



Northern Ireland  
Assembly

Public Accounts Committee

# OFFICIAL REPORT (Hansard)

NIAO Reports 'The Future Impact of Borrowing and Private Finance Commitments' and 'Belfast Metropolitan College's Titanic Quarter PPP Project':

Belfast Metropolitan College, Department for Employment and Learning and Department of Finance and Personnel

18 June 2014

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and 'Belfast Metropolitan College's Titanic Quarter PPP Project':  
Belfast Metropolitan College, Department for Employment and Learning and  
Department of Finance and Personnel

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

Ms Michaela Boyle (Chairperson)  
Mr John Dallat (Deputy Chairperson)  
Mr Trevor Clarke  
Mr Michael Copeland  
Mr Alex Easton  
Mr Paul Girvan  
Mr Adrian McQuillan

**Witnesses:**

Ms Elaine Hartin	Belfast Metropolitan College
Ms Marie-Thérèse McGivern	Belfast Metropolitan College
Mr Kieran Donnelly	Comptroller and Auditor General
Mr Derek Baker	Department for Employment and Learning
Mr Tom Redmond	Department for Employment and Learning

**The Chairperson:** With us today, we have Ms Elaine Hartin, Ms Marie-Thérèse McGivern, Mr Derek Baker and Mr Tom Redmond. Thank you for joining us. You are all very welcome to the Committee.

Members and witnesses, can we have all mobile phones switched off? They interfere with the Hansard recording. That also applies to visitors in the Public Gallery's phones.

I start by paying tribute to the new campus at the Titanic Quarter. The new building was finished on time, and I commend everyone involved. It has won awards for its design and environmental standards, and it also has a high level of staff, student and employer satisfaction. However, we are here today because we have concerns around the cost; the time taken to negotiate the contract and its impact on value for money; the delays that occurred prior to construction commencing; and the additional costs incurred outside the public-private partnership (PPP) agreement. Those concerns have led the Committee to conduct the inquiry, and we will be asking you questions about those areas. Members will have an opportunity to ask questions in their own core areas.

With your indulgence, I will start the line of questioning. As we are all aware, a key aspect of a private finance initiative (PFI)/PPP is the transfer of risk from the public sector to the private sector relating to the design, construction, finance, and maintenance and/or operation of assets. In return, the Government pay an annual unitary charge over the lifetime of the contract, which, in this case, is 25

years. The public sector has injected £20 million into this PPP project. What is the justification for that, and how does it fit into the PFI concept?

**Mr Derek Baker (Department for Employment and Learning):** Thank you, Chair, for your introduction. This was a complicated and very difficult project for all kinds of reasons. As you pointed out, the negotiation of the contract was buffeted by factors intrinsic to the project and, indeed, extrinsic to the project. I accept fully that it took longer than it should have done, and that is disappointing for us all. In all our dealings with the bidder and the potential contractor, both the college and the Department were trying to protect the public sector interest, and that point is acknowledged by the Audit Office in its report. Along the way, we faced substantial difficulties that, from time to time, had the very real potential to derail the project. There is no question about that. At times, it was close to failure. So, the college and the Department had to take some hard decisions, at some stages at seminal points in the project, about whether we wanted to proceed with it or let it fail.

One of the most significant issues that impacted on the negotiations was the property crash, which fed through to liquidity problems in the banks, the credit crunch and the loss of appetite among financial institutions to lend money. The bank specifically concerned with the project was losing its appetite to lend money to the bidder. At that point, the bank was threatening to walk away, and the college and the Department, on the one hand, and the special purpose vehicle (SPV), on the other, had to engage with the bank to shore up its confidence and to try to identify other financial backers.

The efforts to identify alternative financial backers failed. Either the terms that they were offering were too expensive or they were not prepared to put up the quantum of money that was needed. The Ulster Bank was held on board, but the price for that was that the Department and the college had to increase their up-front capital input to the project. However, I make the point that, in doing so, the benefit was a corresponding reduction in the unitary charge. For example, one of the decisions was whether to purchase the site for £5 million. That was always going to have to be purchased, and, if it were not purchased up front, it would have been purchased through the ongoing unitary charge. The increase in the bullet payment from £10 million to £15 million, which, admittedly, was done to save the project, again resulted in a reduction in the unitary charge over the lifetime of the project.

So, what did the Department and the college get out of the capital investment? They saved the project. In the case of the capital investment in the site, there was an economic advantage in doing so — I can go into that further later, if you wish, but I will not go into it now — and the unitary charge was reduced.

I do not know whether you would like to give me an opportunity to bring in any other colleagues if they want to add to that. I am at your disposal on that point. I do not know whether anyone wants to add any comments.

**The Chairperson:** Yes, if they want to add anything.

**Ms Marie-Thérèse McGivern (Belfast Metropolitan College):** To add to what Derek said, if the Chair's question relates to whether, in the end, what we got out was worth the effort, we would have to say that, from the college's point of view, all the criteria that we measure now suggest that it was. Hindsight can be 20/20 vision, and, at that time, there was a lack of alternative routes. PFI was effectively the only show in town, and government at that point could not have afforded to take on the investment. In that sense, it was the only way forward if we were to address the issues identified in the lack of quality in the College Square East and Brunswick Street sites.

**The Chairperson:** Before I bring in other members, you talked, Mr Baker, about the unitary charge. What would it have been if it had been reduced? Do you have a figure for that?

**Mr Baker:** I think that the additional £5 million that we put in the bullet payment resulted in a reduction in the unitary charge of just over £360,000 per annum over the 25 years of the project.

**The Chairperson:** I will let Mr Clarke come in.

**Mr Clarke:** Thank you, Chair. Marie-Thérèse said that PFI was the "only show in town". Was it the only show in town at any cost?

**Ms McGivern:** No, and I am not suggesting that at any cost would have been the way to do it, but I think —

**Mr Clarke:** Your comment was that it was the "only show in town". There should have been a caveat applied to that. It is OK if something is the only show in town provided that it is cost-effective.

**Ms McGivern:** I agree with you absolutely and entirely, and I think that public accountability would require that. What I am saying is that it was the only methodology and that, if we were going to proceed with a building, it was the only way forward. However, it also had to meet all the criteria that were set to prove that it was, in fact, advantageous to go down that route. I am not saying that we did it regardless. There was only one methodology, and we tested that methodology. If that methodology had not stacked up, I suspect that we would still be in College Square East and Brunswick Street.

**Mr Clarke:** And probably a lot richer for that.

In your opening remarks, Derek you made the point that the project was close to being derailed.

**Mr Baker:** Yes.

**Mr Clarke:** If you tie that in with Marie-Thérèse's comments about PFI being the only show in town, it suggests to me that you were going to do anything at any cost to make it work.

Why were the banks so nervous and wanting to pull away? That suggests to me that the banks did not see merit in the project and their investment in it. Maybe you can tell me why the banks wanted to pull away and why you were so enthused about trying to change the project to keep the banks on board.

**Mr Baker:** OK. Your first question was on why the banks wanted to pull away. That was a direct consequence of the property crash, which impacted on the liquidity of all the financial institutions and reduced their appetite to lend. If you roll back to the time that we are talking about and think specifically about the bank that we are talking about, it was in real difficulties. All the banks retrenched in their lending and lost their appetite to lend. Effectively, that was the credit crunch. They were very nervous. The Ulster Bank was being asked to lend a large amount of money to the bidder, and it did not want to lend it or, at least, was losing its appetite to lend it. The fact that the bank was getting nervous about it could be a reflection of the advantageous terms that had been negotiated as part of the project.

Your second question dealt with a really important point, and I agree with you. Was it a case of shoring up the project at all costs? No, it was not. Most definitely not. The project was hugely important to the college specifically and to further education generally. That is a given. There was also a pressing business need for it. The college was occupying two premises that were past their shelf life. There is no question about that. However, we were not engaged in a wild adventure on the project, and as the Audit Office report notes, at every stage and in every decision that we took, we sought to protect the public interest.

The point is that, in every decision we took on the PFI deal on financing, whether it was increasing the bullet payments, purchasing the site or whatever, we continually assessed whether we were securing value for money against the shadow bid model, which is the benchmark for testing value for money. Affordability is an absolute: you can either afford something or you cannot, and in this case, we could. Value for money is a relative assessment against some kind of benchmark, and we always secured value for money at every stage against the shadow bid model. So, it was not a wild adventure, and it was not done at any cost.

**Mr Clarke:** You have talked about affordability, but did you not have to get additional money pumped in? Was it £20 million?

**Mr Baker:** Yes, we —

**Mr Clarke:** So, your point is that affordability and value for money had to be borne in mind, yet you had to chase an additional £20 million.

**Mr Baker:** Affordability and value-for-money assessments were carried out at appropriate points throughout the project. Those were done according to all the guidance. Three such assessments were done as we approached the contract close, and, on each and every occasion, those assessments showed that the project was affordable and demonstrated value for money against the shadow bid model. With affordability, the proof of the pudding is in the eating, and the college and the Department are affording it. Indeed, when the Department decided to use its capital budget to invest in the project, it did so on the basis that it was good business for the Department. It was a priority project, and the resources were available from within its capital budget. It was quite prepared to invest in it, and it did not displace any other priority projects.

**Mr Dallat:** I will come back to you later to ask some detailed questions, but, Marie-Thérèse, I cannot help remarking on the fact that you said that hindsight equals 20/20 vision. Did anyone check the vision of the people who embarked on the project?

**Ms McGivern:** If you ask me, the vision was checked at regular times.

**Mr Dallat:** Why then was there such a cacophony of errors throughout the project. Albeit, at the end of the day, it was a success story, I suggest that that was achieved more by good luck than anything else.

**Ms McGivern:** We can go into detail, and the report addresses in detail a number of the errors that were suggested to have happened. I will keep you going for the next hour if you want me to go through a root-and-branch listing of those errors.

**Mr Dallat:** No, I have had a difficult day already. I have been down at the harbour and viewed the new building and all that.

**Ms McGivern:** We do not dispute that there were difficulties in the way in which decisions were taken on the college. That is already on public record. There were difficulties, and that is a lesson for us. I think that we have learnt many lessons from it. We have gone on to build a second building since. Hopefully, it will not find its way to the PAC at a future date.

**The Chairperson:** You would not do the same thing again.

**Ms McGivern:** No, we did it very differently from the first time.

**Mr Dallat:** Chairperson, we are dovetailing very well. My only purpose in being here is to make my contribution to a report that will make sure that public money will never again be put into such a situation, in which people were not in control. That is the only reason for being here.

