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From: Jeff Partridge

Date: 8 October 2015

To: 1. Trevor Cooper
2. Eugene Rooney
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SEPTEMBER ACTUAL OUTTURN & FORECAST OUTTURN 2015-16

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

Timing: Return is due with DFP by close today, Thursday 8th October. An uncleared copy will be sent to DFP.

Need for referral to the Executive: No need for referral to the Executive.

Presentational Issues: Treasury, the Enterprise Trade and Investment and Finance and Personnel Committees take a keen interest in this return.

Freedom of Information: Fully disclosable.

Programme for Government Implications Progress against PfG targets is broadly on track at this stage.

Financial Implications: Departments are required to identify reduced requirements as early as possible.

Legislation Implications: Not Applicable.

Statutory Equality: Not Applicable.

Recommendation: That you consider and clear the return.

BACKGROUND

1. DFP require Permanent Secretaries and Finance Directors to sign off on monthly actual and forecast outturn to ensure accuracy of information.
2. Heads of Divisions in DETI and Chief Executives in NDPBs approve actual and forecast outturn at the lowest level of expenditure on a monthly basis.
3. I attach September actual outturn and forecast outturn for the remainder of the 2015/16 financial year. Branch budgets have been profiled to the approved June Monitoring budget position which considered technical issues only.
4. Actual DEL outturn for September 2015 was £12.6M compared to forecast outturn of £22.1M, a decrease of £9.5M versus that previously forecast for the month. The areas responsible for this decrease in spending are set out in the table below:

Table 1 – Areas Responsible for Underspend

Business Area	Underspend £million	Description
Invest NI Resource	4.1	Delays in receiving grant claims from client companies.
Invest NI Capital	3.2	Delays in receiving grant claims from client companies and delays in drawdown against the Growth Loan fund.
Tourism NI Resource	0.4	Expected invoices not received.
Tourism NI Capital	0.4	Adjustment made to non EU Capital expenditure – incorrect coding reversed.
DETI Core Resource	1.0	Late receipt from NERC. Expected H&W payment not made.
DETI Core Capital	0.5	Lower drawdown than estimated against Science Park project.
Total	9.5	

*Total does not match due to rounding.

DETI

5. Actual year to date DEL expenditure to the end of September 2015 in DETI and its NDPBs amounts to £95.9M (37.1% of the June Monitoring position), compared to £88.5M (39.4%) for the same period last year, putting DETI £7.4M ahead of its position at the same point in 2014-15 but slightly behind in terms of percentage spend.

6. Other than those areas identified in this report all Divisions are reporting full budgetary utilisation, although there are some areas which will need careful monitoring until year end.

DETI Core – Pressures/Easements

Resource

7. There are known paybill pressures of £0.7M and inescapable Admin bids of £0.1M, which could be addressed from de minimis easements in the next monitoring round along with a number of other small Resource de minimis pressures.

Capital

8. Telecoms Branch holds £2.4M Capital for the Superfast Broadband Extension Programme, with no expenditure forecast until March 2016. Telecoms were in a similar position last year with grant funding of £5.0M for the same project accrued in March 2015.
3. £0.5M of the £3M budget for Gas to the West in 2015-16 was declared as a reduction for 2015-16 in June Monitoring. There are planning issues with this project. A proposal is also currently being considered whereby DETI would grant-aid the purchase of pipeline on completion of its construction in 2017-18, as opposed to making payments throughout the construction phase. In this scenario the remaining £2.5M would be a reduced requirement.
4. There is also slippage on the Northern Ireland Science Park Concourse III Project. £3.4M FTC will be released in 2015-16 and will now be required next financial year.

Invest NI

Resource

9. Resource expenditure is £53.7M ((39.3%) for the first half of the year, which is slightly behind the same point in 2014/15 of £54.0M (43.0%).
5. In June Monitoring Invest NI bid for £4M Resource to address an inescapable pressure for a Bombardier Nacelle project and flagged a further potential in year pressure of £2.4M Resource for this project.
6. Invest NI has advised that they wish to withdraw their bid for £4M Resource as they can manage the £6.4M Bombardier pressure from within their existing budget. Invest NI are also expecting additional Resource Receipts of £2.25M which they wish to return to Centre.
7. This latest update from Invest NI would indicate that there may be an easement of Resource £2M to £4M in 2015-16 but this may be required to cover the risk around the impact of the declining Euro on the sterling value of DETI's EU Sustainable Competitiveness Programme allocation. If the

current exchange rate were to prevail, there would be a shortfall in the previously forecast sterling value of the programme.

Capital

8. Capital expenditure is £5.9M ((17.2%) for the first half of the year, which is well ahead of the same point in 2014/15 of £2.6M (13.5%).
9. Invest NI still has pressures in the Capital budget with a bid for £3.3M Capital in June Monitoring for a Seagate Research and Development project, and has flagged the potential for a further bid of up to £8.0M in January.
10. In a recent update, Invest NI has indicated that it could generate an additional £3M in Capital receipts. Therefore, if the £3.3m Capital Seagate bid was successful and the additional £3M Capital receipts could be retained, this would leave a Capital pressure of up to £5M to be addressed in January Monitoring.

Financial Transactions Capital

11. Invest NI report that they no longer require £5.7M Titanic Studios Financial Transactions Capital (FTC) funding as this project will not now proceed. However, they are likely to require £5.6M for the Sustainable use of Poultry Litter project along with a potential requirement of £4.5M for a Bombardier energy project loan. Invest NI has indicated that there may be some underspending with the Agri-Loan Scheme and at this point it does not wish to lodge an FTC pressure. Invest NI will be in a better position in January Monitoring to determine if they require additional FTC funding.

Tourism NI

10. Tourism NI profiles show Resource expenditure on P&M and Events in the first six months totalling £5.1M (37% of budget), with the remaining 63% of budget profiled for the second half of the year, which is in line with trends from previous years.
11. The overall Tourism NI Resource profile shows expenditure of £8.3M (38.8% of budget) compared to £8.3M (53.4%) at the same point in 2014/15. The overall Resource budget is £5.7M higher in 2015/16 than in 2014/15. There are a number of de minimis Resource pressures which may be addressed by reallocating from de minimis easements in-year.
12. Tourism NI Capital expenditure to date is £130k representing just 3.2% of the £4.1M budget. However, Tourism NI has identified a Capital pressure of £0.99M as they are unlikely to achieve the required spend forecasts by the end of December 2015 to receive full EU funding. This pressure will be offset by Capital easements from elsewhere in the Tourism NI Capital budget.

AME

13. Resource expenditure on the Renewable Heat Incentive scheme has reached £9.1M to the end of September. This equates to 41.9% of the June monitoring budget of £21.8M.
14. New commitments entered into in 2015-16 and beyond in the Non-Domestic Renewable Heat Incentive Scheme requires DFP approval. Energy colleagues are working with Finance and DFP to ensure that the appropriate approvals to facilitate the future operation of the Scheme at an affordable level of demand are in place as soon as possible.

Recommendation

15. I recommend that you approve the actual expenditure for September and forecast outturn and for the remainder of the year as presented in the attached spreadsheet.

Jeff Partridge

cc: Bernie Brankin
Paul Ferris