (Northern Ireland Water): Perfect. Can I assume that you can see the presentation on your iPad?

Mr Boylan: We can.

Ms Venning: Thank you.

Thank you very much for your time this morning. Ronan and I are delighted to join you to give you an update on Northern Ireland Water's 2019-2020 annual report and accounts. You have a short presentation in your packs, which I hope that we can use as the basis for our discussion this morning.

It has been a very busy few months since we all last met, and I would like to start this session by paying tribute to all the team in NI Water, who have worked tirelessly and continuously to make sure that the seamless provision of water and waste water services continued from the outset of COVID and the lockdown until now. We faced a number of very significant challenges that were brought about by the weather conditions and changes in customer demand. It has been a hugely busy time, and I pay tribute to the team, who picked up the slack.

I will take you on to the second slide, which is entitled "About our report". We shared an electronic link to our annual report and accounts, and I hope that you have had a chance to flick through them. I very much commend that document to you. We launched it at the end of August, and, as the Chair said, although we could not brief the full Committee at that time, we got the opportunity to speak to the Chair and Deputy Chair, and we were very grateful for their time.

The point of the annual integrated report and accounts is to meet the information needs of all our stakeholders and to tell the story of how we are delivering what matters by creating and sustaining value over the short, medium and long term. That value is not just financial value. You will see that it extends across all six capitals, which are financial, natural, social, human, manufactured and intellectual. We talk in those terms to ensure that we profit from creating sustainable solutions for the people and the planet. We have included material and information that we believe is of interest to our stakeholders and that is presented in a way that is fair, balanced and understandable. We have been reporting using the approach of the annual report and accounts over a number of years, but this is our first integrated report. Integrated reporting is about trying to tell a simple and concise story of how organisations create and sustain value.

The third slide is a lovely photograph of our chairman. This year, we launched our new strategy to address those challenges of creating and sustaining value over the long, medium and short terms. That strategy supports long-term thinking by looking to the next quarter of a century in order to try to put us in the best position to support a cleaner, greener and more prosperous society in Northern Ireland. We were very much encouraged by the broad endorsement that we got from our stakeholders for that strategy and by the profile that was given to water and waste water infrastructure in the 'New Decade, New Approach' document. We were also encouraged by the re-established Assembly and by the high profile that has been given to our challenges by our Minister for Infrastructure. Those are all very welcome.

The next slide is entitled "Drains and cranes". It is quite stark, because it shows that lack of investment is sinking Northern Ireland Water. That is the phrase that we used when we launched the annual report and accounts. Water companies sit at the heart of society, and they provide an essential service. There is a considerable health dimension to what we do, so whether it is abstracting clean water or waste water treatment, both those activities have major environmental consequences, as does the infrastructure that we have as a foundation for sustainable economic growth.

Despite all those very worthy things, we are unique here in Northern Ireland. We are the only region in the UK with a funding model for those essential services whereby we, as the regulated water utility, are unable as a direct result of public expenditure constraints to fully implement the economic regulator's final determination of what is needed for citizens here. As an organisation, we have continued to successfully deliver private sector levels of performance and efficiency. We know that, because we are compared with private sector water companies. However, that level of performance is absolutely at risk in the light of sustained and significant underfunding.

By way of demonstration, the PC15 business plan, which ran for six years from 2015 to 2021, started with constrained capital funding of £990 million when Northern Ireland needed £1.7 billion to be spent. That has been further constrained by public expenditure cuts over the period, and the underfunding has now already resulted in curbs to economic growth, with new developments and businesses unable to connect to sewerage systems in major parts of our cities and in over 100 towns. That is shown on the diagram with the red circles. You can see that it is all over Northern Ireland; it is not in one particular geography. The underfunding in the PC15 period was part of a generational underinvestment that has happened in sewerage infrastructure. That adds complexity and significant inefficiency to the delivery of longer-term asset resilience. It risks deterioration in levels of service for customers, and it is leading to inadequate environmental protection because there will be increases in out-of-sewer flooding and pollution.

I will now take you to slide 5. Unless we start investing properly in our failing waste water infrastructure, we — I mean the citizens of Northern Ireland — will have to make difficult choices about our economy and our natural environment. The scale of the problem requires a major inescapable step change in investment. That is what we have put forward in our business plan for the next price control, PC21, where we have set out a requirement for over £2 billion of investment. That includes half a billion pounds of investment for the Living with Water programme to address strategic drainage challenges in Belfast.

The slide with the little thermometer shows how the £2 billion of investment would be allocated. The first thing that you have to do with any system is to maintain what you have. We have to maintain the equipment that we have and keep it running. Then, we need to future-proof and modernise, which is the next tranche of investment, and we have to invest in making sure that our drinking water is clean and safe. That leaves us with the remainder of the investment — a good 50% of the £2 billion — to address the drainage infrastructure deficits.

That £2 billion is a huge investment, but this slide aims to demonstrate that, if the programme were cut by £50 million, which is a small amount compared with £2 billion, it would have a significant impact and be felt — really felt — right across Northern Ireland. The PC21 programme has about 49 chunky and significant waste water projects. If you were to cut just £50 million from this £2 billion programme, some 21 waste water projects, not just a few, would not be carried out; they would be deferred to the next price control period of PC27. That is 21 places where development would continue to be constrained for a further six years. If a £100 million cut were made, that would mean 35 projects not happening. If capital spending were to be kept at the current level — if someone said that it was not too bad today and that it should just be kept as it is — almost no waste water projects could be progressed. From the correspondence that I get from across the room and from your party colleagues, I can tell that that would have a big impact.

I will take you on to the next slide, which is titled "Using less drinking water". Earlier this summer, after we left our workplaces and everybody went into lockdown, the weather was fantastic, people were at home, and the water usage pattern changed quite significantly. We experienced a huge surge in demand for water, followed by concerns that we were in the grip of a drought because there had been no rain.

Citizens, all of us, use around 70% more water in our homes than we did 40 years ago. As a society, we need to do more to reduce that water footprint: by making our homes and businesses more water-efficient, by better understanding the hidden water in the products that we buy, and by designing our homes to use green water such as recycled, storm or rain water to flush toilets, wash clothes and for outdoor use. The average person could reduce their water usage by 40%, and Northern Ireland's total water demand could be brought down by 25%. That could help to further drive down leakage and drive down our carbon footprint. It could also increase resilience so that there was more water capacity when demand increased, and it could ease the pressure on the sewerage infrastructure: if you are not using the water, you are not pushing it into the sewers. Reducing the amount of water that we consume is a big challenge for society as a whole.

Mr Hilditch: You do not have hot tubs on the slide.

Ms Venning: Yes, well, please do not start me about hot tubs *[Laughter.]*

Mr Boylan: I would like to hear about that *[Laughter.]*

Mr Hilditch: It seems that everybody got one during the summer.

