



Northern Ireland  
Assembly

Committee for the Office of the First Minister  
and deputy First Minister

# OFFICIAL REPORT (Hansard)

Social Investment Fund: OFMDFM Briefing

29 May 2013

# NORTHERN IRELAND ASSEMBLY

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**Members present for all or part of the proceedings:**

Mr Mike Nesbitt (Chairperson)  
Mr Leslie Cree  
Mr Colum Eastwood  
Ms Megan Fearon  
Mr Alex Maskey  
Ms Bronwyn McGahan  
Mr Stephen Moutray  
Mr George Robinson  
Mr Jimmy Spratt

**Witnesses:**

Mr Ricky Irwin                                      Office of the First Minister and deputy First Minister  
Mr Henry Johnston                                Office of the First Minister and deputy First Minister

**The Chairperson:** From the Department, we welcome Henry Johnston and Ricky Irwin. Gentlemen, do you want to make a few opening remarks?

**Mr Henry Johnston (Office of the First Minister and deputy First Minister):** I will kick off by saying a few words. We welcome the opportunity to brief members on progress on the social investment fund (SIF). If you are content, I will confine my remarks to the progress since our last briefing in October of last year and our plans for implementation. I will then be happy to take any questions.

As you probably recall, at the time of our last meeting, the steering groups for the social investment fund had just been appointed. We said that there would be an initial planning workshop on 17 and 18 October. The workshop kicked off the area planning process, which continued for almost five months. During that time, steering groups worked with their communities with the support of consultants to develop their strategic area plans. The work included identifying needs in communities and developing project proposals and economic appraisals to address those needs. The steering groups have completed the area planning process and submitted their final strategic area plans. Key statutory organisations were fully engaged throughout the area planning process so that their knowledge and expertise would inform the development of the plans.

Final plans, containing some 89 projects, for each of the nine investment zones were received on 28 February. If all those projects were to be funded, the total cost would be about £130 million. Plans are being subjected to a quality assurance review, which includes the completion of a rigorous economic appraisal process for each proposed project. In order to ensure that there is no duplication

and that programmes dovetail as much as possible, we will continue to engage with relevant Departments and with representatives of other key funders and statutory agencies in the areas of spatial deprivation and dereliction. That will also ensure additionality.

Following the assessment process, we will move into the mainstream delivery phase of SIF. Contracts will be awarded to lead partners who will contract service providers to meet need, which may include services for more than one investment zone. Steering groups have been, and will continue to be, supported in mainstream delivery by dedicated project development officers from the Department who have worked closely with all relevant stakeholders across the zones. Steering groups will also monitor the delivery, performance, plans and spend of projects.

To date, expenditure on SIF has related mainly to information provision, consultation and the provision of technical assistance. As we move into the implementation phase, we will arrange the draw down of necessary funding from the Department of Finance and Personnel (DFP) as part of ongoing budgetary exercises.

Ministers have agreed that the first phase of the fund will run until March 2016. We are committed to achieving the maximum possible expenditure in that time and to ensuring that projects will have the most positive impact in their communities and are progressed as quickly as possible.

**Mr Eastwood:** Thank you very much for your presentation. Some people have told me that they have put forward ideas on which they have spent time and money, but they are being told that there are rumours that those ideas or projects will be taken from them and given to other lead partners to run. There is also a rumour about a 20% management fee for lead partners. Can you give us any clarity on those issues?

**Mr Johnston:** I will answer, and Ricky will chip in. The first issue is about the ideas that were put forward. It was made pretty clear through the planning process that, although people put forward ideas, it was not certain that they would necessarily be chosen to be the delivery agents for their ideas.

In our guidance, we said that the maximum management fee would be 20%. We have had quite a wide range of proposals about a management fee: some people thought that 20% was OK; others looked at a management fee that was significantly less than that. One of the things that we are doing, in reviewing the economic appraisals for each of the projects, is a review of the proposed costs.

**Mr Ricky Irwin (Office of the First Minister and deputy First Minister):** In relation to the first point, we asked the steering groups to identify the priorities under the objectives of the fund and then for projects to be put forward that met those priorities. We also asked them to identify preferred lead partners. There are two different bodies here: there are the lead partners who would run the procurement process, and there are the people who would deliver the project. They are completely different. The lead partner would oversee the tender and procurement process for the programme, but deliverers could be a consortium of community groups or other bodies that would deliver a programme.

**Mr Eastwood:** Who gets the management fee, which could be up to £20,000?

**Mr R Irwin:** The management fee would relate to the essential expenditure in overseeing the delivery of a project, so it would go to the lead partner.

