



Northern Ireland  
Assembly

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**COMMITTEE FOR  
REGIONAL DEVELOPMENT**

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**OFFICIAL REPORT  
(Hansard)**

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**Department for Regional Development:  
Revised Expenditure Plans**

23 June 2010

**NORTHERN IRELAND ASSEMBLY**

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REGIONAL DEVELOPMENT**

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**Department for Regional Development:  
Revised Expenditure Plan**

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23 June 2010

**Members present for all or part of the proceedings:**

Miss Michelle McIlveen (Deputy Chairperson)

Mr Cathal Boylan

Mr Willie Clarke

Mr Danny Kinahan

Mr Billy Leonard

Mr Ian McCrea

Mr Conall McDevitt

**Witnesses:**

Mr Terry Deehan )

Mr Roger Downey ) Department for Regional Development

Mr Nigel McCormick )

Dr Andrew Murray )

**The Deputy Chairperson (Miss McIlveen):**

I welcome Nigel McCormick, Roger Downey, Andrew Murray and Terry Deehan. You are very welcome to the Committee. You have 10 minutes in which to make a presentation, which will be followed by members' questions.

**Mr Nigel McCormick (Department for Regional Development):**

Thank you for your welcome. We are here to talk about the 2010-11 spending plans. However, I wish to take this opportunity to make some comments about the subsequent years of Budget

2010.

I will deal with the 2010-11 spending plans first. On 15 June 2010, we gave the Committee a written briefing, which I presume that members have in their papers. Members should refer to annex A of that briefing, and I will talk them through some of the issues that arise from that. The annex sets out the opening budget position for DRD across its road, transport and water programmes. The Department has £517 million for resource and £556 million for capital, which is just over £1 billion in total. The written and oral briefings that we have previously provided to the Committee cover most of what is in the expenditure plans. I, therefore, propose to go through and highlight the key changes that have been made since those briefings.

I will deal with resource first. The opening 2010-11 budget for resource has increased by £96.8 million to £517 million, which is shown in the schedule. That increase is mainly due to the allocation of water funding from the rates that DFP previously held at the centre in the original draft budget. However, there were also £5.4 million of transfers from the DRD budget to DFP for the shared service centre services that it provided to the Department. An additional £1 million of invest to save allocation were made to Roads Service. Some of the savings that were previously identified have been revised, and I will say a few more words about that shortly. The £1 million of invest to save allocations for resource were provided to Roads Service for the replacement of some old high wattage street lanterns with new more efficient versions that have lower power consumptions.

I will now deal with savings. Members will recall that £31.3 million of the original savings proposed related to Roads Service depreciation. When we briefed the Committee on 10 March 2010, we flagged up the fact that it was a technical international financial reporting standard saving that might not be accepted but which we were putting forward. We thought that the proposal had been accepted until around mid-March, which was after we had briefed the Committee. That arose when DFP was working through the detail of the option and was finalising what needed to be reported to the Treasury. DFP concluded from that work that the proposed technical reduction in depreciation would have to go back to the Treasury and could not be used elsewhere in the block grant and that it, therefore, could not be treated as a saving. DFP then advised the Department that it would have to find a different £31.3 million of savings.

At that time, the Department had been working through the price control PC10 process with

Northern Ireland Water to arrive at the final determination. We were in the process of converting the regulatory expenditure from that final determination into the public expenditure, which scores against the Department's budgets. The PC10 process identified a further £20.2 million worth of savings, and DRD proposed to set that against the Executive's target for the Department.

Roads Service also reviewed its entire resource budgets, and it identified £6.8 million in maintenance expenditure. That saving will mean that maintenance expenditure will be focused on the repair of safety defects and non-discretionary works. The saving will affect work that is responsive in nature, and is likely to include things such as routine gully emptying, grass cutting and street lighting repairs. Based on current information, Roads Service believes that the approach will protect the structural maintenance budget. We were able to continue to score £3.3 million in roads depreciation against the savings. Therefore, the savings from the Northern Ireland Water price control process, the £6.8 million in Roads Service that I referred to in maintenance, and the £3.3 million, replaced the £31.3 million in savings previously referred to.

