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Frazer, Helen

From: Brennan, Mike
Sent: 18 January 2017 11:19
To: McCormick, Andrew (DFE)
Cc: Morelli, Emer; Sterling, David; McCann, Brendan; McMurray, Stephen; Scott, Michelle
Subject: RE: RHI PAC

Andrew – some thoughts below (but critical aspect relates to addendum narrative on affordability (para 3.8 to 3.20)).:

- DoF don't recognise July/August 2015 HMT bid reference. Indeed the formal AME position remained unchanged until the Autumn Statement forecast in October. It was at that time that HMT clarified that the forecast should not be for any new installations beyond that currently announced.
- The addendum to the business case submitted to DoF in late October modelled an increase in applications as part of the projected spend for the scheme. The rationale for this was based on amendments to similar schemes in England and other DfE schemes where applications increased in advance of a change. Para 3.11 of addendum refers.
- The modelling provided to DoF by DETI in the addendum was broadly in line with original CEPA projections of the cost of a fully operating scheme in NI and further assurances were provided "that the expenditure could be brought back down within the Barnett envelope" (para 3.12 of addendum refers) by closing the scheme to new applicants earlier than the planned closure date of 2020. DoF approval of the addendum only extended to end of the 2015-16 financial year.
- In addition DfE was advised by DoF not to model any new applications to the scheme post 2015- 16. This was on HMT advice as there was uncertainty as to the way forward for the English scheme following the emergency Summer budget and would only be clarified in the Autumn statement.
- DfE advised that the purpose of the addendum and introduction of cost controls was to sustain VFM. At this stage it was not driven primarily by affordability concerns. The availability of AME rather than DEL would therefore appear to be a moot point.
- On a related point the consultation on the attendant Regs was notified by SL1 in early Sept. DoF was not notified of this action and as noted above the addendum not submitted to Supply until late October.

From: McCormick, Andrew (DFE)
Sent: 17 January 2017 20:55
To: Brennan, Mike
Cc: Morelli, Emer; Sterling, David; McCann, Brendan; McMurray, Stephen
Subject: RHI PAC

I'm expecting a main line of questioning tomorrow will be why the spike of applications happened in Autumn 2015. One factor was the false perception that as an AME budget the risk of opportunity cost to

DEL services was low. One confusing factor was that in July/August 2015, HMT met a bid for a substantial increase on the AME budget for the scheme. This was obviously helpful, but it reinforced the view of those saying within DETI at the time that this was "normal" AME (despite the extensive and clear email trail to the contrary).

What do you think is the best way to explain HMT's decision (which was repeated later in 2015-16) to provide this budgetary cover?

Grateful for any help you can give and happy to discuss.

Many thanks.

Sent from my BlackBerry 10 smartphone.