**Mr Eastwood:** I am trying to work this out. Somebody could come up with an idea and put it forward; somebody else could become the lead partner and take a potential 20% of what could be hundreds of thousands of pounds, and the likelihood in many cases could be that the person who put the idea forward ends up delivering it. Is that a likely scenario?

**Mr R Irwin:** The person who put the idea forward could be the deliverer, but it will be an open-ended process.

**Mr Eastwood:** I am sure that it will. What is the need for a lead partner then?

**Mr R Irwin:** The lead partner needs to oversee delivery. There needs to be accountability to the steering group for how well a project is being managed. We are still looking at how the guidance during the delivery phase will look. The 20% is not a finalised figure.

**Mr Eastwood:** It seems very high.

**Mr Johnston:** It depends on the nature of the project. The smaller and more revenue-intensive a project, the higher the percentage is likely to be. If you have a stonking big capital project, it is likely to be a lower percentage. It is not one size fits all.

**Mr Eastwood:** Can we be sure that, whatever the percentage, it will go to the delivery body in the end? We need to avoid creating an extra layer of bureaucracy and people holding on to cash that they do not need.

**Mr R Irwin:** That is a fair point.

**Mr Eastwood:** You said that you want to get as much of it spent by March 2016. When will it start to be spent on the delivery of projects?

**Mr R Irwin:** We are hopeful that it will happen in the coming weeks.

**Mr Cree:** Could you clarify the point that Colum is making? Is that "grant" the fee that you mentioned?

**Mr R Irwin:** The fee is a management fee for the lead partner to oversee the procurement of the programme.

**Mr Cree:** It is referred to here as a grant. The paper says:

*"Lead partners will receive a grant to commission a procurement exercise"*

Is it the same thing?

**Mr R Irwin:** Yes; it is a grant. It will be through a letter of offer from the Department to an organisation.

**Mr Johnston:** Ricky, could you say a bit more about how the process worked in north Belfast?

**Mr R Irwin:** Twenty per cent is not a random figure plucked out of thin air; it is a tried-and-tested model in another Office of the First Minister and deputy First Minister (OFMDFM) programme in north Belfast. Originally, that programme had a number of staff who were directly funded through contracts from the Department. After a review, it was determined that it would be more effective if the funding went directly to organisations for services and those organisations then procured those services and received a management fee for doing so. That is what happens in the north Belfast programme. Twenty per cent is the fee to procure services, and the organisation can do what it wants with the money on staff time and resources. It is not a guaranteed amount but is subject to successful delivery and is linked to performance and the achievement of targets that will be set out in contracts.

**Mr Eastwood:** Would it not be better linked to what it costs to deliver the projects?

**Mr R Irwin:** The original sum will be linked to costs, but the payment will be linked to meeting targets.

**Ms Fearon:** I have raised concerns before about the location of the steering groups: four in Belfast and one in Derry, which leaves four to cover the rest of the North. I understand that they are allocated on the basis of objective need and social deprivation, but rurality needs to be addressed. When I last asked officials about the breakdown of funding and the allocation of funding per steering group, they had not yet reached a decision on it. Do you know what it is at this stage?

**Mr Johnston:** The final decisions have not been made on the allocations between the individual zones.

**Ms Fearon:** Do you know when they will be made?

**Mr Johnston:** We are considering options with Ministers.

**Ms McGahan:** What happens if targets are not being met? What happens to the lead partner who is the accountability head? If there are concerns about the delivery of the project, what happens?

**Mr R Irwin:** There are a couple of mechanisms in the process. If the original supplier is not meeting the targets of the project, they are accountable to the lead partner. If the lead partner cannot manage it sufficiently, they will not be able to draw down the maximum management fee from the Department. The steering group also has a broad overview role for the delivery of the plan in a zone and will be able to intervene as well.

**Mr Johnston:** There are two parallel strands: one deals with the management of the delivery process; the second with incentivising delivery, either for the delivery agent or the managing partner. There are issues with being clear about what is being delivered and the role of the partnerships in overseeing delivery. There is also the contractual relationship that we will have; it will be based on the grant to the managing parties. Likewise, they will have a tendered relationship with the delivery agents. Therefore, there are a couple of bits there on monetary oversight and agreeing what the key outputs and outcomes of the programmes will be.

**Mr R Irwin:** There will be conditions in the contract stipulating that they must meet the target, and if they do not, we will have to review the delivery. Therefore, the Department can intervene.

