



Tom Delay
Chief Executive
Carbon Trust
9th Floor
3 Clements Inn
London
WC2A 2AZ

Our Ref: CT/08/09

4th July 2008

Dear Mr Delay

THE CARBON TRUST – OFFER OF GRANT FOR THE PERIOD JUNE 2008 TO MARCH 2009

This letter constitutes the Invest Northern Ireland (Invest NI) offer to The Carbon Trust (CT) to pay a grant of up to £2,800,000 in the financial period from 15 July 2008 to 31 March 2009 from the European Competitiveness and Employment Programme 2007-2013 under the European Regional Development Fund (ERDF) to enable CT to undertake the activities set out in the Summary of Activities in Northern Ireland 2008/11 request for funding December 2007 at Annex 1 (Business Plan), The claims for funding during this period will need to be vouched and approved by Invest NI under terms and conditions contained in this Letter of Offer.



The grant is offered to CT for its work to promote energy efficiency, low carbon and renewable energy technologies to businesses in accordance with the Business Plan and the associated programme of activities will be complimentary to the DETI Strategic Energy Framework ensuring all principles of sustainable development are underpinned through the introduction of the Northern Ireland (Miscellaneous Provisions) Act 2006.

This offer is made subject to the Grant Terms and Conditions set out in Annex 2. On acceptance of this offer all previous offers become null and void.

The funding of the activities set out in the Business Plan under this letter is dependent on funding being received from the European Regional Development Fund of the EU. In the event of such funding not being received or being discontinued for whatever reason then no liability will exist for Invest NI, the Department of Finance and Personnel, Northern Ireland or any other Government Departments or Agencies in Northern Ireland to provide funding to CT.

CT shall deliver account managed services directly only to businesses and shall engage with Invest NI client companies on a first come first served basis consistent with state aid general measure principles.

Sam Knox will act as your nominated officer for Invest NI. He will advise you as appropriate, and deal with the payment of grant claims.

I would be grateful if you would ensure that appropriate procedures are put into place to make members of staff aware of the terms and conditions of this offer relevant to their employment with CT.

Any annexes and schedules to this letter shall be deemed to be incorporated in and form part of this letter and references in this letter to any provisions of this letter shall be deemed to include, where the context so admits or requires, references to provisions of the annexes or schedules.



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Please confirm your acceptance of this offer by arranging for the enclosed “Form of Acceptance” to be completed and signed by two directors of CT and returned to me.

Yours sincerely

Tracy Meharg

Managing Director
Innovation & Capability Development



European Regional Development Fund
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Invest Northern Ireland

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Competing Globally

Mr Tom Delay
Chief Executive
Carbon Trust

Our Ref: CT/08/09
Date: 4 July 2008

FORM OF ACCEPTANCE

The offer by Invest Northern Ireland contained in this letter and the Grant Terms and Conditions as set out in Annex 2 are hereby accepted by **The Carbon Trust**.

Signed on behalf of **The Carbon Trust** thisday of two thousand and Eight.

First signatory

Name (CAPITAL letters)
and position within Company

Second signatory

Name (CAPITAL letters)
and position within Company

(The signature of two company directors is required)



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NOTE :

Your attention is drawn to Section 43 of the Fair Employment (NI) Act 1989 which provides that a Northern Ireland Department may refuse to give to any unqualified person any financial assistance to which the Section applies or, where it has given or agreed to give such assistance to any unqualified person, refuse or cease to give any payments to him in pursuance of the assistance.



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ANNEX 1

Summary of Activities in Northern Ireland 2008/11 request for funding December 2007

ANNEX 2

GRANT TERMS AND CONDITIONS

INTRODUCTION

Purpose of Annex

- 1 These Terms and Conditions set out the framework of control on financial and related matters under which grant will be paid to The Carbon Trust (CT) in arrears by Invest Northern Ireland (Invest NI) from 15 July 2008 to 31 March 2009 for programmes in Northern Ireland.

CT will (in liaison with Invest NI) ensure that its long-term aims and its Summary of Activities in Northern Ireland are consistent with and complimentary to DETI's Strategic Energy Framework and the Sustainable Development Implementation Plan for Northern Ireland.

CT will provide a service to the voluntary sector, which is consistent with the requirements of DETI's policy on energy efficiency in the voluntary sector in NI.

Funding for CT for programmes in England, Scotland, and Wales is the subject of separate Grant Offer Letters from the other bodies. CT is a company limited by guarantee established under the Companies Act 1985 with rules prohibiting it from distributing profits.

- 2 For the one year forward planning period to March 2009 CT has been allocated by Invest NI up to £2,800,000 to cover expenditure and new/improved programmes related to the delivery of the agreed Programme for Northern Ireland 2008-11 dated December 2007.

Legal powers

- 3 Grant to CT is paid under powers contained in The Industrial Development (Northern Ireland) Order 1982 (NI 15), The Energy Efficiency (Northern Ireland) Order 1999 (NI 3) as amended by the Industrial Development Act (Northern Ireland) 2002 and the Northern Ireland (Miscellaneous Provisions) Act 2006.

Business Plan

- 4 For all activities undertaken by Carbon Trust for which ERDF support will be provided, CT shall diligently implement the Business Plan and ensure the grant is applied in accordance with the Business Plan and comply with all relevant obligations under the European Regulations EC 1080/2006: EC 1828/2006 and will also use all reasonable endeavours to co-operate with Invest NI, Northern Ireland government departments and the Government of the United Kingdom in allowing them to fulfil their respective obligations under the European Regulations.

ELIGIBLE EXPENDITURE

General

- 5 The grant is to be used solely for the purposes stated in this letter of offer and these Terms and Conditions. Grant may be used for all types of expenditure except those listed in Schedule 4.
- 6 An initial payment of up to £400,000 may be advanced following acceptance of this letter and any subsequent offers of grant, upon satisfactory evidence provided by CT to Invest NI of fulfilment of all the pre-conditions contained in this letter of offer. This payment will nevertheless be retrospectively vouched and approved to the satisfaction of Invest NI in accordance with and based primarily on the costs as outlined below:

1. Staff employment and associated costs in Northern Ireland
2. Accommodation and overhead Costs in Northern Ireland

3. Third party costs for activities in Northern Ireland
 4. Contribution to central CT activities.
 5. Total costs for activities in Northern Ireland
- 7 CT shall use all reasonable endeavours, consistent with the effective execution of its functions, to maximise funding for its programmes and objectives from sources other than the Government. CT shall limit the financial support it provides for programmes to the minimum compatible with the achievement of the required result, and should seek to attract the maximum funding from other sources, where this is compatible with the objectives of the programme.
- 8 Financial support provided by CT shall not displace funding more properly provided by some other agency or Department and in particular shall not fund services which others have a statutory duty to provide.

Management and Administration Expenditure and Programme Development Expenditure

- 9 On the basis of CT's allocation system, Invest NI funding offered to CT will be available for management and administration expenditure and the delivery of programmes in NI.
- 10 Management and administration expenditure relating to specific programmes shall be included as a separately identified item with other expenditure in programme proposals and on the monthly grant claims.

Travel, Subsistence, Entertaining and Staff costs

- 11 CT shall ensure that when including expenditure in grant claims that:
- a. Travel and subsistence expenditure should be kept to the minimum necessary for the effective execution of CT's functions; and
 - b. An explanation must always be provided when claims are made for entertainment expenses, to ensure that the expenses are properly

chargeable to CT.

Programme Expenditure

- 12 Programme expenditure shall only be claimed for expenditure on programmes that have prior written approval from the nominated officer of Invest NI. Proposals for programmes will be approved only if they fall within the Strategic Framework for Programme Development at Schedule 2, and contain material specified in the Proposal Specification at Section B of Schedule 2.

