An Roinn Caiteachais Phoiblí
agus Athchóirithe
Department of Public
Expenditure and Reform

Ref DPE029/11/12

27 March 2013

Circular 06/2013 regarding deferred surrender of unspent capital under Multi-Annual Capital Envelopes

Introduction

1. This Circular relates to the deferred surrender of unspent capital under the five year rolling multi annual capital envelope system as introduced in Budget 2004. It sets out the arrangements for carryover of deferred surrender by Departments/Offices. The Circular is relevant to Finance Officers of Departments/Offices seeking to carryover unspent capital from one year into the next.

2. This Circular supersedes Department of Finance Circulars 28/04 and 34/07 in relation to the implementation of the capital carryover arrangements.

3. Under the Medium Term Expenditure Framework (MTEF) which was introduced in the *Comprehensive Expenditure Report 2012 – 2014*, the carryover of unspent allocations from one year into the next is to be extended beyond the multi-annual capital envelopes, to include current spending. The particular arrangements for the administration of this more general carryover facility will be notified to Departments/Offices by way of a separate circular.

Transfer of Responsibility to Minister for Public Expenditure and Reform

4. Section 91 of the Finance Act, 2004 made statutory provision for capital carryover by way of "deferred surrender" and outlined the role and responsibilities of the Minister for Finance in relation to the carryover of unspent capital from one year to the next. These functions transferred to the Minister for Public Expenditure & Reform under S.I. No. 480 of the 2011 Finance (Transfer of Departmental Administration and Ministerial Functions) (No. 2) Order 2011, on 20 September 2011.

5. The carryover of unspent capital from one year into the next is at the discretion of the Minister for Public Expenditure and Reform (and is also subject to approval by the Dáil). While the level of **carryover of unspent capital cannot exceed 10% of the total Voted capital allocation** (including capital under administration sub-heads) of a Department or Office, the actual level of carryover to be approved, if any, is also at the Minister's discretion. Any application from a Department or Office to carryover unspent capital will be assessed on an individual basis and on its merits.

Tithe an Rialtais,
Sráid Mhuirfeán Uacht,
Baile Átha Cliath 2,
Éire.

Government Buildings,
Upper Merrion Street,
Dublin 2,
Ireland.

T: +353 1 676 7571
F: +353 1 678 9936
www.per.gov.ie

Procedures in relation to Capital Carryover

6. The arrangements for applying for carryover of unspent capital are set out below. Departments/Offices are required, as appropriate, to account for deferred surrender as directed and to provide the information in the required format to give effect to these arrangements.

Budget Estimates

7. To facilitate the inclusion of the total proposed amount of deferred surrender by Vote in the Budget Estimates, each Department/Office is required to provide the Department of Public Expenditure and Reform with its indicative statement of **proposed** capital carryover amounts by Vote, **along with a business case in support of its proposal**, for consideration by the Minister for Public Expenditure and Reform. In order to allow sufficient time for consideration by the Minister of applications for carryover, Departments/Offices will be required to submit applications at least three weeks in advance of Budget Day (precise deadlines will be advised as part of the normal Budget preparations each year).

8. Provided that the 10% ceiling of Voted capital within the capital envelope for the relevant year is respected, Departments may propose that the provision in the following year for deferred surrender be applied to the capital subheads which they deem to be priority subheads. The deferred surrender does not have to be applied to the same capital subheads in which the under spends occurred. **The Department of Public Expenditure and Reform will assess the proposed allocation of the deferred surrender amount by subhead to satisfy itself that the priorities proposed are justified.**

9. In the case of Votes to which capital carryover will apply, Part I of the Budget Estimates contains two indents: (a) the estimate provision for the year ahead, and (b) a separate provision for deferred surrender from the current year. The amount to be shown under (b) in the Budget Estimates is the initial estimate of deferred surrender.

