

**From:** [Partridge, Jeff](#)  
**To:** [Coyne, Terence](#)  
**Subject:** FW: January Monitoring Technical Exercise - Note to DFP  
**Date:** 07 November 2016 10:08:34  
**Attachments:** [image001.gif](#)  
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Note to DFP on January Monitoring and AME exercise 5/1/16

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**From:** Brankin, Bernie [<mailto:Bernie.Brankin@detini.gov.uk>]  
**Sent:** 05 January 2016 15:11  
**Subject:** FW: January Monitoring Technical Exercise - Note to DFP

Michelle

I attach the DETI letter on January Monitoring which is currently uncleared by our Minister.

Bernie

## **Bernie Brankin**

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Emer Morelli  
Department of Finance and Personnel  
Rathgael House  
Balloo Road  
BANGOR  
BT19 7NA

5 January 2016

Dear Emer,

### **JANUARY MONITORING TECHNICAL EXERCISE 2015-16 AND AME FORECAST 2015-16**

1. This letter covers the DETI contribution to the January Monitoring Technical Exercise, together with the AME forecasting exercise. Finance Branch has forwarded the detailed supporting information to Central Expenditure Division.

#### **Key Mainstream Proposals**

2. We have consulted all DETI business areas. The key DETI monitoring proposals are set out below:

**Table 1 – Summary of Reduced Requirements and Pressures**

	<b>Resource £M</b>	<b>Capital £M</b>	<b>FT Capital £M</b>
Substantive easement	(1.2)	-	-
De minimis easements	(1.2)	(0.5)	-
NI Science Park – FTC Reduced Requirement	0	0	(6.1)
NI Science Park – Mainstream Capital Bid	0	6.1	0

#### **Reduced Requirements**

3. DETI has already advised DFP of our reduced requirements of **£2.4M Resource, £0.5M Capital, and £6.1M Financial Transactions Capital** which are available for potential reallocation to meet pressures in other departments. The reduced requirements comprise the following:
  - **Invest NI £1.2M Additional Resource receipts:** Invest NI is forecasting additional Resource receipts mainly relating to two material clawback cases that have come to light subsequent to November monitoring.

- **Tourism NI £0.7M Resource:** Tourism NI has estimated a foreign exchange gain of £0.6M Resource in respect of EDRF receipts due to the strength of sterling against the euro in 2015-16, and a £0.1M Admin reduction due to unforeseen staff turnover.
- **DETI Resource £0.5M:** Comprising an increase in forecast Insolvency Service fee income, lower than forecast costs and an easement due to a delay in commencing the HILS Hub project, which is funded under the ring-fenced Change Fund.
- **Invest NI £0.5M Additional Capital Receipts:** Invest NI has identified additional Capital Receipts of £0.5M clawback due to the abandonment by a company of an SFA project that came to light after the November monitoring round.
- **DETI HQ £6.1M Financial Transactions Capital:** £6.1M of Financial Transactions Capital is being released as Treasury has confirmed that Mainstream Capital should be used for refinancing proposals as opposed to Financial Transactions Capital. The funding was being held for the refinancing of the Northern Ireland Science Park Concourse 11 building. A consequential bid for £6.1M direct Capital is required in order to enable the refinancing proposal to proceed within 2015-16.

## Substantive Bid

4. As noted above, £6.1M of Financial Transactions Capital is being released as Treasury has now confirmed that Mainstream Capital should be used for refinancing proposals as opposed to Financial Transactions Capital. A consequential bid for £6M direct Capital is required in order to enable the refinancing of the Northern Ireland Science Park Concourse 11 proposal to proceed within 2015-16.

## De Minimis Pressures and Adjustments (individual amounts below £1M)

5. We are proposing a range of internal reallocations to meet a number of **de minimis pressures** comprising **£55k Administration, £241k Resource** and **£944k Capital** from de minimis reductions.
6. The de minimis reallocations include the following:
  - **£54k Admin** to fund the Ulster University Business School to provide research and secretariat support for the Energy and Manufacturing Advisory Group;
  - **£206k Resource one-off addition** to InterTradelreland to fund additional programme activities. Whilst this would represent a one-off 8% increase for 2016 on DETI's 2015 calendar year funding, it would still represent a cumulative decrease of 12% on the 2013 calendar year and as such complies with North South guidelines. Supply and CED colleagues have confirmed that they would recommend this one-off increase in funding when considering the InterTradelreland 2016 Business Plan. The 2016 calendar year Business Plan would note that

this one-off allocation would be removed from 2017, so the starting point for DETI's 2017 funding prior to reductions would be £2.583M;

- **£760k Capital** to Telecoms Branch for the NI Broadband Improvement Project (NIBIP) to replace ERDF funding that will not now be able to be drawn down to fund this project;
- **£184k Capital** to Insolvency Service for a replacement ICT Application, representing an initial milestone payment; and
- **£1k Admin** and **£35k Resource** for a number of smaller pressures across the department.

