



Northern Ireland  
Assembly

Committee for Social Development

# OFFICIAL REPORT (Hansard)

NIHE Planned Maintenance Settlement:  
Mr Nelson McCausland MLA (Minister for  
Social Development), DSD Officials and  
NIHE Officials

18 September 2014

# NORTHERN IRELAND ASSEMBLY

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and NIHE Officials

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

Mr Alex Maskey (Chairperson)  
Mr Mickey Brady (Deputy Chairperson)  
Mr Jim Allister  
Ms Paula Bradley  
Mr Gregory Campbell  
Mr Michael Copeland  
Mr Stewart Dickson  
Mrs Dolores Kelly  
Mr Fra McCann

**Witnesses:**

Mr McCausland	Minister for Social Development
Mr Will Haire	Department for Social Development
Mr Andrew Hamilton	Department for Social Development
Mr Donald Hoodless	Northern Ireland Housing Executive
Ms Mags Lightbody	Northern Ireland Housing Executive

**The Chairperson:** We have a briefing from the Minister, Nelson McCausland, and senior DSD and Housing Executive officials. With Minister McCausland are the permanent secretary, Will Haire; Andrew Hamilton; Donald Hoodless, the chairperson of the Housing Executive; and Mags Lightbody, the chief executive.

I do not want to go into any detail, because members are aware of the genesis of this morning's session. For the Committee and for those who are here to address the Committee's concerns, the essential arguments are around the fact that we had a very public exposition of the problems with planned maintenance contracts, some of which resulted in a figure of £18 million being announced in the Assembly. Our understanding is that that figure, as it appears in the settlement statement, has significantly reduced. In fact, it is probably fair to say that, although we have no way to validate this, most members believe that some form of compensation payments are due to at least some of the contractors. We are not fully clear on that, but it has been stated around this table on a number of occasions when we have discussed the matter.

There is obviously the other issue on the procurement of the consultancy firm Campbell Tickell and the efficacy and integrity of that exercise. We will deal with that.

In view of the fact that the Minister might have to leave, we will deal with the first element of the issue, which is really on the announcements that the Minister made. We have already had some explanation about those, but the Committee wants to return to them in some detail today. I ask members to focus their attention and energies on the discourse between the Minister and Donald, in the first instance, given Donald's previous explanation to the Committee, which was that he had met and briefed the Minister and was made aware, over the next number of days, that an announcement had been made in the Assembly, meaning that he felt it appropriate to put a consultant in place. I will leave it at that, because, as I say, members might have a slightly different variation or recall of that. That is the nub of what we are trying to deal with this morning, along with anything else that members might feel is appropriate in relation to that.

Minister, if you want to, as is normal at these meetings, make a brief statement, we will follow that with Donald.

**Mr McCausland (The Minister for Social Development):** Chairman, thank you indeed for the invitation to address the Committee on the Northern Ireland Housing Executive's (NIHE) negotiated settlement with its planned maintenance contractors.

I believe that it may assist the Committee if I set the scene for some of the key events relating to this matter. If I may, I would like to start with the original announcement of the extent of overpayments relating to the maintenance contracts that was made last year.

Members will recall that, on 10 June 2013, I made a statement to the Assembly in which I highlighted my concerns relating to the serious deficiencies in contract management in the Northern Ireland Housing Executive. Those failings had been identified by the work carried out by ASM and the Northern Ireland Audit Office (NIAO) and, most importantly, by the Housing Executive's internal assurance teams. Members will be all too familiar with those findings. I also informed Members that the chair of the Housing Executive had requested a comprehensive investigation of matters relating to planned maintenance contracts and that, following that investigation, I had been advised that it was estimated that there were overpayments in the region of some £18 million. The £18 million was indeed an estimate, and I remind the Committee that I referred to it in that context — as an estimate.

Unfortunately, in the subsequent reporting in the media, there was probably not the degree of emphasis that one might have wished to see placed on my concerns about the contract management failings and their causes or on the fact that the figure quoted was an estimate. I am aware that there has been a view expressed that I should not have advised the Assembly of the suspected level of overpayments and that, somehow, it was an overreaction on my part. However, I would ask members this: what else could I have done? Once I became aware of the estimated overpayment figure of £18 million, it was of such a significant scale that it demanded being brought to Members' attention at the earliest opportunity. To do otherwise would, indeed, have been remiss of me.

I am also aware that my decision to name the contractors involved has been criticised in some quarters. I ask members simply to think about that for a moment or two. How could I advise the Assembly that there was an estimated £18 million in overpayments and elect not to mention the contractors involved? It is inconceivable that the Members would not have demanded to know which contractors were involved in delivering planned maintenance, given such a high estimate of overpayments. My sole aim in making my statement on 10 June was to provide my colleagues with the fullest details of the situation relating to contract management issues in the Housing Executive as was available to me at the time, and I stand by that decision. I feel that it is important at this stage to emphasise that my concerns throughout this period have always been with regard to the causes of the overpayments or the failures in contract management, because it is only in the understanding of how things have gone wrong that we can hope to put in place appropriate corrective measures. As I have already referred to, my concerns have been echoed in the various reports that have been produced over the past few years. ASM, the Northern Ireland Audit Office and Campbell Tickell have all documented serious and significant failures in the Housing Executive in maintenance contract management, as well as more general governance and cultural issues.

I have previously advised of the enhanced accountability arrangements that I have put in place and the increased level of oversight by the Department. In addition to and in conjunction with that, the Housing Executive is undertaking an extensive transformation programme that is aimed at changing the very core and fabric of the organisation. My officials have advised me that there are clear indications of improved performance. I notice in the report of last week's meeting that the Comptroller and Auditor General's office, I think it was, used the phrase "sea change". There have been clear indications of improved performance, but we must keep vigilant and ensure that there is a proper

environment that will permit those initial signs of improvement and development to grow and to encompass the whole organisation. As you would expect, we are working closely with the Housing Executive in pursuance of that objective.

I also made it clear at the time that the resolution of the issue of overpayments had to be taken forward by the Housing Executive and its contractors. I rightly provided them with the time and the space to do that. I have always been clear that contractual matters are between the Housing Executive and its contractors. If I have concerns, I will, of course, bring them to the Housing Executive's attention, and I am clear that it is its responsibility to deal with its contractors. Indeed, the issue of Housing Executive operational responsibilities is one that we have discussed in the past. I think that you will recall that we had an exchange of correspondence last year when, on 25 January 2013, you, as members of the Committee, expressed concerns regarding the specification of hinges for windows and asked for the procurement of the new double-glazing contracts to be delayed. I advised you at the time that that is entirely an operational matter for the Housing Executive.

I would like to move on to the out-turn of the negotiations with the contractors and the estimates of the amount to be written off. I want to make only a few observations here, because it is essentially an operational matter and was quite rightly handled by the Housing Executive as the governing authority with the responsibility for such matters. The chair and chief executive will be able to deal with the detail of anything that you might want to discuss.

My first point is to clarify that the original estimate that I provided on 10 June 2013 was an estimate of overpayments. That work did not estimate the level of possible underpayments that would be due to the contractors as part of the now-identified swings-and-roundabouts operation of the contracts. The Housing Executive engaged consultants to assist with the identification of the level of overpayments and underpayments and to take the lead in the negotiations with the contractors. Details of the settlement have already been widely published, but the end result was that three contractors had to repay some £670,000, with the fourth contractor actually receiving £470,000 as a result of work done that was not claimed for at the time.

In addition to and separate from the settlement with the contractors, the Housing Executive also had to reflect in its accounts an estimate of the payments that it could not substantiate. That work provides estimates of £12.5 million of overpayments and £10.3 million, giving a final write-off figure, allowing for adjustments, of £2.076 million. It may be worth considering for a moment that, although the final agreed write-off is just over £2 million — this is the core point for me — the actual level of control failure is better reflected in what was not managed properly, which is, in effect, both the overpayments and underpayments. It is not a case of setting swings against roundabouts; it is looking at swings and roundabouts. That gives us a figure of just under £23 million worth of work that was not managed in accordance with the contract. I am sure that, as responsible members of this Committee, people will be alarmed as they think of the scale of the lack of management control.

If I may, I think it is important that I state clearly that I do not believe that this was the responsibility of the contractors. Responsibility for the effective management of the contracts rested, and, indeed, continues to rest, solely with the Housing Executive. It is therefore that level of control failure that, in my view, makes it absolutely essential that we fully understand all the associated causes. At the risk of repeating myself, it is only in the understanding of how things have gone wrong — I am sure members will want to fully understand how things went wrong over a long period of years — that we can hope to put in place appropriate corrective measures.

On a broader perspective, regarding the approvals of the settlement and write-off, it has been recognised by all parties, the Northern Ireland Housing Executive, my Department and DFP that that has not been the ideal process for the estimation of the financial implications. However, it is the best that any of us could hope to achieve, given the circumstances. To attempt anything else would have the potential to incur costs running into many thousands of pounds — indeed, millions of pounds — and could involve lengthy litigation, and it would still not produce a figure that would be any more reliable.

On a final note, I wish to make a brief reference to some of the actions that the Housing Executive and the Department have taken to address the issues identified and to ensure that those circumstances will not arise in the future. First of all, the Housing Executive has established a contract management improvement plan for planned maintenance schemes brought to the board. Secondly, an action plan on the implementation of Campbell Tickell recommendations together with target dates, individuals responsible and regular updates were provided to the December 2013 board meeting. Those

continue to be addressed on a monthly basis through the monthly report on matters brought forward. Thirty additional professional staff have been put in place.