**Mr Girvan:** I appreciate that we are dealing with whether this all stacks up, and I appreciate that the people at the end of the table are not necessarily the people who made the decision initially. You might well be trying to dress up the details of what happened. Quite a few further education colleges have been built over recent years. There is a valuation of how much you spend per square foot. I appreciate that we have a high-quality building, but is there any indication of benchmarking of what was spent to deliver the facilities at Titanic against what was spent on other further education properties throughout Northern Ireland — I will not bring in England, instead focusing on what has happened in Northern Ireland — and against new facilities that have been provided in the past number of years? What is the cost associated with those per square metre, compared with what we pay and have paid for at Titanic? There is a table at appendix 3 that makes very interesting reading. I would like some rationale for the breakdown. How do we end up with a unitary cost at such a level?

**Mr Baker:** Chair, I will take that question. In response to Mr Girvan's first point, I am the person responsible.

**Mr Girvan:** Now. I know that.

**Mr Baker:** I am the person responsible. How did we get to the cost of this thing? It is a very good question, and you are absolutely right. What does it cost to build a college? What is the right price to pay for a college? It has got to be about more than sticking your finger in the air and guessing.

**Mr Girvan:** I have another question. Who set the specifications of the finish?

**Mr Baker:** OK. That is why we have the process called a shadow bid model. Through that process, you commission independent advice. The adviser looks at what it is you are trying to do, and advice is given on what would be a reasonable price based on all the adviser's experience in engaging with the private sector. That is your reference point. The advice tells you whether you are paying over the odds, below the odds, or whatever. That is the recognised way of assessing such matters.

**Mr Girvan:** Is that assessed by consultants?

**Mr Baker:** Yes.

**Mr Girvan:** OK. That might dovetail with other questions.

**Mr Baker:** It is a very detailed process. Your point about benchmarking is a good one, too. It is a difficulty in further education, for all kinds of reasons. If you think about schools, you will see that they are much easier to do. Think about enrolments in schools: you have your set population; there is a statutory duty on a certain age group to attend; and pupils are attending five days a week, from 9-00 am to 3-30 pm, or whatever the times are. You can work out the usage of your building and whether it is being used efficiently. Now think about a further education college: enrolments fluctuate; people go at their own discretion; and there are part-time, full-time, evening and short courses, as well as everything else. Getting the metrics by which you can benchmark the usage and the efficiency of that usage between one college and another is difficult. However, a lot of detailed work is going on with the Strategic Investment Board (SIB) for Northern Ireland to look at an asset management strategy across the public sector. Specifically within that, work is being done with further education colleges so that we can assess, across the six colleges that exist, and, indeed, within the campuses that exist, whether we are getting efficient use of the square footage and premises that we have. That is a work in progress. It is very difficult work, because comparing apples with apples is sometimes hard to nail down, given the different curricula in different facilities, but we are working on that. That will be used as part of the benefits realisation on this project, and for us in the Department to assess the relative performance of colleges. We have become a bit more sophisticated over the years, and we have a further education health check, which draws together all kinds of metrics: finance; qualifications; staffing ratios; and quality inspection. We will include that as well. I cannot give you a definitive answer now, because that work is not completed. However, it is work in hand, and we recognise the need to do it.

**Mr Girvan:** Would that include a whole-of-life cost across similar projects?

**Mr Baker:** I honestly do not know. I am happy to get back to you and give you more detail on that benchmarking.

**Mr Girvan:** A number of questions will come up today, and we might not necessarily get the answers to them from you. I would appreciate it if those details could be brought back to the Committee.

I am asking one question in particular, and that is for an overall, whole-of-life project cost and valuation between one project and another. We have a list of similar projects here. I believe them to be similar, but they may be totally different. I am also interested in the specification that was used in the building and in who set that specification. By that, I mean the finishes that were used.

**Mr Baker:** The specification for the building was set out in great detail in the contract and the project agreement. I have looked at that, and it runs to 400 pages in total, including 24 appendices, and all of that was set out.

**Mr Girvan:** Who set those? Was it the consultants or was it the Department?

**Mr Baker:** The project board set —

**Ms McGivern:** Sorry, I just want to say how we got to developing the spec. The college did an original vision economic appraisal of the two buildings, which it initiated in 1999, and that was completed in 2000. The conclusion was that there was a requirement to replace the two buildings in the city centre. That formed the basis of the kind of spec that eventually emerged. Springvale then intervened, so the original business case that emerged around 2000 had to be refreshed in 2004, and

it had to take into account the change in what could have been at Springvale and what, in fact, happened. That refreshed business case then set the framework to develop the spec, so the spec came from the work that the college was doing internally. Obviously, the college was passing on information to DEL, but it would have been doing that internally. The college set the spec and made sure that, whatever it was, the building would meet the student number needs of College Square East and Brunswick Street, as well as address compliance issues. Those were a real problem, particularly in College Square East because, as we were moving, the disability legislation was changing. The bones of the spec came out of that visioning, the business case processes and the refresh business case processes. In that sense, the project board — the capital projects board, as it was then, in the college — developed the spec.

**Mr Girvan:** Other Committee members might want to come in.

**Mr McQuillan:** Is the project board guided by the consultants or were they part of the project board?

**Ms McGivern:** My understanding is that the college did use consultants. The college brought in consultants in 2002 when it did the original piece of work, and it may well have used consultancy support in 2004 when it did the refresh business case. However, it would have been an iterative process. Consultants may well have been used to get into the nitty-gritty and the technical information, but the framework of what the college wanted, which is the basis of the spec, would have come initially from the college. The consultants may well have turned that into square footage and all those other issues that you can imagine, but the spec would have come from the client.

**Mr Baker:** Can I bring in Tom to try to answer Mr Girvan and Mr McQuillan's questions further?

**Mr Tom Redmond (Department for Employment and Learning):** I will go back to the shadow bid model. The shadow bid model is a financial model that comes to a conclusion about what the overall cost of the project will be. The individual inputs to that shadow bid model will be contemporary information relating to build costs, whole-life cycle costs, design costs and other costs that feed into and come out with a net present value that is the benchmark against which the project has to be delivered. So, if you think that the shadow bid model sets the cost barometer and the value-for-money barometer against which the project has to be delivered, the quality that you are looking for is the best available quality that you can get within that benchmark parameter. So, by putting an NPV on the shadow bid model, you are effectively saying that that is where we expect the quality to come in at and the best quality that we can get.

You mentioned earlier the costs relating to different projects, and it is difficult to compare them across time because, as you can imagine, building square metres of further education accommodation in 2007-08 at the height of the property market would have been much more expensive than it would have been perhaps six, seven or 10 years earlier. So, the cost per square metre going into the shadow bid model in 2007-08 would have been significantly higher than if a shadow bid model had been constructed five or six years earlier.

**Mr Girvan:** I —

**Mr Redmond:** Sorry, I will just finish this point. The shadow bid model was constructed by the college's independent advisers. In addition, when it was completed, it was independently signed off by DFP's Central Procurement Directorate.

**Mr Girvan:** I can accept that, but you must appreciate that we are dealing with a number and that the South Eastern Regional College developed two within a very short period and a similar time frame, yet its unitary square metre cost is nowhere near. It is roughly 40% less than was spent in relation to the Belfast Metropolitan College.

You alluded to how you compile those business cases and how you present the whole lot. We developed a business case for 12 car parking spaces yet ended up having to build a car park, and we have a 25-year lease on the building but a 40-year lease in relation to the car park and the contract associated with that. The original business case stated that you need 12 car parking spaces. I might be wrong. I do not want to get too deep into that because others will want to deal with that. I am more worried about the 40-year contract on a car park when we do not have a 40-year contract on the rest of the building that is associated with that car park.

**Mr Baker:** Chair, I will take the point about the car park. The car park was built at absolutely no cost to the college and the Department. This was an issue —

**Mr Clarke:** Was there not a £5 million injection there?

**Mr Baker:** By the bidder and the bidder's bank. The college and the Department put precisely no money into the car park. That was a bit of good business by the college and the Department. The bidder for —

**Mr Clarke:** Is that how you describe it?

**Mr Girvan:** We are paying year-on-year from the public purse for use of that car park.

**Mr Baker:** No, we are not. We are getting an income indexed at 5% year-on-year for the car park, and the asset reverts to the college after 40 years in its entirety. The bidder, for its own purposes, decided that it wanted to build a basement car park. We can speculate as to the reasons for that. The bidder wanted the college to pay for the car park, and you can understand how the bidder may come along and say, "Why wouldn't you want a car park? It will enhance the building, it will be convenient and you might generate a bit of income". But the college said no and the Department said no, and they stuck to their guns on that. So, eventually, the bidder, which really wanted a basement car park for its own reasons, funded that at its own cost with borrowing, presumably from the bank, of over £5 million. It is operating that car park. It is paying a modest income to the college. It is only £10,000 a year, but it is index linked at 5% for 40 years. At the end of 40 years, that will revert to the college. So, the college and the Department are not one penny out of pocket for the car park. That is why I said that it was a bit of good business. The college is getting the benefit, or the convenience. It is not a monetary benefit, but the college is getting the convenience of having a basement car park. I think that there might have been a misunderstanding that somehow the college had paid for this; it did not.

**The Chairperson:** Kieran, as Comptroller and Auditor General, do you want to make a comment on that?

**Mr Kieran Donnelly (Comptroller and Auditor General):** I will return to paragraph 2.8. Connected with the difficulties with the car park, you will see in paragraph 2.8 that:

*"The funding bank and ICL sought potential co-funders for the project but this was unsuccessful. In order to find a solution to the funding situation, an increase in the public sector capital contribution (a 'bullet' accelerated debt repayment) to the project from £10 million to £15 million was negotiated".*

So, there was a further increase in the upfront bullet payment. I suppose that there seemed to be a connection with the increased risks to the project and the car park.

**Mr Baker:** I want to be absolutely clear on this point: I do not know whether the C&AG is suggesting that the college or the Department put any money into this car park, but I am saying, unequivocally, that they did not. No public money went into the car park. The college is getting an income from the car park; the asset will revert to the college after 40 years. The increased bullet payment was nothing to do with the car park. I am making that point. I do not know whether the C&AG is saying something different.