Ms Venning: The next slide has a wonderful picture of me. Our purpose as an organisation is to provide the water for life that we all rely on to thrive. We deliver great-tasting, safe drinking water to our customers, and we recycle their waste water safely back to the natural environment. We are really proud of our significant achievements in water and waste water services. We have been leading the challenge in doing more for less. We have been delivering record levels of service for our customers while reducing our cost base through sustainable efficiencies.

This is the last year of PC15, and much of the work that we are doing will build the foundation for further transformational changes in the next price control period, which runs to 2027. We expect to get feedback from the Utility Regulator, which makes a determination on our draft business plan, by the end of this month, and it will make its final determination by March.

The next slide has the caption "Not all heroes wear capes". The COVID outbreak in late 2019/2020 was one of our biggest challenges to date. However, we activated our business continuity plans and our pandemic major incident plan. Within a day, we had 800-odd workers working from home, and our front-line staff continue to work, suitably equipped with PPE, to maintain the essential supply of water and waste water services. We are really proud of how the team picked up in that regard.

I calculated that the handwashing that we all need to do probably accounts for an extra 12 litres of water per day. That is there, seamlessly, in this country for everyone. Yesterday, I was talking to colleagues from across the water industry, and that is not always the case. In some countries, water is regarded as a form of PPE against COVID, which is unusual, and we would not think of that in a country like ours.

The next slide is titled "Business strategy". As we launched our new strategy, and in this annual report and accounts, we have moved to reporting against our new five strategic priorities. The strategic priorities focus on sustainably growing all those forms of capital that I called out earlier to ensure that we put back more than we take out. That is what we are keen to do. We will quickly update you on each of those five priorities. I will take the first two and then hand over to Ronan.

The first priority is the customer. For each of the five strategic priorities, we set out how we will measure progress against the various areas of focus, and, hopefully, you have been able to see that in the slides. In the case of our customer objective, we want customers to be able to engage with us in the way that they want to: through their channel of choice. There is a big digital element in that work. In 2019-2020, we have been driving a very large cybersecurity programme in Northern Ireland Water, and we will continue that for the next few years. We use something called the net promoter score to allow us to compare ourselves with other service providers: we do not compare ourselves just with water companies; we can compare ourselves with any service provider using the net promoter score. We will also ensure that we look after and pay special attention to our vulnerable customers. That measure keeps us honest in that regard.

Clean, safe water provision is at the heart of what we do. On this slide, we look at how we ensure that we get the best raw water, that we have enough water — you cannot take that for granted — that it is wholesome, that it is not being wasted and that it is always on. There have been lots of successes in that area over 2019-2020, from our work on restoring blanket bogs in our catchments to ensuring that we have storage capacity in our distribution network and driving down supply interruptions for customers.

One area that has been an ongoing challenge is that of leakage. Leakage is a challenge for the entire industry and one that can be prone to media attention. When money is tight, which it is for us — it was only in August of this year that we had our operating budget approved — it is easy to sacrifice leakage detection as not strictly necessary. So, someone might say, "Well, if you just have to do what is necessary, maybe leakage is not necessary", but we believe that it is absolutely necessary. If you do not keep on top of leakage, you lose the extra headroom in your system for when people need extra water, and you need resilience in times of extreme weather events, whether that be heat or cold. So, it is a very important measure to continue to fund and invest in.

I will hand over to Ronan to talk about economy.

Mr Ronan Larkin (Northern Ireland Water): Thank you, Sara. Good morning, Committee. On "Economy", what we set out as our strategic approach is:

"Efficiently delivering infrastructure to underpin sustainable growth"

in Northern Ireland. You can see that the first of our three areas of focus is funding world-class economic infrastructure. We think that Northern Ireland should be world class in this area. We should enjoy the best of infrastructure that is available in other areas of the UK and in other economies across the world.

We know that we have an obligation to make our services efficient and affordable for everyone, which is the second area of focus. So, whether services are for the domestic user, which are currently paid for by subsidy, or for business users, who pay directly for the services that we provide, they should be efficient, affordable and able to fit in with a business's budget.

On sustainable growth, which is the third area of focus, the strategy sets out that we firmly believe — Ulster University and others have examined this as well — that we are a key driver of sustainable

growth in what should be a modern, strong regional economy in Northern Ireland. Northern Ireland will have to punch above its weight to keep its economy alive and well. There is no doubt that a modern 21st-century infrastructure has a key role to play in that, so we have to own our part.

Under "Strategic performance indicators", we set out where those indicators are with an increase or decrease in customer tariffs, excluding inflation. While we are not yet finished 2020-21, in 2019-2020, we hit and came in under the target, so we passed that. We are working on that for 2020-21, and we deferred an increase in tariffs in the first half of the year, so we hope that we can come in under the inflation levels and so on in the second half of the year in terms of the full year.

As Sara said, we are looking at a new measure, which is a reduction in the number of areas with development constraints. Everyone on the Committee is familiar with that issue, and the information is shown on the map in the paper. Pretty much across Northern Ireland, areas will be constrained for economic growth. One target that we are putting into our strategy is an indicator that tells us how we are doing against taking those down and improving on that picture. Of course, that depends on investment and having the money available to put into the drains and the ground, particularly in this case.

There is another important area. In Northern Ireland, we often pride ourselves on our environmental credentials as we are often seen as a green and pleasant land. Before COVID, we were working really hard in this part of the world to attract tourism to the region. We have had some successful events across the years, the last one being the major golf tournament in the north-west. We want to make sure that we can continue to do that and be part of it. If we are doing our job and environmental role properly, our bathing water quality should be able to hit those "excellent" or "good" areas. The paper sets out our targets over the years; the majority are "excellent" or "good", and none is "poor". We want to keep up that score but, again, that depends on investment. We are not the only part of that story so we have to look more widely at where other pollution sources come from. We want to be part of that conversation as well. However, we have to own our part on the work that we do. The paper states that we are passing the target, and we want to make sure that we can continue to do that and to grow our performance.

Under "Planning for the Future", we set out a number of things that are in PC21, and where we will look to improve how we provide the service. Under "Contact management", we will look at the best way for us to work with customers when they need us, or when they are ringing about a problem or an issue. Under "Asset delivery: decisions and capabilities", we will look at how we go about delivering our asset delivery programme. On energy, climate change and net zero carbon emissions, which are also mentioned in the paper, we think that we have a huge role to play. We are the largest single user of electricity in Northern Ireland — I do not say that as a proud boast because we want to work on and improve that — so we can be part of the new infrastructure network for improved energy in Northern Ireland. On "Smart metering", we should have better metering and technology deployed where we have to meter for businesses so that we can help them to drive down their water usage and to make sure that they are using water efficiently. Those are a number of things that we have in the piece.

