



Northern Ireland
Assembly

Committee for Infrastructure

OFFICIAL REPORT (Hansard)

Budget: Department for Infrastructure

3 February 2021

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

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

Witnesses:

Ms Susan Anderson	Department for Infrastructure
Mr Terry Deehan	Department for Infrastructure
Mr John Irvine	Department for Infrastructure
Ms Linda MacHugh	Department for Infrastructure

The Chairperson (Miss McIlveen): Hansard will record the meeting, and all the witnesses will attend via StarLeaf. We have Linda MacHugh, the acting deputy secretary of the resources, governance and EU group; Susan Anderson, the director of finance; John Irvine, the director of major projects and procurement; and Terry Deehan, the head of financial planning and management. You are all welcome. Linda, I ask you to make your opening statement, and we will follow that up with some questions. As per a previous briefing, can I look to you to delegate to those who wish to answer the relevant questions?

Ms Linda MacHugh (Department for Infrastructure): That is fine, Chair. Thank you for the opportunity to brief the Committee this morning on the Department's in-year Budget position and the draft Budget outcome for next year. As you said, I am joined by Susan, Terry and John this morning.

I begin with an update on January monitoring. In our last finance briefing to the Committee on 13 January, I set out the Department's submission on January monitoring, the outcome of which has now been announced. One resource bid for increased holiday carry-forward was submitted, and I understand that that bid will be met centrally by Treasury for the whole of the Civil Service.

As you will know, we took the opportunity to make the Department of Finance aware of some additional COVID pressures in our January monitoring submission. We registered further pressures of £1.9 million for lost parking income in Roads and a small amount of PPE costs in the Driver and Vehicle Agency (DVA). More importantly, we highlighted to the Department of Finance that DVA had used £10 million in reserves to supplement lost income because of COVID and that, unless that was

reinstated, future capital investment might be hampered. We have been allocated an additional £12 million to address those pressures.

Since the January monitoring round was submitted, the Department has undertaken a further assessment of the financial position across the Department and its arm's-length bodies (ALBs) in light of the amount of funding available at the centre. Two further bids were made to the Department of Finance to help maintain the financial stability of Translink and DVA. We have been successful in securing an additional £50 million for Translink and £10 million for DVA. A figure of £35 million had originally been agreed, and another £15 million was agreed by the Executive yesterday. Translink and DVA have had to eat into reserves to survive financially this year, and that additional budget will replenish depleted reserves and provide a degree of financial resilience as we head into another year in which we expect further impacts as a result of COVID-19.

I will now turn to next year and the 2021-22 Budget. The Executive announced the draft 2021-22 Budget on 18 January. The Department's resource outcome was very disappointing, with an increase of just £2.8 million on the 2021-22 opening position. That 0.7% increase is proportionately less than that of all the other Departments and considerably less than the average departmental increase of over 6%. As part of the information-gathering exercises, updated resource bids of £103 million above the 2021-22 opening baseline, which include COVID pressures, were submitted as detailed in the written briefing provided to the Committee. Those bids are essential to ensure the continuation of many basic public services, including the adequate provision of water and waste water services and public transport.

The draft resource outcome will be extremely challenging if further funding is not secured, and very difficult decisions will be required. It will also have significant implications for Northern Ireland's economic recovery, driven through the Programme for Government. There are unknown challenges ahead in relation to the impact of COVID on the Department's public services. The Department has not received any proposed allocations for COVID pressures as part of the draft 2021-22 Budget. Although funding has been received in 2020-21 to support financial stability in the Department's arm's-length bodies — Translink and DVA — that will quickly be eroded if additional funding is not provided in future years to manage the impact of COVID.

On the capital front, £692.2 million has been allocated against our estimated requirement of £888.2 million. The requirement for next year is substantially higher than this year because of the spend profile of a number of major projects and the investment requirements for Northern Ireland Water, as set out in the Utility Regulator's draft determination. We require £562 million simply to meet DFI's existing commitments without any further allocations outside the top priorities. Those commitments relate to flagship and inescapable projects and areas of business that are contractually pre-committed.

The draft allocation is £135 million higher than this year's opening position. Although that significant increase in capital is extremely welcome, it will be difficult and challenging to deliver a capital programme on this scale without a corresponding increase in resource budget. The Minister continues to make the case for an enhanced resource budget to ensure that the delivery of the vital public services on which citizens depend is not impeded. The fact that we face a further one-year Budget is also a significant challenge in planning for and delivering major capital programmes.

I hope that the briefing has outlined the challenges that the Minister faces and the difficult financial decisions, particularly on resource, that will likely have to be taken in the coming months if the draft Budget allocation is not increased and depending on how the COVID pandemic unfolds. It is important to reiterate that the Minister is keen to get the Committee's views and support in shaping and delivering improvements to people's everyday lives. She welcomes your constructive challenge and input.

Thank you for the opportunity to make some opening remarks. Susan, John, Terry and I are happy to take any questions that the Committee may have.

The Chairperson (Miss McIlveen): Thank you, Linda. You said that it was disappointing and that there are real challenges ahead. What case are you making with regard to resource? What would be an ideal amount, given that allocations are now being made across all Departments? I note that you say that a 0.7% increase is proportionately less than other Departments and less than the average of over 6%. Can you give us a bit more information on what would be required and what you are asking for?