The Department has already established greatly enhanced accountability arrangements, with regular monitoring and review arrangements in place. In addition, the departmental accounting officer has established a Northern Ireland Housing Executive inspection function that will subject the NIHE landlord function to a similar level of scrutiny as has successfully been applied to the inspection of registered housing associations. A team has been established and is in the process of developing the terms of engagement, scope and objectives of the inspection programme. The establishment of the inspection team will provide the accounting officer with direct and independent assurance on the activities in the Northern Ireland Housing Executive landlord function. It is hoped that the first inspection report will be available in December this year. I know that the Committee has already expressed an interest in that important work.

This is an issue that goes back quite a number of years. The issue of management of contracts is something that goes back a decade, back to the days of direct rule and through the years of devolution, when earlier Ministers were in the Department. As I said, it is important that we get a good understanding of what went wrong so that we can ensure that it does not happen again. I believe that we are now in a position where, having identified the issues and addressed the legacies of the past, we are able to move forward in a good way.

**The Chairperson:** Thank you. I am very conscious that we have only 10 minutes to go, so we are not going to have much opportunity for members to address questions to the Minister. I just want to ask a question of the Minister myself, and then I will ask each member if they want to ask a question. That is obviously not in any way satisfactory, but I want to enable as many members as possible to get a say before the Minister has to leave.

**Mr McCausland:** We have just checked, and I can confirm that the Executive meeting is on this morning.

**The Chairperson:** I appreciate that; thank you for that.

I just want to ask two questions. At any time when you had the briefing from the Housing Executive in the first instance were you given to understand that there were caveats, if I could put it that way, around the figure of £18 million? That was not reflected in your public announcement in the Assembly. You said to the Assembly that the scale of the problem identified was a scandal. I think that that is what you referred to. Can you just respond to those two points: the issue around the caveats and the documentation to the Housing Executive board, which we have held, since very clear caveats were put around that figure but that was not reflected in your comments?

**Mr McCausland:** I think that the word "caveat" is covered in so far as you used the word "estimate", because that is what an estimate is: it is an estimate. Therefore, it carries the caveat that there is more work to be done to get to a final figure. The word "estimate" was, therefore, properly and rightly used. Others — some media people — maybe extrapolated that and read more into it, but the word was very clearly used and was repeated again and again: "This is an estimate".

**The Chairperson:** Were you advised by the Housing Executive board that the figure of £18 million was likely to go down once the contractors were engaged?

**Mr McCausland:** Everything at that stage was estimates, guesses, assumptions. I have no recollection. I could not recall, I have to be honest, exactly what was said at some meetings. We are going back over a period of time. I would not remember the details of that, but — this is the important thing to emphasise here — it was stated very clearly that it was an estimate.

**The Chairperson:** OK.

**Mr Allister:** Minister, Dixons Contractors are constituents of mine. You chose in the Assembly to name them as participants in an £18 million overcharging in respect of public money. It in fact turns out that, far from being overchargers, they were owed almost half a million pounds, because they had been underpaid. I know that, recently, you telephoned Dixons Contractors and issued a private apology. What were you apologising for?

**Mr McCausland:** The Member has obviously been speaking to Danny Dixon, because he was the person I spoke to as the man who runs the company. We had a good conversation, which I will return to in a moment.

First, as regards naming companies, I just want to clarify this: as I said in my initial statement, I would have been asked — it was known already — which companies provided planned maintenance. People all over the country see the vans driving about with the name on the side of them. MLAs know who the contractors are; they are aware of only four across the Province. They provided the service, and everyone knew about it. Constituents would have seen the vans arriving with the name on the door. Everyone knew; it was not some secret thing. It was well known which four companies it was. Naming them was largely irrelevant at that point, because it was known already which four companies delivered planned maintenance.

As regards the conversation, I made it clear to Mr Dixon. The conversation ranged over a number of things. I have to say that it was a very amicable and, I think, productive conversation, a good one. We talked not only about the past but the future. It was in regard to the fact that I acknowledged that there had not been an overpayment in their case, and I expressed my regret that there had been some intimation that they might have been involved, because they had not been.

**The Chairperson:** OK, Jim, we will move on to other members, because, as I say, we are going to try —

**Mr Allister:** This is most unsatisfactory.

**The Chairperson:** I appreciate that.

**Mr Allister:** We have had a filibuster for 20 minutes, and now we are not getting an opportunity to ask questions.

**The Chairperson:** I accept entirely —

**Mr Campbell:** How long would most Ministers speak for when they come to the Committee, Chairman?

**The Chairperson:** Sorry, let me just deal with this, Gregory.

It is very unsatisfactory, but, in this instance, the Minister has no alternative other than to go to the Executive. I had considered asking members to reschedule this session, but, as I said at the outset, we will return to it. I just want to give members an opportunity, for the next few minutes, to ask a question. As I say, it is wholly unsatisfactory, but it is not the end of it. We will return to it with the Minister, as we can quickly reschedule it. I apologise, but it is outside our gift to resolve it in any other way.

**Mr Brady:** I have just a quick question, Minister. Before you made your statement to the Assembly in June, did you discuss with the permanent secretary or the chair of the executive that you wanted consultants to be appointed?

**Mr McCausland:** It was brought to my attention that the Housing Executive board wanted consultants to be appointed and that it recognised that here was an issue about how contracts were managed. That is the core issue in all of this. The core issue is the quality, nature and effectiveness of management of contracts. Should it be a very, sort of, light touch or, with the type of contract that was in place, should it be a more hands-on form — a closer partnership — in terms of the management and monitoring of contracts? The board wanted some work done in that regard. It was brought to my attention that it wanted to bring someone in to do that.

**Mr Brady:** So, there was no discussion with you.

**Mr McCausland:** It is not something that I initiated. I am sure that the chairman and others will be able to fill you in with more detail about the timeline for that. When it came to the attention of the board of the Housing Executive, they said that we needed this.

**Mr Campbell:** At the time in the Assembly and since, this issue has received very considerable publicity and comment in the media and in the Assembly about the amount, how you got it and what you did with the information when you got it. Since the initial period, throughout the months that have elapsed until now, have you had any private or public comment, submissions, suggestions or proposals from anyone in public life — MLA or otherwise — on what you could or should have done differently when you received the information?

**Mr McCausland:** The implication of what some MLAs are saying is that is that you should really say nothing. That is the implication of it because they are saying that, if you mention something in public, that is a wrong. It struck me as strange because I can remember my colleague Mr Poots being severely criticised at one point by John Dallat, I think, for not bringing some information to the Assembly in a situation similar to this one. It is one of those things if there is a serious problem — this problem had been around for quite some time —

**The Chairperson:** We need to keep the answers as well as the questions brief because, as I say, we are trying to be fair to members here. It is a wholly unsatisfactory situation.

**Mr McCausland:** The one sentence that I want to put forward is simply this: the issue was one of contract management which goes back to 2004.

**The Chairperson:** Sorry, Minister. We are dealing with the specific issue around the current planned maintenance settlement —

**Mr McCausland:** Of course.

**The Chairperson:** — and your public announcements, which identified four contractors and a figure of £18 million.

**Mr McCausland:** Mr Chairman, I think that it is important —

**The Chairperson:** I am sorry. I understand that —

**Mr Campbell:** All that I am trying to do is see whether the Minister has received any submissions from MLAs about what he should have done differently.

**Mr McCausland:** I have not received any submissions. There have been no submissions, not a single one.

**Mr Campbell:** That is OK. That is fair enough.

**The Chairperson:** Well, that is all right. You have answered that question. As I said, we are in a very bad situation this morning to deal with this.

**Mr F McCann:** Thank you, Chair. I reiterate what you have said: it is totally unsatisfactory that we are not getting to ask the questions that we want to ask.

**The Chairperson:** Fra, I just want to make the point for everybody else's information that officials will remain in the room to finish this.

**Mr F McCann:** Minister, in June 2013, you informed the Assembly of an overpayment of £18 million and added that it was due to incredible incompetence or wilful corruption. Do you still stand by that in terms of the contractors?

**Mr McCausland:** One of the difficulties with this is that there is a narrative that some members have developed in their mind —

**Mr F McCann:** It was your speech.

**Mr McCausland:** — which is not the narrative that was delivered that day. It is not the narrative that was delivered that day. Maybe the member has gone back and read Hansard in the last 24 hours. I went back and read it. It was very clear —

**Mr Allister:** Did you blush?

**Mr McCausland:** It was very clear —

**Mr Campbell:** Some should now though.

**The Chairperson:** All right, folks. Sorry —

**Mr Allister:** Did you blush when you read it, Minister?

**The Chairperson:** OK. Let us stick to the question —

**Mr McCausland:** No, Chairman, I actually did not.

**The Chairperson:** You were asked a specific question by the member about the remarks that you made —

**Mr McCausland:** Yes, but, Chairman, it is difficult to answer questions when you have a member interrupting.

**The Chairperson:** You were asked a question. Please answer it.

**Mr McCausland:** The question that the member asked there is in relation to what was originally said. I relayed information that had been given to me by the Housing Executive. I was quite clear — again and again, the point was made — that this was not about anything really other than failures in contract management. Now, it is easy for some people to point —

**The Chairperson:** Minister, I have to —

**Mr McCausland:** Sorry —

**The Chairperson:** No, I am sorry. I have to stop you. You were asked a specific question. We will have time to elaborate further when you return to the Committee. However, everybody has agreed that they will ask one question. When they are asking one question, we would like one answer. Do you stand by the remarks that the £18 million that you referred to in your statement to the House was a result of either incompetence or wilful corruption? That is the question that was asked.

