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 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 casework in March 2012 when the NI RHI scheme was discussed there were a number of requirements presented by the committee in how the NIRHI scheme should be managed and controlled. Management at the time 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 is a risk of over spend.

  The casework committee requested that an administration agreement with Ofgem should include performance management, KPI's, breakpoints etc and availability for the Ofgem systems to be audited by DETI or NIAO if/when 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.

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

- 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.

- 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.

- 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.

Revision 1

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- The two schemes domestic and non domestic RHI have to be taken in consideration together;
- Non domestic scheme was discussed at the time the domestic RHI introduced (December 2014)
- 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.
- 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.
- Going back to casework in March 2012 when the NI RHI scheme was discussed there was a number of requirements presented by the committee in how the scheme should be managed and controlled. Management at the time 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 is a risk of over spend.
  The committee advised that any administration agreement with Ofgem should include performance management, KPI's, breakpoints etc and availability for the Ofgem systems to be audited by DETI or NIAO if needed and to enable to carry out sponsor control duties. 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.

- 12% rate of return was agreed to be 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.
- 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.