INELIGIBLE EXPENDITURE

- 13 Invest NI grant shall not be claimed for expenditure that falls within any of the categories of ineligible expenditure listed at Schedule 4.
- 14 CT shall immediately consult the nominated officer of Invest NI if there is any doubt as to whether particular expenditure is eligible for Invest NI grant.

REGULATION OF EXPENDITURE

General

- 15 CT shall be free to incur expenditure on approved programmes without further reference to Invest NI, subject to any restrictions imposed by statute, or by these Terms and Conditions, or any conditions attached to the approval of individual programmes. Inclusion of any planned expenditure in the Business Plan does not obviate the need to seek Invest NI approval for individual programmes in accordance with paragraph 12 above.

Expenditure Changes

- 16 CT shall obtain the prior written approval of Invest NI before making any changes of policy or practice which would have material financial implications for the Invest NI-funded programme, or which may affect the future level of resources required; and before making any material changes in the operation of programmes previously approved by Invest NI.

- 17 CT shall have freedom to vary expenditure within its approved budget subject to the conditions set out below:
- a) for each programme as detailed in the five business areas described in the Business Plan, CT must spend a minimum of 80% of the approved budget within each business area against the engagements detailed in the Summary of Activities in Northern Ireland 2008/11. Where CT wishes to reduce the amount spent on a programme below 80% of the approved budget for that programme, CT shall seek prior written approval from Invest NI's nominated officer; and
 - b) any cost increase must be justified and the programme must still offer value for money and meet all the relevant programme criteria detailed in Schedule 2; and
 - c) the principal outputs over the life of the programme agreed in the Business Plan must still be achievable; and
 - d) the new expenditure must be met within CT's total funding limit; and
 - e) CT will specifically ensure that its Marketing Plan is consistent with the overall thrust of DETI's Strategic Energy Framework and take any opportunity to maximise efficiency by dovetailing with this framework. CT shall not claim marketing expenditure for marketing activities in Northern Ireland without prior approval and to the satisfaction of Invest NI.
- 18 CT will notify Invest NI of any anticipated under spend in grant in the grant claim for the month following identification of anticipated under spend.

Records and Information for Invest NI

- 19 CT shall notify Invest NI within one month of any income profit or gain accruing from a programme funded in whole or in part by Invest NI grant which is in excess of the amounts set out in the Business Plan.

20 CT shall submit to Invest NI:

- a) within one month of the date of the letter of offer, monthly profiles of the expected expenditure that has been approved by Invest NI. These profiles should be in the format set out in Schedule 6. Updated profiles should be sent to Invest NI with each monthly grant claim, along with profiles for programmes which are approved after the date of the letter of offer; and
- b) A monthly report (which shall be in such form as Invest NI may require) on the activities grant funded by Invest NI to monitor the rate of implementation of the programme and to assess its effect in relation to its objectives, including pilot and experimental work covered by the development budget. This report shall contain details of all programme activities including energy audits and technical engagements (as detailed in paragraph (c) below), training events, marketing, a financial summary of the overall programme together with identified and implemented energy savings (on an aggregated, but not customer specific basis and when requested on a sector specific basis obtained within the programme for specific activities recorded in GigaJoules. The report shall be submitted monthly; and
- c) CT shall submit a list of survey applications received and completed detailing the company name, and the type of service that the company has received from the programme as set out in Schedule 7. CT shall also provide site contact details at Invest NI's request for any company that is identified in a report from CT as having received a survey on written confirmation from Invest NI that such company has received or is receiving support from Invest NI; and
- d) CT shall endeavour to provide a minimum of 4 'good news stories' per month solely for Invest NI's internal use on activities carried out within the programme. If Invest NI wish to use this material for external publication CT consent will be obtained; and

- e) Promotional material shall also be provided for external use to promote programmes to clients and other such reports as the nominated officer may from time to time reasonably require; and
 - f) CT shall ensure that branding of all events and programme activities in NI includes appropriate recognition that they are funded by Invest NI and ERDF.
- 21 Invest NI shall be entitled to disclose to other Government Agencies, Government Departments, district councils, Local Enterprise Agencies or other bodies involved in economic development in the European Union such information about the funding provided by Invest NI to CT, its business affairs (including without limitation, information which constitutes personal data for the purposes of the Data Protection Act 1998) as Invest NI is required to disclose under its contractual, legal or regulatory obligations. Where Invest NI also considers it to be appropriate, Invest NI shall be entitled to include any such information in a database of economic, financial and strategic information and to publish or disseminate reports derived from such database to such persons deemed suitable by Invest NI.

22 **DISCLOSURE, PUBLICITY, CONFIDENTIALITY**

22.1 Invest NI shall be entitled to publish details of the amounts and types of assistance referred to in this letter at such times and in such manner as Invest NI or the Commission may decide.

22.2 CT shall:

22.2.1 render Invest NI such assistance as Invest NI may reasonably request in connection with any publicity which Invest NI may deem appropriate in respect of the worked detailed in the Northern Ireland Business Plan; and

22.2.2 give due recognition to EU and Invest NI funding including in any brochures, leaflets and in any publicity in connection with the Business

Plan and in all terms and conditions of grants offered by CT and will consult with Invest NI about any publicity or public announcements associated with the Business Plan.

- 22.3 Invest NI shall be entitled to disclose details of CT to other government agencies and departments and bodies engaged in economic development in the EU (subject to the terms of the Data Protection Act 1998 and any other applicable legal restrictions which prevent the disclosure of such information) where Invest NI considers that disclosure is in CT's interest.
- 22.4 Invest NI may include any information which it receives in relation to CT in a database of economic, financial and statistical information and may publish or disseminate reports derived from such database provided that such reports do not specifically identify CT.
- 22.5 Invest NI shall be entitled to disclose information on CT to Invest NI's professional advisers who are subject to obligations of confidence or to consultants working on Invest NI's behalf provided such disclosure is made or the specific purpose for which the consultants are engaged.
- 22.6 This letter of offer and these Terms and Conditions shall be treated by CT as confidential and accordingly shall not be disclosed to any other person or entity other than to its professional advisors who are subject to obligations of confidence, for the purpose of negotiating funding for CT or as required by law, without the prior written consent of Invest NI, such consent not to be unreasonably withheld or delayed.
- 22.7 Invest NI shall treat all information received from the CT in pursuance of this letter of offer and these Terms and Conditions as confidential and shall not disclose such information to any third party other than those referred to at paragraphs 22.3 and 22.5, without the consent of CT, such consent not to be unreasonably withheld or delayed, except as may be required by law (including without limitation Freedom of Information legislation) or for the purpose of preventing or detecting crime or for the purposes of any parliamentary or governmental enquiry into the activities of Invest NI. Invest NI shall, when it considers information to be commercially sensitive, use all

reasonable endeavors to argue that such information should be exempt from disclosure under the Freedom of Information legislation.

- 22.8 Invest NI shall be entitled to publish details of the amounts and types of assistance referred to in this letter at such times and in such manner as Invest NI or the European Commission may decide. CT shall render Invest NI such assistance as Invest NI may reasonably request in conjunction with any publicity in respect of CT's activities in NI.

Inventory of Assets

- 23 CT shall maintain an inventory of fixed assets where the cost, or part of the cost was claimed as grant, that at the time of purchase have a cost greater than £1,000 including any non-recoverable VAT. The inventory shall show the date of acquisition, the full purchase price and the amount claimed as grant.
- 24 CT shall notify Invest NI of any proposal to dispose by sale, or any other means, of any fixed asset which is, or should be, listed in the asset inventory and which has been funded or part funded by Invest NI. Transfer of an asset to a separate entity constitutes a disposal. Invest NI will require a share in the proceeds of any such disposal equal to the proportion of the original purchase price funded from its grant, unless Invest NI has agreed to the re-investment of the proceeds or subject to any amount that Invest NI has agreed to carry over from one financial year to the next. The disposal value shall be the estimated market value at the time of disposal (as notified by CT to Invest NI) and the proceeds shall be the disposal value less any costs of disposal. On completion or termination of this letter CT shall provide Invest NI with a copy of the inventory of fixed assets. CT should also submit proposals for the continued utilisation or disposal of the assets listed in the inventory. Invest NI retains the right to vary or amend such proposals.

