



Northern Ireland
Assembly

**COMMITTEE FOR
REGIONAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

Budget 2010

1 September 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Miss Michelle McIlveen (Deputy Chairperson)
Mr Cathal Boylan
Mr Allan Bresland
Mr Willie Clarke
Mr Conall McDevitt

Witnesses:

Mr Stewart Barnes)
Mr Terry Deehan) Department for Regional Development
Mr Roger Downey)
Mr Nigel McCormick)

The Deputy Chairperson (Miss McIlveen):

You are very welcome to this afternoon's session. I apologise profusely for the length of time that you have had to wait. Perhaps you will give us an overview of the Budget bids.

Mr Nigel McCormick (Department for Regional Development):

Thank you very much; it is a pleasure to be here. The Department submitted its bids to the Department of Finance and Personnel (DFP) on 30 July, which is the date on which they were required. On that date, we also copied them to the Regional Development Committee as we had agreed. We advised DFP that the Committee had not seen the bids — we were conscious of your timetable and theirs — and that we would copy your comments to DFP after we had considered them. We therefore welcome the Committee's comments on the bids.

As regards the bids themselves, you will have seen from the return that our bids for the current and capital spending proposals are split into two broad categories. The first category is pressures on existing programmes. In the case of resource, it is pressures over and above the baseline, and in the case of capital, it is pressures from the zero-based budget; therefore, it is all pressures. The second category is new policy initiatives.

The Committee will note that we have not prioritised our bids. They are simply presented by business area and by the highest value in 2011-12. There should not be any prioritisation inferred by the way in which they are presented. The bids simply represent the priorities of the Department being returned to DFP. The Executive need to be able to consider all aspects of the Budget position, and the Department to consider its budget in that context. Until then, detailed prioritisation beyond what we have given to DFP is premature.

Overall, there are 16 current expenditure bids totalling £451 million. Those bids are split over the four Budget years as £81 million; £98 million; £125 million; and £147 million. That is not an insignificant amount of bids.

There are 27 bids for capital expenditure. As I say, that is from a zero-based basis and is not just the pressures on a baseline. There was no baseline to bid against, so it is from a zero base. The 27 bids total £3.4 billion. Those are split over the four Budget years as £634 million; £868 million; £1 billion; and £915 million.

You will note that in the case of Northern Ireland Water there is one spending proposal each for current and capital expenditure. That is to meet the regulatory settlement, or what is considered to be a regulatory contract in public expenditure terms. You will also be aware that the first two years of the Budget 2010 period are the last two years of the current price control process that applies to Northern Ireland Water.

Turning to ports, the Committee will be aware that the trust ports remain within the public expenditure system. The ports have confirmed that they have no plans to seek departmental expenditure limit loans to fund their borrowing requirements over the Budget 2010 period. Therefore, we have no bids for that.

We also made a return to DFP in respect of what we call “consequential”. We have included the resource consequential of capital bids being met as part of the bids. So, if a capital bid was met and there were resource consequentials, we have reflected that in the returns. We have also included separate consequential bids in the list for current and capital proposals. Those consequentials are inescapable costs that will arise if capital bids are not met. In some ways, they are quite similar to contractual commitments.

I want to briefly talk about savings. The Department did not provide the detail on savings, as requested by DFP on 26 August as part of the process. The Department has been considering the potential impact of meeting the indicative savings targets that have been communicated by DFP. That is work in progress, and discussions will continue with the Minister. When the Executive have agreed savings targets and the Minister has agreed the options, the Department will be in a position to discuss the savings plans with the Committee.

That is a very brief run-through of where we are with the Budget process that DFP set out. We await the Executive’s deliberations on the Budget process, which will set out the Department’s budget. That will enable us to take the process a bit further and provide the Committee with more detail.

The Deputy Chairperson:

What is the timetable for us to see the expected savings?

Mr McCormick:

I cannot give you a date; it will probably be along the lines of the process that I was talking about. When the Executive are in a position to set out the Budget parameters and savings targets for us in particular, as opposed to the Executive’s Budget as a whole, the Minister will be in a position to consider the various options and come up with some more constructive plans to present to the Committee. That is the process. I cannot predict exactly when that will happen, because the Executive will first have to run through their stages, which will then have to be communicated to us so that we can work through the plans. However, that is the process.

The Deputy Chairperson:

Has DFP not given any indication to the Department on how much it may need to save?

Mr McCormick:

DFP has given indicative targets, but it has stressed that they are purely indicative. Those are not targets that the Executive have agreed or settled on. Until that happens, we are not really in a position to pull together constructive plans. Therefore, although we are considering the impacts of savings and the impact of DFP's indicative targets, we are not really in a position to put those together as proposals or options for the Minister to consider on a formal basis in order to make a formal response. Therefore, we are not in a position to put that to the Committee.

