



Northern Ireland
Assembly

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

OFFICIAL REPORT (Hansard)

Social Investment Fund: OFMDFM Officials

22 October 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Mike Nesbitt (Chairperson)
Mr Chris Lyttle (Deputy Chairperson)
Mrs Brenda Hale
Ms Bronwyn McGahan
Mr David McIlveen
Mr Stephen Moutray
Mr Jimmy Spratt

Witnesses:

Mr Ricky Irwin	Office of the First Minister and deputy First Minister
Mrs Orla McStravick	Office of the First Minister and deputy First Minister

The Chairperson (Mr Nesbitt): We are joined by Ricky Irwin and Orla McStravick. Ricky, as there is no new information in it, why was your paper provided so late?

Mr Ricky Irwin (Office of the First Minister and deputy First Minister): I appreciate the difficulties that the delay in providing papers causes to the Committee. I apologise for that and wish that they had been with the Committee before now. I suppose that we have to go through a range of processes in the Department, including discussion on papers, gathering information and agreeing the papers. Beyond that, I cannot really offer more than an apology.

The Chairperson (Mr Nesbitt): Your apology is accepted. I am just curious what the specific delay was in this instance. It is all old information.

Mr R Irwin: The delays were in the Department, unfortunately.

The Chairperson (Mr Nesbitt): Whereabouts?

Mr R Irwin: I cannot really offer any more information other than to say that the delays were in the Department.

The Chairperson (Mr Nesbitt): That is not enlightening, but OK. I invite you to make your opening remarks.

Mr R Irwin: Good afternoon, Chair and members of the Committee, and thank you for the opportunity to update you on the social investment fund (SIF) and the progress that we are making to deliver projects. As members will be aware, the Executive set aside £80 million for the fund, which was split between capital and revenue. The fund is designed to deliver social change through tackling poverty, unemployment and physical deterioration.

We fully appreciate that the time frame has been extended and that there is a perception that we got off to a slow start. However, that is because we wanted to get it right and avoid rushing to give money to projects that were simply a quick fix or that had not been fully worked through. Instead, our aim is to invest in projects that are robust, that represent value for money, that make a difference to those who are in most need and that stand a real chance of achieving the expected outcomes, and, therefore, make a real difference to people's lives. We also needed SIF projects to belong to and have the support of the communities that they are seeking to help, in keeping with the ethos of the bottom-up community-led approach to SIF. To do that, we had to set up the necessary infrastructure, and that will ensure ongoing engagement and drive as the projects are delivered.

We set up nine social investment zones, each with a steering group, which identified need and developed projects for implementation in the area. The steering groups have drawn representation from across the zones and the sectors.

The steering groups submitted their area plans in February last year, with projects prioritised in them. They further reviewed the prioritisation on confirmation of funding allocations for each zone in November last year. The projects have been and continue to be robustly assessed through the economic appraisal process and, earlier this year, a total of 23 projects were announced as being ready to proceed to letter-of-offer stage. I am pleased to report that we have now committed funding to 23 projects. Those are a mixture of revenue and capital across all nine social investment zones. That represents a commitment of £34.4 million, or approximately 43% of the total available pot.

Projects are starting to get off the ground now. For example, the northern zone, the Causeway rural and urban network (CRUN), is at construction stage. CRUN is Coleraine's first charity hub, and its premises in Brook Street are in the initial stages of an extensive renovation. The work is expected to be completed in August next year, at which point the one-stop shop for charities and community groups will open its door for business. Users will have access to training rooms, conference facilities, offices and a shop, which will help contribute to the achievement of the SIF strategic objective of increasing community services.

A number of other capital projects are well progressed and are expected to move to tender in the coming weeks. Those include the development of Bryson Street surgery in Belfast east; the development of premises in Sandy Row to create a training and education centre in Belfast south; the development of Fermanagh House in the western zone; and a number of revenue employability projects across the zones.

The others are also making progress, and we are working with lead partners to ensure that the conditions in the letters of offer are met and that acceptable project plans, resource plans and monitoring and evaluation frameworks are in place to enable quick progression to the next stage.

A further 12 projects are at the final approval stage and, subject to budget and sign-off, could proceed to letter-of-offer stage quite quickly. They are a mixture of revenue and capital and represent a commitment of a further £18.8 million, which would bring the total expenditure under SIF to £53.2 million, or approximately two thirds of the total budget. That represents real progress and significant investment across the zones.