10. The estimate of the amount of the deferred surrender is also shown, in a separate table, under Part II of the Budget Estimates and the subheads (including the amount by subhead) under which it will be accounted for are identified. The estimate for deferred surrender into the preceding year is also shown alongside that for the current year. (See **Appendix A** for an example of how carryover will appear in the Budget Estimates.)

11. **At the time of publication of the Budget Estimates, the carryover amount and the subhead designation is provisional and will be confirmed in the Minister for Public Expenditure and Reform's Ministerial Order of the following year (see paragraphs 18 to 20 below). The carryover amount by Vote will also be confirmed in the Appropriation Act.**

12. **Departments must ensure that their estimates of Capital Carryover amounts are as accurate as possible and that they will have the relevant savings at year end to enable them to carryover the amount they have indicated.**

Appropriation Act

13. Departments must confirm to the Department of Public Expenditure and Reform the definitive amount of carryover by subhead following publication of the Budget and in advance of the enactment of the Appropriation Act (in line with the timeframes set down by the Department of Public Expenditure and Reform).

14. Since 2004, provision has been made in each year's Appropriation Act (usually under section 2) for deferred surrender. Schedule II to the Act sets out separately by Vote the amounts included in respect of deferred surrender.

15. As soon as the Appropriation Act is enacted, the amount of deferred surrender for each Department will be lodged to the credit of the Department's PMG Account and Departments will be notified accordingly by the Department of Public Expenditure and Reform.

Revised Estimates Volume (REV)

16. The REV will have the same presentation in Part I as for the Budget Estimates i.e. two indents: (a) the estimates provision for the current year, and (b) the provision for deferred surrender from the previous year.

17. In Part II, deferred surrender is shown in a separate table broken down by subhead. The estimate column of the table shows the deferred surrender from the previous year into the current year. The provisional outturn column in the table shows expenditure in the previous year of the deferred surrender for that year. **This should not be confused with the Department's provisional outturn of its Voted estimate for the previous year which will be shown in the main table under Part II and which will not include capital carryover.** (See **Appendix B** for an example of how carryover will appear in the REV.)

The amount of deferred surrender in the REV will be consistent with the amount shown in the Appropriation Act at Vote level and with the Ministerial Order at subhead level.

Ministerial Order

18. The Minister for Public Expenditure and Reform will make a Ministerial Order specifying the definitive amounts of deferred surrender by subhead and will lay it before the Oireachtas at the beginning of each year for approval by the Dáil. The total provision by Vote will be consistent with the amounts provided for in the Appropriation Act. The Order must be made by the Minister no later than 31 March.

(The final wording of the Order is determined in consultation with the Parliamentary Counsel when it is being prepared for laying before the House.)

19. Until the Order is confirmed, capital expenditure for the relevant subheads should only be met from the current year's capital allocation under the Central Fund (Permanent Provisions) Act, 1965. **When the Ministerial Order is approved, the unspent capital moneys deferred from the preceding year will become the first next charge against the subheads concerned.** The Department of Public Expenditure and Reform will notify Departments of the making of the Order to facilitate this.

20. **If the amount of deferred surrender is not spent in the second financial year it must be definitively surrendered to the Central Fund.** Departments must put in place arrangements to ensure that the deferred surrender is properly accounted for by subhead to meet the aforementioned requirements and for the purposes of monthly monitoring of expenditure.

Appropriation Account

21. The opening description in the annual Appropriation Account of the sums expended compared with the sums granted replicates the layout for deferred surrender provided for in Part 1 of the REV – i.e. the provision for the year being accounted for and the provision for deferred surrender in that year will be shown separately.

22. The detail in the Account of the provision and spending by subhead will show the year's provision and expenditure and the deferred surrender provision and expenditure separately for the capital subheads in the Vote consistent with Part II of the REV.

