DEPARTMENT FOR THE ECONOMY

FIRST DAY BRIEF

JANUARY 2020

INDEX

KEY ISSUES FOR CONSIDERATION/TO NOTE WITHIN FIRST 3 MONTHS

1. FINANCE/BUDGETS

Budget 2019-20 Pressures

Non ring-fenced Resource Departmental Expenditure Limit (RDEL)

The Department has submitted the Stage 2 January Monitoring round return to the Department of Finance on 2 January 2020. The Department has bid for £3.0 million End Year Flexibility to meet remaining inescapable Further Education Colleges' pay and price pressures. If the bid is not successful, it will be managed internally.

The Department has also submitted a total of £12.0 million high priority bids for Tourism Experience Brand (£2.5 million), Higher Education Quality Research (£8.1 million) and IntertradeIreland EU Exit pressures (£1.4 million).

Ring-fenced Resource Departmental Expenditure Limit (RDEL)

The Department has submitted a bid for an inescapable £10.1 million depreciation pressure in respect of the Department's change in treatment for Government Grant Reserves. This cannot be managed internally and the Department is relying on this bid being met in the January Monitoring round.

Conventional Capital (CDEL)

The Department has submitted a £1.0 million high priority CDEL bid in respect of minor works in the FE Colleges in the January Monitoring round the Colleges will not commit expenditure until the outcome of the bid is confirmed and should this bid not be met the Colleges will defer the capital works until 2020-21.

Financial Transactions Capital (FTC)

The Department has made a reduced requirement of £63.5 million in the January Monitoring round in respect of FTC budget previously earmarked for the Higher Education sector, which could not be utilised in this financial year. A £1.5 million FTC bid has been submitted to address additional demand within Invest NI FTC projects and a FTC capitalised interest requirement.

Budget 2020-21

DoF have compiled a budget engagement document (based on Departmental submissions) which outlines the pressures facing budgets in the context of a flat line budget. The intention is to ask for public feedback in relation to these pressures, although at the time of writing this brief it has not issued. A summary of the Department's position is detailed below.

Non Ring-fenced Resource Departmental Expenditure Limit (RDEL)

It is not possible for the Department to live within the current baseline as the Department has been significantly impacted by budget reductions of £46.2 million in 2016-17 and £30.3 million in 2017-18. From 2017-18 the Department's budget has been in cash terms a flat lined position and in real terms a reducing budget as the Department has had to manage pay and price pressures. The Department's indicative Resource Budget for 2020-21 is £774.1 million.

Resource Pressures reported to DoF
The Department has significant inescapable and high priority pressures totalling £109.4 million for 2020-21, see breakdown below:

Pressures	**2020-21**
	£million
Inescapable pressures:	
Further Education (FE) Colleges legacy shortfall and staff cost pressure	17.4
2% pay and price for Department and Non Departmental Public Bodies excluding FE Colleges	2.3
Training for Success Price Increases	2.1
FE Delivery of free English for Speakers of other Languages	1.7
City Deals	2.0
Energy	3.2
Sub-total Inescapable pressures	**28.7**
EU Exit	18.7
High Priority pressures:	
Increasing investment in teaching to contribute to the long-term sustainability of a modern, investment-driven economy	54.0
Increase visitor numbers and associated tourism spend in the economy and to maximise the potential of the NI Experience Brand to achieve competitive standout for NI	8.0
Sub-total High Priority pressures	**62.0**
Total pressures reported to DoF	**109.4**

The Department has assumed that the European Regional Development Fund and the European Social Fund matched funding will be considered as part of the shared prosperity fund and therefore was not included in the return to DoF.

DoF advised that NI received a total of £397 million in the SR2019 which is made up of NI's Barnett consequential of which all Whitehall departments received in the SR, this sits against total Departmental pressures of £1 billion.

Capital Departmental Expenditure Limit (CDEL)

The net conventional capital budget required for contractually committed projects was reported in September 2019 to DoF at £54.5 million in 2020-21. This figure was revised to £34.5 million in December 2019 to take account of £12 million reduction due to the re-profiling of the Further Education project for Craigavon new build construction phase due to the ongoing Judicial Review process, which is now scheduled for hearing in January 2020 and inclusion of £10 million forecasted Presbyterian Mutual Society receipts. The Capital budget allocation (net of receipts) was £52.4 million in 2019-20 and £53.3 million in 2018-19.