A further 22 projects across the zones have been prioritised by steering groups in the funding allocation. We continue to consider the need, value for money, risks and costs associated, with a view to determining the best way forward for those projects.

Members are aware that, across the Executive, Departments face challenging budgetary conditions, and the impact of that on the SIF is not yet fully known. The SIF is an Executive fund; it is not in the OFMDFM baseline, but is part of a consolidated pot that is held centrally by DFP. We continue to monitor the profiling of spend, particularly in respect of revenue projects and consider those in line with the SIF funding allocation that is provided by DFP annually. That will inform decisions on future letters of offer and time frames for delivery

We have made funding commitments to 23 projects, with costs in the region of £34.4 million. That is based on the most up-to-date figures and a result of a cost validation exercise. The projects are progressing well, and we expect to see delivery very soon; indeed, some projects have commenced. We will, of course, keep the Committee updated on any progress.

Chair, that is the end of my opening remarks; I am happy to take any questions that members have.

The Chairperson (Mr Nesbitt): Thank you very much. If I heard you correctly, I think that you said that 12 capital and revenue projects are coming towards a decision. Will you tell us the geographic spread of those projects, please?

Mr R Irwin: They are a mix across the zones. To get into the specifics, we have one in north Belfast; one in south Belfast; one in east Belfast; and two in west Belfast. There is also one in Derry/Londonderry; two in the northern zone; one in the south-eastern zone; one in the southern zone and two in the western zone.

The Chairperson (Mr Nesbitt): OK. That is a good spread,. I am looking at the Programme for Government, which is the core document in everything that you do. The £80 million SIF initiative is spread over commitments 31 and 32, and I suppose, if you could boil it down, commitment 31 is about £40 million on dereliction and commitment 32 is about deprivation. The milestone for this financial year 2014-15 in both cases is the same:

"To have achieved £40 million of programme expenditure".

That is £40 million on commitment 31 and £40 million on commitment 32. You were also to have "evaluated the impact of expenditure". Yet, nowhere in the narrative that updated the Committee on progress is the failure to achieve the milestones acknowledged. Why is that?

Mr R Irwin: The financial position has obviously changed since the PFG commitments were made.

The Chairperson (Mr Nesbitt): Sorry, in what way?

Mr R Irwin: With the financial pressures that we now face.

The Chairperson (Mr Nesbitt): I thought that the money was ring-fenced.

Mr R Irwin: The money remains ring-fenced for SIF; however, we—

The Chairperson (Mr Nesbitt): So, what is the pressure?

Mr R Irwin: We have to consider the profiling of projects against the money that is available from DFP annually.

The Chairperson (Mr Nesbitt): So, the money is not available. It is ring-fenced, but it is not available.

Mr R Irwin: I did not say that it was not available; I am just saying that we need to consider the profiling of the projects against the money that is available from DFP.

The Chairperson (Mr Nesbitt): I do not understand what that means. In the PFG, it states that you should have achieved £40 million in programme expenditure. That has not happened, and the narrative does not acknowledge that it has not happened. Why is that?

Mr R Irwin: What has happened is that £34.4 million has been made.

The Chairperson (Mr Nesbitt): That is not the question, Ricky. The question is why you have not acknowledged in your narrative that you have failed to meet your milestone for 2014-15 on Programme for Government commitments 31 and 32.

Mr R Irwin: I said at the start that it has taken longer than we had hoped to get the fund off the ground. That was a result of having to set up the necessary structures, supporting the steering groups

to develop the projects, and having to go through a robust economic appraisal process on those projects. We have taken all that into account.

The Chairperson (Mr Nesbitt): Would it be an idea to put those very words into the box that gives the narrative on progress?

Mr R Irwin: We can consider doing so for future updates.

Mr Moutray: Thank you for coming. You said in your introduction that there had been a considerable time-lapse in relation to when the applications came in. What is the Department willing to do for groups that have been successful and find, as a result of the time-lapse, that there will be an increase in costs for materials and labour?

Mr R Irwin: We have gone through a cost-validation exercise since the original list of projects was announced earlier this year. Some costs have increased. For example, on employment programmes, we know that the minimum wage has increased, which will increase costs. We also know that, in relation to capital projects, following the cost-validation exercises by CPD, some of those costs have increased. So, we need to validate those costs and revise letters of offer and agree them with the lead partners within the budget envelope available for each loan.

Mr Moutray: How will the integrity of the procurements for the projects be protected?

Mr R Irwin: The procurement process is different according to the type of project. Maybe Orla can set that out.

