



Northern Ireland
Assembly

Committee for Regional Development

OFFICIAL REPORT (Hansard)

October Monitoring Round 2014:
Department for Regional Development

24 September 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Trevor Clarke (Chairperson)

Mr Seán Lynch (Deputy Chairperson)

Mr Joe Byrne

Mr John Dallat

Mr Alex Easton

Mrs Brenda Hale

Mr Ross Hussey

Mr Kieran McCarthy

Mr David McNarry

Mr Cathal Ó hOisín

Witnesses:

Mr Stewart Barnes

Department for Regional Development

Ms Deborah McNeilly

Department for Regional Development

The Chairperson: Members will now be briefed by officials from the Department for Regional Development (DRD), who, I am sure, are more familiar to them than they are to me. We have Deborah McNeilly, the director of finance, and Stewart Barnes, the head of the financial planning and management branch. You are welcome. As I say, this is my first opportunity to meet you. I remind members to turn off their phones and electronic devices as they interfere with the recording equipment. I am not sure who is leading off; is it Deborah?

Ms Deborah McNeilly (Department for Regional Development): Yes. Thank you very much, Chair. If you are content, I will make a few opening comments and then take questions, because I am sure that there will be plenty of questions, given the evolving position around the budget, which we all know about.

Our paper does two things: it provides a bit of a budget update following the outcome of June monitoring; and it sets our October monitoring position in context. Obviously, this was written last week when certain percentage reductions and so on were being talked about. You will no doubt be familiar with the fact that, in the press this morning, higher numbers are being talked about. So, as I say, the whole budget position for this year and next year is evolving. Certainly, we are happy to take questions about what is in this paper.

As we look at the budget update for 2014-15, one of the first things to do is to put into context the Department's over-reliance on in-year funding in past years. Some members will be familiar with the bids that the Department has routinely put forward to provide and support essential services. Last year, for example, we got £16 million in resource funding to assist us with and fully fund concessionary

fares. Of that, £9 million was necessary to support street lighting and roads maintenance, so we are heavily reliant on in-year funding. Again, at monitoring rounds last year, we got an additional £58 million for the structural maintenance of roads, so, again, we are heavily reliant on in-year monitoring to help to provide a measure of funding to deliver those essential services.

That is an important part of the context, because we started this year in a very different financial environment, in which the outlook for getting any bids met is extremely limited. We entered this year with that backdrop of financial constraint, and the Minister had already made it clear that we needed to take measures to live within our existing baseline and not to anticipate or expect to spend at the same levels as last year. At the start of the year, before June monitoring, action was taken to ensure that our expectations of what could be delivered on the ground matched what could realistically be funded this year, and that is where the figure of £11.9 million comes into play. We were basically holding back spend knowing, for example, that it was highly unlikely that we would get additional funding.

At June monitoring, the Department put forward significant bids and secured £5 million in resource for concessionary fares. You will have seen in the paper that we are bidding for the balance of concessionary fares funding at this monitoring round.

The substantive issue at June monitoring were the reductions that were applied at that point: 2.1% for the Department, which equated to just over £7 million. Departments were also asked to prepare for a 4.4% reduction, which equated to £15 million for the Department.

The Minister is on record as having taken steps to deal with that £15 million baseline reduction. You will see in the paper that I have summarised the actions that the Minister had no option but to take. You will no doubt be aware that he had to take the very difficult decision to stop issuing new work instructions to our contractors across a range of service areas.

One quarter of our work was given to external contractors in the areas of footway and carriageway patching, grass cutting, environmental maintenance, gully emptying, road marking maintenance and renewal, and traffic signs. He also had to stop and rein back on the repair of street lights. Whilst funding is there to address safety works and make sure that the system is safe, there is, essentially, no funding available, so we had to rein back on funding for the repair of outages in instances of bulbs and so on going out. That was a very difficult decision that the Minister had to make.

On the process taken to determine the reductions that would be taken forward in the Department, the Minister, senior management teams and various teams across the Department were heavily engaged in reviewing all the budget lines and looking at our contractual commitments and the funding positions for our arm's-length bodies. Having done all that, and having taken some of the decisions, we have made reductions in admin to the tune of £2.5 million. We have also made other reductions by giving back to the Department of Finance and Personnel (DFP) the money that we had for the public transport authority and from the sale of income-generating assets. The Minister, therefore, had no choice other than to go down the road of reducing the work to external contractors.

You will be aware that Translink is working on the basis of a £9.3 million loss this year, which could increase, depending on any further reductions applied by the Department or the Minister's further consideration of the issue.

You will also be aware from the briefing paper that Northern Ireland Water is already trying to manage pressures in excess of £14 million.

So the measures that are already on the table — in other words, the 4.4% reduction — have put the Department in a pretty stark and difficult position.

