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OCTOBER MONITORING 2012/13 AND REVISED FINAL OUTTURN 2011/12

Issue: Departments have been asked to identify reduced requirements, bids, proposals for reallocations to meet emerging pressures and details of any technical issues to be addressed as part of October Monitoring.

Timing: **URGENT.** Written Briefing is due with the ETI Committee by noon on Monday 24 September, and October Monitoring will be discussed at its meeting on Thursday 27 September. Should DFP confirm that it is briefing the DFP Committee on Departments' Final Outturn, we would also intend to brief the ETI Committee on DETI Final Outturn. October Monitoring returns are due with DFP by Wednesday 3 October.

Need for referral to the Executive: Executive approval is required for in-year monitoring rounds. DFP is in the lead.

Presentational Issues: There may be reaction to the proposed release of £9.5m Resource budget relating to nitrates and the disposal of waste litter from the chicken industry. In relation to Final Outturn, a number of departments have had similar adjustments relating to CFER amounts, and DFP has confirmed that it will brief its Committee at a Block level rather than Departmental level.

Freedom of Information: It may be possible to claim exemption for this submission as policy under consideration.

Programme for Government /PSA Implications: None identified at this stage.

Financial Implications: Ring-fenced Invest to Save Resource budget of £9.5m will be released for consideration by the Executive in October Monitoring, £2.0m receipts have been identified in Invest NI as a result of a change in

technical classification of receipts, European Support Unit are releasing ring-fenced Interreg Match Funding of £0.5m Resource and £0.4 m Capital Grant, and the Consumer Council has identified £0.16 non cash easements. The deminis bid of £0.75m in relation to the Giro D'Italia will be presented to the ETI Committee as an allocation in relation to a prospective Tourism event.

Legislation Implications: Not Applicable.

Statutory Equality: High-level Impact Assessments have been completed for all in-year monitoring proposals.

Recommendation:

- a) That you consider the information below and confirm that you are content that we include the matters set out in this minute in the DETI submission to DFP.
- b) That you also confirm that you are content for this material to be used to prepare briefing for the ETI Committee. It is not proposed at this stage that the 2011/12 Final outturn of the Department is provided to the Committee given that DFP is providing the information to its Committee at Block level.

Background

1. Following the outcome of the June Monitoring Round the remaining level of overcommitment is £6.5 million non-ringfenced resource expenditure and £12.7 million capital investment.
2. The focus in this monitoring round continues to be on managing the overcommitment while ensuring that the Executive makes full use of the available spending power. This is particularly important in the context of the current economic climate and the Budget Flexibility scheme agreed with HM Treasury. This means that the capacity to address any existing or emerging pressures will depend heavily on the extent to which departments surrender reduced requirements for reallocation.
3. We have consulted all DETI business areas. A full summary of the DETI October monitoring adjustments, in tabular form, is attached at Annex 1. The key DETI monitoring proposals are summarised in **Table 1** below:

Table 1: Summary of proposed adjustments

£ millions	Resource	Capital Grant	Capital	Total
Ring fenced budget				
Invest to Save reduction - Nitrates	(9.5)			(9.5)
	<u>(9.5)</u>			<u>(9.5)</u>
Easements				
Invest NI - technical change in classification of additional receipts	(2.0)			(2.0)
ESU – Ring Fenced Interreg IVA Match Funding	(0.5)	(0.4)		(0.9)
Consumer Council – Non Cash depreciation	(0.2)			(0.2)
Sub-total	(2.7)	(0.4)		(3.1)
Reallocations to meet Exchange Rate Pressure*				
H&W Asbestosis	(1.2)			(1.2)
BSP Exchange Rate Loss	1.2			1.2
Sub-total	0			0
<u>TOTAL ADJUSTMENTS</u>	<u>(2.7)</u>	<u>(0.4)</u>		<u>(3.1)</u>

**DFP may be able to transfer funding to meet this pressure, otherwise it is proposed to reallocate from H&W payment provision (see paragraphs 9 & 10).*