Grants offered by CT

- 25 CT's powers to make grants shall be exercised reasonably, in good faith and in accordance with the terms and conditions in Schedule 3.

Evaluation Reports

- 26 CT hereby agree to the appointment of suitably qualified external consultants at the sole cost of Invest NI to undertake independent evaluations of the activities carried out under the Business Plan as deemed necessary by Invest NI and to be completed on dates to be determined by Invest NI, such evaluations to be satisfactory to Invest NI.

Financial Incentives

- 27 Invest NI funds may be used to provide financial incentives to the promotion of low carbon measures. These incentives, which may be provided by CT using Invest NI funds alone or with contributions from other partners, shall not significantly distort competition.

Funds from the EU

- 28 Where both the CT and EU Funds provide support for a programme, the two funding elements should be identified separately. Total CT and EU grants shall not exceed the total programme expenditure as set out in Annex 1 or the limit set for public support by the EU Programme, whichever is the lesser. Invest NI funding for CT to deliver its Business Plan shall be in accordance with guidelines associated with European Regional Development Fund.
29. CT will liaise with Invest NI when seeking support from EU funds for programmes in NI.

EC State Aids Rules

- 30 In relation to programmes or investments which are either UK-wide or primarily in England or in England and one or more of the devolved administrations and which might be State Aid, CT must comply with the requirements of paragraphs 26 to 32 of Annex 2 to the DEFRA grant offer letter for 2004/2005. Invest NI should be kept informed of any State Aid notifications in respect of UK-wide programmes or investments and should be

copied in on any reports to DEFRA regarding UK-wide exempt State Aid.

In relation to programmes or investments solely or primarily in Northern Ireland which might constitute State Aid, CT should comply with paragraphs 31 to 36 below.

CT will comply with the European Union State aid rules. Article 87 of the Treaty establishing the European Community prohibits any aid granted by a Member State through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods so far as it affects trade between Member States. There are certain exemptions from the prohibition and there is power for the European Commission to approve State aid.

- 31 CT must immediately inform Invest NI of its intention to provide support that could be considered as notifiable, so that the need for notification to the European Commission can be assessed and the appropriate action taken by the Government in good time. Where a notification is required, the Commission's approval must be obtained by the Government. Approval will be communicated promptly to CT in order for support to be given. Both CT and the Government will work to ensure that any necessary EU State aid notifications are prepared and progressed efficiently. Consultation will take place with other Departments and agencies, the UK Permanent Representation in Brussels and the European Commission where this would expedite the EU State aid approval process. Delays in obtaining any necessary EU State aid approval may have an impact on CT's expenditure in a given financial year. CT will, as far as it is able, estimate what the impact might be on expenditure and will notify Invest NI in accordance with paragraph 18 above.
- 32 The exceptions to the requirement for CT to inform Invest NI before providing support would be where CT intends to provide support to undertakings under the terms of programmes which have already been notified to, and approved by, the European Commission or where the support is of the kind that may be given under the block exemption regulations. In case of doubt, CT will refer the matter to Invest NI for advice.

- 33 Where CT is of the opinion that the proposed support can be granted without notification to the Commission, in accordance with block exemption regulations on training aid (Commission Regulation 68/2001), or aid to small and medium sized enterprises (Commission Regulation 70/2001), CT will ensure that each individual grant of aid is in accordance with the terms of the relevant Regulation. In case of doubt CT will refer the matter to Invest NI. In particular, CT will:
- a) before implementation of an aid scheme or grant of individual aid outside any scheme, exempted by either Regulation, forward to Invest NI, with a view to its publication in the *Official Journal of the European Communities*, a summary of the information regarding such aid scheme or individual aid in the form laid down in Annex II to the relevant Regulation; and
 - b) maintain detailed records regarding the aid scheme exempted by either Regulation, the individual aid granted under those schemes, and the individual aid exempted by either Regulation that is granted outside any existing aid scheme. Such records will contain all information necessary to establish that the conditions for exemption, as laid down in the relevant Regulation, are fulfilled, including information on the status of the company as an SME in the case of aid falling within Commission Regulation 70/2001. CT will keep a record regarding individual aid to a business or company until December 2022 regarding an aid scheme. On written request, CT will use its reasonable endeavours to provide Invest NI, within a period of 10 working days, with all the information which the European Commission considers necessary to assess whether the conditions of the relevant Regulation have been complied with; and
 - c) compile a report on the application of the Regulation in respect of each whole or part calendar year during which the Regulations apply, in the form laid down in Annex III to the relevant Regulation. CT will use its reasonable endeavours to provide Invest NI with such report no later than two months after the expiry of the period to which the report

relates.

- 34 Where CT is of the opinion that the proposed support can be granted without notification to the Commission in accordance with the block exemption regulation on *de minimis* aid (Commission Regulation 1998/2006), CT will ensure that each individual grant of aid is in accordance with the terms of that Regulation. In particular:
- a) CT will, before providing any support to the applicant, inform the applicant in writing that the proposed aid is *de minimis* and will obtain from the applicant details of other *de minimis* aid which the applicant has received over the previous three years. If the applicant has received assistance but does not know whether such assistance is *de minimis* aid CT will obtain details of all assistance given to the applicant over the previous three years and consult Invest NI; and
 - b) CT will ensure that the proposed aid will not breach the €200,000 ceiling over three years when cumulated with other *de minimis* aid which the applicant has received and that it is within the scope of Commission Regulations. In cases of doubt CT will consult Invest NI; and
 - c) The letter offering aid to the applicant will specify the amount of aid proposed and that it is *de minimis* aid. It will advise the applicant that the offer letter must be retained until 2022 and produced on any request by the UK public authorities or the European Commission; and
 - d) CT will record and compile all the information regarding the application of Commission Regulation 1998/2006. Such records will contain all information necessary to demonstrate that the conditions of the Regulation have been respected. Records regarding an individual *de minimis* aid will be maintained until 2022 regarding a *de minimis* scheme. On written request, CT will use its reasonable endeavours to provide Invest NI within a period of 10 working days with all the information that the European Commission considers necessary for assessing whether the conditions of the Regulation have been

complied with, in particular the total amount of *de minimis* aid received by any enterprise.

- 35 CT undertakes to use all reasonable endeavours on behalf of Invest NI to recover, with interest, any aid paid in contravention of the European Union State aid rules in accordance with Community law on recovery of unlawful State aid and will include in all offers of support which constitutes state aid a provision enabling CT (on behalf of Invest NI) to vary, withhold and/or reclaim any assistance, with interest from the date it was made available to the recipient, if required to do so by a decision of the European Commission or as a result of any obligation arising under Community law.
- 36 Invest NI will have the explicit right (to be set out in all offers of support which constitutes state aid) to take action directly to enforce its obligation to recover aid paid under this Letter of Offer.

Environmental Impact

- 37 CT shall ensure as far as reasonably possible that all aspects of the activities Plan will not result in a negative impact on the environment and provide an environmental impact assessment where applicable. CT must also use reasonable endeavours to ensure that its clients / customers adopt and implement an environmental policy in relation to the implementation of the Plan and provide an environmental impact assessment if necessary.

