From: Lewis, Colin
To: Sterling, David
Cc: Cooper, Trevor; Brankin, Bernie; Partridge, Jeff; Smith, Rae; Hill, Janice
Subject: FW: February 2012-13 Actual Forecast Outturn (2) (2)
Date: 12 March 2013 17:48:19
Attachments: February 2012-13 Actual Forecast Outturn (2) (2).DOCX

David,

I attach the February Actual and Year End Forecast outturn position for your consideration. I have cleared this. See attachment below.

Setting aside the Titanic issue, I'm relatively content with the total DETI Resource and Capital forecast outturns outlined in paragraphs 18 and 19. I'd be happy with these if they remained unchanged when Provisional Outturn is announced by DFP.

However, that being said, the performance is a bit of a curate's egg across the department. I'm obviously pleased with improvement in the Invest NI position, and DETI HQ generally, but I'm disappointed by some relatively minor things that perhaps could have been managed better e.g. the HSENI underspend and the consultancy underspend in Energy Division. In addition, I'm always concerned about the NITB position, compounded as it is by their lack of accruals information.

I mentioned to you the £3m Excess Receipt in Invest NI, which is beyond their control and could not realistically have been foreseen.

As an observation, and relevant to your recent correspondence with Alastair Hamilton on addressing future budget pressures, the proposed end of year increase in spend over the 2011/12 outturn, £13m, is accounted for entirely by capital. The majority of this is taken up by expenditure on the various Access to Capital Funds and one-off transactions such as the Paint Hall. If you strip these out we're not really seeing an increase in spend from core business. This would suggest that there is little evidence at this stage that Invest NI's balance of existing commitments is reducing.

I, and Finance Division colleagues, are happy to discuss if you require additional information or explanation.

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www.cityofculture2013.com www.2013wpfg.com

Please consider the environment - do you really need to print this e-mail?

From: Lewis, Colin [mailto:Colin.Lewis@detini.gsi.gov.uk]

Sent: 12 March 2013 17:17

To: Colin.Lewis@detini.gsi.gov.uk

Subject: February 2012-13 Actual Forecast Outturn (2) (2)

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Copy Distribution List Below

From: Bernie Brankin

Date: 11 March 2013

To: 1. Trevor Cooper
2. Colin Lewis **[CL Cleared 12 March]**
3. David Sterling

FEBRUARY ACTUAL OUTTURN & FORECAST OUTTURN FOR THE REMAINDER OF THE 2012/13 FINANCIAL YEAR

Issue:	DFP require Permanent Secretaries and Finance Directors to sign off on actual and forecast outturn to ensure accuracy of information.
Timing:	An uncleared version was issued to DFP at close of play on Friday 8 March.
Need for referral to the Executive:	No need for referral to the Executive.
Presentational Issues:	Treasury, the Enterprise Trade and Investment and Finance and Personnel Committees take a keen interest in this return.
Freedom of Information:	Fully disclosable.
Programme for Government Implications	Divisions, and NDPBs have not indicated any PFG implications
Financial Implications:	Departments are required to identify reduced requirements as early as possible. Excluding the Titanic issue (on which £18.02m Resource budget, or 9.7% of the total Resource budget will be expended) at this stage DETI is forecasting Resource underspending amounting to circa 0.5% of the total DETI Resource Budget. Capital underspending amounting to circa 10% of the total DETI Capital budget is also forecast. The Capital underspend relates to a forecast share receipt within Invest NI as

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a consequence of a company takeover. Invest NI had no control over the timing of this takeover.

Legislation Implications:	Not Applicable.
Statutory Equality:	Not Applicable
Recommendation:	That you consider and clear the return.

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Background

1. DFP require Permanent Secretaries and Finance Directors to sign off on monthly actual and forecast outturn to ensure accuracy of information.

2. I attach the February actual outturn and forecast outturn for the remainder of the 2012/13 financial year collated with input from Heads of Division and NDPB CEOs.

3. Given the Minister's position that the Titanic issue (£18.02m Resource requirement to write down the NITB EU debtor) should be dealt with separately at provisional and final outturn, it is not included in these forecasts. DFP is fully aware of the Titanic requirement and has included the £18.02m in an Urgent Procedures Paper to ensure the Block retains funding to cover this amount. The Paper covers a number of issues from other Departments – including significant unforeseen Current Expenditure underspending in DE of £12m, DSD of £12m, DEL £2.6m and DFP £0.8m and Capital underspending in DHSSPS/DE of £1.3m. Whilst DFP were notified of the forecast DETI underspending of £0.9M Resource and £3m Capital summarised at paragraphs 18 and 19 below, it did not include these in the Paper so the DETI budget is unchanged.

