



Northern Ireland  
Assembly

Committee for Social Development

# OFFICIAL REPORT (Hansard)

Inquiry into Allegations arising from a BBC NI  
'Spotlight' Programme aired on 3 July 2013 of  
Impropriety or Irregularity relating to NIHE-managed  
Contracts and Consideration of any Resulting Actions:  
Department for Social Development

8 May 2014

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

Mr Alex Maskey (Chairperson)  
Mr Mickey Brady (Deputy Chairperson)  
Ms Paula Bradley  
Mr Gregory Campbell  
Mr Stewart Dickson  
Mr Fra McCann

**Witnesses:**

Mr Will Haire	Department for Social Development
Mr Jim Wilkinson	Department for Social Development

**The Chairperson:** Officials from the Department are here to give evidence as part of phase two of the Committee's inquiry. I formally welcome to the Committee inquiry this morning Will Haire, who is permanent secretary in the Department, and Jim Wilkinson, who is director of housing. You understand the terms of the inquiry for phase two. The terms of reference for phase two are the adequacy of actions proposed by the Minister, DSD and the Northern Ireland Housing Executive to address previous well-documented failings in relation to procurement and contract management. Those are the specific criteria that we are relating to.

Members have received an extensive body of documentation, and I thank the officials for providing that for us. They will guide us through any elements that we are unsure of or will draw our attention quickly to anything that we are struggling with, given the volume of material. So, without any further ado, I invite you to take us through the briefing that you want to present to the Committee this morning.

**Mr Will Haire (Department for Social Development):** Thank you, Chairman. Where phase two is concerned, I would like to briefly outline to you what steps the Department has taken since 2010 to address the previous well-documented failings on procurement and contract management.

From the spring of 2010, we were picking up a growing number of concerns about Housing Executive governance and contract management regimes. In October 2010, the then Minister, Alex Attwood, commissioned a review of governance in the Housing Executive. That followed a series of internal and external investigations into the Housing Executive that raised concerns that its governance systems were not sufficiently robust. So, I, as permanent secretary, asked my senior internal auditor to lead a team to examine and report on the governance structures and the control and skills of the organisation. In addition, external specialist assistance was secured through the Central Procurement

Directorate (CPD) in the Department of Finance and Personnel for a gateway review on the procedures for letting and managing the Egan contracts. I set up an oversight panel with independent membership, which reported to the audit review team on an ongoing basis to oversee that governance review. That work was completed in December, and it and the gateway review were published in January 2011. That was a very fundamental review, and a lot the work in the Northern Ireland Audit Office's (NIAO) report is very much based on the work that we commissioned and dealt with in that process.

A number of oversight arrangements were then put in place to ensure that that review's recommendations were appropriately implemented. Once more, I had an oversight and implementation group that I chaired. That was a cross-departmental group that also had independent membership. It met regularly with the Housing Executive, and the acting chief executive at that time attended the meetings and reported to me on that. I also held meetings with the chairman, vice-chairman and chief executive in April 2011 to discuss some of the key strategic issues, which included the gateway review. My Minister, Alex Attwood, also had review meetings with the chair and chief executive in February 2011 and May 2011.

We had the election in May 2011, and, after being briefed when he came into government, Minister McCausland also expressed his concerns about contract management and the issues that led to the termination of the Red Sky contracts in July 2011. In the light of his continuing concerns, he asked for a forensic investigation of a sample of Housing Executive maintenance contracts to provide him with assurance on other contracts, the quality of service to tenants and the proper use of public funds. The subsequent findings and the evidence in the ASM report were published in June 2013. They demonstrated that there were considerable issues and shortcomings in the management of response maintenance contracts.

So, we had that process, and we were going ahead to get the contract issues addressed. I, however, still harboured concerns about the effective implementation of the recommendations of my 2010 governance review of management contracts. I was concerned that the Housing Executive was not making full use of its internal assurance regimes to improve contract management, so I wrote to the chief executive and the chairman between January and May 2012 about contract management arrangements and expressed my serious concerns about the implementation of the recommendations. I increased my accountability meetings from twice-yearly to quarterly and advised that the meetings would be with the accounting officers and would involve me and the chief executive of the Housing Executive, not the chairman. I also instructed my senior internal auditor to conduct an independent review of the actions that the Housing Executive had taken to implement those recommendations. That was completed in July 2012, and my review team's opinion was that there had not been sufficient pressure in 2011 to resolve some of the issues in the draft reports from the repairs inspection unit and that, in spending so much time debating the methodology that was used in producing the reports, the Housing Executive had not focused on the significant findings of the reports. That was a key focus.

