**FROM:** **Trevor Cooper**

**DATE:** **November 2010**

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**TO:** **1. Andrew Crawford**
**2. Arlene Foster MLA**

**DECEMBER MONITORING 2010-11**

| | |
|---|---|
| **Issue:** | Departments have been asked to identify reduced requirements, bids, proposals for reallocations to meet emerging pressures and details of any technical issues. |
| **Timing:** | **Urgent:** Written briefing on December monitoring is due with the ETI Committee on Monday 29 November with the oral brief scheduled for Thursday 2 December. The December monitoring return is due with DFP by Friday 3 December. |
| **Need for referral to the Executive** | Executive approval is required for in-year monitoring rounds. DFP is in the lead. |
| **Presentational Issues:** | None. |
| **Freedom of Information:** | It may be possible to claim exemption for this submission as policy under consideration. |
| **Programme for Government /PSA Implications:** | Progress against PSA/PfG targets is broadly on track at this stage, although the downturn in the global economy and the impact of the credit crunch are likely to affect overall achievement of some PSA targets in the longer term. |
| **Financial Implications:** | DFP will consider the affordability of departmental submissions as part of the in-year monitoring process. |
| **Legislation Implications:** | Not Applicable. |
| **Statutory Equality:** | High-level Impact Assessments have been completed for all in-year monitoring proposals. |
| **Recommendation:** | a. That you consider the information below on December Monitoring and confirm that you |

are content that we include the matters set out in this minute in the DETI submission to DFP.

b. That you also confirm that you are content for this material to be used to prepare briefing for the ETI Committee.

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**Introduction**

1. Following the outcome of the September Monitoring round, the ongoing level of overcommitment in the NI Block is £16.8m in respect of Current expenditure and zero for Capital investment. The focus of this monitoring round is to manage the overcommitment in current expenditure.

2. The capacity to address any existing or emerging pressures will depend entirely on the extent to which departments surrender reduced requirements for reallocation at this stage. As this is also the last monitoring round before the Spring Supplementary Estimates (SSEs), departments are asked to ensure that all reduced requirements are declared at this stage to allow the Executive to make effective use of resources.

3. We have consulted all DETI business areas. A full summary of the DETI December monitoring adjustments, in tabular form, is attached at **Annex 1.** The key DETI monitoring proposals are summarised in Table 1 below:

**Table 1 - Summary of Proposed December Monitoring Return**

| | Admin £m | Resource £m | Capital Grant £m | Capital £m | Total £m |
|---|---|---|---|---|---|
| **Major Bids** | | | | | |
| Use of Provisions - H&W | | 2.7 | | | 2.7 |
| Use of Provisions – Abandoned Mines | | 0.8 | | | 0.8 |
| **Total Substantive Bids** | | **3.5** | | | **3.5** |
| | | | | | |
| **Reduced Requirements** | | | | | |
| Invest NI – increase in Capital receipts | | | | (2.8) | (2.8) |
| Invest NI – Capital Grant | | | (1.2) | | (1.2) |
| Invest NI - Capital | | | | (0.4) | (0.4) |
| Renewable Energy Match Funding | | | (0.5) | | (0.5) |
| NITB – Capital Grant Projects | | | (1.3) | | (1.3) |
| DETI - range of minor easements across business areas | | | (0.2) | (0.1) | (0.3) |
| DETI – Non Cash | | (0.2) | | | (0.2) |
| | | | | | |
| **Total Reduced Requirements** | | **(0.2)** | **(3.2)** | **(3.3)** | **(6.7)** |
| | | | | | |
| **TOTAL ADJUSTMENTS** | | **3.3** | **(3.2)** | **(3.3)** | **(3.2)** |

**Mainstream Bids**

4. **Use of Provisions £3.5m Current Expenditure:** DETI has a £3.7m pressure in relation to the drawdown of provisions taken for Harland & Wolff's employee liability claims. In addition, £1.5m is required to use provisions taken to enable remedial work on abandoned mines. Although this has arisen as a result of technical accounting and budgeting change, it has created an actual Resource DEL pressure which DETI cannot fully meet from within our existing budget. We are proposing to meet £1.7m of this pressure through proactive reallocations from other business areas, and DETI is bidding for Current expenditure budget cover for the balance of £3.5m.