4. Actual DEL outturn for February 2012 was £17.6m compared to forecast outturn of £20.6m, an underspend of £3.0m versus the previous forecast February spend:

Business Area	Variance / £m	Description
Resource		
Tourism Admin	-0.1	Delay in the receipt of grant claims - re-profiled in March
DETI EU Exchange Rate	-0.3	Unanticipated gain in Foreign Exchange rates – settlement of EU Claim had been expected in early 2013/14
Invest NI Resource	-0.9	Delay in the receipt of grant claims related to the Business Improvement Training Programme re-profiled in March
NITB EU Exchange Rate	-0.5	Unanticipated gain in Foreign Exchange rates – settlement of EU Claim had been expected in early 2013/14
NITB Resource	-1.9	Underspend against Promotions & Marketing budget re-profiled in March. Related to delay in receipt of paperwork for Titanic Belfast &

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		Clipper Race, (due to pay week commencing 11/3) and slippage in payment for Irish Open (now paid)
Capital		
Invest NI Capital	1.6	Capital investment and Property services expenditure greater than forecast compounded by receipts from sale of land delayed until March
NITB Capital	-0.8	Forecast expenditure on Walled City Lighting Programme. NITB still expect to spend in March 2013.
Miscellaneous	-0.1	Minor Underspending across DETI
Total	**3.0**	

5. For the first eleven months of this financial year 81.0% of DETI's January Monitoring DEL budget has been accrued, compared to 71.2% (excluding £225m PMS expenditure) in 2011/12 and 71.9% (February Monitoring position) in 2010/11.

Invest NI

6. Invest NI outturn in the first eleven months of 2012/13 is significantly ahead of the 2011/12 position, and is shown in the following table:

Expenditure Period	Expenditure / £m	% of Invest NI January Monitoring Budget
Apr-Feb 2012/13	114.2	81.5
Apr-Feb 2011/12	96.4	76.9

7. Comparison of Invest NI actual expenditure in 2011/12 and profiled expenditure in 2012/13 is shown in the table at **Appendix A.**

8. Invest NI's current expenditure budget is £0.5m more than last year's outturn. Year to date expenditure at 28 February is 81.5% of budget and £1.6m ahead of the amount for the same period last year: - £87.8m versus £86.2m in 2011/12 (78.7% of budget). Invest NI currently forecast to fully utilise their 2012/13 budget allocation with the exception of £250k allocated for the Jobs and Economy Initiative as there is a long lead in time to recruit 4 DPs as Innovation Procurement Executives.

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9. In terms of capital expenditure, Invest NI is ahead of the position for the same period in 2011/12, with £26.4m capital expenditure in 2012/13 versus £10.2m capital expenditure in the same period in 2011/12. Forecast expenditure for 2012/13 displays a sizeable increase in forecast capital expenditure compared to last year - £29.1m versus £15.6m. 82% of the Capital budget is spent compared to 64% in 2011/12.

10. Invest NI has however identified a forecast capital receipt of £3m ($6.5m less a £700k share redemption offset) due to the takeover of a company in which Invest NI held a significant investment. The takeover is now expected in March. The timing of this unanticipated capital receipt is outside of Invest NI's control, and the actual amount received will depend on the dollar/sterling exchange rate on the actual date of the completion of the transaction.

NITB

11. As part of January Monitoring, DETI challenged NITB on their projected capital expenditure plans, which resulted in budget totalling £1.05m being released. However NITB has only recorded £146k additional TDS Capital Grant expenditure in February 2013, bringing year to date spend to £1.2m against a budget of £5.45m. This leaves 78% of the remaining budget forecast to be spent in March 2013. While NITB believe that the level of expenditure is deliverable, the possibility of underspending in the TDS budget still causes concern.

12. NITB have incurred an unanticipated gain of £500k in Foreign Exchange rates due to the settlement of an EU Claim that the Commission was advising would be paid in early 2013/14. However, this will be used to offset the £400k overcommitment on the "Backin Belfast" campaign, and means that NITB now forecast a Resource underspend to £100k.

13. Promotion and Marketing expenditure in NITB currently stands at 58% of budget with £5.9m budget remaining, compared with 59% for the same period in 2011/12. Expenditure for events planned for completion by year end includes £1.5m for the Giro d'Italia, £0.5m final payment for the Irish Open (paid in early March), and £1.4m for four other planned Tier 1 events. Other planned expenditure includes £650k for the TIDI transition project, £170k for communications, £130k research and £400k City of Culture budget for which spend discussions with Derry City Council are continuing. NITB have indicated that they are still expecting to fully utilise their P&M budget, apart from the £100k set out in the previous paragraph.

HSENI

14. Potential underspending of £155k has been identified in HSENI. This relates to underspending against salaries due to unfilled vacancies and savings due to maternity pay, together with potential savings against their training budget. This underspending has emerged despite HSENI being challenged by Finance Branch regarding end-year loading of profiled budgets, where assurances were provided by HSENI that staff would be in post and that it would spend out in full.