Mrs Orla McStravick (Office of the First Minister and deputy First Minister): We have a service level agreement with the Central Procurement Directorate in the Department, so it is involved with each of the lead partners directly to take forward the procurement for all the revenue and capital projects. CPD is supporting them through the whole process to make sure that it is done right.

Mr Lyttle: I declare an interest as a member of the east Belfast area steering panel. On the issue of not meeting the milestone for this financial year, in your introductory comments you said that there is a perception that progress has been slow. Any objective analysis would find that to be an outrageous comment, given how far we are behind that milestone. When will that milestone of full expenditure of the fund and the evaluation of the outcome of the expenditure be achieved?

Mr R Irwin: I cannot predict that. We have three cohorts of project: 23 where the commitment is there now; a further 12 that are imminent; and a final 22 projects that have taken longer to come through the process. We are exploring options for those 22 projects, so I do not want to speculate as to when they will be completed.

Mr Lyttle: So, the milestone of achieving that by 2014-15 is invalid.

Mr R Irwin: We will need to look at how we report against that target.

Mr Lyttle: The reports make reference to the lead partners in the area zones. How have the lead partners been identified and appointed?

Mr R Irwin: We asked the steering groups when they were submitting their area plans early last year to identify potential lead partners for each project. The steering groups provided that information.

Mr Lyttle: In administering the funds that go to the lead partners, what will be the role of delivery bodies? Will there be another separate process to identify organisations to deliver the projects?

Mr R Irwin: Again, that depends on the type of project, whether it is capital or revenue. I will let Orla explain that.

Mrs McStravick: On the capital side, the procurement will be for your design team, your contractor and the rest of it. Those at letter-of-offer stage are also going down the procurement route, so they will be working with CPD to procure a service-delivery agent to deliver their programmes.

Mr Lyttle: Is a management fee payable to the lead partners?

Mrs McStravick: There is in some instances, although it depends on the project and on the role of the lead partner. For example, some capital projects are clusters, so the lead partner is not the beneficiary of any of the capital builds, extensions or refurbishments. In such cases, the lead partner is monitoring and reporting on the Department's behalf and carrying out procurement, and there will be costs associated with that. It is not a management fee where you get a certain percentage — there is a cap — but there will be costs incurred as a result of the organisation carrying out that role.

Mr Lyttle: So, the management fees could vary.

Mrs McStravick: Yes, it depends on the project. There is not a set amount.

Mr Spratt: I welcome the projects in south Belfast that have been approved, particularly the facility for a day care nursery at Taughmonagh. On the length of time this has taken, initially the consultants who dealt with the steering groups made a real Horlicks of the projects did they not?

Mr R Irwin: A number of consultants were appointed across the zones. One consultancy firm covered the four zones in Belfast. There were —

Mr Spratt: They made a mess, Ricky. I am asking you whether you agree that they made an absolute Horlicks of the whole thing.

Mr R Irwin: I do not necessarily accept that there was a mess made.

Mr Spratt: Well, that is the perception of the people on the steering groups.

Mr R Irwin: We have four area plans in Belfast, with 10 projects in each area plan. We are moving forward with those projects, including the three in south Belfast that you referred to.

Mr Spratt: I understand what is happening in south Belfast, and I have already welcomed it. I am trying to get at the length of time that the consultants took and the messing about that they did. I understand that they were paid. How much were they paid for their flawed work? How much extra time was needed due to that flawed work, and what was the cost of holding the whole project up? In the south Belfast area, some people were very close to walking away from the steering groups.

Mr R Irwin: I fully accept that we had issues with consultants, and we tried to manage those on an ongoing basis.

Mr Spratt: Was the firm fully paid for the less-than-credible work that they did?

Mr R Irwin: No, that firm was not fully paid.

Mrs McStravick: That firm was contracted through CPD in the normal way. We went through CPD when identifying what was met in the tender requirements and what was not. We liaised with CPD to agree the payments. There are lessons for us to learn as a Department on how we use consultants, how the tender was done and what the outcome was. That is something that we would want to feed into any similar process. So, whilst we accept that there were issues and hold-ups in the economic appraisals —

Mr Spratt: It was more than issues. There were pretty serious issues, quite frankly, and they were very poor, to say the least. I will take it no further than that.

How much was that firm of consultants paid? What was the original asking price that was agreed under CPD for the work? You have an original estimate and then you have payment. Ricky, you have already told us that the agreed amount was not paid in full. Can you tell us the amount that was paid and can you tell us that under no circumstances will that organisation be asked to do any future work, given the total Horlicks that it made?