**Mr Clarke:** Derek, have you accepted the report?

**Mr Baker:** I have accepted the report.

**Mr Clarke:** Have you accepted the report in its entirety?

**Mr Baker:** Yes.

**Mr Clarke:** If you have accepted the report, have you read paragraph 2.8? I will give you a minute or two to read it.

**Mr Baker:** I do not see the report saying that the college or the Department —



**Mr Clarke:** It says that there was:

*"(a "bullet" accelerated debt repayment) to the project from £10 million to £15 million".*

When I went to school, that was an additional £5 million.

**Mr Baker:** Yes, but —

**Mr Clarke:** That was referred to as the bullet payment, and it was in conjunction with the car park. It is in paragraph 2.8 of the report, which you have accepted.

**Mr Baker:** I do not read that paragraph as saying that that bullet payment is in respect of the car park.

**Mr Clarke:** How do you read that paragraph, given that one of the paragraph's opening comments refers to the construction of the underground car park?

**Mr Baker:** I do not accept that that paragraph says that the bullet payment was in respect of the car park. I simply do not accept that.

**Mr Clarke:** Chairperson, can I read it into the record? Paragraph 2.8 states:

*"In order to find a solution — "*

the solution being to the underground car park

*" — to the funding situation, an increase in the public sector capital contribution (a 'bullet' accelerated debt repayment) to the project from £10 million to £15 million".*

Derek, can you explain to me how that is not an additional injection of £5 million in relation to the car park?

**Mr Baker:** Yes, because I do not accept that the solution to the "funding situation" refers to the car park. I simply do not accept that.

**Mr Clarke:** You have accepted the report, and that is clearly what it says. That is the understanding that any layman or laywoman who reads it will have.

**Mr Baker:** Sorry, for the record, Chair, can I say that I do not accept that the "funding situation" refers to the car park? For the record, I want to say clearly that the Department and the college put no money whatsoever into the car park. No money.

**Mr McQuillan:** What was the £5 million used for then? Can you tell us that?

**Mr Baker:** The increase of £5 million in the bullet payment was used to reduce the unitary charge.

**Mr McQuillan:** How much did it reduce it by?

**Mr Baker:** Over three hundred and sixty —

**Mr McQuillan:** Was it what you said earlier?

**Mr Baker:** Yes, sorry. It was not used to fund the car park; it simply was not.

**The Chairperson:** A couple of members want to get in. Kieran, do you want to respond before I let members come in?

**Mr Donnelly:** I accept what the accounting officer is saying to an extent; there was no direct connection in terms of funding the car park. But what we do know is that, just months before signing the PPP agreement, ICL's funding bank advised that the appetite to provide the entirety of funding for the project was significantly reduced, partly due to the financial markets but also to additional interface

risks with the project, ie the underground car park. So, the underground car park was certainly factored into that bank assessment. It may not have been the only factor, but it seems to have had relevance.

**Mr Dallat:** Chairperson, with your permission, I want to go back to an interesting point that Paul raised but that was left hanging. For the record, I am extremely keen to establish who was in charge. Who was the captain of the ship? I am prone to blaming consultants for things, but Marie-Thérèse said that they just came in and out, so we can rule them out. What grade was the person in the Department who was handling all that money?

**Mr Baker:** I will answer that in the first instance. There were governance structures around the project and there was a programme board, and that was chaired, as is typical in these projects, by the senior responsible owner. That person —

**Mr Dallat:** The senior responsible owner; now, explain —

**Mr Baker:** Sorry, that is a technical term that we use in project management. The senior responsible owner in your terminology, Mr Dallat, is the captain of the ship. The senior responsible owner was the principal of the college throughout.

**Mr Clarke:** Who was it?

**Mr Baker:** The name changed a number of times as principals came and went.

**Mr Dallat:** We had loads of captains of the ship. Did they throw them overboard or what happened?

**Mr Baker:** It is in the appendix. During the lifetime of the project, a number of principals of the college retired and some went off with ill health. One went off with ill health and retired on health grounds.

**Mr Dallat:** Any wonder. Derek, who in the Department is taking responsibility?

**Mr Baker:** I am taking responsibility.

**Mr Dallat:** You are the current accounting officer. I have done no research, but were you the accounting officer when this happened?

**Mr Baker:** I came to the post this time last year —

**Mr Dallat:** You are not guilty then.

**Mr Baker:** — as an acting permanent secretary.

**Mr Dallat:** Chairperson, I want to put on record that Derek is not guilty. He was not in charge.

**The Chairperson:** Who was the accounting officer at the time?

**Mr Baker:** There were probably a number of permanent secretaries.

**Mr Dallat:** I am sure that you have done at least a couple of days' rehearsal before coming here, and you do not know.

**Mr Baker:** Well, give me a year. Which year are you talking about? The project ran from —

**Mr Clarke:** Every year.

**Mr Baker:** — 2004 through to 2011.

**Mr Clarke:** We are happy to take every year. We have all day.

**Mr Dallat:** Marie-Thérèse said that she could give me an hour. I can take all day. I want to know.

**Mr Clarke:** We can come back another day if you want.

**Mr Baker:** During the lifetime of the project, there were probably three different permanent secretaries.

**Mr Dallat:** Who were they?

**Mr Baker:** And, indeed, senior responsible owners. I can give you the names of the senior responsible owners. Tom has shown me a list of them. It is in my briefing pack. Do you want me to read out the list?

**Mr Dallat:** Yes.

**Mr Baker:** OK. From 2001 to August 2002, a Mr Paddy Murphy was the senior responsible owner. He was the principal in the college. Between September and December 2002, Mr Trevor Neilands was the principal in the college. Between January 2003 and October 2008, Mr Brian Turtle was the principal in the college. All those individuals were senior responsible owners of the project. Between April and June 2008, just for a short period, a Mr Trevor Smyth was the principal and senior responsible owner. Between July 2008 and October 2010, Mr Raymond Mullan was the principal. From November 2010 until the present date, Marie-Thérèse McGivern, who is beside me, has been the principal of the college and the senior responsible owner for the project.

**Mr Dallat:** Well, Marie-Thérèse is here. Fair dues to her. Why are the rest of them not here?

**Mr Baker:** Chair, as you know, the convention is that current accounting officers attend. I do not think that the previous accounting officers were invited to the Committee.

**The Chairperson:** Basically, Deputy Chairperson, I think that what you are saying is that the people who are solely responsible for the debacle are not in front of us today.

**Mr Dallat:** You are right, Chairperson. It is a serious weakness in the whole system that one person is sent to carry the can for others whose names we had extreme difficulty extracting from you.

**Mr Baker:** Sorry, I did not have the list in front of me when you asked me, Mr Dallat, but I am more than happy to give it to you.

**Mr Clarke:** I thought that you said that you had it in your briefing pack.

**Mr Baker:** Yes, somewhere, but I could not lay my hand on instantly. Tom kindly found it and put it in front of me.

**Mr Dallat:** I am going to come back in later. We still have not established who was in charge.

**The Chairperson:** I know that some members have yet to go into their lines of questioning and we are time bound.

**Mr Dallat:** I apologise if I have —

**Mr Baker:** Sorry, just on that point, which is very important: under the governance structures for any project, the senior responsible owner is in charge of all aspects of the project. That is the way that governance works with project management.

**Mr Dallat:** One of the things that I was trying to find out was who in the Department had a watching brief on it? Who allowed it to drift from 12 months to 23 months? Who managed to successfully create a situation in which there was no control?

**Mr Baker:** I would dispute the suggestion that there was no control.

**Mr Clarke:** You were not there.

**Mr Baker:** You are absolutely right, Mr Clarke, but I have to answer the questions that you are putting to me.

**Mr Clarke:** Then answer the question that the Deputy Chair put to you.

**Mr Baker:** The permanent secretary is ultimately in control of the Department. If you want to go back to 2001, you know who the permanent secretaries were. You could name them. I could name them.

**Mr Dallat:** I promise you, Derek, that I do not learn them off by heart.

**Mr Baker:** OK. Do you know what, Chair? You are making me feel very uncomfortable asking me to name other permanent secretaries.

**Mr Dallat:** Oh right.

**The Chairperson:** Can I just —

**Mr Baker:** It is as if I am in the position of being asked to pass the buck to somebody else. I am the person who carries the can for this.

**Mr Clarke:** Are you acting as the human shield then? I have heard that phrase being used in the Building before.

**Mr Baker:** No, I am not.

**Mr Clarke:** Then I do not think that there is any difficulty in putting out the names of those —

**The Chairperson:** Members, can I just intervene? It would not be hard to find out who it is. We can go through the research and find out who the accounting officer was at the time. We have to move on. Mr Easton has to leave early, and we have to get into his line of questioning.

**Mr Dallat:** I have asked your question, sorry.

**Mr Easton:** Have you? Right, OK.

**The Chairperson:** It is not the purpose of the Committee to make you feel uncomfortable either.

**Mr Easton:** It took 30 months to negotiate the contract. Surely, that is way beyond what it should have taken, even taking into account the magnitude of the project and the contractual complexities. Do you agree with that?

**Mr Baker:** I agree entirely with you.

**Mr Easton:** Preferred bidder status was awarded in July 2006, subject to satisfactory clarification on a number of issues. What were those issues?

**Mr Baker:** I do not know whether I could hand over to Tom on that, because I honestly do not know what the specific issues were in the preferred bid. I apologise; I do not have that information. I do not know whether Tom can add to that.

**Mr Redmond:** I can add a little to it; I cannot give you the full exhaustive list. There is a preferred bidder letter that we can make available to the Committee at a later date. Basically, we would have looked at the bid from ICL and, subject to being given some satisfactorily answers on things such as planning risk and various other issues — if it could give us a positive answer on a list of items — we would have been minded to confer the status of preferred bidder on it. I can certainly make those conditions available to the Committee.

**Mr Easton:** I am not having a go at any of the panel before us, but I think that we have the wrong people here to answer our questions. That is just an observation.

**Mr Redmond:** I suppose that I should maybe put my hand up and say that I was here for most of the project. In relation to an earlier question —

**Mr Clarke:** Why can you not answer that question?

**Mr Redmond:** Why can I not answer the question?

**Mr Clarke:** Yes, the question that has been posed about the problems.

**Mr Redmond:** The problems in relation to the preferred bidder.

**Mr Clarke:** Yes.

**Mr Redmond:** The preferred bidder letter was issued around 2006. I am sorry that I do not have the full details of it in my head at the moment, but, as I said and promised, I can make it available to the Committee. It would have contained some general issues about planning and various other items, clarifications and details about leasing. As I said, I have not got the exact detail.