Profiling of Capital Carryover

23. When profiling expenditure for the year ahead, Departments should take care to accurately profile expenditure of capital carryover. As the Ministerial Order is usually approved and signed in March (and no later than 31 March), **Carryover should not be profiled to be spent any earlier than April of the relevant year.** The normal Voted estimate for the year may be spent under carryover subheads in advance of the Ministerial Order being signed; however, following the signing of the Order, capital carryover becomes the "first next" charge on the relevant sub-head, no other moneys should be spent **under that sub-head** until the carryover amount allocated to the sub-head has been spent in full. Generally this means that Capital Carryover is usually spent in Quarters 2 and 3 of the year in question (although there may also be some carryover spend in Quarter 4).

Monitoring and reporting of monthly expenditure arising from carryover of unspent capital

24. Departments normally provide details of all Voted expenditure, including capital expenditure, by the 5th working day of the following month. The monthly returns for capital expenditure must record separately for each subhead: (i) expenditure from the current year's capital allocation and (ii) expenditure from deferred surrender.

Virement

25. The general conditions of sanction for the rolling multi-annual capital envelopes are set out in the individual Department of Public Expenditure and Reform sanctions issued to Departments and Offices for expenditure under the capital envelopes. The capital envelopes do not affect the normal rules for the operation of virement between Vote subheads for the current year's provision. **However, Departments should note that virement of deferred surrender amounts as designated by subhead in the Ministerial Order is not permissible under any circumstances. Therefore, any deferred surrender amounts that are not spent under the designated subhead by the end of the second year must be surrendered to the Central Fund.**

Queries

26. Any queries in relation to this circular should be addressed to Annette Connolly (telephone: 01-604 5547, e-mail: annette.connolly@per.gov.ie) or Margot Loughman (telephone: 01-604 5523, e-mail: margot.loughman@per.gov.ie) in Central Capital Section, Department of Public Expenditure and Reform.

Robert Watt

Robert Watt
Secretary General
Department of Public Expenditure and Reform

32

JOBS, ENTERPRISE AND INNOVATION

I. Estimate of the amount required in the year ending 31 December 2012 for the salaries and expenses of the Office of the Minister for Jobs, Enterprise and Innovation, including certain services administered by that Office, for the payment of certain subsidies, grants and a grant-in-aid, and for the payment of certain grants under cash-limited schemes.

(a) by way of current year provision

Eight hundred and twenty-seven million and forty-six thousand euro
(€827,046,000)

(b) by way of the application for capital supply services of unspent appropriations, the surrender of which may be deferred under Section 91 of the Finance Act 2004.

Eighteen million, one hundred and twenty-five thousand euro
(€18,125,000)

II. Programmes under which the Subheads for this Vote will be accounted for by the Office of the Minister for Jobs, Enterprise and Innovation.

		2011 Estimate			2012 Estimate			Change 2012 over 2011
		Current	Capital	Total	Current	Capital	Total	
	PROGRAMME EXPENDITURE	€000	€000	**€000**	€000	€000	**€000**	%
A -	JOBS AND ENTERPRISE DEVELOPMENT							
B -	INNOVATION							
C -	REGULATION							
	Gross Total :-							
Deduct :-								
D -	APPROPRIATIONS-IN-AID							
	Net Total :-							
					Net Decrease (€000)			
Exchequer pay included in above net total								
Associated Public Service employees								
Exchequer pensions included in above net total								
Associated Public Service pensioners								

		2011 Estimate			2012 Estimate			Change 2012 over 2011
	ADMINISTRATION *	Current	Capital	Total	Current	Capital	Total	
	Functional split of Administrative Budgets, which are included in above Programme allocations.	€000	€000	**€000**	€000	€000	**€000**	%
(i)	SALARIES, WAGES AND ALLOWANCES							
(ii)	TRAVEL AND SUBSISTENCE							
(iii)	TRAINING AND DEVELOPMENT AND INCIDENTAL EXPENSES							
(iv)	POSTAL AND TELECOMMUNICATIONS SERVICES							
(v)	OFFICE EQUIPMENT AND EXTERNAL IT SERVICES							
(vi)	OFFICE PREMISES EXPENSES							
(vii)	CONSULTANCY SERVICES AND VALUE FOR MONEY AND POLICY REVIEWS							
(viii)	ADVERTISING AND INFORMATION RESOURCES							
(ix)	EU PRESIDENCY							
	Gross Total :-							

Programmes under which it is intended to apply the amount of €18.125 million in unspent 2011 appropriations to capital supply services.

