

**FROM:** Trevor Cooper

**DATE:** December 2014

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**TO:** 1. Eugene Rooney  
2. Andrew Crawford  
3. Arlene Foster MLA

**JANUARY MONITORING 2014-15 – ADDITIONAL ADJUSTMENTS**

**Issue:** Additional adjustments have been identified for inclusion in the second stage of January Monitoring.

**Timing:** **URGENT.** Returns for the second stage are due with DFP by Friday 2 January 2015.

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

**Presentational Issues:** N/A.

**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:** Proposals include a £1m Resource bid for Invest NI to address in-year pressures and de minimis reallocations to meet pressures totalling £0.35m from a range of de minimis easements.

**Legislation Implications:** Not Applicable.

**Statutory Equality:** High-level Impact Assessments have been completed for all in-year monitoring proposals.

**Recommendation:** It is recommended that you consider the information below and confirm;

- a) That you are content to bid for £1m funding to meet Invest NI's in year pressures and to meet the de minimis pressures set out at paragraph 6;

- a) That we can present these proposals in the DETI submission to DFP for the second stage of January Monitoring; and
- b) That you are content for this material and cumulative information on AME budgets for 2014-15 to be used to prepare briefing for the ETI Committee.

### **Background**

1. I wrote to you on 28 November setting out details of proposed adjustments covering both stages of January Monitoring.
2. The first stage of January Monitoring, which we have completed, required departments to submit all technical adjustments that do not require Executive approval, and included internal reallocations, technical transfers and EU technical changes by Thursday 4 December 2014. The planned second stage (with a Friday 2 January 2015 deadline) of the monitoring round involves submission of transactions that are presented to the Executive, which includes bids and mainstream reduced requirements and proactive reallocations.
3. As information for January monitoring was obtained at the start of November, we asked business areas to reconsider if there were any further reduced requirements that could be released in the second stage of January monitoring. A further £62k Admin and £98k Resource and £87k Capital reduced requirement have been identified. When taken with £100k that we had been holding against a potential need for a Focus on Food bid which will not come forward until 2015-16, there is a total of £260k Resource and £87k Capital available for allocation.

### **Bid**

4. **Invest NI £1m Resource:** We previously proposed that we would reallocate £3.1m Resource to Invest NI from reductions agreed across other DETI business areas to meet known Invest NI in-year pressures. We have allocated £2.1m under de minimis flexibilities in the first stage of January monitoring. Then we were proposing to put forward a £1m proactive reduction from the H&W Asbestos budget and reallocation to Invest NI in the second stage of monitoring which requires Executive approval.
5. DFP has advised that we would be likely to be successful if we bid for the remaining £1m to be processed in the second stage of January monitoring. It is therefore proposed to retain £1m within the H&W Asbestos budget and to submit a bid of £1m Resource to DFP for the balance of the Invest NI requirement. This should create £1m room to manoeuvre next financial year, and on this basis we propose to proceed to bid for the pressure and retain the £1m within H&W.

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

6. There are a number of **de minimis pressures** comprising **£245k Resource** and **£87k Capital** from de minimis reductions and a de minimis transfer of £15k which include the following:

- **£145k Resource** to NITB to deliver digital content marketing related activities.
- **£80k Resource** to Tourism Ireland for advertising during the Circuit of Ireland Rally. We indicated in the first January Monitoring letter that we were holding £100k Resource pending clarification on the position in relation to a £100k TIL bid. Tourism Policy Branch has now confirmed that an allocation of £80k would be sufficient for TIL to deliver this activity;
- **£20k Resource** to Tourism Policy for SIB activity relating to HMS Caroline endowment funding work; and
- **£15k Resource** to DETI's Foresight and Horizon Scanning Unit in relation to the Connected Health Integrated Platform as this activity has transferred from Invest NI.
- **£87k Capital** to Invest NI from NITB. A further £87k Capital reduction has been identified by NITB, and it is proposed to reallocate this to Invest NI to partially offset the £770k Capital pressure against SFA offers described in the first January Monitoring letter. A revised Invest NI bid will be submitted for 683k Capital;

### **Technical Transfer**

7. Invest NI require a £1.1m transfer Social Enterprise Funding. DSD has confirmed that £870k (£200k from DSD and £670k from OFM/DFM) will be transferring to Invest NI in January monitoring round which would leave a shortfall of £264k. .
8. On the basis that Invest NI had indicated it could manage the Social Enterprise Funding issue even if none of the £1.134m had been met, it is recommended that the Tourism related bids (£145k to NITB for digital content, £80k to TIL for Circuit of Ireland advertising and £20k for Caroline endowment fundraising) are supported.
9. Although internal reallocations were part of January Monitoring Stage 1, the adjustments set out in paragraph 6 can still be processed in Stage 2.

### **ANNUALLY MANAGED EXPENDITURE FORECASTING 2014-15 ONWARDS**

10. Details of adjustments to the Annually Managed Expenditure (AME) budget were presented in the October 2014 Monitoring submission and in the January 2015 Monitoring first stage submission. We normally advise the ETI Committee of the cumulative AME adjustments following the final monitoring exercise.
11. No further AME adjustments are proposed in the second stage of January Monitoring, and it is proposed to advise the ETI Committee of the

cumulative effect of AME adjustments for the 2014-15 year as set out at **Annex A**.

**Recommendation**

12. It is recommended that you confirm;
- b) That you are content to bid for £1m funding to meet Invest NI's in year pressures and to meet the de minimis pressures set out at paragraph 6;
  - c) That we can present these proposals in the DETI submission to DFP for the second stage of January Monitoring; and
  - d) That you are content for this material and cumulative information on AME budgets for 2014-15 presented at Annex A to be used to prepare additional briefing for the ETI Committee.
13. 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

**ANNUALLY MANAGED EXPENDITURE FORECASTING 2014-15 ONWARDS**

1. 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.
2. 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.
3. 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.
4. **H&W Asbestosis Provision.** It is proposed to reduce the set up of this provision by £0.014m and to reduce the release of H&W Provision by £2.75m in the current financial year on Harland & Wolf plc's liability for asbestosis claims to reflect current forecasts by claims handlers.
5. **NITB** has proposed a reduction in its revaluation of assets budget of £0.600m. This is based on the movement in the pension liability from 2012-13 to 2013-14, and they anticipate a similar level in future years. NITB has also set up a budget of £36k to reflect a change in pension liabilities.
6. **Energy Division** had an opening 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 £0.582m in the Resource AME budget. Energy will now have a Resource AME budget of £4.628m and a Capital AME budget of £1.140m.
7. **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.
8. **Invest NI: Revaluation of Assets - (£9m increase)** Invest NI has set up a revaluation of assets budget of £9m to reflect the continued decline in the valuation of their property portfolio for this financial year.
9. **Invest NI: Provisions - Set up / Additions - (£4m decrease)** The AME budget line for set up/additions to provisions is set at £31.5m per year based in the position at the start of the Budget 2010 period. Current forecasts based on the level of business written in 2013-14 and 2014-15 show a provision requirement for 2014-15 of £27.5m.

10. **Tourism Ireland Ltd and InterTradelreland Pension Scheme.** AME budget of £0.405m 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.
  
11. **HRCS** has increased the set up in provisions for early retirement by £0.162m and the release of provision by £0.106m due to additional cases approved in-year.