

From: [McCormick, Andrew \(DETI\)](#)
To: [Rooney, Eugene](#); [Mills, John \(DETI\)](#)
Cc: [Hill, Janice](#); [Stewart, Chris \(DETI\)](#); [McCoy, Laura](#); [Cooper, Trevor](#)
Subject: Re: 27-01-16 HCS-018-16 HOCS Memo to Andrew McCormick re RHI
Date: 28 January 2016 13:52:59

Agree change.

Can't be unfair to honest applicants so I think suspension is too draconian but can we engage with OFGEM on options urgently please.

Many thanks.

Sent from my BlackBerry 10 smartphone.

From: Rooney, Eugene
Sent: Thursday, 28 January 2016 13:17
To: Mills, John (DETI); McCormick, Andrew (DETI)
Cc: Hill, Janice; Stewart, Chris (DETI); McCoy, Laura; Cooper, Trevor
Subject: RE: 27-01-16 HCS-018-16 HOCS Memo to Andrew McCormick re RHI

John

In the paragraph commencing "The risk of fraud..." should we not change to confirm if **applicants for** and recipients of funds are complying... "

The whistleblower correspondence suggests that the conditions of the scheme are not being adhered to: is it feasible to instruct OFGEM to suspend all payments now until the matter is investigated ?

Eugene

From: Mills, John (DETI)
Sent: 28 January 2016 12:41
To: McCormick, Andrew (DETI)
Cc: Hill, Janice; Rooney, Eugene; Stewart, Chris (DETI); McCoy, Laura
Subject: RE: 27-01-16 HCS-018-16 HOCS Memo to Andrew McCormick re RHI

Andrew

See revised note below (including Chris's comment) with changes shown in strikethrough and red. There's a clean copy on your note paper in the attached word document. Let me know if you want us to send or format anything.

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:

- (1) the rapid increase in demand for the scheme from early last year onwards **culminating in a large spike of 900 applications prior to legislative changes in November. In the space of 6 weeks in Autumn 2015, the number of installations doubled from the 900 that had been received in the previous 3 years ;**
- (2) the fact that DETI officials did not realise in time that DFP approval **for the non-domestic part of the RHI scheme** had expired on 31 March 2015; and

- (3) A change in HMT's treatment of RHI expenditure ~~change of approach to the budget~~ - from AME with a modest risk of a DEL penalty to the position where they are requiring us 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.

These actions were reflected in formal advice issued to the DETI Minister in early July 2015.

The risk of fraud or abuse of the scheme was also identified and I have commissioned Internal Audit to investigate. The scheme is managed by OFGEM across the UK. We are acting ~~We have also acted~~ to increase the capacity to inspect and confirm if recipients of funds are complying with the conditions that apply. A Business Case for securing the services of an external assurance provider to carry out a programme of additional site checks / audits is currently being developed.

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 (any change to the scheme requires the affirmative approval of the Assembly). With hindsight, I might ~~perhaps should~~ have sought a Ministerial Direction at an earlier stage. However, the spike in demand prior to the November legislation to tighten tariff controls was beyond reasonable prediction. It was only at this stage and, following the November SR and HMT's change in policy (conveyed 22 December 2015), that scheme closure became the only realistic option.

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

From: McCormick, Andrew (DETI)

Sent: 28 January 2016 02:28

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

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 Barnett 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.

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

Andrew

Please see attached from Malcolm McKibbin.

Kind Regards

Stephen

Stephen McConnell

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

HOCS Office, Stormont Castle, Stormont Estate, Belfast BT4 3TT

Tel: 028 9037 8133 e: Stephen.McConnell@ofmdfmi.gsi.gov.uk

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