

From: [Partridge, Jeff](#)
To: [Cooper, Trevor](#)
Cc: [Brankin, Bernie](#)
Subject: Sub to Mininster - Budget 2016-17
Date: 30 December 2015 08:18:56
Attachments: [Minister - 2016-17 Budget.docx](#)
[Annex B - DETI 2016-21 Capital Requirements - Sub to Minister.xlsx](#)
[Annex C - Capital Requirements 2016-21 Notes - sub to Minister.docx](#)

Trevor,

Please see attached revised sub to Minister and annexes for your consideration.

Jeff

CAPITAL PROFILING 2016-21 NOTES**CONTRACTUAL COMMITMENTS:****Invest NI:**

- **Capital Grants to Business** – this represents inescapable commitments under existing letters of offer.
- **Capital Investment** - this represents conventional direct Capital for property development, ICT expenditure and other direct Capital investments.

Tourism NI:

- **Tourism Capital Grants (TDS)** - Inescapable tails of current projects.
- **Tourism Capital Grants (TDS) HMS Caroline** – representing the next phase of the HMS Caroline project.
- **Office Relocation – Capital Costs**

Energy Infrastructure:

- The extension of gas supplies is an Executive commitment. A draft letter of offer is yet to be agreed with developers.
- Developers have requested that grant be paid against the final purchase price at completion of the pipeline. If this is agreed, total grant expenditure (now expected to total only £25M) will be deferred until 2017/18 (no spend in 2015/16).

Insolvency Service:

- The replacement of the ICT system has been approved by the Minister and the casework approved by DETI and DFP Supply, and contracts have been signed.

HIGH PRIORITY:**Invest NI:**

- **Capital Grants to Business** – this represents the balance of Capital Grant required by Invest NI to continue to write business. The profile for the combined requirement for Capital grants to Business (inescapable plus high priority) peaks in 2015-16. This reflects that the bow-wave of business written by Invest NI in recent years is expected to return to normal levels.

- **Capital Investment** - this represents conventional direct Capital for property development and other direct Capital investments such as Carbon Trust.

Tourism NI:

- **Tourism Growth Fund** - Minister approved introduction of Tourism Growth Fund under Hunter Review. It was proposed that this fund be a combination of Capital and Resource funding.
- **TDS Strategic Projects (Closed Call)** – (New) to support delivery of new Tourism Strategy.
- **TDS Open Call** - (New) to support delivery of new Tourism Strategy.

Telecoms:

- **Superfast Roll-out Programme Phase 3** - 50% of costs based on 110,000 premises at £1000 per premise. Anticipated that remainder will come from a DCMS transfer, so this has the potential to leverage significant GB investment.
- **Broadband Connection Voucher Scheme** - Costs based on 2,000 vouchers at £3,000 each over 3 years.

Telecoms:

- **Mobile Intervention** - Costs based on 56 sites that were not completed under Mobile Infrastructure Project (MIP) at £250k per site (current MIP costings).

HSENI:

- Budget requirements relate to the Case Management System which is being planned and worked on in conjunction with DETI Departmental Business Support.

HRCS:

- Departmental Working Capital including Business support upgrades of £50k p.a. and replacement Ministerial car.

Consumer Affairs / Trading Standards:

- Replacement Capital equipment including vans, weighbridge and labs.

Energy:

- Energy Efficiency Grants.

DESIRABLE:**Invest NI:**

- **ICT Capital Investment** - this represents ICT expenditure.

Telecoms:

- **Mobile Intervention** - Costs based on 56 sites that were not completed under Mobile Infrastructure Project (MIP) at £250k per site (current MIP costings).

Consumer Council NI:

- **ICT Capital Investment** – telephone call recording system.