The last thing to say about the economy is that, when we invest, we often employ local contractors and local people who have businesses, so there is a real trickle-down and positive impact for the local economy. Ulster University did some work a few years ago that found that, for every pound that we put in, there was a two and a half times rotation around the economy. Investment is good news not only for infrastructure but for our wider economy in Northern Ireland.

I will move on to "Nature", which is one of our key themes. The paper points to "Protecting and enhancing the natural environment", and there are areas of focus, such as a "More resilient network", so that it can deal with different events and weather events. There was some flooding recently, and we want to make sure that our network continues to hold up during events like that. For "Sustainable solutions", an example is shown with a diagram of the wetland treatment centre at Clabby in County Fermanagh. That is a more sustainable way of treating some waste water than the traditional wastewater treatment works. That is a different approach, which we can deploy in some areas — not all areas — and we have had some success in recent years, of which this is another example. "Keep it clear" is about making sure that, where networks are running, we are keeping those right and everything is working well. "Towards zero carbon" is a big piece for us to think about in Northern Ireland because the climate challenge and net zero carbon are coming ever closer, and we are looking at a number of plans. Yesterday, the Department for the Economy announced some exciting news about hydrogen programmes. We have a role to play in that and are actively working with a number of Departments, and we think that we can put a pilot solution in place. We are part and parcel of that piece.

You can see the targets that we have set out. I will highlight one that we did not pass. In 2019-2020, we failed in the reduction of the number of properties at risk of out-of-sewer flooding. That is a key target for us and for customers. No one wants to be flooded. We had an issue with a scheme in Belfast at Ravenhill Avenue. There were a number of complexities as we were getting ready to do that scheme. It became apparent that it would be a much bigger scheme than we and the other stakeholders had originally envisaged. We were not able to go ahead with the scheme, and it is now being replanned for us to take forward and deliver.

I now turn to "People". Sara talked about how our people performed throughout the COVID period. We saw our whole workforce, and not least our front line, really come to the fore right across the business. Everything continued to work. Our people make it work, and we are grateful for their input. We want to make sure that Northern Ireland Water is a great place to work for everyone who wants to work there, and for everyone who currently works there. We want to be "Powered by talent", with the right people with the right skills and talents, trained and developed to do the job. We talk about "Happy, safe and healthy people". People should be happy at their work and feel safe. When people go out in the morning, they should feel that they will be safe doing the job and can return home to their families in the evening.

We want to create a "legacy for our communities". Our workforce takes huge pride in what they do. We know that, when we connect our workforce to charity, corporate social responsibility or voluntary work in the community, they get a fantastic lift from it and feel part and parcel of that community. We want to make sure that we continue to do that piece.

We set ourselves some fairly high targets on employee engagement. You can see that that is a target that we failed. We have action plans in place to address those areas and to continue to improve how we engage with our staff right across the piece. We kept those plans running through the COVID period. We kept surveying, talking to our staff and putting initiatives in place, and making sure that, even remotely, staff can access the well-being, welfare and support facilities that they need. We had good staff feedback on that during the COVID period.

The stats are there. We want to make sure that everything that we do is supported by diversity and inclusion across the range of diversity issues today. From the stats, you can see some of the work that we are doing to make sure that we are not missing out on attracting the female part of our population into the workplace in some of our schemes. You can see that the females employed make up 21% of the workforce. We want to make sure that, at senior management level and across the board, we have stronger female intake and that Northern Ireland Water is an attractive workplace for women, and owning their part in what we do. There are some challenges there. We are an engineering-led and front line-led organisation, which has traditionally been predominantly male-orientated, but we are doing huge work to make sure that the jobs that we put on the market are attractive to everyone. Everyone can apply for them as long as they have the right skills.

I turn to finances. There is a graphic — a little schematic — that explains our finances. It references our revenue, where our money comes from, our operating costs, where we get loan money, the money to pay contractors who build the capital schemes and, then, how that tumbles down in results. The bulk of our revenue comes from government subsidy at the minute. In 2019-2020, we received a subsidy of just under £310 million, and that is money coming into us because we do not bill anyone at home. You do not get a water bill at home, so that is the money required to pay for that domestic subsidy. We bill non-domestic customers, and that generated just over £80 million of revenue from businesses. Road drainage charges came to £22.6 million, which is paid by the Department for Infrastructure for taking its drainage issues away and dealing with what comes off the roads. There is a series of other forms of income, which amount to just over £16 million. That includes infrastructure charges, connection charges and that kind of work. There are also some ancillary pieces around the edge of that.

There are our day-to-day operating costs. Our running costs totalled £282 million in 2019-2020, and those are the range of things that we mentioned: staff costs, power costs. We pay around £30 million in rates. We also hire in contracted services from the marketplace.

You can see how that tumbles down into operating profit. It looks quite healthy. There is an operating profit of £147 million. The Committee might think, "We can stop right there. That is fantastic. Why would you ever need more money?". However, if you look at it, you will see that we are financing our investment. We are paying money back. We pay back interest on the loans we have borrowed from government. Each year, we also pay dividends. We have to service the public-private partnership (PPP) loans that are in place for Alpha (Water) and Omega (Wastewater), the two big PPP schemes.

That reduces the profit from £147 million to just under £85 million. We do not currently pay corporation tax because we have capital allowances that we are able to use, but we put a deferred charge away in the year, so you can see the profit after tax at £48.4 million.

Out of that profit — and we will be examining that at an upcoming board meeting — we have a dividend payment of just under £30 million for 2019-2020. Therefore, in the year, about £80 million goes back to the Government, whether that is in the form of interest on the loans or the dividend. As you can see on the right hand side, any surplus profit does not leave Northern Ireland. It does not get paid out in dividends and so on, beyond the dividend that we pay to the Department. It gets reinvested back in and helps us reduce the loans on the piece. As you can see, under "Government loans", in 2019-2020, we borrowed £40 million from the Government, and we have invested just over £180 million in the asset base. That is a simple way of looking at how the finances work.

If we make extra profits or if the profits are strong, that does not give us extra spending power. It does not give the Department extra spending power, and it does not give us extra money to invest in capital. They are restricted by the constraints that Sara referred to in the capital DEL and resource DEL lines that come down from the block grant, as it were.

The media has looked at the annual reporting accounts for this year. Some of you may have seen the coverage on that, and there was strong interest from the media. A number of things came out of that, one of which was this question on the broken funding model: is this the best way to fund Northern Ireland's need for drainage and water infrastructure? We think that the model has some merits, but we know the constraints. What we can access for capital currently causes big issues around our economy and can also lead to environmental damage.