At October monitoring, we are handing back significant capital reduced requirements. The Minister and officials have certainly expressed their concerns about the level of capital reduced requirements coming back on a number of projects at this time. However, £5 million of that is related to the Department's success in getting EU funding. We are handing that £5 million back, which means that it is available to the Executive to reinvest and reallocate in other areas. Our bids are very similar to the bids that were put forward in June monitoring. The biggest issue is the release of value from the Belfast Harbour Commissioners, which is the £20 million bid that we also put forward at June monitoring. As I mentioned, we are putting forward a bid for £4.5 million for the balance of concessionary fares funding. At June monitoring, we also bid for a funding shortfall in Northern Ireland Water because it is not funded to the level of the PC13 agreement, although we had an

undertaking that that would be looked at favourably. Given the current financial circumstances, there is less funding available for reallocation.

Given the significant reining in of expenditure that the Minister has had to take decisions on for street lighting repairs and road maintenance, we are putting forward bids again to try to see whether we can get some funding to reinstate or reinvigorate repairs in that area. You will also see in the paper that there is a small bid for non-cash for Northern Ireland Water.

I will turn very quickly to our capital bids. The nature of the bids is very similar to those that we put forward at June monitoring. The bids have been reined back in most cases to reflect how much could be spent between now and year end. You will see from the briefing paper that the most significant bid is for structural maintenance of the roads. As I said, last year, we got an additional allocation of £58 million capital. So far this year, we have £12 million additional capital and are bidding for £45 million being the amount that we could spend between now and year end if there is an outcome at the end of October.

I will not go through the detail of the bids. I am happy to take questions. That was just the high-level position on the overall budget position to date and the October monitoring round proposals.

The Chairperson: Cuts were imposed following the June monitoring round. How much advance knowledge did you have that the Department had no alternative but to stop issuing new work instructions?

Ms McNeilly: Obviously, the Department has been reviewing its budget position on an ongoing basis and looking at a number of scenarios for available funding. Once the Executive had made a decision on the level of cuts to be applied after June monitoring and the expected level of cuts to be applied at October monitoring, that was the point at which the Minister made a decision on how to manage those cuts. We had conducted a line-by-line review of the Department's baselines. In some areas, reductions can be made in the long term. Staff reductions cannot be made quickly, because severance schemes are needed and so on. We also have contractual commitments: we have a large PPP commitment of £40 million a year and electricity contracts for street lighting of £10 million or £11 million a year. So, there are areas that cannot be reduced.

The Chairperson: You saw something coming down the track. I am asking about the knowledge that you had prior to the cuts. What notice did you give to the contractors, given that you had a view that something was going to happen?

Ms McNeilly: The Department's knowledge on whether there would be cuts was the same knowledge that every Department had in the ongoing funding environment. All Departments knew that there were funding restrictions and pressures this year. We engage with DFP officials, so we will have known that this was going to be a particularly difficult year, just as we know that next year will be an even more difficult year. Contractors were not advised or engaged with before the Minister made his decision.

The Chairperson: I want to drill down into that. When that announcement was made, there was an outcry about contractors losing work. Given your opening remarks about how you were following a pattern, were contractors an easy touch in that they were left to the last minute? We are talking about people's livelihoods and employment. Why was the decision on contractors made so late in the day, and why were they not given prior knowledge that this may be coming down the track at them?

Ms McNeilly: There was absolutely no position about their being an easy touch. They were not an easy touch. The Minister took other steps, including reducing admin expenditure in the Department. This was the last case, and it was a very difficult decision; the Minister is on record as having said that. The Minister would not have gone out to contractors and said that he might not be able to give some contracts after 1 August and that it depended on October monitoring. He would not have wanted to do that. Until the Executive make decisions, you do not know exactly what your funding will be. Certainly, a lot of other areas were looked at, and money was brought in.

The amount of money involved for contractors is £7 million, not £15 million. As I said, £2.5 million is coming from admin reductions. There is the increased deficit in Translink, among the other saving measures that I mentioned and money going back to DFP.

The Chairperson: You said that there were a number of options, which is why I said that contractors looked as if they were an easy touch.

Ms McNeilly: No. Absolutely not.

The Chairperson: Maybe you could tell us what the other options were.

Ms McNeilly: With the build-up to getting to a figure of £15 million, it was, effectively, how many reductions could be applied in admin. The amount that has come off admin is £2.5 million, which is nearly 3.1%. We had £1 million sitting in our baseline for the public transport authority. Normally, that money is transferred to Translink to fund the public service obligation (PSO) if there are shortfalls. That money is not being transferred to Translink. If there is a shortfall in the PSO, that money will result in an increased loss in Translink. It was about taking the savings that would have the least impact on front-line services. It was only when those other savings were exhausted that the Minister moved to look at external contractors.

