

**FROM:** Trevor Cooper

**DATE:** 22 November 2013

**Copy Distribution List Below**

**TO:**

1. Eugene Rooney - *ER 25/11/2013*
2. David Sterling - *DS 25/11/2013*
3. Andrew Crawford
4. Arlene Foster MLA

**JANUARY MONITORING 2013/14 and**

**ANNUALLY MANAGED EXPENDITURE FORECASTING 2013/14 ONWARDS**

**Issue:** Departments have been asked to identify reduced requirements, bids, proposals for proactive management actions to meet emerging pressures and details of any technical issues to be addressed as part of January Monitoring. Departments have also been asked to provide updated forecasts for Annually Managed Expenditure (AME).

**Timing:** **URGENT.** January Monitoring is being conducted in two stages, with returns for the first stage due with DFP by Friday 6 December along with the AME forecasting return. Returns for the second stage are due with DFP by Thursday 2 January 2014. Written Briefing is due with the ETI Committee by close on **Wednesday 4 December** with oral briefing by officials scheduled for Thursday 5 December, and January Monitoring will be discussed at its meeting on Thursday 12 December.

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

**Presentational Issues:** None at present. The note does highlight outstanding issues which include the finalisation of 2013/14 funding required for the Agri-Food Loan Scheme.

**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:** A bid of £1.3m is required by Invest NI for SFA and R&D projects. We also propose to reclassify £0.5m from Resource to Capital to meet an inescapable TDS pressure in NITB, and to meet circa £1.4m further de minimis bids from de minimis reduced requirements.

**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 present these proposals in the DETI submission to DFP for January Monitoring.
- b) That you confirm that you are content for this material to be used to prepare briefing for the ETI Committee on both stages of January monitoring for submission by 4 December.

## **Background**

1. This is the final monitoring round of 2013/14 and will determine the content of the Spring Supplementary Estimates. This is therefore the last opportunity to formally approve changes to budgets.

## **Two Stage Approach**

2. DFP has decided to split the January monitoring round into two parts in line with recent years, which is necessary to facilitate the tight Estimates process timetable.
3. The first stage (with a 6 December 2013 deadline) requires departments to submit all technical adjustments that do not require Executive approval, which includes internal reallocations, technical transfers and EU technical changes. Departments are also required to provide an update of Annually Managed Expenditure (AME) forecasts for 2013/14 to ensure Spring Supplementary Estimates reflect the correct position.
4. The second stage (with a 2 January 2014 deadline) of the monitoring round involves submission of transactions that are presented to the Executive, which includes bids, reduced requirements, reclassifications and proactive reallocations.

## **JANUARY MONITORING 2013/1**

### **Key Proposals**

5. We have consulted all DETI business areas. The key DETI monitoring proposals are summarised at **Annex A** and are described below.

**Bid****Invest NI Programme Budget (Resource £1.3m)**

6. Invest NI's Resource budget was reduced by £7.45m Resource for 2013/14 in the Budget Realignment exercise in January 2013 as a result of reduced requirements identified in 2011/12 and 2012/13 years following the downturn in the economy. The Executive acknowledged that an upturn in the economy will lead to additional pressures, including inescapable calls upon financial contracts already signed.
7. Invest NI successfully bid for £4.5m Resource in June monitoring to address budget pressures from a number of new initiatives to boost the economy and an uptake in business. At that stage, even with an additional allocation of £4.5m, Invest NI flagged that an estimated pressure of £5m still remained to be managed.
8. Over the course of 2013/14 activity levels have continued to increase, and as Invest NI's pipeline builds signifying tentative signs of economic recovery, there are a number of SFA and R&D projects requiring funding. Activity levels have increased significantly with work in progress increasing by 80% over the last twelve months, and the assistance levels on accepted offers increasing from £53m in September 2012 to £92m in September 2013.
9. The latest position shows a potential pressure of circa £3m. Invest NI have submitted a bid for £1.3m to address this pressure, and have indicated that from past experience they will be able to manage the balance from within existing resources.

**Easements****NITB – TDS Ring-fenced JEI budget (£0.2m Capital)**

10. Jobs and Economy Initiative funding of £0.2m has been released by NITB in relation to the Gobbins Cliff Path project due to delays by the project promoter in appointing a contractor.

**European Support Unit – Ring-fenced Interreg IVa budget (£0.06m Resource & £0.15m Capital)**

11. Match funding requirements in 2013/14 for Interreg IVa projects have been revised by SEUPB from the amounts SEUPB had initially 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.

**Invest NI – Ring-fenced JEI budget (£0.03m Resource)**

12. This relates to funding for SBRI costs in respect of Nitrates which cannot now be utilised in this financial year.

**DETI Depreciation Costs (£0.09m Non Cash)**

13. Reduction in depreciation requirement due to assets reaching the end of their useful life and capital spend being later in the year than forecast.