Sara talked about leakage, so I will not go back over that. In regard to waste-water compliance, there is an incomplete picture there, right across the whole waste-water system. We know that that is an area where we have to up our game. To up our game, we have to invest in running costs and capital costs because we want Northern Ireland to be world class in this particular area. People talk about us being a highly profitable company and surely we can stand on our own two feet. We get our money predominately from Government, and we get our capital allocation spend from Government. Even if we have more money, we cannot use it. We have to give it back to the centre, and we get the allocation from the block grant. All of that needs to be seen in the context of our Government ownership.

I guess the points that the media certainly thought about taking away, and a number of you will be thinking about as well, is how we make sure that we can take the broken funding model and repair it. How do we find a different way to do that in the immediate years that are now ahead of us for PC21, so that we can continue to provide the investment need? Particularly, so that we can put the services in place and that we can make sure that Northern Ireland's citizens and businesses can enjoy a world-class service and that it does not deteriorate to the point where we start to get regression of the system and it starts to break down.

Sara talked about drains and cranes. We firmly believe, that if we want to see those cranes up there, helping with developing and building houses, schools, hospitals, hotels and anything else that we need, we need to have the drainage infrastructure in place, and we need to make sure that that drainage infrastructure is then funded so that it can be operated in an efficient and effective, modern, 21st-century way.

The last piece is green economic recovery. We firmly believe that we have a role to play in that in support of the wider societal shift to a decarbonised and net-zero-carbon economy. We know that we can look at how we can use and store electricity. We have a successful solar farm, built at Dunore Point in Antrim. That scheme was carried out a number of years ago and powers our largest water-treatment works. We were given a green light to go ahead and do that, and it has worked and been successful.

We are looking closely at hydrogen and electrolysis, and I think there is definitely something in that. That would bring a number of functions and Departments together, and there is an interesting possible pilot there that we should, in Northern Ireland, get after, because it is part of the way forward for our society here.

We have talked about the environment itself and looking after the peat bogs and the ground and that we have responsibility for that. We have a stewardship to be responsible and to ensure that we are, effectively, putting back more than we take out. There is a big piece that we can do with that.

That takes us to the end of the presentation, and we can hand off to the Committee for questions.

The Chairperson (Miss McIlveen): Thank you very much. We have only 30 minutes for questions, so they will probably be quick-fire ones.

First of all, can I pass on the Committee's gratitude to front-line staff for the tremendous effort that they put in during COVID and no doubt will continue to do so in the months ahead? COVID had an incredible impact on the business. You mentioned that you had 800 folk working from home. That was probably quite difficult, but you were able to manage to do it in a short period. The Committee is aware that there has been a significant shortfall in your income. Can you give us an update on that shortfall and how it came about?

Ms Venning: Absolutely. When lockdown came, everybody was sent home and used at home the water that would have been used at their place of work. There was also great weather, and people took to gardening and other activities. Water was also necessary for washing hands and for hygiene, so demand increased hugely as soon as lockdown began, and that demand continued at that very high level for a number of months.

Water was being used in a domestic setting and not in a commercial setting, so we had additional costs to producing water. Our revenue reduced significantly, however, because all businesses were closed, so no revenue was coming from them. The gap between the amount of revenue that we would have expected and what we received was significant, at over £22 million, yet our running costs were not cut. It was not as if we were a cafe that closed and had no running costs. In fact, our running costs were higher because we were producing more water. Working during COVID therefore became more expensive, because we had to make sure that everybody had the proper PPE. How we worked had to be different: people had to space out and things took longer. Our front-line staff worked different shifts in order to stay socially distanced.

All in all, our costs increased and our revenue decreased. That created a significant gap, and the burden of funding had to fall on the shareholder. That became apparent right from the outset. In April, we were able to articulate our forecast of what the shortfall would be. It was August before we got confirmation of how much of the gap would be funded. The bulk of it has been funded, and the gap remains at just over £2 million. We are forecasting that we will incur that amount in running costs in the full year for which we do not have guaranteed funding. We are making a bid in the next monitoring round for that funding. Is there anything that you wish to add, Ronan?

Mr Larkin: No. That is —.

The Chairperson (Miss McIlveen): Have you seen a change in water usage as people have started to go back to work? Is that starting to have an impact?

Ms Venning: It is interesting that, anecdotally, weather has the biggest impact on water usage. When the sun went away and the rain started, that stopped all the gardening and the use of hoses. Demand has significantly reduced, so we are back to probably normal levels of demand. Equally, where that demand is coming from will not have changed.

The intervention by the shareholder was significant in this financial year. That will continue, and I think that it will continue for the next couple of years, because the pattern of working has changed. Even big corporates are going to have people working at home perhaps two or three days a week from here on in, so the amount of water used in the home will increase and the amount that was traditionally used in businesses is likely to decrease. There has therefore been a shift, and, as I said, we see that intervention by the shareholder in this financial year needing to continue for the next couple of years.

The Chairperson (Miss McIlveen): You said that 800 of Northern Ireland Water staff were working from home. Has that changed or is a significant proportion still working from home?

Ms Venning: Our approach is that we are very much following government guidance, which states that, if you can work from home, do work from home. We have been hugely effective and efficient at working from home. I would not like to say that it was a pleasant surprise, but I am very impressed at how well we have managed.

Our offices are undergoing a programme of making sure that they are safe. We open our office space really only for collaboration-type activity. The Zoom meetings are good for task, but, if something

creative or strategic needs to be done and we need to be face to face, we will use our spaces for that. In this period, however, we are continuing to work at home. We are supporting our staff as well. Schools have only just gone back, and people needed to be able to manage their home-life balance.

The Chairperson (Miss McIlveen): I have a number of questions, but I am conscious of the advice that I give to everyone else.

Has a piece of work been carried out on the opportunity cost of development being constrained as a consequence of underinvestment? We are aware that £2 billion is required to address the concerns that you have, but there has obviously been a cost from the lack of investment. Has any work been done on that?

Mr Larkin: There has been. Some of it has been done outside Northern Ireland Water and is therefore independent, which is good. The Institute of Civil Engineers (ICE), Ulster University and others have, I think, looked at what happens if there is a deficit in infrastructure investment. The current building programme across Northern Ireland is measured in the billions. If some of it cannot go ahead, you are talking about pent-up demand. At the end of it, you are talking about jobs if several billion pounds of development does not go ahead over the coming three to five to six years. It is almost an immediate effect.

We have talked to a number of developers and organisations. We recently spent some time with some of the housing associations. They are building public housing stock, for which there is a demand across the Province. One of those to whom we talked recently is finishing a development up in west Belfast and has aspirations to build on other sites, but, if the drainage is not there, that developer cannot go ahead. That is holding up investment. It is also holding up very much needed housing for people and families and holding up everyday life. We can come back with the number, but the programme is measured in billions of pounds of investment.