Ms MacHugh: Effectively, we are asking for £103 million over and above what we have already been given. That includes an estimated COVID pressure, which, I think, is about £50 million. That is the part that is hard to determine at this point in time. We keep hoping that the impact of vaccination will start to loosen restrictions, but we just do not know how the COVID situation will roll. A UK-wide report was published recently on, for example, how quickly, people think, the public will start using public transport to the extent that they did pre COVID. It could take several years to get back to a normal level of passenger transport, and that will impact on income. Whether people will want to come into towns and cities and use car parking is another issue.

For Northern Ireland Water, one of the key issues is that, as more of us stay at home and work from home, domestic use of water will increase, and clearly that is not an income stream for Northern Ireland Water. The income that it would have got from businesses will be displaced by a further call on the public purse as we in government cover the domestic charges.

The resource position is challenging. The argument that we make is that this will impact on public service. As I said in my opening statement, the other point to make is that, whilst the capital outcome is more positive, it can be delivered only if we have sufficient staff resourcing in the Department and our arm's-length bodies to deliver on that capital programme. There is a clear link between the two budgets.

The Chairperson (Miss McIlveen): Yes, you have made the point that they are inextricably linked. What will be the real impact of that, and what decisions are likely to have to be made on the basis of it?

Ms MacHugh: It is hard to be specific, because the Minister will have to decide what to prioritise if we cannot get some movement on the gap that we face. It is likely to impact directly on public services.

John, would you like to say something about reduced resource income and what impact that will have on Roads?

Mr John Irvine (Department for Infrastructure): In real-world terms, the resource budget in Roads and Rivers works its way down to the day-to-day maintenance of Roads and Rivers assets: gully cleaning, street lighting outages, grass cutting, bridge repairs, road markings and things like that. Members will be aware that, over the last number of years, there has been a limited service in those areas. The impact of reduced budget directly impacts on those services at ground level. It is still a draft budget, and that has to be determined, but that is an example of, perhaps, what it would mean on the ground.

The Chairperson (Miss McIlveen): Northern Ireland Water has obviously highlighted the issue of the potential for increased costs. Has that been taken into consideration?

Ms MacHugh: Yes. That was taken into consideration in the bid in the budget process.

The Chairperson (Miss McIlveen): OK. Thank you.

Mr K Buchanan: Thank you, Lisa. Your capital budget went up by 40%, and your resource went up by 0.7%. I appreciate that it has been a difficult year, but is there a normal correlation between those? For example, the big increase of 40% was £135 million. Is there a normal correlation between those two? If you get a massive capital jump, should you get a resource to follow up on the capital projects? What way does the correlation between the two work?

Ms MacHugh: Clearly, there is a practical correlation between the two. However, unfortunately, in the budget allocation, that correlation has not factored through into the draft Budget. That is one of the key concerns that we have. If we are allocated a significant jump in capital — we will require it, because a lot of the big schemes are hitting a point where they are starting to spend money — but do not have the staff resources and resource budget to cover that, it will be challenging even to spend the capital budget. It will have its own knock-on effect.

Mr K Buchanan: I have not taken the time to look back, Lisa: what was that like in previous years? The resource budget increase is 0.7% this year. What has that been like in previous years?

Ms MacHugh: Terry, can you take that one?

Mr Terry Deehan (Department for Infrastructure): Yes. In resource terms?

Mr K Buchanan: Yes.

Mr Deehan: Last year was £417 million, so there has been a £2.8 million increase on last year. That is fairly flat cash, as we would call it. That is a minimal increase on last year. At DFI's inception, our resource budget was running at about £370 million. That is back in 2016. It has increased, but, if you take the inflationary effect over the last five years, it has been a very flat budget, and we have never really recovered from the reductions that happened in the 2011-15 Budget, when we had a reduction of between £50 million and £60 million. That structural deficit has only slowly recovered.

Last year, our budget increased by £33 million on the previous year. That was an improvement and was very welcome. It went towards meeting some of the Translink deficit on a baseline basis. It was still not as much as we needed, but it was welcome. We were coming from a low base and getting towards a flat-line resource. The only reason that we have been able to manage to the degree that we have is that inflation has been so benign. That has helped enormously. Essentially, though, on the resource side, it is coming from a very low base, and we are now crawling our way back to stasis.

Ms MacHugh: That structural under-resourcing means that, every year, we have to bid for what really should be core activities, such as winter service. That is not provided for in our baseline.

Mr K Buchanan: My final question is about capital. You requested approximately £882 million and received £693 million. As you said, £562 million was for flagship, inescapable and pre-committed projects. The difference between £562 million and £693 million is roughly £130 million. I appreciate that you then have "high-priority", "desirable" etc. How will you spend that £130 million — that excess — over the flagship, inescapable and pre-committed? How will you determine where that £130 million that you have today goes?

Ms MacHugh: That will be an issue for the Minister. Once we get the final budget, she will have to determine where her priorities lie. It is probably too early to give you a list of what will be included in that additional amount of money.

Mr K Buchanan: OK. Thank you. I apologise, Linda: I was calling you Lisa, but that is a different McHugh.

Ms MacHugh: Oh, yes. I am not as good a singer as she is.

Mr K Buchanan: Do not strike up now; we will leave it at that.