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DETI (excluding Invest NI, NITB and HSENI)

15. Gross Programme underspending totals £537k. It mainly comprises:-

- a £298k EU Exchange rate gain due to earlier than anticipated settlement of an EU Claim. The Commission had advised that this claim would be paid in the 2013/14 financial year; and,

- a 131k Telecoms EU Consultancy underspend due to the postponement of one project and delay in a second project.

16. The gross underspending of £537k is offset by a £355k overcommitment which had been carried forward, leaving a net forecast Programme underspend within DETI core of £182k.

17. Admin underspend of circa £250k has also been identified. This comprises:-

- £70k (0.6% of the salaries budget) less than anticipated costs of the 2012 pay award. The forecast cover required for this award had been arrived at on foot of a detailed assessment commissioned from NISRA of the DETI specific impact of the pay award;

- £80k GAE due to delays in research, consultancy and Gateway expenditure experienced by Telecoms, EPD MATRIX and Economic Policy Branch. This projected GAE expenditure was challenged by Finance Branch and escalated to Grade 5 and 3 levels within these commands; and

- £100k underspend in staff salaries due to staff movements and vacant posts which Divisions had been expected to be filled in the period December to March 2013.

Overall Resource Position (including DETI and all NDPBs)

18. In summary, March forecasts indicate overall DETI Resource DEL underspending of approximately £0.9m, representing 0.5% of the DETI Resource DEL budget allocation. A recent exercise commissioned by Finance Division has received feedback from Divisions and NDPBs that no further spending can be accrued at this late stage of the financial year to offset this projected underspend.

Overall Capital Position (including DETI and all NDPBs)

19. The unanticipated forecast £3m receipt within Invest NI as a consequence of a company takeover will cause a commensurate Capital underspend of approximately 10% of DETI's total Capital budget allocation. The actual sterling amount and underspend will be dependent upon the dollar/sterling exchange rate on the date of the receipt.

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Annually Managed Expenditure (AME)

20. Two items have come to our attention since January Monitoring was agreed which affect AME budget requirements.

21. Invest NI have received updated information from Land and Property Services (LPS) in relation to the valuation of their land and buildings. In November 2012 LPS estimated that the value of the property holdings would fall by 15% over the 2012/13 year. On this basis Invest NI increased the Revaluation of Assets budget line to £12m. However, at the end of December LPS provided a further detailed update to facilitate the Interim Accounts, in which they estimated a decrease in valuations of 25%. Invest NI worked through the implications of this reduction on an individual site and property basis, and the AME budget required to provide for this revaluation will need to be increased from £12m to £20m, creating a pressure of £8m.

22. The second item relates to the Renewable Heat Incentive, which is now forecast to reduce from £1.5m to £0.5m due to a lower than anticipated uptake in the scheme.

23. DETI therefore has a net pressure in 2012/13 of £7m, and Finance Branch has been consulting with DFP on handling this pressure. We have been advised by DFP to include the adjustments in the AME forecast outturn profiles.

Conclusion

24. I recommend that you sign off on this return to DFP.

Bernie Brankin

cc: Jeff Partridge
David Parkhill

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APPENDIX A

Comparison of Invest NI 2011/12 Actual Expenditure to 2012/13 Forecast Expenditure

	2011/12 Actual													
	***Apr/May**	**June**	**July**	**August**	**September**	**October**	**November**	**December**	**January**	**February**	**YTD Actual**	**Remaining Budget**	**March**	**Total**
Resource	8,403	5,745	11,120	4,631	6,972	8,265	11,199	8,589	9,510	11,759	86,193	23,313	21,223	107,416
Capital	-1,587	538	-1,628	1,057	4,948	1,087	615	262	1,745	3,183	10,220	5,686	5,386	15,606
Total	**6,816**	**6,283**	**9,492**	**5,688**	**11,920**	**9,352**	**11,814**	**8,851**	**11,255**	**14,942**	**96,413**	**28,999**	**26,609**	**123,022**
	Actual											**2012/13 Forecast**		
	Apr/May	**June**	**July**	**August**	**September**	**October**	**November**	**December**	**January**	**February**	**YTD Actual**	**Remaining Budget**	**March**	****Total**
Resource	8,620	8,516	11,660	7,475	6,135	8,844	9,301	9,196	8,468	9,536	87,751	20,231	19,981	107,732
Capital	973	4,086	1,729	4,467	2,633	1,878	2,400	1,837	3,971	2426	26,400	5,679	2,651	29,051
Total	**9,593**	**12,602**	**13,389**	**11,942**	**8,768**	**10,722**	**11,701**	**11,033**	**12,439**	**11,962**	**114,151**	**25,910**	**22,632**	**136,783**

*£3.3 million capital receipt distorts Apr-May expenditure in 2011/12. Gross capital expenditure in Apr and May 2011/12 is £1.7 million compared to £1.2 million in the same period 2012/13

** Invest NI Profiles forecast £3 million Capital receipt in March 2013 due to unforeseen completion of company takeover

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