

From: [Partridge, Jeff](#)
To: [Cooper, Trevor](#)
Subject: October Monitoring - Draft Submission to Minister
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Attachments: [Sub to Minister - October Monitoring 2014-15.doc](#)

Trevor,
Draft sub attached.
Jeff

FROM: Trevor Cooper

DATE: September 2014

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TO:

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**OCTOBER MONITORING 2014-15 and
ANNUALLY MANAGED EXPENDITURE FORECASTING 2014-15 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 October Monitoring.

Timing: **URGENT.** The ETI Committee is scheduled to receive written briefing **by Wednesday 24 September** with oral briefing by officials scheduled for Thursday 25 September. The return is due with DFP on Thursday 2 October.

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.

Freedom of Information: It may be possible to claim exemption for this submission under Section 35 of the FOI Guidance as formulation of government policy.

Programme for Government /PSA Implications: None identified at this stage.

Financial Implications: Bids totalling £15.2m Resource are required by Invest NI and NITB to meet inescapable pressures and commitments. We also propose to meet circa £0.5m in de minimis bids from de minimis reduced requirements. Reductions to be released include £4.9m Resource, £1.9m Capital and £5.0m Financial Transactions Capital.

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, if content, confirm:

- a) That we can present these proposals in the DETI submission to DFP for October Monitoring; and
- b) That this briefing can be used to prepare briefing for the ETI Committee.

OCTOBER MONITORING 2014-15

Background

1. The starting point for the October monitoring round is the 2014-15 position following the June monitoring round which was notified to the Assembly on 31 July 2014. The outcome of the June monitoring round included a zero overcommitment on non ring fenced resource expenditure but recognised the need for departments to plan on the basis of further reductions in the October Monitoring round totalling £87m (2.3%). In terms of conventional capital investment, the June Monitoring outcome also included a £38.6m overcommitment.
2. The Executive Paper on June Monitoring confirmed 2.1% cuts (equating to £3.8m in DETI) and required departments to plan for anticipated cuts of 2.3% in October Monitoring (equating to £4.3M in DETI). Recent comments from DFP would indicate that they may seek reductions of around 5.9% in total, equating to £10.9m for DETI.
3. The Finance Minister's statement to the Assembly on June Monitoring specified that "any reduced requirements declared in the October Monitoring Round by individual departments will be used to reduce the level of adjustments applied to that department in the October round."
4. The 2.1% (£3.8m) cuts in June Monitoring can be covered by a £3.8m reduced requirement in the Harland & Wolff budget. The balance of cuts, which may be as much as £7.1m, could be covered by reductions of £4.8m in the Poultry Litter Solution budget, £0.6m in NITB's Tourism Innovation Fund budget under the Economy and Jobs Initiative, £0.7m de minimis reductions identified in October Monitoring, and a £1.0m overcommitment taken on the rest of the DETI budget, which effectively would likely come from Administration.
5. Whilst this action would address potential Resource cuts to the DETI budget, we have inescapable Resource pressures from Invest NI and NITB totalling £15.2m that we propose are submitted in October Monitoring.

Key Mainstream Proposals

6. We have consulted all DETI business areas, and the key DETI October Monitoring proposals are set out below:

	Resource £m	Capital £m	Total £m
Bids			
Invest NI – SFA & R&D Projects	10.65		10.65
Tourism – Events	4.55		4.55
Total Bids	15.20		15.20
Easements			
Poultry Litter Scheme	(4.81)		(4.81)
NITB Tourism Innovation Fund	(0.60)		(0.60)
Interreg IVa Match Funding	(0.12)		(0.12)
NITB Capital Grants (TDB)		(1.45)	(1.45)
Energy Gas to the West Project		(0.50)	(0.50)
Invest NI – FT Capital		(5.00)	(5.00)
Total Easements	(5.53)	(6.95)	(12.48)

