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 as it would appear that staffing pressures arising from the introduction of the domestic scheme resulted in cost control measures for the non-domestic scheme not progressing further beyond the consultation stage ;

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 committe considering the business case for the scheme.

- As regards the casework in March 2012 for the non-domestic NI RHI schememanagement 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 (in effect the 12% rate of return versus the oil counterfactual in the case would be the benchmark pending any amendment to the Scheme). The ability to have emergency reviews was also confirmed to the Committee as well as the ability to stop the Scheme mid year if there was a risk of over spend against budget.

-

- The casework committee requested that any agreement with Ofgem should include performance management, KPI's, breakpoints, the availability of audit assurance around the Ofgem systems as well as the ability for DETI and NIAO to undertake audits if/when needed

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

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. This showed that 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.

Finance Branch had known from the communication from the DECC Minister that the budget available in 2015/15 would be 3% of £430m.

The first communication from Energy Branch around budget pressures was at 2014/15 year-end. 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.

When discussed with Top Managment at the end of May/start of June Energy confirmed 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 progress business case in support of regularising expenditure both prospectively and retrospectively.

- Trevor to share his timeline with IAS.