**Mr Campbell:** That is not an accurate summary though, Chairman, because he said "estimate", which you did not say.

**Mr F McCann:** He said that it could be more than £18 million.

**Mr Campbell:** Or less.

**The Chairperson:** Hold on a second. We will get no further if we continue in this way. I am simply saying to you, Minister, that you were asked this one question: do you stand over the remarks that you made in the House?

**Mr McCausland:** It was clearly incompetence.

**The Chairperson:** Or wilful corruption.

**Mr McCausland:** It was clearly incompetence.

**The Chairperson:** OK, that is your answer, fair enough. So, I think —

**Mr McCausland:** It was clearly incompetence. It could not be anything else now that we have had a thorough investigation.

**The Chairperson:** That is your —

**Mr McCausland:** Therefore, I was right in what I said.

**The Chairperson:** We will return to that because the statement around the settlement says that all parties acted in good faith. Anyway, we will return to that.

**Mr F McCann:** The add-on to that is this: given the information that you have now, do you not think that the incompetence rested with the chair of the Housing Executive who provided what is now obviously wrong information? Do you not think that he should have resigned at that time?

**Mr McCausland:** No. How do overpayments arise? They arise because there was incompetence in the Housing Executive at a particular time in the past under a previous regime. If certain members are not prepared to —

**Mr F McCann:** The information was wrong.

**Mr McCausland:** — face up to the flaws and failings of the Housing Executive at that time, that is a sad reflection on them, not on anyone else.

**Mrs D Kelly:** It seems to me, Chair, that there are more gross guesstimates than fairly accurate estimates. Minister, will you now apologise to the contractors whose businesses you and your statement in the House have done harm to? Perhaps you could outline to the Committee which officials you now hold accountable for the erroneous information that was provided to you.

**Mr McCausland:** The information that was provided to me was an estimate of overpayments. The other side of the picture that was not dealt with that day was the issue of compensation payments. However, I suggest that, if the Member wants to question people about this, maybe it is time that she questioned my predecessors in the Department from her party, who presided over the Housing Executive at the time and throughout the period when this was happening and when there was a total mismanagement by the Housing Executive in regard to the contracts. Maybe she would like to question them before she starts asking anybody else about anything.

**Mrs D Kelly:** Chair, maybe the Minister would address the actual question.

**The Chairperson:** Yes, you were asked a question.

**Mrs D Kelly:** As the Minister well knows, it was his predecessors who instigated the investigation of the Housing Executive. Perhaps he should be a wee bit more aware of his failings.

**Mr McCausland:** Sorry —

**The Chairperson:** OK, so the question —

**Mr McCausland:** Sorry —

**The Chairperson:** Sorry, hold on a wee second.

**Mr McCausland:** Well, I want to answer what the member has just said.

**Mrs D Kelly:** Answering the question would be a useful start.

**The Chairperson:** The question was whether an apology is due to the companies that were named in the statement to the House. That is the question.

**Mr McCausland:** It is important to remember that all the contractors acknowledge — three of them were those who were involved — in their agreed position — I have checked that the words are right —

that there were significant overpayments. They, as contractors, acknowledged that. Now, Mrs Kelly may not want to acknowledge that herself. She may not like it; it may not suit her narrative; but those are the facts, as is the fact that all these things are a legacy of a regime that was under the control of the SDLP.

**Mrs D Kelly:** Chair, the question was this: is an apology now due to the contractors whose business was harmed by the erroneous allegations put into the public domain —

**Mr McCausland:** There were no erroneous —

**Mrs D Kelly:** — by the Minister and his officials?

**Mr McCausland:** There were no erroneous allegations.

**Mrs D Kelly:** Who is accountable? Who is accountable, Minister?

**The Chairperson:** Right, OK. That is —

**Mr McCausland:** The member does not like the truth.

**The Chairperson:** We are drawing a line under that.

**Mr McCausland:** The member does not like the truth —

**The Chairperson:** We are drawing a line.

**Mr McCausland:** — and the facts, because it exposes the —

**The Chairperson:** Minister.

**Mr McCausland:** — failure of the SDLP.

**The Chairperson:** Minister. Minister McCausland, excuse me. I am chairing the meeting, and I am asking you to be quiet, please. I am drawing a line under that discourse.

**Mr McCausland:** Absolutely.

**The Chairperson:** There was a question asked. It has not been answered, but we will return to it.

**Mr McCausland:** It has been answered. Oh, it has been answered.

**The Chairperson:** What we need to deal with —

**Mr Campbell:** Chairman, you cannot say that the question was not answered when it was.

**Mr McCausland:** The question has been answered more than fully.

**Mrs D Kelly:** It has not.

**The Chairperson:** The question —

**Mr McCausland:** You may not like the answer, but it is the answer.

**The Chairperson:** Sorry, excuse me. The question was —

**Mr McCausland:** It has been answered.

**The Chairperson:** — whether an apology was being afforded. Unless I misheard the last section, there has not been an apology afforded.

**Mr McCausland:** No. The contractors accepted that there were significant overpayments.

**The Chairperson:** I ask people to reflect on the statement announcing the settlement when we return to this evidence session, because there is a narrative in that that actually counters some of what has been said in the last few minutes. Anyway, we will return to this. As I said, we are going to try to be fair to everybody —

**Mr McCausland:** Certainly.

**The Chairperson:** — and let them ask one question. We will return to all these matters in detail.

**Mr Copeland:** Thank you, Minister. The speech that you delivered in the Assembly and that we are referring to was based on information received in a report to the Housing Executive. How, when and by what method were you made aware of the contents of the report? As I understand it, there were quite narrow time frames. When did you become aware of what the report said — in other words, the information that the £18 million was based on — and how was it communicated to you?

**Mr McCausland:** That was communicated to me at a meeting on 29 May.

**Mr Copeland:** Was it a face-to-face meeting or by email or whatever?

**Mr McCausland:** It was a face-to-face meeting. The chairman will be able to disclose the exact details of what he said.

**Mr Copeland:** Was it just you and the chairman, or were there other representatives?

**Mr McCausland:** No, there would always be officials there.

**Mr Dickson:** Minister, given the nature of the issue at hand and the advice from the Housing Executive that Campbell Tickell should be appointed through a very short process to investigate these matters, how on earth did you manage to believe that it would give you the information that you needed? Given the nature of the problem, why did you not wish to appoint someone independently to assess the situation for you? Why did you rely on the Housing Executive to make the recommendation with regard to an investigation?

**Mr McCausland:** If the Housing Executive board and the Housing Executive have the responsibility for managing contracts —

**Mr Dickson:** Which they were not doing.

**Mr McCausland:** They were not doing it well, certainly. That is a point that I have made and one that we are agreed on.

It was important to get a quick turnaround to get some sort of report. I was pleased that the board of the Housing Executive had faced up to the issue and acknowledged it and was about to procure someone to investigate this. It was pointless having two people trawling over the one thing at the one time. A lot of information would be gone into, a lot of officials in the Housing Executive would be providing information and answering questions, a lot of work would be done, and there is no point in duplication. If there were duplication, I am sure that somebody would have criticised that as well. If someone was being brought in to do that work, the key thing for me was that it would be a good piece of work. In my view, the Campbell Tickell report identifies clearly what the issues were and confirms what had already been said by internal audit in the Housing Executive and by the Audit Office. All these people were saying the same thing.

**Mr Dickson:** Can you understand the scepticism of those who might consider that you taking the advice of the Housing Executive would have this major problem?

**Mr McCausland:** Sorry, I did not take the advice of the Housing Executive; I took the advice of the accounting officer, the permanent secretary. I went against what the permanent secretary said, before we have a question about that as well.

**The Chairperson:** OK, those who indicated that they wanted to ask a question have asked their questions. The position that we are in is unsatisfactory, but that is not the Minister's fault.

**Mr McCausland:** Thank you.

**The Chairperson:** I suggest that the Minister retires to go to the Executive meeting. We will invite you back again. Our officials will arrange that with your office, and that will be done quickly.

**Mr McCausland:** Thank you, Chairman.

**The Chairperson:** OK, Minister, thank you.

We are still on the same subject, and we are now not constrained by the same time limit. However, I ask members to stick to two questions at a time to allow us to go round the table and get a flow among all the members.

**Mr Allister:** The Campbell Tickell report that you sanctioned spent a lot of money over budget and produced an analysis that the debt may not be £18 million but was likely to be between £9.5 million and £13 million. For all their alleged expertise, although we know that they are not forensic accountants, they got it badly wrong. It was not anywhere close to £9 million or £13 million.

**Mr Donald Hoodless (Northern Ireland Housing Executive):** It was £12 million.

**Mr Allister:** No, sorry —

**Mr Hoodless:** I am sorry —

**The Chairperson:** Sorry. Let the questions be put, and then we will have an answer.

**Mr Allister:** The net figure is just £200,000 — not £18 million, not £13 million and not £9.5 million. What value was there in the Campbell Tickell report, which patently got it so wrong and was always going to get it wrong because it was not even talking to the contractors?