Bids**Invest NI Programme Budgets (£10.65m Resource)**

7. As Invest NI's pipeline of projects builds signifying tentative signs of economic recovery, there are a number of SFA and R&D projects requiring funding, reflecting the multi-year nature of Invest NI's business. At the beginning of the year Invest NI forecast that the total budget required in 2014-15 would exceed the current budget allocation by £18.1m, mainly as a consequence of a number of new initiatives to boost the economy and an uptake in business. A bid for £10.5m was submitted to DFP in June, with a further bid of £7.6m anticipated in October. The June bid was partially met through the reinstatement of budget realignment cuts of £7.7m.
8. Invest NI is now bidding for **£10.65m** comprising the balance of £10.4m (£18.1m less £7.7m) plus an additional £0.5m for Regional Business, offset by utilising additional Resource receipts of £0.25m.
9. In 2013-14 Invest NI offered assistance totalling £219m, a significant increase over previous years. For 2014-15 up to the end of July 2014, the value of assistance offered already totals £182m. Examples of signed projects that have created the additional pressure on the Invest NI budget for the remainder of 2014-15 include Citi Group (£2.1m), NI Screen (£1.7m), Thompson Aero Seating (£1.6m), Schrader (£1.4m) and Concentrix (£1.2m).
10. Invest is a victim of a change in their funding model introduced a couple of years ago. During the downturn Invest did not need their total baseline allocations so there was a risk of significant underspending. The new funding model was based therefore on a dependency on access to additional funds in-year to meet commitments. Invest's baseline was designed deliberately to leave Invest short of projected requirements with an agreement that bids would be made in year as company claims were made.

11. With the move to this new model, there was an Executive recognition that *“the upturn in the economic cycle is likely to lead to an inescapable call upon financial assistance contracts already signed with client companies”*.
12. The Finance Minister’s minute to the Executive of 29 July highlighted the need *“to ensure that any DETI bids in this respect receive the highest priority in the final two monitoring rounds of this financial year”*.

NITB Events Budget (£4.4m Resource)

13. NITB has an inescapable bid for **£4.4m Resource** against the Events Fund comprising the following:
 - £2.3m for Events Fund contractual commitments where letters of offer have issued to event organisers. These include closed call international events such as the NW200, Milk Cup, August Feile and Ulster Grand Prix; open call international events such as Circuit of Ireland, NI Open Challenge, Foyle Maritime, Belfast Maritime and MAC; and Hallmark Events including the Tall Ships 2015 and Grande Fonda 2015;
 - £0.6m for the initial payment to the R&A as set out in the sponsorship agreement to bring the Open Golf Championship to Northern Ireland;
 - £0.7m for the Giro d’Italia, including £375k sponsorship fee (which is matched by £375k EU). This is contractually committed and is an Executive commitment;
 - £0.6m for the Irish Open 2015, which would assist in the delivery of an Executive Commitment in the Programme for Government; and
 - £0.2m for ongoing work related to the HMS Caroline project.

NITB – Frampton Boxing (£0.15m Resource)

14. Funding of £150k (£50k for NITB and £100k for Tourism Ireland) is required for a Marketing Sponsorship Agreement with Cyclone Promotions to leverage positive international media exposure for the IBF Super Bantamweight World Championship fight hosted at the Titanic Quarter in September 2014.
15. The Executive has already indicated that this funding will be provided from Centre.

Easements

Invest NI – Invest to Save (£4.81m Resource)

16. Invest NI has identified an easement of £4.81m in the ring-fenced Poultry Litter Scheme, which had been allocated in the Budget as an Invest to Save. The Poultry Litter Scheme is going to be supported by Financial Transactions Funding, rather than Resource in future years. It is proposed to utilise this reduction to offset cuts, which we feel this is consistent with

the Finance Minister's Statement to the Assembly which stated that "any reduced requirements declared in the October Monitoring Round by individual departments will be used to reduce the level of any adjustments applied to that department in the October round."

NITB – Tourism Innovation Fund (£0.6m Resource)

17. NITB has indicated that

European Support Unit – Interreg IVa budget (£0.1m Resource)

18. Match funding requirements in 2014-15 for Interreg IVa projects have been revised in consultation with SEUPB from the amounts they had previously forecast as there are less resource intensive projects at this stage of the programme. This easement in 2014-15 is not a reduction in overall Interreg programme value, but is a deferral of expenditure into 2015-16.

NITB – TDS (£1.45m Capital)

19. Slippage of £1.45m has been reported against the Waterfront Convention Centre project. The initial expenditure profile received in September 2014 has been revised by the appointed contractor, and the current projection prepared with the contractor shows that less expenditure can be realised in 2014-15 than was first estimated. NITB has committed to this project and increased budget cover will therefore be required in 2015-16.

