**From:** Brankin, Bernie
**To:** Cooper, Trevor
**Subject:** FW: GB RHI Budgets/Forecasts
**Date:** 14 August 2015 16:16:13
**Attachments:** image001.png
image003.png

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Trevor

Draft email below. I will further develop supplementary question next week.

[redacted]

Thanks for your email. There are a few financial points we would like to discuss. It may be best that our respective finance colleagues discuss by telephone. Could you advise on who we should contact within your finance team.

**Supplementary questions**

It would be helpful if you could clarify a couple of points with regards to question 2 and 3,

2 It would appear that with agreement the budget can be adjusted upward through Supplementary Estimates process. If this were to happen, would the spend between the original budget and revised higher budget still be considered as an overspend even though budget cover had been taken?

3(a) Over what period is the overall budget agreed? Is it initially over the Spending Review period and then annually in year?

3(b) If spend was higher than original agreed budget, how would penalties be applied? Would penalties be applied to overspends in RHI scheme profiles [dn to explain further] or annually agreed budgets?

3(c) At what rate would penalties be applied? Would earlier years underspends against agreed budgets offset overspends? To which budget would penalties be applied? Over what period would penalties be applied? If the actual spend in a future year comes back within profile would penalties cease?

**Bernie Brankin**
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**From:** Cooper, Trevor
**Sent:** 06 August 2015 08:48
**To:** Brankin, Bernie
**Subject:** FW: GB RHI Budgets/Forecasts

**From:** Mills, John (DETI)
**Sent:** 05 August 2015 17:52
**To:** Cooper, Trevor
**Cc:** McCoy, Laura; Hughes, Seamus
**Subject:** FW: GB RHI Budgets/Forecasts

Trevor,

FYI

**From:** McCoy, Laura
**Sent:** 05 August 2015 16:10
**To:** Mills, John (DETI)
**Cc:** Hughes, Seamus; Wightman, Stuart
**Subject:** FW: GB RHI Budgets/Forecasts

Please see below email.

Thanks.

**Laura McCoy**
Personal Secretary
Department of Enterprise, Trade & Investment
Netherleigh

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**From:** Redwood Sarah (Heat) [[redacted]
**Sent:** 05 August 2015 15:46
**To:** McCoy, Laura
**Subject:** FW: GB RHI Budgets/Forecasts

Dear John

Thank you for your email. I have responded to your queries below and hope that this clarifies the position regarding the GB RHI. Apologies for the delay in replying, but I was keen to check it with my finance and spending review colleagues. Let me know if you require any further information.

Thanks,

Sarah

(i) How DECC's AME allocations for the GB RHI budgets are set – does DECC submit an AME forecast as part of the Budget process and it is met? Does the DECC AME budget include Resource and Capital allocations?

DECC negotiates an AME budget as part of the Spending Review and this budget is controlled by the RHI budget management process (i.e. degression). In the past the RHI has underspent budget but this is unlikely in this financial year.

DECC's AME budget allocation for the RHI includes Resource but not Capital allocations.

(ii) Is DECC given a fixed annual RHI budget which it can't exceed or can increased RHI funding be secured through a revised AME forecast through in-year monitoring rounds?

DECC's AME RHI allocation is not revised in-year unless there is a risk of overspend. This would be tackled in the Supplementary Estimate to HMT.

(iii) Previously we had an indication of the potential for penalties for DECC (in terms of Resource or Capital DEL) if spending exceeded the SR profile. If this arrangement has been formalised, I would be grateful for information on this arrangement including how penalties might apply.

Although DECC's AME RHI spend is effectively unlimited, we agree an overall budget and there are penalties for overspending – DECC has to convince HMT that we will keep to the budget.

(iv) Whether there is likely to be any AME under spends in GB RHI expenditure in 2015/16 which could be utilised for the NI Scheme?

The RHI has underspent in the past but underspend in 2015-2016 is highly unlikely. Any diversion of budget would therefore need to be agreed directly between HMT and NI.

(v) How the new system of digression on the GB scheme is working from a DECC perspective – we're proposing to introduce something similar in NI.

Degression in the GB scheme has worked well for budget management. For example, since the launch of the domestic RHI in April 2014, the domestic biomass tariff has degressed from 12.2p to 7.14p. In the same period, the non-domestic small biomass tariff has degressed from 8.94p to 4.4p. We are also considering whether to further increase our control of budget management by introducing caps as part of the current Spending Review.

Sarah Redwood
Domestic Heat and Evidence
[redacted] T: 0300 068 5272
Follow us on Twitter.com/DECCgovuk

**From:** McCoy, Laura [mailto:Laura.McCoy@detini.gov.uk] **On Behalf Of** Mills, John (DETI)
**Sent:** 07 July 2015 14:08
**To:** Redwood Sarah (Heat)
**Cc:** Wightman, Stuart
**Subject:** GB RHI Budgets/Forecasts

Sarah

I am Director of Energy Division in the Department of Enterprise, Trade & Investment (DETI). My responsibilities include the Northern Ireland Renewable Heat Incentive. I understand that you head up DECC's Strategy Team for the GB RHI.
I am writing to try to clarify NI's budget in relation to the NI RHI and for information on the arrangements that apply to DECC which could be mirrored in Northern Ireland.
The NI Non-domestic RHI scheme was launched in November 2012. After a slow start and AME under spends initially, performance of the NI RHI scheme has improved significantly over the past 9 months and we're now on target to achieve 4% renewable heat before the end of the year. However, this success has increased forecast NI RHI expenditure in 2015/16 to well above what was originally estimated. It is also above a figure derived from applying the Barnett formula (2.98%) to DECC's RHI AME allocation. For 2015/16, 2.98% of DECC's £430m allocation translates into an NI allocation of £12.8m.
The GB and NI RHI are two distinct schemes offering different tariffs and targeting different areas with oil being the predominant heating fuel in NI (over 70%) and gas in GB. We would prefer future NI RHI AME allocations to be determined by actual scheme demand / performance as would normally be the case with AME funding and not be based on DECC's allocation. However, this seems to be counter to your former Minister's views expressed in a letter to our Minister of 7 January 2014 in which he says that, "Funding for the NI RHI Scheme for 2015/16 would....be derived from the £430m 15/16 settlement agreed for the GB scheme, but not paid directly from that."
To assist with this case I am seeking clarification on:

(i) How DECC's AME allocations for the GB RHI budgets are set – does DECC submit an AME forecast as part of the Budget process and it is met? Does the DECC AME budget include Resource and Capital allocations?
(ii) Is DECC given a fixed annual RHI budget which it can't exceed or can increased RHI funding be secured through a revised AME forecast through in-year monitoring rounds?
(iii) Previously we had an indication of the potential for penalties for DECC (in terms of Resource or Capital DEL) if spending exceeded the SR profile. If this arrangement has been formalised, I would be grateful for information on this arrangement including how penalties might apply.
(iv) Whether there is likely to be any AME under spends in GB RHI expenditure in 2015/16 which could be utilised for the NI Scheme?
(v) How the new system of digression on the GB scheme is working from a DECC perspective – we're proposing to introduce something similar in NI.

I realise that AME budgets / allocations are ultimately a matter for HMT but I'm keen to understand how GB RHI funding is secured from a DECC perspective.
Grateful for your advice on this.
Thanks.

**John Mills**
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