

**From:** [McCormick, Andrew \(DETI\)](#)  
**To:** [Stewart, Chris \(DETI\)](#)  
**Cc:** [Mills, John \(DETI\)](#); [Hill, Janice](#); [Rooney, Eugene](#)  
**Subject:** Re: 27-01-16 HCS-018-16 HOCS Memo to Andrew McCormick re RHI  
**Date:** 28 January 2016 02:28:00

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Please consider and improve the following fuller response to HOCS. I want to send a very quick response so please keep to the style of the material below but check accuracy and enhance the weaker bits. Will call when I wake up.

To HoCS

As promised here are some initial comments on the issues raised in your minute of 27 January, beyond the immediate issue around the action needed to close the scheme. I will commission a more comprehensive response as soon as possible.

In short the unfunded pressure arose from three factors:

- the rapid increase in demand for the scheme from early last year onwards;
- the fact that DETI officials did not realise in time that DFP approval had expired on 31 March 2015; and
- HMT's change of approach to the budget - from AME with a modest risk of a DEL penalty to the position where they are requiring is to cover the full excess from DEL.

When the issue came to attention in June/July 2015, I commissioned immediate action to:

- seek all necessary approvals, including making whatever changes were needed to align our actions with a revised position in policy and legislation, based on value for money ;
- seek to secure the necessary budget; and
- establish if there was a basis for retrospective approval of the costs incurred after 31 March 2015.

The risk of fraud or abuse of the scheme was also identified and I have commissioned Internal Audit to investigate and we have also acted to increase the capacity to inspect and confirm if recipients of funds are complying with the conditions that apply.

It proved very difficult to establish the position on budgetary management, given that a specific arrangement had been put in place at the inception of the scheme whereby we were allocated a Barnet shares of the GB budget but classified as AME. DFP and DETI discussed all the possible scenarios in the Autumn, including the position as now set out in the Chief Secretary's letter, and of course it has been for DFP to deal with the communication with HMT. We held on as long as possible to the hope that some

semblance of the clear original basis (AME funding, with a limited DEL penalty) would endure.

It also proved difficult to begin to limit the payments under the scheme. There were delays in introducing the reduction in entitlements in the Autumn, as there was some initial reluctance to make the necessary legislative changes. With hindsight, I perhaps should have sought a Ministerial Direction at an earlier stage.

The scheme is managed by OFGEM across the UK. We are acting to enhance the checking process.

Sent from my BlackBerry 10 smartphone.

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**From:** HOCS

**Sent:** Wednesday, 27 January 2016 18:04

**To:** McCormick, Andrew (DETI)

**Cc:** Bullick, Richard; Johnston, Timothy; Wallwin, Judith; Sterling, David; Brennan, Mike; McKibbin, Malcolm

**Subject:** 27-01-16 HCS-018-16 HOCS Memo to Andrew McCormick re RHI

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Andrew

Please see attached from Malcolm McKibbin.

Kind Regards

Stephen

**Stephen McConnell**

**Executive Assistant to Dr Malcolm McKibbin, Head of the Civil Service.**

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