

From: [Woods, Michael \(DFE\)](#)
To: [McCann, Brendan](#); [Coyne, Terence](#)
Subject: FW: minute of the meeting re RHI - 7 March 16
Date: 27 October 2016 17:04:57
Attachments: [Note of the IAS meeting with Trevor Cooper 7 March 2016.DOCX](#)
[image001.gif](#)
[RHI Timeline 2015.docx](#)
[image002.png](#)
[Note of the IAS meeting with Trevor Cooper 7 March 2016-tracked accepted.DOCX](#)
Importance: High

Brendan

As discussed , copy of RHI timeline and minute of my meeting with Trevor, this specifically relates to the period after March 2015

Michael Woods

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[NI Year of Food & Drink 2016](#)

Please consider the environment - do you really need to print this e-mail?

From: McCoy, Laura **On Behalf Of** Cooper, Trevor
Sent: 27 April 2016 13:08
To: Bagdonaite, Dovile
Cc: Woods, Michael (DETI); Saunders, David; Cooper, Trevor
Subject: FW: minute of the meeting re RHI - 7 March 16
Importance: High

Dovile

Please see attached which Trevor Cooper has asked me to issue on his behalf as he is out of the office today

Irrelevant information redacted by the RHI Inquiry

Trevor has asked me to attached a copy with his tracked changes and a clean copy with changes accepted for ease of reading, along with the RHI Timeline.

Regards,

Laura McCoy

Personal Secretary
Department of Enterprise, Trade & Investment
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From: Bagdonaite, Dovile
Sent: 24 March 2016 09:03
To: Cooper, Trevor
Cc: Woods, Michael (DETI); Saunders, David
Subject: minute of the meeting re RHI - 7 March 16

Morning Trevor

I'm attaching the minute of our meeting regarding RHI on 7/03/16. Please have a read through and let us know if you have any comments or additions to the minute.

Also, at our meeting you presented a timeline of the actions and events related to the missing budgetary cover. We would be grateful if you could share this timeline with us.

Many thanks

Dovile

Dovile Bagdonaite

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Note of the meeting on 7th March 2016

In attendance of:

Trevor Cooper
Michael Woods
Dovile Bagdonaite

Trevor Cooper provided IAS with information on Finance involvement in various stages of the RHI.

- The two schemes domestic and non domestic RHI are relevant~~have to be taken in consideration together as they are both part of the same programme;~~
- ~~Non domestic scheme was discussed at the time the domestic RHI introduced (December 2014). Tariffs for both schemes were discussed then. It was also recognised that it will take a substantial amount of time and resources to change the non domestic scheme. Hence partly due to the lack of resources introduction of the cost control measures to the non domestic scheme was delayed.~~
- ~~From May 14 it was clear that there may be certain issues in relation to cost control and resources, however introduction of Domestic RHI had taken priority then.~~
- ~~At that time the funding available post 14/15 and the application of the Barnett formula to the budget available to NI was well known. Management was also aware of the risks around the budget overspend. However the urgency was not there as the take-up of the non domestic scheme had been manageable at the time.~~

Going back to the introduction of the Scheme, The correspondence between Energy Branch and Treasury was copied to DFP and Finance Division who confirmed with Energy that they should not overspend and that budgetary controls should be confirmed to the casework committee considering the business case for the scheme.

- As regards the casework in March 2012 for when the non-domestic NI RHI scheme was discussed there were a number of requirements presented by the committee in how the NI RHI scheme should be managed and controlled. Management at the time confirmed that tariffs specific to each technology would be set, and that tariff levels would be subject to regular review so that over or under-compensation would be avoided. The ability to have emergency reviews was also confirmed to the Committee as well as the ability to stop the Scheme promised that periodic and emergency reviews will be performed to ensure that the scheme works as planned and continues to deliver the VFM. At the time management was of the opinion that the scheme can be stopped mid year if there was a risk of over spend against budget.
- The casework committee requested that any administration agreement with Ofgem should include performance management, KPI's, breakpoints, the availability of etc and availability for audit assurance around the Ofgem systems including on vouching of payments to be audited by DETI as well as the ability for DETI under NIAO to undertake audits if/when

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needed. However, although the right to audit was included in the administrative arrangements document, these rights have never been enacted. Other sponsor control duties do not seem to have been enacted either.

