

ofgem e-serve

For Information

Title:	EB5.6 E-Serve Finance Review
Purpose:	To update the E-Serve Board on E-Serve finances at period 08 November 2015
Project:	Finance
Timing:	Immediate
Project sponsor:	Chris Poulton
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For attention of
E-Serve Board

Date of meeting
15/12/2015

Date of submission
04/12/2015

Security level
Protect

Security descriptor
Management

Previous papers
**E4.4 E-Serve
finance review
P08**

1 Update

- 1.1 This report is provided after closure of the Period 08 accounts but with some minor adjustments expected to the charges from IM&T to, particularly, the Non-Domestic RHI scheme.
- 1.2 The figures will differ materially this quarter from those presented by Corporate Finance to GEMA because the Corporate Finance figures removed £370k of accruals which have been included in these figures.
- 1.3 We are currently running at just under 3% below funding for the year to date and we are forecasting to be just under 2% below funding for the financial year. This should give us sufficient headroom to meet any unexpected charges to funds that may occur before the year-end.
- 1.4 Since the last E-Serve Board we have maintained our vigilance over current finances and have been working on more forward looking projects, we have:
 - worked with DECC to assist them in their review of how the financial management within DECC and our financial relationship with them could be improved, while meeting DECC and E-Serve responsibilities for managing public funds,
 - begun various projects to explore new working arrangements to provide better value for money moving forward.
 - started the process of identifying resource requirements for the 2016-17 financial year and beyond in preparation for reaching funding agreements with DECC and other funding departments.
- 1.5 Finalisation of funding for 2016-17 has been delayed due mostly to the Spending Review undertaken by government and now due to the Paris Summit. We are yet to receive clear indications from DECC about the level of funding for 2016-17, however we expect the process for agreeing funding to be complete by the end of February.
- 1.6 Since the last board we have undertaken another of our '**Use It or Lose It**' reviews and as a result we have identified over £500k of funds to return to DECC. We have also negotiated some additional funding from DETI for the Non-Domestic RHI scheme in Northern Ireland due to the higher than expected take-up of the scheme there. We expect to agree significantly higher funding from DETI in 2016-17 as a result.

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- 1.7 We have continued to work with DECC Finance to finalise the re-write of the DECC/E-Serve Finance Process Agreement. This work has now been delayed until the current review (see 1.4 above) has been finalised.
- 1.8 We are pleased that the DECC team undertaking that review of finance have recognised, and complimented us, on the quality of the financial information we provide and we hope one of the outcomes is that we will be given greater scope to more easily move resources to where they are needed to provide the greatest benefit to scheme members and taxpayers.
- 1.9 The E-Serve Finance team was reviewed by Deloitte as part of the annual Internal Audit Plan in September. We are still in negotiation over the outcome of that report but are very pleased that the only significant findings related more to general Ofgem issues than E-Serve specific ones. We have agreed to:
 - continue our ongoing review of our own Financial Procedures,
 - share our list of coding errors we have identified with Corporate Finance on a monthly basis for them to review and learn lessons from, and
 - assist Corporate Finance to undertake training across E-Serve for the invoice authorisation system they introduced in 2014.

2 List of annexes

Annex 1 – Comparison of P08 outturn and 2015-16 forecasts to budget (Teams) and funding (Schemes)

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Annex 1 – Comparison of P08 outturn and 2015-16 forecasts to budget (Teams) and funding (Schemes)

	Funding/ Budget	Latest Forecast	Variance (£)	Variance (%)	YTD Funding/ Budget	YTD Actual Spend	Variance (£)	Variance (%)
Schemes								
Domestic RHIGB	5,634,544	5,495,395	139,149	2%	5,630,634	5,647,857	17,223	0%
Non-Domestic RHIGB	6,801,120	6,878,327	77,207	1%	4,753,031	4,772,350	19,319	0%
ECO	2,987,000	2,934,528	52,472	2%	1,917,779	1,737,428	180,351	9%
WHD	544,200	538,870	5,330	1%	427,345	388,856	38,489	7%
GER	854,900	811,828	43,072	5%	317,431	309,080	8,351	3%
FIT	1,957,417	1,957,417	0	0%	1,747,237	1,747,237	0	0%
DECC SCHEMES	18,738,181	18,615,365	122,816	1%	13,993,427	13,993,427	0	0%
Non-Domestic RHINI	218,700	209,661	9,039	4%	146,249	131,155	15,094	10%
Renewables	4,167,710	4,094,313	73,397	2%	2,715,472	2,765,135	49,662	2%
FMS	7,114	7,114	0	100%	-	7,114	7,114	100%
OLR	113,405	113,405	0	-	67,469	78,489	11,021	16%
Other Licence Funded	1,085,959	1,117,601	31,643	3%	685,176	585,106	100,070	15%
Total	25,208,318	24,759,863	468,455	1.9%	16,707,715	16,218,948	488,768	2.9%
Unfunded Contingency	579,548	993,045						
Total (inc Contingency)	25,732,908	25,732,908						
Absolute Difference across schemes 4%								
741,342								
Ofgem Teams								
	Budget	Latest Forecast	Variance (£)	Variance (%)	YTD Budget	YTD Actual Spend	Variance (£)	Variance (%)
6210 Renewables	2,556,711	2,556,711	0	0%	1,670,528	1,721,548	51,020	3%
6245 FIT	1,107,372	1,107,372	0	0%	770,836	770,836	0	0%
6265 WHD	576,117	576,117	0	0%	408,147	388,787	19,360	3%
6275 ECO	1,813,178	1,813,178	0	0%	1,224,321	1,066,142	158,179	13%
7225 Non-Domestic RHI	4,640,384	4,720,327	79,943	2%	3,315,767	3,299,051	16,716	1%
7230 Domestic RHI	2,363,447	2,363,447	0	0%	2,110,168	2,064,358	45,810	2%
7105 MD's Office	1,600,770	1,570,788	29,982	2%	1,033,825	851,565	182,260	18%
7115 Legal Services	1,342,843	1,139,044	203,799	15%	798,351	663,231	135,120	17%
7150 Counter Fraud	479,422	497,587	18,165	4%	327,725	337,252	9,528	3%
E-Serve Total	17,529,560	17,159,068	370,492	2%	11,803,729	11,164,795	638,934	5%
IM&T	3,018,300	3,340,364	322,064	11%	2,032,883	2,263,286	230,403	11%
Total	20,547,860	20,499,432	48,428	0%	13,836,612	13,428,081	408,531	3%
Licence Funding unforecast to spend	248,204	31,643	216,561	#VALUE!				
REMAINING CONTINGENCY	736,844	1,065,098	328,254	45%				
Total	21,532,908	21,532,908	279,047	1%	13,836,612	13,428,081	408,531	3%
Overhead	4,200,000	4,200,000	0	0%	2,790,867	2,790,867	0	0%
Total	25,732,908	25,732,908	279,047	1%	16,627,478	16,218,948	408,531	2%
Absolute Difference across Teams 7%								