OTHER ITEMS:

Other items include Capital receipts, DCMS transfers and EU funding:

- Invest NI Capital receipts.
- Invest NI EU expenditure and EU receipts for Capital Grants to Business, most of which will be privately matched, so there will be significant additional private sector investment in the economy as a result of this ERDF funding.
- Telecoms Superfast Roll-out Programme Phase 2 – amounts for 2016/17 and 2017/18 to transferred from the Department for Culture, Media and Sports.
- Energy EU expenditure and EU receipts for Energy Infrastructure electricity grid, which is anticipated to be privately matched. The key issues around use of ERDF are level of aid intensity, state aid and match funding.
- PMS receipts: PMS Capital receipts for 2016/17 have been estimated at £6.5M. Receipts beyond this are subject to ongoing discussion/revision with supervisors. DFP attend Project Board as observers and at this stage flexibility on a repayment schedule is required, so no receipts for forward years can be included at this point.

FINANCIAL TRANSACTIONS CAPITAL (FTC):**CONTRACTUAL COMMITMENTS:****Invest NI:**

- Growth Loan Fund and Small Business Loan Fund are both considered inescapable by Invest NI.

Science Park:

- Slippage will occur in the 2015-16 Concourse III budget, with likely spend of £3.1M required in 2016-17.
- The Innovation Centre is a pre-commitment in support of Executive strategy, but will now slip to 2016-17 due to planning issues.

HIGH PRIORITY:

Invest NI

- Sustainable Use of Poultry Litter – requirement under EU directive on Nitrates.
- Agri-food Loan Scheme – FTC loans to support the agri-food sector.

Energy: Energy Efficiency FTC Loans/ Loan Repayments:

- The Outline Business Case (OBC) for EnergyWise is not yet approved but Casework Committee has been arranged for 17/12/15. Subject to Casework and DFP approval, Energy would be making a Capital (FTC) bid for EnergyWise Phase 1 (2 years 2016/17 and 2017/18).
- Subject to the successful delivery of Phase 1, Energy will then be making a further Capital bid for EnergyWise Phase 2 (5 years 2018/19 to 2022/23). This bid will be informed by a revised Business Case but the current OBC assumes the levels of Capital funding as set out will be required. The schedule of Capital receipts has not yet been fully developed – figures provided are indicative only.

FINANCIAL TRANSACTIONS CAPITAL RECEIPTS:

We have asked business areas for their latest profiles of FTC receipts, the majority of which are not expected to commence until later years.

Copy Distribution List Below

DRAFT

FROM: Trevor Cooper

DATE: December 2015

TO:

1. Eugene Rooney
2. Andrew McCormick
3. Timothy Cairns
4. Jonathan Bell, MLA

2016-17 BUDGET – IMPLICATIONS OF BUDGET AND PROPOSED DISTRIBUTION ACROSS DETI

Issue: The identification of potential implications of the Budget 2016-17, which includes 5.7% reductions applied to the Department for the Economy.

Timing: Urgent – agreement of the approach will enable the confirmation of the position across the Department and each of its ALBs.

Executive Committee Referral: The Executive has agreed the Budget 2016-17.

Presentational Issues: There is likely to be significant interest in budget allocations and the potential impact of reductions.

FOI Implications: May not be disclosable at present as policy in development.

Financial Implications: This submission addresses the overall financial position of DETI and its ALBs for 2016-17.

Recommendations: This submission asks that you:

- i. Note there have been discussions with DEL officials on the application of the 5.7% reduction to the DETI and DEL baselines, and on the split of Capital allocations;
- ii. Agree to meet the DEL Minister to discuss the Department for the Economy return to DFP;

- iii. **Note that if a distribution of resources cannot be agreed with Minister Farry, the default position will be to apply the cuts pro rata across the services of the new Economy Department;**
- iv. **Agree how the 5.7% Resource reduction is applied across DETI and its ALBs;**
- v. **Agree that the allocations are confirmed to DETI's ALBs.**
- vi. **Note that a paper is being prepared to go to the ETI Committee and will be based on your decisions on this submission, and the outcome of the engagement with Minister Farry.**

Background

1. The Budget needs to be agreed by the end of January 2016 to adhere to the Budget timetable commitments as set out in the Fresh Start Agreement. DFP is working on the basis that the Budget document will be presented to the Assembly on 11 January. Resource and Capital allocations have been made to the Department for the Economy which means it requires your and the DEL Minister's agreement on how the allocations are split between the DETI and DEL responsibilities. We have been liaising with DEL officials on the detail.
2. We had considered 5% and 10% scenario Resource reductions previously , and indicatively illustrated that a 5% reduction might apply as set out in the table below:

