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**Subject:** 2015-16 MONITORING OF EXPENDITURE: OCTOBER MONITORING ROUND & 2015-16 ANNUALLY MANAGED EXPENDITURE (AME) FORECASTING EXERCISE  
**Date:** 17 August 2015 17:50:09  
**Attachments:** [HoD October Monitoring Letter.docx](#)  
[Energy - 2nd AME Forecast - 2015-21 - Oct 15.XLSX](#)  
[HOD Assurance Statement - Annex 2 - Oct 15\(2\).DOCX](#)  
[Mon Form G - Categorisation of Bids\(5\).XLSX](#)  
[Mon Form F - HLIA - Oct 15\(5\).DOCX](#)  
[Mon Form E - Oct 15\(5\).XLSX](#)  
[Mon Form D - Oct 15\(5\).XLSX](#)  
[Mon Form C - Oct 15\(5\).XLSX](#)  
[Mon Form B - Oct 15\(5\).XLSX](#)  
[Mon Form A - Oct 15\(5\).XLSX](#)

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Please find attached October Monitoring commissioning letter and templates

Regards

**Frank Crockford**

Finance Branch

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

**To:** HOD (DETI HQ)

**cc:** Mr McCormick  
Mr Rooney  
Mr Stewart  
Mr Cooper  
Heads of Branches, DETI

**From:** Bernie Brankin

**Date:** 17 August 2015

**2015-16 MONITORING OF EXPENDITURE: OCTOBER MONITORING ROUND &  
2015-16 ANNUALLY MANAGED EXPENDITURE (AME) FORECASTING EXERCISE**

1. The second monitoring round is due with DFP on 1 October, and I am therefore writing to ask you for your contribution to the October return.
2. This exercise has not yet been formally commissioned by DFP. However, we are asking for responses at this time to allow sufficient time for Senior Management and the Minister to consider options before the return is submitted to the ETI Committee by mid September.
3. Budgets holders are reminded that resource budgets have eleven distinct elements, which must be controlled independently. Under **no circumstances whatsoever** should any of these controls be exceeded. The budget controls comprise:

**Resource Budget**

1. Administration
2. Other resource
3. DEL Resource Depreciation/Impairments

**Capital Budget**

4. Capital Grant
5. Capital
6. Financial Transactions Capital

**European Structural Funds Programme**

7. EU Investment for Growth & Jobs (IGJ) Programme

**Ring Fenced Budget**

8. EU Interreg Programme
9. Delivering Social Change

- 10. Change Fund
- 11. Annually Managed Expenditure (AME)

## OCTOBER MONITORING 2015-16

### Financial Context

4. In the context of the current position with the Welfare Reform Bill and the impact that it is having on the Executive's Budget for 2015-16, the Finance Minister separated the June Monitoring round into two parts. The first part dealt with a number of technical issues, and was agreed by the Executive. The Finance Minister indicated that she would bring a second paper on June Monitoring to the Executive detailing the very serious budgets issues in 2015-16. This second paper has still to be brought to the Executive.
5. With the current extremely tight financial position within the Northern Ireland block, the capacity to meet bids may be very limited. Therefore, it is important that you plan to live within your existing Resource budget and address any pressures through reprioritising within this budget.
6. The capacity to address any existing or emerging pressures in October Monitoring will depend heavily on the extent to which business areas surrender reduced requirements for reallocation. A number of pressures have already been identified for consideration in October monitoring, and I would emphasise the importance of surrendering reduced requirements now rather than delay until the later in the year when it may be too late to utilise these funds within the department.

### Reduced Requirements

7. You are asked to provide details of all reduced requirements for current expenditure and capital investment. I would again emphasise the critical importance of surrendering reduced requirements now rather than delay until the last monitoring round in January 2015.
8. As previously advised in the June Monitoring commissioning letter, DFP has instructed that departments must notify reduced requirements on an ongoing, timely basis **as soon as these are known. Budget holders are therefore requested to notify Finance Branch of all confirmed reduced requirements as early as possible in the financial year.** This should be done by completing **monitoring form A** and submitting it to [Linda.donaldson@detini.gov.uk](mailto:Linda.donaldson@detini.gov.uk) copied to [financebranch@detini.gov.uk](mailto:financebranch@detini.gov.uk). These reductions should also be reflected in monthly Forecast Outturn returns by way of notification of the reduction and forecasting the underspend. Budget holders are reminded that DFP will require explanations for the timing of reduced requirements surrendered during monitoring rounds.

9. Any reduced requirements which are uncertain due to, for example, the complex nature of legal matters and tribunals, should be flagged as normal in monitoring rounds.