**Mr Hoodless:** Let me just go back to the beginning. If I may, I will answer at some length. It is important for me to say that we are pleased at the Housing Executive that the issue has been resolved. It has been a running, festering sore since October 2010 when it first came to light. That was two years before I was appointed. I have sought to get it resolved and finalised, and that is the action that I have taken. The board knew about it in, I think, October 2011, and the can had been completely kicked down the road time and time again. I sought to ensure that the issue and the size of the problem that we were being told about bit by bit was crystallised, which is where the figure of £18 million came from. Because we had had a long, long history of not getting to the bottom of the problem, we as a board decided to have an independent review to check whether what we had been told about the management of the contract was correct and indeed whether the issue about the overpayments was right.

Mr Allister is comparing apples and pears, if I may say so. The £18 million was an overestimate. We now know that. The estimate was nearer £12 million. We entered into a negotiation where we stated, quite clearly, that compensation events were part of the negotiation, which is where we reached the settlement. Now, I have been quite clear that this has been a poorly managed contract that we needed to resolve in order to move on and actually improve things for the future. You have heard some of it. I will talk a little more later if you wish to hear about the issues that we want to tackle in the light of our issues around procurement. We have already heard from Mags Lightbody about some of the work on the Journey to Excellence programme. The simple truth is that the original estimate that was given was wrong: it was too high. The Campbell Tickell report actually got the overpayment figure reasonably right, but what it did not discuss and was not asked to discuss was the question of compensation events.

**Mr Allister:** Mr Hoodless, according to the permanent secretary's brief, the purpose of the Campbell Tickell report was to ensure that the information that had been given to the board — the £18 million information — was "accurate and complete". Those are the words: "accurate and complete". Now, the out-turn shows that £18 million was far from accurate and far from complete. By the same token, the outcome of Campbell Tickell was far from accurate and far from complete, because it left the belief

that there could have been overcharging to the tune of £13 million. There patently was not. How can you say that it gave an accurate and complete picture when it arrived at figures like that and was never going to get the full picture because it declined to even talk to the contractors — strangely, the terms of reference did not require it to — to find their side of the story? It was always going to be a one-sided presentation.

**Mr Hoodless:** The work that was asked of Campbell Tickell was to review what the board had been told by its officials over years to see whether they had been told the full story, and part of that was the issue of whether the figure of £18 million was right. What we had from Campbell Tickell was checking whether we had actually got the full story of the management of this contract and looking at what was needed to make certain that it did not happen again.

**Mr Allister:** The full story included the fact that the contractors were being underpaid for some work.

**Mr Hoodless:** That emerged from the negotiations that took place later.

**Mr Allister:** But these marvellous people Campbell Tickell did not unearth that; they were not even allowed to look at that. Where was this pursuit of the complete and accurate picture?

**Mr Hoodless:** It was a complete and accurate picture of what had happened at the Housing Executive at the time.

**Mr Allister:** It was not a complete and accurate picture if what was happening at the Housing Executive was that there was an arrangement whereby there were swings and roundabouts and contractors were being underpaid to the tune of several million pounds. How can you say that it was complete and accurate if it obliterated that from the formula?

**Mr Hoodless:** Where did the swings and roundabouts come from?

**Mr Allister:** From the contracts that you operated within the Housing Executive.

**Mr Hoodless:** Now, let us be clear. This is a very important issue. What we are saying is that, in the management of public money and the management of contracts, the Housing Executive abrogated its responsibilities in allowing the contractors, in a sense, not to claim compensation events when they were due but to overcharge on the main kitchens, for example.

**The Chairperson:** What I would suggest at this point —

**Mr Hoodless:** Let us be clear: that is how it has worked out. There were overpayments and underpayments.

**The Chairperson:** Donald, I am going to suggest that people reflect on that. I will move on to another member as I need to shift around.

**Mr Hoodless:** Well —

**The Chairperson:** Sorry, I want you to reflect on the statement on the settlement, and I really advise people not to rehearse the failures of the past in terms of public commentary. I do not want the Committee to be a platform for misinformation or misunderstandings of what is going on.

**Mr Campbell:** Does that apply to members as well, Chairman?

**The Chairperson:** There was a settlement statement, which referred to all of the parties acting in good faith. That contradicts an assertion that people were overcharging and all the rest. I ask people to reflect on that. I will move on to the next member, because I am going to try to give all members at least a chance to ask a couple of questions. We will continue for as long as we need to this morning.

**Mr Brady:** I want to ask about the appointment of Campbell Tickell. Mr Hoodless, you gave your reason for the appointment in such a short period — it was done on Friday 7 June and the Minister made his statement on 10 June — as being simply because the Minister was due to speak in the

Assembly. So, it seems that the reason for the appointment of Campbell Tickell was to facilitate the Minister in making his statement to the Assembly. Do you still stand by that reason?

**Mr Hoodless:** That is correct. I thought that it was important to get that in place before the Minister spoke, so that, if he were asked who was doing it, it would be in place. If the Minister had not made the statement on 7 June, we would have done it on the 10 June or 11 June, because it was important. The board had been told that £18 million had been overpaid and we needed to investigate that independently. That needed to be done quickly and effectively, which is what happened — it was done within three months.

So, actually, although 7 June was the date that I gave the last time, if the Minister had not made the statement, it would have been done two or three days later.

**Mr Brady:** On that point, the Minister talked about caveats and equated that to estimates as if they were the same thing. I find it difficult to understand how that could be brought in. When presented with the figure of £18 million in May 2013, the Housing Executive's board was advised in a briefing paper that the £18 million:

*"is expected to reduce as more evidence is generated and contractors are directly engaged in providing their own evidence."*

Obviously, caveats were put to the board. Why were those caveats not given to the Minister? That document went on:

*"The estimates summarised in the table above need to be refined and strengthened through more sampling."*

Why were those caveats not given to the Minister? I was in the Assembly when he made his statement, and he talked about the £18 million as if that was almost a definitive figure. It was an estimate. The word "estimate" was mentioned, but quite a number of caveats were in place that the Housing Executive board knew about, and it seems peculiar that the Minister did not know about them. Ultimately, he is responsible for the Department and therefore the Housing Executive.

**Mr Hoodless:** My only discussion with the Minister about the £18 million was on 29 May. What I would say to you is that the board was driving the executive team to crystallise and settle that matter. That is what happened. Therefore, as a board, we were clear that we wanted to enter into negotiations with the contractors to settle it, rather than get to a point where, because this was public money, we would be forced to litigate. That would have been expensive for everyone involved and not helpful.

I have always made it clear to the Committee that we need good working relationships with contractors because they deliver services to our tenants. They are our, in a sense, presence for many tenants, and this running sore, which was an inheritance going back to 2010, had to be got over, got rid of and settled. That is what we have done. The issue to me, very strongly, is that we have settled something that had been festering and that was undermining our relationship with the contractors. I want to ensure that we build good relationships with contractors.

**Mr Brady:** That is fine, but the Minister's statement referred specifically to £18 million and to four contractors. As it turns out — Mr Allister has pointed it out — Dixons has been totally absolved, yet it was mentioned.

All those caveats were known to the Housing Executive board. I do not want to labour the point, but to go back to my question, the Minister was not aware of that. When he got up to make such a definitive and wide-ranging statement about the contractors, he should have at least been aware of that or said that a figure of £18 million has been given but that it is subject to refinement, change or whatever. That simply was not the case. What came out of that statement was that four contractors were guilty of quite serious offences. That is the public perception. Whether that is right or wrong, perception can sometimes be everything. I know that there has been a settlement and all the rest, but, in the public's mind, there is still that perception.

**Mr Hoodless:** I would be sorry for that. I would point out that we were advised of that but had no detail. The board was not the negotiators nor the people who were dealing with the contractors. They were just being informed of what was happening, and I was driving them to reach a settlement.

**The Chairperson:** I think that everybody agrees that the "drive", as you have put it, was entirely appropriate to fix any problems that have been long-standing and well-identified. I do not think that anybody here would take any issue with that whatsoever, and we would give you and the Minister 100% support to root out any problems that there were. No one has taken any issue with that. But public statements were made that named four contractors as being linked to overcharging of an estimated £18 million and some colourful language was used about how that might have occurred.

The Minister was asked the question and gave a very clear answer. You are being asked if the Minister was advised that the £18 million figure was heavily caveated as the board had been. It was made very clear to the board that that £18 million figure would reduce once the contractors had been engaged. There are two problems with that for the Committee. First, the Minister has been very clear in his response that he was not advised of that caveat; and, secondly, how could Campbell Tickell have got to a proper estimation when they would not even talk to the contractors?

We have difficulty understanding the process. We are not at all questioning the need for you to root out any problems with contract compliance and so on, and, as I said, there is 100% support for that from the Committee. However, the process has led to a very public debacle that has come to nought, but those four contractors had their name put out there, and we have ended up spending an awful lot of time trying to work out how those problems evolved. That is what people here are trying to address.