Table 1 – Potential 5% Scenario Reductions identified in 2016-17

Business Area	5% Reduction Scenario £000
DETI	-2,311
Invest NI	-6,061
Tourism NI	-1,039
CCNI	-24
HSENI	-120
Tourism Ireland	-234
InterTradeIreland	0
TOTAL	-9,789

3. The Budget 2016-17 Paper agreed by the Executive has proposed a 5.7% Resource reduction for the Department for the Economy, and we have been working on the assumption that this cut would be applied pro rata between

DETI and DEL. DEL officials have raised whether there could be a transfer from Invest NI to DEL to mitigate the cuts that will apply on a pro rata basis. We have advised DEL that our assessment is that there is little scope to do so given the reduction proposed in this paper and that the Invest NI bid was not met. The additional 0.7% reduction equates to £1.3M meaning an overall cut to the DETI budget on a pro rata basis of £11.1M.

4. My paper of 13 December outlined the difficulty in applying significant cuts to DETI, HSENI, CCNI, Tourism Ireland and InterTradelreland, given the reductions that had been applied in 2015-16 to those bodies, and it was agreed to plan on a cut of 2% to these areas (apart from Intertradelreland), and that the final position would depend both on the actual level of reductions applied in the Budget and the degree to which our bids were addressed.

Resource DEL Pressures

5. The Executive has not met any of DETI's inescapable Resource pressures detailed in Table 2 below. The table includes the additional £1.3M required under 5.7% cuts. The table also includes a pressure of £1M in regard to support for the Agri-Food Marketing Body and £90k in relation to support for the HILS Hub initiative, both of which were registered with DFP after our earlier submission.

Table 2 – Summary of Resource DEL Inescapable Pressures

BUSINESS AREA	BID £M
Invest NI - Corporation Tax activities	2.0
Tourism NI - 2016 Year of Food and Drink	2.0
DETI (including HSENI)	2.0
North South Bodies - Pension Costs	0.4
Agri-food Marketing Body	1.0
TOTAL	7.4
Balance of 5.7% Cuts	1.3
OVERALL TOTAL	8.7

6. **Invest NI:** In the scenario planning exercise, Invest NI only bid for reinstatement of cuts after £10.2M reductions had been made to their budget, and the bid amounted to £2.4m over and above the £2M Corporation tax bid that it submitted under both the 5% and 10% scenarios. We therefore believe that the £2M Resource pressure for sales activities to promote Corporation Tax devolution is manageable within Invest NI's reduced Resource budget. The pattern has been that slippages have occurred in the Resource DEL requirement as businesses draw down less than had been originally projected at the start of the year. Furthermore, Invest NI's in-year bids have to date always been given a high priority in Monitoring rounds and it is considered that should an in-year bid be required by Invest NI it would be expected to be afforded a high priority by the Executive in the coming year.