**Ms McGivern:** Sorry, Tom, just to interject: paragraph 3.5 sets out where some of the issues arose. There were certainly technical issues with the leasing arrangement. It was quite complex, the land belonged to the Harbour Commissioners and there were a lot of interfacing issues. There were also planning issues that, again, ICL may not have expected. We know what was happening in the Titanic Quarter at that time with the masterplan and what the Planning Service wanted at that point.

The impact of the credit crunch obviously gave ICL significant problems, ultimately with equity partners and in trying to get sufficient funding for the project. From the college's point of view, I have to say that there were also capability and capacity issues on the part of the college. Those are in the public domain.

In my view, none of those were good additions — I was director of development at Belfast City Council, so I am used to doing large-scale projects. Twelve months seems to be a very optimistic guess for a piece of work of that complexity to be put through. My view is that it was wrong to say that it could happen in 12 months. The expectations were too high.

**Mr Clarke:** Chairperson, I want to come in for one second. A bit like Derek, I am very uncomfortable with the way that this is going. We have officials here, we are trying to scrutinise a particular report and they are not across the brief, cannot give answers to the questions or delve into the detail on some of the stuff, even the question that Alex just asked. If we cannot be furnished with that detail as part of the inquiry, I really do not see the point in us going on. That really gets into the nuts and bolts of what was wrong and how some of us have come to the opinion that the thing was totally and utterly out of control. We have officials here today, and they cannot furnish us with those answers.

We might be playing with the semantics a few minutes ago with the names, but we are now looking for the level of detail about what the problems associated with the contract were, and they cannot give us that. I propose that we should suspend the meeting, send the officials away and get the right people here to answer the questions.

We are trying to build confidence in the public out there. The Audit Office has done a very detailed report and there are gaping holes in what the officials are bringing to the table. We cannot get into the level of detail that we want to examine the nuts and bolts of the project and how, some of us privately think, it fell apart.

**Mr Baker:** In response to that, I can discuss the difficulties with the contract and the kind of things that Marie-Therese has just mentioned. I can discuss the difficulties that arose in the negotiations about the lease, about the car park, about the —

**Mr Clarke:** That is very good, Derek, but that question has been asked and you could not answer it.

**Mr Baker:** Sorry, it was a slightly different question that Mr Easton asked. Mr Easton asked about the letter at preferred bidder stage — not the difficulties in the contract that subsequently arose in the negotiations, but the issues of clarification that were required at preferred bidder stage. I am paraphrasing Mr Easton, but —

**Mr Clarke:** I would rather that officials who come to the Committee are across the whole brief of the whole project so that they can answer the questions that whichever member wishes to pose, rather than offering to supply us with the answers at a later date. We really want to get into detail so that we can get our heads around it, find out what went wrong, who was responsible and make sure that it does not happen again. The bit that bugs me is that it is public money. If those people had been putting money in from their wallets the project would never have been at the Titanic Quarter.

**The Chairperson:** Can I just say that there are seven members — Mr Copeland, I know that you want to come in — and they have particular areas of questioning.

**Mr McQuillan:** Chair, we have to get answers. There is no point in asking the questions if we are not getting answers.

**The Chairperson:** We will tease that out through the course of the session.

**Mr Clarke:** Well, it has not happened so far.

**The Chairperson:** If there is something that you cannot answer, if information can be forwarded to the Committee —

**Mr Clarke:** Chair, I made a proposal?

**The Chairperson:** There are other people who want to ask their questions, Mr Clarke.

**Mr Clarke:** Chair, I think that we are wasting our time, we are wasting the Committee staff's time and we are wasting the Audit Office's time in going through this because it is a total charade.

**The Chairperson:** The accounting officer has said that there are questions that can be answered and I would like to hear the questions that can be answered.

I will let Mr Copeland in, as he has been waiting for some time. Thank you for your patience.

**Mr Copeland:** It has been interesting. I must say that I find myself having some sympathy with Trevor's views, for the first time, probably.

Significant unresolved issues existed with Ivywood Colleges Limited at the time that the deal started to proceed. It was still appointed as preferred bidder. Then, within four months of being appointed as such, in a flash of inspiration, this car-parking issue appears on the horizon. Did it not give some concern that that 16-week period was sufficient to pretty much radically change the whole concept to such a degree that the banks then considered it to be a more unacceptable risk, if I can put it in those terms?

I am also curious as to how the costs of the car park were calculated. I know a wee bit about concrete and I know an awful lot about foundations. The building structure that you require to build a building on the ground is one thing, but the building structure that you require to build a building on top of a car park that is underground is an entirely different kettle of fish. The foundation structure is different, there is tanking, and there are different supplies of services, particularly if there are two leases available. In your view, the total cost of the car-park component, which would have utilised certain things like foundations or values for foundations that would have been in the original building: did those amounts come out of the contract price for the building in the first place or were they simply added in because they are all standing on the one foundation? The foundation is actually the foundation of the car park, so what did we pay for? Did we pay for a car park or did we pay for a void underneath a building?

**Mr Baker:** To answer the first point; yes, we were concerned, because the bidder had submitted a proposal that was accepted on the basis that the bidder would provide a surface car park. Now, in truth, the car parking issue was really — I will not say nothing to do with the authority on this one, but it was a separate issue because the provision of car parking was a planning consideration, and planning

risk was transferred to the bidder. So, the only specification in the invitation to negotiate documentation was for a very small number of parking spaces. If the bidder needed to, in order to meet planning conditions, or wanted to provide additional car-parking space, it was for the bidder to seek planning permission. Responsibility and risk for obtaining that planning permission rested with the bidder in its entirety, but it was a matter of great concern that, shortly after the preferred bidder stage, the bidder came back and said that it would like to build a basement car park. As I said, we can speculate as to the reasons for that, and that speculation is probably that the long-term attractiveness of building a surface car park in Titanic Quarter diminished for the bidder because it might have felt that, in a number of years — sorry, did you want to interrupt?

**Mr Copeland:** Sorry, I just wanted to keep this train of thought. The original preferred bid included a provision for how many car-parking spaces?

**Mr Baker:** I think it was in the high teens.

**Mr Copeland:** Twelve?

**Mr Baker:** Twelve; sorry, my apologies.

**Mr Copeland:** And this is a metropolitan college catering for how many pupils?

**Mr Baker:** A couple of thousand, but the point is that the provision of car-parking was a planning condition and, under the terms of this arrangement, planning risk and meeting planning conditions rests entirely with the bidder. The Department and the college were not going to pay for that. The risk rested with the bidder.

**Mr Copeland:** I know a wee bit about foundations, concrete and planning. If someone told me that they were going to construct a signature building on the banks of the River Lagan, a regenerative building in a post-industrial area for several thousand students and — how many staff?

**Mr Baker:** About 250 staff.

**Mr Copeland:** And there were only 12 car-parking spaces?

**Mr Baker:** Yes.

**Mr Copeland:** I would have said that they were laughing at you.

**Mr Baker:** Sorry, Tom —

**Mr Redmond:** Sorry, can I come in there? In addition to the small number of car-parking spaces that were identified in the tender, ICL's original bid also offered a surface car park with 240 car-parking spaces for a period of 10 years, on a site adjacent to the current BMC site. It also specified that the additional car park—

**Mr Copeland:** Did they own the site that they were putting this car park on?

**Mr Redmond:** Titanic Quarter owns the site that they were specifying for the additional 240 car-parking spaces. They also specified in their bid additional car-parking spaces in conjunction with the Odyssey Arena.

**Mr Copeland:** What was that, at the arena?

**Mr Baker:** The car park opposite the arena.

**Mr Copeland:** Which is owned by the —

**Mr Baker:** It is owned by the Odyssey, but they were going to negotiate a concessionary rate for those car-parking spaces. So that was in their bid.

**Mr Copeland:** What is the site of the 250 proposed car-parking spaces adjacent to the current site of the college being used for now?

**Mr Baker:** It is not used for anything.

**Mr Redmond:** Subsequently, ICL changed their proposal to the basement car park, and the surface car park did not materialise in the changed proposal.

**Mr Copeland:** Was the surface car park part of the original tender price?

**Mr Baker:** Yes, it was part of the original tender price.

**Mr Copeland:** So they took that out; they got an extra £5 million for this car park going in underneath —

**Mr Redmond:** Sorry, they did not get —

**Mr Copeland:** No. They had this site. Belfast Metropolitan College was to have 250 parking spaces in an adjacent site. ICL then removed the 250 car-parking spaces and built this thing underneath.

**Mr Redmond:** Yes.

**Mr Copeland:** What is the value of the site, if you can park 250 cars on it?

**Mr Redmond:** That was negotiated at the time, obviously quite a number of years ago. The costs of providing that were taken out of the bid.

**Mr Copeland:** What was that cost?

**Mr Redmond:** I cannot remember an exact number of pounds.

**Mr Copeland:** What would have been the capital value of what it would have been used for? I would like an answer to that.

**Mr Redmond:** It would not have been a capital value, because what was being offered in the bid was 10 years. It was not a site in perpetuity. It was a car-parking facility for 10 years only, after which, obviously, it would have reverted back to whatever use ICL or Titanic Quarter could have achieved for it.

**Mr Copeland:** And is Titanic Quarter connected with the Ivy people who actually did this?

**Mr Redmond:** Yes they are the parent company.

**Mr Girvan:** Can I ask one question? If it was a 10-year lease for that car park, yet we were in a 25-year lease on the building, therefore, for 15 years of the use of the building, would there not have been a difficulty? If ICL decided to actually redevelop that site and put another building on it, you were then going to have to look for car parking, because you only had a 10-year lease in relation to car parking, yet you had the life-lease on the building.

**Mr Redmond:** I think that that was actually part of ICL's difficulties, in that they latterly realised that, having provided those car-parking spaces for the college for 10 years, in 10 years' time it would have been a planning issue, as to whether they would have got a change of use for that facility.

**Mr Baker:** The car park — sorry.

**Mr Redmond:** If I could just add one other thing. The addition of the basement car park did not change the cost specified in ICL's bid for the college. Anything that was done in relation to the basement car park and any additional costs associated with it was met by ICL from within its own resources. The cost of the college building did not change from what had been specified in the tender.



**Mr Copeland:** Including the foundations, excavation and tanking?

**Mr Baker:** Correct.

**Mr McQuillan:** Tom, you said earlier that you were involved in this from the early days. What was your role throughout the whole project?

**Mr Redmond:** My role was to represent DEL on the project board of the BMC project and report back through to my accounting officer, who was the person with responsibility for DEL's involvement.