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IAS had been involved at the time (Nov-Dec 12) in providing advice in relation to vouching payment information and inclusion of assurance around Ofgem systems and auditing rights into the Administrative Arrangements document.

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- It was agreed that 12% rate of return recommended by CEPA was reasonable incentive. This rate of return was subsequently granted State Aid approval.
- In the hindsight, the non domestic scheme needed to be regularly reviewed to ensure that the above rate of return has not been exceeded. At present it is not clear whether the assumptions of the capital and operating costs are still unchanged to this date and how this affects the rate of return agreed.
- Although the demand for the scheme was not known to management at the very start of the scheme, the Department was well aware of the expansion of the Moy Park.

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As regards budget and forecast expenditure on the Scheme, Finance Branch had prepared a table that set out the budget and monitoring adjustments over the period from scheme introduction. The scheme had regularly underspent. As regards 2014-15 and 2015-16, in September 2014 Energy Branch had slightly reduced forecast 2014-15 expenditure, and at the end of November 2014 it had reduced 2015-16 forecast expenditure by £0.5m from that previously forecast to £11.64m.

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The Department had the DECC Minister's communication of January 2014 referencing the available budget in 2015-16 of 3% of £430m.

The first communication from Energy Branch to Finance Branch around budget pressures was on 23 March 2015. In mid-May 2015 Finance Branch asked Energy to cease further commitment on the scheme. Energy Branch stated at this point that this was not possible.

At the end of May/start of June Energy stated that legal advice was that the scheme could not be closed and at this point the decision was taken to take as much action as seemed possible to manage the position – engage with DFP around the ability to secure additional budget and around Scheme approvals, amend tariffs as quickly as possible to reduce budget call and improve VFM from applications, and for Energy Branch to progress the business case in support of regularising expenditure both prospectively and retrospectively.

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• DECC consulted with the then Minister in 2013 and DETI's response to them was that DETI will consider and align with DECC's changes. There probably was an intention to do that.

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- Finance Branch knew that in 2015/16 the budget available to NI RHI will be £12.9m or 3% of DECC's budget of £430m.

- ~~• By March 2015 Finance Branch learned that the budget will not be sufficient.~~
- ~~• TC presented a timeline of events from March to December 2015 and communication with DFP and senior management in DETI.~~
- ~~• In June there was a discussion to close the scheme due to budgeting issues, however at the time it was advised that closing is not possible. The decision was taken then to reduce the tariffs to manage future budget pressures, to apply for the budget necessary to cover for the year, to complete a Business Case and get approval from DFP.~~
- ~~• In total in 15/16 a budget of £33.1m was secured. This level of funding is not offered going forward to 16/17.~~
- Trevor to share his timeline with IAS.