In July 2012, the Minister introduced special accountability measures that took account of our internal audit review's recommendations. That was done to enhance significantly the oversight arrangements between the Department and the Housing Executive. We increased the accountability meetings from quarterly to monthly, and, for those who were at those meetings, the issues relating to management contracts were, and still are, regularly taken as agenda items. I get progress reports on the work that is being done, and I look at the priority 1 recommendations from the Audit Office's reports for those who are charged with governance.

In September 2013, I instigated a further governance review to check where we had got to on the recommendations of the 2010 review, the special accountability measures and the ASM recommendations. We also looked at the lessons that the Housing Executive learned in the management of response maintenance and the extent to which that had been pushed into its consideration of planned maintenance. That report concluded that there was still a considerable amount of work ahead for the Housing Executive if it is to see through the necessary structural and cultural changes to ensure that the lessons that were learned from response maintenance were applied.

Good progress has been made in implementing the actions of the 2012 work programme. However, work remains to be completed. That report was forwarded to the present chair of the Housing Executive, and he came back in March 2014 with a report on where the Housing Executive see that work being done and with a commitment to see it completed.

As a result of these pressures, I have ramped up governance to make sure that I have oversight of the issues. I think that progress is being made in the Housing Executive, and you will hear how far we

have got on some of those issues going forward. I am taking stock and looking at the right and appropriate level. Independently, I have an inspection team that looks at the delivery of landlord services in the housing associations. I have recruited staff, and I will have a similar service provided to the Housing Executive. That will be a professional team that will look at landlord services. I also want to make sure that I adjust the accountability regime to make sure that it is not overly bureaucratic and that it gets the right focus at this time. I see significant progress from the board and the senior management of the Housing Executive. They are addressing those issues. I think that we have a journey to go, but I see positive signs of movement on those issues. I am really keen to work with the team in the appropriate way to make progress.

**The Chairperson:** Thank you very much for that, Will. I have a couple of very simple questions to ask at the outset. You referred to the 2010 review, and it was said then that the arrangements between the Department and the Housing Executive structures were in place but that they were not used as effectively as they might have been. Additional measures were then put in. How can we have an assurance that there is a substantive improvement and that those structures and the additional structures will work?

**Mr Haire:** The key element of the 2010 review was the emphasis on the point that the information flow in the Housing Executive from the front line, as it were, up to its audit committees and the board was not effective. The board was not being sighted of some key issues in the process. I think that there has been a significant shift in how the Housing Executive organises its work and its governance processes. It has gone through its delegations, processes and structures very thoroughly. Its board has looked at its work and has had effectiveness reviews. Its audit committee has moved on significantly in its structure and organisation, which I think is key. I have an observer on that committee, and I get a sense that there has been significant movement. So, I have had those levels of assurance about that. I have also had internal reviews. I had my own oversight arrangements in 2011-12 through my internal audit, and, as I just described, I have ramped up accountability regimes to make sure that I get the information flows. I will rightly adjust that when I get to the right level in that process.

As I said, my senior auditor goes in and checks against those issues. So, I have tested where those processes have taken place, and he is telling me that, although not every recommendation has been fully completed, there has been significant progress in that area. Therefore, I think that we are seeing significant change in the processes. However, what comes across in all this, which was recognised in the 2010 report, is that a lot comes down to culture and organisation. I now see an organisation that I think is very much addressing that issue of culture and organisation. Its journey to excellence work, which the acting chief executive is leading at present, is very much about trying to work to improve the entire process, and that will lead to more effective governance.

I think that those are the main issues. Jim, do you want to say something?

**Mr Jim Wilkinson (Department for Social Development):** The sponsor division has a key role to play. One of the findings of the 2010 review was that you need to make sure that you do not just rely on assurance statements that come forward but that you probe and test those assurance arrangements. The processes and procedures that Will set out through the monthly monitoring and the monthly meetings are about testing assurances and probing progress.

