

Mr Jack Layberry  
Department of Finance and Personnel  
Rathgael House  
Balloo Road  
BANGOR  
BT19 7NA

8 December 2011

Dear Jack

**FIRST STAGE OF JANUARY MONITORING AND AME FORECASTING 2011/12**

1. This letter covers the DETI contribution to the first stage of the January monitoring exercise, together with the AME forecasting exercise. Finance Branch will forward the detailed supporting information to Central Expenditure Division.

**JANUARY MONITORING 2011/12**

2. We have consulted all DETI business areas. The key DETI monitoring proposals required for the first stage of January monitoring are detailed below.

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

3. We are proposing to meet a number of **de minimis pressures** comprising £66k Administration and £1,632k Resource from de minimis reductions. The de minimis bids include the following:
  - **£66k Administration** to meet minor pressures across the department, to be funded from corresponding reductions in Administration budgets;
  - **£900k Resource** to meet potential compensation for asbestosis and also potentially Pleural Plaques cases as a result of the commencement date of the Damages (Asbestos-Related Conditions) Act (NI) 2011 being set for 14 December 2011. This includes a £0.6m allocation from the Admin budget and the balance from the Resource budget;
  - **£280k Resource** is required by NITB for Northern Ireland's contribution to a new £4m "stay at home" UK-wide marketing campaign;
  - **£358k Resource** for the Insolvency Service to cover additional company inspection costs and staffing costs (which will be met from increased Insolvency Service receipts); and
  - **£94k Resource** to meet a number of smaller pressures across the department.

**Reclassification**

4. **Presbyterian Mutual Society (PMS) £25m Capital to Capital Grant:** The Budget 2010 outcome contained additional financial provision for the resolution of the PMS issue. This comprised an increase in RRI borrowing of £175 million and the allocation of £25 million current expenditure, both on a one-off basis. To top these sums up to the amounts needed to deliver the package developed by the Ministerial Working Group, the NI Executive agreed to commit £25 million from current expenditure in 2011/12, to be recouped as part of the approved PMS Scheme workout in later years.
5. Initially Capital budget cover was secured for the £175m loan, with the £50m Mutual Access Fund (MAF) classified as Resource by DFP. As part of October Monitoring, the £50m MAF was reclassified as Capital.
6. Following further legal advice, it has been determined that, while the NI Executive's contribution of £25m should remain categorised as a loan as there is an obligation on PMS to repay this amount, the HM Treasury contribution of £25m should be re-classified as a Capital Grant as this £25m is not directly linked to repayment. It should be noted however that the Department does have an unlimited right to receive payment of residual surpluses after other creditors are paid.

**Mainstream Internal Reallocations**

7. Mainstream internal reallocations proposed include the following:
  - **Invest NI reallocation of £9m Capital Grant and £3m Resource to utilisation of provisions budgets.** This is a technical requirement which in practical terms is a separate labelling of existing Budget allocations used in relation to provisions to comply with technical budgeting guidelines.
  - **Invest NI reallocation of £0.75m Resource Consultancy and £0.2m HQ PPP Resource budget to mainstream Resource Grant budget.** This aligns budgets with expected outturn, taking into account the 10% reduction in external consultancy costs.
  - **Minerals Branch £0.7m Resource:** This reflects a reduction of £0.7m receipts required in the current year in regard to the funding of the Tellus Border EU Interreg project. Expenditure has been deferred to next year because of delays with the airborne contractor and partner GSI in initiating three contracts.
  - **NITB £0.1m Resource and £0.29m Capital Grant:** A number of small reallocations are required in NITB's Resource and Capital budgets to realign budgets with expected outturn.
  - **DETI £0.2m Resource:** A number of small reallocations are required to realign the department's budgets in line with expected outturn.

## EU Internal Reallocations

### *EU Competitiveness Programme*

8. A number of self financing EU internal reallocations increasing and reducing EU expenditure supported by EU receipts are as follow:
- £2.126m Resource decreases in Invest NI EU expenditure and receipts. There is the ability to re-profile the receipt of this EU expenditure into future years of the Programme;
  - £2.5m Capital Grant increase in NITB EU expenditure and receipts due to the realignment of match and EU funding for the Giant's Causeway Visitor Facility in line with the ERDF funding application;
  - £0.3m Resource decrease in NITB EU expenditure and EU receipts due to the business case for the Tidinet Transition project taking longer than expected;
  - £0.2m Resource reduction in European Support Unit EU expenditure and receipts due to a transfer of LED functions;
  - A number of other minor reallocations totalling a net reduction of £6k Resource are also proposed; and

### *EU Interreg Programme*

- £0.278m Resource and £0.623m Capital Grant reductions in European Support Unit EU expenditure and receipts as expenditure in approved projects is slower than had been anticipated by SEUPB and the project promoters.

