

FROM: Bernie Brankin

DATE: 24 September 2013

TO: 1. David Thomson [*content – DT 24.9.13*]
2. David Sterling [*content – DS 24.9.13*]
3. Andrew Crawford
4. Arlene Foster MLA

DETI SUB 457/2013

**OCTOBER MONITORING 2013/14 and
ANNUALLY MANAGED EXPENDITURE FORECASTING 2013/14 ONWARDS**

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.** The ETI Committee is scheduled to receive written briefing by **noon on Monday 30 September**. The October monitoring return is also due with DFP by Thursday 3 October.

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

Presentational Issues: None.

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: Bids totaling £1.8m are required by Invest NI and NITB to meet emerging pressures. We also propose to meet circa £2.9m in de minimis bids from de minimis reduced requirements. Reductions in ring-fenced budgets of £9.6m and additional ring-fenced receipts of £3.5m will also be released for consideration by the Executive in October Monitoring.

Legislation Implications: Not Applicable.

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

Recommendation: That you consider the information below and;

- Confirm that you are content for the material in this submission to be used to prepare briefing

for the ETI Committee and for our return to DFP; and

- Confirm course of action in relation to unmet external consultancy bids.

OCTOBER MONITORING 2013/14

Background

1. Following the outcome of the June Monitoring Round the remaining level of overcommitment is £16.8 million non-ringfenced resource expenditure and £10.5 million capital investment. The capacity to address any existing or emerging pressures will depend heavily on the extent to which departments surrender reduced requirements for reallocation.

Key Proposals

2. We have consulted all DETI business areas. The key DETI monitoring proposals are summarised in **Table 1** below:

£ millions	Resource	Capital Grant	Total
Bids			
Invest NI – International Investment Conference	1.1		1.1
NITB – Core TDS Projects		0.7	0.7
Total Bids	1.1	0.7	1.8
Ring-fenced Easements			
Invest to Save - Nitrates	(4.3)		(4.3)
Invest NI – JEI funding Studio Capacity		(4.0)	(4.0)
NITB – JEI funding TDS projects		(0.8)	(0.8)
ESU – Interreg IVA Match Funding	(0.3)	(0.2)	(0.5)
LEDU Pension receipt	(3.5)		(3.5)
Total Ring-fenced Easements	(8.1)	(5.0)	(13.1)

Bids

Invest NI – International Investment Conference (£1.05m Resource)

3. Following the success of the G8 Summit, an International Investment Conference was announced by the Prime Minister. Invest NI is bidding for £1.05m to deliver this conference on behalf of the Executive, with the aim of fully exploiting the business opportunities arising from the G8 Summit and the potential pipeline of leads that the conference could deliver.
4. Invest NI has set a target of attracting 120 international investors to the conference, including 10-12 Ambassador led delegations from the G8 countries, India, Brazil, China and the Irish Republic, and an audience of 350

delegates including government representatives, stakeholders and indigenous businesses is anticipated. The Conference will be a 2-day event across at least 6 locations including a Gala Dinner at Hillsborough Castle, VIP led Conference at Titanic Belfast, Sectoral Sessions at The MAC, the Belfast Harbour Commissioners Officer and the Great Hall at Queen's University Belfast, and a Closing Reception at Parliament Buildings.

Northern Ireland Tourist Board - TDS (£0.7m Capital)

5. Five TDS projects, for which letters of offer were made by NITB in 2012/13 and were originally scheduled to complete by 31 March, have slipped into 2013/14 due to technical and weather difficulties late in the financial year and funding of £0.69m is required to complete the tails of these projects. These projects include SS Nomadic, Whiterocks, Castlerock, Aras Colmcille and the Walled City Lighting Project. Whiterocks and Castlerock are co-funded by the Rural Development Programme.
6. All of these projects make the following contributions to PfG targets:
 - Ensure significant progress on the completion of all Signature Projects;
 - Develop local attractions and amenities including integration and interpretation to enhance the visitor experience and development of visitor servicing initiatives to educate on things to see and do, and improve orientation for the visitor;
 - Increase tourism revenue from out-of-state visitors to £520 m from a baseline of £370m in 2006; and
 - Increase the number of out-of-state tourists visiting each year to £2.5m from a baseline of 1.98m in 2006.
7. DFP Budgeting Guidelines state that, under exceptional circumstances, bids below the de minimis threshold may be accepted for inclusion in monitoring papers. As no Capital DEL easements were identified in June or October Monitoring, DETI does not have the scope within existing Capital DEL budgets to meet this inescapable de minimis pressure. The bid was not met in June monitoring and we are resubmitting this inescapable bid to DFP in October Monitoring.