**Mr Maskey:** I want to go back to the point that Colum raised about a lead partner. If a steering group accepted a project as a priority in a zone, could the organisation or group of people who put the project forward be the lead partner for its delivery? Colum raised the point about the potential for bureaucracy. It could be that an organisation that puts forward a project is well able to deliver it.

**Mr R Irwin:** That is a possibility. However, we have to remember that the steering groups are very diverse, have different sectors around the table, and it is they who signed off on the plans and the individuals projects as collectives. They identified their priorities. When they go out to tender, there could be a scenario that whoever came up with the original idea will be able to bid for the project. However, it will be a competitive process.

**Mr Johnston:** I think what you are talking about is vertical integration in which the managing agent is also the delivery agent.

**Mr R Irwin:** That cannot happen.

**Mr Eastwood:** Why?

**Mr R Irwin:** It would be a conflict of interest.

**Mr Eastwood:** What is the steering group for?

**Mr R Irwin:** To oversee the delivery of the plan, to review progress and to report to the Department.

**Mr Eastwood:** Why do you need anybody else?

**Mr R Irwin:** It is about having a robust process.

**Mr Eastwood:** It seems like a waste of money, to be honest with you.

**Mr Maskey:** Some of the steering groups might not be able to do that, as they may not necessarily have the expertise, so I cannot understand that. You might get a steering group that is well able to manage that, but I am not sure that they all would be. They would be made up of people with different expertise and would not necessarily have the necessary skill or authority.

**Mr Johnston:** They are not legally constituted bodies.

**Mr Maskey:** Yes. My issue is that an organisation that puts a project forward may be very able to deliver it; some organisations have every skill. They are getting good funding and can deliver good projects on time and on target. Why would they need a managing agency over them? I am confused about that.

**Mr Johnston:** There are three slices in the delivery cake. In the centre, with OFMDFM, the staff resource that we put in will be quite slim. Therefore, we will have a middle tier that will take on some of the responsibility. It will be someone to whom we can look to oversee it and handle the money along the way. The partnerships are not legally constituted bodies and do not have the ability to handle money. Some might be a very thin sliver. As you say, you could have a delivery agent who is well able to handle that and there would be a very small oversight role; they would be managing the money and handing it on.

I know that that can annoy the third sector. Someone might have come up with an idea and be the delivery partner for it, yet, at the end, somebody comes in over the top of them, takes a slice of what they thought they were going to get and they still have to do the work. That is not what we are trying to do here. We are trying to put something in the middle to give them an incentivised reward commensurate with the work that they have to do. That will be quite thin if they are working within well-established parameters with well-established organisations, or thicker if they are working with weaker organisations in novel areas and are looking for more support.

**Mr R Irwin:** The lead partners may not be community groups in every case; they may be councils or other statutory bodies such as Departments. That will need to be determined, and it will depend on the project who is best placed.

**Mr Johnston:** It could also be a health trust, for example, that has experience in tendering such services.

**The Chairperson:** Henry, you said in your opening remarks that you have received applications for some £130 million worth of projects. You have only two pots of £40 million, so that is more than 150% of what you can do. How are you managing expectations?

**Mr Johnston:** We are working through the 89 proposals that we have. There is work to be done in refining and reviewing some of the business cases and some of the assumptions in those business cases around cost. There is quite a difference in some of the costs coming in for similar services in different areas. I also mentioned earlier the significant differences in management costs in proposals that are broadly similar. Therefore, we have a bit of work to do to take the £130 million down to a harder figure.

**Mr R Irwin:** Where we think there are issues, we are talking directly to steering groups.

**Mr Johnston:** Even when we have that pared off, we will still have issues with demands exceeding the available funds by 2016. That is one of the reasons why we have asked the steering groups to prioritise the projects that they have asked to take forward. Final decisions will be taken by Ministers on which projects will be funded in which areas.

**The Chairperson:** I attended a meeting of voluntary groups in Newtownards that were discussing the decisions on capital projects in the area. The quote that summed up the disappointment of the groups in the Ards area was that Lisburn had cleaned up. The groups felt that the groups from Lisburn had come along with shovel-ready projects and there were none of those in Ards.

**Mr Johnston:** We had an issue with some of the capital projects across the zones. There were fewer shovel-ready projects than we had anticipated and people had not worked up projects to the necessary extent. One of the things that we did to address that in anticipation of future waves of funding was to allow people to bring forward projects that would not be funded during this period to work on them so that they may be ready to go for future funding. I am not sure about Ards specifically.