## Technical Transfers

9. A number of technical transfers to and from other departments need to be effected in this monitoring round as follows:
- £280k Resource from Invest NI to DEL in respect of the Bring IT on campaign;
  - £100k Resource from Invest NI to DEL for the Jobs Fund;
  - 38k Resource from DOJ to HSENI in respect of costs associated with an Explosives Compliance Officer; and
  - A range of smaller transfers with a cumulative net effect of a £14k outward transfer.

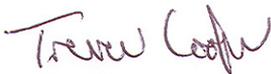
## ANNUALLY MANAGED EXPENDITURE FORECASTING 2011/12

10. A number of adjustments to 2011/12 AME budgets are required, with the main items set out below.
11. **Invest NI Provisions Release £12m:** Invest NI has adjusted its release of provisions budget to £12m to correspond with the adjustments to the utilisation of provisions budgets in DEL of £9m Capital Grant and £3m Resource.
12. **NI Renewable Heat Initiative Scheme (RHI) £1.8m:** The analysis of the RHI consultation responses has led to some changes to the proposed scheme. Implementation of these changes, combined with the need to put in place appropriate legislation and obtain state aid clearance, will mean that it is unlikely that the scheme will be operational in time to fully utilise the bulk of its 2011/12 allocation. Some initial spend may be achieved fairly quickly through premium payments to the domestic sector with £0.2m retained for this purpose. We propose to reprofile the remaining £1.8m into 2012/13 on the basis that the Department of Energy and Climate Change has encountered similar issues in GB and is seeking permission from Treasury to carry money forward to 2012/13.
13. **H&W Provisions Release £0.9m:** This is required to meet potential compensation for asbestosis and also potentially Pleural Plaques cases as a result of the commencement date of the Damages (Asbestos-Related Conditions) Act (NI) 2011 being set for 14 December 2011.
14. **Presbyterian Mutual Society Revaluation £25m:** Following receipt of legal advice (see paragraphs 4 and 5), it has been determined that the NI Executive's contribution of £25m to the Mutual Access Fund should remain categorised as a loan. In relation to the carrying value of the loan of £200m (ie the £175m loan and the £25m NI Executive loan referred to above), at this point the carrying value of the debt in DETI's books is £175m, requiring a £25m revaluation adjustment.
15. As a result a £25m adjustment is required to the Departmental AME budget to revalue the £200m loan to its current estimated fair value of £175m.
16. **Equal Pay Claim £0.066m:** Minor adjustments are required to align the Equal Pay Claim budgets.

### Exchange Rate gains/losses

17. Following discussions around the appropriate budgetary treatment of exchange rate gains and losses, DFP has today advised that these no longer fall to AME. **We have therefore reduced the AME budgets to zero which includes reductions of £1.0m in DETI, £0.85m in Invest NI and £0.2m in NITB.**

18. We will now consult with business areas and NPDBs as a matter of urgency to determine the amount of cover required in Non Budget lines to cover the revaluation of exchange rate movements. We note from the recent SSE guidance that database will remain open until 5pm on 3 January 2012 to facilitate Non Budget changes.
19. We will also consult business areas and NDPBs to determine the amount of DEL budget cover required to record the impact of the fluctuation between the value of accrued income and the actual cash received for EU claims. Depending on the sums involved, it may be necessary to submit bids, take proactive reallocations and/or internal reallocations to obtain the required budget cover. In the circumstances described above, DFP officials have agreed to allow internal reallocations for this purpose to be included in the second stage of January monitoring.
20. We will submit a further paper to DFP detailing what steps we propose to take to deal with exchange rate movements through DEL and Non Budget lines as soon as possible.
21. The information in this first stage of January monitoring return has been cleared with the DETI Minister.
22. Work is ongoing on identifying whether there are any substantive bids and/or reduced requirements. We will advise on this in a separate note as soon as work is completed and we will also put forward in the second stage of the January Monitoring exercise.



**TREVOR COOPER**

cc David Sterling  
Colin Lewis  
David Thomson  
Andrew Crawford  
Alastair Ross, MLA  
Bernie Brankin  
David Beck  
Stuart Stevenson  
Sylvia Sands  
Jeff Partridge