For public transport, there was less scope to find savings, as there were pressures on concessionary fares, the railway public service obligation and Dial-a-Lift. It was also difficult to find savings in the rural transport fund, which is a programme for people with disabilities. However, £300,000 was identified in the regional development strategy budget, in relation to technical advisers, and £700,000 was identified in the fuel duty rebate budget, which we hope to replace through the current monitoring round when DRD gets its return of the swine flu contributions that were not required in 2009-2010. That deals with resource.

On capital, the only change to the opening 2010-11 budget is an additional £2 million for three invest to save projects in NITHCo. Those projects include, first, £1.4 million of capital for the refurbishment of the Enterprise train locomotives, which will increase fuel efficiency, hence, it is an invest to save project. Secondly, there is £0.5 million of capital to replace lighting at Translink sites with new more efficient versions that have lower power consumption. Thirdly, there is just under £100,000 of capital for the replacement of lighting on the class 300 trains with new more efficient versions, again, with lower power consumption. That covers the 2010-11 position. As I said, we previously briefed the Committee on why there were changes and what those changes were.

I turn now to Budget 2010. Recently, DFP commissioned an exercise to gather information.

The timescales are quite tight and DFP is looking for returns from the Department by 30 July 2010. I am conscious that the Committee is coming up to recess; therefore, I want to take this opportunity to raise the matter with members, outline some of our thinking and, if possible, get the Committee's thoughts.

The exercise covers four years. Normally, Budget periods are for three years. However, in this case, DFP is looking for information covering the four years from 2011-12 to 2014-15. There are several key points that are shaping DRD's thinking. First, there is the Executive's priority to support the economy. Obviously, DRD agrees with that priority. However, we strongly believe that investment in transport and water infrastructure supports the economy in the short term and, critically, in the longer term. Secondly, we noted the Chancellor's comments yesterday about the importance of protecting capital for investment in the economy and, in particular, in infrastructure and transport. That being said, the Budget settlement for Northern Ireland is, at the moment, uncertain. Therefore, it is uncertain what the DRD budget will be, and we are trying to deal with that. However, the strategic priorities directing our current planning, dealing with the transport side of the house, are to support interconnectivity between major towns and urban centres in the Province, sustainable transport and structural maintenance. Those are the three priorities that are shaping our thinking around the budget for the transport side.

On water, we intend to continue to work with stakeholders in the sector to inform our plans, while drawing on priorities that have been set out in the social and environmental guidance and funding for water and sewerage services, which was set up as part of the price control process. That was approved by the Executive earlier this year.

Those are the two sets of priorities that the Department is working towards as regards Budget 2010. As I said, with recess coming up shortly, I wanted to take this opportunity to share those with the Committee and, if possible, hear any thoughts, comments or reflections that you want to provide to the Department. We are very keen to hear those.

**The Deputy Chairperson:**

May I ask when DFP notified you of this?

**Mr Roger Downey (Department for Regional Development):**

The commissioning and the guidance came out last week.

**The Deputy Chairperson:**

This is the first that the Committee has been made aware of that. Therefore, we will have some difficulty giving you a comprehensive response in advance of 30 July 2010, bearing in mind that the Committee has only one more sitting before recess.

**Mr McCormick:**

I appreciate that, which is why I took the opportunity to raise the issue here.

**The Deputy Chairperson:**

That creates difficulties for us.

As regards the budget, we are aware that these are difficult times. Before you came in, we received a presentation from the permanent secretary in which we were told that there is a certain amount of inflexibility in your budget. Are you trying to be more creative in achieving savings in a way that will not impact directly on front line services?

**Mr McCormick:**

You are right to make the point about the Department's significant capital commitments. Obviously that is a core part of the budget looking forward. A number of activities are ongoing in the Department to try and see the best way of taking forward our challenges and priorities. Streams of activity are looking at those types of issues across the Department. We are not in a position to explain to the Committee what those are, because we have not finished working on them, but we are looking at the different opportunities that might be available to us.

**The Deputy Chairperson:**

I assume that you will come to the Committee at the earliest opportunity with that information.

**Mr McCormick:**

Yes.

**Mr McDevitt:**

I cannot see how the Committee can form a view in a week on your budget, particularly, Mr McCormick, when you seem to be outlining some new strategic directions. Principal among

those is the prioritisation of sustainable transport, which, to date, has not been a budgetary priority, based on what the permanent secretary told us. We will need to understand a lot more detail to be able to give you the feedback to which you are entitled. This is a crisis, not only for you but for us.