**Mr Hoodless:** I think that I have to accept that the caveats were not effectively communicated.

**The Chairperson:** Thank you for that.

**Mr Copeland:** Things are slightly convoluted, and I want to clarify something. Campbell Tickell was appointed on Friday 7 June. The figure of £18 million was already in existence at that stage. It prepared its report between Friday 7 June and Monday 10 June — is that correct? — and the Minister was going to speak on the Monday. Which Monday? That is what I do not understand.

**Mr Hoodless:** We appointed them. They completed their work at the end of September. It was a three-month contract that we asked for, and I think that it was on time, or just a week late.

**Mr Copeland:** According to this, the board was advised at some stage that, as my colleague said, the £18 million was expected to reduce as more evidence was generated. Was something going on in the background in parallel to indicate that the figure might vary? If so, what was it?

**Mr Hoodless:** Let me explain. This is one of the issues that the board needs to address in the future. For example, we were told, as a board, that compensation events were not allowable after eight weeks. As a board, we were determined to negotiate a settlement where we would allow them. Later, we were advised that, actually, they had added some contractual terms to the contract, which effectively invalidated that, and the compensation events were allowable.

**Mr Copeland:** "They" being who?

**Mr Hoodless:** The people who set up the contract at the Housing Executive.

**Mr Copeland:** The Housing Executive, in other words.

**Mr Hoodless:** The Housing Executive. The contract was never set up properly at all, which has caused the problems. It has been a running sore. The can was being kicked down the road constantly. Of course, it is very difficult. If you say to contractors, "You have been overpaid", they are not going to turn around and write you a cheque, are they? We were having difficulty crystallising the issue and getting agreement. We have now done that, and I want to ensure that we have good working relationships with contractors in the future and make other changes that make their life simpler and our life simpler, which I can talk about, if that is helpful.

**The Chairperson:** I do not want to leave that hanging in mid-air, because that is twice that you have referred to it. However, I want to make a point. In phase 2 of the inquiry, we tried to address the fact that a range of deficiencies, if I can describe them as that, were identified and a series of recommendations put in place to correct those problems. You and others have given evidence in phase 2, and the Committee has to satisfy itself as to whether all the necessary measures have been put in place. We dealt with that in phase 2 of the inquiry. So, it is not that we are not listening to you,

but this is not specific to the inquiry. We have given you the opportunity to come to the Committee during the inquiry to specifically address the measures that you have taken, and others, and you have had —

**Mr Hoodless:** We have an agenda for change, which it is important for people to understand. In delivering the planned maintenance contracts, which we are doing now, we need to look at our contracts. They are extremely complicated, bureaucratic and inflexible, which the contractors will tell you. We need to simplify those. We have what are called single-element programmes — for kitchens or bathrooms — but no sensible landlord manages his property that way. They look holistically at the needs of the property. We have no capital programme, so properties in a poor state of repair do not get anything done. We need to change that. As part of that, we need to ensure operationally that the contracts are managed in local offices. We need to support that centrally and get the balance of skills and staffing right in local offices.

**The Chairperson:** Sorry, Donald; we appreciate all that. I might give you the opportunity at the end of the session to —

**Mr Hoodless:** I am just saying that there is a totally unsatisfactory method of contracting, which we need to address for the future.

**The Chairperson:** We are not going to take issue with any of that, but we want to deal with the specifics of this morning's agenda, which you were made aware of. I am only making the point that we have welcomed you here previously during phase 2 of the inquiry. I will give you an opportunity at the end of the session to make any closing remarks you may have, which will, no doubt, include those points, because you did not have an opportunity to do that at the start of the meeting.

**Mr Copeland:** Again, I apologise for coming back at you. There are some notes in here that indicate that the reason why Campbell Tickell was appointed on Friday 7 June was simply that the Minister was going to speak in the Assembly on the following Monday.

**Mr Hoodless:** Let me be clear: the board agreed that it needed an independent report —

**Mr Copeland:** We being who?

**Mr Hoodless:** The board. The board agreed that it needed an independent report, and Campbell Tickell was the one chosen by the single-tender action.

**Mr Copeland:** Recommended by you.

**Mr Hoodless:** Yes, I recommended it.

**Mr Copeland:** But it is the relationship between the Minister speaking on a Monday and the driving factors that indicted that this had to be done on the following Friday. What is the —

**Mr Hoodless:** As I explained, I thought that it would be sensible to have the independent review in place before the Minister spoke in case someone asked who was doing the independent review. As it happened, I do not think that the Minister mentioned the independent review in his statement at Stormont, but I am not party to that; he may have done. So, I thought that it was important to take that action then, but it would have happened pretty soon after if it had not been done on 7 June. When the board was told that it was £18 million, it was important that it had an independent assessment of whether the story that it had been told and the information that it had been given were correct.

**Mr Copeland:** Was it told that it was £18 million, was it told that it might be £18 million, or was it told that it might be more or less?

**Mr Hoodless:** It was told that it was estimated at £18 million.

**Mr Campbell:** The storm, if I can describe it as that, seems to revolve around the initial figure being estimated at £18 million, and now you are talking about £12.5 million or thereabouts. My first question is hypothetical maybe, but if, at the time you were appointing Campbell Tickell and informing the Minister, the figure had been £12.5 million, would you have done anything differently?

**Mr Hoodless:** No. The whole management of the contract was wrong, and we needed to be certain that what we had been told about it was now fully out in the open so that we could deal with the problems and make certain that it did not happen again. If it had been £2 million, it would have been wrong.

**The Chairperson:** I am just cautioning here, because we are into a discourse of whether it might not have been £18 million or whether it might have been £12 million — I cannot remember the figure that Gregory quoted, whether it was £12 million or £12.5 million. The settlement does not refer to £12.5 million, so I fail to see how we can be referring to a figure of £12.5 million when that is not represented in the settlement. Therefore, people need to be mindful. What we are actually suggesting here is that it may be a settlement, but £12.5 million is still going astray. I think that we need to be very careful about what we are saying here, because I do not want this morning's Committee meeting to be a platform, as I said earlier, for misinformation going out there, and this would suggest that the problem was not £18 million and that, in fact, it was £12.5 million or the £12 million figure that was quoted. However, that is not reflected in the settlement statement, so we need to be mindful of what we are saying here. All that I am doing is disassociating the Committee formally from what any member might say. I am just saying that to protect all of us around the room.

**Mr Hoodless:** I am only making the point that, whatever the figure that we were presented with for overpayment —

**The Chairperson:** Yes, but I am saying that the figure needs to be related to the — *[Interruption.]*  
Sorry, Donald —

**Mr Hoodless:** People had been *[Inaudible.]* for so long, it was important that we had an independent review.

**The Chairperson:** The figure needs to relate to the settlement statement, because that is the legal basis upon which we have to deal with this. I am saying that to exercise whatever circumspection is required.

Will, do you want to come in on that?

**Mr Will Haire (Department for Social Development):** The Audit Office information in the report is very valuable as it gives a good explanation of how this is in public expenditure terms. I do not know whether you have the reference there, but it might be useful for the Committee because it sets out the flows and issues.

**The Chairperson:** We have heard that.

**Mr Andrew Hamilton (Department for Social Development):** Chair, maybe I can clarify. There are two sides or two aspects to this: one is the settlement, which is quite right, and that settlement came to, as we know, a repayment of £670,000 by three of the contractors in total —

**The Chairperson:** Do you accept that that settlement is complete yet?

**Mr A Hamilton:** That is a separate issue.

The issue about the overpayments and underpayments figures comes through because of the public accountability issues, where, under government accounting and the management of public money, the Housing Executive is under an obligation to seek approval if it is not pursuing all the income that it feels it is due. That is where the figure comes from and that is why there is an obligation, even where estimates are uncertain. If claims are not being pursued, they need to get approval not to pursue them. That is where we come to the issue of overpayments and underpayments. The starting point was the £18 million. Then there was an adjustment to that to take account of the fact that it included work that was ongoing. Those issues could be resolved under the terms of the contract for that work, so that was taken out. Then there was a refinement of the estimate of overpayments calculated as a result of more detailed sampling, and that brought us to the figure of £12 million.

To get the full picture, of course, you have to take account of compensation events — moneys that were due to the contractors. There is an issue there. Contractors will quite legitimately look at that as an issue and we have accepted the good faith of the contractors in all of that, but, in terms of the

public accountability, we still have to look at whether the estimate is correct. We had the contractors acknowledging, and it was agreed by the Housing Executive, that there was £8 million worth of compensation events associated with kitchens. There was no agreed figure with the contractors for the other work — the external cyclical maintenance and the local area priorities work — but, again, because of the public accountability arrangements, we needed to come to a view about that and the view was that, in total, the compensation events would at best estimate have accounted for £10 million. That then left the balance between those two figures, which was the £2 million of write-off.

That is the story. We acknowledge that it is all based on estimates. We have clearly said that the figures were not fully endorsed by the contractors, and we have acknowledged in seeking the approval for the write-off that the good faith of the contractors is not in any way compromised. Those are all very important qualifications, if you like, to the approval of the write-off by the Department and by DFP.

**Mr Campbell:** I think that is useful. I think it would be fairly obvious that the word "settlement" is one that would be used in conclusive arrangements after all the discussions have been held. I understand that, but I go back to the point that you made, Donald. Are you saying that, whatever the figure was shown to be in May 2013, you would have taken the action that you did?

