

CENTRAL MANAGEMENT BRANCH



Paul Carlisle
Clerk to the Committee for Regional Development
Committee Office
Room 254
Parliament Buildings
BELFAST
BT4 3XX

Room 413c
Clarence Court
10-18 Adelaide Street
Belfast BT2 8GB

Telephone: (028 905) 41140
Facsimile: (028 905) 40064
Email: alan.doherty@drdni.gov.uk

Your reference: DALO/D18/2015
Our reference: SUB/185/2015

03 March 2015

Dear Paul

SUMMARY OF DEPARTMENTS ALLOCATIONS FOR 2015-16

The Final Budget 2015 was agreed by the Assembly on 19 January 2015.

Our Minister has considered the implications for the Department of the Final Budget settlement, and agreed allocations for the Department and its ALBs.

The Annex attached provides written briefing to the Committee which sets out the Final Budget allocations for the Department and the implications associated with those allocations.

As always, senior officials would be happy to meet with the Committee to discuss the detail of the attached briefing.

This letter and enclosures are fully disclosable under FOI.

Yours sincerely

[SIGNED]

ALAN DOHERTY
Departmental Assembly Liaison Officer

Final Budget 2015-16 Summary Paper

1. The following tables set out the changes from Draft to Final Budget.

DRAFT TO FINAL BUDGET - CURRENT EXPENDITURE ALLOCATION (£m)

	2015-16
2014-15 Opening Budget	344.6
Remove funding provided by Executive to support its decision to freeze car parking charges as part of its Economy and Jobs Initiative	-7.6
Remove funding provided for loss of income as a result of proposed sale of income generating assets	-1.5
2015-16 Opening Budget	335.5
Draft Budget proposed 15.1% reduction in funding	-50.7
Draft Budget allocation for Belfast Harbour Release of Value	20.0
Draft Budget allocation for Concessionary Fares Scheme (£9.5 million) and other pressures (£7.8 million)	17.3
Draft Budget 2015-16 Allocation	322.1
FINAL BUDGET CHANGES	
Additional Allocation– part of which was to offset pressure on Town services	5.0
Allocation to offset reduction in income due to transfer of off street car parks to Councils. So no additional spending power	6.0
EU Funding	0.5
Final Budget Allocation	333.6

- Removal of £7.6 million of funding provided under the Economy and Jobs Initiative to support the Executive's decision to freeze car parking charges -** Responsibility for off-street car parks is due to transfer to local councils from 1 April 2015 on the basis that they are fully funded at the point of transfer. Therefore the Department is unable to address the £7.6 million funding gap by increasing off-street car parking charges going forward.

- The allocation of £9.5 million will cover the estimated increase in the Concessionary Fares Scheme, bringing funding levels to £40.3 million in 2015-16. While this is welcome much of this funding was normally sought in monitoring rounds and the inclusion in the starting budget therefore masks the savings that the Department needs to make.
- A further allocation restores the £20 million taken from the budget in 2013-14 and 2014-15 in relation to generating income from the Belfast Harbour Commissioners. However in 2013-14 the money was provided at monitoring rounds and the Budget Review Group agreed to recommend the same in 2014-15. To date that money has not been returned and as a result DRD is likely to breach its control total in 2014-15. The allocation in 2015-16 avoids that problem but **does not provide any additional spending power to deliver essential frontline services.**
- The £6.0 million allocation for loss of income in relation to transfer of offstreet carparks to the Councils is resource neutral - **again this allocation will not provide the Department with any additional spending power and its inclusion in the starting budget can mean the total saving required by the Department appears less than is the reality..**

DRAFT TO FINAL BUDGET - CURRENT EXPENDITURE TOTAL REDUCTIONS REQUIRED

	2015-16 £m
Draft Budget Baseline Reductions	
Freeze on car parking charges	7.6
15.1% baseline reduction	50.7
Total	58.3
Allocation	-17.3
Net Reduction / Pressure in Expenditure Baseline	41.0
Add Pressures:	
NI Water Price Control (PC15) Draft Determination	15.0
Concessionary Fares to bring funding up to 2014-15 levels	9.5
Total Reductions Required at Draft Budget Stage	65.5
Final Budget Adjustments	
Allocation	-5.0
Additional Allocation of £6.0m for loss of carpark income provides no additional spending power.	-
Total Reductions Required at Final Budget Stage	60.5

Pressures Across each Business area

	Draft Budget £m	Final Budget £m
NI Water	15.0	5.0
Translink	15.0	13.0
Transport NI	31.5	38.5
Other Areas including Rural and Community Transport	4.0	4.0
Total Reductions	65.5	60.5

Impact of Budget Reductions

NI Water

2. NI Water has its required budget determined by NIAUR, the independent regulator whose Final Determination was issued on 10 December 2014. At draft budget NIW had a pressure of £15 million largely as a result of a massive rates revaluation. At that level of funding the company would not be able to meet its legal and licence obligations. To avoid this money has been moved from roads to reduce the shortfall to £5 million. Work will still be needed to assess changes to outputs required of NI Water because funding is not at the level required by the Regulator but NIW will be able to deliver a basic level of service.

