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Dear Joanne

OCTOBER MONITORING 2014-15

1. This letter covers the DETI contribution to the October Monitoring exercise. Finance Branch has forwarded the detailed supporting information to Central Expenditure Division.

Key Adjustments to Existing Budgets

2. We have consulted all DETI business areas. The key DETI monitoring proposals to existing budgets are summarised in **Table 1** below:

	Resource £m	Capital £m	Total £m
Bids			
Invest NI – SFA & R&D Projects	10.65		10.65
Tourism – Events	4.55		4.55
Total Bids	15.20		15.20
Easements			
Interreg IVA Match Funding	(0.12)		(0.12)
NITB Capital Grants (TDS)		(1.45)	(1.45)
De Minimis Capital		(0.60)	(0.60)
Invest NI – FT Capital		(5.00)	(5.00)
Total Easements	(0.12)	(7.05)	(7.17)

Bids

Invest NI Programme Budgets (£10.65m Resource)

3. As Invest NI's pipeline of projects builds signifying signs of economic recovery, there are a number of SFA and R&D projects requiring funding, reflecting the multi-year nature of Invest NI's business. At the beginning of the year Invest NI forecast that the total budget required in 2014-15 would exceed the current budget allocation by £18.1m, mainly as a consequence of a call on contracts from an uptake in business. A bid for £10.5m was submitted to DFP in June, with a further bid of £7.6m anticipated in October subject to confirmation of its original forecast pressure at that time. The June bid was partially met through the reinstatement of budget realignment cuts of £7.7m.

4. Invest NI is now bidding for **£10.65m** comprising the balance of £10.4m (£18.1m less £7.7m) and an additional £0.25m baseline pressure due to adjustments to ERDF allocations.
5. In 2013-14 Invest NI offered assistance totalling £219m, a significant increase over previous years. For 2014-15 up to the end of July 2014, the value of assistance offered already totals £182m. Examples of signed projects that have created the additional pressure on the Invest NI budget for the remainder of 2014-15 include Citi Group (£2.1m), NI Screen (£1.7m), Thompson Aero Seating (£1.6m), Schrader (£1.4m) and Concentrix (£1.2m).
6. The outcome of the Budget Realignment meant that Invest NI's funding is based on a dependency on access to additional funds in-year to meet commitments.
7. Within the Executive Paper on the Budget Realignment, there was an Executive recognition that "*the upturn in the economic cycle is likely to lead to an inescapable call upon financial assistance contracts already signed with client companies*".
8. The Finance Minister's minute to the Executive of 29 July highlighted the need "*to ensure that any DETI bids in this respect receive the highest priority in the final two monitoring rounds of this financial year*".

NITB Events Bid (£4.55m Resource)

9. NITB has inescapable commitments of **£4.55m Resource** for Events funding comprising the following:
 - £2.3m for Events Fund contractual commitments where letters of offer have issued to event organisers. These include closed call international events such as the NW200, Milk Cup, August Feile and Ulster Grand Prix; open call international events such as Circuit of Ireland, NI Open Challenge, Foyle Maritime, Belfast Maritime and MAC; and Hallmark Events including the Tall Ships 2015 and Grande Fonda 2015;
 - £0.6m for an initial payment to the R&A as set out in the sponsorship agreement to bring the Open Golf Championship to Northern Ireland;
 - £0.7m for the Giro d'Italia, including a £375k sponsorship fee. This is contractually committed;
 - £0.6m for the Irish Open 2015, which would assist in the delivery of an Executive Commitment in the Programme for Government; and
 - £0.2m for ongoing work related to the HMS Caroline project.
 - £0.15m (£50k for NITB and £100k for Tourism Ireland) funding for Sports Marketing Sponsorship, which was put forward as a bid in June Monitoring but not processed, is still required.

Easements

European Support Unit – Interreg IVa budget (£0.12m Resource)

10. Match funding requirements in 2014-15 for Interreg IVa projects have been revised in consultation with SEUPB from the amounts they had previously forecast as there are less resource intensive projects at this stage of the programme.