**Mr Hoodless:** I am certain that the board would, because the nature of the management of the contract was such that it was causing the problems that were unresolved. They continued. There was an issue that we were being told about overpayments. There were no discussions of underpayments or compensation events brought to our attention as a board. Actually, what appals me is that that contract was set up on the basis of what has been described as swings and roundabouts. That is no way to run a contract and no way to deal with public money. The Housing Executive abrogated the responsibility to manage the contract properly. It therefore became a running sore that was difficult to resolve.

As I said, my intention has been to put it behind us and resolve it so that we can move on from it. The whole contract was a mistake. It was done on what they call Egan principles on partnering. Michael Latham is the one who later did it for housing.

I personally have been responsible for running partnering contracts, and I know perfectly well that you do not abrogate responsibility; you work closely with the contractor in joint teams in order to get value for money and save money so that you can spend it elsewhere or improve the quality. That is the nature of partnering. This was just saying, "Well, you get on with it and just charge us". It beggars belief, honestly, that that sort of contract could have been set up. I do not blame the contractors; they were asked to do it, but, having got a problem with it, we had to resolve it. I am sorry that we got to £18 million and it was not right, but we had to resolve the issue, account for the public money, settle the issue, move on, and look at contract form in future to make certain that it is simple and flexible and works for contractors and us. That is what we have to do.

**Mr Campbell:** I have one more question, Chairman. I know that time is tight. You talked about moving on. You said what you said about how you handled this. You also said that this went back to 2010. We have had a four-year period between then and now. How sure are you now, in the autumn of 2014, if we set aside the storm and the hyperbole that has surrounded the issue, that planned maintenance, looking forward, is going to be dealt with in a much more efficient and cost-effective manner, compared with what you have just described as how it was done previously?

**Mr Hoodless:** The answer to that is that the board has been satisfied that there are greater controls in place and that the contracts will be run more effectively. There is a lot more work to be done on how we procure and manage the contracts and systems we use in future. It is work in progress. The acting chief executive is the one to give you the assurances about operationally managing the contracts. We have been given that; I think that you should hear from her.

**Mr Campbell:** OK.

**Ms Mags Lightbody (Northern Ireland Housing Executive):** Chair, shall I come in on that point?

**Mr Campbell:** Yes.

**The Chairperson:** I will take it at the minute, because I do not want anybody thinking that we do not want to hear about the more rounded picture. However, as I said earlier, when we deal with that in

phase 2, we will give the opportunity at the end of the session. If you want to make a brief comment on that, Mags, please do.

**Ms Lightbody:** Chair, as you said, for phase 2, you will hear the extensive detail from a host of sources on the controls and evidence of improvement. In terms of closing out the live schemes still being dealt with and excluded from the settlement, I have been working personally with the four contractors. We have a clear process for how we are going to correctly manage all those out. We are engaged in that process right now. The new contracts are up and running and moving at a pace. Again, there are quite different arrangements; consultants are a key feature of them. We have been working again to stress test all that to make sure that the controls set in the contract are working and appropriate. We have had some early feedback from contractors and consultants about the checks being onerous, but, for this Committee, I have to be satisfied that we are managing those properly. We are listening to what they are saying about how we can work better and faster, but I have to be absolutely certain that they are managed effectively. I am giving the Committee that comfort.

**Mr F McCann:** Chair, I will try to be brief. Donald, did you read the Moore MacDonald report?

**Mr Hoodless:** No.

**Mr F McCann:** You did not? I find that amazing. My understanding is that the Moore MacDonald report had disclaimers on its findings on the basis that it was directed to ignore the rights of claim in the run-up to this, but you have not read it.

In terms of the Campbell Tickell report, you said that it had the relevant previous experience in dealing with this. However, Campbell Tickell said that it did not have a legal firm or forensic accountancy experience. I take it that, when it was brought in, it did not have the experience to follow through. As a matter of fact, I think that all members of the Committee said that they found the whole report shambolic because it did not answer the questions. The figures it gave were between £9 million and £13 million rather than £18 million. It left people here with a belief that Campbell Tickell was poorly picked and that the Committee was being ill-advised on how to proceed.

**Mr Hoodless:** There was not a requirement for legal or forensic accounting in the type of report that it does and did. I just have a different opinion about the Campbell Tickell report. It was very helpful to the board of the Housing Executive in setting out the story of what had gone wrong and what we needed to do to put it right. The £9 million to £13 million was a small part of that, but it was a much more accurate measure of the overpayment than the one that we had been given.

**Mr F McCann:** Are you still saying that there was a huge overpayment to the contractors?

**Mr Hoodless:** There was. You have heard it from —

**Mr F McCann:** You have to be very clear. The Minister —

**The Chairperson:** One at a time.

**Mr F McCann:** The Minister mentioned four contractors' names. There has been a settlement with them. Are you still saying that there was a huge overpayment to those contractors?

**Mr Hoodless:** Andrew just outlined to the Committee how the figures were reached. The board had been told at that time that the compensation events were time-barred. That was an issue that we, as a board, reintroduced and, in terms of the contract, was probably allowable in any event.

**Mr F McCann:** In the Minister's statement to the House, he completely relied on the information that you had given him. As a matter of fact, I take it that the names of the contractors were given to the Minister by you to allow him to mention them in the House in the fashion that he did. Even taking in Moore MacDonald and all the other stuff that was coming through at the time, had you checked that you might have come to the conclusion that the information that you were giving the Minister was not as accurate as the Minister deserved for the statement that he was making?

**Mr Hoodless:** The board's role is a non-executive one. So, it was not involved in the discussions about drawing up that information. It was reliant on what it was told by officers. It appears that that

was not always as reliable as it should have been, but I will address that. You have to understand that, as a board, we are advised and we pursue the executives to make certain that we resolve the issue, but it was them who were doing the negotiation, dealing with Moore MacDonald and taking Moore MacDonald on as our expert witness. It would have been wrong, I think, for the board to try to do the negotiation itself. Its executive team was responsible for that.

**Mr F McCann:** I am not talking about the board; I am talking about you. You provided the information at a meeting with the Minister that allowed him to go into the Assembly to make the statement. That information has ended up highly inaccurate, with accusations being made against a number of contractors. Information was around at that time that, had it been properly investigated, could have led you to come to a different conclusion. Did you not even think in and around that period that, when the information was given to the House, you should have considered your position in the whole thing?

**Mr Hoodless:** I think not. The very important issue is that a long-running sore has been resolved. That enables us to move on. Getting to the bottom of this took a long time. A lot of the negotiation took a long time. A lot of the issues about sampling and revisiting the properties took time.

**Mr F McCann:** It has now been admitted that the sampling was wrong.

**Mr Hoodless:** It was not big enough.

**Mr F McCann:** It came up with the wrong results.

**The Chairperson:** The key issue is that the Minister was provided with information that he relayed to the House naming four contractors and establishing a figure in the public mind, and questions have been put to you, Donald, because you gave that information to the Minister. Was that not the case?

**Mr Hoodless:** I am not certain about the contractors but it is public knowledge. The contractors had public contracts.

**The Chairperson:** I do not know how it is public knowledge because I do not know who all the contractors are. So, it may be common knowledge to a lot of MLAs, but it certainly became public knowledge when four contractors were named in House and attached to a figure of £18 million of overcharging. It certainly was public knowledge at that point. I think that we have addressed that previously, but I do not think that we have full clarity in our minds yet as to who named the four contractors as being associated with the alleged £18 million overpayment. How did that information get to the Minister?

**Mr Hoodless:** I am not aware that I told the Minister the four names, but, in my view, they are, quite clearly, public, as the Minister himself said. Who they were will have been freely available under freedom of information.

**Mr Allister:** The Minister does not do freedom of information.

**Mr Hoodless:** I am just saying that, if we were asked under freedom of information, we would —

**The Chairperson:** You are saying that you do not recall giving the Minister the names of those contractors.

**Mr Hoodless:** No. In fact, as I think I said at this Committee earlier, I never name the contractors. I just made the point that we had been told that we —

**The Chairperson:** You have said that in previous sessions with the Committee. I understand that. I just wanted to reconfirm that with you.

**Mrs D Kelly:** It is my perception that, in Mr Hoodless's opening remarks, he sought to suggest that the previous board had, to use his phrase, kicked the can down the road. Yet, we heard from the Northern Ireland Audit Office last week that, quite often, information was held back from the board. Do you accept that to be true?

**Mr Hoodless:** Yes. I was not saying that the board kicked it down the road; the officers advising the board kicked the can down the road.

**Mrs D Kelly:** Certainly, that was the implication that I picked up from what you said, Mr Hoodless, so I am glad that you have clarified that point.

I have a second point. Mr Haire told this Committee that you said that the issue around the overpayments in this experience included frauds, financial malpractice and complex financial issues, yet we have heard that Campbell Tickell has said that it is neither a legal firm nor does it have forensic accountancy experience. At the end of the whole process, we then learn that the bill submitted from the single tender was initially agreed at £40,000, that the initial bill head was put in at £87,000 and that, following negotiations with you, it went down by twenty six and a half to £66,000. So, what confidence can we have as a Committee — indeed, what confidence can the general public have — that you have the ability to set contracts and follow established procurement practice and give terms of reference to contractors?

