

Mock up example of Supplementary Estimates memorandum (2019-20) for a **Smaller Department** (excludes Scotland, Northern Ireland and Wales Offices)

The mock up example below relates to **smaller departments' Supplementary Estimates** memoranda and should be looked at in conjunction with the relevant guidance for those departments. A separate mock up is available for smaller departments' Main Estimates memoranda, and separate guidance and mock ups are available for other types of department. While the examples given are for the financial year 2019-20 the actual numbers, explanations and context are either fictitious or based on past Estimates - they DO NOT reflect actual requests for funding or outturn in any particular year.

1 Overview

1.1 Objectives

Ofgem is the Office of Gas and Electricity Markets. It is a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives. Our principal objective when carrying out our functions is to protect the interests of existing and future electricity and gas consumers. We do this in a variety of ways including:

- promoting value for money
- promoting security of supply and sustainability, for present and future generations of consumers, domestic and industrial users
- the supervision and development of markets and competition
- regulation and the delivery of government schemes.

We work effectively with, but are independent of, government, the energy industry and other stakeholders within a legal framework determined by the UK government and the European Union.

1.2 Spending controls

Ofgem's net spending is broken down into a several different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**")- a net limit comprising day-to-day running costs, less income from licence fees
- Capital Departmental Expenditure Limit ("**Capital DEL**")- investment in capital equipment such as [...]

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require Ofgem to pay out cash in year

1.3 Comparison of net spending totals sought

The table below shows how the net spending totals sought for X Regulator compares with last year:

Net Spending total Amounts sought this year (Supplementary Estimate 2019-20)		Difference (+/-) compared to original budget last year (Main Estimate 2019-20)		Difference (+/-) compared to final outturn last year (Outturn 2018-19)	
		£ m	%	£m	%
Resource DEL	£0.701 m	£0.702m	0%	£0.702 m	0%
Capital DEL	£1.0 m	£5.239m	-80.9%	£5.239 m	-80.9%

A breakdown of spending and income within the net total is shown in section 2.1.

1.4 Key drivers of spending changes since original budget this year

The net Resource DEL is unchanged from the original budget.

Within this, expected licence income, and the gross expenditure this covers, are both expected to rise from £x million to £y million (+5%). This is a result of increases charges of 2.5% and higher levels of activity, mainly caused by Z. Further detail is given in section 2.1

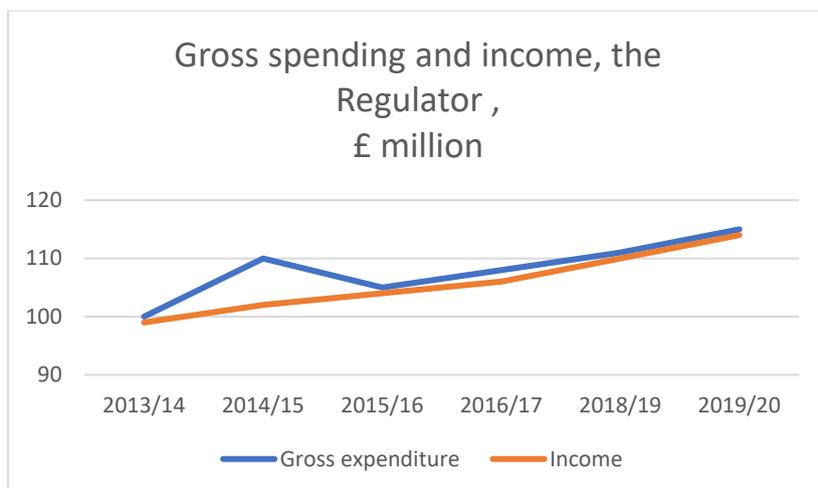
The net capital DEL proposed is 81% less than last year. This change is a result of a one-off expenditure last year on X. The £1 million capital budget this year is an allowance for potential capital works and IT upgrades.

1.5 New policies and programmes; ambit changes

The Regulator was given new responsibilities from 1 April under the Regulation Act 2018. These result in additional expenditure under subhead C for the administration of these new functions.

1.6 Spending and income trends

The charts below show overall resource DEL spending and income trends for the last five years, plans presented in Estimates for 2018-19, and current future spending plans.



1.7 Administration costs and efficiency plans

Administration costs are set to fall by 0.5% in 2018-19 compared to last year's final budget.