7. **Tourism NI:** We believe that the pressure of £2M for the promotion of the 2016 Year of Food is manageable within Tourism NI's existing Resource budget as the Events budget, which was increased by £7.2M in 2015-16 for significant one-off commitments, rolled forward into 2016-17. Indeed, Tourism NI had provided a budget distribution that shows this pressure being addressed within its baseline even under a 10% reduction scenario, as set out at **Annex A**.
8. Major events totalling £1.2M for the Open Golf Championships, Irish Open Golf, Giro Grand Fondo and HMS Caroline are funded, and key events such as the NW200 motorcycle races, Super Cup NI (formerly the Milk Cup), West Belfast festival and Ulster Rally are already funded within Tourism NI's events budget under a 3-year commitment.
9. It is proposed to allocate £55k to Tourism NI to prepare a bid to host the Commonwealth Youth Games in 2021. If successful there would be a £2.7M funding requirement, and commitment by the Executive to this level of funding would be required. Details of major events commitments and a list of events applications received under the 2016-17 National Events open call are also set out at **Annex A**.
10. **DETI & HSENI:** There is a pressure of £2M to take new work forward where no budget cover was available. This pressure is inescapable, and mainly comprises the following:-
 - Air Route Development (£100k) in 2016-17 with significant investment required in future years;
 - Energy Renewable Heat Incentive and EnergyWise Schemes costs (£350k);
 - Matrix support costs (£105k);
 - Digital Catapult support (£100k);
 - Central Procurement Directorate costs for NI Science Park Concourse III (£50k);
 - HILS Hub (£90k) tail carried forward from 2015-16;
 - HSENI grade progression of trainee inspectors (£115k); and
 - Inescapable administration costs in DETI due to pensions and pay progression (£1,090k).
11. **North South Bodies:** There are inescapable pension costs relating to Tourism Ireland and InterTradelreland totalling £0.4M.
12. **Agri-food Marketing Body:** We propose that this potential pressure should be addressed in-year once the amount is firmed up as it is currently not clear if the full amount could be expended next year.
13. **CCNI and HSENI.** Reductions of over 10% were applied to the CCNI and HSENI in 2015-16, and there is little scope to apply cuts beyond the initial 2% without impacting on services.
14. Our assessment is that we should address the £2M inescapable pressure in the DETI & HSENI baseline at this stage rather than leave it until later in the year and be addressed by in-year reductions, particularly in view of the

overall assessment of the Invest NI and Tourism NI positions. There will inevitably be new unforeseen pressures that arise in the course of the year and which would need to be met through reduced requirements emerging in-year.

Recommendations to Address Cuts and Inescapable Pressures

15. Therefore, the total reductions that we need to consider come to £13.5M, comprising £1.9M for DETI inescapables, £0.1M for HSENI inescapables, £0.4M for North South pension costs, and £11.1M for the proposed 5.7% cuts.
16. It is proposed to increase the reductions on Invest NI by £2.7M beyond a 5% cut and on Tourism NI by £0.8M beyond a 5% cut to address the inescapable pressures that we believe must be met as well as absorbing the additional cut of £1.3M. If there are pressures on the Invest NI and Tourism NI baselines, there is the potential to rerun Invest NI and Tourism NI bids during in-year monitoring. Inescapable in-year bids from Invest NI and Tourism NI are likely to command a high priority in monitoring rounds.
17. The table below sets out what the proposed opening Resource budget would be for business areas in 2016-17 following application of the cuts outlined above:

Table 3 - Non-Ring Fenced Resource Budget (including 2015-16 Pension Uplift)

Business Area	2016-17 Opening Position	Proposed Reductions	Pressures Met	£000s	
				2016-17 Revised Position	% reduction on opening baseline
DETI (1)	26,756	-2311	2,285	26,730	-0.1%
Invest NI (2)	125,904	-8,995		116,909	-7.1%
Tourism NI (3)	20,789	-1,784		19,005	-8.6%
CCNI	1,230	-24		1,206	-2.0%
HSENI (4)	6,098	-120	115	6,093	-0.1%
Tourism Ireland (5)	11,690	-233		11,457	-2.0%
InterTradelreland (6)	2,583	-51		2,532	-2.0%
TOTAL	195,050	-13,518	2,400	183,932	-5.7%

Notes:

1. DETI Core has been reduced by £2.3M and allocated £1.9M for inescapable pressures, with a further £0.4M held for inescapable N/S Body pension costs.
2. Invest NI would meet their Corporation Tax pressure from the reduced baseline.
3. Tourism NI would meet the 2016 Year of Food and Drink pressure from the reduced baseline.
4. HSENI has a 2% reductions and an allocation of £115k for inescapable pressures.
5. Tourism Ireland has a 2% reduction (to take effect in 2017).
6. InterTradelreland has a 2% reduction (to take effect in 2017).

18. The published budget will also include allocations for the Voluntary Exit Scheme (VES) of £0.5M for Invest NI, £0.3M for Tourism NI, and £0.1M for CCNI.