Mr R Irwin: I do not have the figures with me, but we can get them to you. The contracts with all the consultants have finished. There is no further work —

Mr Spratt: That says to me that you have paid the bills. Some of the work might have been done OK, but the issues were not just in south Belfast: my understanding is that in the southern area there were similar issues with the lead consultant. I want to know that we did not pay good money for pathetic and poor work. As a public representative, I am entitled to know that, and the Committee is entitled to know that. You need to supply those figures to the Committee.

Mr R Irwin: Absolutely. We can supply the figures: there is no problem with that. As Orla said, we have learned lessons from the contract with those consultants.

Mr Spratt: It is fair for the Committee to ask you what those lessons were. If those lessons have been learned, have they been taken out of the OFMDFM silo and shared with other Departments so that they are not caught in the same trap with similar second-rate consultants?

The Chairperson (Mr Nesbitt): Sorry, second-rate consultancy work, on this occasion.

Mrs McStravick: On the consultancy side, I think that the issues probably boil down to one particular aspect of the work, which was the economic appraisal side. We monitored the contract throughout with CPD. A lot of the other work that they were paid to do was the consultation — the engagement process — and the work with the steering groups, which many of the steering groups across the process were happy with and commended the consultants for doing. The specific element that the majority of the problems arose from was the economic appraisals, and that is where we looked at the spend and capped it in line with what we felt met the contractual requirements. Certainly, we can provide that information. However, it is important to look at it in the whole to see that it was not the whole contract that was the problem; it might have just been one particular element of it.

With regard to lessons learned, we are looking at that, and we want to share that with other Departments.

Mr Spratt: The other issue is this: for how long did that hold up the work? My understanding is that some work on the economic appraisals had to be done over again. Can you give us some idea on that? It might be good if we could get that in writing, Chair.

The Chairperson (Mr Nesbitt): I am amazed, Jimmy — if I can join in here. Surely, a vital role for a consultant in advising his own advisory panel would be to help it with the technical task of drawing up an economic appraisal and yet, even working with CPD somebody who was employed failed to meet the minimum standard on an economic appraisal. I have to say that that is shocking.

Mrs McStravick: It was not that they did not meet the minimum standard; it was maybe the fact that the economic appraisals did not meet the full requirements of what we expected for the tender.

The Chairperson (Mr Nesbitt): You are dancing on the head of a pin there.

Mrs McStravick: It is not just one consultant; I am not having a go at one particular consultancy firm. When I talk about lessons learned, it is important to reflect that we have learned lessons on how the tender was done, what was put in the tender requirements, and what role the consultants should have played.

The Chairperson (Mr Nesbitt): You cannot take full responsibility for that. If you worked with CPD, then surely central procurement failed.

Mrs McStravick: They did the tender on our behalf, but we inputted the tender specification.

The Chairperson (Mr Nesbitt): So you did not take their advice on how to tender.

Mrs McStravick: We did, of course, yes, but it would have been what —

The Chairperson (Mr Nesbitt): Did they not tell you that the tender was not properly written?

Mrs McStravick: No; I am not saying that it was the way in which the tender was written. It was perhaps what we envisaged the consultants doing from the start as the process went on. Maybe that

was not the right role for the consultants, and we should have had them doing something slightly different —

The Chairperson (Mr Nesbitt): So who did you consult before you decided what you wanted from the consultancies?

Mr R Irwin: This was in discussion with CPD on the best way to procure consultants —

The Chairperson (Mr Nesbitt): I thought that Orla said that you did not do that.

Mrs McStravick: No; we worked with CPD on all the tender documentation. We have to. That is part and parcel of it. However, from the Department's perspective, we set out intending to do the area planning process and thought that we would have consultants to support the steering groups. Maybe we did not tie down that role as specifically as we might have wanted or, with hindsight, we might have wanted them to do something slightly different from what we wanted at the time.

The Chairperson (Mr Nesbitt): At any point, did CPD say to you, "I think you might need to rethink this, because they might not be able to deliver what you want", or "What you are asking for is not actually what you need". ?

Mrs McStravick: No.

The Chairperson (Mr Nesbitt): Disappointing.

Chris, do you want back in?