In addition, at a very technical level, our management statement and financial memorandum has been reviewed to take best practice on course. We regularly monitor audit committee reports, and we also receive the repairs inspection unit reports, the assurance reports and the internal reports. That means that we are able to monitor and test the progress that is being made and see that issues are being addressed. So, I see our sponsorship role over the past number of years as being very much a proactive one in which we have engaged heavily with the executive as we have moved forward. I am very keen to take forward the process of looking into the inspection of landlords not just to test and probe it but to test the level of assurances and get some in-depth expertise on the landlord element.

**The Chairperson:** Before we move on to members' questions, I will ask about the Public Accounts Committee's report in March 2013. There were to be investigations into planned maintenance contract management and so on, but there was a concern that there may need to be further investigations into other items of business. Have any of those other investigations been carried out, and, if so, have they thrown anything up?

**Mr Haire:** The other issues that are reported on regularly include heating and land and garden maintenance and so on. The internal audit team in the Housing Executive are dealing with those. There is now a focused structure of organisation, so we are looking at and get the reports that are coming out, and work on heating is planned.

**The Chairperson:** Is procurement included?

**Mr Wilkinson:** Yes. The first issue with the reports was that we want to ensure that there was a clear line of sight in the Department on whistle-blowing and fraud and so on so that we can make sure that all issues are investigated. We have systems in place, and regular checks are done on that.

In addition, and this was part of the audit report, we wanted to ensure that the audit committee adopted a proactive, planned approach that had a particular focus on areas that might be deemed to be risk based. This year, the audit team from the Housing Executive has been explicitly looking at a series of higher areas, such as planned maintenance, lifts, grounds etc, and we monitor progress on those reports.

**Mr F McCann:** I have a couple of questions to ask. I have always tried to get my head around what the connection is and where the control is. Obviously, the overall control of housing lies with the Minister, but there must be some connection between the Department and the Housing Executive on the overall running of the system. The Housing Executive is probably seen as an arm's-length body (ALB) with its own board, but because it is a public body, there has to be political control. Could you give us a wee run down of where that is?

**Mr Haire:** We set out the formal structure in the first section of our memorandum. It is quite an elaborate structure, but, in broad terms, the overall policy direction issues obviously lie with the Minister, as do priorities and issues with the budget, which obviously receives affirmation at the Assembly. This year, for example, the Minister will formally write to the chair to outline his understanding of his priorities, and he will tell him that, in putting his operational plans together, he must understand the need to reflect Programme for Government targets and the various systems that the Assembly has put in place. So, at a high level, the Minister sets those issues out. It is for the Housing Executive board, working with its senior management, to set out its business and operating plans and to explain how it is going to expend the money.

In certain areas, such as Supporting People, the amount of money that we are able to spend depends on what the Assembly can give to the social housing development programme, which the Housing Executive operates on our behalf. Very clear targets and issues are set out in that business plan, and it will set out its plans in that process. It is then for the Housing Executive to set up and run that programme.

Performance meetings take place between the Minister and the chairman, and the deputy chairman will also come to those. There are two such formal meetings each year. I also have accountability meetings with the accounting officer at all times to make sure that all issues are being dealt with and addressed, that the budget is being used, that we are alert to any issues that are coming up, and that the organisation is dealing effectively with issues such as those that we described. Those meetings take place regularly. At the same time, Jim and his team in the housing division will have a range of meetings at an official level on issues at different programme levels. Likewise, they will report back to me if there are issues of concern to them that need to be escalated. I will then bring those up with the chief executive, if appropriate. Generally, the team resolves the issues well.

So, that is the governance regime, which, as I said, is set out in the memorandum. It is a classic governance regime for a non-departmental public body (NDPB), and it tries to differentiate between what is clearly the governance role of the Department/Minister and the key responsibility of the board and staff of the Housing Executive in day-to-day operations. We are trying, obviously, not to confuse the issues so that people are clear in their respective roles.

**The Chairperson:** I remind people that the memorandum that Will is referring to is in the papers.

**Mr F McCann:** I understand that, Chair.

**Mr Haire:** I hope that that gives you an overview of what is a complex strategy.

**Mr F McCann:** Obviously, over the past number of years, serious questions have been raised about management and governance in the Housing Executive. I have no doubt that people have put their minds together to try to get the balance right.

