

FROM: Trevor Cooper

DATE: 20 December 2011

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TO: 1. Andrew Crawford
2. Arlene Foster MLA

JANUARY MONITORING 2011/12 – EXCHANGE RATE MOVEMENT IMPACT

Issue: To provide details of additional adjustments to be addressed as part of January Monitoring resulting from the revised treatment of exchange rate movements.

Timing: **URGENT.** These adjustments form part of the return for the second stage of January monitoring and are due with DFP by Tuesday 3 January.

Need for referral to the Executive: Executive approval is not required for these adjustments as they are de minimis.

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: The additional adjustments include reductions in Annually Managed Expenditure budgets of £2m, additional Non Budget cover of £1m and £0.3m reallocations of Resource budgets.

Legislation Implications: Not Applicable.

Statutory Equality: These adjustments have no impact on statutory equality issues.

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 a 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 on the second stage of January monitoring.

Background

1. We submitted details of DETI's proposed adjustments for January Monitoring to you on Wednesday 30 November, and submitted separate briefing on further adjustments to PMS and Annually Managed Expenditure (AME) budgets on 5 December. We also advised that we were in discussion with DFP around the appropriate budgetary treatment of exchange rate gains and losses, and that it may be necessary to provide further briefing on this issue.

Exchange Rate gains/losses

2. DFP has advised of a change in the budgetary treatment of exchange rate revaluations and gains and losses. The change means that these transactions no longer score in the AME.
3. The impact from exchange movements on revaluation of year end debtors will now score in Non Budget. The most significant change is that exchange gains or losses that are realised when an EU debtor is received will score in the DEL as opposed to Annually Managed Expenditure.
4. We have therefore reduced the AME exchange rate gains and losses budgets to zero. This involves reductions of £1.0m in DETI, £0.85m in Invest NI and £0.2m in NITB. These reductions do not impact on the departments spending capacity.
5. We have consulted with business areas and NPDBs to determine the forecast amount of budget required to cover any DEL and non-budget cover required as a result of the exchange rate movements that might apply between now and the year end.
6. Non Budget cover of £1m for DETI, £30k for Invest NI and £0.6m for NITB is being sought in regard to movements on exchange rates for debts that are forecast to still be on our balance sheet at the year end. The requirement will entail an adjustment to the Spring Supplementary Estimates but will not require a bid to DFP or Executive approval.
7. Resource DEL cover of £0.2m for NITB and £0.1m for DETI is also being sought for potential exchange rate losses on forecast cash receipts. It is proposed to utilise de minimis reduced requirements from InterTradeIreland and Telecoms to meet these requirements. Invest NI intends to meet any DEL pressure from its existing budget. DFP officials have agreed to allow internal reallocations for this purpose to be included in the second stage of January monitoring.
8. Clearly forecasting exchange rates between now and March 2012 is an imprecise science, and the change in budgeting treatment from Annually Managed Expenditure has placed additional risks around being able to accurately budget our year-end budgetary requirements. The above adjustments are considered to be appropriate in light of the revised rules that are now applicable.

Recommendation

9. That you note the above and, if content, confirm that DETI can present these additional proposals to DFP and the internal reallocations to ETI Committee.

10. 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