The Chairperson (Miss McIlveen): OK. You referred to the "broken funding model". Have you got a preferred model of funding?

Mr Larkin: Our approach to that might be simplistic, but we will share it with the Committee. As a first principle, the decision for Northern Ireland is that we will bill non-domestics — businesses — for use of services but not bill domestics. We will therefore not receive bills at home. That is the decision that has been taken by the Assembly Executive. It is the current status, so we go with that. We respect and understand that, and that is what we implement.

Part of the contract with customers, which has been set out since 2007, is that they can continue to enjoy a good level of service and a growing and improving level of service. The piece that is probably less transparent for customers today is that, as the investment deficit grows and as the backlog of things, particularly but not just in drainage, that need to be done grows, customers will start to see interruptions in the service. We may not be able to invest as much as we would like to in leakage and in having a really world-class service so that customers never run out of supply. We may not be able to fix everything that should be fixed in the network. We may not be able to maintain the huge asset base in the way in which any of us would think about maintaining our car. You keep your car roadworthy so that it does not break down and so that you can rely on it to get you from A to B.

It is therefore probably less transparent to lots of us in Northern Ireland that the service is at risk and is beginning to regress. The infrastructure is getting to a point at which there are starting to be indicators around its serviceability. That will impact on customers more in the very near term. By that, I mean not many, many years away but in the near term. If the investments in PC21 are not made, we will not be able to do the things that customers rely on every day. We will certainly not be able to build out the things that should future-proof basic services such as water and waste water, which are fundamental to everyday life.

You asked about a funding model. If we are not going to bill the domestic home, we will ask the Executive and the Assembly to find a way in which to make sure that the investment goes in, particularly for that capital and operational programme, every day and every year. That is what is needed. We have to find a way in which to unlock the constraint, particularly on the capital funding, so that we can go from about £900 million of funding in the current PC15 capital programme to £2 billion to £2.5 billion for PC21.

Mr Hilditch: You are very welcome this morning, folks. I had the opportunity to accompany the Chair to a previous briefing, so a lot of my questions have already been answered. I thank the staff, not just for their work during the pandemic but for their work during the recent flooding, when staff were on the ground helping out along with other agencies. I met many of them and very much appreciated what they were doing.

It has been put to me by some folk in local government that the figures for the economic constrained areas and serious development restriction areas keep going up and up and adding to the capacities. It has been pointed out to me that a number of large users have gone away as a result of closures and that areas of housing have disappeared. Are the reductions taken into consideration? I have been told that they are not.

Ms Venning: There is dynamic modelling. Again to pay tribute to the staff working for us, we have now pulled together computer models that take our network, planning applications and information from the councils and bring it all together along with our future investment programme. We then run the model. The drainage area studies pick up whether something has closed down or something has come in. Quite often, when something closes down, something else takes its place.

Mr Hilditch: I do not want to be parochial, but in the Mid and East Antrim Council area, there are certainly a lot of closures. In Larne in particular, the high-rise flats and various things like that have gone, but the figures for Larne town centre keep going up and up.

Ms Venning: I am quite au fait with Larne.

Mr Hilditch: You can see where they are coming from.

Ms Venning: I have spoken to our planners about the Larne building, and we are very happy to pick up on that. In fact, we are picking it up directly with the council. There has been investment in Larne. Some of the pharmaceutical companies have set up there. It is a very constrained network.

Mr Hilditch: OK. Thank you.

Mr Boylan: I have a few questions, but I will try to collate them. You faced challenges in June. One good thing about COVID was that the weather was very good for people. It could have been a lot worse. It would have been good for NIW if it had rained all the time, but the good weather certainly helped people through the early stage when it was very difficult for people. A lot of people were at home, and I know that they were using hoses, washing cars and doing everything else, but did you ever consider the decline in water usage at car wash businesses to balance that?

Ms Venning: Demand has significantly increased. You will see from our publications that, on average, we supply 570 million litres of water a day. Supply never fell below 600 million litres, and it was going up every single day. You would say, "It's now at 610, so it surely cannot go any higher", but it was going higher and higher and higher. The people trying to keep the water treatment plants running were saying that we really needed a hosepipe ban and that people needed to stop wasting water. People were wasting water. I ask everyone to think about a bottle of drinking water. Would you open hundreds of them and walk about your garden, sprinkling them? That is what people were doing with hoses. They were running all night. Significant amounts of tap water — drinking water — was wasted. Grass goes brown; grass turns green.

Mr Boylan: You said 150 litres a day. What roughly does that go up to?

Ms Venning: It could have been as high as 200 litres.

Mr Boylan: I have two main questions. You mentioned the issue of the £600 million Treasury loan at a previous briefing.

Ms Venning: The £600 million —?

Mr Boylan: The Treasury loan note.

Mr Larkin: The current loan.

Mr Boylan: Was that money used during lockdown? How does that compare with Irish Water's system? Can you give us an idea of how that would work as a model? Your report talked about reducing demand for drinking water by 25%, but you mentioned reducing usage by 40%. How do we get down to those figures? I am thinking about working with the Department for Communities in order to reduce those figures for water in its social housing and in other types of housing development. If we are serious about getting demand and use down to the overall targets of 40% and 25%, will you tell us how we can get to that?

Mr Larkin: I will pick up on the loan question. We have a number of loan arrangements, which are laid out in the annual report and accounts, and you can see them on our website. We have a loan note arrangement in place. NI Water was able to access that during COVID, which we needed to do in order to make sure that we had working capital and so forth. Particularly while we are waiting for our budget to be signed off, we were looking at our cash situation and making sure that it was still healthy. Importantly for us, a key principle in sending all the team to work from home was this: can we function normally? Can we pay all our supplier bills in Northern Ireland? All the companies who work for us and all the people who supply us kept us supplied during COVID, and we could not say to them, "Fingers crossed we will be back in August. Can you keep supplying us but wait until then for us to pay your bills?". First principles were that our accounts payable team kept bills processed and paid. Suppliers got good confidence from that and could carry on working for NI Water knowing that their bills would be paid and that they could pay their staff if they had not put teams on furlough and so on. We were able to access working capital and to use the loan note when it was necessary to do so. That is why it is important to have that in place. Any organisation should have a series of financial tiers that it can access in an emergency.

There are similarities with how Irish Water is structured, but, in the last couple of years, Irish Water has been able to go to the money markets. As you know, you can access loan notes and finance quite inexpensively on the markets at the moment, and Irish Water was able to raise bond finance funding for some things as opposed to having everything come through central government. So there are some differences in the model, and there are probably differences with the Scottish Water model as well. When we ask how Northern Ireland Water can be financed going forward, we can say that those models have been looked at in the past. We could go back over them with the Department and others, and it could be decided whether we could put some flexibility into the model so that we could do some of those things. The Department worked well with us during COVID. It was waiting for confirmation of the budget, but it knew the issues and the constraints that we were under. We worked very closely with the team at the Department.