## **Other Mainstream Internal Reallocations**

6. A number of other internal reallocations are proposed in this monitoring round to realign budgets with forecast expenditure, the most significant of which include the following:
  - Invest NI reallocation of £5.7M from Capital Grant to Capital to realign budgets with forecast requirements for loans and venture capital; and
  - Invest NI has allocated £28.0M to reflect its end-year grant provisions requirements.
7. There are also a number of other minor internal reallocations to realign budgets to business needs.

## **EU Internal Reallocations**

8. A number of self financing EU internal reallocations increasing and reducing EU expenditure supported by EU receipts are required, the most significant of which are as follows:

### ***EU Competitiveness Programme***

- £5.8M Resource decrease and £1.2M Capital decrease in Invest NI EU expenditure and receipts to realign EU budgets with forecast requirements; and
- £1.4M Capital reduction in the ERDF requirement for the Northern Ireland Broadband Improvement Project.

## **Technical Transfers**

9. A number of technical transfers to and from other departments need to be effected in this monitoring round. These include the following transfers:
  - £50k Resource from Invest NI to the Department of Education for the "It's Your choice" programme;

- £13k Resource from Invest NI to the Department of Education for the “Stock Market Challenge” programme; and
- £18k Resource from OFMDFM to Invest NI for financial and marketing appraisal work.

## ANNUALLY MANAGED EXPENDITURE FORECASTING 2015-16 ONWARDS

10. A number of adjustments to 2013-14 AME budgets are required, with the main items set out below:

- **Invest NI Revaluation of Assets:** Invest NI has set up a revaluation of assets budget of £6M to reflect a similar revaluation impairment for its property and loan book portfolio to that of 2014-15.
- **Invest NI Provisions – Set up / Additions:** The AME budget for set up/additions to provisions is set at £31.5M. The latest forecasts based on current levels of financial assistance show a grants provision requirement of £40M, an increase of £8.5M. However, it is also projected that Invest NI will utilise £28M from the provision, and they have reallocated £23M Resource DEL and £5M Capital DEL to utilisation of grant provisions budgets in line with established accounting practices (see paragraph 6 above), which is also reflected against release of provisions AME budgets.
- **Tourism NI Pension Liability:** Tourism NI has increased its pension liability by £1.185M to reflect its estimated increase in overall liability in 2015-16.
- **H&W Asbestosis Provision:** The set up of this provision has decreased by £1.972M due to a reduction in the forecast total provision required following a review of future estimated cash flows. The release of H&W Provision is also reduced by £1.990M to reflect the reduction in expenditure versus original budget of £7.0M on Harland & Wolf plc’s liability for asbestosis claims in the current financial year.
- **DETI Revaluation of Assets:** An AME asset revaluation budget is required to reflect an IFRS fair value adjustment of £5.588M in relation to the carrying value of the TELLUS database. A consequence of the Government’s Open Data Strategy which was launched in 2015 is that the original TELLUS data is now available for free, and the carrying value of the database has therefore been written down.
- **Energy Division** increased the Resource AME budget by £11.3M in June Monitoring to cover anticipated costs of the Renewable Heat Incentive scheme. A further increase of £7.2M is now forecast to be required, bringing the total forecast budget for 2015-16 to £29M. An increase in the Capital AME budget of £0.023M is also required in regard to increased forecast requirements under the Non-Domestic Scheme.

- **Abandoned Mines Provision:** The release of Abandoned Mines Provision is reduced by £0.150M to reflect lower than previously forecast expenditure in the current financial year.
- **HRCS** has decreased the set up in provisions for early retirement by £0.020M and decreased the release of provision by £0.008M to align these budgets with forecast requirements.

## Assurance Statement

11. I can confirm that the Accounting Officer is satisfied that the forecasts represent the most robust and accurate assessment that can be prudently provided at this stage of the year. However, the following areas of risk should be noted:

- There may be a potential risk due to the impact of the declining Euro on the sterling value of DETI's EU Sustainable Competitiveness Programme allocation. If the current exchange rate were to prevail and full expenditure forecasts achieved, the programme would be over-committed by less than £1M. European Support Unit (ESU) is proactively managing the situation with the co-operation of some of the larger Programme Intermediate Bodies, and believes this risk can be managed.
- ESU has also confirmed the final error rate is 0.83%, which will have no financial impact other than minor adjustments within the Invest NI portfolio of projects.
- Drawdown of the £6.1M Capital in regard to the Northern Ireland Science Park is dependent upon the case receiving DFP approval. Economic Policy Division has confirmed that the Science Park has secured Belfast Harbour Commission acceptance of a change in the notice period in regard to the refinancing proposal to 23 January.

12. The January Monitoring Technical Exercise and AME Forecast returns have been cleared with the DETI Minister.

**TREVOR COOPER**

cc Andrew McCormick  
Eugene Rooney  
Chris Stewart  
Bernie Brankin  
Stephen Barrett  
Michelle Scott  
Angela Millar  
Jeff Partridge