Ring-fenced Easements

Invest NI – Nitrates ring-fenced Invest to Save budget (£4.3m Resource)

8. Invest NI is holding £5m Invest to Save budget in 2013/14 for an Executive priority to deal with the EU Directive in relation to Nitrates and the disposal of waste litter from the poultry industry. This is an Executive priority and has been allocated as a separate ring-fenced budget. At this point in time it is still not clear how the nitrates issue will be resolved, although £0.7m has been allocated to fund an SBRI initiative to identify a proof of concept solution, and it is proposed that the balance of £4.3m is released.

Invest NI – Studio Capacity ring-fenced JEI budget (£4m Capital)

9. Jobs and Economy Initiative funding of £4m was allocated to Invest NI in 2013/14 to provide a loan to Titanic Quarter Limited for the development of the second phase of the NI Screen Painthall production facility. It is now estimated that the full cost of the project will be in the region of £5.5m. Whilst this project is proceeding, there are still issues to be resolved and it is now expected that the loan facility will not to be required this financial year. Consequently Invest NI are surrendering this budget and signalling that funding of £5.5m will be required in 2014/15.

NITB – TDS ring-fenced JEI budget (£0.8m Capital)

10. Jobs and Economy Initiative funding of £1.9m was allocated to NITB in 2013/14 for TDS tail end signature projects and to fund remaining projects from a TDS Open Call. A number of projects have withdrawn, mainly due to difficulties in match funding and deliverability. Funding requirements in 2013/14 have also been reduced following Economic Appraisal stages in relation to the VFM assessment and additionality of projects, and due to slippage of other projects into 2014/15. NITB has therefore proposed easements totalling £0.8m against this ring-fenced budget.

European Support Unit – Ring-fenced Interreg IVa budget (£0.3m Resource & £0.2m Capital)

11. Match funding requirements in 2013/14 for Interreg IVa projects have been revised by SEUPB from the amounts they had previously forecast as a number of large scale projects have been slower to incur expenditure than first anticipated. This easement in 2013/14 is not a reduction in overall Interreg programme value, but is a deferral of expenditure to forward years.

DETI HQ – Receipts from LEDU Pension Fund (£3.5m Resource)

12. In prior years DETI funded the shortfall in the former LEDU employee's pension scheme as a result of the transfer of LEDU employees to Invest NI on 1 April 2002. The pension actuary has now completed the buyout of benefits with a private financial services company on behalf of the pension trustees and has done so at a lower amount than the actuary had previously estimated. There is £3.5m that is now being returned to the Department. Officials are currently liaising with DFP colleagues on the classification of this receipt.

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

13. We are proposing to meet a number of de minimis pressures comprising £2,143k Resource and £130k Non Cash from de minimis reductions in Resource and Non Cash budgets. We are also proposing to meet de minimis Admin DEL pressures of £471k from de minimis Admin DEL easements and by overcommitting the Admin DEL budget by £184k.
14. All Admin DEL budgets have been rigorously challenged by Finance Branch, and around £0.4m has been released by business areas over June and October monitoring. We anticipate that further easements will be identified based on previous years' trends. This overcommitment of 1.2% of the Admin DEL is considered to be low risk.

