

From: [Cooper, Trevor](#)
To: [Crawford, Andrew](#); [Aiken, Glynis](#)
Cc: [McCormick, Andrew \(DETI\)](#); [Rooney, Eugene](#); [Stewart, Chris \(DETI\)](#); [Johnston, Wendy](#); [Brankin, Bernie](#); [McCune, David](#); [David Beck](#)
Subject: FW: OCTOBER MONITORING
Date: 02 October 2014 10:26:00
Attachments: [Sub to Minister - October Monitoring 2014-15 3 ABC.doc](#)
Importance: High

Andrew

We discussed our draft monitoring input last Wednesday – given the draft monitoring paper for the Thursday Executive meeting we agreed that it couldn't be released until the Friday of last week at earliest subject to any changes resulting from Executive decisions on the Thursday.

The Paper is now due with DFP today. On that basis we would also release now to the Committee. The Committee would receive the Resource bids and Capital reductions, and AME adjustments. They would also receive verbal briefing at this point scheduled for 7 October.

Grateful if you /Minsiter could consider for approval and confirm we can use to submit to dfp and that separately we can brief committee on bids and ame items.

Happy to discuss.

Trevor

FROM: Trevor Cooper

DATE: 24 September 2014

Copy Distribution List Below

TO:

1. Eugene Rooney
2. Andrew McCormick
3. Andrew Crawford
4. Arlene Foster MLA

**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 return is due with DFP on Thursday 2 October. The ETI Committee meet on Thursday 25 September and do not meet again until 7 October, and will require briefing on October Monitoring. The Committee expect the Monitoring input for their 25 September meeting.

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

Presentational Issues: There will be keen media interest in all Departments input to October Monitoring given coverage across the media platforms on the overall Northern Ireland budgetary position.

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: It is proposed to present bids totalling £15.2m Resource (£10.65m Invest NI and £4.55m NITB) to meet inescapable pressures and commitments. We also propose to meet circa £0.7m in de minimis bids

from de minimis reduced requirements. Reductions to be released include £2.0m 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 that we can present these proposals in the DETI submission to DFP for October Monitoring and use this submission to prepare briefing for the ETI Committee. Separate briefing would follow to the Committee on cuts at a later date once there is clarity on the actual level of these cuts.

OCTOBER MONITORING 2014-15

Background

1. The starting point for the October monitoring round is the 2014-15 position following the June monitoring round notified to the Assembly on 31 July 2014. June monitoring confirmed immediate cuts of 2.1% to Departments other than DHSSPS and DE, and 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. Going into October Monitoring, at NI Block level June Monitoring indicated a zero Resource overcommitment.
2. The confirmed 2.1% cuts equate to £3.8m in DETI. The further anticipated cuts of 2.3% previously anticipated in October Monitoring equate to £4.3m in DETI. Recent comments from DFP would indicate that they may seek reductions of roughly 3.9% (£7.3m) or 5.9% (£11.1m) depending on whether DE continues to be protected. These additional reductions would be required to address inescapable pressures.
3. The 2.1% (£3.8m) cuts in June Monitoring can be covered by a £3.8m cash release from the Harland & Wolff budget reflecting forecast payment requirements on asbestosis liabilities to the year end. We are not including in Monitoring additional reductions where we have taken proactive action in anticipation of cuts as we are holding these budget amounts so that they are available to offset any actual cuts applied. Separate advice will follow on this and the overall position on potential cuts across the Department and how they can be met however at this stage it is considered to be unlikely that there will be clarity on the final position on cuts at an early stage and pending such clarity it is recommended that the Minister proceed with the confirmation of her position on the reductions recommended in Eugene Rooney's note of 12 September 2014.
4. Whilst we have identified areas that would address potential Resource cuts to the DETI budget, it would leave unmet bids / pressures in Invest NI (£10.65m) and NITB (£4.55m) totalling £15.2m which we would propose to

submit in October Monitoring. The extent to which these bids are met would determine the cuts in other areas that would ultimately fall across a range of DETI business areas.

Key Mainstream Proposals

5. 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			
Interreg IVa Match Funding	(0.12)		(0.12)
NITB Capital Grants (TDS)		(1.45)	(1.45)
De Minimis Capital		(0.60)	(0.60)
Invest NI – FT Capital		(5.00)	(5.00)
Total Easements	(0.12)	(7.05)	(7.17)

Bids

Invest NI Programme Budgets (£10.65m Resource)

6. As Invest NI's pipeline of projects builds signifying 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 subject to confirmation of its original forecast pressure at that time. The June bid was partially met through the reinstatement of budget realignment cuts of £7.7m.
7. Invest NI is now bidding for **£10.65m** comprising the balance of £10.4m (£18.1m less £7.7m) and an additional £0.25m baseline pressure due to adjustments to ERDF allocations.
8. 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).
9. The outcome of the Budget Realignment meant that Invest NI's funding is based on a dependency on access to additional funds in-year to meet commitments.