**Reclassification****Northern Ireland Tourist Board - TDS (£0.49m Resource to Capital Grant)**

14. Five TDS projects which were originally scheduled to complete by 31 March 2013, have slipped into 2013/14 due to technical and weather difficulties late in the financial year and funding of £0.49m 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.
15. DETI does not have the scope within existing Capital DEL budgets to meet this inescapable de minimis pressure, and DFP did not meet our bids for this funding in previous monitoring rounds. We are therefore proposing to reclassify £0.49m from Resource DEL to Capital DEL, with the Resource budget coming from de minimis easements elsewhere in the department.
16. Reclassification from Resource to Capital requires Executive approval and is also subject to headroom being available within the overall Northern Ireland Capital DEL budget.

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

17. We are proposing a range of internal reallocations to meet a number of **de minimis pressures** comprising £97k Administration, £1,293k Resource, £12k Non Cash and £5k Capital from de minimis reductions. The de minimis reallocations include the following:
  - **£570k Resource** for NITB Giro d'Italia, including:
    - £200k "Giro Dressing Plan" to embrace the ethos of the event and present Northern Ireland positively to a global audience (£100-£200k funding will also be required in 2014/15);
    - £200k Giro Volunteer Plan which is key to ensuring the delivery of the event (£130k would also be required in 2014/15); and
    - £170k marketing and communications activity to develop materials and collateral such as digital content to promote the event, PR activity and sponsorship to ensure that the benefits are realised;
  - **£325k Resource** for Tourism Ireland Ltd in relation to inescapable current service costs for their pension scheme;
  - **£170k Resource** for NITB in respect of property costs for its Nassau Street premises;

- **£115k Resource** for InterTradeIreland in relation to inescapable current service costs for their pension scheme;
  - **£50k Resource** is required by the Insolvency Service to meet residual costs at the conclusion of insolvency and bankruptcy cases such as insolvency practitioner fees and valuations, and for storage costs;
  - **£50k Admin DEL** is required by Mineral Branch for an environmental impact assessment of unconventional gas exploration; and
  - **£47k Admin DEL, 63k Resource, £12k Resource Non Cash and £5k Capital** for a number of smaller inescapable pressures across the department.
18. A range of de minimis easements have been identified which we propose to use to address these pressures (including the reclassification to NITB at paragraphs 14-16). The main easements include a £850k reduction in estimated cash spend in the current financial year on Harland & Wolf plc's liability in respect of asbestosis claims; £250k reduction in Administration cost in HSENI due to unfilled posts; £240k slippage in the current year for the Renewable Heat Incentive Scheme; and £200k reduction in the department's budget for foreign exchange gains/losses.

### **External Consultancy**

19. It is proposed to make further external consultancy allocations as detailed below. We are in discussions with DFP and believe that we will be within our approved maximum external consultancy budget after making these allocations.
- £29k for Economic Policy Unit for a 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;
  - £14k for Tourism Policy for a review of NITB and wider tourism structures to ensure there is a greater alignment between NITB and the work of Invest NI; and
  - £10k for the Insolvency Service for an independent investigation into the conduct of an insolvency practitioner.

### **Other Mainstream Internal Reallocations**

20. A number of other minor internal reallocations are proposed in this monitoring round to realign budgets with forecast expenditure, which include the following:
- Invest NI reallocations of £0.543m from Capital to Capital Grant, £0.630m from Admin to Resource to realign Invest NI budgets with forecast requirements; and

- NITB propose to reallocate £0.148m from Promotion & Marketing to Admin to cover inescapable pressures that were unforeseen at the beginning of the year.

## **EU Internal Reallocations**

21. 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***

- £0.099m Resource and £1.460m Capital increases in Invest NI EU expenditure and receipts, mainly for the Co-investment Fund.
- A number of other minor reallocations totalling a net reduction of £29k Resource are also proposed.

### ***EU Interreg Programme***

- £0.178m Resource and £0.447m 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**

22. 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 increasing DETI's budget by £9k, and includes the following transfers:

- £93k Resource from DSD to Invest NI for the Social Economy Incubation Hubs programme;
- £41k Resource to DE from Invest NI to provide funding for a Computer Science programme;
- £30k Resource to CPD (DFP) from Invest NI for SBRI costs in respect of Nitrates; and
- £13k Resource to DE from Invest NI for the Stock Market Challenge programme.

23. A further technical transfer of £4.8m Capital Grant from the Department of Culture, Media and Sport (DCMS) to Telecoms Policy Unit in respect of the Super-connected Cities Project is required. This funding will be passed on to Belfast City Council, which is managing the project in conjunction with DCMS.

