

**Committee for Infrastructure**  
**Response to the Committee for Finance**  
**Department for Infrastructure Draft Budget 2022-2025**

**Introduction**

1. The Minister for Infrastructure provided oral evidence to the Committee on a range of matters at its meeting on 19 January 2022 including the Draft Budget 2022-2025. The Committee received oral evidence from Translink on the Draft Budget at its meeting on 26 January 2022. Northern Ireland Water representatives attended the Committee on 2 February 2022 to provide oral evidence on the Draft Budget.
2. Translink and NI Water are two key policy areas under the remit of the Minister for Infrastructure. The COVID-19 pandemic has had a severe financial impact on Translink with loss of revenue from reduced passenger numbers. NI Water has suffered from a significant increase in energy costs in recent months which could, potentially impact on the company's status. The Committee heard from both organisations to assess their requirements for the Budget period.

**Department for Infrastructure Draft Budget 2022-2025**

*Proposed Ring-Fenced Allocations*

3. The table below provides information on the Department for Infrastructure (DfI) proposed ring-fenced allocations for each Budget year.

<b>Ring-Fenced Allocations Proposed (£m)</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
NI Water Price Control	13.0	11.9	12.1
Concessionary Fares	2.5	3.3	3.4

4. The Minister informed the Committee that the proposed ring-fenced allocations meet the bids submitted in full for these specific areas.
5. The Department was asked for the reasons for year-on-year variations in ring-fenced allocations. The Minister responded that the proposed ring-fenced allocation in respect of the Concessionary Fares Scheme reflects proposals to widen the scheme to new operators and to extend the scheme to include free travel for people with disabilities who currently pay half fare.
6. For NI Water the proposed ring-fenced allocation equates to the Price Control (PC21) assessment determined by the Utility Regulator.

### *Proposed Resource Funding*

7. The table below compares the baseline, the total resource requirement and the proposed resource budget for each budget year and also highlights inescapable pressures.

<b>Resource Funding (£m)</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Roll Forward Baseline	420.7	420.7	420.7
Inescapable Pressures	117	92.5	103.2
Total Resource Requirement	537.7	513.2	523.9
Total Resource Proposed (Budget)	443.8	448.2	450.4
Difference Between Required and Proposed	-103.9	-65.0	-73.5

### *Proposed Capital Funding*

8. The table below compares the Department's capital bid with the proposed budget capital allocation.

<b>Capital (£m)</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Dept for Infrastructure Bid	787.3	1,017.7	1,403.6
Dept for Infrastructure Proposed Allocation	767.0	821.7	822.7
Difference Between Bid and Proposed	-20.3	-196.0	-580.9

### *Translink Draft Budget*

9. The Translink Chief Executive Officer provided oral evidence to the Committee for Infrastructure on the 2022-2025 Draft Budget at its meeting on 26 January 2022.
10. The Committee was informed that the Department for Infrastructure had informed the organisation that, in the 2022-2025 draft budget proposed outcome, the Department would not be able to continue to provide the same level of service as provided in the 2021-22 year.

## **Summary of Key Issues**

### *Proposed Ring-Fenced Allocations*

11. Although the proposed ring-fenced allocation for NI Water reflects the PC21 assessment determined by the Utility Regulator, it does not address other inescapable pressures within NI Water including energy pressures. These amount to:

Year	NI Water Inescapable Pressure
2022-23	£23m
2023-24	£12m
2024-25	£11m

12. As Northern Ireland's largest electricity consumer, NI Water is highly susceptible to increases in energy prices. The Department informed the Committee that from September 2021 to the end of the financial year, the increase in inescapable energy costs for NI Water was estimated at £29.8m. This represents 22% of the organisation's entire resource budget for the full financial year.
13. The price of electricity is largely determined by the wholesale price of gas. Gas prices have more than doubled during the 2021-22 financial year. On 2 February 2022 the Utility Regulator stated that high energy costs were likely to continue for a further 36 months. This coupled with higher than expected inflation would have a very significant impact on NI Water's resource budget.

#### *Proposed Resource Funding*

14. There is a significant difference between resource requirements and proposed allocations. The Department is clear that the proposed allocations in the Draft Budget would present very significant challenges to Northern Ireland's infrastructure and to the services delivered by DfI. The Department considers it too early to comment on how resource allocations would be prioritised as it would depend on the extent to which allocations change in the final Budget.
15. One important issue which has been raised by the Department is that its needs a resource budget that is adequate to deliver capital projects. For example, a major road infrastructure capital project, considerable additional resource funding is required to undertake work such as policy and legislation development and scoping studies. Without this resource funding such capital projects cannot proceed.