Your question on the funding comes back to the question on the funding model that the Chair asked and is this: what is the best way to fund both the day-to-day operating costs of this essential service and the six-year finance programmes for building out its capital investment programmes? The capital investment programme piece has to be examined as a matter of urgency, because we will get into PC21 next April, which is in a few months' time. We really need to hit the ground running and build out the six-year programme so that more towns are not added to the constrained areas. We need to improve the picture for places like Larne and make sure that the service does not fall into regression and interruption. Customers should enjoy what should be a world-class service. Northern Ireland people should enjoy and have available to them a world-class water and waste water programme. We advocate that the best way for Northern Ireland to finance its water, waste water and operating and capital programmes should be explored as a matter of importance and urgency.

Mr Boylan: What about better-designed houses and the reduction in demand for water?

Mr Larkin: That is part of it. If we were looking at the building controls and regulations on how water is used, we would build them into the next series of housing stock in Northern Ireland. However, that would need changes to the legislation. I have spoken to developers and housing associations, and I know that they are keen to be world-class and to make sure that their homes are energy-efficient. Part of being energy-efficient is that the home is designed to use water to best effect. The homes will be not just energy-efficient but water-efficient, and that helps with that net zero carbon piece as well. We know that some of the developers and housing associations have an appetite to do that, and we are looking at proposals to be part of that. We may design a house of the future in association with other stakeholders.

Ms Venning: A huge part of that is about our behaviour. It is about all of us and all of those whom we talk to. I agree that we absolutely should change the building stock, but there is a lot of existing stock. We are running taps for cleaning vegetables and running hoses in gardens and to wash cars, so there

are many small steps that we can all take and that we have to be willing to take. However, there is a lot of reluctance to do that.

Mr K Buchanan: Sara and Ronan, following on from that point, where should the average level of 150 litres a day be in order to have a massive impact on the £2 billion? For example, does it need to be 80 litres a day?

Ms Venning: It would not matter if you turned it off. Well, if you turned it off, you would have no sewage, but we are humans, we have waste and we have a sewage system. Water efficiency is about creating resilience and about stopping us having to build lots of new infrastructure. Of the £2 billion that we need to spend, almost half of it goes on waste-water infrastructure. That needs to be spent, and that level of investment in waste-water infrastructure needs to continue over at least another three price controls.

Mr K Buchanan: The £2 billion needs to be spent regardless of what you pushed the 150 litres down by. I presume that you can reduce it by a figure if you reduced your output.

Ms Venning: We still have to maintain all our water treatment works, and we still need all the pipes to get to your house and all the service reservoirs to store the water between the water treatment works and your house. When it gets very cold or very hot, and you all start to use more water, we prevent supply interruptions and water running out by driving that number down.

Across the industry, there is a very ambitious target to get it down to 100 litres of water per person per day. Water usage in Northern Ireland is a big outlier.

Mr K Buchanan: Roughly how much do you spend each year on educating people about burst pipes, etc, for example, the TV adverts that you do? Do you see a financial benefit in doing that?

Ms Venning: We see —.

Mr K Buchanan: Do you see a payback?

Ms Venning: We do. It costs some £2 million a year to deal with sewer blockages, so we sometimes run campaigns on what not to put down sewers. We went to some estates in Carrickfergus and saw immediate success and savings in the number of blockages, but, when we left that area the behaviour came back, so a constant drip is required. Our spend on campaigns is in the low hundreds of thousands of pounds a year; we may have a couple of hundred thousand pounds a year at most for our various campaigns.

Mr Larkin: Frankly, the amount that we spend at the moment is not sufficient to push the message out and get us all thinking differently about it. It is nowhere near what is spent by water companies in England and Wales or even by Irish Water; their campaigns are much more concerted and strongly funded. It is through such campaigns and the community-based campaigns, such as the intervention in Carrickfergus, that you get people to think about it differently in a sustained way so that, eventually, you change behaviours, not just in the immediate term but so that people do it differently on an ongoing basis. As the amount of money that we can spend on that is constrained and limited, we are probably only at the beginning edges of that. We need to spend more — I would not call it "spend"; I would call it "invest" — to help people to think differently.

Mr K Buchanan: I have a final, quick question. Sara, you said that 800 workers are working at home. I do not know whether you used the word "surprised" or "delighted" about the way that it all worked out, but what do you see happening with those 800 workers? Do you see all or the majority of them coming back to work?

Ms Venning: We have surveyed them, and I think that 80% told us that they would like some flexibility and balance. People miss the camaraderie and the collegiate nature of working together. They want to retain that while having some flexibility. We think that that is what will happen in the future: the workplace of the future will have that balance of tasks being done at home and collaboration being done together. Our spaces will need to change to reflect the changing nature of how we work and how we work internally. Our technology will also need to support that sort of mixed economy, with some of us working at home and others in the office but still needing to communicate. We see that happening. We are working on bringing people back with the end in mind so that, as we set up our structures, we

can make that happen. In the first instance, it is all about distance and keeping people safe remotely. However, the distance will, hopefully, change, and you will probably need less of a footprint.

Ms Anderson: Sara and Ronan, it is good to see you again. There is one certainty that you know: there will be no domestic water charges for as long as Sinn Féin has the power in the Executive that we have. As you said, Ronan, the question is, "What is the best way to fund?". You talked about what happened with Irish Water and the bonds facility in place. Has your Minister sat down with you and unpacked the options? Have you looked at the kind of borrowing that could be available to you so that we can address the massive issues and problems that you have put before us today?

Mr Larkin: Over the years, a number of Ministers from different parties have looked at that, and the Department and we have certainly looked at it closely. Our Minister has brought together an advisory panel to assess the best way of looking at infrastructure in all its complexity in Northern Ireland. That is positive; it is a good thing that she has asked a group of people outside her immediate remit in the Department to look at that. Kirsty McManus from the Institute of Directors (IOD) heads up that panel. We look forward to seeing an outcome from that panel and report to assess the best way forward. The report will probably consider the public infrastructure that we have, such as Northern Ireland Water, the roads and so on, as well as private infrastructure through the power companies and so forth.

Ms Anderson: I do not want to interrupt you, Ronan, but, if you are saying that other Ministers and you have, in the past, looked at potential funding models, and the current Minister is doing likewise with you, could we, as a Committee, get the information about the kind of options that you are considering, other than domestic water charges? That is sometimes presented to us as the only option. I would like to see the options without domestic water charges being on the table, or with it as one of the options being pursued. That is the kind of information that I would appreciate so that I can understand the work that has been done by the Department and what option papers you intend to bring, or have already brought, to your Minister.