The Chairperson: Maybe you are not in a position to answer this today, but would it be appropriate for the Committee to have a paper on the other options that may have been available to the Department as opposed to the one that many of us see as being an easy touch: contractors?

Ms McNeilly: I reiterate: contractors were not an easy touch. The Department took all the money it could out of all the other areas before it got to the contractors. It took £7 million from other areas that would have little direct impact on front-line services and was then left with no other choice but the contractors. I absolutely assure the Committee that the Minister would not have made a decision in any way to regard stopping work orders to external contractors as being an easy touch.

The Chairperson: Before I move on to the Deputy Chair for questions, I ask once more, Deborah, whether you could forward to us the other options that were available to the Department prior to making the decision on the contractors. I am not asking you to answer that today, but please forward it to the Committee as soon as possible.

Mr Lynch: As a follow-up to that, Deborah, we have met some of the contractors and the people who undertake the main white line maintenance, and they have no doubt that they are an easy touch. It is small money compared with the overall budget. I cannot escape from the thought that this was the easy option. There is also a major safety issue. Road safety is mentioned in your documentation, and markings, gullies and lights are part of that. Do you agree that you are minimising safety issues when you go down the road of cutting money?

Ms McNeilly: The Department has budget commitments, and a lot of money is tied up in contracts and is not available. You cannot change a contract in the short term, so we have contractual commitments. All contractual commitments have been looked at. Admin budgets have been significantly reduced. I absolutely provide the assurance that there is no easy touch in stopping contractors' work.

You mentioned safety-related aspects, and the Minister had to take cognisance of those. You mentioned options, and the Minister could have chosen to stop the health and safety inspections on street lighting. However, for safety reasons, you cannot do that. If a bulb goes out, and you do not have the money to repair it, that is not a health and safety issue. That is different to leaving unsafe structures. The Minister has continued to safeguard the winter service, which was another option that was open to him.

When it comes to trying to maintain some level of service and some level of repair work on the network, given that we cannot turn off a tap quickly for staff resourcing, the Minister has maintained some resilience internally to enable staff squads to maintain the network and do some pothole repairs. However, they cannot cover the whole Province in the way that it was covered when we also had external contractors to call on.

Some of our savings measures this year were undertaken in the knowledge that things had to be done quickly and decisions had to be made quickly. Some of those measures will not be sustainable in future years. Street lights will not fix themselves and more of them will go out, and potholes will only get worse. Part of the thinking was to manage the current year's problem with our budget and to take measures that can be taken this year. Certainly, contractors were not an easy touch.

Mr Lynch: Describe in detail the risk assessment process that you undertook in prioritising and drawing together your proposed bids.

Ms McNeilly: We set out the implications clearly for the Minister when we put a range of proposals to him. Based on that, including, as I said, the safety aspects, the Minister had very difficult choices to make. One choice was whether to protect health and safety inspection work and repairs on street lighting or to fix the bulbs. Another choice was whether to protect winter services or to fix all or some potholes. Those were the sorts of risks, and we obviously set out the risks from safety issues and an increase in public liability claims. All those risks were set out.

The Chairperson: You make an interesting point about street lighting. The Minister's announcement gives a different impression of safety. I am sure that offices have been inundated with calls about streets with three or four lights out. People are being told that that is happening because of the cuts. On the one hand, you are saying that you did not look at that aspect, but on the other hand, the reality is that people are of the opinion that their street lights will not be fixed. So, you cannot come here today, Deborah, and say that you looked at the safety aspect but are not touching it, when that is the reality in our constituencies.

Ms McNeilly: There are two aspects. First, there is the safety aspect in that we have to make sure that the columns are safe, that no one is electrocuted and that there is no risk to the public from that perspective. Obviously, there are public safety issues if a lot of street lights are out and people are in darkened areas, and that is slightly different.

Secondly, the key area that has been protected is the health and safety aspect to make sure that the infrastructure is safe for the public. The Minister has said that he will give priority to groups of street lights that are causing safety issues, which will mean that the infrastructure is safe, and also to large groups of lights. Those are the two priority areas. Some 5,300 street lights are out at the minute, which is quite an increase on what we would normally expect.

The Chairperson: The guidance is pretty vague. We have an elderly population, and we are coming into the winter and darker months. People are living in fear and listening to headlines about cuts and street lights not being fixed. They are looking outside their properties and are already living in fear. This is the worst time for our elderly population, who know that their street lights may not be fixed. That should have been looked at. I do not know the best word to describe it, but the way in which the Minister grabbed the headlines about the way he was making cuts was deplorable.

Mr Hussey: I want clarification on a couple of things. Several comments have been made about contracts and contractors. I assumed that those people had not been given any contracts. There was an idea that, should certain work become available, contracts would be awarded. No contracts had been awarded at that time, and no contracts were withdrawn.

