



Northern Ireland
Assembly

**COMMITTEE
FOR THE OFFICE OF THE
FIRST MINISTER AND DEPUTY
FIRST MINISTER**

**OFFICIAL REPORT
(Hansard)**

**Strategic Investment Board:
Update on Delivery Tracking System**

30 June 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Dr Stephen Farry (Deputy Chairperson)
Ms Martina Anderson
Mr Tom Elliott
Mrs Dolores Kelly
Mr George Robinson
Mr Jimmy Spratt

Witnesses:

Mr Patrick McMeekin) Strategic Investment Board
Mr Martin Spollen)

The Deputy Chairperson (Dr Farry):

We move to discussion of the delivery tracking system of the Strategic Investment Board (SIB). Members have copies of the investment strategy for Northern Ireland (ISNI) investing activity reports for the South Down, West Tyrone, Mid Ulster and East Belfast constituencies. I formally welcome Martin Spollen and Patrick McMeekin to our meeting. I remind everyone that the session will be recorded by Hansard. I invite you to make an opening statement, and we will follow that up with questions.

Mr Spollen (Strategic Investment Board):

Thank you. We are delighted to be here today to follow up on previous sessions that we have had

with you. You asked us to come to speak to you about three matters. The first was an update on the delivery of the investment strategy. The second was the progress in the SIB on the delivery tracking system and the web portal that communicates delivery progress to Members and, more widely, to members of the public. The third was to touch on the development work that is going on in advance of the Budget later in the year around the shape and size of ISNI III. I am not sure how long you would like me to spend making an introduction, but I know that members will want to ask questions.

The Deputy Chairperson:

If you could be fairly brief, that would be helpful.

Mr Spollen:

The key thing to say about the delivery of ISNI is that we have had another record year of capital investment delivery. We had planned for around £1.75 billion across the year and the provisional out-turn, which was announced in the Assembly earlier, is around £1.75 billion. Therefore, the variance is less than 1% of the total. If we think back over the past few years, we can see that the magnitude of what has been delivered is very impressive.

The issue now is about going forward, and we are very mindful of the changed economic circumstances. We are planning how to manage that. However, this year and last year, when a similar out-turn was achieved, there was a lot of progress on projects on the ground. I will run through some of the key examples. More than £250 million has been invested in the past year in roads, and £50 million in public transport.

In telecoms, we have seen the delivery of Project Kelvin, which is one of the major links to the US. Over £250 million has been invested in schools, including £90 million in minor works. Over £250 million has been invested in hospitals and £50 million in capital works in further education and higher education. The Department for Social Development has invested over £300 million in social housing, with more new housing starts than were targeted for the year, and £250 million has been invested in water infrastructure.

SIB, at any time, assists in 30 or 40 projects, and our strategic advisers are working with Departments to accelerate the delivery and get the best deal, through commercial advice, from the supplier market.

That was just a brief update, and we can come back to some of the details if necessary. However, Patrick is now going to talk to the Committee about the work that he has been doing on the ISNI delivery tracking system (DTS), which has now been rolled out to all Departments, and the public website that feeds off it and presents that information.

Mr Patrick McMeekin (Strategic Investment Board):

On foot of the commitments made by the Executive in ISNI II, SIB has played a key role in developing the DTS and ensuring that its users have been trained up. As a reminder, the key objective is to support the construction industry and related sectors of our economy at a particularly difficult time by providing clear information on the upcoming business opportunities and allowing local businesses to plan ahead more effectively.

The website also offers Departments the opportunity to promote the projects that they have been involved in and have delivered or are going to deliver. Visitors to the website can find out more about projects in their area, including project photography and the timescales for completion. It is worth noting that the responsibility for providing the information, which should be up to date, accurate and complete, rests with the Departments. In facilitating that, we send out automated monthly e-mails and provide reports for the Construction Industry Forum for Northern Ireland and permanent secretaries. Members will have seen a sample of the reports that we intend to send to MLAs. We believe that those reports will be a significant driver and play an important role in improving the information on the website.

In respect of progress that the Departments have made, at the moment the delivery tracking system holds details of over 500 projects and almost 300 procurements. We have seen a noticeable improvement in the quality and amount of information going onto the system in recent months. That is largely due to the fact that the Government Construction Client Group agreed in March 2010 that the ISNI website should be the authoritative source of up-to-date information on the procurement activities undertaken by all bodies governed by Northern Ireland public procurement policy. That has been excellent.

In relation to what reports are available, users of the website can subscribe to receive automatic updates on projects or procurements, depending on their needs. From an internal perspective, departmental and agency users have access to a full reporting suite, and bespoke

reports have also been developed for permanent secretaries and MLAs, which will be sent on a regular basis.

The Deputy Chairperson:

Thank you very much.