Easements

Nitrates ring fenced budget: £9.5m Resource

- The Department and Invest NI have been exploring potential options for resolution of the problems raised by the EU Directive in relation to Nitrates and the disposal of waste litter from the chicken industry. Pending resolution, the £10m ring fenced budget allocation had been held in the expectation that it may be required to address the issue. This allocation cannot be used for any other purpose than that for which approval was initially granted. It is now proposed to release £9.5m Resource Invest to Save funding for this initiative this year. Budget of £5m is allocated in both 2013/14 and 2014/15, and we are seeking clarification on any projected requirements going forward.
- With regard to the remaining £0.5m in 2012/13, Innovation Policy Unit (IPU) are at an early stage of discussions on scoping a project using the Technology Strategy Board's SBRI programme to accelerate the development of alternative technologies to help NI meet its obligations under Nitrates. IPU are seeking to progress this project as a priority, and the aim is to launch a project in late 2012 or early 2013 at the latest.

Technical change in classification of additional receipts of £2.0m

6. Receipts in Invest NI of £2.0m, which would have historically been classified as Consolidated Fund Extra Receipts, have now been classified as Resource DEL Accruing Resources. The generation of the £2m additional receipts in Invest NI and the change in treatment thereof means that they can be utilized by the Block.

Ring-fenced Interreg Match Funding - £0.5m Resource and £0.4m Capital Grant

7. Following discussions with SEUPB and the Interreg IVA team, DETI European Support Unit has identified a reduced requirement in ring-fenced match funding of £504k Resource and £380k Capital Grant, together with associated EU expenditure supported by EU receipts of £1,510k Resource and £1,140k Capital Grant. The reduction is due to expenditure in approved projects being slower than had been anticipated by SEUPB and the project promoters.

De Minimis Reduction of Non Cash

8. The Consumer Council has declared a £0.16m release in its Resource Non Cash depreciation budget following a review of its fixed assets.

Exchange Rate Losses on the Building Sustainable Prosperity Programme

9. Following the closure of the Building Sustainable Prosperity Programme and the payment of the final claim to DFP a £2.3m pressure has arisen as a result of exchange rate losses. The pressure falls on DETI Core (£1.2m), Invest NI (£0.5m) and NITB (£0.6m).
10. DFP may be able to transfer funding to meet this pressure but cannot finalise their position to later in the week. If DFP are unable to fund this pressure, it is proposed to meet the DETI Core pressure by reallocating £1.167m from the H&W asbestosis payment provision. This budget would be made available as a result of uncertainties around the forecast uptake of claims against the £8m budget allocated for 2012/13. Invest NI will absorb their £0.504m pressure from within existing resources, and we propose to defer the £0.584m pressure in NITB until January Monitoring.

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

11. We are proposing to meet a number of de minimis pressures comprising £343k Administration and £1,406k Resource from de minimis reductions in Admin, Resource and Resource Non Cash budgets. The de minimis bids include the following:

De Minimis Bids

- **£750k Resource** is required by NITB in the event of a successful bid to host the Giro D'Italia Grande Partneza 2014, together with £750k EU expenditure supported by EU receipts. The total cost of the project

will be £1.5m Resource supported by £1.5m EU expenditure and receipts. The outcome of the bid will be known by early October, and if successful NITB will be required to provide half of the budget by the end of this financial year.

- **£343k Administration** to meet minor pressures across the department, to be funded from corresponding adjustments in Administration budgets, including £82k for external consultancy;
- **£180k Resource** is required to cover inescapable Resource Admin pressures;
- **£150k Resource** is required by Insolvency Service for additional company inspections;
- **£100k Resource** is required by Tourism Policy Branch for transfer to NITB to cover essential repair and maintenance work on HMS Caroline;
- **£60k Resource** is required by Energy Branch for additional Renewable Heat Incentive Scheme set up costs;
- **£166k Resource** to meet a number of smaller pressures across the department.

Analysis of Invest NI Budget Requirements

12. Invest NI percentage expenditure versus budget in the first five months of 2012/13 has increased compared to 2011/12 and is shown in the following table:

Table 2: Invest NI Expenditure Comparison April - August

Expenditure Period	Expenditure / £m	% of Invest NI June Monitoring Budget excluding Nitrates £10m
Apr-Aug 2012/13	47.5	33.3
Apr-Aug 2011/12	28.3	19.2

13. For comparison purposes we have excluded the £10m ring fenced Invest to Save allocation for a Nitrates solution from Invest NI's Current expenditure budget. Invest NI's Current expenditure to date has been steady and the forecast current expenditure profile is relatively flat, with only a modest increase in the last quarter.
14. In terms of gross capital expenditure, Invest NI is ahead of the position for the same period in 2011/12, with £12.0m gross expenditure in 2012/13 versus £3.8m gross capital expenditure in the same period in 2011/12.