Potential Implications

19. It is proposed therefore to apply reductions of 7.1% and 8.6% to the Invest NI and Tourism NI budgets. Both bodies put forward bids for £2M each in the Budget, though our assessment for the reasons given earlier is that the allocations for both should be manageable and, if the need arose, both bodies would be able to bid in-year. Bids from Invest NI and Tourism NI would likely command a high priority.
20. CCNI and HSENI would be subject to small reductions, but these should be manageable. DETI would be subject to a 2% reduction but would also receive an allocation to meet the identified inescapable pressures. We have outlined the proposed scenario with each of the ALBs and they are content that they are manageable.
21. In regard to ITI and TIL, the only changes from the earlier submission on the 5% & 10% scenarios would be that ITI would also be subject to a 2% reduction and the inescapable pension costs would be held at DETI Core and allocated to ITI and TIL in-year.

Capital

22. The total of conventional Capital Bids submitted to DFP amounted to £29M and are shown at **Annex B** and **Annex C** attached. However the Budget paper provides only an allocation for the Department for the Economy. We have liaised with DEL on their Capital requirements to identify how to split the total. Our Capital bids have been met in full on the basis of DEL's confirmation of their requirements.
23. The Financial Transaction Capital (FTC) figures shown in the Budget paper are an over allocation of £5.3M for Invest NI as Invest revised its FTC allocation but the revision was too late for Executive consideration.

NI Screen

24. NI Screen is to transfer from DCAL to DFE subject to Executive agreement on the Transfer of Functions, but the budget is not currently in the DFE baseline. We are discussing with DFP and it is likely that any budget transfer required will take place in June monitoring round, with the position built into the next Budget.

Budget Process

25. Submissions are being made separately to you and the DEL Minister to agree where the 5.7% Resource reductions are respectively applied in the existing departments and to advise on the Capital allocations. A meeting has been set up with Minister Farry on 5 January 2016 to discuss the Department for the Economy return to DFP.

ETI Committee

26. DFP has recommended that all Departments should brief their respective Assembly Committees on the Budget scenarios. We propose to send to the ETI Committee information on the DETI position based on your decisions on this submission, and will provide separate briefing on this for your approval.

Recommendations

27. I recommend that you:
- i. Note there have been discussions with DEL officials on the application of the 5.7% reduction to the DETI and DEL baselines, and on the split of Capital allocations;
 - ii. Agree to meet the DEL Minister to discuss the Department for the Economy return to DFP;
 - iii. Note that if a distribution of resources cannot be agreed with Minister Farry, the default position will be to apply the cuts pro rata across the services of the new Economy Department;
 - iv. Agree how the 5.7% Resource reduction is applied across DETI and its ALBs;
 - v. Agree that the allocations are confirmed to DETI's ALBs.
 - vi. Note that a paper is being prepared to go to the ETI Committee and will be based on your decisions on this submission, and the outcome of the engagement with Minister Farry.

TREVOR COOPER

cc Ian McCrea, MLA
Chris Stewart
Wendy Johnston
Bernie Brankin
Jeff Partridge

ANNEX A

Tourism NI

1. The table below shows how Tourism NI proposed to distribute its budget under a 10% reduction scenario.
2. Under the settlement that is now proposed, Tourism NI would have a £3M Events Fund following a reallocation of £200k from Invest NI and an £800k reallocation from Tourism NI's "Other Programme Costs" budget.

Spending Area	2014-15 Final Budget £k	2015-16 Final Budget £k	2016-17 10% Cut Budget £k
TOURISM			
Core Costs:			
• Tourism NI Services	5,400	5,000	5,000
• Overheads	2,000	2,083	2,083
Programme Costs:			
• Strategic Leadership	700	300	300
• Industry Competitiveness	1,185	585	585
• Destination Competitiveness	805	550	550
• Destination Marketing	6,060	3,470	3,221
Other Programme Costs:			
- Conference Subvention	0	0	500
- Product Marketing (golf, BT)	0	0	800
- Tourism Growth Fund	0	0	500
TOTAL TOURISM	16,150	11,988	13,539
EVENTS			
Events Fund	5,100	2,000	1,971
Major Events Commitments	0	6,000	1,200
Year of Food & Drink 2016	0	750	2,000
TOTAL EVENTS	5,100	8,800	5,171
TOTAL RESOURCE	21,250	20,789	18,710