15. The de minimis bids include the following:

- **£602k Resource** to Insolvency Service to be met from additional receipts within Business Regulation Division. The bid includes £190k for legal expenses for the Directors Disqualification Unit, £240k for company inspections and overdrawn balances, and £172k for overtime and other Admin costs;
- **£500k Resource** to Invest NI to be met from additional receipts from within Invest NI's Resource DEL budget. The additional expenditure relates to a number of new initiatives to boost the economy and an uptake in business;
- **£400k Resource** to Energy Division to deliver the Renewable Heat Incentive Scheme, which includes £170k for operating costs and £230k for development costs. The £25m funding provided by HM Treasury over the 2010 budget period cannot be used for the administration of the scheme. Therefore the administration is being undertaken by Ofgem (as with the GB scheme) due to economies of scale and savings in potentially prohibitive IT set-up costs for Northern Ireland;
- **£150k Resource** to Innovation Policy Unit as part of an ongoing commitment for 3 financial years (2012/13-2014/15) for the Higher Education (HE) EU Support Fund, which is a joint DETI/DEL initiative;
- **£130k Resource** to Minerals Branch for remediation work on abandoned mines. Two new adits have been discovered at Ballylig (Co Antrim) and Conlig (Co Down). Both these mines are highly dangerous but very accessible to the general public and livestock, and remediation work is essential to make these openings safe;
- **130k Resource Non Cash** is required by the Consumer Council to address a technical issue raised by the NIAO, whereby a fixed asset is to be depreciated over its remaining life instead of the previous practice of revaluing the asset;
- **£110k Resource** to meet further external technical support costs for Telecoms Broadband projects and for a proposed extension to the Logon-NI project;
- **£55k Resource** is required by Economic Policy Division to deliver an Economic Pact Business Review of Red Tape Action as announced by the Prime Minister in June 2013, which is also an Executive commitment;
- **£55k Resource** is required by Minerals Branch for increased expenditure relating to its core store rental and storage contracts and mineral licence application advertising charges;
- **£50k Resource** is required to cover a shortfall in running costs of MATRIX and interchange staff salaries in Economic Policy Division;

- **£141k Admin DEL** for Economic Policy Division for research in to Life & Health Sciences Strategy and additional salary and other admin costs;
- **£92k Admin DEL** for Tourism Policy Branch for the costs of additional Tourism Statistics Unit functions and other general admin costs;
- **£87k Admin DEL** for Audit Services salary costs;
- **£66k Admin DEL** for Minerals Branch additional salary and other admin costs; and
- **£85k Admin DEL and 91k Resource** for a number of smaller inescapable pressures across the department.

Other De Minimis Pressures and Adjustments

16. It is proposed that de minimis pressures totalling £47k Admin DEL would remain unmet in October Monitoring, and that we will reconsider these in January against any other emerging pressures with further easements anticipated. The bids include the following:

- **£16k Admin DEL** for Analytical Support Unit for software licences and other subscriptions, as we consider this could be met from within their existing budget which is largely unspent at present; and
- **£31k Admin DEL** for two Insolvency Service Staff Officer posts that have still to be considered by the Departmental Resourcing Group.

External Consultancy

17. Outturn for 2012/13 on external consultancy for DETI and its NDPBs was £840k against a target of £1,859k, representing a 55% reduction in expenditure. This significantly exceeds the Executive target of 10% year on year reductions in external consultancy spend. Our target for external consultancy expenditure in 2013/14 is £756k, which represents a 10% reduction on 2012/13 outturn.

18. The table below sets out current external consultancy budgets for 2013/14:

Business Area	Budget 2013/14 £'000's
Energy Division	101
Business Regulation Division	0
Telecoms Policy Unit	10
Minerals Branch	47
HRCS Division	5
Tourism Policy Branch	20
Invest NI	425
NITB	7
InterTradeIreland	17
TOTAL	632

19. A number of inescapable pressures have emerged since the beginning of the year for which external consultancy budget is required. These include the tails of a number of external consultancy commitments which were carried forward from 2012/13 into 2013/14.

20. Finance Branch has approached all business areas regarding their October bids to establish if they could be pushed out into 2014/15 in full or in part, or if expenditure on these bids could be reduced in 2013/14. However, many of these projects are regarded as being Ministerial priorities for the current financial year.