NITB – TDS (£1.45m Capital)

11. Slippage of £1.45m has been reported against the Waterfront Convention Centre project. The initial expenditure profile received in September 2014 has been revised by the appointed contractor, and the current projection prepared with the contractor shows that less expenditure can be realised in 2014-15 than was first estimated. NITB has committed to this project and increased budget cover will therefore be required in 2015-16.

De Minimis Capital (Capital £0.6m)

12. **Energy – Gas Extension Project £0.5m:** The Utility Regulator will not now formally award a licence to the successful bidder for the Gas Extension Project until December 2014 at the earliest. £9.5m budget was released in June, and it was hoped that the developer could complete design works, planning consent etc. to allow some eligible spend on scheme design and planning before the end of March 2015. However, given the uncertainty and difficulty at this time in assessing an appropriate level of potential grant spend before the end of March 2015, the remaining £0.5m budget in 2014-15 has now been released.
13. **Science Park Extension - £0.1m:** Mainstream Capital funding is no longer required for the NISP extension in 2014-15 as initial project appraisals and CPD costs will be covered from Admin.

Invest NI - Financial Transactions Funding Capital (£5.0m)

14. Invest NI had anticipated bidding for £10m Financial Transactions Funding in 2014-15 in addition to the £10m Financial Transactions Funding it already had for the Agri-Loan Fund. However there have been delays in the granting of approval of applications for planning permission for the broiler houses and a lower level of applications to banks which has resulted in a reduction in the forecast spend in 2014-15 to £3m.
15. To date, out of a total target of 400 poultry houses, 90 have been built without the Agri-Loan scheme finance. This demonstrates reduced need for public sector finance.
16. In relation to the Titanic Studios project, there is a total potential requirement of £12m. Invest NI had anticipated bidding for £6m Financial Transaction Funding this financial year. However the promoter's progress means that there is a high degree of uncertainty that any loan finance will be required this year.

17. Invest NI are now releasing £5m Financial Transaction Funding in October Monitoring. The £5m remaining in their baseline will provide £3m for the Agri Food Loan Fund and £2m for Access to Finance.
18. £0.4m Financial Transaction Funding was allocated to DETI for an extension to the Northern Ireland Science Park in June Monitoring, and it is still expected that this funding will be utilised in 2014-15.

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

19. We are proposing to meet a number of inescapable de minimis pressures comprising £182k Administration, £23k Resource, £241k Non Cash and £240k Capital from de minimis reductions. The de minimis bids include the following:
 - **£182k Admin DEL** for a range of inescapable pressures across DETI Core business areas, including external technical assistance (£84k), financial capabilities omnibus survey and impact analysis report (£50k), and an increase in early retirement provision (£48k);
 - **£23k Resource DEL** for legal and professional fees for the Consumer Council (£12k) and an increase in wayleave cases for Energy Division (£11k);
 - **£241k Non Cash** for an increase in capital depreciation charges in the Consumer Council; and
 - **£240k Capital DEL** NITB's Web Technology Platform project.

Mainstream Internal Reallocations

20. The most significant internal reallocations proposed in this monitoring round are set out below:
 - **Invest NI (£250k Resource):** Increased Resource receipts of £250k which will fund Invest NI Resource pressures;
 - **Consumer Council (£182k Resource):** Funding is being made available by NIAUR for the Consumer Council's representative role in relation to energy activities;
 - **NITB (£80k Resource):** Due to the accounting treatment of IT Capital equipment, £80k is being reallocated to the depreciation budget;
 - **Insolvency Service (£60k Resource):** Increased Resource receipts from insolvency fees of £60k which will fund increased Insolvency Service operational costs;
 - **Minerals Branch (£60k Resource):** Increased Resource receipts from the sale of geological publications of £60k which will fund GSNI costs; and

- **DETI Core (£59k Resource):** A decrease in seconded staff expenditure and receipts of £59k.