10. Within the Executive Paper on the Budget Realignment, 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”*.
11. 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 (£4.55m Resource)

12. It is proposed to put forward a bid for NITB’s inescapable commitments of **£4.55m Resource** for Events funding comprising:
 - £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 an 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 a £375k sponsorship fee. 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.
 - £0.15m is required for a Sports Marketing Sponsorship Agreement.

Easements**European Support Unit – Interreg IVa budget (£0.12m Resource)**

13. 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 the overall Interreg Programme value, but is a deferral of expenditure into 2015-16.

NITB – TDS (£1.45m Capital)

14. 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.

De Minimis Capital (Capital £0.6m)

15. **Energy – Gas Extension Project £0.5m:** The Utility Regulator will not now formally award a licence to the successful bidder for the Gas Extension Project 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.
16. **Science Park Extension - £0.1m:** Mainstream Capital funding is no longer required for the NISP extension in 2014-15 as initial project appraisals and CPD costs will be covered from Admin.

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

17. 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 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.
18. To date, out of a total target of 400 poultry houses, 90 have been built without the Agri-Loan scheme finance. This demonstrates reduced need for public sector finance.
19. 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 promoter's progress means that there is a high degree of uncertainty that any loan finance will be required this year.
20. Invest NI are now releasing £5m Financial Transaction Funding in October Monitoring. The £5m remaining in their baseline will provide £3m for the Agri Food Loan Fund and £2m for Access to Finance.
21. £0.4m Financial Transaction Funding was allocated to DETI 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.
22. 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	2.0	2.0
Science Park Extension	0.4	0	0.4	0	0.4
Total	30.1	10.0	0.4	(5.0)	5.4

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

23. De minimis bids have been prioritised by business areas as inescapable, pre-committed, high priority or desirable (see **Annex A** for full definitions).
24. De minimis reduced requirements totalling £2.2m comprising £0.3m Admin, £1.4m Resource (including £750k from H&W), £0.2m Non Cash and £0.3m 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.
25. We propose to meet all of the inescapable and pre-committed bids set out in **Annex B**, which comprise **£182k Admin, £23k Resource, £241k Non Cash and £240k Capital**. This would leave **£1,409k Resource** (including £750k from H&W already earmarked) to be used as room to manoeuvre to offset cuts to the DETI budget. This funding is being held in the DETI budget to be available to offset any actual cuts.
26. The remaining unmet de minimis 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.
27. 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

28. 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.
29. There are also a small number of other minor internal reallocations to realign budgets to business needs.

EU Internal Reallocations

30. 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.
31. Adjustments in EU expenditure are to reflect current profile of spend and reductions are deferrals into future years.

Technical Transfers

32. 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.
33. 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

34. 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.
35. £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 2004-15, 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

36. 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.
37. 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.
38. 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.
39. **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 in the current financial year on Harland & Wolf plc's liability for asbestosis claims.

40. **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.
41. **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.
42. **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.
43. **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.
44. **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

45. 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:
 - The number of applications for Agri- Food Loan is low reflecting a reduced need for public sector finance. Therefore Invest NI may not require all of £3m Capital Financial Transaction Funding it is retaining for this purpose; and,
 - There is risk around spend against £5m Capital grant held against funding for the superfast broadband extension programme as it is unlikely that a contractor will be appointed until the final quarter of the year so at this time there remains uncertainty around the actual amount of expenditure that will be delivered to the end of the year.

Recommendation

46. It is recommended that the Minister considers the information above and, if content, confirms that we can present these proposals in the DETI submission to DFP for October monitoring and use this submission to prepare briefing for the ETI Committee. Separate briefing would be provided to the Committee on cuts when there is clarity on the level that will actually apply over and above the June Monitoring position.

47. I would be happy to discuss.



TREVOR COOPER

cc Chris Stewart
Ian McCrea, 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)
CONSUMER COUNCIL (NI)		
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
NITB		
NITB - Capital	Web Technology Platform Project (I)	240
TOURISM, TELECOMS & GSNI POLICY		
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
ECONOMIC POLICY DIVISION		
Science Park - Admin	SIB and CPD costs for the Science Park extension	50
BUSINESS REGULATION		
Financial Capability - Admin	Omnibus Survey for Financial Capabilities Strategy (I)	30
Financial Capability - Admin	Impact Analysis Report for Financial Capabilities Strategy (I)	20
ENERGY		
Energy - Resource	Wayleaves – Increase in applications (I)	11
FINANCE		
Accounts - Admin	Increase in Early Retirement Provision (I)	48
Accountability & Casework - Admin	Staff Substitution (I)	6

	Total Admin Bids To Meet	182
	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	686

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