**Outstanding January Monitoring Issues**

24. Work is ongoing in relation to two other issues as set out below, and we may need to advise you further on these in due course.

***Invest NI - Agri-food Loan Scheme***

25. Invest NI Capital budgets include a £10m ring fenced allocation for the Agri-Food Loan Scheme and work continues to establish a likely profile of spend. Invest NI are still examining if there needs to be a release of part of this funding.

***Invest NI HQ Building Purchase***

26. Invest NI is considering the budgeting and accounting position following the recent purchase of its HQ building. We are awaiting Invest NI's analysis of the position to determine if this has any implications for January Monitoring.

**ANNUALLY MANAGED EXPENDITURE FORECASTING 2013/14 ONWARDS**

27. 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.
28. The Department is required to provide details of AME forecasts to DFP and DFP provides AME information on behalf of the Northern Ireland Executive to the Office of Budget Responsibility (OBR). This is the second opportunity to update AME forecasts for 2013/14.
29. 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.

**Adjustments made in the AME Exercise**

30. **H&W Asbestosis Provision – Set Up / Additions (£12.3m decrease):** This reduction from the projected 2013/14 baseline position of £80.15m to £67.9m is the result of the findings of an independent actuarial review of the outstanding liability of H&W as of 31 March 2014 relating to Employers' Liability and Public Liability Claims. The last such review reported on these liabilities at 31 March 2008. The latest review reflects an expectation that the annual number of asbestos related claims will steadily decline over the next 25 to 30 years. Lower inflation rates (in line with industry wide trends and experience to date) have also been factored into future cash flow estimates
31. **H&W Asbestosis Provision – Release (£0.85m):** This reflects reductions in estimated cash spend in the current financial year on Harland & Wolf plc's liability in respect of asbestosis claims.

32. **NI Renewables Heat Incentive Scheme - (£0.85m easement):** The uptake of the scheme has been slower than anticipated and there have been delays in commencement of domestic RHI.
33. **Invest NI: Revaluation of Assets - (£5.5m reduction)** Latest Land & Property Services forecasts show that land values will fall by 11.4% and factory values by 7%. Invest NI has therefore adjusted the revaluation of assets budget accordingly which has resulted in a decrease of £5.5m.
34. **Tourism Ireland Ltd and InterTradeIreland Pension Scheme - (£0.48m increase):** AME budget of £0.4m for TIL and £0.08m for ITI is required to cover pension scheme costs relating to interest on scheme liabilities, benefits paid and transfer out. This is due the reclassification of North South Bodies and associated budgeting and accounting treatment.

### **Assurance Statement**

35. 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. However, the following areas of risk should be noted:

#### ***Invest NI expenditure***

- As set out in paragraph 24, there is some risk surrounding the quantum of expenditure for 2013/14 against the £10m ring fenced allocation for the Agri-Food Loan Scheme, and an easement may be declared later in the January Monitoring process.

#### ***NITB Capital Grant***

- NITB has reported spend of only £0.2m (10.4%) of its Capital budget to the end of October 2013. When the bid for £0.5m Capital for slipped TDS projects is included, the percentage expenditure to date drops to 8.3% of budget. While NITB has given assurances regarding its ability to spend its full Capital budget allocation, the increasing end year loading is a concern.

#### ***Telecoms Broadband Project***

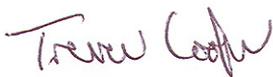
- Telecoms Policy Unit holds a £2.25 million budget for the 2 Mbps USC Project, which is currently forecast for the final quarter of 2013/14. Telecoms Branch is concluding procurement, with the contract expected to be awarded in December 2013. Telecoms Policy Unit has confirmed that expenditure is on track at this point in time. However, any slippage would escalate the risk of underspending.

***Telecoms Super Connected Cities Programme***

- Telecoms Policy Unit currently holds a £1m budget for the Super Connected Cities programme, which is to be increased by a further £4.8m. This can only be disbursed to Belfast City Council once the Department for Culture, Media and Sport direct that the expenditure is eligible. However, any risk of underspending has been mitigated through an agreement between DFP and HM Treasury whereby any unspent funding will not count against DETI budgets and will be available for the project in the next financial year.

**Recommendation**

36. The internal reallocations, technical transfers and EU technical changes will be processed in the First Stage of January monitoring. The substantive Invest NI bid, the easements and the reclassification will be considered in the Second Stage. Should there be any adjustments arising from the ongoing monitoring of the risk areas noted in the previous paragraph between now and the end of December, we would provide separate briefing to you. Subject to the your approval, these can also be reflected in the Second stage return.
37. It is recommended that you note the above and, if content:
- (a) Confirms that we can present these proposals in the DETI submission to DFP for January monitoring; and
  - (b) Confirms that this material can be used to prepare briefing for the ETI Committee on both stages of January monitoring for submission by 4 December.
38. I would be happy to discuss.

