From: Executive News Service <EIS.Newsservice@executiveoffice-ni.gsi.gov.uk>
Sent: 19 December 2016 17:40
To: EIS.Newsservice@executiveoffice-ni.gsi.gov.uk
Subject: DFE News Release - FURTHER DOCUMENT LAID IN ASSEMBLY LIBRARY
Attachments: PS DETI 009-16.pdf

DEPARTMENT FOR THE ECONOMY

19 December 2016

Further document laid in Assembly Library

Earlier today (19 Dec) the Minister laid the attached document in the NI Assembly Library.

Notes to editors:

1. The attached document is available at http://www.niassembly.gov.uk/globalassets/documents/raise/deposited-papers/2016/dp1596.pdf
2. The officials named in this press release and in the associated documentation are not available for comment.
3. All media enquiries should be directed to the Department for the Economy Press Office on 028 9052 9604. Out of office hours please contact the Duty Press Officer via pager number 076 2397 4383 and your call will be returned.

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Department of
Enterprise, Trade and Investment
www.detini.gov.uk

From: Andrew McCormick
Permanent Secretary

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[redacted]

Date: 28 January 2016

Our ref: PS DETI 009/16

To: HOCS

Cc Chris Stewart
Eugene Rooney
John Mills

RENEWABLE HEAT INCENTIVE

As promised here are some initial comments on the issues raised in your minute of 27 January. I will commission a more comprehensive response as soon as possible.

On the action to address the continued flow of uncovered expenditure, I have discussed this with Minister Bell, and I understand that his office will now confirm approval of the DETI submission on action to close the scheme as soon as possible. We are also seeking to reduce the time required for the procedures if at all possible.

In short the unfunded pressure arose from three factors:

i. 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;
ii. 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
iii. a change in HMT's treatment of RHI expenditure - 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 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 share 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 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.

ANDREW MCCORMICK