



Northern Ireland Audit Office

MEDIA RELEASE

Department for the Economy – Audit of Annual Financial Statements

Mr Kieran Donnelly, Comptroller and Auditor General (C&AG), today issued a report on the results of his audit of the 2017-18 accounts of the Department for the Economy (the Department) which provides an update on issues relating to the non-domestic Renewable Heat Incentive (RHI) scheme and a separate issue relating to Invest NI.

Non-Domestic Renewable Heat Incentive

Background

For the past two years, the C&AG has reported significant concerns surrounding the scheme. Following his first report in June 2016 there were seven evidence sessions held by the Public Accounts Committee following which the RHI Inquiry was established.

From 1 April 2017 the Department imposed significant changes to the tariff paid to those who had been admitted to the scheme before 18 November 2015. These changes included a new tiered tariff rate and a cap on heat output which brought the tariff paid into line with those who had been admitted to the scheme after 18 November 2015. Largely as a result of these changes the annual cost of the scheme has significantly reduced from £42.3 million last year to £21.7 million in 2017-18. The cost of the scheme which has to be met from the Northern Ireland block grant has reduced from £27 million last year to £2 million this year.

Change in behaviour of applicants

The change in the tariffs and the cap on heat output for those admitted to the scheme before 18 November 2015, appears to have driven significant changes in the behaviour of those applicants. Overall for the year there has been a 33% decrease in the amount of heat generated by all applicants. As outlined in the table below, only 118 boilers (7%) have been used for more than 50% of available hours (which equates to the cap on heat output which has been imposed) in 2017-18 compared to 659 boilers (39%) in 2016-17. The report suggests that this may have been because applicants were no longer able to avail of the higher subsidy rates and as a result, there was no longer any incentive to generate heat if this was only being done in order to claim additional subsidies.

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Number of hours operated by boilers for installations before 18 November 2015

| Percentage of total annual hours boiler in use | Total annual hours run by one boiler in year | Number of boilers in 2017 - 18 | Number of boilers in 2016 - 17 | Typical RHI payment for 99kW boiler in 2017-18 at this usage | Typical RHI payment for one 99kW boiler in 2016-17 at this level of usage * |
|--|--|--------------------------------|--------------------------------|--|---|
| 0-10% | Up to 876 | 221 | 81 | £2,905 | £2,819 |
| 10-20% | 876 - 1,752 | 356 | 192 | £8,716 | £8,456 |
| 20-30% | 1,752 - 2,628 | 399 | 219 | £10,017 | £14,093 |
| 30-40% | 2,628 - 3,504 | 360 | 269 | £11,317 | £19,730 |
| 40-50% | 3,504 - 4,380 | 231 | 267 | £12,618 | £25,267 |
| 50-60% | 4,380 - 5,256 | 86 | 242 | £12,764 | £31,004 |
| 60-70% | 5,256 - 6,132 | 24 | 213 | £12,764 | £36,641 |
| 70-80% | 6,132 - 7,008 | 6 | 129 | £12,764 | £42,278 |
| 80-90% | 7,008 - 7,884 | 1 | 65 | £12,764 | £47,915 |
| 90-100% | 7,884 - 8,760 | 1 | 10 | £12,764 | £53,552 |
| Total | | 1,685 | 1,687 | | |

* This figure is based on the midpoint of the range of hours and a 99kW output boiler and the subsidy rates **prior to 18 November 2015**.

Inspections

During 2017-18, the Department piloted a new inspection process to help inform the way forward. This pilot has involved completing the inspections of 33 sites to date with findings rating 17 as weak and 10 unsatisfactory. Ofgem also carried out audits on a further 30 installations and identified issues in 24 of them. The Department has now appointed inspectors to a framework with the intention of completing up to 250 site inspections in 2018-19 selected on the basis of a risk assessment. In addition, the Department will undertake a series of desk top reviews of sites, which will include a review of the amount of heat generated and paid for. The Department has said that to date three installations have been revoked from the Scheme and a number of further compliance cases are ongoing. The Department is aiming to complete the programme of inspections and desk reviews within a 3 year period as recommended by the independent inspectors. While noting the intentions in respect of inspections in future the C&AG has registered his concern at the slow pace of progress to date.

Other issues: Invest NI irregular expenditure

Invest NI

Invest NI incurred expenditure of £2.1 million for grants under the Skills Growth Programme which were committed to during a period in which approval from the Department of Finance had expired. As the Department provides funding to Invest NI and has overall responsibility for ensuring that approvals are obtained, the C&AG has qualified his regularity audit opinion in relation to this expenditure.

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Notes for Editors

1. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He, and the NIAO, are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
2. This report is available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 on Thursday 5 July 2018.
3. Background briefing can be obtained from the Audit Office by contacting Tomas Wilkinson (028 9025 1073) or Brian O'Neill (028 9025 4323).