Translink

3. Translink will record significant losses this year as a result of reduced funding from the Department. In the draft budget for next year it faced a £15 million reduction. Some additional funding in the Final budget has been allocated to safeguard key town services, however there remains a need for Translink to make efficiencies in administration and overhead costs, to review the frequency of some services and reduce its workforce.
4. The outturn for 2014-15 is also significantly different from original plans. In year funding for Concessionary Fares has been allocated as planned but there has been a reduction in other revenue grants to Translink of £10.3 million (£6.0m Public Service Obligation, £4.3m Fuel Duty Rebate) to help meet in-year reductions and reduce the Departmental pressures. As such Translink is now projecting a loss of £14.3 million.
5. At the beginning of 2014-15 the Translink Group had net assets of £25 million. Net current assets were £55 million. Translink currently expects its net assets to be close to nil at the end of this financial year and negative at end of 2015-16.
6. The 2015-16 Resource budget allocation for Translink is £61 million of Revenue funding. This would secure an additional £9.5 million of Concessionary Fares

funding to meet almost all of the anticipated demand, but also involve a reduction of £13 million in Resource funding for other areas.

7. Translink intends addressing the reduction to its funding through a series of measures. This includes an efficiency programme (£2.1m), service review and reorganisation (£5.0m) with the balance adding to its forecast in-year deficit (£5.9m). Translink will consult with passengers, local community representatives, politicians and other stakeholders on any proposed service rationalisation.
8. In summary, the current network will continue to operate although there may be some reductions in frequency on some service. Translink has now used up all available reserves and is not in a strong position to self fund significant capital investments after 2015-16.

TransportNI

9. As a consequence of addressing pressures in NI Water, further reductions are required from TransportNI. The Transport NI budget has limited room for flexibility as a result of two long term PPP arrangements and other contractual and staff related costs.
10. Against a gross expenditure funding envelope of some £158 million inescapable costs total almost £84 million, including:
 - £40 million necessary to meet long term PPP contractual commitments associated with the design, build, finance and operation of sections of the road network;
 - £21 million to fund NI Water for the management and maintenance of roads drainage infrastructure based on the Regulator's PC15 Determination;
 - £9.3 million is necessary for contracts for parking enforcement and charged car parking services;

11. TransportNI currently has around 1,840 full time equivalent staff in post of which just over 500 are industrial staff. In 2014-15 TransportNI total staff running costs, including general administrative expenditure, is expected to be in the region of £64 million. Whilst a significant reduction in staff costs is necessary, staff savings cannot be realised quickly through the voluntary exit scheme currently underway. Anticipated savings arising from this scheme and other admin efficiencies amount to some £3million.
12. Taking inescapable costs and anticipated staff costs together, the remaining funding available for external contractors, supplies including grit, fleet maintenance and fuel, and street lighting and traffic signal energy to support the delivery of street lighting and roads maintenance would be some £13 million. The annual cost of street lighting and traffic signal energy alone is over £11 million. A further £2 million is required to meet legal obligations associated with the inspection and testing of street lighting installations.
13. The budget will simply not provide for all basic service provision. The Minister will be seeking funding in June monitoring to cover basic services.

Community and Rural Transport

14. In view of the financial position there will also have to be reductions in funding to community and rural transport of £2 million from a starting budget of £ 7.9 million. The Department plans to work with the current providers to explore whether there are more efficient ways of delivering the service which is currently quite expensive on a cost per journey basis.

Capital

15. The Capital allocation of £328.3 million in 2015-16 is some £70 million less than projected expenditure in 2014-15.
16. The allocation will support:

- NI Water to invest in water and sewerage infrastructure although the funding available will be some £140 million against a Capital funding requirement set out in the NIAUR PC15 Draft Determination of £155 million;
- the completion, ahead of schedule, work on major roads schemes on the A8 (Ballyclare to Larne) and the A2 at Greenisland;
- work on dualling of the A26 between Glarryford and the A44 Drones Road, and on the A31 Magherafelt Bypass;
- continue to support cycling as a sustainable travel alternative to the private car, promoting specific projects including those facilitating journeys to school;
- progress of Belfast Rapid Transit;
- the commencement, subject to business case approval, of Phase 2 of the Coleraine / Londonderry rail line further enhancing rail services; and
- the replacement of the Strangford and Rathlin ferries.

17. However, the budget will constrain materially the amount of available for structural maintenance which is needed to keep the roads network operating effectively. Expert opinion suggests that around £130 million should be invested in structural maintenance each year, of which £120 million should be on capital funded activities, such as resurfacing. In recent years the Department has not been able to achieve that figure and will have invested almost £80 million in 2014-15. The budget for 2015-16 allows for some £22 million for capital structural maintenance and as a result the Department will bid in-year to supplement this level.

SUMMARY OF BUDGET 2015-16 ALLOCATION

Budget 2015-16 Resource Allocations

	£m
Department	162.9
Translink	61.0
NI Water	109.2
EU Funds	0.5
Total	333.6

Budget 2015-16 Capital Allocations

	£m
Department	142.1
EU Funds	2.8
Translink	42.9
NI Water	140.5
Total	328.3