

**FROM THE PERMANENT SECRETARY  
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Dr Andrew McCormick  
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**29 January 2016**

**Dear Andrew**

## **RENEWABLE HEAT INITIATIVE**

Further to your letter of 28 January 2016 to HOCS, I have noted your advice that Minister Bell's office will now confirm approval of the DETI submission on action to close the scheme as soon as possible. I also welcome DETI's efforts to reduce the time required for the closure process.

From a DFP perspective, I remain unclear about the circumstances that led to the unfunded pressure which will now significantly impact upon the NI DEL Block for 2016-17 and beyond. I would welcome an explanation as to why DETI officials did not realise that DFP approval for the non-domestic part of the RHI scheme had expired on 31 March 2015. We will also need to establish whether action at that time would have prevented or mitigated the current situation.

You refer to a change in HMT's treatment of RHI expenditure and to a specific arrangement that had been put in place at the inception of the scheme. I would be grateful if you would outline the details of any engagement between DECC and DETI as to the impact of any amendments to the scheme in either jurisdiction on the specific arrangement referred to above.

You state that the "spike in demand prior to the November legislation to tighten tariff controls was beyond reasonable prediction". I would welcome your views on why this could not be predicted and a description of the controls you had in place to monitor the market and forecast likely take-up. I would also welcome your view on whether better forecasting might have caused DETI to stop the scheme rather than tighten tariff controls. I think we can reasonably assume that these questions will be asked.

While it is right that it is for DFP to lead on communication with HMT, I would point out that input was sought from DETI to inform DFP's engagement with Treasury on this issue. Indeed DETI's briefing provided to DFP at the start of December 2015 highlighted the significant increase in NI forecast expenditure against the proposed HMT allocation going forward. The quantum of funding committed by DETI at that time combined with the uncertainty around forecasting referred to above significantly weakened the Northern Ireland Executive's position in negotiations with HMT.

In relation to the fraud risk and allegations recently made, I welcome your assurance that internal audit are now engaged. It will be important to test the adequacy of project oversight controls given the allegations that have been made (albeit anonymously).

I look forward to your response.

**Yours sincerely**



**DAVID STERLING**

cc: HOCS  
Mike Brennan  
[Joanne McBurney](#)  
Emer Morelli  
Michelle Scott  
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