I am interested in delving more deeply into the area of public transport, because it is a theme that I talked about earlier. I am interested in other areas, but, this week, I am interested in public transport. There are a number of significant outstanding commitments such as the quality bus corridors (QBCs) in Belfast and rolling out the park-and-ride programme across the greater Belfast area and in Derry. What specific provision have you made in 2010-11 for those?

**Mr McCormick:**

Is it the detail on park-and-ride in particular that you want?

**Mr McDevitt:**

I would like detail on the QBCs and the park-and-ride programmes. QBCs are cheap, but I presume that they have a resource impact and that a marginal amount from the roads capital budget is needed.

**Dr Andrew Murray (Department for Regional Development):**

We have a programme of rolling out park-and-ride schemes and quality bus corridors. A group called the public transport partnership board is looking at the greater Belfast area, where we liaise with our public transport colleagues. We are rolling out a programme, and financial resources are not an issue in the rolling out of that programme.

**Mr McDevitt:**

Are resources available in the 2010-11 budget to meet the full programme of QBCs and park-and-ride programmes to which the Department is committed?

**Dr Murray:**

Yes. As you know, the Cairnshill park-and-ride site is nearing completion, and it will open fairly soon.

**Mr McDevitt:**

On the Enterprise locomotive modernisation, £1.365 million of the budget for that project is for capital. Have you had any conversations with Iarnród Éireann and the Department of Transport in the Republic about the significant stock on their side of the border? I assume that your figures relate to NIR stock only, in other words the parts of the Enterprise assets that we own on this side of the border. Have discussions taken place about modernising some of their available diesel locomotive stock? I understand that that would allow a move to hourly services quite easily. I am interested to know what conversations, if any, have taken place.

**Mr McCormick:**

We will need to talk to colleagues in policy division and come back to you on that point.

**Mr McDevitt:**

Does the figure relate to Northern stock?

**Mr McCormick:**

Yes.

**Mr McDevitt:**

Do you know how many trains are involved?

**Mr Downey:**

The three existing Enterprise train sets.

**Mr McDevitt:**

Is there any proposal to bring in some of the other diesel locomotive stock to act as supplementary engines to increase the numbers of journeys?

**Mr Downey:**

That was additional invest to save money that the Executive had made available for invest to save projects. When NITHCo was preparing its returns to bid it identified those particular train sets. That is the only information we have.



**Mr McDevitt:**

It would be very helpful if you would come back to us on the other stuff.

**Mr Kinahan:**

Our notes from 10 February state that we needed a more detailed breakdown. I would love to see the annexes providing a breakdown of every single different thing. Some of it is in the targets and in the matters that have just been raised. However, it is very difficult to get an idea of everything that is going on under such broad headings. If it were possible to have more detail, we could then see your progress on savings against that detail.

To add to that, we listened to the previous presentation and we know that some of the contracts are for 25 years. It would be useful to know which contracts the Department is tied to and cannot be changed and which ones can be changed. I do not think that we get enough information. I realise that there are tons of information involved, but I think we could have a whole lot more information under each of the headings about the individual matters. In days of cuts, we need to get a really good picture of what is going on.

**Mr McCormick:**

OK; we are happy to provide more information. We are trying to pitch it at a level that is balanced between what is intelligible and what would swamp you, but we are happy to give you some more information.

**Mr Kinahan:**

I have a very small brain.

**Mr W Clarke:**

As regards staffing levels, and the further cuts that are coming down the line; are posts being left unfilled, or is there natural wastage? I am particularly thinking of the Roads Service, because I am fully aware that funding for structural maintenance of roads is being cut continually. The money is not available. Schemes have been drawn up and are ready to go, so there are design teams and people in offices with very little to do. What is your opinion on that? The concern is that we will lose people with great expertise because of the current situation.

**Dr Murray:**

I could answer that in a couple of ways. We are given an administration budget allocation to pay for staff. To live within that budget, which has been decreasing by 5% per year for the past three years, we have now moved to a position in which very few people who leave are being replaced. People are being replaced in only absolutely key posts. We have also had to allow almost all of the casual staff that we have employed to leave. Those posts have had to be taken out of our structure. Because we have had to do that, there are a number of very tight areas in which we are having difficulty keeping up with the workload with the remaining staff.