Financial Transactions Capital (FTC)

The Department has high priority projects across Queen's University Belfast and Invest NI that could potentially utilise £27.1 million in 2020-21.

In addition, Ulster University has a potential FTC requirement in 2020-21 of circa £60.0 million relating to the Ulster University Greater Belfast Development (GBD) Project.

City Deals – Capital

A potential £8.0 million has been flagged to DoF for City Deals in 2020-21, this is caveated on the basis that this is an estimate as the Department is awaiting profiling from the Belfast Region City Deal programme office. On receipt the Department will advise of any amended figure.

Presbyterian Mutual Society

The Joint Supervisors of the PMS submitted their Annual Business Plan on 5 November 2019. This plan outlined the forecast projections to the end of the Scheme on 30 November 2020 and the repayment of the Departmental loan. The ongoing sale of the PMS Investment Properties is being closely monitored by the PMS Steering group and their advisors.

ESF AND ERDF Funding

DfE currently manages over €500m of EU funding + national match. EU Fund Management Division is the Managing Authority for both Programmes. ERDF is mainly delivered through Invest NI and the Departments for Infrastructure and Communities.

ESF supports DfE Apprenticeship Programmes and additionally delivers 65 projects directly. These will run until March 2022 and currently spend almost £40m per annum. Both Programmes are fully committed in financial terms and have achieved performance milestone targets set by the EC, thereby releasing the remaining €32m of funding (already committed).

The withdrawal agreement as currently drafted means remaining financial contributions under the current 2014-2020 Multi-annual Framework will be delivered under the full rigours of EC Regulations until closure (December 2023 for spend and June 2025 for final reporting and claims). As such, all rules, conditions and governance regimes will continue to apply. This has been well communicated to all Programme stakeholders.

The UK Government has also put in place a guarantee to underwrite the full value of EU Programmes should any other scenario arise. There is, therefore, minimal impact on operational delivery.

DfE is maintaining a close working relationship with BEIS, HMT, MHCLG, DWP and other Devolved Administrations on implications of EU Exit, in particular the importance of a future UK Shared Prosperity Fund.

2. EU EXIT

The ratification of the Withdrawal Agreement will complete the Article 50 process and secure the UK's exit from the EU. Within this agreement, the 'Northern Ireland / Ireland Protocol' removes the risk of a 'hard border' and positions Northern Ireland in a unique economic relationship with the EU. The agreement also creates a Transition / Implementation Period for the future economic and security partnerships to be negotiated, and for the operationalisation of the Protocol. It is UK Government (UKG) policy not to extend the transition period beyond December 2020.

The EU Exit Preparation and Transition Group is currently structured to engage with five strategic priorities:

i. Negotiations on the implementation **the Protocol** and operationalising these arrangements.

ii. Negotiations on the **Future Economic Partnership (FEP) with the EU** covering the totality of UK-EU economic activity.

iii. Development of the UK's **Independent Trade Policy (ITP)** with third countries.

iv. **Supporting business to adjust and transitioning the economy** to the post-Brexit economic conditions.

v. **Readiness of the department** for January 2021.

3. CITY DEALS

Up to £550m additional Treasury funding to be provided across 4 Deals in Northern Ireland. This requires match funding to be provided by the NI Executive along with local council and private sector. DfE to receive funding for all innovation, digital and tourism projects- potentially over 20 with an estimated value of up to £900m. DfE will have responsibility to approve these projects.

The immediate decisions / actions required include:

- approval of Derry City & Strabane District Council (DCSDC) Strategic Outline Cases - for 2 innovation and 2 digital projects – total value £55m;

- securing £2m annual funding from DoF to meet additional staffing pressures within DfE and its ALBS. Awaiting decision from DoF; and

- strategic decision that NI Executive funding should be prioritised to support, where required, ongoing operation cost of City deal projects.