Ms McNeilly: Contracts were awarded and will cover a year, several years or a certain period. Against those contracts — for example, a pothole contract — a work schedule goes out. Work schedules that had already been issued to contractors were honoured. No new work is going out, but the contracts have not been withdrawn. Therefore, if we get extra funding as part of the October monitoring round, we will maybe start to issue work orders again. So you are right to say that no contracts have been withdrawn.

Mr Hussey: You may be aware that we had a training session this morning, and we were shown a bid document, which was from DRD for the 2012-13 monitoring period. It related to street lighting. It contained a couple of schoolchild errors; the adding-up was not correct. Who submits that form? Who completes the form initially? What is the process from A to Z?

Ms McNeilly: It is initially completed by the business area that is responsible for the expenditure on the ground. It then comes through to the central team in the finance division before being passed on to DFP. The Minister does not see those forms. He gets a submission setting out the bids, issues and risks on the position.

Mr Hussey: Where does the form stop? Does it go to your desk?

Ms McNeilly: It comes to us.

Mr Hussey: Clearly, the form that I have used as an example is wrong. It shows £5.5 million when it should be £5 million. The point that immediately caught my eye was that it will undoubtedly have an adverse impact on the defence of public liability claims. If, because we have cuts, we have increased

public liability claims, will a claim be paid for by the Department or by DFP? Obviously, for every action, there is an equal and opposite reaction. If you have a £5,000 contract that you have not awarded, and somebody drives their car into a pothole and the car is wrecked, there will perhaps be a £20,000 claim or, if someone was driving a more expensive car, it might cost a bit more.

Ms McNeilly: You are absolutely right; that was one of the clear risks. There is an element of being between a rock and a hard place, having to make very difficult choices and being limited in where you can make those choices. One of the risks in having to make reductions — we have had to make reductions with our external contractors and the maintenance of roads and repair of street lights — was the possible increase in public liability claims. Those costs will come out of the Department's budget and be a charge against our funding. That is a risk.

Mr Hussey: I have two final points on that, and then I will leave it.

The Chairperson: Roll them into one, because others want to ask questions.

Mr Hussey: Yes, I am on a roll now. First, may we have information on how much will be paid out in public liability claims? Secondly, if I had an accident and sought this form under freedom of information, which clearly refers to an adverse effect on public liability, I think that I would have you in a court of law, somewhere where you would not want to be.

Ms McNeilly: Public liability claims come in. They are reviewed, and they are challenged. That is the process. A significant number are rebutted. We have costs, and they are available. Public liability claims are tested in courts on the standards of service that were provided. I do not imagine that not having enough funding would be a good defence. Those are all risks, and the Department is between a rock and a hard place with its funding. Very difficult choices are necessary.

Mr Hussey: Chair, I would appreciate having the figures to follow this through.

The Chairperson: That would be useful. Before I call David, I want to say something about your response to Ross's question about contractors. It would be useful if you told the Committee how many years the contractors who have lost this work had been doing the work. Whilst it is easy to indicate the different areas you looked at, contractors have been relying on this work, because, year on year, it has been awarded to similar contractors. While they may not have been awarded the work for a number of years, I presume that they enjoyed it for many years. I look forward to getting a paper from you on that.

Mr McNarry: Deborah, I know you well enough. I respectfully realise that you are more than a number cruncher and that you care about the impacts that you detailed today. I hope that you will take back to the Department the fact that people are getting fed up with a reliance on a culture of blaming it all on resources. It will not cut it, as far as I am concerned, because there are no ideas or lateral thinking. I am flabbergasted by the thinking of, "These are the cuts; hard luck". You cannot say that to people. The main question is this: how long will we have to live in this situation in which cuts continue? That is what we need to be told. I understand the sequence of monthly monitoring, but where will we be in 18 months' time? What are we going to tell people? It is a shambles at the moment. How much worse is it going to get? I want to hear people saying how much better it is going to get and where we can get that improvement from.

From reading the report, am I to take it that somebody is saying that concessionary fares are keeping Translink afloat? Is that what is in here? It looks like that. Perhaps somebody can elaborate on the extent to which safety measures are under threat? That is vital, and the Chairman has explored it with you. Can you provide the Committee with a detailed list of where roads and street lighting maintenance will be cut, constituency by constituency? When will that stop? It is happening now, but when will it stop? The Chairman has highlighted the genuine, perfect example that we are heading towards dark nights now, and it will be a lamentable situation for people.

On the matter of contracting: are project tenders being prepared to commission work that you know and the Department knows cannot be financed? Is that still going on? Is it the case that you are preparing tenders on the basis, naturally, that there is a need? Is that happening?

Ms McNeilly: Hopefully, I will be able to pick up on all of those. I might forget some of the questions.

Mr McNarry: I will take you through them again.