**Mr Hoodless:** We did follow proper procurement practice for the single-tender action.

**Mrs D Kelly:** Yes, for a single-tender action, which is now in breach because of the amount. There was a mad miscalculation of public expenditure, albeit on a much smaller scale, but the principle remains. You set up a contract with a poor set of specifications and terms of reference and then came back to the public purse with a begging bowl for additional funding. So, what confidence can we have that you are the right man for the job, given that you cannot even set up a contract for a piece of forensic work? A firm that in its own words says that it is neither a legal firm nor a forensic accountancy firm was appointed to do a piece of work that involved it having to investigate frauds, financial malpractice and complex financial issues. It does not inspire much confidence.

**Mr Hoodless:** Forensic accountancy tends to be used where there is fraud. No one was ever suggesting —

**Mrs D Kelly:** Mr Haire has told this Committee that you suggested to him that this included frauds, financial malpractice and complex financial issues. Are you now saying that that is not information that you gave to Mr Haire?

**The Chairperson:** Yes, I suppose that, following Dolores's question, we have now moved into the process around the appointment of Campbell Tickell. It is really the procurement exercise that we are addressing now. In the response that I think Will made —

**Mr Hoodless:** It was its previous work.

**The Chairperson:** Donald, let me continue. I am contextualising that last comment, because we have now moved into the discussion around the efficacy or otherwise of the appointment of Campbell Tickell. Will, you referred to the experience of Campbell Tickell including fraud, financial malpractice and so on and so forth. So, members now obviously do want to address the issue of the procurement exercise itself because this Committee in total has expressed concerns around that process. All the Committee members have expressed concerns around that, so we want to explore that with you. It is really on how the company was procured.

**Mr Haire:** Yes, fine, exactly. That is useful clarification, because, as I said, that was its previous experience. I am very open to taking questions on this issue. It is a classic situation that has happened to me many times as accounting officer where, particularly, a board in this case felt that it needed independent advice on this process. The requirement of public procurement is that they have to come to you to get approvals in this process. Donald Hoodless presented this situation to the Minister on the twenty-ninth and it became very clear, as I said, that they wanted very quickly to get this group done. A single-tender action, therefore, is the only real option. The alternative is this: if Mr Hoodless wanted to get this in place — I think that the Minister totally agreed that it was important that, if there was going to be an announcement, it was in place quickly and that the work as done quickly for the board — it was important that we could not wait the normal two months or for the three to four months of an open procurement system to go with this process. That was not credible and, therefore, a single-tender action was required. That requires a business case to be put to me. We went through that process and it was done. I have explained in my note how that was done, and I am very happy to answer questions about that process. It was a fairly standard process that we had to do

in this case, and we had the business case done very quickly and effectively. Many times, what will happen here is that you do the appointments and then a business case is done retrospectively. This was done in time and in place and was well put in place in this process.

**The Chairperson:** I do not have the official record of the particular discussion to hand; we will search it out. If I am correct, you are suggesting that a conversation took place with the Minister on the twenty-ninth.

**Mr Haire:** Yes. That was when the chairman indicated —

**The Chairperson:** Well —

**Mr Haire:** At the time of the estimate, he also reported it. It was just after a board meeting. He said that the board had decided that it wanted to do this issue and it decided on the issue.

**The Chairperson:** My recollection would be that Donald gave evidence to this Committee that, after the meeting that he had with the Minister, at which he explained the issue around the money and so forth, he took the view when he was subsequently made aware that the Minister intended to make a statement to the House on the Monday that it would be important to get a review mechanism in place. That is not what you are outlining to me, if I am correct in what I am hearing. It was a different sequence of events.

**Mr Haire:** My memory was that the reference to that issue was made at the meeting you mentioned.

**Mr Hoodless:** The key decision of the board was that, on the basis of what it had been told about the £18 million, there should be an independent review. The issue was then about setting it up. The single-tender action was the mechanism through which that was done.

**The Chairperson:** Dolores, are you finished on that point?

**Mrs D Kelly:** The point is that we are now hearing from people charged with oversight and who have criticised the Housing Executive, rightly so in terms of the contract management. They themselves have not been able to expend public money and set proper specifications for a contract of work and have come back to the public purse, albeit on a much smaller scale. However, the principle remains the same: the specifications that you set out, and your knowledge of the work that was required and the experience of the company, proves that you grossly underestimated the cost of the contract.

**Mr Haire:** I approved the business case that came forward from the executive. There is a standard position in contracts of this sort in particular that we give them a 10% variance —

**Mrs D Kelly:** It is a swings-and-roundabouts approach.

**Mr Haire:** No, sorry, it is not swings and roundabouts. The point is that contracts of this kind can go 10% over without having to come back for approval. It went over that level —

**Mrs D Kelly:** I think it did. It went over 100%.

**The Chairperson:** I am sorry, one at a time, please.

**Mr Haire:** It went over that level at that time. I have given retrospective approval and got those approvals done. At that time, they should have come back to me to ask for the extension, and I said that they must check that that does not recur. This sort of thing happens in a process, particularly with contract issues and consultancy issues, and, sometimes, these issues come back. Yes, it was not at the £40,000 specification initially. Clearly, more work had to be done to improve the issues, so it had to increase in that amount and they did not do that correctly at the time. They should have got that process right.

**Mrs D Kelly:** So it was a flawed business case.

**The Chairperson:** Sorry, Dolores, let Will finish.

**Mr Haire:** I do not think that it was a flawed business case. The handling of it, when they found more work, should have been done properly. We considered this carefully. It was done. It was delayed, and that should not have happened. The key issue for me is that my job is to support the board in doing its work and making sure that it is done. The board clearly wanted to get to the root of an issue — an issue that I had been pursuing, as I have explained to you. As accounting officer, I was very much pursuing the second part of the issue with the accounting officer in the Housing Executive. I wanted to get to the bottom of this case and to start off the Ballynahinch case from 2010-11. The Audit Office had been pursuing that case for a long time, and we were not getting the answer in that process. The board took up the issue, correctly, and, when they came to the estimated figure, they did, in my mind, exactly the right thing. They said that they needed some independent expert advice. In particular, I think that they wanted people with knowledge of how housing ran and who were capable in this area. They did not want a forensic auditor. The terms of reference were set, Campbell Tickell was available, and the team worked, as I understand it, very hard on that process. The main thing for me is that the Housing Executive board has indicated to me that they feel that they have been greatly assisted by that report; it has helped them, as well as Mags and her team, as they take things forward. So those are the issues.

As I say, clearly there were glitches in the process. We should have got the response more quickly. When they did the overview, they found that they had to do more work, and I should have been asked to look at that issue earlier. We put our hands up on that issue, but that is just something that you manage in the system, and there are appropriate processes to do that in the correct procurement way.

**Mrs D Kelly:** I have one final question for Mr Hoodless and, if appropriate, Mr Haire. Do you now believe that the contractors are owed an apology? Who should be accountable?

**Mr Hoodless:** Actually, we resolved and settled with the contractors. I have made it clear all along that responsibility for the contract being done in the way that it was belonged to the Housing Executive, but in managing the contract in the way that it was, the contractors were complicit in going along with it.

**Mrs D Kelly:** Chair, that does not really answer my question.

**The Chairperson:** Let him finish, and then you can take issue with it.

**Mr Hoodless:** Therefore, I am not certain that they ever came to any of you to say, "Well, hang on a minute, this contract is not being run in a way that it would normally be run", and I do not think that an apology is required. We have settled it, and that is the good news.

**Mrs D Kelly:** It is my understanding that these contractors faced huge financial difficulties throughout the course of these allegations, which were based on estimates and, it would appear, a quickly cobbled together summary for the Minister to present to the Assembly on the Monday. Nobody seems to be taking responsibility for what appears to be a lot of, as you have said, Chair, misinformation. I did not ask, Mr Hoodless, about the complicit nature. These contractors were accused, in the House, of being part of a scandal — a potential fraud — and we hear from the chairman that these people and these companies are not owed an apology from the chairman of the board of the Housing Executive, and we have yet to hear from the permanent secretary. I believe that these contractors are owed an apology for the way in which the name and reputation of their firms has been dragged through the mud.

**The Chairperson:** OK. I do not know whether anybody wants to respond.

**Mr Haire:** The Minister has made his position clear in public. The key point is that, from my point of view as the accounting officer, the responsibility was with the Housing Executive, which had to manage the contracts. The responsibility to make sure that the contracts were correctly handled was with the Housing Executive. I will make no more comment.

**The Chairperson:** You have heard the response, Dolores, whether it has clarified the issue or not.

**Mrs D Kelly:** Pontius Pilate. Is it Easter?

**The Chairperson:** The question that remains for me is whether you are satisfied — if I am characterising this correctly — that Campbell Tickell was procured under a single-tender action within something like 48 to 72 hours. Is that correct?

**Mr Hoodless:** It was longer than that.

**Mr Haire:** That is one of the reasons for having the single-tender action, of course. The process is there to deal with situations of that sort. The key point is to make sure that people do not just go and do these contracts without letting the accounting officer take responsibility. The process was done in that way.

**The Chairperson:** I am not going to make a further point, other than to say that that is the issue that members around this table all expressed concerns about from the early stages. Here we had a company that was procured by a single-tender action within a couple of days. People could not understand the need for the haste. They were certainly perplexed when they saw that the company pointed out in the opening paragraph to its report that it was not a forensic accountancy or a legal firm. People were asking, "Well, how does that match?". From where I sit, the outworking of the Campbell Tickell exercise and the final settlement bears no relation to the outcome. That is the point that I have not had a satisfactory response to.