Gifts, Awards and Prizes

- 38 Gifts, awards and prizes funded from Invest NI grant in whole or in part shall not be for the benefit of CT staff or those employed on behalf of CT, whether paid or unpaid.
- 39 Gifts do not include the issue of free or complimentary copies of publications, leaflets, calendars or other such promotional material produced and distributed in large numbers. If CT is in any doubt about whether a particular item of expenditure counts as publicity or as a gift, Invest NI should be consulted.

- 40 The making of gifts, awards and prizes funded by Invest NI should be directly related to the achievement of the Business Plan at Annex 1.
- 41 CT shall keep a record of all awards and prizes funded by Invest NI grant. The record should include a brief description of the item, the cost, the name of the recipient, and the reason for making the award. It should be made available to Invest NI on request. Awards and prizes in excess of £150 require Invest NI approval before they are eligible for funding from Invest NI grant unless they form an identifiable part of a programme which has already been approved. Invest NI approval will only be given in writing and should not otherwise be assumed.

FINANCIAL MANAGEMENT

Accountancy System

- 42 CT shall:
- 42.1 at all times accurately maintain all books, accounts and records required by law (whether in the United Kingdom or otherwise) to be maintained by it, including adequate codification of all income and expenditure associated with the Project. Where appropriate, with the agreement of Invest NI, CT will apply consortium accounting principles to fund selected projects
- 42.2 inform Invest NI of any irregularities, fraud and theft or of any circumstance which has caused or is likely to cause a loss or misuse of funding and provide a full and detailed report in writing to Invest NI.

General

- 43 If CT makes a profit in respect of one financial year to 31 March 2009, it will reinvest those profits in its programmes in the following year.
- 44 CT will seek to maintain a positive or zero balance on its bank accounts such

that any interest charges are minimised.

45 CT will not enter into any finance lease or any hire purchase or credit agreement without the prior written approval of Invest NI.

46 **Monitoring and Evaluation**

CT shall provide all information reasonably required by Invest NI and in such form and in such timeframe as may reasonably be required to monitor the rate of implementation of the Business Plan and to assess its effect in relation to its objectives. Failure to provide adequate information may result in claims not being paid.

Appraisal, Monitoring and Financial Systems

47 CT shall:

- a) establish effective appraisal, programme monitoring and financial systems so that the costs of each programme funded or part funded by Invest NI grant and the outputs expected to be generated can be clearly identified, and the propriety, regularity and value for money of all payments and handling of Invest NI funds ensured; and
- b) ensure that all programmes are appraised and approved in accordance with the programme proposals and the Strategic Framework for Programme Development (Schedule 2).

48 CT shall furnish Invest NI with:

- 48.1 a copy of CT's balance sheet and profit and loss account within six months of the end of each financial year;
- 48.2 such additional financial and other information as Invest NI may from time to time reasonably require;
- 48.3 such information as may be required by the Commission;

- 49 Invest NI in conjunction with other Government stakeholders shall commission an independent evaluation of programmes funded or part funded by Invest NI every 5 years. CT will be involved in the development of the terms of reference of the evaluation. The evaluation, shall detail the actual savings accrued from CT activities inside and outside Northern Ireland during the period to the satisfaction of Invest NI.
- 50 Programme proposals should include details of the financial contributions to be made or expected to be made by third parties. CT shall report to Invest NI, at intervals to be agreed by Invest NI's nominated officer on the cumulative amount of third party funding which has been provided for each approved programme since its commencement and on how this compares with the estimated amounts set out in the programme proposal. Where the amounts provided by third parties differ significantly from the amounts originally expected, an explanation should be provided to Invest NI, together with an assessment of the implications for the success of the programme. It is recognised however that estimates of third party contributions, especially for R&D elements of programmes, will not be known with a high level of reliability.
- 51 CT shall retain all records concerning CT's activities in Northern Ireland and make such records available for inspection until 31 December 2022. The Client shall not, without the prior written consent of Invest NI, dispose of or destroy any documentation associated with CT's activities in Northern Ireland. If CT's activities in Northern Ireland are terminated or come to an end for any reason, the full documentation must be returned to Invest NI or placed in storage meeting the requirements of Invest NI, its agents and advisors at Invest NI's sole cost.

Accounts & Audit

- 52 CT will provide information as and when necessary for the purpose of audit.

- 53 CT shall keep a record of expenditure funded partly or wholly by Invest NI grant and shall retain all accounting records relating to that expenditure until December 2022. Accounting records include books and papers including accounts, deeds, writings and documents. Such records also should be maintained for any income generated by CT as a result of the Invest NI grant. CT shall make these available at any reasonable time for inspection by Invest NI officials or their representatives or by the Comptroller and Auditor General or his representatives. CT shall provide any other records, information or explanations which may reasonably be required by Invest NI officials or their representatives or the Comptroller and Auditor General or his representatives in connection with their inspection.
- 54 CT shall permit Invest NI, the Department of Enterprise, Trade and Investment (DETI) and its agents, the Northern Ireland Audit Office, the Commission of the European Union (the Commission) and the European Court Auditors from time to time upon giving reasonable notice to enter the business premises and any other premises associated with CT's activities in Northern Ireland during normal working hours (unless a statutory or regulatory obligation requires entry outside of these hours) to inspect any asset and any accounting or other record in respect of any grant funding which has been paid or may become payable under the terms of this Letter of Offer and to review and, if applicable, copy same or to comply with any statutory or regulatory obligation of Invest NI, DETI and its agents, the Northern Ireland Audit Office, the Commission or the European Court of Auditors, subject to the provisions of paragraph 22.

Financial Irregularity

- 55 CT shall notify the Invest NI nominated officer immediately in writing if any financial irregularity in the use of Invest NI grant is suspected, and indicate the steps being taken in response. Irregularity means any fraud, theft or other impropriety, mismanagement, or use of funds for purposes other than that approved.

Procurement

- 56 CT shall act as a contracting authority within the meaning defined in the Public Procurement Regulations. Where CT seeks to procure the supply of any goods, works or services from a third party it shall comply with the requirements of the Public Procurement Regulations.
- 57 CT shall procure that the recipients of all grants offered by CT shall comply with European Community Rules on procurement where it is appropriate to do so and in particular in respect of any contract that is financed (in whole or in part) by structural grants and whose value exceeds the relevant European Union (“EU”) threshold.

CT shall further procure that the following provisions shall be included in all terms and conditions of grants offered by CT:

“Contracts above EU thresholds:

The European Union rules on procurement apply to contracts which are financed or part financed by Structural Fund grant. Contracts above the EU thresholds are required to be advertised in the Official Journal of the European Union (OJEU). Bids for contracts must be assessed on an objective basis and contract awards should be published in the OJEU. Grant will be reclaimed if it is found subsequently that the procurement rules have not been observed.

The current EU thresholds are as follows:

| | |
|--------------------------|---|
| Supplies and/or services | £93,728 ¹ £144,371 ² |
| Works | £3,611,319 |

-
- ¹ Schedule 1 of the Public Contracts Regulations 2006 lists central government bodies subject to the WTO GPA. These thresholds will also apply to any successor.
- ² All other bodies

| | |
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Contracts for similar goods or services must not be disaggregated for the purposes of avoiding the appropriate EU financial threshold.

Contracts below EU thresholds

Below the EU thresholds, commercial organisations in the private sector must use fair and open practices including competitive tendering when letting contracts for which they intend to claim financial assistance from CT.”

- 58 Formal procedures should be put in place by CT to avoid any conflict of interests with directors or employees of CT.

