

*CEO/SPD response
attached*

FROM: ANDREW McCORMICK

To: Mr Carvill

DATE: 26 September 2001

Re: Recent Events in USA 11 September - Impact on NI

Please see attached replies from DFP Central Finance Group regarding the impact of recent events in the USA.

European Union Division

The events of 11 September will inevitably heighten the European Commission's sensitivities as to how its funding policies under the PEACE Programmes might be portrayed. This will not manifest itself in any general or arbitrary suspension of the funding (which could not be done anyhow without the Member states agreements); however it will mean that we will be expected to ensure there are rigorous systems in place to ensure that the EU funding provided to ex prisoner and other groups is carefully targeted and monitored to ensure it consistent with the objectives of the Measures concerned. Allegations have been made from time to time that EU Structural Funds, and specifically PEACE Programme monies, have been used to assist those in Northern Ireland / Ireland engaged in terrorism (including the recent Columbia incident). Where allegations were made that one of the alleged IRA members arrested in Columbia had been a member of a Republican ex prisoners group also funded under the PEACE programme, albeit from the South in this instance.

Supply Division 3

This will have no direct impact on the services provided by Supply 3 to departments. Departments' inputs will however make inputs that will have budgetary implications and these will have to deal with these indirectly.

Rating Policy Branch

The main impact on Rating Policy of the 11 September 'shock wave' would seem to be an accelerated economic downturn, which may cause the following:

- a reduction in the tax base and hence rate revenue through increased property vacancies arising from reductions in travel and tourism, declining business confidence, increased costs of additional security and insurance and possible oil price hikes;
- this may be coupled with increased demands for rate relief (past examples of this have been the border petrol retailers and, more recently, businesses affected by the foot and mouth crisis). Any impact on manufacturing industry, e.g. aircraft components, would be dealt with automatically through derating relief.

Revaluation - some sectors will suffer more than others. The AVD (valuation date) for Reval is April 2001, so the non-domestic valuation levels for the next List will reflect circumstances at that date, not now.

ANDREW McCORMICK