5. We will write to you separately to advise on partial reinstatement of cuts following the proactive actions noted in paragraph 4.

**Mainstream Reduced Requirements**

6. **Invest NI £4.4m:** Invest NI is declaring an increase in Capital receipts of £2.8m, which is mainly due to a grant clawback case for Montupet. Invest NI has been unable to budget for these receipts until there was more certainty on the circumstances surrounding this case. Invest NI has also identified a reduction in Capital Grant of £1.2m and in direct Capital of £0.4m as a result in late changes to a number of projects.

7. **Energy Division £0.45m:** Energy Division has surrendered £0.45m Capital Grant as additional funding has recently been provided by HMT for a proposed UK wide Renewable Heat Incentive scheme.

8. **NITB £1.3m:** NITB has identified reductions of £1.3m Capital Grant comprising £1m Guildhall as the project is to proceed on a rescoped basis, £0.1m from the Titanic Signature Project resulting from extra income on a land transfer transaction from Belfast Harbour Commissioners, and £0.2m reduction in funding for a national museums project which has received match funding from another source. TALE Division has confirmed that this Capital could not be spent in the timeframe on other projects (e.g. Lighting Strategy).

9. **DETI £0.3m:** Minor reductions totalling £0.2m Capital Grant and £0.1m Capital have been identified from a range of DETI business areas.

10. **DETI £0.2m:** Reductions totalling £0.2m have been identified in the DETI Non Cash budget following a further review of non cash budgets.

**Proactive Reallocation to Partially Manage Provisions Pressure**

11. A total of £1.7m Current expenditure has been identified in December monitoring from proactive action to partially offset the provisions pressure of £5.2m (see paragraph 4 above). We have reduced lower priority activities which has resulted in the following amounts being available for reallocation:

    - £0.3m in the Tourism Ireland Limited and InterTradeIreland;
    - £0.3m reduction in the HSENI budget;
    - £0.2m reduction in EU Programmes;
    - £0.1m reduction in Consumer Affairs
    - £0.1m reduction in Minerals Innovation Funds;
    - £0.3m other DETI core business areas; and
    - £0.4m Administration which would also require reclassification.

**De Minimis Reallocations (individual amounts below £0.5m)**

12. We are proposing a number of de minimis reallocations to meet inescapable de minimis pressures of £0.4m Administration and £0.7m

Resource from de minimis reductions. These mainly comprise the following:

- £0.2m Admin in relation to the drawdown of provision for early retirements;

- £0.1m Admin for consultancy work in relation to the Presbyterian Mutual Society;

- £0.1m to meet Admin pressures across a range of DETI business areas;

- £0.3m Resource for the Insolvency Service to cover inescapable costs arising from company inspections; and

- £0.1m to meet Resource pressures across a range of DETI business areas.

13. We are also proposing to meet a £0.3m Resource high priority bid for legal consultancy costs to assist and advise Energy Division on a range of issues. There is theoretically an option to further reduce the in-year cuts instead of meeting this bid. In reality the bid is in relation to taking forward work mainly on the implementation of the IME3 Directive, as there is a significant risk of infractions should the Directive not be transposed. Deferring expenditure would also create a built in pressure next year when resources are likely to be even more constrained. It is therefore recommended that the Energy bid be met.

**Mainstream Internal Reallocations**

14. The most significant internal reallocation relates to an Invest NI proposal to reallocate £0.6m from Capital Grant to Capital in respect of a further contribution to launch investment for Bombardier C Series. All mainstream internal reallocations proposed within DETI are:

- **Invest NI - reallocation of £0.6m from Capital Grant to Bombardier C Series Launch Investment:** The reduction in Capital Grant is a result of changes to a number of capital grant projects.