Controlling the work of contractors

- 59 CT shall ensure that contractors establish effective programme monitoring and financial systems so that the expenditure of each programme funded by Invest NI and the outputs generated can be clearly identified, and the propriety, regularity and value for money of all payments and handling of Invest NI funds appraised. These arrangements shall be set out in programme proposals in accordance with the requirements of Schedule 3 and shall be subject to Invest NI approval

PAYMENT ARRANGEMENTS

Grant Claims

- 60 To be considered for grant purposes, expenditure must be incurred and paid by CT on or after 15 July 2008 (“the start date”) and no later than 31 March 2009 (“the end date”).
- 61 Payment of grant to the CT is dependent on CT's compliance with grant conditions. If there has been a material breach of any grant conditions by CT, Invest NI may suspend, reduce or withhold grant payments or make provisional grant payments.

- 62 Grant payments will be made monthly and in arrears. Expenditure shall be in the form set out in Schedule 5. Claims, accompanied by the financial profiles should be sent to Invest NI's Claims Inspection Branch or to the Invest NI nominated claims auditor by the eighteenth day of the month to claim for work implemented in the month previous accompanied by an independent auditor's certificate. Incomplete or incorrect claims will be returned promptly with an indication of where the claim is inadequate for Invest NI's purposes. Claims will usually be paid by Invest NI by 4th of month following the claim but in any event as soon as reasonably practicable each month. For the purposes of vouching and approving CT will provide access to invoices and proof of payment relating to activities in NI when requested. The names and specimen signatures of the person authorised by CT to certify grant claims should be submitted to Invest NI before the first grant claim is submitted.
- 63 Claims relating to grants and rebates payable to third parties may be made one month in arrears. Such funds shall be separately controlled and should not be used to fund any other CT expenditure. Any balance of funds drawn down in respect of grants not spent by CT by 31 March in any financial year shall be repaid to Invest NI within 3 months subject to any amount that Invest NI has agreed to carry over from one financial year to the next. CT shall ensure that the balance of funds held for the payment of grants are kept to the minimum level required for the efficient management of the relevant CT programmes. CT shall be responsible for securing competitive terms from suitable, (as determined by CT), banks for the operation of the bank account in which such funds are held and, in particular, shall seek to obtain the best available interest on credit balances from the CT selected bank. Interest received should be reported to Invest NI in the next grant claim following its receipt and used to offset the amount of grant claimed.
- 64 Where grants and rebates are administered by contractors, cash balances may be carried forward in the contractors' accounts where these relate to the amount required to fund grants and/or rebates approved by 31 March in any financial year. Such balances should not exceed 5% of the annual budget for grants and rebates under each scheme. Payment should as far as possible be made within the first two weeks of the following financial year.

- 65 Where grant or rebate schemes are managed by contractors on behalf of CT and payments made through separate bank accounts, CT shall ensure that cleared credit balances held in such accounts are kept to the minimum level required for the efficient management of the relevant programmes. CT shall be responsible for securing competitive terms from suitable, (as determined by CT), banks for the operation of the bank account in which such funds are held and, in particular, shall seek to obtain the best available interest on credit balances from the CT selected bank. Interest received should be reported to Invest NI in the next grant claim following its receipt and used to offset the amount of grant claimed. Bank accounts should be opened in such a way that funds remain in CT's control until paid to third parties. CT should use all reasonable endeavours to ensure that contractors' controls over payments from such bank accounts are sufficient to safeguard against fraud or irregularity (see also Schedule 3).

BREACH OF CONDITIONS AND RECOVERY OF FUNDS

Suspending or Withholding grant Payment, Making provisional grant Payment and Repayment of grant

- 66 Invest NI may where it considers it reasonable in the circumstances to do so reduce, suspend, or withhold grant payment, make provisional grant payment or require all or part of the grant to be repaid by CT if:
- a) CT fails to comply with any term of this letter of offer or these Terms and Conditions and such failure has a material and adverse effect on CT's ability to deliver its programmes or objectives and such failure has not been remedied by CT within 30 days after written notice by Invest NI of such a failure where such failure is capable of remedy or CT has failed to comply with a remedial plan agreed between CT and Invest NI in relation to such a failure;
 - b) a mortgage, charge, or pledge or any other encumbrance whatsoever is taken over the whole or any part of any asset financed wholly or

partly from grant monies;

- c) otherwise than by reason of Invest NI's failure to meet the terms of this letter of offer, CT is not able to pay its debts as and when they fall due within the meaning of Section 123 of the Insolvency Act 1986 or any statutory modification or re-enactment thereof;
- d) CT becomes insolvent or subject to the appointment of an administrator or receiver (other than for the purpose of a bona fide internal reorganisation or amalgamation);
- e) A court makes an order that CT be wound up;
- f) A meeting of creditors of CT passes or a meeting of members or any class of shareholders passes a resolution to wind-up CT (other than for the purposes of a bona fide internal reorganisation or amalgamation).;
- g) CT is struck from the register at Companies House;
- h) A petition for an administration order is presented in respect of CT and such petition is not withdrawn within 30 days;
- i) A petition is presented or other steps are taken for the purpose of winding up CT (other than for the purposes of a bona fide internal reorganisation or amalgamation) and any such petition is not, or such other steps are not, discharged or withdrawn within 30 days of the date when CT was aware or ought reasonably to have been aware that such petition had been presented or such other steps had been taken;
- j) control of CT passes to any person or persons (including institutions or companies) either acting individually or in concert where Invest NI has not given prior approval to the change of control ("control" having the meaning ascribed thereto in relation to a body corporate by Section 435 of the Insolvency Act 1986);
- k) A management letter from CT's external auditors reveals that the

systems operated by CT to ensure compliance with the terms and conditions of the grant, are unsatisfactory and adversely affect CT's ability to deliver its programmes or objectives; or

- l) A financial irregularity exists or is suspected and, in the reasonable opinion of Invest NI, CT have not taken adequate steps to address the irregularity to the satisfaction of Invest NI.

GENERAL

- 67 In the event that any information provided in the application for funding or in a claim for payment or in subsequent or supporting correspondence is found to be incorrect or incomplete to an extent which Invest NI considers to be material Invest NI shall be entitled to make a provisional grant payment. A full grant payment in relation to such application may not be paid if there has been any material breach of these Terms and Conditions.
- 68 For all activities undertaken by Carbon Trust for which ERDF support will be provided, CT shall ensure that in carrying out the grant activity it and anyone acting on its behalf complies with all laws from time to time in force in England or Northern Ireland and all relevant European Regulations. CT shall as an employer, user of volunteers, and provider of services, operate a policy of equal opportunity. CT shall also ensure that activities in Northern Ireland are consistent with all statutory provisions from time to time in force in Northern Ireland and Member State Legislation in relation to discrimination on the grounds of religious belief, political opinion, racial group, marital status, age, sexual orientation, gender, disability and having dependants. CT will also ensure compliance with all relevant regulations associated with ERDF finances.
- 69 The attention of CT is drawn to the criminal offences created by the Prevention of Corruption Acts 1889 to 1916.
- 70 CT is required to acknowledge in direct engagements with NI companies, published reports and other publications that it has been grant aided by Invest NI and ERDF. The Invest NI Corporate Identity Guidelines shall be supplied

by the Invest NI Corporate Marketing Manager.

71 CT shall indemnify Invest NI against all claims, demands, proceedings, damages and costs, charges and expenses which may be claimed from or payable by Invest NI in respect of any loss suffered by any third party or damage to any property of any third party or injury or death of any person arising from or in consequence of the performance or purported performance of the Invest NI funded activities except for loss, damage, injury or death caused by the negligence or any other tortious act of Invest NI, its servants, employees, representatives or agents.

72 In undertaking its activities in Northern Ireland, CT should consider how ownership of any copyright or other intellectual property rights ("IPR") arising from those activities is being dealt with, including whether user rights or absolute ownership are appropriate, on the basis that value for money from public funding is a key requirement. It is recognised that CT has broad ranging activities covering both a best practice programme, (where wide dissemination of IPR may be appropriate) and direct investment in new technologies (where the protection and commercial exploitation of IPR will need to be taken into account in the investment process). Invest NI is to be kept informed of IPR activities and considerations at regular intervals.