4. TOURISM

Draft Tourism Strategy 2030

Intention is to bring forward a Draft Tourism Strategy for NI to 2030 for public consultation in early 2020. As the Draft Strategy will be 'cross-cutting, it will ultimately require Executive 'sign-off'. The ambition of the Draft Tourism Strategy 2030 is to double the value of tourism to the NI economy to £2bn pa and create 25,000 new jobs.

UK Tourism Sector Deal

A UK Tourism Sector Deal was published by the Department for Digital, Culture, Media & Sport (DCMS) on 28th June 2019. This followed over two years of engagement between UKG and the UK tourism and hospitality sector.

The priorities identified at the UK level included on hospitality skills; boosting productivity; accessible tourism; enhanced data sharing; and establishment of 'tourism action zones'.

Overall, the Devolved Administrations welcomed the Sector Deal and recognised that the policy proposals and commitments are intended to benefit the UK tourism sector as a whole. However, it was agreed that further clarity was needed on how the commitments within the Deal would apply to Wales, Scotland and Northern Ireland, and whether or not there would be any additional funding linked to the ambitions of the Deal.

The DfE Minister is a member of Devolved Administration Quadrilateral Meetings.

Tourism Budgets

Tourism NI's resource funding has stayed fairly static for the past 5 years, with a budget of circa £20m. TNI has benefitted from additional funding through the monitoring rounds to meet emerging pressures.

In recent years, capital investment has been limited due to budget constraints and impact of one year budgets. Nonetheless the Department has supported investment in a number of smaller schemes and investment in new digital technology.

Failte Ireland receives approximately €80m p.a. and employs twice the number of staff as Tourism NI. Failte Ireland has recently received additional funding of around €7m in 2019 and €20m in 2020 to address EU Exit concerns.

TNI capital budget has remained reasonably consistent over the last few years. Capital is budgeted for on a zero base and specific bids are made. TNI capital allocation has averaged approximately £2.2m pa over the last four years.

Tourism Ireland baselines from 2015-16 have been maintained on a flat cash basis in line with DoF guidance in the absence of the North South Ministerial Council. The core budget is £11.69m. Tourism Ireland has received additional funding through monitoring rounds to meet emerging pressures and includes Capital support for digital projects.

In 2018-19 and 2019-20 the Irish Government made additional resources available through core funding. This has impacted on the previously agreed funding ratio of around 70%.

Much of the additional core funding from the Irish Government has been directed at the island of Ireland marketing and enhanced digital capacity which supports Northern Ireland tourism. Therefore this is a benefit to Northern Ireland. Specifically the Irish government put in an additional €7m core funding and €2m capital in 2019-20.

In addition, in the absence of a Northern Ireland Executive and North South Ministerial Council, Funding provided to Tourism Ireland since 2017 via contingency arrangements has been paid on the understanding that this funding, whilst irregular, remains legal and stood to be regularised retrospectively through subsequent approval of the Business Plans through the formal NSMC process when the institutions were restored.

HMS Caroline

The Department has obligations with the National Museum of the Royal Navy (NMRN) to keep HMS Caroline open to the public as a heritage visitor attraction (HVA) berthed in the Titanic Quarter. It is currently being operated by the National Museum of the Royal Navy (NMRN) Operations under an Interim Operator Agreement in place with DfE. Although the capital phase of the project has completed and the attraction is now open to the public, a number of issues have arisen which may impact the attraction's future and which, given DfE's obligations, need to be addressed.

5. FURTHER EDUCATION AND HIGHER EDUCATION

FE Financial Position

FE Colleges face financial pressures in respect of legacy shortfall and staff cost pressures. This is reflected in the £17.4m inescapable pressure identified in the Budget 2020/21. There is a clear need to focus on investment in skills for the economy and support for local business in order to sustain investment and improve the lives of people of Northern Ireland in an uncertain economic climate including the potential impacts of Brexit.

Magee College

In 2016 the Department for the Economy received a proposal from Ulster University for a scaled expansion of its Magee Campus to 9,400 Full Time Equivalents (FTEs), from its existing 4,062, representing an additional 2,636 full time and 1,242 part time undergraduate places, and 636 full time and 824 part time postgraduate places, as well as an additional 750 FTEs delivered via the North West Regional College. The proposition is the delivery of an increased supply of skilled graduates, together with regional benefits that could flow to North West.