Energy – Gas Extension Project (Capital £0.5m)

20. There has been ongoing slippage with the gas extension project to the West and North-West, and the Utility Regulator will not now formally award a licence to the successful bidder until December 2014 at the earliest. £9.5m budget was released in June, and it was hoped that the developer could complete design works, planning consent etc. to allow some eligible spend on scheme design and planning before the end of March 2015. However, given the uncertainty and difficulty at this time in assessing an appropriate level of potential grant spend before the end of March 2015, the remaining £0.5m budget in 2014-15 has now been released. The consequence is that the full £10m budget allocated in 2014-15 will be required in 2015-16.

Invest NI - Financial Transactions Funding Capital (£5.0m)

21. Invest NI had anticipated bidding for £10m Financial Transactions Funding in 2014-15 in addition to the £10m Financial Transactions Funding it already had for the Agri-Loan Fund. However there have been significant delays in the granting of approval of applications for planning permission for the broiler houses and a lower level of applications to banks which has resulted in a reduction in the forecast spend in 2014-15 to £3m.

22. To date, out of a Moy Park target of 400 poultry houses, 90 have been built without the Agri-Loan scheme finance. This would have equated to circa £13m if the Loan Scheme had been involved in financing, which demonstrates the reduced need for the public sector finance.

23. In relation to the Titanic Studios project, there is a total potential requirement of £12m. Invest NI had anticipated bidding for £6m Financial Transaction Funding this financial year. However the negotiations between the investors have slowed down and there is a high degree of uncertainty that any loan finance will be required this year.
24. Invest NI are now releasing £5m Financial Transaction Funding in October Monitoring. The £5m remaining in their baseline will provide £3m for Agri Food Loan and £2m for Access to Finance.
25. £0.4m Financial Transaction Funding was allocated for an extension to the Northern Ireland Science Park in June Monitoring, and it is still expected that this funding will be utilised in 2014-15.
26. The following table illustrates the movement in Financial Transactions Funding in 2014-15:

Project Title	Planned Spend £m	Opening Baseline £m	June Monitoring £m	October Monitoring £m	Revised Budget £m
Agri-food Loan Scheme	20.0	10.0	0	(7.0)	3.0
Titanic Studios	6.5	0	0	0	0
Access to Finance	3.2	0	0	0	0
Science Park Extension	0.4	0	0.4	0	0.4
Total	30.1	10.0	0.4	(7.0)	3.4

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

27. De minimis bids have been prioritised by business areas as inescapable, pre-committed, high priority or desirable (see **Annex A** for full definitions).
28. Resource de minimis reduced requirements totalling £2.1m comprising £0.4m Admin, £1.3m Resource (including £750k from H&W), £0.2m Non Cash and £0.2m Capital have been identified across DETI business areas. Whilst these could be used to partly offset substantive bids, they are normally used to meet de minimis bids as we have no other means by which to address inescapable de minimis pressures.
29. We propose to meet all of the inescapable and pre-committed bids set out in **Annex B**, which comprise **£132k Admin, £23k Resource, £241k Non Cash and £240k Capital**. This would leave **£1,459k Resource** to be used as room to manoeuvre to offset cuts to the DETI budget.
30. The remaining unmet pressures are set out at **Annex C**. It is proposed to defer them until the next monitoring round, at which time the position regarding in-year cuts should be clearer and further reduced requirements may be available for reallocation.

31. Given the level of detail and small sums in relation to de minimis bids, we propose to provide the ETI Committee with a high level summary.

Other Mainstream Internal Reallocations

32. A number of other minor internal reallocations are proposed in this monitoring round to realign budgets with forecast expenditure. These include the following:

- **Invest NI:** Increased Resource receipts of £250k which will fund Invest NI Resource pressures;
- **Consumer Council:** Receipts from NIAUR of £182k which will fund the Consumer Council's representative role in relation to energy related activities;
- **NITB:** Due to the accounting treatment of IT Capital equipment, £80k is being reallocated to the depreciation budget;
- **Insolvency Service:** Increased Resource receipts from insolvency fees of £60k which will fund increased Insolvency Service operational costs;
- **Minerals Branch:** Increased Resource receipts from the sale of geological publications of £60k which will fund GSNI costs; and
- **DETI Core:** A decrease in seconded staff expenditure and receipts of £59k.