73 **LIMITS ON STATE AIDS**

Notwithstanding any other provision of this letter, if required as a result of a decision of the Commission or as a result of any other obligation under European Union law, Invest NI may at any time withhold payment of and/or require repayment of any or all of the financial assistance together with interest from the date on which the financial assistance was paid and CT shall on demand by Invest NI repay to Invest NI such financial assistance and interest.

LEGAL COMPLIANCE

74 CT shall

74.1 ensure that its business is operated in compliance with all applicable

laws or regulations for the time being and shall not do or omit or suffer to be done anything whereby any Act, Order or Regulation from time to time affecting business is infringed; and

74.2 co-operate with Invest NI, Northern Ireland government departments and the Government of the United Kingdom in allowing them to fulfil their respective obligations under European Regulations and these Regulations shall also be applied by Invest NI in assessing the eligibility of expenditure included in the grant claims submitted under this letter, particularly the regulations detailed below:

EC Regulation (EC) No 1083/2006; and
EC Regulation (EC) No 1080/2006 for ERDF.

NB: EC legislation is accessible online at <http://europa.eu.int/eur-lex/en/>

75. **Change in the Business Plan**

CT will agree the following changes with Invest NI in writing:

- 75.1 any change that alters the nature of the Business Plan;
- 75.2 significant changes over the lifetime of the Business Plan to the individual categories of expenditure or expenditure profile or quantifiable;
- 75.3 any change to the use, financing or ownership of activities undertaken in connection with the Business Plan: or
- 75.4 any significant or material change associated with DEFRA funding in which case, at Invest NI's discretion, the Business Plan may be renegotiated to the satisfaction of Invest NI.

76. **Equality**

CT shall comply with the relevant statutory provisions from time to time

in force in Northern Ireland imposing obligations on CT in relation to discrimination on the grounds of religious belief, political opinion (including in relation to section 75 of the Northern Ireland Act 1998), racial group, marital status, age, sexual orientation, gender, disability and having dependants.

77. Insurance

The CT shall from the date of acceptance of this letter, at its own expense insure with a reputable firm of insurers, all its property, assets and effects of an insurable nature, including (without limitation) its buildings, plant, machinery and equipment against all and any loss, damage, risk, contingency or public liability as may from time to time be requested by Invest NI (or, if no such request is made, against such loss, damage, risk, contingency or public liability as a prudent company or firm in the same business as CT would insure against) to the full replacement value thereof and shall produce to Invest NI on request the policy or policies of insurance together with proof of payment of the necessary premiums.

78. Third Parties

Save as provided in paragraph 55, no term of this letter of offer or these Terms and Conditions shall be enforceable by a third party (being any person other than the parties hereto) under the Contracts (Rights of Third Parties) Act 1999.

79. Governing Law

This letter of offer and these Terms and Conditions shall be governed in all respects by the laws of Northern Ireland and CT hereby irrevocably submits to the exclusive jurisdiction of the Northern Ireland Courts for all purposes in connection with this letter of offer and these Terms and Conditions.

80. Other Financial Assistance

CT shall not be eligible for any other Government assistance in respect of any expenditure coming within the scope of this letter without the prior written consent of Invest NI.

Schedule 1

DEFINITIONS

“Management and administration expenditure” is expenditure which falls within the following categories:

1. Rent, rates and service charges
2. Heating, lighting and power
3. Repairs, maintenance and cleaning
4. Office sundries
5. Office equipment and fitting out
6. Stationery and office supplies
7. Telephone and facsimile transmission
8. Postage and carriage
9. Photocopying and printing
10. Advertising
11. Insurance
12. Audit and accountancy and bank charges
13. Legal fees
14. Salaries and employers' costs for CT staff
15. CT Board costs

16. Secretarial services and other temporary staff
17. Research and consultancy fees
18. Library services and publications
19. Training courses and conferences
20. Travel and subsistence
21. Conference and workshop costs
22. Equipment hire on operating leases
23. Corporate communication, Public Relations and marketing
24. Entertainment
25. CT strategy and policy
26. Any other support or overhead expenditure except for ineligible expenditure as set out in Schedule 4

Management and administration costs should be allocated and apportioned as far as possible to appropriate activities within programme expenditure.

“**Salaries**” includes salaries, bonuses, pensions and other benefits, NI contributions, recruitment and training for both permanent and temporary staff.

“**Core expenditure**” is the remaining management and administration expenditure incurred by CT that cannot be attributed to the development or management of programmes.

“**Programme development expenditure**” includes all management and administration expenditure for programmes up to the time that programmes are approved by Invest NI.



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“Programme expenditure” is the expenditure incurred on programmes, including personnel contracted to work specifically on programmes and grants made to third parties as part of the programme activity, as well as an appropriate allocation and apportionment of management and administration expenditure.

Schedule 2

CARBON TRUST: STRATEGIC FRAMEWORK FOR PROGRAMME DEVELOPMENT

1. This Schedule sets out the strategic framework which will be used by CT to develop a coherent programme of work for 2008/2009.
2. The framework is in three parts:
 - A. Remit and objectives
 - B. Proposal specification
 - C. Criteria for programmes
3. It will be important for the Carbon Trust to work closely with the Energy Saving Trust in developing appropriate programmes which ensure good coverage of the sectors for which both Trusts are responsible. Guidance on the split of responsibilities between the Trusts is outlined in the letter dated 21 February 2001 from Phillip Ward; DEFRA to Dr Eoin Lees copied to Ian Stephenson of CT.

A. REMIT and OBJECTIVES

4. The Carbon Trust was incorporated on 29 March 2001 and its objects and powers are set out in articles 3 and 4 of the Memorandum of Association.

The overall remit of the CT as set out by the Prime Minister in October 2000 is to “take the lead on low-carbon technology and innovation in this country, and put Britain in the lead internationally” As set out in the 2005-06 Business Plan it intends to do this by:

- ensuring that UK business and the public sector contribute fully to meeting ongoing targets for carbon dioxide emissions
- improving the competitiveness of UK industry through resource efficiency
- developing a UK industry sector supplying low-carbon technologies nationally and internationally

It will engage investors, business and public sector users, suppliers and other stakeholders in a partnership in order to deliver these objectives effectively in the short, medium and long term.

To investors it will,

- Provide a clear assessment of low carbon technology initiatives and progress, both in the UK and internationally, drawing on a wide range of research and opinion
- Identify opportunities to accelerate the development and implementation of low-carbon technologies through selective investment where wholly private capital is practically not available
- Manage a balanced portfolio of programmes supporting the delivery of short, medium and long term objectives
- Measure and report the impact of these programmes against defined objectives

To business and public sector users and suppliers it will,

- Provide technical and market advice by telephone and on-line
- Provide education, training and awareness programmes
- Support companies investing in proven, cost-effective low carbon technologies and energy management
- Finance suppliers and users of emerging low-carbon technology in the demonstration and implementation stages of development
- Invest in research and development of new low-carbon technologies including renewable energies with significant option value



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To other stakeholders it will,

- Represent itself, in the UK and internationally, in support of its objectives
- Provide a forum for debate between investors, business and public sector users and suppliers
- Support social and economic research into the societal responses to low-carbon technologies
- Contribute to the development of a long term strategy to move the UK towards a low carbon economy
- Support the development of climate change agreements by demonstrating cost competitive low-carbon technologies

The CT will employ the full range of market deployment measures consistent with its objects and powers, the 2008-11 Carbon Trust Business Plan (Annex 1), the Carbon Trust Business Plan 2008-11 Summary of Activities in Northern Ireland (Annex 2), the Grant Terms and Conditions (Annex 3) and CT's Strategic Framework (Annex 4).