3. Major Event Commitments include contractual agreements for the following events:

The Open Championship	£0.6m
Irish Open	£0.2m
Giro Gran Fondo	£0.2m
HMS Caroline	£0.2m
Total	£1.2m

4. The Events Fund would be £3M and Tourism NI has received the following applications under the National Tourism Events Sponsorship Scheme in 2016-17:

Event Name	Requested amount of Sponsorship
16th Belfast Film Festival	£30,000
2016 Walls400 History Festival	£20,000
7 Hills Blues Festival	£30,000
Airwaves Portrush	£30,000
All the Little Lights Nights	£30,000
An Creagan Mid Summer Festival	£25,000
Armoy Road Races	£30,000
AVA Festival	£15,000
Ballynahinch Game and Harvest Festival	£25,000
Balmoral Show	£30,000
Banks of the Foyle Halloween Carnival	£30,000
Belfast Carnival Village	£15,000
Belfast Childrens Festival	£20,000
Belfast Mela 2016	£30,000
Belfast Photo Festival Youth Edition	£15,060
Bluegrass Festival	£11,000
Carnival of Colours 2016	£30,000
Castlewellan & District Agricultural Show	£10,000
Causeway Coast Golf Tournament	£30,000
City of Derry International Choral Festival	£25,000
City of Derry Jazz and Big Band Festival	£30,000
Cookstown 100	£23,000
Culture Night Belfast	£30,000
Curadmir Ulster Cycle	£15,000
Dalriada Festival	£30,000
Derry International Irish Music Festival	£30,000
Eastside Arts Festival	£25,000
Eat the Street - British Street Food Festival	£30,000
Feile an Droichead 2016	£22,000
Feile an Earraigh 2017	£30,000
Festival Lough Erne	£25,000
Festival of Fairytales	£25,000
Festival of Flight	£30,000
Festival of Fools	£30,000
Festival of Light	£30,000
Flavours of the Foyle	£20,000
Friendship FOUR and Festival of STEM	£25,000
Garden Show Ireland	£30,000
Georgian Day	£30,000
GI Jive Festival	£20,000
Giants Causeway Coast Sportive	£20,000

Hans Sloane chocolate and Fine Food Fest	£20,000
Hard as Oak	£15,000
Hell and Back Zeus	£30,000
Hilden Beer and Music Festival	£9,000
Hillsborough International Oyster Festival 2016	£30,000
Hit the North 2016	£20,000
Hughes Insurance Foyle Cup	£30,000
Irish Game Fair and Fine Food Festival	£30,000
Lap the Lough	£20,000
Legenderry Food Fest	£30,000
Linenfields Festival	£30,000
Lumarina	£30,000
Maiden City Festival	£30,000
Mid Antrim 150 Road Race	£30,000
Music City and Celtronic 2016	£30,000
NI Countrysports Fair	£30,000
NI Science Festival	£30,000
NI Speed Weekend	£25,000
Open House Festival Bangor 2016	£30,000
Out to Lunch Arts Festival	£30,000
Picnic in the Park - Busk It	£30,000
Rathlin Sounds Maritime Festival	£28,000
River to Lough	£30,000
Sea Bangor	£25,000
Shanes Castle Vintage Steam Fair	£30,000
Skiffie Worlds 2016 Strangford Lough Festival	£25,000
Soma Festival	£30,000
Stendal Festival of Art	£20,000
Sunflowerfest	£28,200
Tandragee 100	£20,000
The Belfast Festival of Brewing and Distilling	£15,000
The Royal 13th	£30,000
The Spring Gatherin	£15,000
Topper World Championships	£10,000
Tour of Ulster	£30,000
Ulster Fleadh 2016	£8,000
Ulster Rally 2016	£28,000
Venture Cup	£28,000
Walled City Marathon	£15,000
Waterways Ireland Riverfest	£30,000
Winterland	£25,000
XII Ultimate Strongman	£8,250
TOTAL	£2,068,510