## Bids

10. You have the opportunity to bid for additional Resource and Capital requirements. However, the capacity to meet bids may be very limited.
11. Capital bids should be separated and clearly identified as Mainstream Capital or Financial Transactions Capital.
12. Funding may be available for Financial Transactions Capital bids. Therefore, you are encouraged to examine all possible options to avail of ring fenced Financial Transactions Capital. The key criterion is that it must be used to provide a loan or equity investment to a private sector entity. As with previous exercises involving FT Capital, departments can determine whether to charge interest on any loan made and will be allowed to keep any interest receipts in this respect. The ring-fenced Capital funding will be repayable to HM Treasury, although not at 100%. Unless otherwise agreed with Finance Branch and with DFP, forecast FT Capital repayments are required to be budgeted for. You should provide advice on the amount and timing of repayments.
13. When presenting bids, business areas must ensure that these are correctly categorised as inescapable, pre-committed, high priority or desirable. Guidance on categorisation is provided on **monitoring form G**.
14. It is also essential that you clearly identify on bid forms any linkages between bids which are interdependent, and between bids which impact on the delivery of all or part of existing budgets. This is to ensure that all budget elements required to deliver projects / programmes are fully considered in the monitoring process.

## Administration Budget

15. The departmental Administration budget is already under pressure in 2015-16. It is therefore very important that you thoroughly check your Administration budgets for the remainder of the 2015-16 year to ensure that they reflect the needs of your division, and notify Finance Branch as soon as possible of any over provision. Underspending in Administration budgets contributes to the overall Resource budget position, and it is therefore essential that business areas ensure that any surplus budget is declared in monthly profiling returns and confirmed in monitoring.

## Management of Capital

16. It is important that Capital budgets are maximised and Capital underspending is minimised. **If Capital budgets are not used in the allotted financial year, this will result in the loss of Capital funding for projects.**

## Release of Provisions

17. Under “Clear Line of Sight” the take up and release of provisions was moved to AME. The utilisation of a provision is therefore a pressure in DEL, with a corresponding easement in AME in respect of the release of provision. Movements between DEL and AME are not permitted and therefore business areas should plan to meet emerging DEL pressures from within existing budgets.

## Monitoring Process

18. Budget holders are asked to identify:

- i) All reduced requirements in respect of Resource and Capital expenditure on **monitoring form A**. It is important that you fully examine your budgets and **release any reduced requirements including additional receipts for use elsewhere in the Department as early as possible. The department is facing significant pressures following June Monitoring. It is therefore essential that de minimis reduced requirements are identified in the monitoring round to address these emerging pressures.**
- ii) Details of exceptional in-year substantive (over £1 million) inescapable pressures which businesses are unable to manage internally, both on the Resource and Capital side, on **monitoring form B**. Capital bids should be separated and clearly identified as Mainstream Capital or Financial Transactions Capital.
- iii) Proposed internal reallocations to allow businesses the opportunity to manage their own emerging pressures on **monitoring form C**. Where reallocations are proposed, budget holders must demonstrate that the scope to release resources will arise from proactive management actions to limit expenditure in order to release resources for reallocation as opposed to the normal reduced requirements that occur in-year because of factors external to their direct management control – such items must continue to be surrendered in the normal way.
- iv) De minimis (under £1 million) Resource and / or Capital bids on **monitoring form D**. Capital bids should be separated and clearly identified as Mainstream Capital or Financial Transactions Capital.
- v) Details of any technical issues to be addressed on **monitoring form E**.
- vi) In addition, all proposed adjustments to budgets must be accompanied by a High Level Impact Assessment (HLIA). The HLIA pro-forma is attached as **monitoring form F**.
- vii) Guidance on the categorisation of bids is provided on **monitoring form G**.

19. When considering input to this exercise particular attention should be given to the following:
- **Prepayments and Accruals** – Account must be taken for adjustments in relation to prepayments and accruals when considering your expenditure and receipts for this financial year.
  - **Non-cash Items** – It is particularly important that you advise Accounts Branch of any possible changes in relation to non-cash expenditure, which includes depreciation, cost of capital, impairments, provisions and notional costs.
  - **Profiles of expenditure** – Full consideration must be given to ability and capacity to deliver profiled expenditure. It should be noted that the Finance and Personnel Committee is examining closely monthly forecasts profiles of expenditure.
20. To assist DETI Heads of Branches with this exercise, management accounts can be found via the Account NI portal. The following Cognos reports should be used:
- (i) BHR01 – Budget Holder Monitoring Report (by Account)
  - (ii) BHR02 – Budget Holder Monitoring Report – Analysis Detail
  - (iii) BHR03 – GL Transaction Report

**Budget holders are responsible for checking the accuracy of monthly expenditure on these reports against branch records and taking corrective action, if necessary.**