The Chairperson (Miss McIlveen): Linda, was a rationale given in the discussions between Infrastructure and Finance for why the increase was so small by comparison with the other Departments?

Ms MacHugh: Susan, do you want to take that one?

Ms Susan Anderson (Department for Infrastructure): Yes. As part of our discussions with DOF, we put forward all of our pressures and explained the impacts and consequences of them and why they needed to be met. The actual allocation was attributed to NI Water pressures in the Finance Minister's paper: it was £15.2 million, which was what we put forward. There is no clarity about anything further.

The Chairperson (Miss McIlveen): You were very clear that the average is over 6% for other Departments, but there is such a tiny increase for Infrastructure. I was wondering whether any clarity had been given on that.

Ms S Anderson: No, there has been no clarity on why there was not an equal allocation to each Department. I can only assume that it was taken on priorities that were put forward and considered at that level.

Ms Kimmins: The Minister mentioned the 20 mph zones outside schools yesterday at Question Time. Is there funding earmarked for the further roll-out of that scheme?

Mr Irvine: I imagine that that will be one of the Minister's priorities. I do not know the answer to that; it might be better for some of the team in network services to come back on that, if that is OK.

Ms Kimmins: That is fine; thank you, John.

I note that £5 million has been identified for Narrow Water bridge. Can you elaborate a bit on that? Are you in any position to discuss the scheme in any detail at this stage, such as the options that are being looked at for the design of the bridge?

Mr Irvine: The Minister has indicated that Narrow Water bridge is a priority that she wants to take forward. As you may be aware, Louth County Council did work in 2012 or 2013. At official level, we have been looking at that work and at business cases to take it forward. That will end up with a discussion with the Minister to decide how the project is taken forward. That is work in progress.

Ms Kimmins: That is fair enough. I appreciate that. I know about the southern relief road; that is a process too.

My final question is about the blue/green infrastructure fund. There has been quite a lot of interest in that; people have been asking me about it. Are we able to get a breakdown of what was spent this year? Would it be used for similar projects in the financial year ahead, or are they looking at different projects?

Ms MacHugh: We can certainly provide you with a breakdown. I am not sure that we have it to hand. Susan, I take it that you do not have that level of detail.

Ms S Anderson: No. I do not have it, but we could certainly provide it.

Ms MacHugh: We can provide that. Maybe the team that is involved in managing the blue/green infrastructure fund can outline what the plans are for next year. I know that is a ministerial priority and something that our Minister has very much put her efforts into.

Ms Kimmins: Even if we could see some of the stuff that has been funded, it would help to see what ideas there are and things like that. That would be good. Those are all my questions. Thanks very much.

Mr Muir: I thank the officials for coming along virtually; we are all getting used to that. I have a couple of things that I want to raise. Obviously, I welcome the money that has been secured in recent times for DVA and Translink to help bring their reserves back to a level of resilience. I have a question about the levels of reserves now compared with what they were before the COVID pandemic. Can you give me some information on that?

On capital funding, table 4 that was provided in the papers is useful in showing the opening capital budgets and how they have risen over the years. My question is about the capacity to deliver capital projects, particularly in the light of staffing resources in the Department. What level are they at in comparison with previous years to allow us to deliver that capital funding?

Ms MacHugh: OK. I will maybe take the first question. John, could you take the second part?

Mr Irvine: Yes.

Ms MacHugh: The most recent bids will replace the reserves that DVA and Translink had to eat into this year to keep themselves financially afloat during COVID. Those moneys will also return most of the reserves that Translink has had to eat into in previous years because we have been underfunding it. Things such as concessionary fares cost more to deliver than we have the budget to provide Translink with. I am sure that you are aware that, over the past three or four years, Translink has had to deplete its reserves, and this is a welcome way to replace some of the underfunding of previous years. As I said, it is welcome, but we cannot be complacent. Depending on how COVID goes, Translink will clearly need additional budget next year that we may not be in a position to provide.

Mr Muir: Yes, can I come back on that before we go on to the capital question?

Ms MacHugh: Yes.

Mr Muir: I understand that there was a COVID bid. There are two types of money nowadays.

Ms MacHugh: Yes.

Mr Muir: There were bids for COVID moneys for various things for the Department, none of which was met. There is still a certain amount of COVID money that has not been allocated, but, thus far, nothing has been met.

Ms MacHugh: That is right.

Mr Muir: Was there a £50 million bid from Translink for next year?

Ms MacHugh: Yes, there was. That is the best estimate of how much lost income there will be next year. It is an estimate. You are right: there is £100 million that is unallocated at the centre. We hope that we will be allocated some of those moneys before the Budget is finalised.

Mr Muir: What are the implications of not getting those additional moneys next year, even in light of bringing the reserves back to the levels at which they should have been?

Ms MacHugh: Again, that depends on how quickly people return to using public transport. It is something that we will have to monitor closely. Clearly, if there is evidence that Translink will hit financial difficulties and lose income, we will have to start bidding hard in monitoring rounds.

Mr Muir: Obviously, you know that a significant amount of money remains unallocated for the end of the financial year. Has the Department given any consideration to any further bids from that fund? It would be really awful to see that handed back to Treasury.

Ms MacHugh: We have gone back out to double-check that we have left no stone unturned and there is nothing more for which we can justify bidding at this time of the year. Susan, do you want to say anything further on that?