Taking it from 2010, because there were obviously problems before that, the Department not only did not act on the problems going back but did not detect them. That shows that there was not only a problem in the Housing Executive but that there was a problem in the Department itself, because it could have moved on this, at whatever level, much sooner. Do you not think that there should have been a review of how the Department handled this whole thing?

**Mr Haire:** I discussed that with the Public Accounts Committee. I arrived in 2010, so I cannot speak about the process in that way. Our governance review of 2010 showed in broad terms that issues at the operational level of the Housing Executive on various contracts were not filtering up through the senior structures and reaching the board. We were getting assurances from the senior staff in the Housing Executive about certain material that they were using to base things on, and they said that the flow of information in the organisation was not right.

As I said to the Public Accounts Committee, I have learned from that. You come back to the issue and ask, "Why was that not known?" Interestingly enough, if you look from 2005 onwards, you see that there are NIAO reports on good examples of NDPB governance. The Housing Executive was very much seen at that time as an example of good structures and governance.

I learned from the process that, as a Department, you have to test drill into the systems every now and then to make sure that the information that is flowing from the organisation is correct. You have to go yourself and test that process. That was not happening before, but I cannot explain why. That is the lesson that I learned in that process, so that is what we do every now and then. It is not my job to do the work that Mags and her team very ably do. However, my job involves testing on your behalf every now and then to make sure that we are getting the information so that we can be assured that the flow is correct.

**Mr F McCann:** Was that done in 2010?

**Mr Haire:** The 2010 review was the occasion when we did that for the first time and saw the weaknesses.

**Mr F McCann:** Was action taken right away?

**Mr Haire:** Absolutely. A significant number of recommendations came out of that process; there were 16 critical ones and 75 good practice ones. The implementation of two thirds of those has been completed. There are good reasons why action on some has not been completed, but they have been moved on. So, there has been a significant shift across that process. This process is a journey. A lot of it is about getting openness and the right quality of culture in the organisation. Some of that work is still to be completed, but I think that good progress has been made.

**Mr F McCann:** I accept that you came on to the Social Development scene in 2010. However, when you were looking at governance in the Housing Executive, were you also looking at the governance in the Department before 2010 to find out where there might have been difficulties or problems in how the whole thing was monitored?

**Mr Haire:** As I said before, I think that there were issues there. I have increased the formality and structure in the Department, and therefore the record keeping. We have improved that process, and my impression is that some previous processes were slightly more informal than they should have been. That is why I formalised the process in that way. The significant issue was that the information coming out of the Housing Executive was the major problem.

**Mr F McCann:** You mentioned Red Sky and the problems that arose there. I know that residents and residents associations in my constituency made multiple complaints about the work that was going on. At one stage, the now MP for the area made representations to the then Minister, who may have been Alex Attwood or maybe Margaret Ritchie — it was an SDLP Minister. He raised serious concerns about the problems and asked for action to be taken, even to the extent that I believe that the Housing Executive was taking a court case against Red Sky that was stopped dead in its tracks. Many people

ask why that happened. Was that decision purely taken by the Housing Executive at that time, or was there departmental involvement in advising that the case should be dropped?

**Mr Wilkinson:** The PAC report deals quite extensively with that. It articulates, in particular, the reason why the Housing Executive took the decision not to proceed.

**Mr F McCann:** Yes, and that may be well and good, and you could probably go to many PAC issues on this. I am asking you this question: to your knowledge, was it a Housing Executive decision or a departmental decision to advise not to proceed?

**Mr Haire:** If I am right, that was back in 2008 or something, so it was before my time. Therefore, I am trying to remember the records of the period. My impression was that it was a Housing Executive decision, but I would say that there is a record that will show that. I think that the issue may have been explored at the time.

The key point is that, by the time that I arrived in 2010, investigations were already taking place into Red Sky. I must admit that we at the Department were very strong in making sure that that work, which the Audit Office had brought to us via a whistle-blower, was fully investigated. That led to a number of investigations and consequently to the Housing Executive board's decision to terminate the Red Sky contract.