Ms Anderson:

Thank you very much, Martin and Patrick. It is good news to hear that £1.75 billion has been spent on investment projects, because the perception out there is that it is a lot less. I welcome that information. The Committee received a briefing on the delivery tracking system. Given the context that you are setting about supporting the construction sector and trying to provide opportunities for service delivery in our local economy, the issue is not just about the people who have access to information; it is about what is perceived as a golden circle of people on the list for procurement contracts — and small and medium-sized enterprises (SMEs) and others cannot get access and cannot get included on that list.

Other than just giving people information about what is there, how do we open up the procurement process and the list that we have currently? We have already had conversations with the Central Procurement Directorate (CPD) as to how that can be opened up. There is a large number of SMEs and people out there who are keen to get on the list, particularly when they see that there are 500 projects — 300 of them out for procurement. We need to ensure the accessibility of SMEs and contractors outside of that. Has there been or can there be any monitoring of the tracking system, given that it tracks what is going on in Departments? Can it track to see whether there are any new contractors coming on board?

We have been whispering about the whole issue of subcontractors because, although there has been a good development on the fair payment charter, in my own constituency — I do not know about anywhere else — I find that the contract goes out to the larger contractor. Quite a substantial amount of money is accrued by securing that contract, but then it is subcontracted time and again. There could be about five subcontractors, and the person at the very bottom of the heap gets very little for doing the actual work. I think that the way the system operates is bonkers, and I do not know how we got to the point of having the kind of process in place that enables that to happen.

Given that a fair payment charter is supposed to be in place to provide some kind of protection for subcontractors and SMEs as part of the tracking that you are doing — I do not know whether that fits in with what you are doing — information must be made available for MLAs to see how it impacts on new contractors that come on board and subcontractors getting the protection that is required.

Mr McMeekin:

There is certainly the functionality to allow people to subscribe to receive information and, from that, we will know what industry or business they are from. We can track that information in that way. There is a need for an exercise to promote the website to SMEs in a better way. Before coming here today, we looked to see how many visitors there had been to the website, and there were 4,700 page views in June. It is encouraging to know that, even without a huge marketing effort, we are still generating that much interest. Our aim is to drive that upwards.

Mr Spollen:

I think that you are right. In the four years that I have been involved in this role, I have had many meetings with representatives of the construction industry. In many cases, I see the same faces month after month, and one wonders how the information that is passed across in some of those meetings actually disseminates to the many SMEs across the land that have an interest in construction and related industries.

I suppose that our motivation in putting the delivery tracking system together was to gain an overview of what was going on, but, equally, to provide that information in a public forum where anyone who has an interest can access it in a way that allows them to sign up and get those updates automatically.

We are one of the only regions, as far as we are aware, that puts information about future contracting opportunities into the public domain. Normally, only opportunities that have been advertised to tender are displayed, and the contractor may only have a month or so to reply. In our case, we are putting out information about anticipated dates for projects that might be coming to market in six to nine months' time. That can be very helpful to the industry if it is wondering what the future looks like for that company.

I think that you are referring to issues around the framework arrangements, whereby some

contractors can get on to a framework, which means that the opportunities are open to them and them alone. There are pros and cons in that. Many contractors would say that one of the benefits of that is that they do not have to keep applying with all the information; that they are almost pre-approved and can move forward. You would need to speak to CPD about the pros and cons of that.

Ms Anderson:

Given that you are putting information out about what projects and potential projects are coming on board that are going out to tender so that people can contract for those projects, can you not include in that information flow an understanding of how many contractors from CPD are securing those?

We need to see whether there is an old boy network. We need to see whether there is a perception out there, real or otherwise, about a “golden circle”. We need to see whether, for instance, all these contracts are going to five or 10 people alone, or whether it is being opened up. Because part of that is included for Departments, why can it not be included for CPD in order to see who is awarded the contract, so that we can track to see whether someone new is coming on board, and whether they applied for and have won the contract?

Mr Spollen:

In respect of each procurement process, the delivery tracking system allows information to be uploaded to the system about who bid for those contracts. There may be 10 people who bid, and then, later on, when the contract is awarded, the winning contractor can be included in that information. It is probably not there just at the moment in relation to past contracts because we have not back-populated the system, but, in time, that information will be available.

Mrs D Kelly:

Thank you for your presentation. I have a couple of points. I take it that local government contracts are not on this tracking system. Could they be included? They are worth a significant amount of money across the 26 councils, so I suggest that that is something that should be explored.

Mr Spollen:

We are very mindful of that. There is nothing about this system, in its design or otherwise, that

means that it can only be applied and used by Government Departments and their agencies. We are speaking to a number of councils that have seen the system up and running, have seen the live public-facing format, and have expressed an interest in coming on board. We probably need to make a few little tweaks and changes to accommodate different procuring authorities in the structure of the system, but, if they are willing, we are certainly willing to assist them in that.

Mrs D Kelly:

Perhaps we could write to the Environment Minister about that. He might give some guidance to local authorities in respect of good practice. I am very mindful — and I have to note that I am a member of the east border region in relation to INTERREG IVa — that there are obviously cross-border elements, and those contracts could be significant in relation to EU funding.