EU Internal Reallocations

21. A number of self financing EU internal reallocations increasing and reducing EU expenditure supported by EU receipts are required, the most significant of which are as follows:

EU Competitiveness Programme

- £2.3m Resource decrease and £1.0m Capital increase in Invest NI EU expenditure and receipts to realign EU budgets with forecast requirements;
- £0.2m Resource decrease and £0.2m Capital increase in NITB ERDF expenditure and receipts relating to the capitalisation of IT expenditure; and
- A number of other minor reallocations totalling a net decrease of £0.1m Resource.

EU Interreg Programme

- £0.4m Resource reduction in European Support Unit EU expenditure and receipts to align with SEUPB projections.

Technical Transfers

22. A number of technical transfers to and from other departments need to be effected in this monitoring round, including the following:

- £0.1m Resource from DARD to HSENI for the Farm Safety campaign; and
- Six smaller transfers (each under £50k) in and out of the department.

23. A proposed £1.1m Resource technical transfer from DSD to Invest NI for the Social Economy Incubation Hubs programme is also proposed. This had been proposed in June Monitoring but DSD deferred the transfer until October as DSD must firstly receive the funding from OFMDFM through the Accelerating Social Enterprise Signature programme. Finance Branch is liaising with colleagues in DSD to ensure this transfer is processed in October Monitoring.

Telecoms Super Connected Cities Programme

24. Telecoms Policy Unit was allocated a budget of £5.8m by the Department for Culture, Media and Sport (DCMS) in 2013-14 for the Super Connected Cities programme. This can only be disbursed to Belfast City Council once DCMS direct that the expenditure is eligible. £0.1m was spent in the last

financial year, however, an agreement exists between DFP and HM Treasury whereby any unspent funding will not count against DETI budgets and will be available for the project in 2014-15.

25. £5.7m from 2013-14 is therefore available to be drawn down this year from HM Treasury. Telecoms Policy Unit has indicated that £5m may be required for 2004-15. However, as the actual drawdown of funds from HM Treasury will not take place until their supplementary estimate round, we will confirm actual numbers by mid December 2014.

ANNUALLY MANAGED EXPENDITURE FORECASTING 2014-15 ONWARDS

26. A number of adjustments to 2013-14 AME budgets are required, with the main items set out below.
27. **H&W Asbestosis Provision.** A reduction in the set up of this provision by £0.014m is required to reflect current forecasts by claims handlers.
28. **NITB** require a reduction in its revaluation of assets budget of £0.600m per year. This is based on the movement in the pension liability from 2012-13 to 2013-14, and in the absence of any further information they anticipate a similar level in future years.
29. **Energy Division** has a 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 required to cover anticipated RHI Premium Payments which go toward the costs of renewable heat installations in domestic properties, along with an easement of £0.380m in the Resource AME budget.
30. **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.
31. **Tourism Ireland Ltd and InterTradeIreland Pension Scheme.** AME budget of £0.400m 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.
32. **HRCS** has increased the set up in provisions for early retirement by £0.162m and the release of provision by £0.054m due to additional cases approved in-year.

Assurance Statement

33. I can confirm that the Accounting Officer is satisfied that the forecasts represent the most robust and accurate assessment that can be prudently provided at this stage of the year. However, the following areas of risk should be noted:

Agri-Loan Scheme (Financial Transactions Capital)

- The number of applications for Agri-Food Loan is low reflecting a reduced need for public sector finance. Therefore Invest NI may not require all of £3m Capital Financial Transaction Funding it is retaining for this purpose; and

Telecoms (Capital)

- There is risk around spend against £5m Capital grant funding for the superfast broadband extension programme. It is unlikely that a contractor will be appointed until the final quarter of the year, so at this time there remains uncertainty around the actual amount of expenditure that will be delivered to the end of the year.

34. The October monitoring return has been cleared with the DETI Minister.



TREVOR COOPER

cc Andrew McCormick
Eugene Rooney
Chris Stewart
Bernie Brankin
Jeff Partridge
Stephen Barrett
Michelle Scott
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