Ms S Anderson: Just to reiterate, we have done everything that we can. That is why we put forward the additional Translink and DVA bids. We have revisited everything after the January monitoring round submission. At this stage, there are limited opportunities to bid for anything further, but we are still trying to investigate anything for which we can.

Mr Muir: Thank you. John, what about the resources to deliver the capital projects?

Mr Irvine: There are probably two ways of looking at it. We would deliver capital projects either through our in-house teams or through our in-house teams with consultancy support. The resource pressure hits if you do not have enough staff, because then you cannot deliver the smaller schemes. There is probably a disproportionate amount of time for the smaller schemes. Smaller schemes consume more resources. The capital expenditure on the ground for the resource input is disproportionate. There are two ways to deal with that. We can either get more resource for more people, or we can capitalise so that we can draw down some of the capital expenditure into staff resource to deliver that. The schemes include local transport and safety measures, the blue/green infrastructure, the 20 mph limit and that kind of stuff.

On the bigger schemes, we use consulting engineers. They have the expertise. They bring in resources to help us deliver the big schemes. We rely on that when we enter a major project. In between, we have a consultancy partner for whom we can draw down our resources to assist the staff teams delivering capital projects. There is a way through this, if we can capitalise, but, where we cannot capitalise, the resource pressure kicks in. If we do not have enough staff, that is where the pressure comes.

Mr Muir: Are you still living with the effects of the voluntary exit scheme that you had a couple of years ago?

Mr Irvine: Yes. In Roads Service, between 200 and 300 people left at that stage, so, clearly, we had to slim down what we did. We probably deliver more value with fewer staff, so it is more for less. We will work our way through this. There are certainly pressures in resource. There is no doubt about that, and Linda said that. We will try to work our way through it.

Mr Muir: I am conscious that other members have questions, so, lastly, would that resource pressure have any bearing on the need to spend on road maintenance? Obviously, you have your projects, and they are very tangible and very much needed, but road maintenance is a day-to-day issue that people will raise. Is that impacting on the ability to invest in that area?

Mr Irvine: You need capacity to deliver, and, if there is a pressure on your resources, you reduce your capacity. There is no doubt that that is in the background, but it is fair to say that we still deliver road maintenance at a very high level. I was looking at the numbers for structural maintenance, and it is something like £95 million or £96 million this year. That is a couple of million pounds a week, if you look at it that way. We still spend significant amounts of money, but that is not to underestimate that people work hard and there are pressures behind the scenes.

Ms MacHugh: Just to add to that, lack of resource is probably one reason why we have not been able to use a lot more of our maintenance budget by the end of the financial year. There is a lack of flexibility because of the reduction in staff numbers on the maintenance side of the business.

Mr Muir: That is something you need to be conscious of, and that is how resource and capital interact. It is may be something we might follow up on in due course. Thank you very much. It is much appreciated.

Mr Beggs: Hello. Thanks for the background information. You have a lot of difficulties with the budget, I can see. I want to follow up on what you said about the difficulties that the resource budget is creating for your capital spend. Why do you not automatically build in the resource requirement to a capital project? Then you get its true costs and, when it arrives, there is funding to deliver it.

Ms MacHugh: The resource and the capital budget bids are separate. We have bid for both the capital that we need and the level of resource that, we feel, we need to deliver that capital. Unfortunately, in reallocation, there is a mismatch. We have done quite well on the capital side, certainly better, but we have not done well on the resource side.

As John said, in some cases, we can capitalise the resource that is required but not in all. There is still a mismatch. However, it is not because we have not budgeted for it.

Mr Beggs: You said that you can capitalise: can you advise what stops you capitalising? The true cost of a project should also cover the admin associated from the Department.

Ms MacHugh: John, do you want to comment further on that?

Mr Irvine: I have just one point to make. If you capitalise everything, you reduce your capital spending power. It is better to have the resources on the resource side. The budget comes in two lines, so there is a balance to be struck. In the major projects, all the costs associated with consulting engineers will be capitalised. The issue comes down to the schemes that are delivered by our in-house teams. Ideally, they would be resourced-up and you would not have to capitalise, so that would give you more capital spending power to deliver stuff on the ground.

Ms MacHugh: There are also set rules about how and when you can capitalise. Perhaps, Susan or Terry, you want to talk about that.

Ms S Anderson: That is the other point to make. We have to follow the government accounting rules, so we cannot capitalise any of the pre-works that are carried out that do not directly contribute to the asset development. We are very clear on what we can and cannot capitalise. That is what we are audited on at year-end. We are focused on that.

Mr Beggs: You face difficult decisions. There are various headings in the background information that you have given us. Some projects strike me as being absolutely essential: "Rail Safety Critical" sounds as though lives would be in danger if it were not completed. However, there are others where, perhaps, the scheduling of the project may enable you to make choices that allow you to live within

your budget or avoid projects that are not absolutely essential. Can you live within your budget by rescheduling?

Ms MacHugh: That is certainly something that we need to look at. You are right: railway safety is inescapable. You cannot mess with it, and the Minister is conscious of that. Re-profiling the spend might go some way to meet budget shortfalls, but I do not think that it will close the gap. That is where serious consideration will have to be given to what we can and should prioritise. That decision will be for the Minister.