15. Forecast expenditure for 2012/13 displays a sizeable increase in forecast capital expenditure compared to last year - £32.1m versus £15.6m. Therefore whilst capital expenditure in the first five months of this financial year has increased, this is against a background of an increased budget and Invest NI has stated that they have little contingency should projects not proceed as expected. Finance Branch will continue to closely monitor the position as the year progresses.

External Consultancy

16. Following adjustments to Final Outturn for 2011/12, expenditure on external consultancy for DETI and our NDPBs is £1,801k against a target of £3,032k, representing a 46% reduction in expenditure against 2010/11.
17. The Executive set a target of 10% year on year reductions in external consultancy spend. Normally year-on-year reduction targets are set against the last year's final outturn baseline of the previous budget exercise i.e. 2010/11 Final Outturn.
18. A number of projects previously classified as External Consultancy have now been reclassified in line with revised DFP guidance, which has slightly eased the pressure on the External Consultancy budget.
19. The current position for external consultancy costs in DETI core is set out in the table below:

Table 3: External Consultancy Summary

Business Area	2010/11 £000s	2011/12 £000s	Proposed 2012/13 £000s	Projected 2013/14 £000s	Projected 2014/15 £000s
DETI HQ	1,952	877	1,338	694	541
Invest NI	1,166	905	250	450	405
NITB	210	19	17	15	14
HSENI	0	0	0	0	0
CCNI	10	0	0	0	0
Total	3,338	1,801	1,605	1,159	960

20. It should be noted that whilst the overall External Consultancy spend for DETI including ALBs is reducing year-on-year within the 10% restrictions set by DFP, the DETI HQ spend increases in 2012/13 compared with 2011/12. This is mainly due to two 'one-off' inescapable pressures in 2012/13 of £224k for Telecoms projects and £200k for project work on the delivery of Titanic and Maritime Heritage assets. At this point we are also projecting some headroom in 2013/14 and 2014/15 should we be required to meet emerging pressures.

Mainstream Internal Reallocations

21. The most significant internal reallocations proposed in this monitoring round are set out below:

- Invest NI are required to reallocate £7.5m Resource and £3.5m Capital Grant from existing budgets to be identified separately as use of provisions;
- Realignment of Invest NI capital budgets is required: £10.9m had been incorrectly coded on the DFP database, £2.5m has been reallocated from Property Services in line projections of current requirements, and £1.25m is required to cover a shortfall in Capital receipts; and
- Reallocations totalling £2.8m are required within NITB to realign Resource budgets with expenditure profiles.

Further details on these proposed technical internal reallocations are set out in **Annex A**.

EU Internal Reallocations

EU Competitiveness Programme

22. A number of self financing EU internal reallocations increasing and reducing EU expenditure supported by EU receipts are as follow:
- £880k Resource and £500k Capital Grant reductions due to market conditions;
 - £750k Resource increase in NITB EU expenditure and receipts is required by NITB in the event of a successful bid to host the Giro D'Italia Grande Partneza 2014; and

EU Interreg Programme

- £1,510k Resource and £1,140k Capital Grant reductions in European Support Unit EU expenditure and receipts as expenditure in approved projects is slower than had been anticipated by SEUPB and the project promoters.

Technical Transfers

23. A number of technical transfers to and from other departments need to be effected in this monitoring round. This will have the net effect of reducing DETI's budget by £0.9m, and include the following transfers:
- £500k Resource from Invest NI to DEL for the Jobs Fund Employer Subsidy;
 - £290k Resource from Invest NI to DEL for an R&D project;
 - £200k Resource from Invest NI to DCAL for "Decade of Centenaries;"
 - A range of smaller transfers in and out of the department with a cumulative net effect of a £129k inward transfer.

NITB is retaining the £650k to carry out capital works to build a riverside walkway (Public Realm Works) to create linkages across key elements in the Titanic Quarter area and therefore there will be no transfer to DSD.