- **Consumer Council – £0.1m Resource:** This relates to the remaining funding due to the Consumer Council from DRD to carry out its consumer representational role in relation to water in 2010/11. The internal reallocation allows for an increase in CCNI's expenditure budget with a corresponding increase in receipts budget.

- **HRCS Division - £0.1m Resource:** There has been a decrease in the number of staff on secondment resulting in reduced expenditure and a corresponding reduction in receipts.

**EU Internal Reallocations**

15. A number of self-financing EU internal reallocations increasing and reducing EU expenditure supported by EU receipts are:

    - **EU Programmes reductions in EU expenditure of £1.0m Resource and £0.6m Capital Grant:** These adjustments to expenditure and receipts are required as a result of a full review by the LED team on expenditure incurred by Councils to date and forecast expenditure until the year end;

    - **Invest NI increase in EU expenditure of £0.9m Capital grant:** This relates to an increase in Invest NI ERDF Capital Grant expenditure and receipts due to a projected increase in expenditure against ERDF funded projects;

    - **NITB reduction in EU expenditure of £1.2m Capital Grant:** This relates to a reduction in expenditure and receipts of £1.1m for the GCVE project as a result of delayed start on construction, and additional income of £0.1m on a land transfer transaction from Belfast Harbour Commissioners in respect of the Titanic Project.

    - **Energy Division reduction in EU expenditure of £0.3m Resource:** This reduction of EU Competitiveness funding is due to a delay in executive approval of planned Sustainable Energy Communications work making it impossible to award the tender within timeframe; reduced requirement due to resource constraints preventing development and implementation of further projects as originally anticipated; and recent withdrawal of Innovation fund match funding.

    - **EU Programmes reduction in EU expenditure of £0.7m Resource and £0.5m Capital Grant:** Reductions in expenditure and receipts in respect of Interreg projects are required due to delays in the commencement of projects, the rejection by SEUPB of a number of pipeline projects, and slower expenditure in live projects than was anticipated by the promoters and SEUPB.

## Technical Transfers

16. A number of technical transfers to and from other departments need to be effected in this monitoring round. These include:

- £31.1m Capital to BIS for Bombardier C Series launch investment;
- £1.0m Capital grant from DARD for telecoms infrastructure in rural areas;
- £66k Admin from DEL for internal audit services;
- £77k Capital from Invest NI to DARD relating to Agricultural & Forestry Processing and the Marketing Grant Scheme; and,
- £50k Resource from Innovation Policy to DCAL for Creative Industries Innovation Fund.

## Other Financial Issues

17. **Increase in NDPB Cash Requirement:** Invest NI and NITB require increases of £15.2m and £11.3m respectively in their 2010-11 cash requirement in the Spring Supplementary Estimates. These adjustments mainly relate to EU Competitiveness receipts which may not be received in the current financial year.

## Areas of Risk

18. The following areas of risk should be noted and have been flagged up to DFP;

- Titanic Signature Project - EU funding is still to be approved;
- There is some uncertainty whether a £1.5m Invest NI land sale planned for 2010-11 will complete in this financial year; and
- Creagh (Invest NI land transaction) – It is uncertain as to whether legal proceedings will be finalised before March 2011. On balance Invest NI's view is that it is more likely that the estimated £3m Capital liability will not crystallise in 2010/11. However because of the uncertainty, Invest NI proposes holding this budget until February Monitoring when more information on the progress of the legal challenge may be known.

19. High Level Impact Assessment reports have been completed for all aspects of the December monitoring return to evaluate the effect on

equality, good relations, and new TSN issues.  Our bids will have a positive impact.

**Recommendation**

20. That you note the above and, if content, confirm that DETI can present these proposals to the ETI Committee and DFP for December monitoring.