Ms McNeilly: On the funding position, you are quite right about the reductions in budgets and the cuts aspect. You are all too familiar with the process of allocations in the Executive and the Department and Minister share the Committee's concerns about that. If you had asked our opinion in June of the outcome of June monitoring, we would have said that it was dreadful and that it was very difficult, given the likelihood that even more reductions could be required in 2014-15 as part of October monitoring. I understand that there is an Executive meeting tomorrow. What has been a difficult position that has already had an impact on the ground will only get increasingly more difficult. The outlook for 2015-16 is even worse than what we are looking at for 2014-15. Inevitably, the resources available for the Department to provide services will be significantly restricted.

Mr McNarry: The Minister highlighted the problems very publicly, before we read anything as a Committee, particularly around street lighting. You have just said that things will get worse. Do you think that the situation that you are looking at will be worse than what we are reading about today? Will new elements be introduced, where the Minister will stand up in public before telling this Committee that, "This is going to happen" or "This is under threat"? How far down the line are you in your thinking through of where we are going?

Ms McNeilly: I said earlier that the Minister has protected and is protecting the physical safety aspect of the street lighting network through inspection and testing. He is also protecting winter service and is providing a level of service for potholes. As I understand it, there are four categories of potholes, and priority has been given to categories 1 and 2. In the past, work might have gone on below that level. So, he has protected a measure of that. A deficit is already planned in the Northern Ireland Transport Holding Company (NITHCo) and that may well increase if we have to reduce funding there. Northern Ireland Water is managing pressures of £14 million by trying to leverage income, because there has been increased demand, and also by trying to reduce costs, so a significant challenge already exists there.

As for the options available to the Minister, we would have to look at all these issues again to see whether there is anything there and how much further he can take this, but you will fully appreciate that none of these decisions is easy. With the safety aspects of this, there may well be a situation where the Minister has to say, "I cannot make any more savings".

Mr McNarry: What about the concessionary fares? Is that what is keeping Translink — this company with millions of pounds in the bank etc — afloat? Is your Minister prepared to take those concessionary fares out of his budget?

Ms McNeilly: Concessionary fares, as you will know, are a subsidy to the traveller, but, yes, it forms a significant proportion of Translink's income. Assuming that it gets the full amount of concessionary fares funded this year, which will be £9.5 million based on £5 million earlier and £4.5 million now, it will still have a loss of £9.3 million. That is the position at the minute. Given the level of reductions required and the possible increase in reductions required, the Minister will have to look at the funding position for NITHCo and see if there is any way to access its reserves. That is a live issue that the Minister is looking at. By requiring the company to operate or plan on the basis of a £9.3 million loss this year, that is already effecting a £9.3 million reduction in its reserves. If that loss increases this year because there are further savings to be had or if the funding bid is not met, that loss will increase and the reserves will reduce.

Mr McNarry: The company is required to operate at break-even. We already subsidise it. Can I ask you this again: are you actually saying that the removal of concessionary fares would put Translink in the red?

Ms McNeilly: It would increase the loss.

Mr McNarry: I think that is a major issue for us.

The Chairperson: Following on from David's point, are you saying that the concessionary fares will cost approximately £9 million a year? Did you say £9 million?

Ms McNeilly: At the start of the year, the Department had £31 million available to support the concessionary fares scheme. We got an additional £5 million at June monitoring, and, at this monitoring round, we are seeking an additional £4.5 million.

The Chairperson: I think that David's point about the breaking point for Translink is about why Translink is sitting with £56 million on a cash balance.

Ms McNeilly: Translink will not be sitting with anywhere near that amount by the time we get to the end of the year because —

The Chairperson: I think that the point that David was making was —

Mr McNarry: It is all new buses, new trains, new machinery and everything. Who are you trying to kid?

The Chairperson: We are talking about a company that is supposed to be cost-neutral. That is the point that David made. If it is sitting with a cash balance of £56 million, I think that it would be difficult for the Finance Minister to give a company like Translink additional money in a monitoring round given that it is holding that cash balance currently and given the pressures that other Departments are under.

Ms McNeilly: As I said, the company will not have anywhere near that level of cash reserves or net reserves by the time we get to the end of this financial year. Assuming that concessionary fares are fully funded this year, it is already looking at a loss of £9 million. If further cuts are applied as part of the October monitoring round, the Minister will have to look further at NITHCo's financial planning position, as he will at services provided across the Department, and may well have to increase the loss in NITHCo, which will again reduce the reserves. So, the reserves will not be anywhere near that amount by the time we get to the end of the year.

The Chairperson: Kieran, do you have a supplementary?

Mr McCarthy: It is on the concessionary fares. I remind Deborah that, on the Floor of the Assembly, the Minister said that, under his watch, the concessionary fares would remain. So, if there is any alteration to that, we will be looking for a new Minister who can deliver.

Ms McNeilly: There is absolutely no alteration to that. You are quite right that the Minister has made it very clear that he is committed to the concessionary fares scheme and that the Executive need to fully fund their commitment to the concessionary fares scheme. That remains his position.