Annually Managed Expenditure Forecasting 2012/13

24. The only significant AME adjustments proposed are:

- Energy Division have reduced the Renewable Heat Incentive AME budget by £4.3m in 2012/13 and reclassified £0.6m from Resource AME to Capital AME. The reduction is due to a delay in commencement of the scheme and experience gained from the launch of the scheme in GB, where the uptake has been significantly lower than anticipated. The switch from Resource AME to Capital AME is required as Premium Payments under the RHI Scheme are Capital Grant payments towards renewable heat installations, ideally in domestic properties. Treatment of Premium Payments as Capital is consistent with GB approach.
- Invest NI have reallocated budgets in line with current requirements, and have also reduced their budget for grant provisions by £6.5m in this financial year as a result of a decrease in activity due to the current economic climate.

Assurance Statement

25. Statements of assurance have been obtained from DETI Senior Managers and NDPB Chief Executives confirming that they are satisfied with the forecasts provided by their business areas. DFP has asked Accounting Officers to confirm that the forecasts represent the most robust and accurate assessment that can be prudently provided at this stage of the year. On the basis of the returns from DETI business areas and our overall assessment of the Invest NI budget noted at paragraphs 12 to 15 above, I am content to recommend that the Accounting Officer endorse the return on this basis. However, the following areas of risk should be noted:

Harland and Wolf Provision

- It is difficult to forecast expenditure against the £8m budget for Asbestosis and Pleural Plaques, given that the level of asbestosis claims is dependent upon the pattern of former H&W employees in contracting the illness, and uncertainties around the timing of payment of 300 pleural plaques claims in hand. If we do not use £1.2m of this budget to address the exchange rate loss, it is proposed to hold the £8m budget as we should be in a better position in the next monitoring round to gauge the level and timing of payments.

Telecoms Broadband Project

- Telecoms Policy Unit's (TPU) budget allocation includes Capital budget of £1.25m for a broadband project, expenditure against which is dependent on the conclusion of a procurement exercise. The contract award is targeted for early 2013, and therefore any slippage in the completion of this exercise would impact on TPU's ability to fully utilise this budget in the 2012/13 financial year.

NITB Capital Grant

- NITB have expended just £55k of their Capital Grant budget of £6.5 million. 68% of the remaining budget is forecast to be spent in the final four months, posing a significant risk to NITB and Departmental spending targets. NITB have been asked to provide Finance Branch with an assessment of the risks associated with delivering these projects on schedule, and for details of any contingency plans in place in the event of slippage. A DETI Finance / NITB Liaison meeting is to be initiated to discuss this matter.

Revised Final Outturn and Budgetary Performance – 2011/12

26. We reported Final outturn to the Minister and DFP in August as set out in the table below:

Table 4: Reported DEL Final Outturn 2011/12

Expenditure Category	Final Plan / £000	Final Outturn / £000	Under (Over) spend / £000	%
Resource	187,987	183,275	4,712	97.5
Capital	242,746	242,381	365	99.8
Total DEL	430,733	425,656	5,077	98.8

Consolidated Fund Extra Receipts (CFER) Issue

27. When Final Outturn 2011/12 was commissioned by DFP for return in mid August, they requested that Non Budget CFER income should be recorded and identified separately on the DFP database for completeness of information. This had never been requested in previous years, and had not been requested as part of Provisional Outturn 2011/12.

28. An examination of the Non Budget CFER items confirmed that all of the Invest NI items totalling £2.085m should be classified as accruing resources. Of the remaining Non Budget CFER income across DETI and HSENI, £0.12m and £0.18m respectively have been incorrectly classified by the relevant area.

29. Revised Final Outturn is set out in the table below:

Table 5: Revised DEL Final Outturn 2011/12

Expenditure Category	Final Plan / £000	Final Outturn / £000	Under (Over) spend / £000	%
Resource	187,987	180,789	7,198	96.2
Capital	242,746	242,381	365	99.8
Total DEL	430,733	423,170	7,563	98.2

30. Our target is to deliver an end year outturn of at least 98% of the Resource Departmental Expenditure Limit (DEL) and 97% of the Capital DEL. We narrowly missed the Resource target achieving an outturn of 97.5%. This was caused by underspending across most business areas. Correcting the Non Budget CFERs to accruing resource reduces our Resource DEL outturn by a further 1.3%. The Capital target was exceeded with a 99.8% outturn achieved. Normally only provisional outturn is published so we are not anticipating that Final Outturn will be published. Should however DFP confirm that it is briefing the DFP Committee on Final Outturn at a departmental level, I am seeking the Minister's agreement that we would brief the ETI Committee on DETI Final Outturn.