21. I would be happy to discuss the detail of the proposal with you or provide any further information that you might require.

**TREVOR COOPER**

cc David Sterling
David Thomson
Colin Lewis
Bernie Brankin

**SUMMARY OF DECEMBER 2010 MONITORING ADJUSTMENTS (MAINSTREAM) – Annex 1**

| | 2010-11 DECEMBER MONITORING ADJUSTS | | | | |
|---|---|---|---|---|---|
| **MAINSTREAM BUDGETS** | Admin | Resource | Capital Grant | Capital | Total |
| | | | | | |
| **1.Major Bids** | | | | | |
| Accounts – Bid iro Resource budget cover iro H&W Asbestosis Provision | | 2,700 | | | **2,700** |
| Accounts – Bid iro Resource budget cover iro Mines Provision | | 785 | | | **785** |
| | | | | | |
| **1.Total Major Bids** | **0** | **3,485** | **0** | **0** | **3,485** |
| | | | | | |
| **2.Major Reduced Requirements** | | | | | |
| Invest NI – Increase in Capital receipts | | | | -2,800 | **-2,800** |
| Invest NI – Reduction in capital grant | | | -1,200 | | **-1,200** |
| Invest NI – Reduction in capital | | | | -400 | **-400** |
| NITB – Rescoping he Guildhall project | | | -1,000 | | **-1,000** |
| **2.Total Major Reduced Requirements** | **0** | **0** | **-2,200** | **-3,200** | **-5,400** |
| | | | | | |
| **3. De Minimis Reduced Requirements** | | | | | |
| Energy – Renewable Energy - Match | | | -450 | | **-450** |
| NITB – National Museums – project received match funding from another source | | | -200 | | **-200** |
| NITB – Reduction in Titanic Match – extra income on land transfer | | | -131 | | **-131** |

| | 2010-11 DECEMBER MONITORING ADJUSTS | | | | |
|---|---|---|---|---|---|
| **MAINSTREAM BUDGETS** | Admin | Resource | Capital Grant | Capital | Total |
| EU Programmes – reduction in Interreg Business Support Match | | | -125 | | **-125** |
| EU Programmes – reduction in Interreg Tourism Match | | | -35 | | **-35** |
| Telecoms – Reduction in NGN Match | | | -38 | | **-38** |
| Telecoms – Reduction in International Connectivity Match (Interreg) | | | -4 | | **-4** |
| Statistics – Delays in new Integrated Business Survey System | | | | -50 | **-50** |
| HRCS – Less money required for Software System Enhancements | | | | -5 | **-5** |
| Accounts – Reduction in other non cash costs | | -107 | | | **-107** |
| Accounts – Reduction in depreciation | | -60 | | | **-60** |
| Accounts – Reduction in revaluation of intangibles | | -40 | | | **-40** |
| CCNI – Reduction in depreciation costs | | -16 | | | **-16** |
| **3. Total De Minimis Reduced Requirements** | **0** | **-223** | **-983** | **-55** | **-1,261** |
| | | | | | |
| **4. Proactive reallocation to manage provision pressure** | | | | | |
| Utilisation of Provision iro H&W Asbestosis & Abandon Mines | | 1,759 | | | 1,759 |
| DETI – Reduction in Admin | -422 | | | | -422 |
| EU – reduction in Interreg Match Funding | | -235 | | | -235 |
| Tourism Ireland – Cut back in activities | | -161 | | | -161 |
| Consumer Affairs – reduction | | -135 | | | -135 |
| InterTradeIreland – Cut | | -124 | | | -124 |