The Chairperson: I do not think that has always necessarily been — *[Inaudible.]*

Mr McNarry: How big a help would it be if Kieran gave in his bus pass?

Mr Dallat: Deborah, it must be difficult being the messenger — I appreciate that — but would it not have been good if we had had this conversation before the Minister made his public statement and frightened the life out of half of the population?

Ms McNeilly: Clearly, the timing was during the recess, and there were issues with the Budget. June monitoring was not agreed until the end of July, and the Minister had to act very quickly in response to that. For example, quite a lot of money goes out in orders every week, and the longer he had waited to make a decision, the bigger the cuts would have been, and he would have had to look at other areas like some of the areas that I mentioned earlier that he has tried to protect. Money goes out every week.

Mr Dallat: I am not sure whether we are allowed to use trade names in here, but, in my memory, this is the worst Horlicks ever. There has to be a better way of doing things than this.

My mind was wondering a bit while I waited to get my turn. Before I came in here this morning, I was speaking to my wife, who is in Malawi. I was telling her briefly what we were doing this morning, and she said that, at least, in that African country, where there are roads, they fill the potholes and, where

they have street lights and power is available, they work. Do we face being worse than the fifth poorest country in the world in basic provision like roads, street lights and road markings?

Ms McNeilly: The financial position across the Northern Ireland block is extremely difficult, as we know. There are very difficult decisions ahead of the Executive on the funding allocations made to Departments. Departments can work only with the funding allocations that are made available to them. We welcome the Committee's concerns in relation to these very difficult measures and all the rest. If that helps us in any way to achieve some additional funding, that is brilliant; it will mean that we can rein back on these measures. However, as I said, it is between a rock and a hard place. If the Minister had not taken these decisions, the Department would be overshooting its budget.

Mr Dallat: Last week, probably more than 100 people employed in road markings, quarries and so on got notes attached to their payslip saying, "The work's gone by Halloween". Those are mostly people who are fending for families and trying to educate their children and pay their mortgage. A Department is supposed to be exemplary in how it does things. Is this the best way to treat contractors?

Ms McNeilly: If you have the funding available, it is not the best way to treat contractors.

Mr Dallat: You said in your opening remarks that the Department is heavily dependent on monitoring rounds.

Ms McNeilly: Absolutely.

Mr Dallat: I am told that your Department encouraged contractors to invest heavily in capital equipment to be more efficient and to do the job cheaper. Those contractors did that. They are now paying the monthly finance on all that machinery. Surely you cannot just walk away from that.

Ms McNeilly: If the funding were there, the work would go out to the contractors. As I said earlier, I absolutely assure the Committee that the Minister did not take these decisions lightly. Taking the decision that he took in relation to the contractors was not on the basis that they were an easy touch. I absolutely assure you about that.

Mr Dallat: Maybe it is not entirely for your Department; it is for other Departments, such as the Finance Department. Surely, in a modern, civilised Western country, there must be a better way of handling public finances than for a Minister just to go on radio and television and scare the wits out of everybody about basic maintenance. I say this consciously: this week, we have surpassed the road fatalities for the whole of last year. Is there no sense of crisis in the Department about what has happened?

Ms McNeilly: The Minister and Department take the position very seriously. You can be absolutely assured that the decisions were taken very seriously. They were based on risk and looking at the safety measures. However, given that we do not have the funding, we cannot give out orders that we cannot then pay for. We would love to be giving the work out to the contractors, but given the budget baseline reductions that have been applied, we just do not have the money to pay for them.

Mr Dallat: You, Chairman, like Ross and I, are also a member of the Public Accounts Committee. Are we going to get another report in the future showing that millions and millions of pounds have been paid out in compensation claims for personal injuries and damage to vehicles because the Department did not fill the potholes?

Ms McNeilly: There is an acknowledged risk that public liability claims could go up because of not filling all of the potholes, but we have had to accept that level of risk because of the level of funding that is available.

Mr Dallat: Finally, do you not think that somebody who takes a risk like that with public money should be packing their bags?

Ms McNeilly: Absolutely not. I believe that the Minister was put in a very difficult position because of the budget reductions that have been applied by the Executive. A robust analysis was carried out across all the services provided by the Department. The first priority was to look to see how savings

could be made with the most limited impact on front line services. Of the £15 million, £7 million of savings have been found with little or no impact on front line services. In the past, the Department would have been able to transfer that £7 million around the Department to supplement the funding that was provided in road maintenance because it was all de minimis amounts. Aside from that, to get to the balance of £15 million, limited options were available, and the Minister had to make a very difficult choice based on knowledge of increasing public liability claims and safety issues. He just does not have the money to pay for this.