#### *Proposed Capital Funding*

16. The Department's bid for Indicative Capital Requirements (excluding City Deals) is broken down in the following table.

Priority	2022-23 (£m)	2023-24 (£m)	2024-25 (£m)
Flagship	70.6	140.4	264.1
Inescapable	475.6	512	616.3
Pre-committed	62.6	27.9	45.5
High Priority	178.5	337.4	477.7
Total Bid	787.3	1,017.7	1,403.6
Difference from Proposed	-20.3	-196.0	-580.9

17. The Department has made no decisions on how the proposals in the draft budget would be allocated. The Minister informed the Committee that Year 3 of the draft capital budget allocations, in particular, presents a significant funding gap based on the Department's indicative capital requirements submitted, where there would be insufficient funding to address Flagship, inescapable and pre-committed schemes in total. This would require prioritisation of schemes over the budget period, which could result in the delay of some schemes into later years.

#### *Translink Draft Budget*

18. The Translink's view is that the scenarios considered in the Department's EQIA indicate that if the Department was unable to continue to provide the same level of service as provided in the 2021-22 year, this would lead to significant service reductions in public transport and the financial viability of Translink would become a serious issue. It is Translink's view that, if this was the outcome of the budget, then this would involve significant cuts to the bus and rail network, which would, in effect, lead to a managed decline of the public transport network in Northern Ireland, with a significant impact in rural areas.
19. Translink informed the Committee that the public transport network is currently managed with low levels of funding in the budget and a reliance on in-year bids to try and remain financially viable. This approach leads to an inability to plan for the future and undermines confidence with citizens. It also undermines confidence with our suppliers and pushes up risk premiums, thereby increasing costs.
20. According to Translink, this comes at a time when Governments across the world are investing in public transport to support a green recovery from Covid-19, address climate change and support social, economic, and environmental wellbeing. The health costs associated with air pollution in Northern Ireland are already on the rise with a projected 84 thousand new cases of disease between now and 2035, with expected costs of up to £635m.
21. Translink has ambitious plans for public transport in Northern Ireland. These include:
- Continued investment in sustainable public transport;
  - Decarbonising Translink's fleet;
  - Rail infrastructure upgrades to maintain and enhance the rail network;
  - Enhancing inter-city rail connections;
  - Delivering enhanced bus infrastructure;
  - Delivering flexible Contactless Ticketing; and
  - Enhancing bus and rail facilities.

22. These plans cannot be implemented without a commitment to appropriate long-term funding.

### **Conclusion**

23. The Committee recognises the challenges presented to the Executive by the competing priorities and pressures across departments for the provision of public services. Due to the COVID-19 pandemic these pressures have been exacerbated in the past two years. This has especially been the case in respect of priority areas such as Health, Education and the Economy.

24. The Committee is not optimistic that the final Budget allocation will differ significantly from what is proposed in the Draft Budget 2022-25. On that basis, the Committee recognises, as the Minister has stated, that the proposed Budget does not meet the Department's inescapable pressures. This will lead to difficult decisions on what can be prioritised and delivered by the Department over the Budget period. The Committee will expect the Minister and officials to consult appropriately with it to consider options and to obtain the Committee's views on prioritisation as required under Paragraph 20 of Strand 2 of the Belfast (Good Friday) Agreement which states:

*"The Executive Committee will seek to agree each year, and review as necessary, a programme incorporating an agreed budget linked to policies and programmes, subject to approval by the Assembly, **after scrutiny in Assembly Committees**, (emphasis added) on a across-community basis."*

25. The Budget is linked to policies and programmes at the Main Estimates stage. It is, therefore, prior to the finalisation of the Main Estimates that the Committee and its successor should expect to be appropriately consulted.

26. Key policy areas that the Committee will wish to see prioritised and progressed during the Budget period include:

- NI Water – water infrastructure and provision of safe drinking water and environmentally sound waste water treatment;
- Long-term investment in affordable and sustainable public transport;
- Active travel initiatives;
- Improvements to enhance road safety;
- Timely road maintenance, improvement and adoptions; and
- Key road and rail infrastructure projects.

27. In developing and finalising the final Budget 2022-25 the Executive must remain mindful of the important contribution Infrastructure makes to other important priority policy areas. This includes the contribution to health and wellbeing through active travel, decarbonising transport and reducing harmful emissions by getting people out of cars and on to public transport. There are also health

benefits to be gained by reducing road traffic accidents through improved road safety and road maintenance and by reducing the number cars on the road through enhanced and sustainable public transport. Improved road and rail infrastructure and public transport also help the economy by making Northern Ireland a more attractive place for businesses to locate and to invest. It also provides valuable jobs in the construction sector. These matters must be taken into consideration in the final Budget 2022-25.