21. All October Monitoring external consultancy pressures are listed in the following table:

Business Area	Description of Bid	Amount
Inescapable:		
Energy Division	Review of small scale ROC levels for which legislation is required by April 2014.	19
Energy Division	60k for Renewables cost impact assessment. It is considered vital that this work is taken forward given the high profile investigation by the ETI Committee of the cost of electricity in NI, and the CBI view that these costs are inhibiting inward investment and driving existing companies towards closure.	60
Tourism Policy	HLF application for HMS Caroline. Work completed on tail of expenditure from last year.	28
Tourism Policy	Specialist legal advice relating to EU application for the Titanic Signature Project. Work completed on tail of expenditure from last year.	9
Consumer Affairs Branch	Final payment for the review of CCNI. Work completed on tail of expenditure from last year.	4
InterTradeIreland	Economic appraisals and programme evaluations. Work completed.	6
	Subtotal Inescapable bids	126
High Priority:		
Economic Policy Division	Specialist aviation service provider to identify opportunities to improve Northern Ireland's air connectivity to key international and Great Britain business and inbound tourism markets.	29
Telecoms Policy Unit	Feasibility study for the E-Comms Centre project (for which there is a £5m budget allocation in 2014/15).	20
Tourism Policy Branch	Review of NITB to ensure there is a greater alignment between NITB and the work of Invest NI.	14
Business Regulation Division	Quality audit review of Debt Advice delivery.	16
Invest NI	4 projects relating to Equality, IT security, ISO accreditation and EU issues.	16
	Subtotal High Priority bids	96
Other Bids:		
Energy Division	£5k for potential RHI analysis.	5
InterTradeIreland	Economic appraisals.	2
	Subtotal Other bids	7
TOTAL		229

22. The department has headroom of just **£124k** for allocation in October Monitoring and proposes to meet inescapable pressures set out in the table above totalling **£126k** as they are commitments already entered into. The external consultancy allocations are additional to those set out in paragraph 13. This leaves high priority and other external consultancy bids in the table above totalling £103k unmet as funding these bids would breach the 10% year on year reduction set by the Executive.
23. Business areas have stressed it is important that work is taken forward this year in relation to the unmet external consultancy bids. It is recommended that you seek Executive approval for the external consultancy costs associated with the purchase of the Invest NI HQ building totalling £350k to be treated as an extraordinary one-off cost that should be outside the Executive target of 10% reductions.
24. It is expected that the purchase of the Invest NI HQ building will bring significant Resource DEL savings and represent a very good deal for Invest NI and the Executive as a whole since significant savings are expected to accrue to the Executive going forward.
25. If the Executive agreed to this proposal, DETI would be able to address all of its 2013/14 external consultancy requirements and still deliver savings exceeding the Executive target of an annual reduction of 10%.

Mainstream Internal Reallocations

26. The most significant internal reallocations proposed in this monitoring round are set out below:
- Invest NI are required to reallocate £11.25m Resource and £3.75m Capital Grant from existing budgets to be identified separately as use of provisions;
 - Invest NI propose reallocating of £3.5m from Capital Grant to Capital to realign budgets with expected outturn; and
 - The Consumer Council are increasing programme and receipts budgets by £0.4m in relation to funding being made available by NIAUR for the Consumer Council's representative role in relation to water related activities.

EU Internal Reallocations

27. 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

- £0.75m Capital Grant reductions in European Support Unit EU expenditure and receipts due to the transfer of LED functions to Invest NI. The budget will be reprofiled into next financial year; and

- £1.7m Resource and £0.4m Capital Grant decreases in Invest NI EU expenditure and receipts due to a difference between the EU budget allocation and the forecast requirement for projects that meet the ERDF eligibility criteria. The budget will be reprofiled into next financial year.

EU Interreg Programme

- £0.8m Resource reduction and £0.7m Capital grant reduction in European Support Unit EU expenditure and receipts for Interreg IVa projects which have not drawn down the amounts previously forecast by SEUPB. This easement in 2013/14 is not a reduction in overall Interreg programme value, but is a deferral of expenditure to forward years.

Technical Transfers

28. 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 £435k, and includes the following transfers:

- £980k Capital Grant from the Department of Culture, Media and Sport (DCMS) to Telecoms Policy Unit in respect of the Super-connected Cities Project. This funding will be passed on to Belfast City Council, who are managing the project in conjunction with DCMS;
- £600k Resource from Invest NI to DEL for the Jobs Fund Employer Subsidy;
- £500k Capital Grant from Invest NI to DARD for the Processing & Marketing Programme;
- £150k Resource to DEL for the Higher Education EU Support Fund;
- £139k Resource from DARD to HSENI for the Farm Safety Campaign;
- £80k Resource from Invest NI to SIB, £30k to DFP and £30k to DHSSPS for SBRI costs in respect of Nitrates;
- £80k Resource from Invest NI to DCAL for Music Industry support;
- £56k to OFMDFM for advertising costs;
- £41k Resource from Invest NI to DE for the Computer Science Programme; and
- A range of smaller transfers with a cumulative net effect of a £13k inward transfer.

