

From: [Scott, Michelle](#)
To: [Scott, Michelle](#)
Subject: FW: Doc2 (5)
Date: 24 February 2017 09:41:33

From: Brennan, Mike
Sent: 29 January 2016 11:32
To: Scott, Michelle; Morelli, Emer
Cc: Downie, Jill; McBurney, Joanne
Subject: RE: Doc2 (5)

Michelle – fair enough. Can you amend in the draft I sent through a short while ago

M

From: Scott, Michelle
Sent: 29 January 2016 11:28
To: Brennan, Mike; Morelli, Emer
Cc: Downie, Jill; McBurney, Joanne
Subject: RE: Doc2 (5)

Mike

We are looking at this now. On reflection (and I should have comments on this last night), I am not sure what will be added by requesting the correspondence between DECC and DETI – we saw this in dribs and drabs over the summer – indeed Trevor Cooper wrote to Supply on 1 July 2015 to inform us they were writing to DECC to get further clarity on the exact nature of the funding agreement (apologies – this should have been in the timeline). This letter was in response to the issues Supply raised at our 12 June meeting, and also acknowledged the requirement to approach DFP regarding approvals urgently.

Up until recently DETI had not been hitting anywhere near its population share – there was a feeling in DETI that because DECC were also under performing that DECC could divert their unused AME to DETI – this was one of the issues which DETI were engaging with DECC on over those summer months.

Indeed, at that point the feedback we got from DETI was that DECC were relaxed about DETI's expenditure.

I have taken the liberty of removing these two sentences – but am happy to speak

Michelle

From: Brennan, Mike
Sent: 29 January 2016 10:53
To: Morelli, Emer
Cc: Scott, Michelle; Downie, Jill; McBurney, Joanne
Subject: RE: Doc2 (5)

Emer / Michelle – thanks

I've amended to make it a D Sterling response. See what you think of the tracking in attached.

Amends / queries welcomed

M

From: Morelli, Emer
Sent: 28 January 2016 17:23
To: Brennan, Mike
Cc: Scott, Michelle
Subject: Doc2 (5)

Mike

Draft response to points raised iro RHI.

Many thanks

Emer

**FROM THE PERMANENT SECRETARY
David Sterling**

2nd Floor West, Clare House
303 Airport Road
BELFAST, BT3 9ED
Tel No: 028 90816590
E-mail: david.sterling@dfpni.gov.uk



Dr Andrew McCormick
Permanent Secretary
DETI
Netherleigh
Massey Avenue
BELFAST
BT4 2JP

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
~~[Joanne McBurney](#)~~