The Chairperson: We will move on. Before I call Cathal, on that point, that is where some of us get the impression that these contractors were the easy touch. You have just listed many examples, which just highlight the fact that they were the easy touch. Following on from the point that John made and which I made earlier about the Minister having no option but to make the announcement prior to having any consultation with the Committee at all, there was an opportunity whether it was recess or not. Committees can be recalled, and it has happened before.

Mr Ó hOisín: I do not want to rehash what others have said, but, on public liability, I received a reply to a question for written answer that I submitted some time ago about personal injuries and vehicle damage. I think that the figure that came back was absolutely substantial, so I believe that this is a false economy. Deborah, you talked about quite a number of the claims being rebutted — that is true — but somewhere in the region of 50% of them were successful. So, there is a divergence there somewhat.

Chair, when you were talking about when the announcement on street lighting came through, the words that you were struggling for was that it was incredibly emotive. The thing that older people latched onto immediately was street lighting. The other ones are equally as dangerous. Coming from a rural constituency, I know that, if the grass verges are not cut, you do not see properly at the junctions. I think that there are roads in my constituency where grass was not cut this year, and others were cut once, given the year that it has been. Likewise, a reduction in gully emptying can lead to flooding, water planing and all of that. Road marking is an obvious one as is traffic sign maintenance. They are very obvious ones. What was the divergence between the savings that can be made here and the risks? That is without bringing the human aspect into it. Others have covered that very well, and I look forward to seeing the alternatives that were looked for, which you asked for earlier.

There is one that stood out for me, and maybe you can clarify it for me, Deborah. It is the unforeseen issue on the A26 of £3 million. Can you clarify that, please?

Ms McNeilly: My understanding is that an unforeseen issue to do with custom and practice and trends was raised through the procurement process and that the Department had to go back and get legal advice, including QC advice, to inform the procurement process. That is what has led to a four-to-five-week delay.

Mr Easton: I am not having a go at you specifically, but —

Ms McNeilly: I am glad to hear it.

Mr Easton: I get on with the Minister and have never been critical, but I have to say that I am very disappointed at what is happening here. I know that other members have already raised points about the £11.9 million maintenance contracts that are having to be cut because of what is going on at the moment. I am particularly concerned about street lights because, just yesterday, a lady in Woodford Grange in Bangor was upset that she cannot get the street light repaired. It is very dark to the entrance of the street where she lives, and she is concerned for her safety. That is absolutely ridiculous, and I do not understand why there is not a stockpile of street light bulbs to replace that. Any competent business has a stockpile of things to be able to do work. Is there a stockpile of bulbs that could be used? That is my first question.

My second question relates to Translink's reserves. The Chair has already said that it is £57 million — I am not exactly sure what the figure is, but it is a lot of money. I also know that you have said that there is a £9 million loss coming in. If you take that £9 million from the £57 million, you have £48 million left. I do not see why the £11.9 million cannot come out of the £48 million for the street lights, maintenance, gullies, roads, signs and cutting of grass. I am disappointed that the Minister has not used his imagination to take it out of somewhere where it is not really needed. In my opinion,

Translink does not need that amount of reserves, because its fleet is pretty new, modern and up to date. That is why I am disappointed with the Minister, for the first time. That is where I am.

Ms McNeilly: There are two aspects to your question. The first relates to street lighting. Seventy five per cent of the work on street lighting was done by external contractors. There was a 25% internal resource. It is not spread evenly around the Province. Therefore, the costs involved there are as much about the men and the equipment going out. Even if you had a store of street lights, given the wonderful way in which budgets and accounts work, it would cost money to take them out of the store and use them, because —

Mr Easton: They should be there, though. Are they there?

Ms McNeilly: It hits your budget. I am not clear about how they manage that aspect of the business; that is done at the operational level.

The Chairperson: Deborah, can we find that out?

Ms McNeilly: We can see, certainly. The staffing of the work that the contractors undertook would probably be the bigger proportion of the costs. That would be a significant cost. There may well be some street lights sitting in stores for the internal resource to use.

Mr Easton: If you get me a cherry picker and give me one of those stored lights, I will go up and replace it.

Ms McNeilly: I suspect that you would need several years of training to do that; you might electrocute yourself.

Mr Easton: I can change a light bulb, so I am sure that I could do that.

Ms McNeilly: What was your second question?

Mr Easton: I do not know why the Minister cannot take the £11 million out of Translink's reserves, because I do not think that Translink needs that amount of reserves. I think that a bit of imagination is necessary. Is he looking at that?

Ms McNeilly: He is, absolutely, and he has been. Translink needs £15 million working capital to tick over, and then there is, obviously, the £9.3 million loss that is already planned to come out of the reserves.

Mr Easton: That is £23 million.

Ms McNeilly: £23 million. The Minister has not completely finished his considerations of the reductions. He has more aspects to look at, and the figures will be refreshed to see if the savings have been delivered as envisaged and if any of the assumptions around them have changed. When the Minister finishes his deliberations, he may well decide to further reduce the reserves.