Mr Beggs: Again, you have not answered my question about the scheduling, particularly of larger projects. Instead of doing a large project over one year, you could do it over two, and that might create options for you. Does the nature of the contracts enable you to reschedule in order to live within your budget if additional moneys are not available?

Ms MacHugh: On the capital side, that is one way to look at it. Capital projects, by their very nature, can also experience delays through external factors that are outside our control. On the capital front, the way to live within the budget, given that we have a shortfall, is to make sure that we look at the scheduling and prioritise what needs to go first. My previous remarks were related to the resource budget, which is where we have a significant concern. That will be harder to manage through re-profiling or rescheduling because so much of what we require in the resource budget is inescapable and is needed to run the Department and its arm's-length bodies.

Mr Beggs: Can you give a detailed picture of what will happen if the resource budget does not improve? I understand that there have been huge resource pressures in the Department. As you said, that goes back over five years, and the Department has had to survive with in-year monitoring. What will be the impact on your starting budget if additional resources are not provided?

Ms MacHugh: It will impact on our ability to deliver essential public services. I cannot tell you how it will impact on Translink, Northern Ireland Water or road maintenance, because that impact will be determined by the final decisions made on how the budget is allocated. You can work through it yourself. If Northern Ireland Water, Translink or our core teams do not get the resources that they need, there will be an impact on public services. There would be a degradation of public services. That is really all that I can say today on that matter.

Ms M Anderson: Thank you, Linda and your team, for informing us today and for coming forward with the information prior to that. There are a couple of issues, Linda, that I would like more information on. I do not know whether you have it there, but maybe you can bring it to the Committee if you do not.

I am very aware, Linda, as, I know, you are, that, last year, your Department got the biggest budget ever. I am conscious of the pressures that you have outlined. Last year, you got a resource increase of 9%. We have all heard the Finance Minister explain the difficulties with the stand-still Budget that he has received, so I am pleased in that context to hear that at least you have a 40% uplift in capital, although I am mindful of the implications of what you said about resources.

We do not have the economic levers of power, and there is the cost of partition. We in this Committee do not want to go there; I will not drag you into identifying the elephant in the room. There are a couple of things that I would like explained about the capital requirements for next year. In the information that you provided, you noted that £55.7 million of EU funding, I believe, is being replaced for the Connecting Europe Facility (CEF) fund. Because of the way that the allocations in the paper are laid out, I was not sure about that. Is that a commitment that you have received? Has that funding been replaced? Can you elaborate on where that funding is coming from?

Ms MacHugh: Under New Decade, New Approach (NDNA), £25 million is committed for low-emission buses, and that is in addition to the bids that we have made formally through the budgeting process. We are lobbying through TEO to get some of the Connecting Europe Facility replaced through the Shared Prosperity Fund. There was due to be some outline of how that would work in the coming weeks, but I believe that that has been delayed, and we may not know much about that until, maybe, around March. We continue to explore other avenues to increase the departmental budget and meet the shortfalls from some of the other funds. We are also working hard on PEACE PLUS, and we are hopeful that there will be funding for transport and some water-related environmental projects through that programme. We are working through the procedures with DOF and the Special EU Programmes Body (SEUPB) on that.

Ms M Anderson: Unfortunately, Linda, every Department is hoping that PEACE PLUS funding will grow way beyond what will be in the Budget. Is the £55.7 million that you talk about the total funding that you received from the EU, or is it from the Connecting Europe Facility programme? If it is only the Connecting Europe Facility, what is your total budget lost from the EU as a result of Brexit?

Ms MacHugh: Terry, is that £55 million from just the Connecting Europe Facility?

Mr Deehan: That £55 million is made up from a couple of funds. It represents the amount that we expect towards those EU-funded programmes. It is not included in the current budget allocation, so we are waiting for that to come as part of a separate budget settlement.

Ms M Anderson: You are hoping to get that from the Shared Prosperity Fund, as is every other Department, because we were told that the funding would be replaced. However, you will remember, Linda, that the Finance Minister has said that, in his discussions with the Treasury, it has been clear that the Shared Prosperity Fund will not be allocated as we were promised and that Treasury wants to "level up", which means allocate more to England than to here.

What contingency plans will be put in place by your Department, given that the Finance Minister will not receive the kind of Budget that was promised when we were dragged out of the EU? What will be the implications be for your Department of that Budget not being allocated from elsewhere? We know that the Department for the Economy is down by nearly £80 million. Every other Department is talking about hundreds of millions, with an accumulated figure of nearly £3.5 billion of an EU crunch. How will you manage that?