The proposal presented had significant funding consequences from a Capital infrastructure perspective (c£300m) and from the Resource funding that would be required to place Higher Education on a sustainable footing from which expansion could take place, as well as the resource grant consequences of funding proposed additional places at UU and NWRC, and associated student support costs (c£111m).

The Department of Health owns the policy in relation to medical education and medical workforce provision. The Department for the Economy is providing assistance to it in the preparation of its Strategic Case on medical workforce expansion and in its review of Ulster University's proposal for a Graduate Entry Medical School for the Magee Campus.

UU Greater Belfast Development

Subject to DoF approval the Department will enter into highly conditional Heads of Terms for the provision of up to £126 million of Financial Transactions Capital to bridge a funding gap in the Greater Belfast Development project. This is to address a rise in project costs from £254m to £370m.

Support for Research and Development in the Context of Brexit

Horizon 2020, the EU's Framework Programme for Research and Innovation, has seen NI applicants secure more than €80 million to date (with around 2/3 of this total going to the two universities). The UK's pending exit from the EU has the potential to negatively impact access to EU research funding.

In this context, there is potential for the Department to implement revisit/expand existing international research and development programmes. The Department is also engaging with UK Government to ensure that the NI position is taken on board in relation to potential UK alternative schemes that might be introduced to make up for loss of EU funding.

6. SKILLS

Skills Strategy

The Department is working to produce a new Skills Strategy to be launched in 2020 which will be closely linked to the Programme for Government, particularly Outcome 6 - “More people in better jobs”. The Department aims to consult on the Strategy later this year, with a view to publish by the end of 2020.

The new Strategy will focus on five priority areas with the aim of improving skills across three key groups: those in education, those in employment and those furthest from the labour market. These will:

- interlink skills and economic policy to enhance Northern Ireland’s innovation potential and boost productivity performance;
- develop a culture of Lifelong Learning, enabling individuals to adapt to a changing labour market;
- improve the responsiveness of the skills system to meet the needs of local businesses in a rapidly changing global market;
- embed digital skills across all education and training, recognising their growing importance across the labour market and as essential skills to enable social inclusion; and
- strengthen the governance of the skills system to enhance cohesion across government and between government, business and education, and improve the funding to ensure support is targeted where it is most needed.

Skills Focus and InnovateUs

Approval will be sought for the continuation of two post-employment upskilling programmes. Skills Focus (£1.5m per annum) and InnovateUs (£1.7m per annum) are delivered by the six Further Education (FE) Colleges on behalf of the Department.

Skills Focus provides accredited training at Level 2 and above to the employees of companies with fewer than 250 employees. In 2018/19, 2689 employees were up-skilled or re-skilled through Skills Focus. InnovateUs provides small businesses (50 employees or fewer) with the skills necessary to engage in innovation activities. In 2018/19, small businesses in Northern Ireland undertook 406 projects through InnovateUs, increasing their skills for developing new products, processes or services.

Assured Skills

Assured Skills is a demand-led pre-employment training programme designed to upskill the NI workforce to meet the skills needed for industry to grow. The programme, fully funded by the Department, is a short, sharp, training intervention delivered with Invest NI, the Further and Higher Education sector and involving new Foreign Direct Invest and expanding companies with guaranteed job vacancies. Since its inception in 2011, 80% - 85% of participants have gained employment.

The Minister will be asked to launch a number of Skills Academies over the next couple of months.

Reforms to the Youth Training System

The Department is currently undertaking major reforms to the Youth Training system in line with Generating our Success, the Northern Ireland Strategy for Youth Training. The aim of the Northern Ireland Traineeship is to increase the skills of the workforce by providing high quality vocational education and training at level 2 combined with structured work-based learning to young people who are not yet in employment. The new Traineeship will be introduced in September 2020. It is part of a suite of reforms to NI's vocational education offer.

