

**From:** [Brankin, Bernie](#)  
**To:** [Cooper, Trevor](#)  
**Cc:** [Partridge, Jeff](#)  
**Subject:** FW: RHI Budgets  
**Date:** 23 July 2014 15:23:06  
**Attachments:** [RHI Budget.xlsx](#)  
[Commissioning Letter AME Forecast OBR Budget 2014.docx](#)  
**Importance:** High

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Trevor

See information below and attachments on RHI. Happy to discuss.

Bernie

## **Bernie Brankin**

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### **Please consider the environment - do you really need to print this e-mail?**

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**From:** Donaldson, Linda (DETI)

**Sent:** 23 July 2014 14:54

**To:** Brankin, Bernie

**Cc:** Partridge, Jeff; Crockford, Francis

**Subject:** RHI Budgets

**Importance:** High

Bernie,

As discussed, please see attached table reflecting RHI DEL & AME budgets from 2011-12.

Historically, the DEL budget (which is in relation to the delivery of the scheme) has had a zero baseline and bids have been met in-year.

In relation to the AME budget, the AME Resource budget has been reduced and the AME Capital budget (which is in relation to Premium Payments) has been increased since 2012-13. These adjustments were made as part of the AME Forecasting exercises. Adjustments in the AME budget are not treated as bids and reduced requirements as in DEL, but are purely treated as either an increase or reduction in the budget forecast. Through previous conversations with DFP Supply any adjustment can be made to the AME budget as long as the block stays within the AME limits set by Treasury.

I have attached the last AME Forecasting Exercise commissioning letter from DFP and paras from the 2014-15 CBG in relation to the management of the AME budget (see below).

### **Management of AME programmes**

1.39 AME programmes are spending like any other. They impact on the fiscal framework in the same way as DEL spending. They need taxes to be raised to finance them. So careful monitoring and management is just as important as it is with DEL. The nature of certain AME programmes means that some aspects of management, e.g. forecasting, are more important than with most DEL programmes.

1.40 The management of AME programmes serves the same ends as the management of DEL programmes, but the volatility of many AME programmes means that careful management is important.

1.41 Departments are reminded that with AME programmes also, just as with DEL, they need to:

- Put in place processes to monitor spending in year, to identify longer-term trends in spending,

and to provide robust projections of future spending. Early identification of changes in AME spending is needed to allow risks to be managed effectively. In particular, departments should monitor spending in Resource AME and ensure that they take steps where appropriate to prevent undue increases in spending that affects the Surplus on the Current Budget (SOCB);

- Review AME programmes regularly to ensure that they are helping to achieve government objectives effectively and efficiently. Departments should discuss with the Treasury proposals for optimising AME spending programmes;
- Obtain Treasury approval in advance for any changes which would increase AME spending (this includes both policy reforms and any administrative changes which impact on expenditure, for example measures to promote take-up) or if AME is likely to rise above expectation. Where the actions/inaction of a department increase AME, they are assumed to fund the increases in AME by reductions in their DEL budgets, or by identifying firm savings in AME. If AME spending is expected to come out higher than forecast, departments should also be prepared to discuss what steps should be taken to offset these increases. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, if the higher spending is likely to be permanent the department may be required to offset this elsewhere in their DEL or AME budgets; and
- Consider carefully the impact of AME spending on DEL spending and vice versa, both within and across departments. For example, DEL usually includes the cost of administering AME programmes and the quality of administration can have a significant impact on AME expenditure. And some DEL and AME programmes are complementary.

Happy to discuss

Linda

RHI Budget is saved as a separate Excel document

[See DFE-150161](#)

[Annotated by RHI Inquiry](#)

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**FROM:       STEPHEN BARRETT**  
**CENTRAL EXPENDITURE DIVISION**

**TO:            GRADE 7s IN FINANCE BRANCHES**

**DATE:         28 November 2013**

**AME FORECAST FOR OBR BUDGET 2014**

1. CED are required to provide details of AME forecasts on behalf of the Northern Ireland Executive to the Office of Budget Responsibility (OBR). This note sets out the requirement for departmental input into this exercise.
2. Note that at this stage whilst we have received indicative dates from the OBR for submission of our forecast, they have not yet formally commissioned their exercise. However, to ensure we are in a position to achieve the indicative OBR timetable it is necessary to commission our local AME forecast now. We will advise you should formal commissioning of the OBR exercise have implications for your forecast.
3. The OBR having responsibility for public expenditure forecasts undertakes significant scrutiny of the inputs that it receives. It is critical that your assumptions, methodology and forecasts stand up to scrutiny and can be justified if challenged. We must, therefore, emphasise the importance of ensuring that all information provided is accurate and quality assured at a senior level as we may be asked to fully explain and defend the forecasts to the OBR.
4. Please see attached a copy of your Department's current AME forecast from the RBM database in the form of a template. The template includes all years up to 2019/20, as required by OBR. You will note that the figurework shown in 2015/16 replicates that in 2014/15, this is due to the rolling forward on the database of 2014/15 figures into 2015/16 in preparation for the 2015/16 Budget. You should therefore ensure that you make the plus/minus change in 2015/16 which will enable your actual 2015/16 forecast to be calculated. To assist with this I have attached a copy of your last AME confirmation print which details your current forecast for 2015/16.
5. Departments who are responsible for providing forecasts relating to Pension schemes will note that this has been excluded from their template as this will be commissioned at a later date once we are clear on the assumptions that will apply.