Recommendation

31. That the Minister notes the above and, if content, confirms that DETI can present these Monitoring proposals to DFP. Given that DFP is briefing its Committee on Final Outturn at a Block level as opposed to at individual departmental level, it is not proposed at this stage that the ETI Committee receives briefing on Final Outturn
32. I would be happy to discuss.



TREVOR COOPER

cc Colin Lewis
David Thomson
Alastair Ross, MLA,
Alan Lamont
David Beck
Jeff Partridge

**SUMMARY OF OCTOBER 2012 MONITORING ADJUSTMENTS
(MAINSTREAM)**

	2011-12 OCTOBER MONITORING ADJUSTS				
<u>MAINSTREAM BUDGETS</u>	Admin	Resource	Capital Grant	Capital	Total
<u>1. Ring-fenced Budget</u>					
Ring Fenced Invest to Save - Nitrates		-9,500			-9,500
<u>2. Easements</u>					
Invest NI – Additional receipts		-2,000			-2,000
ESU – Ring Fenced Interreg IVA Match Funding		-504	-380		-884
CCNI – Non Cash depreciation		-161			-161
<u>2.Total Easements</u>	0	-2,665	-380	0	-3045
<u>3. De Minimis Reduced Requirements to meet De Minimis Bids</u>					
CAB – Debt Advice Receipts		-783			-783
DETI – Admin Other	-343				-343
Insolvency Service – Additional Receipts		-200			-200
CAB – Reduced marketing activity for Consumerline		-105			-105
Social Economy – delay in the delivery of a Social Economy Work Programme		-70			-70
HRCSD – Reduction in Resource Programme		-70			-70
CCNI – Depreciation Non Cash		-58			-58
EDPR - Reduction in Resource Programme		-57			-57
Minerals – Reclassification of Consultancy		-25			-25
Telecoms – Remote Broadband Services		-25			-25
Credit Unions – reduction in amount required to support trade bodies.		-10			-10
Telecoms – reduction in Branch Consultancy		-3			-3

	2011-12 OCTOBER MONITORING ADJUSTS				
<u>MAINSTREAM BUDGETS</u>	Admin	Resource	Capital Grant	Capital	Total
3. Total De Minimis Reduced Requirements used to meet Deminis Bids	-343	-1,406	0	0	-1,749
4. De Minimis Bids met by De Minimis Reductions					
NITB – Giro D'Italia		750			750
Minerals – Petroleum Licensing – External Consultancy	25				25
Telecoms – Outgoing Projects – External Consultancy	57				57
DETI Admin – other	261				261
Insolvency Service – Resource Admin pressure due to additional workloads		180			180
Insolvency Service – Company Inspections		150			150
Tourism – HMS Caroline		100			100
Energy – Delivery of the RHI Scheme		60			60
EPD – Pension Costs		66			66
Insolvency Service – Overtime costs		35			35
Insolvency Service – GAE		27			27
EPD – MATRIX Work Programme		20			20
CCNI – Overtime Costs		15			15
ACB – National Fraud Initiative		3			3
4. De Minimis Bids	343	1,406	0	0	1,749
NET De Minimis Bids and Reduced Requirements	0	0	0	0	0
5. Internal Reallocations					
H&W – Utilisation of Provisions		-1,167			-1,167
DETI – Foreign Exchange Rate Loss		1,167			1,167
Invest NI – Reallocation to reflect utilisation of provisions		-7,500	-3,500		-11,000