33. There are also a small number of other minor internal reallocations to realign budgets to business needs.

EU Internal Reallocations

34. 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

- £2.3m Resource decrease and £1.0m Capital increase in Invest NI EU expenditure and receipts to realign EU budgets with forecast requirements;
- £0.2m Resource decrease and £0.2m Capital increase in NITB ERDF expenditure and receipts relating to the capitalisation of IT expenditure; and
- A number of other minor reallocations totalling a net decrease of £0.1m Resource.

EU Interreg Programme

- £0.4m Resource reduction in European Support Unit EU expenditure and receipts to align with SEUPB projections.
35. Adjustments in EU expenditure are to reflect current profile of spend and reductions are deferrals in to future years.

Technical Transfers

36. A number of technical transfers to and from other departments need to be effected in this monitoring round, including the following:
- £0.1m Resource from DARD to HSENI for the Farm Safety campaign; and
 - Six smaller transfers (each under £50k) in and out of the department.
37. A proposed £1.1m Resource technical transfer from DSD to Invest NI for the Social Economy Incubation Hubs programme is also proposed. This had been proposed in June Monitoring but DSD deferred the transfer until October as DSD must firstly receive the funding from OFMDFM through the Accelerating Social Enterprise Signature programme. Finance Branch is liaising with colleagues in DSD to ensure this transfer is processed in October Monitoring.

Telecoms Super Connected Cities Programme

38. Telecoms Policy Unit was allocated a budget of £5.8m by the Department for Culture, Media and Sport (DCMS) in 2013-14 for the Super Connected Cities programme. This can only be disbursed to Belfast City Council once DCMS direct that the expenditure is eligible. £0.1m was spent in the last financial year, however, an agreement exists between DFP and HM Treasury whereby any unspent funding will not count against DETI budgets and will be available for the project in 2014-15.
39. £5.7m from 2013-14 is therefore available to be drawn down this year from HM Treasury. Telecoms Policy Unit has indicated that £5m may be required for 2014-15, and we will update DFP of this projection in October Monitoring. However, the actual drawdown of funds from HM Treasury will not take place until their supplementary estimate round and we will confirm actual numbers by mid December 2014.

ANNUALLY MANAGED EXPENDITURE FORECASTING 2014-15 ONWARDS

40. 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.

41. 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 2014-15. There will be a further opportunity to update AME forecasts in January Monitoring.
42. 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.
43. **H&W Asbestosis Provision.** It is proposed to reduce the set up of this provision by £0.014m to reflect current forecasts by claims handlers. It is also proposed to reduce the release of H&W Provision by £0.750m to reflect the estimated cash spend in the current financial year on Harland & Wolf plc's liability for asbestosis claims.
44. **NITB** has proposed a reduction in its revaluation of assets budget of £0.600m per year. This is based on the movement in the pension liability from 2012-13 to 2013-14, and in the absence of any further information they anticipate a similar level in future years.
45. **Energy Division** has a Resource AME budget allocation of £6.350m in 2014-15 to cover anticipated costs of the Renewable Heat Incentive scheme. A reallocation of £1.140m from Resource to Capital is proposed to cover anticipated RHI Premium Payments which go toward the costs of renewable heat installations in domestic properties, along with an easement of £0.380m in the Resource AME budget.
46. **Invest NI** has reallocated £11.250m DEL Resource and £3.750m DEL Capital to utilisation of grant provisions budgets in line with established accounting practices. This movement is reflected in AME budgets, where corresponding adjustments of £11.250m AME Resource and £3.750m AME Capital are required against release of provision AME budgets.
47. **Tourism Ireland Ltd and InterTradeIreland Pension Scheme.** AME budget of £0.400m for TIL and £0.088m for ITI is required to cover pension scheme costs relating to interest on scheme liabilities, benefits paid and transfer out. This is consistent with the treatment of TIL and ITI pension costs in recent years following the reclassification of North South Bodies as NDPBs.
48. **HRCS** has increased the set up in provisions for early retirement by £0.162m and the release of provision by £0.054m due to additional cases approved in-year.