**Mr F McCann:** To move the issue way forward, what is the position now with contracts?

**Mr Haire:** Mags and her team are probably best placed to answer that. Now, obviously, response maintenance is well in place and delivering at this time, so that issue is being looked at. We are seeing significant progress in the quality of that issue. Tight, newly structured contracts have thrown up some challenges, and there is always the question of getting the right balance. There is a gateway 5 review on that, which I think the Housing Executive has just about completed. I have not had final reports on that issue, but the Housing Executive will tell us where that is.

Where planned maintenance is concerned, I believe that the contracts are being let at the moment. However, once again, Mags will be able to give you more detail on that.

**Mr Campbell:** I have just a couple of questions. It seems to me that quite a bit of work is being done in reviewing progress, and it is very important that that happens. However, looking at the departmental position now vis-à-vis the overall review of the Housing Executive as a body, can you tell us what work has been done to correct whatever mistakes were made in the past? Is it leading to the point where you get a much-improved organisation? Apart from correcting past mistakes in a short time, will you get to the point where a decision is taken about the overall body itself? Is a lot of that work transferable? What emphasis is being placed on the elephant in the room, if you like?

**Mr Wilkinson:** We briefed the Committee recently on the social housing reform programme, which looks at all the structures. The work is being taken forward on the basis of possible change, no change or massive change, but we are looking very closely at all regimes. So, however this pans out, there will be an important governance regime between the Department and its NDPB, whatever its functions may be.

Similarly, we briefed the Committee that we are looking very critically at governance and inspection. We referred to that as the governance and inspection of housing associations. As well as what I described, we are very keen on ensuring that the key elements of what we look at when we are inspecting a housing association as a social landlord will be taken forward to the agenda on which we are working with the Housing Executive to look at its landlord function. Any good practice will not be lost, and anything that emerges as better practice, as with our explanation of the social housing reform programme, will either be brought in now or implemented in future.

**Mr Campbell:** OK. Will, you talked about Red Sky, and Fra McCann also mentioned it. I was not quite sure of the timeline that you indicated, but you said that the Minister at that stage said that the matter might need to be looked at in a wider context. When was that?

**Mr Haire:** That was in 2011. It was about checking the quality of work in other related contracts by other contractors, and ASM undertook that work. So, it was taken forward in 2011.

**Mr Wilkinson:** It was commissioned in October 2011, but the Minister indicated his intention in July 2011.

**Mr Campbell:** What intention did the Minister indicate?

**Mr Wilkinson:** In July 2011, the Minister indicated that he wanted an investigation, similar to that relating to Red Sky, to be carried out into other contractors to assure himself that the issues that were relevant in that contract were not appearing in other contracts.

**Mr Campbell:** So, between July and October, when the Minister took that decision, how widespread would the knowledge have been in the senior levels of the Department and the Housing Executive that that was, if you like, the departmental direction?

**Mr Wilkinson:** The Housing Executive senior management team and the chair would have been advised that that was going to take place. This is something that we have always stressed, as have the Audit Office and the PAC, but in addition, the Housing Executive operated a very extensive internal inspection regime at that time across all contracts. One of the issues was that that inspection process was showing up concerns across a whole raft of contracts and areas.

It was very important that — this was one of the issues that was raised — by the time that it got to May 2012, while the ASM report was ongoing, there were concerns that those reports, which were Housing Executive reports from its own internal inspection teams, were not being cleared as quickly as possible and were not being given due attention. It is not as though all the work was in one basket; there was a basket of work that was ASM-commissioned, the PAC was carrying out its own ongoing investigations, and, at the same time, the Housing Executive's internal inspection regime was producing its reports, which looked at all the areas.

**Mr Campbell:** Yes, but I just want to be absolutely clear about what you are saying. Between July and October 2011, I presume that, at senior Housing Executive level, it would have to be the case that it was aware of the Minister's decision to widen that type of investigation beyond Red Sky.

**Mr Haire:** Yes.

**Mr Campbell:** So, would it be accurate to say that, at a senior level in DSD and the Housing Executive, there was knowledge that that was the case?