Update on Previous In-year Monitoring Bids**Invest NI - HQ Building Purchase**

29. As part of June Monitoring the Executive agreed to set aside £17.1m Capital for the purchase of the equity of Bedford Street Developments Limited (BSDL). The purchase was completed on 9 July 2013, and we will ask DFP to allocate the budget in October Monitoring.

Financial Transactions Funding

30. A budget of £10m under the Financial Transactions Fund was allocated to Invest NI in 2013/14 with a further £20m earmarked for 2014/15. The scheme is still to be formally launched as negotiations are ongoing between the banks and processors. However, considerable progress has been made to identify a suitable pipeline of growers who will be able to commence work as soon as the details of the scheme have been agreed. As a consequence there is a high degree of uncertainty over the amount of budget that will be required. Invest NI are continuing to hold the budget at £10m and will provide a further update at January Monitoring.

31. As part of our return to DFP on the 2014/15 Capital Budget exercise, we submitted mainstream capital bids for Invest NI Access to Capital Funds (£5m in 2014/15 with £12m EU funding) and an extension of the Innovation Centre of the NI Science Park (£3m in 2014/15). DFP are liaising with the department to consider funding these bids under Financial Transactions Funding and not mainstream capital.

32. The Executive will be updated on the 2014/15 Capital Budget exercise alongside October Monitoring.

ANNUALLY MANAGED EXPENDITURE FORECASTING 2013/14 ONWARDS

33. The Annually Managed Expenditure (AME) budget is for expenditure that cannot reasonably be subject to firm multi-year limits, or should be subject to special handling. AME expenditure does not therefore fall within Departmental Expenditure Limits (DEL). Examples of AME budgets in DETI include provisions, the revaluation of assets and funding for the Renewable Heat Incentive Scheme.

34. The Department is required to provide details of AME forecasts on behalf of the Northern Ireland Executive to the Office of Budget Responsibility (OBR). This is the first opportunity to update AME forecasts for 2013/14.

35. It should be noted that changes to AME budgets are not regarded as bids or reduced requirements to be met as part of a monitoring exercise, but rather as adjustments to budget profiles, and because of the accepted difficulties in forecasting AME breaches in departmental AME do not automatically incur a penalty.

36. **NITB** has proposed a reduction in its revaluation of assets budget of £900k per year. This is based on the NITB movement in 2012/13 of £617k, and on the absence of any further information they anticipate a similar level in future years.

37. **Energy Division** has an AME budget allocation to cover anticipated costs of the Renewable Heat Incentive scheme. A reallocation of £1m from Resource to Capital is proposed in 2013/14 to cover anticipated RHI Premium Payments which go toward the costs of renewable heat installations in domestic properties. This is only payable until the launch of domestic RHI.
38. A reduction of £3.5m Resource RHI budget is also proposed in 2013/14 due to the slow start in the commencement of domestic schemes, along with a reduction of £6.5m in 2014/15. This leaves a total of £2.5m in 2013/14 and £5.5m in 2014/15 for the RHI scheme.
39. An initial £25m was allocated to Northern Ireland over the Budget 2011-15 period, which represents 2.98% of the overall UK allocation. Commitments to spending in future years (up to 20 years) can be made for installations that are installed within the Budget 2011-15 period. The Department of Energy and Climate Change (DECC) has been given an allocation of £400m for 2015/16, and officials are liaising with DECC to secure Northern Ireland's share of circa £12m.
40. **Invest NI** has proposed a reallocation of £5m from grant provision to revaluation of assets in 2013/14, and an increase in the revaluation of assets by a further £10.5m in 2013/14. This is based on Invest NI's assessment of the current property revaluations, and an update from DFP's Land & Property Services will be available for the next AME profiling exercises.

Assurance Statement

41. 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, I am content to recommend that the Accounting Officer endorse the return on this basis.

Recommendation

42. That the Minister notes the above and, if content,
- Confirms that DETI can present these proposals to DFP and the ETI Committee for October monitoring; and
 - Confirms that she would be willing to seek Executive approval for the external consultancy costs associated with the purchase of the Invest NI HQ building to be treated as an extraordinary one-off cost in order to provide funding this financial year for the currently unmet external consultancy bids.

43. I would be happy to discuss.



Bernie Brankin

BERNIE BRANKIN

cc David Sterling
David Thomson
Alastair Ross, MLA, Assembly Private Secretary
Wendy Johnston
David Beck