| | **2010-11 DECEMBER MONITORING ADJUSTS** | | | | |
|---|---|---|---|---|---|
| **<u>MAINSTREAM BUDGETS</u>** | Admin | Resource | Capital Grant | Capital | Total |
| back in activities | | | | | |
| Minerals – reduction | | -100 | | | -100 |
| HSENI – reduction | | -260 | | | -260 |
| HRCS – reduction in IT Hardware & seconded staff | | -54 | | | -54 |
| SPD – reduction | | -138 | | | -138 |
| SPES – reduction in research projects | | -45 | | | -45 |
| TALE Division - Other | | -5 | | | -5 |
| Accountability – reduction in meetings/claims by Independent Board Member | | -1 | | | -1 |
| Insolvency - Reductions | | -79 | | | -79 |
| **4. Proactive reallocation to manage provision pressure** | **-422** | **422** | **0** | **0** | **0** |
| | | | | | |
| **5. De Minimis Bids met by De Minimis Reduced Requirements** | | | | | |
| Insolvency Service – Company Inspections | | 300 | | | **300** |
| Energy – Legal Consultancy | | 300 | | | **300** |
| CAB – Essential training for TSS staff | | 20 | | | **20** |
| Insolvency Service – bid iro admin pressure | | 20 | | | **20** |
| Energy – Ministerial Support for BITC May Day Network Event | | 20 | | | **20** |
| IFI – Shortfall in receipts | | 17 | | | **17** |
| CU & IPS – Bid to meet costs iro HSENI Appeal Panel | | 7 | | | **7** |
| IAS – Shortfall in receipts due to less audit work for IFI | | 3 | | | **3** |
| Economics – Bid iro running costs of EAG | | 1 | | | **1** |
| Accounts Branch – Bid iro | 194 | | | | **194** |

| | 2010-11 DECEMBER MONITORING ADJUSTS | | | | |
|---|---|---|---|---|---|
| **MAINSTREAM BUDGETS** | Admin | Resource | Capital Grant | Capital | Total |
| Admin budget cover iro Early Retirement Provision | | | | | |
| CU & IPS – Bid iro KPMG consultancy iro PMS due diligence exercise | 83 | | | | **83** |
| Economics – Bid iro IREP Research | 40 | | | | **40** |
| Economics – Bid iro EAG Research | 15 | | | | **15** |
| Minerals – Bid iro salary costs | 17 | | | | **17** |
| EU Programmes – Admin pressure | 15 | | | | **15** |
| Telecoms – Bid iro Salaries & GAE | 14 | | | | **14** |
| Statistics – Bid iro additional salary costs | 13 | | | | **13** |
| Accounts Branch – Bid iro statutory audit & tax return iro H&W | 11 | | | | **11** |
| Tourism Policy – Bid iro printing of Tourism Strategy document | 9 | | | | **9** |
| GSNI/ITI Liaison – Bid iro salary costs | 7 | | | | **7** |
| Finance Branch – Bid iro increase in CPD Fees | 7 | | | | **7** |
| SPD – Bid iro Gd 5 PS Salaries | 7 | | | | **7** |
| ACB – Costs associated with report on Company Inspection | 6 | | | | **6** |
| Tourism Policy – Bid iro salary costs | 4 | | | | **4** |
| Insolvency Service – Increase in fees | | -450 | | | **-450** |
| EU Programmes – Reduction in ERDF Tech Asst Match Funding | | -80 | | | **-80** |
| Minerals – Reduction in Mineral Exploration | | -77 | | | **-77** |
| IFI – Reduction in Expend | | -37 | | | **-37** |
| EU Programmes – | | -35 | | | **-35** |