This year, in particular, because we have a number of fixed-capital contracts that are under way, and because we don't want to take any further money out of structural maintenance, the area of our budget that has suffered relates to the local transport and safety measures. The funding for those has been significantly cut this year. You are quite right that there are staff in my part of the Roads Service and the Roads Service consultancy who have designed those schemes. We are hoping that that downturn in the local transport and safety measures will last only one year and will not be long term.

Although we normally develop schemes during the year and deliver them towards the end of the year; this year we have decided that we will continue to develop a reasonable programme, so that if money becomes available we can spend it, and if it does not become available this year, we can deliver the schemes next year. Because we have taken so many posts out, we do not yet have slack areas in the Roads Service.

**Mr W Clarke:**

I am conscious that you are going to have less money. I cannot see any free money at all.

**Mr Murray:**

You are right, but spending different types of money has different resource implications. Structural maintenance money, for example, is administered by the section office staff. We generally have five-year contracts for that, and ordinary schemes are not particularly labour intensive. We do that as a matter of routine.

Similarly, there are very few Roads Service staff — maybe 40 — taking those very high value schemes, the big strategic road improvements, forward. However, there is an enormous amount

of money tied up in those schemes. Local transport and safety measures, and traffic-management matters, are the most staff-intensive bits of work that we carry out on the capital side.

**Mr Boylan:**

If you do not fill posts, are the workloads spread across other areas? How does that work out? Is it just natural wastage?

**Dr Murray:**

There are areas where our workload is reducing; for example, in local transport and safety measures. There has also been a noticeable downturn in our development and control work, and we have just done a benchmarking exercise in development and control to see what the downturn has been and what affect that has on our ability to deliver.

**Mr Boylan:**

So, is it impacting on the quality of delivery?

**Dr Murray:**

No; it has not done so yet. However, we are in difficult times. There are a few areas where we have not yet managed to resolve the problems of reducing staff numbers. I believe that, when everything is taken into account about our workload being reduced, we will be able to free up some staff to move into the areas where staff have left and posts will be taken out of the system.

**Mr Boylan:**

Are you saying that the savings are having a direct impact on the delivery of front line services?

**Dr Murray:**

No; we have avoided impacting on front line services so far.

**Mr Boylan:**

OK; but the potential for that still exists?

**Dr Murray:**

We cannot go on reducing by 5% for ever without affecting front line services; that is quite true. However, so far, some things have worked in our favour.

**Mr Leonard:**

Good morning, you are very welcome. I am going to ask about the £31·3 million, and I hope that I am not opening up a bureaucratic can of worms, because after eight hours of hares and snares yesterday, that would be too much.

I have just had a surface read, Nigel, and I know that there is more to it; but you are looking for savings of £31·3 million, and have been told that you cannot categorise that in a certain way. DFP then tells the Department to go off and find a different £31·3 million, and you are then able to find a further £20·2 million. That begs the question; is the system better than the potential for savings? Does the system need to be changed, or why on earth was that further £20·2 million not in the original mix? Were you chasing that additional £20·2 million only after DFP rejected the first idea? Why was £20·2 million not noticed? Again, I appreciate that this is at surface reading.

If we were to say that to a member of the public, they would ask why such vast sums cannot be categorised as savings when the other £20·2 million can. In the grand scheme of things, one might think they are quite OK, but they are really large amounts when we are talking about savings.

**Mr McCormick:**

When we first put savings forward to DFP, which was well before the meeting that we had with the Committee on 10 March, that was before the price control process between Northern Ireland Water and the Utility Regulator had been worked through to its final determination. That is the process whereby the Utility Regulator looks at Northern Ireland Water's costs and then determines efficiency savings.

When we were originally asked to put forward savings in connection with the Department's target to DFP, we did not know what the outcome would be. We were anticipating some savings pending the outcome of the final determination. We felt that we could plan on the basis that savings would come from the price determination, but we did not know what the actual figure would be. The £20·2 million came when we had the information, which was towards late March. That is why it was not available to offer up at the time that we were originally offering savings.

We looked across the departmental budgets to try to find savings that would have the least

impact on front line services, as the Committee would want us to do. We saw what we thought was an opportunity to do that through depreciation, which is not about cash and, therefore, does not have any impact on front line services.