		2011 Estimate	2012 Estimate	Change 2012 over 2011
		Application of Deferred Surrender		
		€000	€000	
A.7 -	ENTERPRISE IRELAND		13,125	
A.8 -	COUNTY ENTERPRISE DEVELOPMENT	5,000		-
B.4 -	SCIENCE AND TECHNOLOGY DEVELOPMENT PROGRAMME	-	5,000	-
		5,000	18,125	-

32

JOBS, ENTERPRISE AND INNOVATION

I. Estimate of the amount required in the year ending 31 December 2012 for the salaries and expenses of the Office of the Minister for Jobs, Enterprise and Innovation, including certain services administered by that Office, for the payment of certain subsidies, grants and a grant-in-aid, and for the payment of certain grants under cash-limited schemes.

(a) by way of current year provision

Eight hundred and twenty-eight million, two hundred and eighty-one thousand euro

(€828,281,000)

(b) by way of the application for capital supply services of unspent appropriations, the surrender of which may be deferred under Section 91 of the Finance Act 2004.

Eighteen million, one hundred and twenty-five thousand euro

(€18,125,000)

II. Programmes under which the Subheads for this Vote will be accounted for by the Office of the Minister for Jobs, Enterprise and Innovation.

		2011 Provisional Outturn			2012 Estimate			Change 2012 over 2011
		Current	Capital	**Total**	Current	Capital	**Total**	
PROGRAMME EXPENDITURE		€000	€000	**€000**	€000	€000	**€000**	%
A -	JOBS AND ENTERPRISE DEVELOPMENT							
B -	INNOVATION							
C -	REGULATION							
	Gross Total :-							
Deduct :-								
D -	APPROPRIATIONS-IN-AID							
	Net Total :-							
					Net Increase (€000)			
Exchequer pay included in above net total								
Associated Public Service employees								
Exchequer pensions included in above net total								
Associated Public Service pensioners								

		2011 Provisional Outturn			2012 Estimate			Change 2012 over 2011
		Current	Capital	**Total**	Current	Capital	**Total**	
ADMINISTRATION * *Functional split of Administrative Budgets, which are included in above Programme allocations.*		€000	€000	**€000**	€000	€000	**€000**	%
(i)	SALARIES, WAGES AND ALLOWANCES							
(ii)	TRAVEL AND SUBSISTENCE							
(iii)	LEARNING AND DEVELOPMENT AND INCIDENTAL EXPENSES							
(iv)	POSTAL AND TELECOMMUNICATIONS SERVICES							
(v)	OFFICE EQUIPMENT AND EXTERNAL IT SERVICES							
(vi)	OFFICE PREMISES EXPENSES							
(vii)	CONSULTANCY SERVICES AND VALUE FOR MONEY AND POLICY REVIEWS							
(viii)	ADVERTISING AND INFORMATION RESOURCES							
(ix)	EU PRESIDENCY							
	Gross Total :-							

Programmes under which it is intended to apply the amount of €18.125 million in unspent 2011 appropriations to capital supply services. -

		2011 Provisional Outturn	2012 Estimate	Change 2012 over 2011
		Application of Deferred Surrender		
		€000	€000	
A.7 -	ENTERPRISE IRELAND		13,125	
A.8 -	COUNTY ENTERPRISE DEVELOPMENT	4,500		-
B.4 -	SCIENCE AND TECHNOLOGY DEVELOPMENT PROGRAMME	-	5,000	-
		4,500	18,125	-