RHI TIMELINE WITH DFP 2015

26 March 2015	Email S Thompson to J Partridge - Energy Branch wrote to Finance Branch as they were unable to get advice from DECC on budgets for future years with an increasing profile of expenditure.
19 May 2015	Finance Branch responded on 19 May advising Energy Branch to take steps to curtail spending in 2015-16 to keep within a likely ceiling of £12.8M until clarification is sought from DFP, and Bernie Brankin wrote to Stuart Wightman on 20 May 2015 advising Energy Branch to stop entering into commitments immediately to ensure that monthly cumulative expenditure does not increase.
26 May 2015	Finance Branch submitted AME profiles to CED copied to DFP Supply which included significant forecast budget increases in forward years from 2016-17 onwards. The forecast were sent by DFP to Treasury. 15-16 £23.2m 16-17 £32.4m; 17-18 £38.3m; 18-19 £44.8m; 19-20-£49.1m; 20-21 £47.3m
29 May 2015	Internal Finance meeting on accrual methodology for RHI for late adjustment to 14-15 accounts increasing spend by £2.35m
3 June 2015	Stocktake meeting with DFP – Raised issue of budgetary position and lack of approvals.
3 June 2015	Meeting A McCormick, E Rooney, J Mills, S Wightman – background to issues.
4 June 2015	June Monitoring – raised issue in writing in return – welcome discussion on progression with Treasury and DECC. (15-16 opening budget of £11.6M increased to forecast requirements of £23.2M in June Monitoring).
5 June 2015	TC oral briefing to D Beck and Claire Hughes on emerging position.
8 June 2015	TC briefed C Kane ref late accrual and irregular expenditure in 2015-16.
12 June 2015	Trevor Cooper, Stuart Wightman, Iain McFarlane met ref business case approvals
15 June 2015	Meeting with DFP at which RHI discussed – DFP view that in first instance DETI to make case to DECC for share of UK Budget.
16 June 2015	RHI meeting with Andrew McCormick, Eugene Rooney, Trevor Cooper, John Mills, Shane Murphy and Stuart Wightman ref approach to Business Case.
17 June 2015	Email T Cooper to M Scott stating that DETI will engage with DECC but need also for DFP to engage with Treasury.
1 July 2015	Note issued to DFP around approvals etc.
7 July 2015	Energy note to DECC.
8 July 2015	Submission to Minister by Energy Division on cost controls etc.
27 July 2015	Meeting T Cooper, J Mills, Stuart Wightman, I McFarlane ref draft business case.
5 August 2015	DECC response to J Mills correspondence
12 August 2015	Met with DFP to confirm DECC response TCooper, M Scott, B Brankin, A Millar – budget and VFM update.
20 August 2015	Query from A McCormick whether uplift in AME budget in-year addresses the budget issue.
20 August 2015	B Brankin confirms budget issue not addressed as DECC confirm penalties applied if go outside budget – but no detail.
24 August 2015	I McFarlane meet DFP on RHI.
24 August 2015	E mail to Energy seeking DECC direct phone contact by Finance.
4 September 2015	Follow up seeking email to be sent for direct phone contact.
10 September 2015	Met S. Wightman ref draft business case

30 September 2015	Met DFP to discuss approvals and budget position.
8 October 2015	Finance Branch submitted AME profiles to CED copied to DFP Supply which included significant forecast budget increases in forward years from 2016-17 onwards. 15-16 £22.8m; 16-17 £34.3m; 17-18 £40.0m; 18-19 £47.5m; 19-20 £52.8m; 20-21 £51m; 21-22 £51m
9 October 2015	DFP confirm that AME forecast beyond 2015-16 should not include provision for any new installations beyond 31 March 2016.
9 October 2015	Revised AME profile submitted forecasting £24.4m in 15-16 and £30m per year from 2016-17 onwards.
13 October 2015	Finance provide DFP with latest draft business case ahead of casework
19 October 2015	Energy share casework papers
21 October 2015	Casework Committee
26 October 2015	Finance provides DFP with an updated Business Case to reflect amendments made following Casework meeting
27 October 2015	Finance provides further information to DFP and requests urgent consideration
28 October 2015	Energy and Finance answer DFP queries
29 October 2015	DFP Approval granted for new installations until 31 March 2016 due to the uncertainty around future funding of the scheme. "DFP approval is therefore granted for the payments arising from new installations between 29 October 2015 and 31 March 2016. This will be revisited following the SR announcement."
26 November 2015	DFP send extract of SR outcome confirming not intending to close national scheme, but improved cost control.
3 December 2015	DFP request updated forecast information to inform engagement with Treasury – request information on forecast expenditure plus in event any cap applying to NI were lower than commitments how quickly scheme could be closed.
7 December 2015	TC confirms to ER updated forecast information for meeting with Treasury provided. As regards budget for RHI they anticipate that NI will receive notification of a capped AME amount of £18.3M in 2016-17, £22.3M in 2017-18, £25.7M in 2018-19 and £28.9M in 2019-20. Any difference between actual spend in any of these years and the capped AME amount would in terms of the position presented fall as a call on NI Block Resource DEL. DETI provide LTTs
21 December 2015	Confirmation from DFP that retrospective approval not given.
January 2016	The 2015-16 RHI AME budget is increased to £30.4M in January Monitoring.
27 January 2016	DFP confirms cap on future AME RHI budget
28 January 2106	The latest profile from Energy Branch looking forward was received on 28-1-16 and shows forecast expenditure of £45.2M p.a. up to 2021-12 against previous forecasts of £30m pa for future years).

Note of the meeting on 7th March 2016

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Michael Woods

Dovile Bagdonaite

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