Mr Larkin: There is a question there for the Department to share whatever information it has. We would certainly have no issue with sharing any information and the options that we have looked at across the years

To build on the question, the key constraint is that Northern Ireland Water is predominantly funded from the block grant, and the block grant is the key constraint. We get a resource DEL allocation of money to run our business every day, and we get a capital DEL allocation that allows us to build out a capital investment programme. There is a constraint on the capital piece at the moment: the amount of capital available through the block grant currently to Northern Ireland Water is not sufficient to build out what is in the PC21 business plan. That is clear.

The most immediate and effective way to look at that is to examine what can be done to take away that constraint, whether that constraint be artificial or very real because of the size and shape of the block grant. The key piece of work for the Department, for us, for the Department of Finance and, I guess, for the Assembly and the Executive, is to say, "What can be done to examine that constraint factor on the capital DEL allocation and remove it and maybe put Northern Ireland Water's capital plan into a ring-fenced allocation of capital that cannot be taken away to do other things with?", so —

Ms Anderson: I am just conscious of time —.

Mr Larkin: — that we say, "There's your ring-fenced allocation; use that to build the programme".

Ms Anderson: I appreciate that there is a wider issue for the Executive or whatever, but I draw your attention to the map in your paper that outlines the economically constrained areas, the areas where there is serious development restriction and the PC21 investment. I am absolutely appalled that the one area in which there is a gaping hole — not one green dot — is Derry, Strabane and Omagh in relation to the planned PC21 investment. I see all the other areas where there are green dots. Sara, I have raised the issue in relation to Derry, Strabane and Omagh with you before. Of course, if there are no drains, there are no cranes. Therefore, I am concerned. The Minister has already told me that NI Water has advised her that there are eight projects for the Derry area in its business plan for 2021-27 and that those eight projects will cost £31·25 million. I am just trying to marry all the investment that is going in, and rightly so because those areas need investment, with where Derry, Strabane and Omagh reside in the PC21 plan. I am alarmed by that, given that we are trying to tackle regional inequalities.

Ms Venning: The alarm and the ask that need to come outwards from the Committee is that there has been generational underinvestment in waste water. Given that that has happened, it takes a lot of money to fix it. The ask of £2 billion will fix the places where there are green dots. You will see that Strabane still has a red dot or a dot that is a lighter shade of red. That is because, although the £30 million worth of work will provide some ease, it will not remove all constraints. Further investment is needed, so the time is now to say, "This is important to Northern Ireland. This money must be found".

I have been coming here for nearly 10 years. Somebody sent me a text about an article in the newspaper this morning, and they said, "You know what? That is the same thing that has been said for 10 years". The ask from me to the Committee is this: let us not let this be the same 10 years hence. The ask is not necessarily of me to come up with the solution. We are a publicly funded water company. We sit under the remit of the Northern Ireland Executive and the Assembly. We do an excellent job and are very efficient. We can deliver investment and infrastructure, but we need funding. By charging, we are asking for funding.

Ms Anderson: That goes back to my earlier question about the options that members would appreciate being brought forward. I know that you asked for £150 million this year, and you got your bid in full. We also know that the Department has, for the first time, got a 20% increase, and £558 million has gone into the Department for capital and other funding. The funding from the Department demonstrates that it at least acknowledges, in some way, that it has had that 20% increase, which is the highest increase that it has ever had. We know that you got your bid in full for this year, but I am still concerned [*Inaudible*]—.

Ms Venning: But remember: £150 million is a constrained bid.

Ms Anderson: Of course.

Ms Venning: One hundred and fifty million pounds is a portion of the £900 million that should have been £1.7 billion. We should take no pleasure —

Ms Anderson: And we are not.

Ms Venning: — or no win from the fact that £150 million has been allocated to NI Water.

Ms Anderson: No, but your bid was allocated.

Ms Venning: We should hang our heads in shame and say, "We are not spending enough money on our waste water infrastructure".

Ms Anderson: We appreciate that. It goes back to the earlier point that we need to know the options rather than having a circular conversation. What options are available so that we can look at any other financing that is available to you in order to fix these problems? It would be good for the Committee to be informed about the conversations and options being put forward either by you or by others involved in this conversation in consultation and discussion with the Minister.

The Chairperson (Miss McIlveen): In order to move this —.

Mr Larkin: May I add one thing? The key thing is that that would not just be for the Department for Infrastructure and us; we would welcome direct access to Department of Finance officials. We would like to interact directly with senior people at DOF to open up the possibilities.

The Chairperson (Miss McIlveen): I am very mindful that we are now technically over time, so we will be rushed. Four more members have indicated, so just be mindful of the time. In order to move this forward, the Minister will be here next week, so we can put those questions directly to her.

Mrs D Kelly: Apologies for my late arrival; I had an earlier appointment.

I want to pick up on the behaviour of households. How does household usage here compare with that in other jurisdictions, particularly those that have water charges? My party is opposed to water charges as are, I believe, all the Executive parties. It was an Executive decision not to introduce water charges, but there is an inescapable fact, which is that we need to invest in our water. The Executive

will have to recognise that if we are to drive the economy forward, given all the hold-ups. Many people are focusing on the issues around borders and what have you, but my understanding is that the UK Internal Market Bill will take sweeping powers. The British Government are seeking to undermine devolution powers and, should that Bill go ahead, will take for themselves the power to introduce water charges. That is a cautionary tale for those who persist in supporting the UK Internal Market Bill at Westminster.

Aside from all of that, however, I am very interested to know how we change behaviour. It is a bit like the recycling; I am appalled by the cavalier attitude that many individuals have towards our natural resources, particularly our water. We require a long-term behavioural and cultural change. Many people talk about a carrot-and-stick approach. I just wonder how we compare with behaviours elsewhere.

Ms Venning: We compare poorly. We talk to the other water companies about some of the positive measures that they have taken up. They talk about nudging a behavioural shift and about feeling ownership. In the south of England, where the weather is a lot warmer, they are, obviously, very constrained for water resources. They have carried out experiments with people where they say to half of them to save water because it is a good thing to do, but they say to the other group, for example, "Your water comes from the Silent Valley reservoir and the people of Newcastle need to conserve water by X amount so that there is water for Newcastle". Those campaigns work better. It works better when you feel ownership.

We all know the old saying, "What gets measured gets done". You do not know what you are using in your house because you do not measure it. There is no means for me to tell you that you used 200 litres yesterday per person, which amounts to 800 litres for a family of four. There is something there about measurement as well.

It is a big conversation; it is a societal conversation. To be fair, a number of years ago, we did not segregate our waste. We did not put food waste or cardboard in different bins. It is a hanging offence in our house if somebody goes to the wrong bin. That has happened through general education and societal education, so it can be done.