**Mr McQuillan:** So, you sat on the project board throughout this.

**Mr Redmond:** Yes.

**Mr McQuillan:** Were any of your three colleagues on it, or was it just yourself?

**Mr Redmond:** Just me.

**Mr McQuillan:** Who was leading the project board?

**Mr Redmond:** The SRO and the names that Derek read out.

**Mr McQuillan:** They were on the project board as well.

**Mr Redmond:** They chaired the project board. The project actually belonged to Belfast Metropolitan College.

**Mr McQuillan:** From hearing that, I think that Trevor is 100% right that we have the wrong people here. I second his proposal. We need to get to the nitty-gritty of this. The college failed miserably to manage even its consultancy fees, for instance. There was a £300,000 cap over three years, and it ended up at £1.5 million. It should have been £1.8 million, but, after a bit of reasonable negotiation, it ended up at £1.5 million. That is something that the project board should have been over from day one, and it let it slip. It has failed miserably.

**Mr Dallat:** If Adrian would permit me; you were obviously the continuous liaison with these people. In your honest opinion, on the record, were these people qualified to take charge of a multimillion pound project like that? So many of them have moved on to greater things. The reason why I am asking the question is that, as I said at the very beginning, we would like to produce a report that prevents people who have absolutely no concept of managing very clever people on the other side from doing so. Is that what it was? Tom, you had a very difficult job; how did you do it?

**Mr McQuillan:** Why are you still there? *[Laughter.]*

**Mr Redmond:** Most colleges —

**Mr Dallat:** What training did they have?

**Mr Redmond:** Most colleges would not deliver more than one project of this magnitude in their lifetime.

**Mr Dallat:** Is that not a queer job?

**Mr Redmond:** To supplement that, the college would have appointed a team of advisors who would have the technical, legal and financial capability to do this. We are talking about —

**Mr Dallat:** With Adrian's permission; could you please name all the people, who presumably got fat payments? Who were the people who gave all this technical advice to the innocents at sea who were in charge of the project, and how much did they get?

**Mr Redmond:** I can name them. The advisory team was appointed in 2002 and stayed until the project was signed in 2009. The financial expertise was supplied by KPMG, the legal advice was supplied by A&L Goodbody, and the technical expertise was provided by Farrell Grant Sparks.

**Mr Clarke:** May I ask how much they received?

**Mr Redmond:** The sum of money that was mentioned earlier: £1.5 million plus VAT.

**Mr McQuillan:** How did it rise from £300,000 to that figure? It was capped at £300,000 over three years.

**Mr Baker:** That was poor management. I accept that, and there is no excuse for it. That is unacceptable. It should not have happened, and I would not try to defend it. That was simply poor management.

**Mr McQuillan:** That is just one of the things that was poorly managed. There is one example after another throughout this report; there is a build-up.

**Mr Clarke:** May I move the proposal, which was seconded by Adrian, that we suspend this meeting and bring back the people who really need to be at the end of the table so that we can get to the bottom of this?

**Mr Dallat:** Perhaps Trevor would allow his colleagues to respond to that. This place goes into recess next week —

**Mr Clarke:** I am happy enough to come back.

**The Chairperson:** I propose that we suspend the meeting for about five or 10 minutes so that we, as a Committee, can discuss this matter. Is that OK with you? Whatever our deliberations are, we will bring you back in again and let you know. I think that that is the fair way to do it.

*The Committee suspended at 3.25 pm and resumed at 3.47 pm.*

*On resuming —*

*(The Deputy Chairperson [Mr Dallat] in the Chair)*

**The Deputy Chairperson:** You are very welcome back again. I suppose I had better explain immediately — I saw the shock on Derek's face — that I am here because the Chairperson has been called away. We just hope that everything is OK. We decided to break up and have a discussion. We think and hope that we can get as much information as we need to make our report. If, by the end of the afternoon, we have not, we will either recall and ask for additional witnesses or simply write asking for information, which is the usual process. However, I need to emphasise that members are determined and anxious to have a report that will serve a purpose in the future, irrespective of who the personalities are.

**Mr Baker:** Thank you for that. It is my intention and our intention to be as helpful to the Committee as possible. I apologise if there is any sense that I am not being helpful to the Committee. That is certainly not my intention.

**The Deputy Chairperson:** Thank you; that is very useful. Michael, you were in full flow of asking questions. If other members are in agreement, we will begin again with Michael.

**Mr Copeland:** Thank you. Tom, these are directed at you because you are probably best-placed to answer them. At no stage during this will I, or I presume any of the other members, lose sight of the fact that you have delivered a wonderful signature building that is being used for the purpose for which it was intended. Our responsibility is to examine the matters that we are examining.

I want to try to go through it in my own mind just to clarify it. The original business plan was based on a city centre location that required only 12 car parking spaces, presumably because, in the city centre, people would use public transport. Is that a fair statement?

**Mr Redmond:** For major projects and buildings in the city centre, planning —

**Mr Copeland:** I do not need the whole — that is a correct assumption.

**Mr Redmond:** Yes. Planning was not —

**Mr Copeland:** There is a master plan in Belfast in which a number of companies are involved. For whatever reason, whether those companies were involved in this or not, this thing ended up in the Titanic Quarter. As an East Belfast representative, I am very proud of that. It ended up on the right side of the Lagan. The requirement for 12 car parking spaces then became obsolete and inside a 16-week period a decision was taken to incorporate a basement car park.

As I understand it, the lease arrangements are from the Belfast Harbour Commissioners for 250 years with a further 25-year lease or buy-out arrangement with the people who construct it or use it, and a 40-year lease below that for the underground car park.

If the title for the proposed surface car park and proposed college were resident in the same place initially, and the lease that transferred included the original surface car park, as it could have, since the title was resident in the same place, how did that then become free of those incumbencies? It would, in my estimation, have acquired considerable addition capital value as a development site for any other type of development in the light of the proposal that had received planning permission, which is the college itself. It goes from being a flat piece of ground in a development area proposed as a car park, which may or may not have had a legal impediment on it for educational use only, to a development site.

Could all those who took this into account have been expected to question the increase in value of that piece of land? The difficulties that could be hidden in there are that the public purse was viewed as being open and available to suit the needs of private industry above and beyond the provision of the college, which is what it was doing.

**The Deputy Chairperson:** Michael —

**Mr Copeland:** That is cynical but forgive me.

**The Deputy Chairperson:** Could I maybe stop you there and hopefully somebody will pick up on some of the points that Michael has raised. Michael, you are then welcome to come back in.

**Mr Copeland:** I appreciate that, Chair. I know that the hour is late.

**Mr Redmond:** First of all, I need to make it clear that the only title that was transferring ... The title comes from the Harbour Commissioners through Titanic Quarter, and it came down then to BMC for the site that the college is built on. As for the additional surface car park, there was never any intention to transfer the title to that land to BMC.

**Mr Copeland:** So, who would have owned the car park?

**Mr Redmond:** Titanic Quarter would have owned the car park.

**Mr Copeland:** Titanic Quarter was one or two steps above the college in terms of title for that site.

**Mr Redmond:** BMC was only getting title to the site on which the college is built. The surface car park was never transferring to BMC.

**Mr Copeland:** It is not BMC I am interested in; it is the one above them. It is the commonality of the title between the car park and the site upon which the college is built.

**Mr Redmond:** There are two sites, as I understand it —

**Mr Copeland:** One parcel of land but two sites.

**The Deputy Chairperson:** Michael, maybe let Tom just answer because I am conscious that Hansard is recording this.

**Mr Redmond:** There is the three-acre site on which the BMC campus is built. That came from the Harbour Commissioners through the Titanic Quarter down to BMC. The proposal in relation to the additional bit of land that was to be the surface car park, the title on it was never transferring from anyone. It was going to remain with the Belfast Harbour Commissioners and Titanic Quarter. BMC students and staff were to have the use of that for a 10-year period, at which stage it would have become unavailable to BMC and, as far as we understand, was going to remain in the ownership of Titanic Quarter and the harbour authority.

**Mr Copeland:** How could that have been viewed by the planners as the provision of on-site parking? It is not. It is on-site parking that is not on-site, which is adjacent to but is owned by somebody else. How could that affect the planning application?

**The Deputy Chairperson:** I will maybe give Tom a chance.

**Mr Redmond:** Our understanding was that the planners would have been content to give planning permission to the BMC campus with those car parking arrangements attached. However, that was never tested with a planning application, so we do not really know, because what transpired in its place was the basement car park wholly funded by Ivywood Colleges Ltd.

**Mr Copeland:** Was an amount of money set aside at the time of the preferred bid to provide 250 surface car parking spaces?

**Mr Redmond:** An amount of money would have been set aside in the financial model of the bid that Ivywood Colleges made. When it was taken that out of the bid, we sought a refund of money in relation to that part of the bid, given that that part of the bid was no longer being delivered.

**Mr Copeland:** What is on that site now, Tom? Do you know?

**Mr Redmond:** I am not sure; I have no idea.

**Mr Copeland:** Do you know, Marie-Therese?

**Ms McGivern:** My understanding is that it is the site at the back of the college. At this minute, it is empty. They have cleared it. They use it, occasionally, for car parking at events, but, other than that, it is clear, although my understanding is that Titanic Quarter has plans for its development.

**Mr Copeland:** Do you know the nature of those plans?

**Ms McGivern:** My past understanding was that they were for some form of commercial call and digital call centre. People have projects all of the time, but that —

**Mr Copeland:** You are a notifiable neighbour, I presume.

**Ms McGivern:** We are, but we have not been notified formally. That is just what I hear.

**The Deputy Chairperson:** I think that Adrian wants to come in with a follow-up.

**Mr McQuillan:** It is not a follow-up; it is on a different line.

**The Deputy Chairperson:** OK; maybe that is a good idea. Go ahead.

**Mr McQuillan:** I will park that one.

**Mr Girvan:** Can I come in on that, Chair? Michael alluded to the additional cost. I understand and accept that people came back and said that there would be a car park below the development. When they did that, there would have been additional costs, because, as Michael has alluded to, it would have taken a lot more foundation work and everything else. Were they indicated in a clear and

transparent manner to those who sat on the panel? Were they made aware of the additional costs that would be required due to having to put in an underground car park? Building the building was one point, but having to spend additional moneys to deal with the underground aspect was —

**Mr Redmond:** The addition of the car park cost no additional money to BMC or the public sector. The price that was bid in the tender for the provision of the building — the BMC campus — remained unchanged. Any additional money that was required to deliver the basement car park was met by Ivywood Colleges from within its own resources. Obviously, Ivywood Colleges hopes to recoup that over the 40 years in which it will be operating the car park as a facility. It is going to operate the car park for 40 years to, hopefully, get back the money that it invested to build the basement car park

**Mr Girvan:** Can I ask a wee question? I do not know whether it will clarify anything; in fact, it might create more of a difficulty. It is in relation to convoluted details. You mentioned Ivywood Colleges, but we have a list of companies involved. The names seem to recur quite a bit through this. There is commonality throughout the whole thing. We have Harcourt Developments, Titanic Island Ltd, Ivy Wood Properties Ltd, Ivywood College Holdings Ltd, Ivywood Colleges Holdings Ltd and Ivywood Car Parks Ltd, as well as Titanic Quarter Ltd. All of them have their fingers in this project; every one of those companies is involved in some way, shape or fashion and, within the returns, would be receiving some form of payment from the development of the site.