Spending total Amounts sought this year (Supplementary Estimate 2019-20)		Difference (+/-) compared to original budget last year (Main Estimate 2019-20)		Difference (+/-) compared to final outturn last year (Outturn 2018-19)	
		£ m	%	£m	£ m
Administration costs	£5 m	-£0.2 m	-3.8%	-£0.2 m	-3.8%

The Department has an efficiency plan to deliver £0.5 million of annual efficiencies by the end of the 4 years covered by SR 2015 (2016-17 to 2019-20). This will be achieved through estate rationalisation, including renting out part of Whitehall house, staff reductions and efficiencies achieved through greater automation. To date £0.3 million of savings have been achieved. For 2018-19 the aim is to deliver a further £0.3 million of savings, of which £0.1 m will be re-invested into spending.

1.8 Funding: Spending Review and Budgets

The regulator received no funding through the last Spending Review. Expenditure is funded through either:

- income generated from fees levied on the Regulator, which BEIS must approve in advance
- additional funding added since the Spending Review, transferred from other departments for the B programme. For 2019-20 this amounts to £0.7 million.

1.9 Other funding announcements

Spending announcements made during the year not listed at annex B relate to reallocated money within existing planned limits, rather than “new”, additional money.

This includes the press announcement on 9 September (see link) of a new programme of inspections, funded by additional receipts from companies, designed to improve safety standards.

2. Spending and income detail

2.1 Explanations of changes in spending and income

Resource DEL

The table below shows how spending plans for Resource DEL compare with last year.

Resource		DEL		change from last year		is change significant? see explanation, note number
		<i>This year (2019-20 Supplementary Estimates budget sought)</i>	<i>This year (2019-20 Main Estimates budget approved)</i>			
A	Inspections	75.0	74.0	1.0	1.4%	1
	standard setting	25.0	22.5	2.5	11.1%	
	other admin costs	15.0	14.5	0.5	3.4%	
	Gross expenditure	115.0	111.0	4.0	3.6%	
A	fees from licensees	-114.0	-110.0	-4.0	3.6%	
A	net expenditure	1.0	1.0	0.0	0.0%	

Note 1. Costs of standard setting are rising in the current year as a result of new duties imposed on the Regulator under the Regulation Act. This requires the Regulator to examine licensees’ green emissions and report on whether they meet new standards.

2.2 Restructuring [if applicable]

2.3 Ring fenced budgets

Within the totals, the following elements are ring fenced ie savings in these budgets may not be used to fund pressures on other budgets>

Resource DEL

Ring fenced budgets Amounts sought this year (Supplementary Estimate 2019-20)		Difference (+/-) compared to original budget last year (Main Estimate 2019-20)		Difference (+/-) Compared to final outturn last year (Outturn 2018-19)	
		£ m	%	£m	£ m
depreciation	£1m	+£.01m*	+5%	+£0.1m*	+5%

*rounded

2.4 changes to contingent liabilities

There is no change. The estimate for the existing contingent liability for litigation from licensees who claim they have been overcharged remains at the same level as last year.

3. Priorities and performance

3.1 How spending relates to objectives

The table below shows how expenditure against each subhead contributes to [corporate] objectives

Objective>>>>	1: promoting value for money	2: promoting security of supply and sustainability, for present and future generations of consumers, domestic and industrial users	3: the supervision and development of markets and competition	4: regulation and the delivery of government schemes.
Estimates subheads [use groupings from previous tables]				
A	x	x	x	
B				x
C		x		
D			x	

[Note: omit if spending is under a single subhead, or if all subheads contribute to all objectives]

3.2 Measures of performance against each priority

The regulator's [business plan](see [here](#)) sets out the following high-level objectives, and measures of performance, for the regulator for the current financial year.

Objective 1

- Performance measure A

The latest update to these performance measures is [here](#).

3.3 Commentary on steps being taken to address performance issues

Spending designed specifically to address performance issues includes:

A fraud prevention strategy has been launched to address issues highlighted in recent internal audit report. The cost has been met from within existing administration costs.

3.4 Major projects

The Regulator has completed the first two phases of an upgrade to its IT records system on time and budget. Phase three is due to start in June of this year and be completed by the end of December.

4. Other information

4.1 Additional specific information required by the select committee

No additional information has been requested by the Regulation Committee

5. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.

Jane Smith

Accounting Officer

Generic Regulator

11 Feb 2020