Assurance Statement

49. 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:

Recommendation

50. It is recommended that the Minister considers the information above and, if content, confirms
- (a) That we can present these proposals in the DETI submission to DFP for October monitoring; and
 - (b) That this material can be used to prepare briefing for the ETI Committee.
51. I would be happy to discuss.

TREVOR COOPER

cc Chris Stewart
Alastair Ross, MLA, Assembly Private Secretary
Wendy Johnston
David Beck
Bernie Brankin
David McCune
Jeff Partridge
Rod Robson
John Murray
Rosie Clarke

Categorisation of Bids

INESCAPABLE – This category covers bids for additional firm legal or contractual obligations, whose costs were not previously anticipated and if not met, may lead to proceedings being taken against the Department.

PRE-COMMITTED – This category covers those bids relating to a situation where the Executive has already taken prior decisions, through an alternative decision making process, and the relevant papers recording those decisions should be supplied to support the request.

HIGH PRIORITY – This category covers those bids in areas which are deemed to be important proposed developments in either delivering the key areas covered in the Programme for Government or dealing with other emerging issues of comparable importance.

DESIRABLE – This category covers those bids which are considered value for money projects but have a less direct impact on key departmental objectives and targets.

De Minimis Bids proposed to be met in October Monitoring

Business Area	Bid Description Categorisation of Bids: Inescapable (I); Pre-committed (P); High Priority (H); Desirable (D).	Amount (£000's)
<u>CONSUMER COUNCIL (NI)</u>		
CCNI - Resource	Legal & Professional Fees in relation to advice on the exit of premises lease (I)	12
CCNI – Resource Non Cash	Increase in Depreciation charges (I)	241
<u>NITB</u>		
NITB - Capital	Web Technology Platform Project (I)	240
<u>TOURISM, TELECOMS & GSNI POLICY</u>		
Telecoms Policy - Admin	Legal advice in relation to excess revenue negotiations under Project Kelvin (I)	5
Telecoms Policy - Admin	Gateway Review NI Broadband & Superfast Extension Project (I)	4
Telecoms Policy - Admin	Board Meetings in relation to NI Broadband Improvement Project / Superfast Extension Programme (I)	1
Tourism Policy - Admin	Strategic Outline case for Food NI (P)	10
Minerals - Admin	LPS Hard Charging for Colby House (I)	8
<u>BUSINESS REGULATION</u>		
Financial Capability - Admin	Omnibus Survey for Financial Capabilities Strategy (I)	30
Financial Capability - Admin	Impact Analysis Report for Financial Capabilities Strategy (I)	20
<u>ENERGY</u>		
Energy - Resource	Wayleaves – Increase in applications (I)	11
<u>FINANCE</u>		
Accounts - Admin	Increase in Early Retirement Provision (I)	48
Accountability & Casework - Admin	Review of a telecoms project (Staff Substitution) (I)	6
	Total Admin Bids To Meet	132
	Total Resource Bids To Meet	23
	Total Resource Non Cash Bids To Meet	241
	Total Capital Bids To Meet	240
	Total De Minimis Bids To Meet	636

De Minimis Bids not met in October Monitoring

Business Area	Bid Description Categorisation of Bids: Inescapable (I); Pre-committed (P); High Priority (H); Desirable (D).	Amount (£000's)
<u>TOURISM, TELECOMS & GSNI POLICY</u>		
Minerals - Admin	Baseline Geoscience of NI Shale Gas Basin (Fracking) (D)	250
<u>TOURISM IRELAND</u>		
Tourism Ireland - Resource	NI Air Connectivity – Marketing of new KLM Amsterdam route (H)	110
Tourism Ireland - Resource	Costs in relation to Staff Pension Changes (H)	22
<u>EPD</u>		
Air Access - Admin	Air Route Development Fund for NI (H)	25
<u>HSENI</u>		
HSENI - Resource	Gas Safety Compliance Officer (H)	15
HSENI - Resource	Internal Programme Support Activities (H)	35
HSENI - Resource	Industry Specific Promotional Activity & Events (H)	30
HSENI - Resource	Scientific Services (H)	13
HSENI - Resource	Support of Small Businesses and Young Workers (H)	20
	Total Admin Bids Not Met	275
	Total Resource Bids Not Met	245
	Total Bids not Met	520