**The Deputy Chairperson:** Sorry, Paul —

**Mr Clarke:** The question that Paul is getting to, John, is this: how much more difficult did all of those companies make to the terms of the negotiations for the college? As Paul has said, there is a very long list of linked companies and linked directors. Given that you were on the project board and that we are aware of all the difficulties you had with this contract, how much more difficult did that make it?

**Mr Redmond:** It made it significantly more difficult.

**Mr Clarke:** Did all these linkages concern you?

**Mr Redmond:** They did concern me, but —

**Mr Clarke:** What did you do about it?

**Mr Redmond:** We acted at all times to protect the —

**Mr Clarke:** I am sorry; who is "we"?

**Mr Redmond:** The project board —

**Mr Clarke:** Who?

**Mr Redmond:** Well, BMC, the Department as the approving authority —

**Mr Clarke:** What exactly did you do, Tom?

**Mr Redmond:** Our contract is with Ivywood Colleges Ltd. BMC provides a lease to the car parking company, but the only company that we have contracted with is Ivywood Colleges Ltd. That contract is a set of obligations which, if they are delivered, on the other hand, merits Ivywood Colleges a unitary charge. Conversely, if they are not delivered, the company does not get its unitary charge.

**The Deputy Chairperson:** I am sorry; I want to intervene before Trevor or Michael come back in. At that stage, with Ivywood in all its forms, had you effectively lost control of the project?

**Mr Redmond:** I would not say we had lost control of the project. We had to make sure that the relationships between all the companies were correct and right and that there was no risk or additional risk to the college. For example, the report says that the provision of the car park brought additional risks. We did not challenge that because it probably does bring additional risks, but it does so for Ivywood Colleges because, I repeat, Ivywood Colleges has a contracted set of obligations which, if delivered, means that it gets its unitary charge. If it does not deliver, for whatever reason — it may be

car park relationships between companies stepping up to Harcourt — that is of no consequence to BMC. If it does not deliver the obligations in the contract, it does not get its unitary charge. That is the safeguard that we have at all times to ensure that contracted obligations are delivered.

**Mr Clarke:** Did you say, Tom, that you had concerns about all the different companies?

**Mr Redmond:** Not concerns that we were not able to overcome in the longer term, but there were things that had to be —

**Mr Clarke:** Who did you alert that to, other than the project board? Who else?

**Mr Redmond:** We dealt with all the things in the business case —

**Mr Clarke:** No; who else did you raise your concerns about the different issues with?

**Mr Redmond:** It was raised in the college and —

**Mr Clarke:** Who with?

**Mr Redmond:** With the governing body?

**Mr Clarke:** Who was?

**Mr Redmond:** In what sense? I cannot remember all the names of the members of the governing body.

**Mr Clarke:** It seems that you were the most senior person. You are the person here today who was involved at that time. Who, in particular, did you raise your concerns with?

**Mr Redmond:** I would have brought all the concerns back into the Department through the finance director —

**Mr Clarke:** Which was who?

**Mr Redmond:** The finance director in DEL.

**Mr Clarke:** The person you have just said you raised it with.

**Mr Redmond:** It would have been raised right up to the different permanent secretaries at all times.

**Mr Clarke:** Is there a good paper trail of that?

**Mr Redmond:** There would be a paper trail, yes.

**Mr Baker:** May I just add to that? I am sorry; a lot of people want to speak, Deputy Chairperson, over to you.

**The Deputy Chairperson:** I will try to control it the best I can, but, at the same time, I want it to be open and frank. Before you or Michael come back in, there is a question that I want to put to you, for the record. Did your negotiating strategy include options for walking away from this deal? Under what circumstances would you have walked away?

**Mr Clarke:** That is really for Tom to answer.

**Mr Redmond:** OK. I am happy to answer that. We went out to tender because we had a problem at College Square East and Brunswick Street. We got two tenders, which we evaluated. The most economically advantageous tender was the Titanic Quarter tender. There were times when we thought we might have to walk away when, for example, Titanic Quarter was looking for a huge uplift in the value of the land.

**Mr McQuillan:** May I interrupt you? You are saying that the Titanic Quarter tender was the most preferred, appetising option on the table, but, according to the brief, you were looking for a town centre space to build the college on to start off with. When did the focus shift to Titanic Quarter?

**Mr Redmond:** We went out to tender seeking proposals to rebuild on Brunswick Street or to come forward with another site that would be considered on its merits.

**Mr Clarke:** So, you described that site as "advantageous". Given that you were on the project board, tell us why was it more advantageous than the city centre.

**Mr Redmond:** Well, price was one issue.

**Mr Clarke:** Is that the starting price or the finishing price?

**Mr Redmond:** The finishing price. Obviously, the price that we evaluated was the price that we evaluated on the day, but that, however it shifted, continued to remain the most economically advantageous tender. The alternative bidder was proposing a 22-story building on Brunswick Street. As you can imagine, the adjacencies and the functionality of a 22-story building in relation to all of the different curriculum areas etc would be more convoluted in terms of quality than a three- or four-storey, more spacious three-acre site at Titanic Quarter. There was a quality and —

**Mr Clarke:** So, it has now got an advantageous site in the Titanic Quarter. Part of that deal was putting Brunswick Street against Titanic Quarter: is that right?

**Mr Redmond:** That had been considered, yes.

**Mr Clarke:** No, I think that that was the option at the start, was it not?

**Mr Redmond:** It was —

**Mr Clarke:** It was. Right.

**Mr Redmond:** It was, but it was never —

**Mr Clarke:** So, it was the option, and, at some stage —

**Mr Redmond:** Sorry. I have to be clear about this; it was not the definitive option. In the invitation to negotiate (ITN), in the documentation that went out, it was not definitive that those sites would go into the project.

**Mr Clarke:** When did the Titanic Quarter become the most advantageous site? In what year?

**Mr Redmond:** Immediately after the tender was made, those tenders were evaluated —

**Mr Clarke:** What year?

**Mr Redmond:** — in 2006, and it was designated as the preferred bidder on the basis that it was the most economically advantageous tender.

**Mr Clarke:** When was Brunswick Street removed as an option?

**Mr Redmond:** Definitively, it was removed probably around 12 months later.

**Mr Clarke:** So, why did it take 12 months to make a decision to remove it?

**Mr Redmond:** I think that it was always our decision not to have it in the deal and —

**Mr Clarke:** So why was it in the deal then for 12 months?

**Mr Redmond:** — and it was only definitively communicated in —

**Mr Clarke:** Why was it in the deal, Tom?

**Mr Redmond:** When we started out on this project, the convention was that surplus properties in PPP projects were disposed of in the deal, but that was —

**Mr Clarke:** How much was it worth in 2006, Tom?

**Mr Redmond:** Through those years, it was escalating. Up to 2007, it escalated with valuations, and I stress that they were valuations, to £22 million.

**Mr McQuillan:** Who decided to remove it from the market and not to sell it?

**Mr Redmond:** It was a project board decision, but that would have had to be approved by governing bodies and by the Department.

**Mr McQuillan:** Who in the Department?

**Mr Redmond:** Right up to accounting officers.

**Mr McQuillan:** So, the permanent secretary is responsible for that. Also, what are these buildings now worth?

**Mr Redmond:** Much less: somewhere around about £4 million or £5 million.

**Mr Girvan:** Although I do not know whether it was a desktop operation done by Land and Property Services (LPS) to give some value to these buildings, but in 2010, LPS valued them at £4.6 million.

**Mr Redmond:** There were various valuations that —

**Mr Girvan:** At £4.6 million. Now, I appreciate that we are dealing with commercial issues associated with that site at the moment, but my understanding is that you are currently in a position to close a deal on those properties.

**Mr Redmond:** We are currently in negotiations. I presume that you received the communication. That was what was referred to earlier in the meeting.

**Mr Girvan:** I do not wish to go into the commercial aspect of that.

**Mr Clarke:** Paul, I think we would be better going back a stage.

**Mr Girvan:** OK.

**Mr Clarke:** I am still concerned why someone decided — I think that we need to tie down who made the decision to remove a building that was worth £20 million at that time, given that —

**A Member:** Two buildings.

**Mr Clarke:** Two buildings, sorry. Those would have offset the amount of money that the public purse was spending. Who made the decision to remove those?

**Mr Copeland:** Did they figure in the Belfast masterplan?

**Mr Redmond:** The implication in your question is that we could have got £20 million. That was never a realistic option, but in relation —

**Mr Clarke:** Why?



**Mr Redmond:** The buildings were worth that in 2007. However —

**Mr Clarke:** So who made the decision to remove them?

**Mr Redmond:** The project board, the governing body and the Department.

**Mr Clarke:** Someone has to have come in with a proposal to remove them from the project. One person has to have been the driver. Who was the driver?

**Mr Redmond:** I do not think that it was one person.

**Mr Clarke:** It was two of the people then.

**Mr Redmond:** It was the project board. The governing body and the Department endorsed it.

**Mr Clarke:** What expertise was there in the project board to make a decision like that?

**Mr Redmond:** There were property advisers on board. LPS was also there. It was representatives from LPS who said that, in their opinion, the most transparent and best way of achieving open market value was to sell them on the open market when they were surplus. They were not surplus in 2007.

**Mr Clarke:** So, three different firms, employed at an estimated cost of £1.5 million, gave the advice not to sell two buildings that were worth approximately £20 million. Is that what you are saying?

**Mr Baker:** Can I just add a point?

**Mr Clarke:** Is that right or wrong, Derek?

**Mr Baker:** The buildings could not have been sold then. They could only have been disposed of after the new premises had been completed and the students had left the premises.