Programmes to deliver these objectives will be developed, representing value for money and a coherent programme of work.

B. PROPOSAL SPECIFICATION

5. The specification must clearly demonstrate that the proposal:
 - a. fits into CT's Business Plan:
 - b. Meets one or more objective outlined in A (Remit and Objectives):
 - c. meets all of the "essential criteria for programmes"(paragraph 11 below); if, exceptionally, one or more of the "essential criteria " is not appropriate the proposal must clearly state which criteria have not been met and justify the decision not to meet these criteria.
 - d. meets all of the "desirable criteria for programmes" (paragraph 13 below) which are appropriate.
 - e. that key stakeholders with an interest have been consulted unless otherwise agreed by Invest NI.

6. Each proposal must include:
 - a. a clear **description** of the programme (and individual elements that it contains):
 - b. **objectives** for the programme, quantified where possible:
 - c. **outputs and targets**, quantified where possible, and demonstrating how they will be monitored:
 - d. **timetables**, both for delivering the activities specified and for achieving specified targets:
 - e. **measures**, quantified where possible, which will be used to check that the programme meets each of the relevant criteria in section C and provides good value for money:

- f. **estimates of the cost** to CT of each phase of the programme, distinguishing management and administration expenditure from other programme expenditure:
 - g. **estimates of the staff time and cost** which will be required:
 - h. a **description of the way the programme will be delivered** - whether, for example, CT will manage the programme in house or contract it out to a third party:
 - i. a **description of any risks** which might prevent the programme being completed to time and to budget - and the contingency plans for dealing with those risks:
 - j. a **forward strategy**, showing the arrangements which are expected to apply after CT funding ceases – if details are not known for the programme as a whole, CT will notify Invest NI subsequently of the forward strategy for the individual elements of the programme:
 - k. a **realistic assessment** of the impact of the programme on the take up of the low carbon measures concerned after CT funding for the programme has ceased - if details are not known for the programme as a whole, CT will notify Invest NI subsequently of the assessment for the individual elements of the programme: and
 - l. **breakdown of the expenditure share** between the different countries of the United Kingdom, where the programme also covers other countries apart from Northern Ireland.
7. Where CT proposes to work with others who will offer services or funding contributions to the programme the proposal should also (where known) include:
- a. a statement from the other partners confirming their commitment to the programme - or a description of the present state of play in developing the partnership:

- b. full details of the proposed funding package - including any non-financial leverage, such as voluntary activity, personal time or support services:
 - c. details of the strength of financial commitment of the partners:
 - d. details of the checks made on contractors to ensure that they are suitable (e.g. technically qualified, financially sound and capable of providing the necessary resources to complete the programme of work). and
 - e. To the extent details are not known for the programme as a whole, CT will notify Invest NI subsequently of the details for the individual elements of the programme.
8. Where CT proposes to appoint contractors to administer the payment of rebates or grants the proposal should also include a description of how the programme will comply with the requirements given in Schedule 3.
9. Where grant is to be offered as part of a programme, the proposal should contain details of the terms and conditions to be applied.
10. Where loans or equity investments or other financial instruments are to be offered as part of a programme, the proposal should contain details of the overriding principles which will apply to such investments (recognising that the detailed terms will be negotiated on a case by case basis to suit the individual circumstances), together with the proposed procedures for CT to monitor its investments.

C. CRITERIA FOR NEW PROGRAMMES

11. Except where the circumstances described in paragraph 5(c) of this schedule obtain, all new programmes must meet the following **essential criteria**:
- a. **Greenhouse gas savings**, estimated in terms of money spent per tonne of carbon:
 - b. **Overall environmental impact**, there must be procedures in place to take into account the likely potential for greenhouse gas reductions against other environmental impacts:
 - c. **Additionality**; i.e. programmes must avoid being used as a substitute for activity already planned in this area. Justification must be provided where additionality cannot be avoided: and
 - d. **Complements** but does not unnecessarily overlap or duplicate **the work of others**.
12. New programmes involving working with the market must also meet the following criterion:

Products or services meet or exceed relevant quality standards (where they exist) and provide good value for money.

13. Where possible new programmes should also meet the following **desirable criteria**:
- a. **Leverage/gearing of programme**; i.e. CT should keep their contribution to the scheme as low as possible consistent with the achievement of CT's aims and objectives outlined above. The aim is to lever in funds from others:
 - b. **Helps transform the market**; i.e. transforms the market for low carbon goods and services by making consumers and manufacturers more

aware of the advantages of energy saving and low carbon technology:

- c. **Creates a positive image for energy saving and the move towards a low carbon economy generally:**
 - d. **Minimises free riders;** i.e. schemes should try to avoid providing support for people or companies who would be undertaking the low carbon measures as a normal matter of course irrespective of CT's initiatives, unless as a mechanism to encourage enhanced uptake or development of low carbon technologies:
 - e. **Be innovative:** and
 - f. **No indefinite subsidy;** i.e. proposals should not include a subsidy which would continue indefinitely.
14. New programmes involving working with the market should where possible also meet the following desirable criterion:

Intrinsically self-sustaining; i.e. expect to be able to keep going, or continue to have effect after CT's input has ceased.

Schedule 3

TERMS AND CONDITIONS OF GRANTS OFFERED BY CT

1. CT may offer grants to promote low carbon measures where these have been approved as part of a programme approved by Invest NI.
2. Grants should not significantly distort the market and should not displace funding more properly provided by some other agency or source of public funding. If an applicant is seeking support from a number of sources, the package of support needs to be considered as a whole and CT should take all reasonable steps to ensure that individual items are not double funded. The amount offered should be (where CT can reasonably determine it to be the case) the minimum necessary to allow the activity to proceed.
3. Where applicants are invited to apply for grant schemes, the aims and objectives of the schemes and the criteria for eligibility should be set out clearly and be readily available to applicants.
4. All grants must be formally offered and accepted in writing.
5. CT should take all reasonable steps to ensure that:
 - a. an upper limit on the percentage of public sector funding, including CT grants funded by Invest NI, is set for each grant scheme such that no charitable body should be allowed to rely 100% on public sector funding;
 - b. the period of grant funding is for a fixed term, not exceeding 3 years;
 - c. there is no commitment to renew the grant after the initial period has expired;
 - d. when considering grants towards administration expenditure, CT obtains a copy of the applicant's annual accounts (where available)

- and any relevant management/policy documents with sufficient information to allow a full appraisal of viability and of the existing and potential sources of alternative support;
- e. payment is not made in advance of need;
 - f. clear objectives and targets, quantified where possible, are set for each grant, and performance is monitored by CT.
6. CT shall procure that all grant terms and conditions must comply with the requirements of paragraph 57 of the Grant Terms and Conditions (Annex 2).
7. Grant conditions should specify that:
- a. CT funds shall not be used for political or religious advocacy;
 - b. CT grant should be acknowledged in any publicity material about the grant aided programme;
 - c. the funding by Invest NI through CT should be acknowledged in NI only based projects;
 - d. funding after a specified period, of up to a year, will be subject to satisfactory progress and compliance with grant conditions;
 - e. cost variations will be restricted to a predetermined limit, with a maximum of the smaller of 10% or £50,000. If this is breached the whole application will be reassessed for value for money;
 - f. grant may be withheld or required to be repaid in specified circumstances (e.g. overpayment, failure to carry out work or fulfil grant conditions, sale of items purchased with CT grant);
 - g. there are appropriate audit arrangements, which confirm that the grant has been spent in accordance with the conditions of the offer, for each programme;

Schedule 4

Ineligible Expenditure

1. In no circumstances shall CT enter into a contractual commitment by single tender action with a former director of CT or former member of its staff.
2. Invest NI grant shall not be claimed or used for:
 - a) expenditure of a party political or exclusively religious nature;
 - b) VAT that is recoverable by CT or that becomes recoverable during the period of grant being paid to CT, other than for timing mismatch between payment and recovery;
 - c) Contingencies;
 - d) dividends declared;
 - e) depreciation and amortisation of assets to the extent that the cost of the assets have been funded by the grant;
 - i) payments for unfunded pensions;
 - j) motoring fines;
 - k) late payment charges for credit cards (unless as a result of late reimbursement); or
 - l) any other expenditure or work carried out outside the business plan

SCHEDULE 5

DEFINITIONS

In this Schedule:

“**Vouch**” means to support claimed costs by viewing original invoices and salary payroll costs.