Ms MacHugh: There are only two choices, and both are difficult. One option is to bid for traditional moneys through the block, but we know the pressure that that is under already. The other option is to figure out how we can live within the budget that we have, but that would mean not doing things. We are clearly trying to drive through efficiencies in the Department and how it operates and in our ALBs. Translink announced efficiencies that it was able to drive through last year, and Northern Ireland Water has stripped out something in the region of £60 million from its operating budgets over an eight-to-10-year period. When you consider that it is delivering more water and waste water services to more people and customers and to better standards, you see that that is commendable. The regulator has determined that Northern Ireland Water needs to drive through further efficiencies in the next price control. Those will be challenging because all of the obvious things have been done. You need to invest to make those long-term savings. We are not resting on our laurels, but it will add to our difficulties if the moneys that we have traditionally got —

Ms M Anderson: I want to ask you about the impact of not doing things — maybe, changes to policy and service delivery. You have outlined some of that today. As a public body, you must comply with your statutory equality duty [*Inaudible*] schemes. The Committee needs to know what consideration has been given to that. The Department needs to look at the impact of the budget settlement on not only the operation but the changes of policy. You talked about planning ahead. Have you looked at the likely impact? What about an equality impact assessment (EQIA)? If you have not done so already, when will you start to carry out a section 75 equality impact assessment? Those assessments of the impact of all that need to precede the decision and to inform the assessments that you make before you make a decision and before your Minister makes a decision. Where is all that?

Ms MacHugh: We have clearly started that process and are drafting an equality impact assessment to go online and to be made public. By its very nature and at this point in the budgetary process, it will be fairly high-level, but it will outline the impacts should we have to make cuts in certain areas. We are working through that at the moment.

Ms M Anderson: As a Committee, we would like to be across that, particularly the high-level nature of it. I know that that is necessary in one respect, but I have a concern that I see a pattern developing across Departments that the EQIAs are all high-level and therefore it is hard for people to get information on the actual impact that it will have and on the change to policy or service delivery before it hits the ground. We just need to keep an eye on that.

I have a question about the funding that has been allocated to phase 3 of the Derry-Coleraine works. Could you elaborate on that, please?

Ms MacHugh: The Minister has committed to that work going ahead and has asked for it to be delivered as quickly as possible. That will be one of the Minister's key priorities. That will feature in next year's budgets as a ministerial priority.

Ms M Anderson: I will come back to that. In relation to bids for the remainder of the financial year, I have listened to the Finance Minister calling on his ministerial colleagues to come forward with bids. Are you exploring ways to maximise bids? For instance, Derry City and Strabane District Council and other councils are getting hit hard due to COVID. You mentioned some of your own pressures. Could the Department not increase its contribution to the greenway scheme? The lion's share for that came from INTERREG and Europe. Other colleagues talked about road safety grants and issues like that. Are there opportunities? We are all keen to have another taxi scheme, with a scheme being developed to enhance support for the taxi drivers who, quite rightly, are looking at the schemes that have been put in place for others compared with what they have received. What are your plans to go forward in the short term to maximise bids?

Ms MacHugh: As we have said, given that we now have less than two months to spend, it would be a real challenge to develop and deliver something radically new. Under the blue/green infrastructure fund, we have already given moneys to councils to spend on blue/green projects, and we are looking to work with councils to maximise the spend in that area. We continue to try to think of anything else that we could do towards the end of this financial year, but, as Susan said, the opportunities are limited at this point in the year.

Ms M Anderson: OK, thank you, Linda. Thank you, Chair.

Mr Boylan: Linda, thanks very much to you and the team. I want to go back to Translink, which got £35 million. You have identified pressures of £7 million. Are those £7 million pressures within the new £15 million? I take it that that is £50 million altogether. Where exactly are the pressures in Translink? You mentioned concessionary fares and the reserves, but can you give us more detail on all that?

Ms MacHugh: The 2020-21 baseline allocation was £7 million below what it felt that it needed to operate. Then you have all the additional COVID pressures. As I said, the £50 million is really money that we could justify providing to it now to bring the reserves back up to the level that they were at before the year-on-year underfunding started. The £50 million is there and will be a useful financial buffer for it, but there is still a basic underfunding of what it needs as a baseline.

Mr Boylan: Can you give us a figure for that?

Ms MacHugh: Susan, do you want to talk in a bit more detail about this?

Ms S Anderson: The actual baseline underfunding is £7 million, so that is what we have included as a pressure to bring the figure up to what Translink would need.

Mr Boylan: Obviously, you have topped up the DVA reserves. Is there a percentage that it has to hold? Are you going to bid for any additional reserves for it?

Ms MacHugh: We felt that that was the maximum that we could justify bidding for. DVA was holding reserves to fund its capital programme, which included the replacement of MOT centres, and we were concerned that, if we were not able to replace those reserves, the capital programme would get pushed out even further. We were very grateful to be provided with the money to build up those reserves again, because it means that that capital programme can go ahead as planned.

Mr Boylan: Do you intend to meet NIW's full bid for the year? We are waiting for PC21.

Ms MacHugh: Yes. The final determination will not be published until mid-May, but we have based our budget ask on the draft determination, because that is the latest best figure that we have. We continue to work with Northern Ireland Water and the regulator to ensure that any figures that we put forward are the latest best estimates. The determination is the contract between the regulator and Northern Ireland Water on the amount of money that Northern Ireland Water needs to spend to deliver a level of service that justifies the tariffs. If we cannot provide that money, Northern Ireland Water will be in a position where it cannot deliver that level of service. If that continues, the tariff that, the regulator says, Northern Ireland Water can levy on its customers will decrease and its income will go

down even further, and so you will get into a downward spiral. As the shareholder for Northern Ireland Water and its funder, we are required to meet the determination that the regulator puts forward.

Mr Boylan: Sound. Obviously, you will try to work in the interim period until PC21 is announced.

Ms MacHugh: Absolutely. That way, if there is any change in the background, we will know about it and be able to factor it into our latest bids.