Mr Easton: Take a bit out of that.

Ms McNeilly: Yes. It is a live issue.

Mr Easton: Does Northern Ireland Water have reserves as well?

Ms McNeilly: No. It is very much within the Department's budgeting regime.

The Chairperson: On my way here today, I was listening to 'The Nolan Show'; I am sure you have heard of it.

Ms McNeilly: Oh yes.

The Chairperson: There was a headline about what further cuts the Executive are facing. Your response to Alex about the £56 million cash balance was interesting. We have heard all the headlines about where the cuts are coming from. You said that £15 million was to come out of the £56 million for its normal working capital. That is a given; we accept that. That drops us to £41 million. We take out the other £9 million for concessionary fares. If I have done my maths correctly, that is £32 million. So, we are leaving it with a £32 million cash balance, when other Departments are facing a squeeze and when we are talking about parts of the population living in fear because of no street lighting. Cathal referred to £5 million for the estimates for repairs to damage. I think that the whole business case for where these cuts come has been foolhardy. As someone said, we are looking at £32 million where there is a relatively new fleet. Translink is holding that degree of a cash balance when other areas are under pressure. That is my first point.

My second point, and I think that reference has been made to the reliance on monitoring rounds, is that, from June 2011 to January 2014, your Department made 72 bids. Of those 72 bids for additional moneys, 61% were accepted. Again, what that tells me about the financial capability of the Department is that you are living with the begging bowl continually out and not planning appropriately for the future. It seems strange that there has been such a reliance on monitoring rounds since 2011. Even today, you are saying that you are making further bids. Your success rate has been 62%, but I suggest that the monitoring rounds should have been used to capture hidden or unforeseen things. It seems strange to me that there is a reliance on monitoring rounds in the Department. Maybe you will comment on that.

Ms McNeilly: Your first question was about NITHCo reserves. You are quite right that the £55 million is the net current assets figure. There were net liabilities against that already, at the end of the year, so its net assets are actually only £25 million. It needs to retain £15 million of working capital just to keep the money flowing around the system. There is obviously the £9.3 million loss, and, depending on the Minister's further considerations, that may well increase this year. Even assuming that concessionary fares are funded next year, a loss is expected to be incurred next year as well on Translink's numbers, and that does not even include any capital investment that it might make. Assuming that it has another £10 million loss next year, in 2015-16, the money is just disappearing. It has to remain as a going concern, and that is an aspect that is being looked at at the minute. The projections from a range of funding scenarios are being looked at for NITHCo to exactly examine the impact on its reserves and on its status as a going concern over the next 12 to 18 months. It is a very difficult picture, and it will not have anywhere near that level of reserves. Those reserves will be gone in 18 to 24 months' time, because it is working on the basis of a loss this year and a loss next year.

The Chairperson: Sometimes, I am described as a cynic, but I look at a £56 million cash balance and consider that other Departments have overspent. A report was done on Translink in the past, and its conclusion was fairly damning about Translink's capability to manage its own affairs. I suggest that that report has got it wrong, because if it can hold £56 million today when other Departments are scratching their heads wondering where they can get money from, I do not think that it tells a particularly good tale.

Mr Easton: I think that we need to get to the bottom of this Translink thing. It has such a modern fleet and up-to-date services and is still operating at potentially a huge loss. I think that, down the line, we need to find out why this is ongoing. When you have such an up-to-date, efficient fleet, why does this keep happening?

The Chairperson: If the Committee is happy, we could look into that further.

Ms McNeilly: The second question you asked was about the bids, our over-reliance on monitoring rounds to meet essential service delivery needs and the propensity of bids since 2011. That reflects the fact that the Department is very much of the view that essential services were not funded as part of the Budget 2011-15 settlement and that has left us in the position where we are over-reliant on in-year monitoring to meet basic service delivery needs.

The other aspect is that the Department has the capacity to spend capital at short notice on maintenance of the roads through structural maintenance and laying tarmac. The Department is viewed almost as a safety value, where we can get capital out on the ground at year-end when other Departments may not be able to, and we benefit from that. We are on record as having raised the issue that we are historically underfunded and that is why we have to rely on in-year monitoring. The Budget 2011-15 settlement did not fully fund the Department's needs.

The Chairperson: That reliance was something that your Minister signed up to as a member of the Executive. As to the capital spend and how good you are at that, it is unfortunate that, in DRD, the capital spend always comes in the winter months. For resurfacing roads, we are running around looking for contractors who are capable of completing the work on time, and we are resurfacing the roads in the winter months, when that surface is not going to last, rather than planning that further in advance.

We will have to bring that to a close for now. Thank you, Deborah and Stewart, for coming today.

Ms McNeilly: Thank you.