New Entry Level/Level 1 Programme for Young People

There has been substantial engagement with stakeholders on co-design for a new programme better suited to meeting the needs of this cohort of young people with no or low levels of qualifications who face particular challenges. The further work required to ensure that this new programme can move to development and delivery has meant that the Department will launch procurement of a transitional programme (Skills for Life and Work) to deliver from September 2020, pending full development of a new programme. The business case to support this interim programme is currently under-development.

7. TELECOMS

Project Stratum

Project Stratum seeks to utilise the £150m from the Confidence and Supply Agreement, and an additional £15m contribution from DAERA, to improve internet connectivity for premises unable to access speeds of 30 Mbps or greater.

Following HMT approval to extend the funding profile to 2023/24, project was approved under the NI Executive Formation and Exercise of Functions Act 2018. We anticipate that the contract will be let in May/June 2020.

The procurement was launched on 11 July 2019. This is a two stage process and 3 bidders have been selected to progress to stage 2, which will be the full Invitation to Tender.

8. ENERGY

Draft Energy Strategy

A new Energy Strategy for Northern Ireland is being developed in the context of the UK's legislative target of net zero carbon by 2050. This new Strategy will examine the potential changes needed to achieve this net-zero target. The Department has already undertaken significant work engaging with key industry players and other stakeholders.

A Call for Evidence paper was published on 17 December 2019. The deadline for responses is 20 March 2020.

Following analysis of replies, a draft options paper for the Energy Strategy will be published for consultation in Summer 2020. Following analysis of the consultation responses, a draft Energy Strategy will be prepared for Ministerial consideration by the end of 2020 or as soon as possible thereafter.

Single Electricity Market

The draft Ireland/Northern Ireland Protocol to the Withdrawal Agreement agreed on Thursday 17 October will ensure that the SEM can function effectively after we leave the EU on 31 January 2020. Going forward we will also provide input to UKG as it seeks to reach an agreement with the EU on a Future Economic Partnership that will maintain the SEM.

The Electricity Recast Regulation came into force in the UK on 1 January 2020 and domestic legislation to implement aspects of that is due to be laid in Westminster w/c 20 January. A further SI which will implement new rules relating to Priority Dispatch in the ERR is currently being drafted and will need to be in force as soon as possible to ensure compliance.

The passage of the Withdrawal Agreement Bill significantly lowers the potential need to deploy containment or intervention measures to stabilise the operation of the SEM. However, should residual risks to the SEM materialise, decisions will have to be taken regarding whether, when and how to deploy containment and intervention measures.

Under the NI Protocol, the provisions of EU law governing wholesale electricity markets will continue to apply in Northern Ireland. Initial scoping of work with BEIS and DExEU has identified a significant breadth of work that will need to be considered and addressed in order to implement the Protocol from the perspective of the SEM. This includes the complexities of the legislative requirements, future GB SEM trading arrangements, NI representation in EU bodies, the consent mechanism, the UK EU ETS linking agreement and the potential relationship between the Protocol and any FTA.

Consideration is also being given to how the SEM elements fit within the wider context of the Protocol and how these might impact on the operation of the SEM including state aid, competition, international relations as well as the work on the future economic partnership. Steps are being taken to ensure that Energy Group's requirements are represented and taken fully into account in the work that is being done on the Protocol across both the Department and the wider NICS.

North South Interconnector

In the next three months, the Department for Infrastructure may approve a revised Planning Application for the proposed North South Interconnector (NSI). A diverse generation mix, including appropriate levels of interconnection, is important for a small, peripheral market such as Northern Ireland. The NSI is the essential means of ensuring that there is enough electricity to meet the demands of society in Northern Ireland, thus addressing a possible security of supply risk by 2023.

The construction of the North/South Interconnector can deliver efficiencies in wholesale market arrangements by reducing constraint charges that are picked up in customer bills, help achieve renewable targets, and contribute to long-term security of supply.

NI Audit Office – Northern Ireland Renewables Obligation (NIRO) Investigation

The NIAO is conducting an investigative review of "Emerging issues from producing electricity from renewable energy". The review will consider a range of issues relating to renewable electricity that span the responsibilities of DfE, DfI and DAERA. NIAO plan to publish the final report by the end of March 2020.