The Deputy Chairperson:

Can you share those figures with us?

Mr McCormick:

Yes, that is not a problem. With the indicative figures, DFP has given us a baseline, and on the resource side there are indicative savings against that resource baseline. That does not apply to capital; DFP is taking a zero-based approach to capital, because it is assuming that nobody has any capital and everybody starts from zero. We are happy to give you those figures.

The Deputy Chairperson:

Can you give them to us today?

Mr McCormick:

We probably can give you the figures today.

Mr Roger Downey (Department for Regional Development):

I do not have them for each year.

The Deputy Chairperson:

Would you like to forward them to us?

Mr McCormick:

That is not a problem; we can certainly do that. I have a rough idea in my head, but I want to give you the correct figures.

The Deputy Chairperson:

That is fine. If you can forward those to us before our meeting next week, I would appreciate it.

Mr McDevitt:

I am interested in the bids that you made against new policy initiatives, particularly the sustainable transport stuff. From my quick tally, there is a reasonably sizeable bid in sustainable transport that gets up to about £16 million in 2014-15. That is obviously a significant new policy platform for the Department. Have you any sense of what priority you will afford this bid?

Mr McCormick:

As I said, the Department considers all of these bids to be its priorities. Until the Executive give us clarity on our budget to enable us to start to make choices within that context, I am not really in a position to give you a sense of the priorities. However, as I said at the last meeting, in strategic terms, sustainable transport is one of the top priorities for the Department. I do not wish to give any sense of a priority on individual bids and proposals.

Mr McDevitt:

I have a similar question on rapid transport for Belfast. I see that you are making minor bids of £350,000 in 2011-12 and 2012-13, a bid of £1.5 million in 2013-14 and that, in 2014-15, a big bid of £10 million will kick in. Is it a strategic priority for the Department to complete that project?

Mr McCormick:

Yes, and the Minister considers it to be important for sustainable transport purposes.

Mr McDevitt:

What notional guidelines for efficiencies on capital spend are you working to?

Mr McCormick:

Because it is a zero-based approach, we have not been set any indicative targets by DFP on that. I presume that the approach that DFP will want to take is to see what needs and pressures there are across the Civil Service and compare them with the Executive's capital budget. By some process that I cannot brief you on, DFP will come to some means of an allocation. There is not an efficiency target for capital in the way that there is for resource.

Mr McDevitt:

But there is quite a significant possibility that you may be faced with the choice of having to lose 20% of your bid value, or a figure on that sort of scale.

Mr McCormick:

That is certainly the sort of story that we are seeing applied to the Executive Budget. Our difficulty is that, until the Executive go through that process, we do not know what the impact will be on the Department's budget. We do not know whether it will be above, below or at a certain level. We cannot say what the impact will be because infrastructure is important to the development of the economy and is a key priority for the Executive.

Mr McDevitt:

There is no getting around the fact that yours is a capital-heavy Department.

Mr McCormick:

It is, yes.

Mr McDevitt:

How will you be able to ensure that the capital investment side is protected to the maximum extent possible? Is there any wriggle room or discretion on the reallocation of resource funding, or have you bid in such a way that everything that has been bid for on resource is necessary in order to deliver on the capital side?

Mr McCormick:

The capital bids that have been put forward reflect the Department's priorities as a whole. We have reflected the resource impacts of those on the resource side. How that all pans out depends on the Budget itself. As you said, the Department is capital-intensive. Capital not only determines the capital programme but has impacts on resource; the whole thing is linked. We need to see the whole Budget before we can understand which bits fit with which others in the context of a budget allocation. At this stage, we have issues, but we cannot put those together into a coherent picture until we see the whole lot.

Mr McDevitt:

Looking at it from the level of senior finance officer, where do you have the most opportunity to be able to gain a degree of efficiency? Obviously, it is not on the capital side, given the type of capital project that the Department undertakes. It will be on the resource side.

Mr McCormick:

Yes. Obviously, the resource targets are set on the resource side, so we have to find them from the resource budget. We are not able to use capital efficiencies against those targets anyway. It will be difficult, because, over the past number of years, the Department has identified many efficiencies. Over the past three years, £128 million has come out of the resource budget. Northern Ireland Water has gone through a price control process; we are looking at public transport reform; and Roads Service has the 2012 project. A lot of work has been going on to try to find efficiencies across the board. It will be difficult to do.

Mr McDevitt:

Do you envisage job losses?

Mr McCormick:

We are looking at having less numbers in the Department. Those numbers will be managed by a mixture of redeployment within and outwith the Department. Job losses would need to be considered at Civil Service level; it is not completely within the Department's remit.

The Deputy Chairperson:

I understand that you are on standby for at next week's Committee meeting, depending on what information comes to light in the interim. We may see you then. Thank you for coming; again, I apologise for the delay.

Mr McCormick:

Thank you.