Mr Boylan: At these meetings, I cannot resist having a wee chat with John about rural road maintenance. Following the last meeting, I have been talking to some contractors. As I have said before, we have good working relationships with DFI officials, especially the guys on the ground whom we meet on a regular basis. No matter what anyone says about capital works, which are planned, rural road maintenance is a big issue for us. There is no doubt that councillors are inundated, as are we, with reports of potholes and bad stretches of roads, especially in the wintertime. John, you are very familiar with that, and we need to get money on the ground. If we, as a Committee, had known that there was a capacity issue in terms of delivery, I am sure that we would have supported the Department. I can say on behalf of my party that we would have supported the efforts of the Department to address those capacity issues. It is difficult with COVID and everything else, but people are not just pointing at potholes and complaining for the sake of it, contrary to what was said in the Chamber this week. There are serious issues on the roads with potholes. They do happen, especially over the winter period when there is a deterioration, and that is not to do with the legacy issues and lack of investment over the years. We need to get as much money as we can onto the ground. You know that, and we will fully support you in doing that. If there are issues, we, as a Committee, need to know about them up front and to work with you to address them.

Mr Irvine: I go back to Terry's point about 2011 being the year when all these problems arose. At that time, for road maintenance — I am talking only about roads, not roads and rivers — the baseline budget for the normal service would have been around £50 million. That was for grass cutting, fixing potholes, gully emptying and street lighting repairs. The opening baseline for this year was £27.5 million, so you can see the difference. That manifests itself on the ground as a limited service rather than the full service. A limited service means that you have to prioritise your resources. For example, resources for potholes will be targeted at the highest-traffic roads first. As you have rightly pointed out, that leads to issues further down the network. The issues that you highlight relate directly to the amount of resource that the Department has to deliver public-facing services.

Mr Boylan: I appreciate that. However, that cannot continue. I understand the debate, but, strategically, we need to look at it differently to address the issues in the future.

Mr Irvine: The Minister and the Department have to prioritise the delivery of those types of services within their budgets. You have to live within your means. This year has been a bit better than in previous years, but we are at the draft Budget stage. As Linda said, if there is a resource pressure, there is the potential for that to manifest in the areas that you have mentioned. It is only a draft Budget at this stage. Hopefully, I have explained the potential real-world impacts.

Mr Boylan: Linda talked about a figure of £131 million and the fact that the Minister was going to make a decision on priorities. Money is there, and the Committee will support any bids. Perhaps we can be creative with COVID bids. The Committee will support bids to address some of the issues.

Mrs D Kelly: Thanks very much for the presentation. The outlook for infrastructure is depressing. It is appalling to learn that the Infrastructure Department has received proportionally less than any other Department. I cannot understand the reason for that, given that nearly every other country, in planning for COVID recovery, recognises the importance of investment in infrastructure to drive the economy forward and to provide opportunities. There is a lot of work for us all to do to get an improvement. From listening to my Committee colleagues, it is clear that we are all singing from the one hymn sheet. When it comes to the pothole down the road, street lights and big capital projects, the Committee will support the Minister in any bids that she may put forward to seek additional funding.

I see that some money has been set aside for the city deals. Given that the Secretary of State has not made any announcements yet, what are the implications for city deals if the British Government do not honour their commitments? Let us be honest, that is not unheard of.

Ms MacHugh: We clearly have an important role to play in delivering the city deals, but they are dependent on the funding. John, you have been more directly involved in some of the discussions on city deals. Do you want to say some more?

Mr Irvine: At the minute, there are three city deals at various stages. The Belfast region city deal is moving towards being signed in the near future. The Derry City and Strabane is getting towards heads of terms, and the process is just kicking off with Mid, South and West.

The make-up of city deals is, essentially, that the Government provide a level of funding and the Executive have agreed to match fund that. There is a pot of funding to deliver projects across infrastructure, tourism, regeneration and digital etc. The deals need to be looked at on a more long-term basis, and, perhaps, the money will flow over the next ten years or. However, until the deals are signed, money does not flow. We are probably at the early stages of the budgetary process and how it will all pan out.

Mrs D Kelly: If there is an announcement, how ready is the Department and, indeed, the councils that are impacted? It is a partnership project, if you like, and is, obviously, a commitment under NDNA. Am I then to understand that the Department is doing the preparatory work in partnership with your colleagues across other agencies, and, should the announcement come, you will be able to develop quickly with whatever funding lies ahead of you?

Mr Irvine: The councils are very much in the lead. We are all partners. The Department is a player but not the main player. For example, in Belfast, 22 projects are being considered at the minute. The Department has three. In Derry City and Strabane, the Department is the lead on one. Mid, South and West is in the early stages. We are a partner. We are taking projects forward in order to get them ready to go when deals are signed, in line with how the city deal partners prioritise their schemes. If you imagine that there will be a funding envelope over a period of time and that the schemes will have to fit in, it is up to the city deal partners to determine their priorities and then how funding will flow after that. Belfast is very much in the lead. It is the same process for the others, but they are a bit behind.

Mrs D Kelly: OK. John, we are well used to hearing the phrase "shovel-ready projects" from the Department for Infrastructure, in particular about NIW and, indeed, road maintenance. I concur with Cathal that roads in rural areas are in a pretty poor state. What I have heard over the past couple of years and, of course, when the Assembly was suspended was that many contractors went across to GB or to the South to do a lot of work. Therefore, when money became available, the contractors or workforce were not always here. Is that still a problem?