The NIRO is now closed to all new generation and the Department has procured external consultants to evaluate the scheme to determine its success and value for money for consumers. The evaluation will impact on the issues being considered by NIAO and the work should be completed by end of this financial year i.e. around the same time that NIAO plan to publish their report.

Relief for Energy Intensive Industries (EIIS) from the Indirect Costs of the NI Renewables Obligation (NIRO)

Costs for the Renewable Obligations in England & Wales, Scotland and NI are passed on to consumers through electricity bills. This risks putting some EIIs at a significant competitive disadvantage in comparison to those in other countries.

In January 2016 HMG launched a UK-wide <u>Compensation</u> Scheme (funded from taxation) to ease these costs. Due to lack of budget the Compensation Scheme ceased on 31 March 2018 and a replacement <u>Exemption</u> Scheme (funded through increased consumer bills) was introduced by BEIS in England & Wales and Scotland on 1 April 2018.

No decision had been taken on NI's participation in the Exemption Scheme at the time of State Aid notification and NI was not therefore a consideration in the EU approval for the scheme. The Exemption Scheme has not therefore been implemented in NI from the outset.

In the absence of NI Ministers, BEIS initially agreed to continue to fund the Compensation Scheme on a NI-only basis until 31 December 2018 (or a date no later than six months after the appointment of NI Ministers). This was based on a commitment that DfE would take forward the necessary process to put alternative arrangements in place i.e. introduce an NI Exemption Scheme or continue compensation with NI Executive funding/ administration. This agreement has since been extended to 31 March 2020.

Currently BEIS is supporting and administering the compensation scheme in NI until 31 March 2020. Officials have been in discussion about the potential to extend the scheme further.

Clean Energy Package

The Department leads on the NI delivery of the Clean Energy Package (CEP) - eight EU legislative acts to enable the EU's clean energy transition. The Governance Regulation came into force in December 2018. This is the umbrella legislation for the other seven files that enables Member States to plan, monitor and report to the EU on the targets and requirements in the CEP through 10 year National Energy and Climate Plans that will cover the period 2021-2030.

UKG have advised Devolved Administrations that they plan to revoke the Governance Regulation on EU exit as it will be inoperable due to the EU planning, monitoring and reporting requirements within it. DfE has consistently highlighted the potential for level playing field issues for the NI Single Electricity Market.

Climate Change

The Department contributes to the work of the Future Generations (Climate Change) group chaired by the DAERA Permanent Secretary. Energy production is the third highest area of greenhouse gas emissions. Energy more widely is responsible for 64% of all GHG emissions in NI. However, the reduction in emissions in energy production since 2006, is the highest for any sector in NI. Nevertheless, emissions from electricity production are twice as high here as in GB (largely because of the presence of nuclear generation in GB). The reductions followed from incentive schemes to promote renewable energy generation. All schemes ended in January 2017.

Non-Domestic NI Renewable Heat Incentive Tariff Review

The Northern Ireland (Regional Rates and Energy) Act 2019 introduced a revised tariff structure applicable to all small and medium sized biomass installations (0-199kW) accredited under the Non-Domestic NIRHI Scheme.

The revised tariffs were calculated on the basis that the typical boiler on the Scheme would achieve a prospective 12% internal rate of return (IRR).

It has always been recognised that there are costs involved in the operation of renewable heat installations which will change over time, most notably the price of biomass and the counterfactual fuel. DfE is therefore committed to keeping these variables under review, with a view to adjusting the tariffs should significant and sustained changes in the underlying variables warrant it.

The change in tariffs has been a contentious issue with significant media coverage and representations from RHI participants challenging the lower tariff levels. This led to significant scrutiny as the 2019 legislation made its way through Parliament and to a Northern Ireland Affairs Committee (NIAC) inquiry into the tariff changes. The NIAC published its report into the tariff changes on 30 June 2019. Two of the recommendations in that report specifically reference the tariff calculations as below:

"the Department revisit the tariffs to determine if they should include: Parity with the Great Britain scheme or the Republic of Ireland scheme where costs are comparable; Parity with the Great Britain scheme or the Republic of Ireland scheme on any additional costs that are included; Counterfactuals in different circumstances are considered, rather than just kerosene; That investment decisions made by participants be considered."