**The Chairperson:** Will you balance it? In the next round of non-capital, will you take into consideration that one area in a zone has done well in the first round and that that needs to be balanced? Will that not be a consideration?

**Mr R Irwin:** Did you say non-capital, as in revenue?

**The Chairperson:** Yes.

**Mr R Irwin:** That area is in the south-eastern zone, where a number of revenue projects have been proposed. If they are delivered, they will be right across the zone. I do not accept that Newtownards will be excluded.

**Mr Johnston:** Sorry, can I —

**The Chairperson:** No, I am not saying —

**Mr R Irwin:** That is what I am saying. Did you say —

**The Chairperson:** What I am saying is that Ards has looked at what has happened — I think that there were nine capital projects — and they say that Lisburn has cleaned up.

**Mr R Irwin:** Capital?

**The Chairperson:** Yes. Capital

**Mr R Irwin:** Right.

**The Chairperson:** What will happen when you get to revenue or non-capital? Will you say that because Lisburn has done so well with capital, we have to try to balance that by giving more to Ards, Down or wherever else? How will it work?

**Mr R Irwin:** Again, I do not accept that Lisburn has cleaned up on capital.

**The Chairperson:** What did Ards get?

**Mr R Irwin:** No decisions have been made. A number of projects are on the table that the steering group agreed before it submitted the final plans. They are all being looked at.

**The Chairperson:** I think that Ards would argue that no proposal of theirs is on the table.

**Mr R Irwin:** I do not have —

**Mr Johnston:** Can we come back to you on that?

**Mr R Irwin:** We could check that.

**The Chairperson:** Yes; I do not want to dwell on it.

**Mr R Irwin:** No final decisions have been made.

**Mr Johnston:** One of the other issues that we had with capital spend was that they were looking for significant projects to get through the process with the steering groups. We tried to work through two things with the partnerships to ameliorate some of the distortions. First, we looked at a number of people who were bringing forward what were essentially clusters, with each having little projects that were very similar but doing different things across a rural area perhaps.

**Mr R Irwin:** Every zone has a cluster project. That is a capital cluster, which is a number of smaller refurbishments to existing premises. I am not 100% clear, but I thought that perhaps there was one in the Newtownards area for the south-eastern zone, but I would need to check that.

**The Chairperson:** I think that everybody would have hoped that overall progress was further on, but we are where we are. Are you moving forward at the speed of the slowest?

**Mr Johnston:** No. Internally, we are working through resolving issues around appraisals, which puts the cost and benefits into sharp relief. We are then able to compare those from zone to zone. We also went back to partnerships to talk them through other options that they may want to explore. We have a range of alternatives, and there are good ideas in some zones that we are putting to other zones, saying, "You have identified that need, and here is a really good idea from another zone. What do you think of that replacing one of your ideas?"

We are in that process but are essentially working through batches of material. Ministers have agreed that we will present them with batches of proposals that passed all the normal due diligence work by officials about affordability, and so on.

**The Chairperson:** There is evidence that may suggest that you are moving at the speed of the slowest. A letter dated 24 May from the Department to the Committee Clerk states:

*"Steering Groups were asked to provide nominations for the remaining statutory and business representatives."*

— who have not been appointed yet —

*"Some nominations are still awaited. When the outstanding nominations are received statutory and business representatives will be appointed as soon as possible."*

So, you are waiting for the last before you begin.

**Mr Johnston:** I think on the —

**Mr R Irwin:** With the development of the plans, the statutory bodies that needed to be consulted were consulted during the five months of the area planning process.

**The Chairperson:** Say I am on a steering group, and we know the statutory and business reps whom we would like, why do we have to wait for another group before we can bring them on board?

**Mr R Irwin:** That is a fair point.

**Mr Johnston:** A number of people have been put forward, and we are considering options. We need to look at geographical and gender balance, which was mentioned earlier. We were asked a number of questions on those issues. With political and community representatives, there is another range of options on some of the statutory and private sectors that could perhaps end up with more balanced groups. There is work to be done in looking at names and options around names.

**Mr R Irwin:** A Department or council could be represented across a number of steering groups, so that also needs to be looked at.

**Mr Cree:** You are very patient, Chairman. The letter states quite clearly: "Some nominations are still awaited." That suggests that it has been delayed for some reason. My question is much easier: how much, if any, of the £400,000 spend includes consultancy costs?

**Mr Johnston:** There is a significant spend on consultancy to assist the formation of the area plans. The consultants were also asked to produce full green book appraisals for the identified priority projects for each of the zones.

