

From: McCutcheon, Joanne
To: [Thompson, Sandra](#)
Cc: [Stewart, Susan](#)
Subject: FW: AME expenditure
Date: 04 October 2011 14:24:22
Attachments: [FW RESTRICTED RE RHI NI .htm](#)

Sandra

For your discussion with Fiona tomorrow - doesn't look like we can move it - I expect we'd want to wait until Nov to declare any underspend.

Joanne

Joanne McCutcheon

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From: Brankin, Bernie
Sent: 04 October 2011 13:20
To: McCutcheon, Joanne
Cc: Hepper, Fiona; Partridge, Jeff; Donaldson, Linda
Subject: FW: AME expenditure

Joanne

This is an opportunity to update your forecast AME expenditure.

However, as I advised Alison earlier (see attachment), RHI spending is not being treated as standard AME. This means that your RHI NI budget allocation is being treated the same as DEL allocations. If you underspend in any year, that part of your budget is lost to the department but you may wish to reduce budgets to prevent building underspending in to your outturn. If you overspend in any year, DETI's DEL budget will be reduced by the amount of overspend in future years which is a position that we would not want to be in. Therefore you should not increase AME expenditure in any year.

You should consider what you think actual expenditure might be in each financial year compared to your budget allocations and update as necessary. The current financial year should be the most important consideration but you will have another opportunity in November to update AME

If you wish to discuss further or would like advice on particular issues, give me a telephone call or call in to see me in my office.

Bernie

Bernie Brankin

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From: McCutcheon, Joanne
Sent: 04 October 2011 11:58
To: Brankin, Bernie
Cc: Hepper, Fiona
Subject: AME expenditure

Bernie

Re the AME forecasting exercise (issued yesterday) - is this an opportunity to re-profile expenditure across the years? We currently have £2Million in 11/12 and had been told this had to be spent this year or lost. Grateful for your advice.

Thanks
Joanne

Joanne McCutcheon

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Subject: FW: [RESTRICTED] RE: RHI NI

Bernie Brankin

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From: Brankin, Bernie
Sent: 03 May 2011 15:40
To: Clydesdale, Alison
Cc: Cooper, Trevor; Hepper, Fiona; Hutchinson, Peter
Subject: FW: [RESTRICTED] RE: RHI NI

Alison

Energy Division's AME has now been confirmed. I have spoken to Stuart Stevenson regarding RHI NI AME allocation. RHI spending is not being treated as standard AME. This means that your RHI NI budget allocation is being treated the same as DEL allocations. If you underspend in any year, that part of your budget is lost to the department and, if you overspend in any year, DETI's budget will be reduced by the amount of overspend in future years. The NI Block lost all underspent budgets in 10/11 and DFP are currently in negotiations with Treasury about end year flexibility for the Block for this year and future years.

As discussed, you will need to take this treatment of AME into consideration when drawing up your proposals on how you will spend this allocation particularly if you are considering grants (which Energy Division knows from past experience are fraught with control problems). Please copy Finance into your draft proposals which would need to address the controls that you would put in place to prevent significant under/over spending. These proposals will also require DFP approval.

Happy to discuss further.

Bernie

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From: Brankin, Bernie
Sent: 15 April 2011 16:04
To: Clydesdale, Alison
Cc: Cooper, Trevor; Hepper, Fiona; Hutchinson, Peter
Subject: FW: [RESTRICTED] RE: RHI NI

Alison

AME budgets have just been confirmed by Treasury/ DFP. Your AME allocation for RHI is £2m in 11/12, £4m in 12/13, £7m in 13/14 and £12m in 14/15. This will be confirmed in writing to you early next week. I will discuss further with DFP and come back to you.

Bernie

Bernie Brankin

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From: Clydesdale, Alison
Sent: 15 April 2011 12:25
To: Hepper, Fiona; Brankin, Bernie
Cc: Hutchinson, Peter
Subject: FW: [RESTRICTED] RE: RHI NI
Importance: High

Fiona - for info .

Bernie - see below regarding reporting against the £25m that we have been allocated for RHI - can you advise how this will work in practice for us - I am presuming that DFP will work through your side on this ?

Can you also advise if this years' allocation of £1.7 m will show in Energy's budget line ?

Happy to discuss.

Alison

Alison Clydesdale
Sustainable Energy

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From: Parker, Jon - HMT [mailto:Jon.Parker@hmtreasury.gsi.gov.uk]
Sent: 15 April 2011 12:13
To: Clydesdale, Alison
Cc: Hutchinson, Peter; Garcia, Nicolas - HMT; Parkinson, Mark - HMT; Mike.brennan@dfpni.gsi.gov.uk
Subject: [RESTRICTED] RE: RHI NI

Alison,

Sorry for the delay in coming back to you. Taking your points in turn:

- i) With DECC, we have agreed that they can make commitments to spending in future years (up to 20 years) for installations that are installed within the SR period (i.e. the initial payments have to be affordable within the SR profile), and providing that the policy is set up so that payments should be basically flat over the 20 year period in real terms (i.e. no backloading to ease short-term affordability pressures). This same agreement would apply to any NI scheme.
- ii) DECC's GB RHI profile is £56m/133m/251m/424m. NI's share of this is 2.98%, so £1.7m/4.0m/7.5m/12.6m. The NI scheme would need to follow this profile as much as possible – on which further below. We will need you to feed into us forecasts of NI RHI spending for the Office of Budget Responsibility's bi-annual forecasts – this can be fed through me or Mark Parkinson (in the Devolved Countries Unit within Treasury).
- iii) This funding does have to be used for renewable heat, but if NIE decide you would like to use it for a grant scheme or some such then this would be permissible as long as the cost of NIE spending is constrained to the AME consequential.

The other key point it is necessary to let you know about is that the DECC RHI spending is not being treated as standard AME, where the Exchequer takes on all risks of overspend. Instead, there is a risk-sharing arrangement whereby should RHI spending in one year exceed the SR profile, then DECC would need to repay this in future years. They can do this through announcing changes to the SR that will bring cost savings relative to the SR profile in future years. However, a small proportion of any required future savings (still to be determined, but likely to be of the order of 5%) will have to be funded through contributions from DECC's DEL. Again, these rules would be applied in equivalent fashion to NI.

Happy to discuss any of these issues in more detail.

Jon

Jon Parker | Joint Head, Energy Branch | Energy, Environment and Agriculture
HM Treasury, 1/N2, 1 Horse Guards Road, SW1A 2HQ | 020 7270 5641

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From: Clydesdale, Alison [mailto:Alison.Clydesdale@detini.gsi.gov.uk]
Sent: 11 April 2011 13:00
To: Parker, Jon - HMT
Cc: Hutchinson, Peter
Subject: RHI NI

Jon

We spoke briefly the other day about the £25m allocation to NI for an RHI.

Can I ask you to clarify for me :-

- (i) The position with the commitment to 20 year payments within NI.
- (ii) The process for advising on the spending profile of the £25m AME that we have been allocated.
- (iii) If the £25m can solely be used for an RHI - or we can use it to incentivise in a different way e.g grant ?

Happy to discuss.

Alison

Alison Clydesdale

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