**Mr Clarke:** Was the deal not done, whether it was Ivywood, Harcourt or whatever — all those subsidiary companies? Was it not part of the deal with the Titanic Quarter? So, yes, it could have been.

**Mr Baker:** It would only have been at the point of contract signing.

**Mr Clarke:** Which was when?

**Mr Baker:** April 2009. That was when the contract was actually signed. On a point that Tom was going to make, you are asking, quite rightly, what would be the rationale for deciding not to incorporate those properties, which would have become surplus at some stage in the future, in the PFI deal. Given what happened with the property crash, it is a very legitimate question and goes right to the heart of this thing.

There are a couple of points there. We are charged — every public body is charged — to achieve full market value for surplus assets. Now, what is the best way to do that? The advice we got from Land and Property Services was that the simplest, most transparent and most accountable way to do that is to sell it on the open market. Indeed, I think that the Committee and the Audit Office in their respective reports on the pathfinder education PFI projects the very next year noted the fact that including the disposal of assets in a PFI deal can unnecessarily complicate matters. I think that that was a comment that was made by this Committee.

**Mr Clarke:** That is fair enough, Derek, but why was it allowed to be included at the start?

**Mr Baker:** It was a concept at the start that it might be a good idea, but, on reflection, the decision was taken to remove them, first, as LPS guidance was as it was, secondly —

**Mr McQuillan:** Was LPS on the project board as part of that —

**Mr Baker:** LPS was not on the project board.

**Mr McQuillan:** It was just brought on as and when —

**Mr Baker:** It was brought on and advice was sought from it and the Central Procurement Directorate as required.

**The Deputy Chairperson:** OK, maybe to get us back on the rails again —

**Mr Redmond:** Can I add one point? The decision to include them in the ITN predated the NIAO and PAC reports of 2007.

**The Deputy Chairperson:** I am going to call Michael back in again, but I want to put a formal question to the witness first. Staying with the issue, the Department agreed to underwrite any shortfall should the sale of the properties not reach £20 million. Was that potentially significant call on public funds made clear to DFP, the Employment and Learning Committee and the Assembly? That requires —

**Mr McQuillan:** Who made that call, as well?

**Mr Baker:** Ultimately, that call was made by the permanent secretary in DEL, who is accountable for everything that goes on in DEL. It was made clear to DFP, which approved all aspects of the project, including the business cases, the value for money assessments and so forth. I cannot answer your question about whether it was made clear to the Employment and Learning Committee; I honestly do not know that. I also do not know whether that point was made clear to the Assembly. I will have to come back to you on that. I do not know the answer to those two questions.

**The Deputy Chairperson:** I think that that is important because, across the Assembly, Committees sometimes complain that they are not given all the information. It would be helpful if we knew.

**Mr McQuillan:** Was the Minister across that? Was it ever discussed with the Minister?

**Mr Baker:** Yes

**Mr McQuillan:** Or was it taken to permanent secretary level and the Minister was forgotten about?

**Mr Baker:** The size of the project was such that it exceeded the delegated limit for a permanent secretary to make a decision. The route is that the project board would seek approval from the Department — that is, the accounting officer — then the Minister, then the Department of Finance and Personnel. The Minister was involved in all the approvals of the business cases on this issue.

**Mr Clarke:** Chairman, we are going into an interesting area, and I think that you slightly touched on it. Following on from Adrian's point, is it common practice to exclude the relevant Statutory Committees of the Assembly, and the Assembly, when making decisions like that? Are they always circumvented in such a way? We had just formed in 2005, and in 2006 or 2007 we were making multimillion pound decisions. Are you telling us that that has been the norm and that the Assembly — particularly the relevant Statutory Committee — was not aware?

**Mr Baker:** My experience of engaging with Assembly Committees, particularly the Employment and Learning Committee, is that we make every effort to ensure that the Committee is aware of as much as possible of what is going on in the Department. There are regular submissions —

**Mr Clarke:** That is not really the question that I asked you.

**Mr Baker:** I know.

**Mr Clarke:** I would rather that you answered the question I asked. I know that you keep Committees aware about what you want to tell them. What I want to know is whether, with multimillion-pound projects like that or anything else, there are occasions when you circumvent Committees and the Assembly and make those decisions yourselves.

**Mr Baker:** Are you talking about DEL specifically, or all Departments?

**Mr Clarke:** Given that you are the acting permanent secretary of DEL, let us talk about DEL, and then we can talk about the other ones later.

**Mr Baker:** No, it is not the practice to circumvent the Committee.

**Mr Clarke:** Did it happen when you were in DHSSPS?

**Mr Baker:** Sorry?

**Mr Clarke:** I think you were in Health, yes?

**Mr Baker:** Gosh, I was in Health a long time ago.

**The Deputy Chairperson:** OK. The conversation is wandering.

**Mr Baker:** I think that that predates — sorry.

**The Deputy Chairperson:** Trevor, I think that we are going to have to park you for a moment, because —

**Mr Clarke:** Chairman, I think that that is something that we need to get to the bottom of. Derek is the permanent secretary, and if we are learning today that this happens, we need to get to the bottom of it. There are 108 Members of the Assembly who are supposed to be accountable, and we are accountable, but the problem is that civil servants have never been accountable. They are making multimillion-pound decisions where protocol would surely suggest — albeit the Minister may have known, but there are another 107 other people who did not know.

**The Deputy Chairperson:** I will give you another opportunity to come back in again. Michael, I am sorry for keeping you so long. Go ahead.

**Mr Copeland:** No, it is OK. I am infinitely patient.

Getting back to the car park again, Tom, I am going to ask you a straight question, if I can. The cost of building a conventional building of that type and foundation is different to the cost of building a building of that type on top of a car park, because of the stresses, the structures and the supporting mechanisms that actually keep it up. Are you 100% sure that the agreed cost at the time the contract was signed, no matter what the specification was, did not include the cost of the underground car park?

**Mr Redmond:** Yes.

**Mr Copeland:** You are 100% sure?

**Mr Redmond:** Yes, 100% sure.

**Mr Copeland:** In percentage terms, what was the cost of the car park in the overall construction of the project?

**Mr Redmond:** We do not exactly what the capital cost of the actual project — the campus — might be.

**Mr Copeland:** How can you not know?

**Mr Redmond:** Because we pay a unitary charge. We pay a unitary charge to Ivywood Colleges, and it disburses that money to the subcontractors. We do not have absolute visibility on what that is. We understand that the capital value of the building is around £44 million. Again, we do not have visibility on what Ivywood Colleges borrowed off Ulster Bank to build the basement car park, but we are led

to believe that it was about £5.3 million. So, you are talking, I suppose, about one eighth or one ninth of the total value.

**Mr Copeland:** The cost of the car park itself, free-standing, could have implications for the cost of the construction of the building in the part that you have already covered, if you understand what I mean. This is all terribly complicated, and we will not get to the bottom of it until we see all the —

**Mr Redmond:** The assurance I can give you is that Ivywood Colleges bid us a sum of money to build a college without a car park. That remained the sum of money that we paid them when they built —

**Mr Copeland:** You used the term "planning risk" earlier. I know development, and anything that begins with 'r' in development is taken into account at the time. They must have known that there would have been planning implications for that. If I was them, I would have scaled the building and costed it to such a degree that it covered all the unforeseen consequences that might arise. You still got the building, albeit at the same price, but they are away with maybe £4.5 million to £5 million of public money.

**Mr Clarke:** When did they bid you the price for the building? Approximately when?

**Mr Redmond:** About June 2006.

**Mr Clarke:** Right, in 2006 they came up with a price. When was the car park included?

**Mr Redmond:** The car park was included months later.

**Mr Clarke:** Then why, in August 2007, did the cost of the site go from £3 million to £7.7 million?

**Mr Redmond:** The cost —

**Mr Clarke:** We are now in a situation where we have got the prices a year or 18 months before the price goes up.

**Mr Redmond:** Ivywood Colleges sought an increase in the price of the land and the price of the site.

**Mr Clarke:** In August 2007.

**Mr Redmond:** Yes.

**Mr Clarke:** When did you make the decision not to sell or do the deal with the other colleges?

**Mr Redmond:** It was around about 2007 that they were notified.

**Mr Clarke:** What month would that have been, approximately?

**Mr Redmond:** I would have to check that, and I can check that for you.

**Mr Clarke:** I think Marie-Thérèse is looking at that now for us.

**Ms McGivern:** According to the report, it was in December 2006.

**Mr Clarke:** So, in December 2006, you made a decision not to sell buildings that would have offset about £20 million. Then, some months later, you have to add an additional £4.5 million.

**Mr Redmond:** They sought an increase to £7.7 million.

**Mr Clarke:** How much did they get?

**Mr Redmond:** They got £2 million.

**Mr Clarke:** So they got additional money.

**Mr Redmond:** They got additional money for the site, yes.

**Mr Clarke:** What was that used for?

**Mr Redmond:** The money for the site was divided equally between the holders of the lease: Belfast Harbour Commissioners and Titanic Quarter Ltd. So, the £5 million was divided between the Harbour Commissioners and Titanic Quarter.

**The Deputy Chairperson:** Gentlemen, before I bring Paul back in, it seems that at that stage there were at least two external bodies with their fingers in the pie. I put the question to you formally: at any stage, did the Department and the college consider one of the many options available to it — opting out, going back to the reserve bidder or going out to the market again? If not, why not?

**Mr Redmond:** It was considered on a number of occasions, but at all times, and particularly when the increase in the land value was being agreed, we went back and re-evaluated the tenders to assure ourselves that Ivywood Colleges, even with the uplift in land values, remained the economically most advantageous tender. We also knew at all times that we had significant difficulties at College Square East and Brunswick Street. Those difficulties at all times remained to be resolved. Albeit there were difficult decisions to be made, the view always was, right up until the contract was signed, that the best prospect to resolving those difficulties remained signing that contract. Tipping points could have been reached that would, perhaps, have made walking away the answer. Although that remained an option, it was not considered that the tipping point had been reached.

**Mr Clarke:** By whom?

**Mr Redmond:** By the project board.

**Mr Baker:** By the project board and the Department.

Can I just add to what Tom has said, Chair? This was a difficult project. We ran into difficulties in the negotiations, and we have touched on some of those. There were issues around the car park, the lease, the credit crunch and the bank losing its appetite. We could have walked away at any of those points, and —

**Mr McQuillan:** But each time, Derek, you just came back to the Department and got another draw of money. It was easy to do that.

