

FROM: Trevor Cooper

DATE: 6 January 2012

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TO: 1. Andrew Crawford
2. Arlene Foster MLA

JANUARY MONITORING 2011/12 – SUPPLEMENTARY INFORMATION

Issue: To provide details of additional reduced requirements to be addressed as part of January Monitoring. DFP wrote to us this morning suggesting that it would be better if we surrendered the £7.8m Capital budget, which Invest NI had indicated in its monitoring input, has uncertainties around timing and amounts of some expenditure as a reduced requirement at this stage. Invest NI has confirmed it wishes to surrender a further £5.6m Capital budget on the basis of the DFP engagement (which proposes that if this funding were ultimately be required it could be the subject of a guaranteed bid up to 14 March 2012).

Timing: **URGENT.** DFP is preparing the draft Executive Paper on January Monitoring which will be circulated on Monday or Tuesday of next week. Any further adjustments need to be incorporated into this paper as a matter of urgency. Also the ETI Committee is to receive written briefing this afternoon on the second stage of January Monitoring today.

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

Presentational Issues: There will likely be media interest in the reduced requirements presented by the Department.

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: The additional adjustments include a £5.6m reduction in the Capital budget.

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 that we agree to DFP's proposal, and that we can present these additional reduced requirements in the briefing to the ETI Committee.

Background

1. We have submitted details of DETI's proposed adjustments for January Monitoring to DFP on Tuesday 3 January. In this briefing we noted that Invest NI had identified projects with projected spend totalling £7.8m which had risks around spending out this year. This risk was naturally conveyed to DFP following clearance of the briefing.
2. DFP wrote to us this morning suggesting that it would be better if DETI surrendered the £7.8m Capital budget, which Invest NI has indicated has risks, as a reduced requirement at this stage.
3. As there remains a prospect that some or all of these projects would incur expenditure in the current year, DFP has advised that we should take headroom cover for estimate purposes and further given an assurance that DFP will provide funding to help DETI avoid a budget breach in the event that expenditure on these projects did actually crystallize during the current year.
4. DFP has asked that we keep them informed on a regular basis over the coming weeks over the progression of expenditure on these projects, and confirm any final requirement by no later than 14th March 2012 in order to facilitate any additional budget cover.
5. It is considered that it would be advisable to agree to the DFP proposal on the basis that it helps de-risk the potential for underspending on the Invest NI Capital Budget, and at the same time guarantees that should the funding which is released ultimately be required it will be provided. It is noted that the proposal will involve presentational issues in that it involves increasing the reduced requirements reported at this stage.
6. We have consulted with Invest NI and they have confirmed their agreement to this proposal. However, they have advised that the quantum of the adjustment is £5.6m as other movements and their ongoing management of any risk of underspend have reduced the original £7.8m "at risk" to this lower figure.
7. Therefore DETI's reduced requirements in the second stage of January Monitoring will be as set out in Table 1 below.

Table 1: Summary of proposed reductions in January Monitoring

£ millions	Non Cash	Resource	Capital Grant	Capital	Total
Reduced Requirements					
Invest NI - Programme related		(3.0)	(4.9)	(6.0)	(13.9)
Invest NI additional receipts		(0.5)		(1.0)	(1.5)
Invest NI – Capital Projects with risks				(5.6)	(5.6)
Invest NI Non Cash	(0.6)				(0.6)
Invest NI - Total Reductions	(0.6)	(3.5)	(4.9)	(12.6)	(21.6)
PMS Loan Interest		(1.1)			(1.1)
Other de minimis reductions (net)		(0.2)	(0.8)		(1.0)
<u>TOTAL REDUCTIONS</u>	<u>(0.6)</u>	<u>(4.8)</u>	<u>(5.7)</u>	<u>(12.6)</u>	<u>(23.7)</u>

Recommendation

8. That you note the above and, confirm that you are content that we agree to DFP's proposal, on the basis of Invest NI's confirmation that the sum at risk is now £5.6m, and we can present these additional reduced requirements in the briefing to the ETI Committee.
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9. I would be happy to discuss.


TREVOR COOPER

cc David Sterling
Colin Lewis
David Thomson
Alastair Ross, MLA, Assembly Private Secretary
Bernie Brankin
Philip Angus
David Beck