	2011-12 OCTOBER MONITORING ADJUSTS				
<u>MAINSTREAM BUDGETS</u>	Admin	Resource	Capital Grant	Capital	Total
Invest NI – Reallocation to reflect utilisation of provisions		7,500	3,500		11,000
Invest NI – Realignment of capital budgets across budget codes in line with profiled requirements				-10,949	-10,949
Invest NI – Realignment of capital budgets across budget codes in line with profiled requirements				-2,540	-2,540
Invest NI – Realignment of capital budgets across budget codes in line with profiled requirements				12,239	12,239
Invest NI – Adjustment in capital budget to address shortfall in capital receipts				1,250	1,250
NITB – Realignment of budget from old ERDF line		-1,510			-1,510
NITB – Realignment of budget from NI Events		-1,289			-1,289
NITB – Realignment of budget to Promotion & Marketing		2,799			2,799
Invest NI – Reallocation to TIL iro KLM Route		-375			-375
TIL – Reallocation from Invest NI iro KLM Route		375			375
Invest NI – Reallocation to resource grant due to reclassification of consultancy		250			250
Invest NI – Reallocation from consultancy due to reclassification		-250			-250
ITI – Reallocation to address shortfall in programme expend from salaries		-191			-191
ITI – Reallocation to address shortfall in programme expend		191			191
ITI – Reallocation iro pension costs		-66			-66
ITI – Reallocation iro pension costs		66			66
HSENI – reallocation from admin		-100			-100
HSENI – reallocation to programme expenditure		100			100

	2011-12 OCTOBER MONITORING ADJUSTS				
<u>MAINSTREAM BUDGETS</u>	Admin	Resource	Capital Grant	Capital	Total
HRCS – reallocation from seconded staff expend		-100			-100
HRCS – reallocation to shortfall in seconded staff receipts		100			100
ASU – reallocation of GAE	-85				-85
EPD – reallocation of GAE	85				85
Telecoms – reallocation from salaries	-16				-16
Telecoms – reallocation to consultancy (GAE)	16				16
CCNI – Realignment of depreciation budgets		-9			-9
CCNI – Realignment of depreciation budgets - intangibles		9			9
CCNI – Reallocation of expenditure due to additional receipts		6			6
CCNI – Reallocation of expenditure due to additional receipts		-6			-6
<u>5. Total Reallocations</u>	0	0	0	0	0
<u>6. Technical Transfers</u>					
Invest NI – Transfer to DEL iro Jobs Fund		-500			-500
Invest NI – Transfer to DEL iro R&D project		-290			-290
Invest NI – Transfer to DCAL iro Decade of Centenaries		-200			-200
HSENI – Transfer from DOJ iro Compliance Officer		38			38
ESU – Transfer to DARD iro Technical Asst - Match		-10			-10
ESU – Transfer from DFP iro Technical Asst - Match		18			18
Invest NI – Transfer from DFP iro Technical Asst - Match		20			20
Energy – Transfer from DFP iro Technical Asst - Match		13			13
IAS – Transfer from DEL iro Audit Services	64				64
ASU – Transfer to NISRA iro Labour Force Survey	-30				-30
HRCS – Transfer from DFP	15				15

	2011-12 OCTOBER MONITORING ADJUSTS				
<u>MAINSTREAM BUDGETS</u>	Admin	Resource	Capital Grant	Capital	Total
iro Pension Costs					
HRCS – Transfer from DFP iro HR Connect Service Charges	3				3
HRCS – Transfer to DFP iro IT Assist	-2				-2
<u>6. Total Technical Transfers</u>	50	-911	-0	0	-861
<u>7. Total June Monitoring Adjustments</u>	50	-3,576	-380	0	-3,906

MAINSTREAM INTERNAL REALLOCATIONS

1. **Invest NI reallocation of £7.5m Resource and £3.5m Capital Grant to utilisation of provisions budgets.** This is a technical requirement which in practical terms is a separate labelling of existing Budget allocations used in relation to provisions to comply with technical budgeting guidelines.
2. **Invest NI – reallocation of £13.5m Capital:** This technical adjustment is required to realign Invest NI capital budgets. £10.9m had been incorrectly coded on the DFP database, £2.5m has been reallocated from Property Services in line projections of current requirements, and £1.25m is required to cover a shortfall in Capital receipts.
3. **NITB – reallocation of £2.8m Resource:** This technical adjustment is required to realign Resource budgets with expenditure profiles across NITB's Promotion & Marketing and Events budget codes.
4. **Invest NI reallocation of £0.375m Resource to Tourism Ireland Ltd:** This is required for the new KLM route between Belfast City and Amsterdam.