| | 2010-11 DECEMBER MONITORING ADJUSTS | | | | |
|---|---|---|---|---|---|
| **MAINSTREAM BUDGETS** | Admin | Resource | Capital Grant | Capital | Total |
| reduction in external consultancy | | | | | |
| Telecoms – Reduction in external consultancy | | -6 | | | **-6** |
| Telecoms – Reduction in International Connectivity Match (Interreg) | | -3 | | | **-3** |
| DETI – Other | -442 | | | | **-442** |
| **5. Total De Minimis Bids met by De Minimis Reduced Requirements** | **442** | **668** | **0** | **0** | **1,110** |
| | | | | | |
| **6. Internal Reallocations** | | | | | |
| Invest NI – Reallocation of Capital Grant to Bombardier C series | | | -600 | | **-600** |
| Invest NI – Reallocation of Capital Grant to Bombardier C series | | | | 600 | **600** |
| CCNI – Increase in receipts iro water activities | | -104 | | | **-104** |
| CCNI – Increase in expenditure due to increase in receipts | | 104 | | | **104** |
| CCNI – Reallocation from consultancy to grant | | -100 | | | **-100** |
| CCNI – Reallocation from consultancy to grant | | 100 | | | **100** |
| CCNI – Reallocation from depreciation to depreciation on intangible assets | | -1 | | | **-1** |
| CCNI – Reallocation from depreciation to depreciation on intangible assets | | 1 | | | **1** |
| EU Programmes – Transfer of ERDF Tech Asst Match to INI & NITB | | -33 | | | **-33** |
| NITB – Transfer of ERDF Tech Asst Match from EU Programmes | | 20 | | | **20** |

| | 2010-11 DECEMBER MONITORING ADJUSTS | | | | |
|---|---|---|---|---|---|
| **MAINSTREAM BUDGETS** | Admin | Resource | Capital Grant | Capital | Total |
| Invest NI – Transfer of ERDF Tech Asst Match from EU Programmes | | 13 | | | **13** |
| HRCS – Reduction in seconded staff expend | | -118 | | | **-118** |
| HRCS – Reduction in seconded staff receipts | | 118 | | | **118** |
| Invest NI – Reallocation from Resource to Admin iro DP Economist post | | -50 | | | **-50** |
| Invest NI – Reallocation from Resource to Admin iro DP Economist post | | 50 | | | **50** |
| IPU – Reallocation from MATRIX consultancy to core budget | | -16 | | | **-16** |
| IPU – Reallocation from MATRIX consultancy to core budget | | 16 | | | **16** |
| **6. Total Internal Reallocations** | **0** | **0** | **-600** | **600** | **0** |
| | | | | | |
| **7. Technical Transfers** | | | | | |
| Transfer from DEL iro Audit Services | 66 | | | | **66** |
| Transfer to DE iro AO costs | -2 | | | | **-2** |
| Transfer from Invest NI to DARD iro Agricultural & Forestry Processing and the Marketing Grant Scheme | | 5 | -77 | | **-72** |
| Transfer from DARD iro Telecoms Infrastructure in Rural Areas | | | 1,000 | | **1,000** |
| Transfer from Invest NI to BIS iro Bombardier C series | | | | -31,100 | **-31,100** |
| Transfer from Innovation Policy to DCAL | | 50 | | | **50** |
| **7. Total Technical Transfers** | **64** | **55** | **923** | **-31,100** | **-30,158** |
| | | | | | |
| **Total** | **-358** | **3,684** | **-2,860** | **-33,755** | **-33,289** |

Department of Enterprise, Trade and Investment
www.detini.gov.uk

**FROM:** **Trevor Cooper**

**DATE:** **November 2012**

**Copy Distribution List Below**

**TO:**
**1. David Sterling**
**2. Andrew Crawford**
**3. Arlene Foster MLA**

**BUDGET REALIGNMENT 2013-14 AND 2014-15**

**Issue:** DFP is seeking detail of the spending areas against which budget changes agreed by the Executive for 2013-14 and 2014-15 should be made.

**Timing:** **URGENT**.

**Need for referral to the Executive:** The Executive approved the changes on 7 November.

**Presentational Issues:** There may be reaction to the proposed current expenditure reduction of £12.2m against DETI budgets in both 2013-14 and 2014-15.