Mr Lyttle: Yes, thank you, Chair. I declare an interest again. The principle of engaging grass-roots community in establishing what their needs are in relation to deprivation and dereliction is a good one. If I am picking up on what Jimmy said and what you said yourselves, the process by which that was undertaken has not worked out as well as people would have liked it to, and it may well have substantially fuelled the significant delays in expenditure. If I understand what Jimmy said — he is well able to correct me — he put forward a narrative that poor consultancy work was a significant, if not a major, contributor to that. I do not necessarily agree with that.

Mr Spratt: I am not suggesting that it was a major contributor. I did not suggest that.

Mr Lyttle: OK. That is why I said that you would be able to correct me. You said that there might have been issues with the tender terms of reference. I would like to consider whether the time given to consultants to consult and engage with communities and to call for applications and turn those applications from community groups that may never have had any experience with economic appraisals into green book economic appraisal standards was reasonable as well. If we are expressing such serious concerns, maybe there is a need to look at that process in a bit more detail to find out what did or did not happen. Some pretty serious comments are being made about it.

Mrs McStravick: That is the point that I was trying to make about the tender process. We set time frames and said that specific elements of work should be done at specific times. We have learned lessons about what we were asking them to do. You will know that the area planning time frame was extended by a month at one point because of feedback that people did not have enough time to robustly consult and develop the projects. A lot of lessons have been learned, and we need to capture those.

Mr Lyttle: It is helpful to state that. If we are serious, we might want to hear from the consultants and others involved to understand better how that process did or did not work, given that engaging the community in tackling deprivation and dereliction is a crucial aspect of what you are trying to do. Previously, that was done by the Department for Social Development. Indeed, there has been some debate about whether it should have been done the other way, so maybe we should look at that, Chair.

The Chairperson (Mr Nesbitt): Yes, I think that, after this session, it would be useful to have a conversation about what more formal questions we would like to put to the Department.

Orla, I am interested in one point that you made. You said that you set a timeline but then found that it was unrealistic and needed to give people another month. How did you decide the original timeline? Who did that?

Mr R Irwin: That was after the formation of the steering groups in the middle of 2012. We took advice from CPD about how best to go about procurement. We shared with CPD all the procurement documentation, including the timescales and the individual tasks in each of the tenders, and we determined that the time set aside was reasonable. When we started the process, the feedback was that people would like a bit more time. We responded to that and extended the timeline by a month.

The Chairperson (Mr Nesbitt): Was it the advisory groups saying that they wanted a bit more time?

Mr R Irwin: Yes, primarily.

Mrs McStravick: Yes, that came from the steering groups and through the consultations.

The Chairperson (Mr Nesbitt): Did CPD sign off on the original timeline?

Mr R Irwin: It signed off on all the original documentation.

The Chairperson (Mr Nesbitt): Right. I go back to my original point that, if there is a fault, it is not just with the Department or with you; those in CPD are also complicit. They had the opportunity to say that, as experts in the area, they thought that you needed to give another month here or six weeks there. However, they did not do that.

Mr Moutray: Are you aware of many resignations from the steering groups?

Mr R Irwin: There have not been too many. Maybe a handful.

Mrs McStravick: There have been a few. I do not know the exact number off the top of my head, but it is a small number.

Mr Moutray: Has anyone done any work on why people have resigned?

Mr R Irwin: I have not looked at it, but we could look at it. I know that some resigned because they have various other commitments.

Mrs McStravick: One or two resignations have come in very recently. I do not know the reasons for those.

Mr Moutray: It might be worth following that up. I am aware that frustration in the southern group is so great that it usually cannot get a quorum to meet. People are giving their time to do this. An issue has built up over a considerable period, and I suggest that you do some work to find out what the problem is there.

The Chairperson (Mr Nesbitt): I think that we are about done. The advisory panels were to be made up of representatives of the public sector, the voluntary sector and the business community. Were any businesspeople ever appointed?

Mr R Irwin: Yes.

The Chairperson (Mr Nesbitt): Were they all appointed as intended?

Mrs McStravick: I do not think that they have all been appointed, but the majority have.

The Chairperson (Mr Nesbitt): Which panels do not have an appointee from the business community?

Mr R Irwin: We do not have the breakdown. We probably need to —

Mrs McStravick: I know that there is definitely one zone. I am not sure which one it is, but we can provide that information to you.

The Chairperson (Mr Nesbitt): We might have a conversation and write to you with some specific questions. We will possibly include a question about that. Are members content?

Members indicated assent.

The Chairperson (Mr Nesbitt): Orla and Ricky, thank you very much.