

From: [Craig, Suzanne](#)
To: [Cooper, Trevor](#)
Subject: FW: Final accrual figure March 2015: A/C Personal information redacted by RHI Inquiry RHI Current AME
Date: 05 June 2015 15:34:13
Attachments: [RHI current budget - possible additional accrual 2014 15 and potential i....xlsx](#)
Importance: High

Trevor

Energy branch have provided us with a breakdown of the proposed accrual which indicates that £1,975,108 of the additional amount of £2,157,365 relates to the 2014/15 financial year with the remainder relating to 2013/14. They have also provided some narrative around the process undertaken to reach this point.

Happy to discuss.

Suzanne

Suzanne Craig

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From: Thompson, Sandra

Sent: 05 June 2015 12:30

To: Conliffe, David; Partridge, Jeff; Craig, Suzanne

Cc: Wightman, Stuart; Dolaghan, Paul; Brankin, Bernie; Mills, John (DETI)

Subject: Final accrual figure March 2015: A/C Personal information redacted by RHI Inquiry RHI Current AME

Importance: High

As discussed this note attempts to explain and set out the background to the proposed late accrual of AME current expenditure on the RHI Scheme. I attach a simple spreadsheet showing the original accrual figures, the proposed additional accrual amount, revised total accrual and original/provisional and proposed final outturn figures. We have also as requested broken down the proposed additional accrual between the years of the scheme. I can send the detailed calculations if required.

When scheme current expenditure commenced in March 2013, we calculated an anticipated monthly payment based on total monthly hrs (728) x 30% (=218.4hrs) x relevant tariff x installation capacity (= average per month payment for 99kwh capacity = £1319). At March 2013 we had to estimate the amount which would have been incurred up to 31 March 13 in relation to the 9 applications received at that point. An estimate of £20k was calculated based on £1319 x 9 x 1.7 months approx average. Actual qtrly payments in relation to these applications were made in June, July and August 2013 and one application was subsequently withdrawn in early 2015. The amount to be accrued in March 2014 was calculated similarly based on all applications received at that point.

It was practice to compare payments actually made each month with our calculated average figures and, across the board, actuals were reasonably consistent with estimates for approx the first year. Accruals and payments were not however recorded against individual applications at this point. We simply calculated the amount due based on estimated incurred spend and accrued an appropriate amount each month consistent with the monthly total we believed to have been incurred in that month.

During the latter half of 2014, actual payments became increasingly inconsistent with our estimates and while we juggled with the 30% figure to try to keep estimated spend in line it became apparent that we needed to change the system of calculation. We met to discuss in early 2015 and agreed that we needed to bring actual payments and accruals for individual installations more directly into the calculation of estimates. To do this it was first necessary to enter the history of payments and accruals against individual projects. As accruals had not been made on an individual project basis we had to notionally allocate the amount accrued each month. The accruals history on the spreadsheet (at individual project level) is not therefore necessarily based precisely on actual assumptions at that time. A new page was set up in our 'non domestic RHI' spreadsheet to calculate the average monthly payment, average heat data and average monthly hours using payment data supplied by Ofgem each month and already held on the spreadsheet. The no of months from accreditation to 31 March 2015 for each project was then calculated and entered on the spreadsheet and finally a formula was devised to calculate a corrective accrual based on the total amount due to 31 March 2015 (average payment for each project by the no of months from accreditation to 31 March 2015) less the sum of amounts paid and accrued to 31 March (inc April payments which would have related almost totally to the pre April period). A new average, using the latest tariff rates, was also calculated for use from April 2015. For projects which had not yet received payment we initially applied the average of all of the calculated average monthly payments. This average was then multiplied by the no of months from accreditation to 31 March 2015 and a corrective accrual calculated by subtracting the sum of amounts accrued up to 31 March 15.

However when we then entered payments made in May it became apparent that the new estimate used for applications which had not previously received payment was inaccurate for installations with capacity significantly smaller or larger than the average. We therefore recalculated the corrective accrual amount for these projects using average of average monthly hours x tariff x installation capacity. This resulted in a decrease in the total amount (hence discrepancy between current figure and that given in my e-mail to Jeff in May).

To conclude, it appeared that in early 2015 that there was a potential overspend. However as outlined above considerable work had to be undertaken to quantify this with reasonable accuracy – bearing in mind that any figure remains an estimate. We discussed the position with Finance colleagues at various stages and confirmed with them that there was no opportunity to increase the AME in year budget. We also discussed the possibility of accruing beyond the budget but given that we were not in a position to assess the amount before end March this did not seem like a viable option at this point. The initial work to compute a 'corrective' accrual was completed towards the end of April and we accrued this amount + an April accrual figure effective at end April. We will continue to refine our forecasts based on constantly updating information. We now have approx 700 applications and as these numbers increase and the payment history builds, forecasts should become increasingly robust. However our current expenditure figures and forecasts will always involve estimated accruals for payments not yet made and applications not yet received. There will therefore always be a degree of uncertainty. I hope this sets out the position clearly but happy to discuss.

Thanks and regards

Sandra

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From: Thompson, Sandra

Sent: 22 May 2015 11:29

To: Partridge, Jeff

Cc: Wightman, Stuart; Hughes, Seamus

Subject: Final accrual figure March 2015: Personal information redacted by the RHI Inquiry RHI Current AME

Hi Jeff – as discussed this is to confirm that a further amount of £2,352,119 can legitimately be accrued to the 2014/15 year in relation to RHI (current). This would bring the total legitimate accrual at end March to £3,282,579. Grateful if you can confirm what action we need to take.

Thanks and regards

Sandra