**Freedom of Information:** It may be possible to claim exemption for this submission as policy under consideration.

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

**Financial Implications:** The DETI current expenditure budget will be reduced by £12.2m in both 2013-14 and 2014-15. In relation to the £12.2m, it is recommended that the reductions include PMS interest receipts of circa £3m with the balance being applied to Invest NI budgets. Capital budgets will be reduced by £6.5m in 2013-14 and £7m in 2014-15 as a result of including PMS Capital repayments into departmental budgets.

**Legislation Implications:** Not Applicable.

**Statutory Equality:** The PMS adjustments would have a neutral impact as they relate to scheduled repayments. Reductions to the Invest NI budget could have a negative impact should actual economic activity lead to a funding requirement in the future that exceeded any revised budget position, although there is some comfort in the

Executive Paper in terms of a recognition of the inescapable nature of brought forward commitments.

**Recommendation:**

a) That you consider the information below and confirm that you are content that the reductions are made from PMS receipts and the Invest NI current expenditure budget and that Capital receipts are included in the PMS budget.

b) That you also confirm that you are content for this material and earlier briefing to you on the draft Executive Paper to be used to prepare briefing for the ETI Committee.

**Background**

1. The Executive agreed to a range of proposals that will realign budget allocations for the 2013-14 and 2014-15 years at its meeting of 7 November. DFP are now seeking detail of the spending areas against which the agreed budget changes should be made.

2. Reductions in DETI Resource budgets of £12.2m in 2013-14 and £12.2m in 2014-15 were proposed by DFP and confirmed by the Executive, along with the inclusion of Capital receipts of £6.5m in 2013-14 and £7m in 2014-15 from PMS loan repayments. DFP are now seeking detail of the spending areas against which the agreed budget changes should be made.

3. The reduction was arrived at on foot of the DFP analysis below which identified Resource underspending of £17.2m for DETI:

| Business Area | Amount £m |
|---|---|
| PMS interest receipts | 2.3 |
| Invest NI easements | 10.9 |
| Invest NI underspend | 1.1 |
| Range of minor underspending | 2.9 |
| **TOTAL** | **17.2** |

4. PMS loan interest receipts account for £2.3m of easements. A total of £12.0m relates to Invest NI easements, in addition to an in-year reallocation of £4.7m, which they made available to Tourism Ireland Ltd for marketing activity.

5. An analysis of the remaining £2.9m shows that other reductions identified for 2011-12 include ring-fenced EU easements (£0.4m), InterTradeIreland's easement to reduce cash reserves (0.3m), NITB underspending (£0.4m), delay in the set up of the Renewable Heat Incentive scheme (£0.3m), and a range of minor underspending of individually less than £0.3m across DETI business areas, HSENI and Tourism Ireland Ltd. The analysis confirms that there is little scope in the balance of the Department's spending areas to absorb a reduction. Additionally the North South bodies are already delivering 3% cumulative per annum savings from 2009 to 2015, and to reduce in these areas would require agreement through the NSMC.

6. Setting aside the PMS receipts, you had indicated in your July response to Minister Wilson that that the Resource reductions proposed in 2013/14 and 2014/15 would in reality be applied to Invest NI.

**PMS Receipts**

7. The original draft of this Executive Paper included a proposal to factor PMS capital receipts of £13 million in 2013-14 and £14 million in 2014-15 into DETI's Capital DEL budgets.

8. DETI officials wrote to DFP setting out our concerns around the inclusion of PMS Capital receipts, pointing out that the PMS loan agreement has a clause that can allow for repayments to be subject to reprofiling with changing market conditions. An updated position from the Joint Supervisors of the PMS anticipates that capital repayments may be up to 50% below these amounts. The final Paper reflected that DFP has taken these concerns on board and the figures for Capital receipts have been adjusted accordingly. We are therefore content with the inclusion of Capital receipts of £6.5m in 2013-14 and £7m in 2014-15 from the PMS loan repayments into DETI budgets.