1 CLAIMS

- 1.1 The grant shall be available from the date of this letter against written claims in Invest NI’s standard form received no later than 31 March 2009.
- 1.2 The first claim may be made at any time after the date of this letter using the Invest NI claim form and subsequent claims should be sent to Invest NI’s Claims Inspection Branch or to the Invest NI nominated claims inspector as notified to CT by Invest NI by the eighteenth day of the month to claim for work implemented in the month previous.
- 1.3 Incomplete or incorrect claims will be returned promptly with an indication of where the claim is inadequate for Invest NI’s purposes.
- 1.4 Claims will usually be paid by Invest NI by 4th of month following the claim but in any event as soon as reasonably practicable each month.
- 1.5 The names and specimen signatures of the person authorised by CT to certify grant claims should be submitted to Invest NI before the first grant claim is submitted.
- 1.6 Any claim in respect of expenditure exceeding £10,000 must be accompanied by a suitably qualified independent Auditors/Accountants Certificate, a sample of which is supplied at Schedule 5 (ii). The cost to provide this is an eligible item of expenditure and can be included in the claim.

1.7 Progress Reports

Each claim for grant must be accompanied by a detailed progress report in the agreed form set out in Schedule 7 or such other form as may be reasonably requested by Invest NI. Claims and technical progress reports shall be submitted to Invest NI at monthly intervals.

2 Payment

The grant shall be payable monthly, subject to the eligible expenditure being vouched and approved and based on the costs outlined below:

2.1 An initial payment of up to £400,000 will be advanced following acceptance of this letter, upon satisfactory evidence provided by CT to Invest NI of fulfilment of all the pre-conditions contained in this letter of offer. This payment will nevertheless be retrospectively vouched and approved to the satisfaction of Invest NI and based primarily on the costs as outlined below:

1. Staff employment and associated costs in Northern Ireland
2. Accommodation and overhead Costs in Northern Ireland
3. Third party costs for activities in Northern Ireland
4. Contribution to central CT activities.
5. Total costs for activities in Northern Ireland

2.2 The advance payment referred to in paragraph 2.1 above and any subsequent claim will be vouched and approved by Invest NI, in accordance with the terms and conditions outlined in this schedule.

2.3 All further claims will be on a monthly basis in arrears but will nevertheless be retrospectively vouched and approved to the satisfaction of Invest NI and based on the costs as outlined at 2.1 above.

2.4 Claims will be vouched to the satisfaction of Invest NI at their own cost through invoices for direct NI expenditure, bank statements, where necessary, and internal effects relating to subsistence type costs.



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2.5 Expenditure in each year must not exceed the total funding available as set out in the Letter of Offer.

2.6 To be considered for grant purposes, expenditure must be incurred and paid by the Client on or after the date of this letter and no later than the final date for submission of claims, set out at paragraph 1.1 above

Repayment of Grant

The Client shall immediately inform Invest NI's Claims Inspection Branch of the occurrence of any event of default, as defined in this letter, which may result in a liability to repay grant.

Reference: **sample audit certificate**

SCHEDULE 5 (i)

Period:

Project:

We the undersigned, being the auditors of the Carbon Trust have examined the books and records of the claimant relative to the claim submitted to Invest NI in accordance with the terms and conditions of the Letter of offer dated x. We have carried out such tests for evidence of purpose, of expenditure, evidence payment and existence of assets, as we have considered necessary. As a result of this examination and from the information and explanation given to us by the management of the claimant concerned: We report that in our opinion,

- The expenditure detailed in the schedule appended to the claimant's application was incurred as expenditure for the purposes of the undertaking at: xxx and the expenditure is net of all discounts and allowances (and in the case of any items indicated as being under hire purchase or other payment arrangements, net of increase of other charges for deferred payment), and totalling x.
- Staff costs as per the summary detailed below
- Associate company expenditure does not apply in this instance,
- Apportionment does not apply in this instance.

No asset included in this claim or in any previous claim under the present Letter of Offer has been sold or disposed of in any way (including transfer under a hire purchase agreement).



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No expenditure included in this claim has been included in any previous claim.

We certify that to the best of our knowledge and belief each item on the claim (which includes all labour but not overheads) and totalling x has been paid for by the claimant.

Summary

1. Staff employment, travel and subsistence and associated costs in Northern Ireland
2. Accommodation and overhead Costs in Northern Ireland
3. Third party purchases for activities in Northern Ireland
4. Contribution to central CT activities.
5. Total costs for activities in Northern Ireland



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The Carbon Trust - Schedule 6 to Grant offer letter - NI



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| European Regional Development Fund Investing in your future | 2008/9 | 2008/9 | 2008/9 | 2008/9 | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST | Accruals |
|--|----------------|---------------------|-------------------------|-------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | YTD Actuals | Full Year Budget | September Reforecast | Forecast Total | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | | |
| Solutions Core (Via Defra) | - | - | - | - | | | | | | | | | | | | | | - |
| Levy re Solutions | - | - | - | - | | | | | | | | | | | | | | - |
| Levy re Innovations | - | - | - | - | | | | | | | | | | | | | | - |
| Levy re Enterprise | - | - | - | - | | | | | | | | | | | | | | - |
| Levy re Investments | - | - | - | - | | | | | | | | | | | | | | - |
| Levy re Insights | - | - | - | - | | | | | | | | | | | | | | - |
| Levy re Loans | - | - | - | - | | | | | | | | | | | | | | - |
| Total Programme Spend | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Levy re core cost | - | - | - | - | | | | | | | | | | | | | | - |
| Levy re NI direct cost | - | - | - | - | | | | | | | | | | | | | | - |
| Levy Total | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Levy re VAT | - | - | - | - | | | | | | | | | | | | | | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| NI TOTAL | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Estimated creditors | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cash pledged monthly | | | b/f | | | | | | | | | | | | | | | |
| Cum cash received or pledged | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Excess of cash over costs monthly | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cumulative excess | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |



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Schedule 7

Solutions Activity (excluding loans)

Energy and Technical Survey Applications Received

| Company | Type of Survey |
|----------------|-----------------------|
| | |

Forthcoming Training Events

Name of Activity

Completed Energy and Technical Surveys Received

| Company | Type of Survey |
|----------------|-----------------------|
| | |

Aggregate Energy Savings GJ

Aggregate Energy Cost Savings £XX

| | All surveys | |
|--------------------|--------------------|--|
| Identified | | |
| Implemented | | |

Training Events

| Name of Activity | Numbers Attended |
|-------------------------|-------------------------|
| | |



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Direct Innovations Activity in Northern Ireland

| Name of Activity | Outcome Delivered |
|------------------|-------------------|
| | |

Direct Enterprises Activity in Northern Ireland

| Name of Activity | Outcome Delivered |
|------------------|-------------------|
| | |

Direct Insights Activity in Northern Ireland

| Name of Activity | Outcome Delivered |
|------------------|-------------------|
| | |