Mr Muir: I have two quick questions. As a result of the restrictions on developments, politicians in Northern Ireland will have to make difficult decisions to ensure that the investment occurs. People will have to step up to that.

A lot of people are installing their own septic tanks in developments. What are the potential environmental consequences of that?

Brexit is, obviously, a clear and present issue. What preparations are being made and what are the risks in advance of the end of the transition period at the end of this year?

Ms Venning: When it comes to private developers putting their own waste water solutions in place, the Environment Agency exists in order to ensure that what is installed is correct and proper and in line with what there should be for the environment. It has a big role to play in that regard, and developers who want to install their own infrastructure have to get permission from the Environment Agency. I do not think that it is a good thing. It will, invariably, cost taxpayers more money, because, eventually, if we are asked to adopt those assets, all of a sudden, instead of having one waste water treatment work, there will be a plethora of small, package-type works that cost more to maintain and run. It is not a good idea or solution, and we should try to avoid it. We are doing a lot of work with developers to accommodate development where we can, but it is very difficult now, and we are left with very few choices.

We have been planning for Brexit. We are part of a wider consortium with all the water companies across the UK, and we have a Brexit incident management group. We have been doing quite a bit of work on understanding our supply chains and ensuring that we know where we get our stuff from and whether there are any materials that we need to increase and have a greater holding of for a period of uncertainty. The main factor that we are pretty sure of is increased costs. The biggest impact that will likely happen is that we will get access to the chemicals and will be able to provide your water, but it will cost more.

The Chairperson (Miss McIlveen): Can you perhaps provide more information about that particular aspect of the work that you have been carrying out? It might be useful for members in further deliberations.

Mr Larkin: Yes. OK.

Ms Kimmins: Thank you, Sara and Ronan. From our visit, it is good to be able to visualise a lot of what you are talking about, so that is appreciated. I will just cut to two short questions. I will go back to the PC21. Obviously, I have been harping on about it for a long time. My constituency of Newry and Armagh is an area that is in great need of investment in the waste water infrastructure. So, I just want to get a bit of an idea. At this stage, have you looked at which areas will be targeted? I understand that, depending on funding, it is likely that some will have to be excluded. Hopefully, that will not be the case, but it is definitely a possibility. In that case, how do you decide which ones will make the cut? Are you at that point yet?

Ms Venning: As part of the PC21 business planning process, working groups are formed. In relation to that prioritisation of spend, engineers in NI Water, along with the operations people in NI Water, would define all the places of need. The Environment Agency sits alongside that, and it would then define the highest priority sites from an environmental perspective, and the list then gets prioritised in relation to all the various demands on it. So, if something is polluting a river, right here, right now, the Environment Agency might say, "That is top of the list. It needs to stop. You need to invest to stop that"; whereas, if we prevent someone from connecting to a sewer, that pollution can never get into the sewer network, and it is not actually happening.

The prioritised list is not dictated by NI Water. It is done in conjunction with the environmental regulator, which is the NIEA. That list is then put forward to the Utility Regulator, which is the financial regulator. Its role is to look and say, "You said that it would cost £100 million to do that scheme. We challenge you to do it for £95 million", or, "We accept that £100 million is the cost for that". It challenges all the costs, and that might enable a few more schemes to get over the line. That is how the list of schemes comes about. It is a collaboration that involves what the environmental regulator dictates and demands, and a lot of that comes from legislation. So, if legislation says, "The water quality in the river must be", and, "The constituent parts of your effluent coming out of a waste water treatment works must be", we have to invest to make that happen.

Ms Kimmins: Just a quick point on that one. At this point, PC21, as Ronan mentioned, is only a few months away. Is there a list at present or is it something that is still a work in progress?

Ms Venning: There is a huge programme of work, and that has been submitted to the Utility Regulator. It will give us its first view on that at the end of the month.

The Chairperson (Miss McIlveen): I am conscious that the Finance Committee is due to meet here at 12.30 pm.

Mr Beggs: Very quickly, on the economic leakage level of water, it is good to invest public money to stop leaks. How much money is needed to meet that requirement?

Ms Venning: Sorry, I did not catch the last bit.

Mr Beggs: How much capital investment is needed to meet the economic leakage level?

Ms Venning: On the economic level of leakage, we can provide you with that number. It is significant. We have put it in to our PC21 business plan, which is based on meeting the economic level of leakage and, in fact, possibly even bettering it. We are doing lots of work on how we can better utilise technology. We are using satellite imagery to take pictures from space that give us areas where, we believe, there is chlorinated water, and the leakage teams go out to try to find leaks that way. So, as well as using traditional techniques, we are using new technology and as much modern assistance as we can to tackle the leakage problem.

Mr Beggs: On the implications for planning and restricted development, is Northern Ireland Water accumulating the numbers on businesses, social housing and ordinary housing developments that are not being given appropriate planning permission? Who is taking the global picture of how much that is affecting our economy?

Mr Larkin: We are a statutory consultee on planning applications, and we have a record of those to whom we went back and said, "Look, we cannot connect that if it is built". I think that the planning authorities have a wider collective database.

You asked about the impact of that constraint on the wider economy. I think that there is a collective figure, which we will provide to the Committee, on how much investment is in the pipeline for development in Northern Ireland and what the constraining factor might be as an impact on the economy.

Mr Beggs: Will you provide us with numbers around that? It would be interesting for people to understand how that is affecting the economy.

Your slide on where PC21 investment would occur has lots of green dots. How many of those green dots are funded at this time? Are they just an aspiration or is the money in the bag to do the work that is shown?

Ms Venning: That is based on the plan. The invidious position that we find ourselves in is that we do not know how much money we have for next year at all; so, nothing, zero.

Mr Larkin: With regard to the process, we gave our plan to the Utility Regulator in January. They have been evaluating it carefully and diligently. They will give us a readout on what they think about the plan at the end of this month. We will assess that response to see whether we can do it and will give a response back.

What they will give us at the end of this month is a draft determination. We will reply to that on 10 December. In February/March, they will give a final determination and state what they think is the amount of investment required. It is at that point that the owner of Northern Ireland Water — the Executive at this stage, I guess — have to say, "Right, we need to put the money in for investment." The Utility Regulator has approved a plan. Let us assume that Northern Ireland Water says that it can make that plan work. We need to have the investment funds available to us, and we need to know at the beginning that, across six years, we have the investment money available.

The Chairperson (Miss McIlveen): We have run out of time, unfortunately. Thank you very much. Apologies that it was so rushed. We are under time constraints, as you will appreciate, but we will certainly return to the issue regularly. We will, hopefully, have the Utility Regulator coming to meet us in a couple of weeks' time.

Mr Larkin: Thank you all for your time.