9. PMS is also liable to make interest payments on its loan amounting to circa £3m in 2013/14 and £2.7m in 2014/15. It is recommended that these receipts are used in the first place to identify the £12.2m Resource reductions over the next two years. This would leave reductions of 9.2m in 2013/14 and £9.5m in 2014/15 to be identified.

**Balance of budget reductions**

10. The Executive paper that was agreed on 7 November recognises the impact of the current economic climate on the work of the department, coupled with the fact that an upturn in the economy will lead to additional pressures for the department. The paper also recognises that an upturn in the economic cycle is likely to lead to an inescapable call upon the financial assistance contracts already signed with client companies. DFP has previously met Invest NI bids in the past, and Minister Wilson has confirmed that Invest NI bids are given high priority by the Executive. This, together with the limited scope for reductions in other areas of the Department, would suggest that the reductions of £9.2m in 2013/14 and £9.5m in 2014/15 be applied to Invest NI, and your approval is sought for this action.

11. You have already raised with Executive colleagues that Invest NI has new and emerging Capital pressures post Budget 2011-15 from proposed Loan and Development Funds following a technical EU decision that means they would not qualify for EU support as had been originally planned. You have advised that, at this point in time, it is forecast that Invest NI will have an inescapable Capital pressure of £11m in 2013-14 which would need to be considered by the Executive as an inescapable call. Should we not be successful in securing £11m ERDF funding for the Funds in 2014/15 this would also be an inescapable call that would require management at the centre.

**Budgetary Management going forward**

12. The reductions that would have to be applied to Invest NI mean that should there be an upturn in the economy it could have insufficient budget to meet high priority business. Minister Wilson has separately highlighted the Executive's track record in meeting Invest NI bids in a note to the ETI Committee on budget flexibility. The Executive paper also does provide some assurance on this matter as it recognises the inescapable nature of brought forward commitments, although it does not go as far as providing a blanket guarantee.

13. It will be important going forward that these reductions do not hamper our support to the economy by impinging on our ability to deliver high value new business. Going forward, Invest NI and the Department will need, on an ongoing basis, to make a reasonable assessment of the position in relation to the level of brought forward commitments and new business against the revised Budget baseline. This should ensure that we can flag to DFP at the earliest opportunity robust pressures that we would need to demonstrate could not be addressed internally without damaging the economy. The Minister has already flagged the assessment of inescapable Capital commitments as noted at paragraph 11.

14. An ongoing assessment of risk will need to be taken by Invest NI and DETI when committing to new business. This assessment would be no more than what one would undertake in terms of normal budgetary management as it will be important that we do not add any unnecessary administrative burden to Invest NI and the Department as a result of the Executive decision.

15. The assessment should consider:-

    - DFP's feedback on their support for the pressures presented;
    - The timing in which any pressure could be formalised in Monitoring (i.e. first or last Monitoring round); and,
    - Other known inescapable pressures across the Block and the level of Block overcommitment.

16. Depending on the outcome of the assessment, and the actual success of bids put forward by Invest NI, there may be a need in the future for you to engage with Minister Wilson get some additional assurances that pressures will be met.

**Recommendation**

17. That if content the Minister confirms that:

    - The Resource reductions of £3m in 2013-14 and £2.7m in 2014-15 are made against PMS Resource receipts and Resource reductions of £9.2m in 2013-14 and £9.5m in 2014-15 are made to the Invest NI budget;

- Capital receipts of £6.5m in 2013-14 and £7m in 2014-15 are included in the PMS budget;

- The background to the proposals in the draft Executive Paper as previously provided (attached), and in this briefing is used to brief the ETI Committee. In this regard, David Sterling will be attending the ETI Committee on 6 December; and

- That the Minister notes the position as regards ongoing budgetary management going forward.

18. I would be happy to discuss.

**TREVOR COOPER**

cc David Sterling
Colin Lewis
David Thomson
Alastair Ross, MLA, Assembly Private Secretary
Alan Lamont
Bernie Brankin
David Beck