**TREVOR COOPER**

cc David Thomson  
Alastair Ross, MLA, Assembly Private Secretary  
Wendy Johnston  
David Beck  
Bernie Brankin  
Jeff Partridge

## ANNEX A

**JANUARY MONITORING 2013/14 SUMMARY****One Substantive Bid:**

Invest NI Programme Budget (Resource £1.3M) to meet general budget pressures

**De Minimis Bids: (£1.4M Resource and £0.5M Capital Grant in total)**

NITB £490k TDS Capital Grant (to be met via reclassification from Resource)

NITB £570k Resource - Giro d'Italia activities

NITB £170k Resource – property costs for Nassau Street premises

Tourism Ireland Ltd £325k Resource – pension scheme current service costs

InterTradelreland £115k Resource – pension scheme current service costs

Range of other DETI de minimis bids totalling £113k Resource, £97k Admin, £12k Non Cash and £5k Capital.

**De Minimis Reductions surrendered to DFP  
(£0.09M Resource; £0.09M Non Cash and £0.35M Capital)**

Ring-fenced Interreg Match Funding £60k Resource and £150k Capital

Ring-fenced NITB JEI TDS Open Call £200k

Ring-fenced Invest NI JEI £30k

DETI Non Cash depreciation £92k

**De Minimis Reductions used to meet De Minimis Pressures  
(£1.9M Resource and £0.035M Capital)**

Reduction in H&W provision £850k Resource

HSENI unfilled posts £250k Resource

Energy slippage in RHI scheme £240k Resource

Finance Accounts reduction in foreign exchange gains/losses £200k Resource

Range of other DETI de minimis Resource easements £223k

Range of other DETI de minimis Admin easements £97k

Range of other DETI de minimis Non Cash easements £12k

Range of other DETI de minimis Capital easements £25k

**EU Internal Reallocations:*****EU Competitiveness Programme***

Invest NI propose to increase ERDF expenditure and receipts by £0.099m Resource and £1.460 Capital.

***EU Interreg Programme***

£0.178m Resource and £0.447m Capital Grant reductions in European Support Unit EU expenditure and receipts are proposed.

**ANNUALLY MANAGED EXPENDITURE (AME) ADJUSTMENTS 2013/14****H&W Asbestosis Provision – Set Up / Additions (£12.3M reduction):**

This reduction is the result of the findings of a recent independent actuarial review of the outstanding liability of H&W as of 31 March 2014 relating to Employers' Liability and Public Liability.

**H&W Asbestosis Provision – Release (£0.850M):** AME adjustment to mirror reduction in H&W in-year spend

**Energy – Renewable Heat Initiative release (£0.850M):** Due to slower than anticipated uptake of RHI scheme.

**Invest NI - Revaluation of Assets - (£5.5M reduction):** Latest Land & Property Services forecasts show that land values will fall by 11.4% and factory values by 7%.

**Tourism Ireland Ltd and InterTradeIreland Pension Scheme - (£0.48M increase):** AME budget of £0.4M for TIL and £0.08M for ITI is required to cover pension scheme costs relating to interest on scheme liabilities, benefits paid and transfer out.

**From:** [Cooper, Trevor](#)  
**To:** [Rooney, Eugene](#)  
**Subject:** FW: JANUARY MONITORING  
**Date:** 24 December 2013 14:09:00  
**Attachments:** [Sub to Minister - Additional Adjustments - Jan Monitoring 2013-14 revuntracked \(2\).doc](#)  
[Sub to Minister - January Monitoring 2013-14original.doc](#)

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## **Trevor Cooper**

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**From:** Cooper, Trevor  
**Sent:** 24 December 2013 13:01  
**To:** Private Office DETI; Aiken, Glynis; Crawford, Andrew  
**Cc:** Sterling, David; Thomson, David; Ross, Alastair; Johnston, Wendy; Brankin, Bernie; Partridge, Jeff; david@Personal information redacted by the RHI  
**Subject:** JANUARY MONITORING

I attach further submission on January Monitoring for the Minister's consideration. The deadline for returns for input to DFP is 3 January.

The submission has been cleared by Eugene Rooney and includes a reconciliation of movements between the position in submission of 22 November (also attached) and the further movements.

Eugene will be in Netherleigh on Monday 30th and Tuesday 31st December should there be any queries on the sub , and I return to work on 2 January and will be available from then on.

Trevor

## **Trevor Cooper**

Head of Finance Division  
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