"We recommend that the tariff calculation be amended to allow a more realistic cost for servicing and repairs of biomass boilers. This could help prevent participants reverting to fossil fuels if their boiler breaks down and they are faced with upfront costs they cannot afford. We further recommend that the Department track rates of reversion to fossil fuels amongst participants and report any trends to this Committee."

In response to these recommendations, DfE committed to a further independent review of the tariffs, to be completed within the current financial year.

DfE has appointed Cornwall Insight to carry out the review of the variable elements on which RHI tariffs are based to ensure that existing policy continues to be delivered in an equitable way.

Hardship Associated with NI Renewable Heat Incentive Participation and Voluntary Buy-out Arrangements

During passage of the Northern Ireland (Regional Rates and Energy) Act 2019—which introduced a revised tariff structure for small and medium sized biomass installations to ensure the non-domestic NIRHI Scheme operated within budgetary and State aid limits—the Department made a commitment to appoint an independent chair to consider claims of financial hardship made by a significant number of participants as a result of the tariff changes. The

Permanent Secretary also made commitments to the Northern Ireland Affairs Committee in respect of this work.

The Department undertook a consultation exercise in June-July 2019 to gather evidence on the presence and nature of hardship and views on the Department's proposed approach. While the majority of respondents claimed to be suffering hardship, only a minority submitted documentary evidence, with many stating that they would prefer to engage with an independent party. Respondents also expressed discontent that options available to assist businesses would not include grant funding or other forms of financial compensation.

In response, in October 2019 the Department appointed independent energy consultant Andrew Buglass to develop a relevant definition of hardship and engage directly with participants to obtain evidence relating to individual circumstances. Andrew Buglass is expected to report to the Department shortly with recommendations on any appropriate course of action.

NI Renewable Heat Incentive Voluntary Buy-Out Arrangements

The Northern Ireland (Regional Rates and Energy) Act 2019 made provision for the Department to operate NIRHI Voluntary Buy-Out (VBO) arrangements for the years 2019/20, 2020/21 and 2021/22 in the absence of an NI Executive. It was envisaged that an initial budget of up to £4m would be available each year from the wider AME funding available for NIRHI.

The arrangements aim to ensure that all current participants on the non-domestic NIRHI scheme with small and medium sized biomass installations have the potential to achieve a 12 per cent internal rate of return on the additional capital investment of installing a renewable technology as opposed to its fossil fuel alternative. This is the rate of return that the typical installation on the Scheme was intended to achieve, and that was approved by the European Commission. On acceptance of a buy-out payment, an installation will cease to be accredited under the scheme, with no further periodic payments made.

The application window for 2019/20 VBO arrangements closed on Friday 8 November 2019 with 96 valid applications received. These are under assessment by the Department, with the intention that the majority of offers be issued during the current financial year.

Following formation of an NI Executive, Ministerial agreement and legislation in the Assembly would be required to make further voluntary buy-out arrangements

9. MINERALS AND PETROLEUM

Minerals and Petroleum Licensing

The Department is the licensing authority for mineral prospecting and mining. A Mineral Prospecting Licence (MPL) is granted for up to six years and entitles the holder to explore for minerals with the exception of gold and silver (which is administered by the Crown Estate) and aggregate materials. The Department also regulates the Carrickfergus salt mine - operational since 1965. There are 17 Mineral Prospecting Licences in place.

The Crown Estate is responsible for a small gold mine near Omagh (Cavancaw) - operational since 2007. Dalradian Resources are seeking planning approval from DfI for the Curraghinalt gold deposit. This gold deposit is in the top 10 potential commercial gold deposits in the world.

The Department is also the licensing authority for petroleum exploration. A Licence provides an initial 5 year term; a second 5 year term for exploration and a third 20 year (production) term, which may be extended.

The Department is processing two petroleum licence applications:

- EHA Exploration Limited submitted an application on 15 June 2016 for the Lough Neagh area. The company is not proposing to search for shale gas and does not involve High Volume Hydraulic Fracturing (fracking).