**Mr Baker:** Well, that is the point that I am coming to, the point that I made right at the outset and the point that is acknowledged in the Audit Office report: at each decision point, we took steps to protect the public interest. We did that by assuring ourselves that the bid that we were dealing with offered positive value for money against the shadow bid model, which is the reference point and is how you assess value for money. At each decision point, we took the opportunity to make sure that onerous conditions were not imposed upon us.

If I can make a general point, this was a hugely important project. Given the times that were in it, it was very relevant to the Department that, in the middle of all these difficulties, it received a very critical report from this Committee about the Springvale project that failed. You will recall that, or some of you who were on the Committee will recall that. One of the criticisms, one of the central tenets of the criticisms directed at the Department by this Committee was that the Department "lost the will" — that was the term that was used — to see through a difficult project and did not stretch itself to make sure that it followed through and afforded a project. All of that translated into a very pointed recommendation of the Committee that, if the Department — DEL —encountered substantive operational problems with an important project, it should take all reasonable means to ensure that those problems are overcome, that the project objectives are achieved and that not addressing those problems in a meaningful way is not an option. That is what this Committee said to the Department. Now, that recommendation could have been written for —

**Mr McQuillan:** Why was that not carried out?

**Mr Baker:** I would suggest that that recommendation could have been written for this project. It was a major project, it was really difficult and we had major problems with it, and we could have walked

away. We did not walk away: we stuck with it for the reasons that Tom has explained; because we saw a prize at the end, which was to deliver the project objectives. All —

**Mr McQuillan:** Was the prize at a price?

**Mr Baker:** Yes, I agree, at a price — and, all the time, within a positive affordability and value-for-money assessment.

**Mr Clarke:** How can you describe that later on, given that the contract took so long, that you did not look at other options, Derek?

**Mr Baker:** That is a fair question. We were —

**Mr Clarke:** It is a fair question based on your answer, and I appreciate your saying that it is a fair question, because you said that it was always the best option. It is not the best option if you did not explore other options. Given that we were in a market where, as you have described, the banks were starting to get nervous because of the way properties were going and everybody was getting nervous because of the crash, there were still other options, but they were not explored.

**Mr Baker:** Other options were explored at bidding stage.

**Mr Clarke:** I am talking about the latter stage, Derek. Whenever —

**Mr Baker:** Yes, I will come to that.

**Mr Clarke:** You came in at bidding stage and had adjustments made, and those who you have entered into this agreement with came back looking for additional millions of pounds. There was more than one, there were more than two opportunities for you to back off this project, for the Department to back off at that particular time, but you did not look at other options. There is absolutely no evidence of other options being looked at here.

**Mr Baker:** At the final contract close stage, we did a value for money and affordability assessment, which looked not just at the shadow bid model but at a public sector comparator, which was the ultimate other option: let us call the whole thing off and back off. Let us reflect where we were at that point and consider what would have been a reasonable, rational and sensible decision to take. We had beaten our way —

**Mr McQuillan:** Sorry for interrupting you, but we heard earlier on from Marie-Thérèse that this was the only show in town, so how do you square that with what you are saying?

**Mr Baker:** That is the point; I am about to explain that.

We had beaten our way through 30 months of really difficult negotiations. It took too long: I accept that, and I have accepted that. We had dealt with huge problems, but, at the end of that, we had reached the point where we had a contract — and bear in mind that this is not a back-of-an-envelope thing, this was 400 pages long — that worked both for the bidder and for the Department. We had a proposal on the table that met the pressing business need, which was to replace two obsolete colleges. We had a proposal on the table that, by the properly carried out assessment, demonstrated affordability and positive value for money against the public sector comparator as well as the shadow bid model. In the light of all of those circumstances, what was the right decision? To say, "You know what, we will walk away?" What would have happened? For a start, we would have been hauled through the courts for abortive costs; indeed, the final value-for-money assessment tried to put a figure on that. Furthermore, we would not have had a project; we would not have had a college; and we would not have had a 30-month negotiation, we would have had a 50-month negotiation.

**Mr McQuillan:** Was the contract not changed leading up to where you are now, on behalf of the preferred bidder?

**Mr Baker:** Only one contract was signed, and that was in April 2009. This was a negotiated process. There were lots of changes going on from preferred bidder right up to the contract sign. Of course there were.

**Mr Clarke:** Yes, but there were opportunities to pull out at that stage, and you would not have been brought to court. You are trying to put on the record today that you could have been in court if you had tried to come out of the contract. The opportunities for you—

**Mr Baker:** No, actually —

**Mr Clarke:** Sorry, the opportunity, Derek, was long before you signed the contract. That is when the alarm bells were ringing. I would have hoped to have seen someone pulling out at that time, not after it was signed. The opportunities were long before that.

**Mr Baker:** I am talking about before it was signed, at financial close. However, even in advance of that, the reason we stuck with the contract, as Tom has explained, was that the assessments we were doing showed that this was still the most advantageous bid. It carried the best opportunity of delivering the project objectives — project objectives that were very, very important to us. Again, we built in the protection — the value-for-money assessment.

**The Deputy Chairperson:** I will stop you there. We only have a few minutes left, because one member has to leave, and we will lose quorum. I ask you, in the interest of making the best use of our time —

**Mr McQuillan:** I have a couple of questions.

**The Deputy Chairperson:** This is the point I am coming to. Direct everything through the Chair, so that I can get everything.

**Mr Girvan:** I want to be quite pointed in one area. Within the project board that was sitting — Tom, you alluded to not knowing the exact cost of each part of the project. You got an overall figure of how much it was going to cost to deliver it. What expertise did the Department, as well as the Met, put into having someone independently price what they were getting for their money?

**Mr Redmond:** We had done that previously in the shadow bid model, the inputs to which were constructed by the independent advisers that were appointed to the project, and which was signed off by the Central Procurement Directorate. The bid that we got had a total NPV under the NPV in the shadow bid model. Given that, overall, it was giving us value for money, we would not have been that concerned by the individual constituent parts. We were getting an overall deal that offered value for money.

**Mr Girvan:** That brings me back to the first question that I asked in relation to the cost per square metre, compared with others. It was extremely high. Was the Strategic Investment Board involved in any of that process?

**Mr Redmond:** The Strategic Investment Board supported the project.

**Mr Girvan:** OK. Yes, it could support it in financial terms, but did it have the expertise from a building and quantity surveying point of view to be able to tell you whether you were getting value for money? I know how developers work, having worked with them and working with them still. You give them a figure; they will say, "I'll deliver that for that price". If you give them half of that price, they might still be able to deliver exactly the same thing. That is how some of them work, so I am wondering just how —

**Mr Redmond:** Our figure was garnered from market intelligence that existed at the time.

**Mr Girvan:** I used a date at which two colleges were delivered by another board — I think it was the Southern Board. It was delivering two further education colleges, and the price per square metre was 40-odd per cent cheaper to deliver than what we have. That is why I went back to the very start; to the specification and finish and who set the specification and finish. I am asking if we were dragged by the nose to deliver an all-singing, all-dancing Rolls-Royce or not. That is the point.

**Mr Redmond:** All those shadow bid costs would have been constructed long before any developer came on the horizon, so we were not —

**Mr Girvan:** I am happy to hear that, because I am always fearful that somebody else is dragging the horse as opposed to somebody actually riding the horse.

**Mr Baker:** There was no bidder on the scene when the shadow bid model was first developed.

**Mr Girvan:** Is there any commonality between consultants and who we ended up with as preferred bidder?

**Mr Redmond:** No.

**Mr McQuillan:** I will follow on from Paul's question before I go into it a wee bit further. Where did the expertise that you got at that stage of the shadow bids come from? Was it the consultants?

**Mr Redmond:** The consultants would have garnered that from the contemporary market intelligence that existed at the time.

**Mr McQuillan:** Was there any relationship between the consultants and the preferred bidder?

**Mr Redmond:** No.

**Mr McQuillan:** None whatsoever? We established earlier who made the decision not to sell Brunswick Street and College Square East, but we did not establish why that decision was made.

**Mr Baker:** Can I clarify? We could not sell Brunswick Street.

**Mr McQuillan:** I am talking about in 2007, sorry.

**Mr Baker:** Do you mean why was it not included in the PFI?

**Mr McQuillan:** Yes.

**Mr Baker:** I think that I had started to explain that. I mentioned that Land and Property Services had advised us that the best way to get full market value was through an open market process — in other words, to sell it on the open market.

**Mr McQuillan:** That did not happen.

**Mr Baker:** But it will happen.

**Mr McQuillan:** It did not happen then.

**Mr Baker:** It could not have happened then. We had several thousand students in the buildings.

**Mr McQuillan:** After the students moved out.

**Mr Baker:** Yes. We put it on the market and, because of the state of the market, nobody was bidding, and banks are not lending to developers to buy such properties. That is just the state of the market. We did not predict the property crash; I will hold my hands up to that, but neither did half the Western Governments in the world, the central banks and everybody else.

**Mr McQuillan:** I will not hold you responsible for not predicting that. That is one thing that we will not hold you responsible for. *[Laughter.]*

**Mr Baker:** Thank you for that.

**The Deputy Chairperson:** Before Michael goes, I need the agreement of the Committee to write to the Department about any outstanding issues.

**Mr Girvan:** I think that it needs to come back.



**Mr Copeland:** Can we reserve the right to call future witnesses?

**The Deputy Chairperson:** Absolutely. We considered a number of options in private session, and one of them was to call for additional witnesses. Is that agreed?

*Members indicated assent.*

**Mr Baker:** Chair, I am happy to come back to the Committee. You have run out of time, but I am at your disposal.

**Mr Clarke:** Tom, are you free to come back?

**Mr Redmond:** I am available, but I am not sure that I like the implication in that question. *[Laughter.]* Yes, I will come back.

**The Deputy Chairperson:** Thank you very much for that offer. I am conscious, Elaine, that we did not hear from you at all. You no doubt put a lot of preparation into this, and were not asked a single question.

**Ms Elaine Hartin (Belfast Metropolitan College):** I am perfectly happy. *[Laughter.]*

**Mr Girvan:** That might come in when we are looking at changes that have been made.

**Ms McGivern:** I am very happy to talk to you all afternoon about the changes that have been made. I agree with Derek; we have no difficulty answering further questions from the Committee.

**The Deputy Chairperson:** Thank you very much for your time.

**Mr Baker:** Thank you.