**Mr Wilkinson:** Yes.

**Mr Campbell:** Was that before the BBC 'Spotlight' programme began its investigations into Red Sky?

**Mr Wilkinson:** I am not sure when it began its investigations.

**Mr Campbell:** They, I think, at an earlier point, indicated that they were at the programme for six months. The programme was broadcast in the summer of 2013, so, by a process of elimination, you could probably work out that they began their investigations in November or December 2012, which was more than a year after — it appears from what you are saying — senior people in the Department and the Housing Executive were aware of the Minister's decision to replicate the Red Sky type of check with other contractors.

**The Chairperson:** I am being advised that, in November 2012, the BBC started writing to the Minister.

**Mr Campbell:** Yes. That is more than a year after senior people in the Department and the Housing Executive knew that it was not confined to Red Sky.

**Mr Brady:** Thanks for the presentation. Taking into account the information you have given us on the steps taken to address the weaknesses in the planned maintenance contracts, do you expect the Auditor General's report to reflect that? They have given qualified opinions in the last two years. The second question is around what now appears to be the mythical £18 million. Do we know where that stands at the moment? Are you in a position to give us any information on that?



**Mr Haire:** On the first part, clearly the Auditor General's concern is to work out planned maintenance but also any questions of overpayments and other issues. Clearly, the question is about the time to reconcile accounts in that process. I understand that the work is coming to a conclusion of that negotiation. The Auditor General will want to be satisfied about the financial outcome of that. Whether that is achieved this year and he is satisfied with the system this year depends. Work is being done by the Housing Executive. It will have to work with the Auditor General and the NIAO to see whether he is happy enough that it has been able to sort all issues out and account for all its money in that process. We are still awaiting final documentation from the Housing Executive. We have to do formal clearance of any settlements. The Department of Finance and Personnel, rightly, has to do that process. We are still awaiting the final documentation. On that issue, obviously we are still waiting. We have not received the formal documentation from the Housing Executive on the conclusion of that issue.

**Mr Brady:** Are you hopeful that that will happen soon? We have been told over the past few months that the conclusion will be reached next week or the week after.

**Mr Haire:** Like you, we have been monitoring that.

**Mr Brady:** Is there any particular reason for the delay?

**Mr Haire:** I think it would be best to ask Housing Executive colleagues who have been dealing with that issue. They are best placed to explain it to you.

**The Chairperson:** Obviously, we are getting reports from you again this morning, and I appreciate you giving a very substantial memorandum, which will take us a bit of time to absorb. A lot of work has been done, and there is a lot of work being done. You are giving us a fairly clean bill of health, so to speak, with a lot of work to be done yet. Again, I want to make that point. Even as late as 2014, you are saying that there is still a lot of work to be done. I appreciate that we cannot go into any more detail on the issue of the £18 million, but, in my mind, it looms large as a major fly in the ointment. On one hand, we are being told that a lot of progress is being made, but that is still sticking out as an unresolved matter. Until we get the result of that and the conclusions from that, it is hard to make a judgement. It is there to be dealt with.

**Mr Haire:** Absolutely. It is a massive issue for you and us. We have to work through what we all learned in that process. Obviously, it was an issue that the Audit Office has been focusing on, because the £18 million is, rightly, a major concern. This is public money, so it is important to make sure that it is correctly accounted for.

**Mr Dickson:** Thank you, Mr Haire, for your presence this morning and for bringing us up to date, in a sense, about where the Department is in its relationship with the Housing Executive. Given the history of where we are, and how we have got to where we are today, how can we, the public and the tenants of the Housing Executive be assured that the information that you are receiving is now accurate, correct and timely?

**Mr Haire:** The key element, as I say, is that we have been putting regular reports into the system. I put two major reviews into the organisation, which have test-drilled down. The one that was done last year comes back and gives us a picture. While progress is still to be made, it shows that significant progress has been made. My staff are much more confident in the material here.

The other issue is, of course, the Audit Office itself. It is a clear and major focus on the part of the Audit Office, which is the external auditor for us all, including the Assembly. It, likewise, is going into this process as well. So, that is another form of internal inspection.

I take confidence from the board and the senior management of the Housing Executive, which very much recognise the issue. They have very openly said that these are issues that they are dealing with and have clearly set out how they are dealing with them. The openness and direction that I sense from the team is something that I think should give tenants and the public a sense that there is a clear will and focus to try to deal with issues in that process. You will obviously have the opportunity to enquire further about those issues.