- Tamboran Resources (UK) Limited submitted an application on 20 September 2016 in Fermanagh. The company is targeting shale gas and involves the use of fracking.

The Department consulted on the Petroleum Licences in 2019. The consultations were aimed at gathering a wide range of opinions to inform a future Minister's decision on whether or not to award the Petroleum Licences. The consultations generated a combined total of 5,703 responses (2,572 EHA and 3,131 for Tamboran). The issues raised included:

- Climate change – net zero carbon targets

- Environmental and health risks –emissions affecting air, water, waste and biodiversity

Work is ongoing to identify and understand the issues/concerns that have been raised. The intention is to publish a synopsis report after a Ministerial decision has been taken.

Review of Licencing

DfE is responsible for the development of minerals and petroleum licencing policy. NI minerals and petroleum licensing legislation and policy dates back to the 1960s and would benefit from review to help ensure societal and environmental responsibilities are balanced with economic benefit.

A project to research the economic value and impact of the geosciences sector, completed in May 2019, indicates that the Geosciences sector directly accounts for 34k jobs - in employment terms that is similar to agriculture and the knowledge economy and close to the GVA for the construction sector.

10. OTHER ISSUES

Corporate and Business Plans

In the absence of a Minister Corporate Plans and Business Plans for the Department and its ALBs have remained in draft. Draft Plans will need to be submitted to the Minister for consideration and approval.

Industrial Strategy

The Northern Ireland Industrial Strategy was published as a standalone DfE document for consultation in January 2017 and remains in draft.

The draft Strategy is likely to require considerable revision to reflect emerging economic policy priorities post Brexit and wider policy developments/ economic challenges. The Department has been building the evidence base to underpin the Strategy and this will be further informed once EU Exit agreement terms are known in full.

RHI Inquiry Report

The RHI Inquiry Report is expected in early 2020. A Departmental response will be required to be approved by the Permanent Secretary. Briefing is currently being prepared in DfE. There is also ongoing communication/co-ordination required with DoF/TEO on sequencing and content of DfE response in respect of the DoF response on behalf of NICS.

Holiday Pay

In June 2019 the Northern Ireland Court of Appeal delivered its judgment in the case of the PSNI and the Policing Board for Northern Ireland v Agnew and others. The judgment upheld a previous Industrial Tribunal ruling which stated that an average of overtime (both compulsory and voluntary) and certain other allowances should be included when determining pay whilst on annual leave. Claims can date back to 1998 when the Working Time Regulations (Northern Ireland) came into operation. It is being reported that the cost to the PSNI could be in excess of £40 million. The implications and options in respect of this issue are being considered by DfE in discussion with DoF.

Public Appointments

There are currently 16 regulated (regulated by the Commissioner for Public Appointments for Northern Ireland (CPANI) and 7 unregulated sponsored bodies within the Department. The table below provides a current summary position for all regulated appointments.

In the absence of a Minister, the DfE Permanent Secretary has been able to make appointments/reappointments to those DfE Bodies where the legislation states “the Department may appoint” For those which are CPANI regulated, exceptions to the Code have been sought and approved.

Those DfE Bodies where only “a Minister may appoint” have had to rely on numerous extensions. In recent times, the Department has successfully had the Consumer Council NI added to the secondary legislation (Executive Formation and Exercise of Functions Act) provided for additional appointments to be made by the Secretary of State NI.

The Minister will be asked to consider and if content make outstanding appointments to Tourism NI. The Minister will also be asked to make appointments in due course in respect of Invest NI and other ALBs.

Social Economy - Social Enterprise NI

Social Enterprise NI was appointed, for a 3 year period, in April 2016 by DETI to design and deliver a Social Economy Work Programme to enable the continued growth of a sustainable social economy sector, through a collaborative network / consortium of social economy stakeholders. SENI is recognised as the representative body of the sector with a membership of circa 270 social enterprise organisations/entrepreneurs.

This is a three year programme with DfE funding of up to £150k per year. The contract was extended by a further year, to March 2020, to allow time for an evaluation to be conducted prior to a new contract being procured. A decision will be required in the next 3 months as to succession plan. SENI’s current contract ends on 31 March 2020.