**Mr Leonard:**

It is a paper saving.

**Mr McCormick:**

I am an accountant; I would not be quite as shorthand as that.

**Mr Leonard:**

Forgive my ordinary language.

**Mr McCormick:**

Savings and depreciation are much preferred to cutting cash; that is probably the way to summarise that. However, there were technical issues, which were connected to the move from the previous way of accounting to the use of the international financial reporting standards. We thought that the process may provide an opportunity to score the savings through a depreciation figure rather than through a cash saving. That is much preferable to finding cash savings in the Department.

We thought that that would work. However, as I said in my briefing, when DFP checked the technicalities and how that would work with the Treasury, it came to the conclusion that the money would have to be surrendered to the Treasury and, therefore, would not be available for the Executive to redeploy elsewhere. That is why DFP asked us to find something more. To be frank, we were, in a sense, lucky with the timing, because that is when the price control determination was coming through.

**Mr Leonard:**

Can we be absolutely assured that it was an evolving process rather than —

**Mr McCormick:**

— a systematic problem? Yes, I think so. They are fairly unique circumstances.

**Mr Leonard:**

OK. You mentioned the international financial reporting standards, and so on. That is, obviously, more your homework than mine. However, do some system issues need to be addressed so that we can be assured that real savings are being made?

**Mr McCormick:**

The circumstances of moving from one system of accounting to a new system were unique. Given that we have now changed systems, the opportunity to find those savings has more or less gone.

**Mr I McCrea:**

It is always somewhat difficult to give a comprehensive response at such short notice. How much money has been allocated in the next financial year for the dualling of the A5, A8, and A6? Has money been set aside? I know that the Irish Government have already made a first payment of €9 million for the A5. Maybe it is only general chat, but there is a suggestion that the two Governments are at stalemate, and that it is a case of who will blink first and pull out of the project. If that is the case, what will happen to the €9 million? How much has been set aside for those projects?

**Mr McCormick:**

We do not have next year's budget allocations because they will be subject to the Budget process and to the Executive's allocations to the Department. I will ask Terry to outline the profile for next year's spend on those projects. That will probably give a more relevant and accurate answer to the question.

**Mr Terry Deehan (Department for Regional Development):**

We will spend around £10 million on development work for the A5, A8 and A6. That is ongoing. Some £30 million is allocated to our improvement programme.

**The Deputy Chairperson:**

I want to return to the opening question on Budget 2010. In a way, it distresses me that this has been left to the very last minute. Is it possible for you to send a briefing to the Clerk on what DFP is asking you for in the return for July? If that is possible, then we will have to discuss in closed session the possibility — and members may not like it — of returning to the matter during

recess. There is an input required by the Committee. It is critical, and it is of the utmost importance to us to have that input into the process. Are you willing to do that?

**Mr McCormick:**

That would be great. We will need to clear the lines with DFP on the actual guidance, because I am not sure how that fits into the Executive processes, for instance. We will check it with DFP, and, providing that there are no difficulties there, we will give you the outline of the guidance. We will be happy to work with the Committee before we have to make the returns to DFP on 30 July.

**The Deputy Chairperson:**

There are concerns, since this was not mentioned in the conversation that we had with the permanent secretary earlier. He talked about having meetings and workshops with the Minister in the next six weeks, but that time does not fall within the period of these returns. That does not marry well in our minds. I would much appreciate that information within the next day or so, if you are willing to provide it.

**Mr McCormick:**

We will do our best. I think that the workshops that the permanent secretary was referring to would fall within that period. I anticipate that the six weeks would cover us up to 30 July as well. I am not sure exactly what the permanent secretary said, but I do not think that we are going to do this without talking to the Minister.

**The Deputy Chairperson:**

I understand that. You are going to have detailed conversations on strategic directions, which are inextricably linked. It is to give us an opportunity, because the Committee would have to be recalled for a meeting. We are worried about the timescales; this is the eleventh hour.

**Mr McCormick:**

I appreciate the Committee's difficulty, which is why I raised the matter today. It was an opportunity to air it with members and for the Committee to have some input into the work that we are doing. I appreciate the difficulties that recess creates for that, but I am happy to work with the Committee in whatever way it feels that it can work with the issue.

**The Deputy Chairperson:**

Thank you for attending this morning's meeting.