Mr Irvine: There is no doubt that some of the big contractors have taken up opportunities across the water. Potentially, that takes skills across the water. However, it is not an issue that I have picked up. I heard earlier that the Construction Employers Federation (CEF) might be invited to the Committee. You might want to ask it that question. We certainly have the capacity in the industry to deliver those projects. There is a split: the major capital projects and the structural maintenance-type projects. That would definitely not apply to the structural maintenance end of things. On the major capital end, I do not think that it is potentially an issue. It might be one to ask CEF. However, I do not envisage that to be a problem. If you look at the A6 at the minute, you see an example of local companies delivering big schemes. They are delivering with mammoth amounts of money. I got some figures. At the minute, it is something like £1.7 million a week on the two A6 projects. Therefore, the capacity is there. It is a legitimate question to ask. It might be worth following up with CEF.

Mrs D Kelly: Thanks for that, John.

I want to go to the funding of NIW. The Executive are committed to meeting the waiting lists for social and affordable housing, particularly social housing. I know, of course, of the difficulties that exist with NIW's capacity to assist. With regard to the ambition, if you like, of the Department for Communities and the Executive more generally on social housing, has that requirement and need for investment in NIW been met in the proposed Budget in order to allow the Department for Communities and the Executive to meet their objectives?

Ms MacHugh: The draft determination budget is saying that Northern Ireland Water will need a significant hike over the next six years in order to meet its licence and statutory obligations. That will not resolve all its capacity issues, though; the regulator and Northern Ireland Water have been clear about that. As, I am sure, you are aware, there are development constraints in over 100 areas. If it gets its full capital budget for the next six years — that will be a challenge, because, although it starts

high next year, it goes down from thereon in — that will resolve the constraints in around 49 of those areas. It will take 12 years — two full price controls — to fully address and tackle the historical underinvestment and to get our waste water infrastructure up to a level where there is no development constraint in Northern Ireland. That is just the way it is. That is the level of investment required.

Mrs D Kelly: It is very worrying. We have heard the British Prime Minister talk on more than one occasion about turbocharging investment to get the economy going again. Apologies if I have missed this on the news or whatever, but have there been any additional Barnett consequential as a result of those commitments from the British Government? If so, has that money come across yet to Northern Ireland, and has any of it gone to Infrastructure?

Ms MacHugh: Not that I am aware of. It is all part of the Shared Prosperity Fund and all of that. There are commitments in NDNA. I know that we continue to press the UK Government about how they will fulfil those commitments. One element that they have provided funding for is the low- and zero-emission buses, which was an NDNA commitment. That money — *[Inaudible]* million — is being provided.

Mrs D Kelly: There are more questions around the Shared Prosperity Fund. Given what we are being presented with today, it is fairly safe to say that the Infrastructure Department is living very much hand to mouth.

Ms MacHugh: I will follow on from your question to John about the displacement of resources down South. Northern Ireland Water has reported a specific issue with getting water engineers. Irish Water has a significant investment programme, the impact of which is that specialised contractors are getting a lot of work, thereby putting up the cost of tenders. It is creating a bit of inflation over and above normal inflation, and that is a specific, specialised area of work.

Mrs D Kelly: Chair, that is an interesting one that we might want to refer to the Economy Committee, given that many young people in particular are looking for a job and many people who have lost their job are looking to retrain. If investment is needed in niche apprenticeships or training, the Economy Committee might be interested to know that. Thank you very much, Linda.

The Chairperson (Miss McIlveen): Thank you, Linda. I am obviously disappointed that there are no new innovative bids for projects or schemes with regard to COVID. I absolutely appreciate the timescales that were presented by Finance, and the Finance Minister will probably have to answer for that. Is the Department looking at any schemes in the event that there is flexibility with that funding? I appreciate what you said about there being only six weeks to deliver a scheme, but, in the event that there is flexibility going into the next Budget, are you working up anything in particular?

Ms MacHugh: You had a presentation about the COVID support schemes. A second bus scheme is being worked on. That is really all that we have the capacity to do between now and the end of the year. There are two taxi schemes and two bus schemes. My colleagues on that side of the Department are concentrating on getting those delivered. Given that no additional resource is being provided to the Department to do that, getting those four schemes up, running and delivered in the time frame is, in itself, a challenge.

The Chairperson (Miss McIlveen): Obviously, I appreciate that, but we have had a broader conversation about some of the challenges in perhaps not being able to deliver on some new schemes. Has any consideration been given to possibly re-profiling schemes into COVID schemes?

Ms MacHugh: Sorry, what types of schemes?

The Chairperson (Miss McIlveen): Particularly some of the issues that we have been talking about around greenways and so on, which may be regarded as additional schemes.

Ms MacHugh: Again, with the blue/green infrastructure fund, they are concentrating on delivering on the commitments and the funding that is already there. That is as much as, that team feels, it can deliver in the time frame that it has been given.

The Chairperson (Miss McIlveen): OK. We will return to all of that at future meetings. Thank you, Linda and the team, for presenting to us this morning.

Ms MacHugh: Thank you very much.