**Mr Cree:** Will you let us know the amount spent on consultants?

**Mr Johnston:** Yes.

**Mr Spratt:** Have you received complaints about consultants and their ability to deliver?

**Mr R Irwin:** There are issues with some of the plans and projects in that we need more information to progress the economic appraisals. We are not receiving complaints. I have nothing in writing at the minute that complains about a consultant.



**Mr Spratt:** Let me put it another way: have all consultants delivered to the satisfaction of the Department what they were engaged to deliver?

**Mr Johnston:** Not fully as yet.

**Mr R Irwin:** It is an ongoing process. There were contractual requirements for the consultants, and they are still delivering on those.

**Mr Spratt:** Are you telling me that some consultants are not delivering what they were contracted to deliver?

**Mr Johnston:** They have not fully delivered everything that they were contracted to deliver.

**Mr Spratt:** Does that mean that they are inefficient, that they are not capable of the job or that they do not have the resources? There will be evidence to that effect.

**Mr R Irwin:** It means that we still need outstanding information on the green book appraisals for them to be signed off internally to meet the standards set down by DFP. It means that we need to go back to those consultants to seek that information. They, in turn, have to go back to the project promoters to seek that information.

**Mr Spratt:** This is a public meeting, so I am not going to name any of the people who have been put in position. You would not expect me to. Consultants were given contracts on the basis of delivering x, y and z. Are you content that some of those consultants had sufficient resources? They obviously convinced the Department initially that they had, but now it appears that they do not have the resources or perhaps the expertise to deliver.

**Mr R Irwin:** I would not say at this point that we can form that judgement. When the job is finished, we will need to review the consultancy contract to see where lessons can be learned.

**Mr Johnston:** We have gone back on the basis of reviews that our economists and finance colleagues have carried out in the Department. We are not content with the information and how it was presented in a number of appraisals. We have gone back to the consultants who were in the lead for that and have asked them to rework the material. Some of that reworking has required them to re-engage with some of the key stakeholders. That is an ongoing process. As a result of that, we now have a batch of economic appraisals that we are relatively content with. Very shortly, we hope to be able to pass those to Ministers as projects that officials are happy to endorse for their consideration.

As for the reworking as part of the contract, it was clear what the requirements were. One was to engage fully so that we could set out fairly clearly what was required of the consultants. The procurement process on the identification of the consultants was to establish their bona fides for their capability and capacity to do that work. A number of them came together in consortia to discharge that. We have retained an element of their fee until we are absolutely content that the material is produced to the required standard.

**Mr Spratt:** So any inefficiency will not be paid for? The Department will not pay for inefficiency or ineffective consultancy reports?

**Mr Johnston:** That has been our stance to date.

**Mr Spratt:** Is that the same for reports that are lacking in what you require and what you, in your terms of reference, said that you required? Are you saying that you will not pay them?

**Mr R Irwin:** If the Department has to complete the economic appraisals, the consultants will not get paid for that.

**Mr Johnston:** Our preference is for the consultants who were contracted to do the work to complete the work to the quality standard that was defined in the contract.

**The Chairperson:** Henry, you have just described a process that you have had to put in play. To be clear: is that an additional process that you did not anticipate having to put in play at the beginning?

**Mr Johnston:** No. To get economic appraisals to a fixed standard, we anticipate their being done by external consultants or internal staff. Normally, a number of iterations have to be gone through. Normally, additional material has to be produced. There is a bell curve of how many iterations will be needed. It would be extraordinary for a business case to go through in the first iteration. We have to do a little more reworking than we would have hoped with some consultants in some areas.

**The Chairperson:** Let me put it another way: some consultants are slowing this down rather than enabling it.

**Mr Johnston:** Some consultants are not as quick to get all their appraisals to the standard that we require.

**The Chairperson:** Some consultants are slowing it down.

**Mr Johnston:** Their zones are being slowed down, not the overall process. As I said, we are not proceeding at the speed of the —

**The Chairperson:** That is disappointing.

**Mr R Irwin:** It is important to remember that the consultants have to consult with the project promoters on some of the points that are raised in the economic appraisals. It relies on that information being provided as well.

**The Chairperson:** Are you consulting the steering groups on their satisfaction levels with the consultants?

**Mr R Irwin:** There has been some communication. We talk to them about particular projects when we have to.

**Mr Johnston:** We have not been approached by any steering group with complaints about individual consultants. At an earlier stage, we had concerns about the lack of community engagement, but those were addressed.

**The Chairperson:** Are you content, Jimmy?

**Mr Spratt:** Yes.

**The Chairperson:** Ricky and Henry, thank you very much.