So, I think that those are the issues. However, I do not doubt that, for all of us, the last year has been a tough period in housing. We all recognise that issue, and we have to work through those very

difficult issues. In essence, we have had some governance problems. When we went in in 2010, there were major errors in response maintenance. Basically, we had the wrong type of contracts, and the administration and skilling of that was not right. That has taken us and the Housing Executive time to get right. The same issues were in planned maintenance as well. These are very big expenditures, and you have to get staff trained. A lot of work has been done on staff training and a lot of time has been spent on getting the right contracts in place. Those are tough contracts to negotiate. To get those processes in place is a major operation, and it has taken time. Clearly, it is difficult to explain to people why it takes 18 months to put in a new contract and embed it. So, the Department and the Housing Executive have a lot of work to do to make sure that people have a sense of equality in contracts. You will have an opportunity to talk to senior management. I see very clearly a team that is committed to that issue and doing that work.

**Mr Dickson:** That is helpful and reassuring. Thank you.

**Mr F McCann:** A lot of this hinges on the Egan contracts also. It may be accepted that the Egan contracts were not the right concept of contracts to be introduced. I remember, going back to the time when they were being introduced, the argument was that, when you bring in a system that asks for more for less in monetary value, you are always storing up problems. There was always going to be a system whereby people would come in low and then argue over additions to it. Do you think that that is where the problem lay? The PricewaterhouseCoopers report and some of the other reports state that the level of training that went on at the time led to some of the serious problems.

**Mr Haire:** I readily admit that I am not an expert in managing response maintenance. We have people, such as Gerry Flynn, who would be much better placed to give you an answer on that. A number of reports — it is inherent in the ASM one and, I think, Campbell Tickell made the point — state that, in a sense, there were good aspects of the Egan concept; we were trying to get away from long-term, past adversarial contract issues and get a process that was slightly more of a partnership. The partnering process was strongly accepted in the Housing Executive, but there was not an effective balance in the process. It went too far in that way. They had to get a different balance in the process. They have now got better indicators and contracts that can be better negotiated in the process. However, a lot of it is about, as you say, the skills of the staff.

I have heard some argue that the Housing Executive, when it put in the Egan contracts, maybe gave up too many of its technical staff and so did not have enough people with a technical ability to negotiate issues in the process. I understand that it is now using consultants and other processes to make sure it has that technical skill on its side.

Gerry will probably give you a much better sense of those issues but, overall, those contracts produced quite significant savings for the public purse. There is a broader picture, but getting these sorts of contracts right and building the commercial expertise in the public sector to do them well is a big lesson. If you read across any literature in government — Dublin, London, us all — you see that it is a difficult public sector issue, and we have to get our skill base right.

**Mr F McCann:** You keep referring the £18 million back to the Housing Executive. The chair of the Housing Executive, as the Minister said, provided him with the information on the overcharging, as he said, of £18 million. As Mickey said, we keep getting told that we are almost there, but it seems to be never-ending. Would the Department accept that the figure is nowhere near £18 million and that —

**The Chairperson:** We really cannot go into that because we do not have the —

**Mr F McCann:** It has been raised a number of times here, Chair.

**The Chairperson:** Yes, but you are asking for a specific answer, and we do not have the formal conclusion of the investigation. The key thing for me is that we expected this matter to be resolved much sooner. We cannot satisfy ourselves that the matter is resolved until we get something like that dealt with, out of the way and work out what happened or where it went wrong, if it went wrong. I take your point and share your frustration, but, at this time, we do not have confirmation that the matter is agreed and finally resolved, so we cannot ask the official that.

**Mr F McCann:** I bow to your judgement.

**The Chairperson:** OK. Thanks, Fra. No other members want to ask anything. Will, if you or Jim have nothing to add, it leaves me to thank you. Thank you for the memorandum. These matters are clearly ongoing, so you will appreciate that, given the volume of work, we still have to take time to absorb all this. We will take further evidence next month, not least from the Housing Executive. We may want to come back to you to get further advice, support or explanations. Is that fair enough?

**Mr Haire:** Of course. Thank you very much indeed.

**The Chairperson:** Thank you.