The Deputy Chairperson:

Just to interject; those would come to the awareness of central government through economic appraisals and sign-off from DFP on large-scale projects. Local government projects would come to the attention of central government through formal sign-off of economic appraisals from DFP within certain thresholds.

Mr Spollen:

The key is that this system is not populated from the centre; it is populated by the Departments and their agencies. If we go back to the point before we had the system, one of the difficulties was — and there were many Assembly questions about procurement — that we had to go out on a single errand, if you like, around all the multiple agencies to try to collate that information. The beauty of this system is that the people who are at the cutting edge of delivering the projects can log on and can keep the information up to date. It almost becomes as useful to the lead Departments to understand what is going on in some of their agencies that lie just outside the core Department itself.

Mrs D Kelly:

Martina's point was valid. I think that I am right in saying that an English firm won a contract with the Department for Employment and Learning, but the body of work was let to a Northern Ireland firm, which had tendered for the contract and been unsuccessful. That practice goes on further down the line with subcontracting firms. I understand that decisions on awarding contracts are based on track record and ability to deliver, but the contract field is similar to the

question of how people can get a job without experience and how they can get experience without a job. Will you look at the criteria specification of some of the tenders to dip-sample them from time to time?

Mr Spollen:

Our colleagues in CPD take a much more direct role with the mechanics of procurement. Our role is to advise and assist Departments on the commercial aspects of what they should procure in the first place. CPD advises on the mechanics of procurement.

Mrs D Kelly:

I take Martin's point, but advice on the commercial aspects could include advice on value for money. If you really wanted to, you could argue your way into that area.

Mr Molloy:

Thank you for your presentation. Following on from the points about multiple contracts, surely some mechanism can make information available on the profit that each contract made. Around the country, one or two contractors with a foreign dimension are the main contractors for nearly everything that happens. For instance, the main subcontractors who do most of the work with the water service do so at a lower price.

Much money could be saved. If a contract is awarded for £500,000 and subcontracted for £300,000, that leaves £200,000 that goes nowhere except into people's pockets. The main contractor does none of the actual work of the contract. A change to that would identify where there are gaps in funding and where you could potentially save money. The subcontractors will still do the work at that price; there is no need for an intermediary. Can that type of issue be identified?

Mr Spollen:

I am not sure. Normally, when a contract is awarded, the contractor takes over and manages the contract. I am not sure that we could have full visibility of the entire supply chain that lies below the initial contract. The supply chain might change during the course of the project. When a number of firms bid as a consortium, we have information, but that is typical of bigger projects. A single contractor may well win a smaller project and bring in subcontractors. I am not sure whether the figures that you quoted are for example only, but I would be surprised if the figures

were anything like that.

Mr Molloy:

It was only an example.

Mr Spollen:

A number of domestic contractors have expressed evidence that liaison, co-operation and working as part of a consortium with international contractors has provided them with knowledge transfer that they have found useful in going out into international markets. In some cases, that knowledge transfer, whether on systems or on links to suppliers that they had not previously had exposure to, has resulted in their being able to bid the next time on their own. Working in that way is not always negative; it can be positive as well.

Mr Molloy:

One of the problems is that, when local firms have come together as a consortium, that new company has not had the experience to win the contract, even though the individual companies may have carrying out a number of subcontracts over the years. The consortium, as a new company, did not have the experience, so it still lost out on the contract. It is important to carry out a pilot scheme on one or two cases to find out what the gap is between the consortium that gets the contract and the contractor that carries out the work. I gave those figures from off the top of my head, but I might question whether they are that far off in some cases.

Mr Spollen:

We could look at that issue. However, all of the matters that have been raised on procurement have been subject to scrutiny by the procurement board, which the Minister of Finance and Personnel chairs. Over the past period, a working group made of government clients and the construction industry has agreed a set of principles on public procurement, and those are now being implemented by the construction side of the Central Procurement Directorate. I suspect that those issues have been aired before, and, to the satisfaction of both sides, there has been agreement on the way forward.

Mr G Robinson;

Is there a select list of contractors?

Mr Spollen:

We do not maintain a select list of contractors in any sense at all. We are involved in advising Departments, and, ultimately, they are the procuring authority, not us. We advise them to take the procurement route that is likely to offer the best value for money for the taxpayer, particularly as we go forward with more constrained budgetary environments, while trying to deliver as much as we can of what has been set out and promised. We hope to see that delivered, and Ministers hope to see that. There is certainly not a select list. From time to time, there can be —

Ms Anderson:

Is there not a procurement list of contractors who have carried out contracts in the past? You can call it a “select list” or whatever, but there is a list that firms have to be on to qualify to win the contract.

Mr Spollen:

From time to time, frameworks can be put together for particular sectors. It is not a universal framework; it can be a framework for different sectors or for different sizes of projects. That is all done through open competition. The framework is not put together in a darkened room; it is advertised publicly with a set of criteria and it exists —

Mrs D Kelly:

The criteria might be laid down in a darkened room.

The Deputy Chairperson:

Patrick and Martin, thank you very much for your evidence.