21. If you experience difficulty in accessing or the content of the reports, please contact Paul Ferris (ext 29296). Any other queries regarding budgetary information should be directed to Linda Donaldson (ext 29446) or Jeff Partridge (ext 29368) at Finance Branch.
22. It is essential that all boxes are completed in the monitoring forms as they **will not be processed by DFP** without full supporting information including timing of reduced requirements. Details of justification, purpose and consequences of bids or reduced requirements must be persuasively argued for these to be put forward in a Departmental return. Requests of more than £1m must be approved and signed by your Chief Executive/Deputy Secretary. Grade 5s must approve and sign all other forms. **Incomplete forms will be returned by Finance Branch, and any ensuing delays may result in your return not being included in the Departmental submission to DFP.**

## EU Funding

23. Where a bid or reduced requirement includes an EU element this should be clearly indicated.

## European Structural Funds Programmes

24. The Investment for Growth & Jobs Programme is not ring fenced. It is treated in the same way as other non-EU funding.

## EU Interreg IVA & EU Interreg VA Programme

25. The Interreg IVA & Interreg VA Programme is ring fenced. European Union Division, DFP will have an approval role and agreed changes will be handled as Technical Transfers. While this budget will be held centrally in EU Programmes, business areas still retain responsibility for managing budgets, accounting for the programme, management of projects and project outturn.

## Outstanding EU Directives

26. Business areas are expected to cover, from within their own budgets, any fines/damages incurred as a result of a failure to implement a directive on time, unless there are exceptional, extenuating circumstances. In addition, the costs of any new measures from Brussels should, in the first instance, be funded from within existing baselines.

## Assurance Statements

27. Budget holders are required to make a robust and realistic assessment of their in year position to ensure that they do not retain resources in year that are unlikely to be accrued to this financial year.
28. Heads of Divisions should review the forecasts of in year expenditure being provided to satisfy themselves that they are the most accurate that can be provided at this stage of the year, and to confirm that this is the case.
29. Therefore, please complete **Annex 2** for October Monitoring and **Annex 3** for the AME Forecast and return with your input to the October monitoring round.

## ANNUALLY MANAGED EXPENDITURE (AME) FORECASTING 2015-16

30. 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 second opportunity to update AME forecasts for 2015-16. AME budgets can also be adjusted for the period up to 2020-21. I have therefore attached a template reflecting the AME budgets for 2015-21 for your business area at **Annex 1**, and you are requested to complete the template to reflect your revised forecasts where



necessary. The OBR scrutinise AME forecasts and require explanations of adjustments since the last forecast. They regard the *reasons* for adjustments to be *as important* as the adjustment itself and it is important that they understand your assumptions, methodology and profile. Business areas are therefore asked to provide robust explanations of **any** adjustments to their revised forecasts, the assumptions made and methodology used in the calculation of the adjustment. The more robust your explanations, the less likely the OBR are to raise queries.

31. Due to the introduction of the OSCAR system along with new validation rules, one such rule is that release and utilisation of provisions must net to zero to allow for import to the OSCAR system. With no current opportunity to update the DEL utilisation of provisions for future years, any change to the current AME release position would mean the validation would fail. **Therefore, in relation to future years I am asking you to include any changes to the release of provisions budgets for information only and to flag up any potential issues which may arise.**
32. In relation to the 2015-16 year please provide an up to date forecast for the AME release of provisions along with any adjustments to the DEL utilisation which will be considered as part of October Monitoring.
33. It should be noted that, although 2010/11 was the first year we had an AME budget and it is accepted that AME allocations are made in recognition that expenditure is demand led or/and volatile in a way that is difficult to control, **AME budgets need to be monitored closely on a regular basis to ensure that an acceptable outturn performance is achieved.**
34. It is critical that working assumptions, methodology and forecasts stand up to scrutiny and are fully justifiable. All information provided must be accurate and quality assured at a senior level as we may be asked to fully explain and defend the forecasts to the Office for Budgetary Responsibility (OBR).

### Returns for Both Exercises

35. Please arrange for responses including "Nil returns" to be sent to [financebranch@detini.gov.uk](mailto:financebranch@detini.gov.uk) on or before **noon on Friday 28 August 2015**. Hard copies with original signatures are also required. The October monitoring return must be cleared with the Minister and forwarded to the ETI Committee before issuing to DFP. Therefore there can be no extension to this deadline, and any returns received beyond this date will not be included in the Departmental return.
36. I would take this opportunity to remind you that it is very important that you provide Finance Branch with good quality, timely information in monitoring rounds, and that all bids and other adjustments are submitted within the stipulated timeframe. This would enable proper consideration by SMT and the Minister of options around bids and easements and ensure that the overall budgetary position is appropriately



managed. Other than in exceptional circumstances, there should be no need for supplementary bids or adjustments to budgets after the deadline for inputs.

37. If there are any points you wish to discuss at this stage or require clarification on, please contact Jeff Partridge (29368) or Linda Donaldson (29446).

*Bernie Brankin*

**BERNIE BRANKIN**