6. To assist Departments with completion of the AME forecast, access has been restricted on the template to the fields in which the plus or minus change is to be made. The greyed out area on the template will then automatically show the outcome of the amended AME forecast on a record line basis. Please ensure the outcome is as you intend before submitting your return.
7. Please do not attempt to change the template or recreate it in any way. The template includes hidden formula to assist CED with the collation of all Departments' returns. If you have any difficulty with completing the template, please contact Judith Yeates on ext 69069 or Donna McCullough on ext 68130.
8. Before completing the template, please ensure that all your Department's AME lines are included. If there are any omissions, or you are aware of new lines which need to be created for the forecast please contact CED to discuss.

### **Release of Provisions**

9. OSCAR data validation rules require that release of provisions scoring in AME should net to zero with the utilisation of provisions scoring in DEL. Given there will not be an opportunity for departments to adjust the utilisation of provision scoring in DEL, **we do not require** departments as part of this exercise to forecast the release of provisions scoring in AME. Relevant lines have therefore been removed from the templates.

### **Year 2013/14**

10. Due to the timing of the Exercise and to ensure that the information contained in the forecast provided to OBR aligns to the January monitoring position it has been decided that the forecast for 2013/14 will be derived from the Monitoring structure following completion of January Monitoring. It is therefore imperative that your most up to date forecast for 2013-14 is keyed to January Monitoring using the AME codes provided in the January Monitoring Database Guidance. Should revisions to your 2013/14 forecast in the January monitoring exercise have significant implications for forecasts in future years as provided in this exercise then please advise CED. Year 2013/14 has therefore been removed from the AME template attached.

### **Explanation of changes since the last Budget Forecast**

11. **The OBR scrutinise AME forecasts and require explanations of adjustments since the last forecast. They regard the reasons for adjustments to be as important as the adjustment itself and it is important that they understand your assumptions, methodology and profile.**
12. Departments are therefore asked to provide robust explanations of **any** adjustments to their revised forecasts, the assumptions made and methodology used in the calculation of the adjustment. The more robust your explanations,

the less likely the OBR are to raise queries. Annex A shows the key areas your explanations should cover.

13. If this request for information causes any difficulties for Departments please contact CED immediately to discuss.

## Policy Announcements

14. Your return should include all policy announced in the Autumn Statement or earlier but should exclude any policies that have not been formally announced.

## Keying information to RBM Database

15. In addition to completing the AME templates and providing explanations, departments are also required to key the forecast adjustments onto the RBM database and an exercise has been opened for this purpose called AME2 2014. The codes to use are TAAME for categories 7, 8, 14 and 22, and TAOTHAME for categories 12 and 13. Please note, the 'PENSIONS' code where available should not be used for this exercise.
16. The departmental dashboard (AME tab) contains a report which you can run to check what you have keyed. Once you are content with the transactions keyed please submit all records to your Supply team.
17. Please bear in mind that the net effect of plus and minus changes within a UOB *must not* be keyed as one transaction as this will prevent the detail being keyed. Plus and minus changes must be keyed as separate transactions. Please contact Judith Yeates or Donna McCullough if further clarification of this point is required.

## Summary of Requirements for AME Forecast

You are now asked to:-

- Complete the AME Forecast Template and return by COB 18 December;
  - Provide robust explanations on changes since the last forecast based on the headlines in Annex A;
  - **Key the forecast adjustments onto the RBM database and submit to your Supply team by COB 18 December.**
  - **Note that dates provided may be subject to change to ensure the OBR timetable is achieved.**
18. Completed templates for AME along with explanations of changes as detailed in Annex A should be returned to Donna McCullough and your Supply team by **COB Wednesday 18<sup>th</sup> December 2013**. The database will also stay open until this date to allow the forecast adjustments to be keyed and submitted by Departments.

Stephen Barrett

**STEPHEN BARRETT**

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## Annex A – Methodology note content

The forecast methodology note for each AME forecast should cover the following key areas:

- **The methodology** behind the forecast including all key assumptions, data sources, modelling approach etc.
- **The changes** since the previous Autumn 2013 forecast and the reasons why (e.g. in year data in 2013-14)
- **Main factors influencing the long-term and year on year changes in the forecast**, and any recent significant changes in those factors (e.g. policy announcement)
- The **main risks and key judgements in your forecast numbers**, if these have been incorporated into your forecast return and, if so, how.