**Mr Campbell:** Chairman, members would have been equally concerned had there been a three- or four-month delay in going through the proper procedure. There would have been criticism at that juncture as well.

**The Chairperson:** Possibly. That is why I am simply asking on reflection.

**Mr Haire:** Can I just make one point?

**The Chairperson:** Yes, surely.

**Mr Haire:** The point is that, reflecting on this issue, I was giving a single-tender action to a report that was asking a particular need on behalf of the board, which was facing the fact that it felt that it had staff and others who just kicked things down the road. It wanted to look at those issues; it wanted that process. I think that the Committee's needs and interests are slightly different from those of the board of the Housing Executive. That is what I am hearing. Obviously, the needs of the Committee have to be answered; I am just saying that that is my take on what the problem has been around the Campbell Tickell issue.

**Mr Allister:** I have a couple of questions for Mr Haire. Friday 7 June last year was obviously a very frenetic day in the Department, because all of this was dealt with, with extreme haste, on that day. We have always been told that the purpose of the Campbell Tickell report was to satisfy the chairman that the information previously supplied to the board was accurate and complete. Why, then, as the accounting officer who signed off the terms of reference, did you exclude from those terms of reference any need to even speak with the contractors? If you are going to get a complete and accurate picture, would that not seem elementary?

**Mr Haire:** There had been discussion between 29 May and 7 June on the terms of reference and issues. Work had been done on that process. It was not just one day. There had been discussion with the Housing Executive. The Housing Executive produced this work; it had gone through and decided —

**Mr Allister:** Can I just stop you there, Mr Haire? I will read you what Mr Hoodless told us when he was here in November:

*"I was told on the Thursday that he was going to do it, which, as I explained, is why I appointed Campbell Tickell in the two days".*

That is not suggestive of terms of reference and all sorts of things being discussed for the previous week.

**Mr Hoodless:** But they were.

**Mr Haire:** I think that Mr Hoodless, if I understand it, explained the speed. He wanted that completed by about 10 June. In the normal sense, that was the issue, but it was the fact that the Minister was making a statement on 7 June that brought it forward. I think that I remember discussing it on 29 May. By 30 May, I think that the discussions were already in place. I put a senior official to work in the Department on that issue with staff in the Housing Executive. Drafts were going backwards and forwards. Between 30 May and then, work was done. I just wanted to make that point, Mr Allister. It was not just one day, "Let's think of a term". Work was done. I knew that that had been done and that it had gone to my economist, who had gone through the terms of reference and processed it. I had done a business case; the business case was prepared. It had been worked through. I got it signed off by the finance director in the Housing Executive.

You asked whether I looked. I did not. I had seen that a clear process had gone through, involving people looking at the terms of reference. This is what the board wanted. I took that as meaning they seemed to be a good, broad set of terms of reference. I took that —

**Mr Allister:** It did not occur to you that, if we were to get a complete and accurate account, maybe we should talk to the contractors.

**Mr Haire:** Sorry. The terms of reference were the responsibility of the —

**Mr Allister:** You signed them off.

**Mr Haire:** I signed off that I was happy that —

**Mr Allister:** Was it an oversight, then, not to do that?

**Mr Haire:** I think the answer is that they were a good set of terms of reference —

**Mr Allister:** It could have been a better report if they had included that term of reference.

**Mr Haire:** Those were the terms of reference that the board wanted, and they were legitimate to be signed off. And that was what —

**Mr Allister:** Your job was not to give the board what it wanted. Your job, as accounting officer, was to get the right terms of reference for the spend of public money that was involved to do the job that was to provide accurate and complete information. Surely, even with the benefit of hindsight, you must now acknowledge that it was a mistake not to have included in those terms of reference consultation with the contractors?

**Mr Hoodless:** I —

**Mr Allister:** I am sorry; I am asking Mr Haire.

**Mr Haire:** Yes. The answer is, can I get all these things perfectly right, every aspect of —

**Mr Allister:** I am not asking you that.

**Mr Haire:** Sorry. You are asking me whether it would have been good if Tickell had been able to speak to the contractors. I always think that it would be a good idea in this process but, I am sorry, I am not close enough to answer that issue now. I would like to hear Mr Hoodless's view on it but, the answer is that, in my general view, I always like people to consult and take broad views on this issue. However, it was not explicitly written into the terms of reference.

**Mr Allister:** Was it ever even canvassed?

**Mr Haire:** I am not aware of it being canvassed.

**Mr Allister:** You were signing off something to get a complete and accurate flow picture.

**Mr Haire:** I presume that, if you ask someone to complete, you do not have to put into the terms of reference the exact means by which it should be done OK? And, I suppose, the answer is that, if that is what we are asking for, I presumed that people would find the methods to achieve it.

**Mr Allister:** Yes, but Campbell Tickell point out in their report, explicitly, that they were not asked to talk to the contractors.

**Mr Haire:** But people can —

**Mr Allister:** It seems to have been a deliberate decision not to talk to the contractors.

**Mr Haire:** I —

**Mr Hoodless:** The issue was quite simply that the board wanted to know that what they had been told by officers over the period of time on the management of these contracts was full and complete. The issue about the £18 million estimate was something else in the terms of reference, that, if I remember correctly, they were asked to comment on. I personally take the view that they did a very good job for us in telling us —

**Mr Allister:** Mr Hoodless, you are not telling us that they were not asked to tell you if the £18 million estimate was accurate and complete. They were asked to tell you if everything else was accurate and complete, but not the £18 million. The terms of reference do not say that, Mr Hoodless.

**Mr Hoodless:** They were asked for their view about that.

**Mr Allister:** Yes, and I suggest that they could not give an accurate and complete view on that without talking to the other party. It is self-evident.

Can I ask Mr Haire something else? Where did the Minister get the four names of the contractors that were put into the statement that was read out in the Assembly?

**Mr Haire:** In preparing and considering the issues, I think the Minister asked for advice on what the names were. I think that that process was done within the Department. He asked for those names. That is my memory of it.

**Mr Allister:** He asked his staff for the names?

**Mr Haire:** I would need to check that issue. I will come back to you if it is otherwise, but I think there was an issue. There is a ministerial side to that process.

**Mr Allister:** So he decided that he wanted to name them, and he asked who they were?

**Mr Haire:** It is included in the speech. It is hard for me to say. I was not involved at the time in the process of this issue. I am not sure, but it is certainly not something that I have any memory of coming from the Housing Executive. I would have to come back to you on that.

**Mr Allister:** Finally, can I ask Mr Hoodless, in your statement welcoming the settlement, why you made no reference to the fact that there had been one contractor underpaid? You were anxious to say on it that there were £670,000 of overpayments. You said that there was one contractor who was not overpaid, but you obliterated the fact that he was underpaid and was due £470,000. Why was that?

**Mr Hoodless:** Well, we stated in the press release that one of the contractors was not —

**Mr Allister:** Yes, but you did not state that he was underpaid. You did not state that he was underpaid, did you? You wanted to gloss over that. You wanted to spin this to keep that out of the public knowledge, did you not?

**Mr Hoodless:** No, no. It was all public knowledge.

**Mr Allister:** No, sorry, the £470,000 was never in the public knowledge at this point. *[Interruption.]*

**The Chairperson:** One question at a time, please.

**Mr Hoodless:** It was in the joint statement, as far as I recall.

**Mr Allister:** Sorry, I am talking about your statement. Does it indicate a mindset in the Housing Executive? Why is it that you were anxious to headline the £670,000 overpayment, but gloss over the fact that one contractor was underpaid to a very significant extent? Why did you not just want to tell the public that?

**Mr Hoodless:** I understood that it was in the public domain.

**Mr Allister:** It is not in your statement.

**Mr Hoodless:** No, it was not in my statement, but it was in the public —

**Mr Allister:** It was deliberately left out of your statement, obviously.

**Mr Hoodless:** I do not think that we deliberately left it out.

**The Chairperson:** OK.

**Mr Allister:** But you left it out.

**Mr Hoodless:** Obviously.

**Mr Allister:** Yes, and we should not infer anything from that.

**Mr Hoodless:** I do not think you should. As I —

**Mr Allister:** We should not marry that to the fact that you think these contractors are not due any apology.

**Mr Hoodless:** I think that we have reached a settlement with the contractors, I am pleased that we have reached a settlement with the contractors, and we want to move on.

**Mr Allister:** The settlement statement did not mention the £470,000 either, did it?

**Mr Hoodless:** The settlement statement was agreed between the contractors and us. It was their —

**Mr Allister:** It suited you very well to keep that out of the public domain.

**Mr Hoodless:** I think not. The issue, as far as I am concerned, is that a settlement has been agreed.

**Mr Allister:** You were very animated about the fact that these swings-and-roundabouts contracts are wrong — nobody is disagreeing with you — and that the Housing Executive was very much at fault there. Just remind us of how many people have been disciplined over that.

**Mr Hoodless:** I am not aware. All I can say is that I do not think that anyone in senior positions, running these contracts, now works with the Housing Executive.

**Mr Allister:** Yes, but none of them was disciplined.

**Mr Hoodless:** No, but —

**Mr Allister:** Their exit was eased.

**Mr Hoodless:** I have to say that a lot of those people had disappeared before my —

**Mr Allister:** Yes.

**The Chairperson:** Fair enough. We have another couple of members. I am just conscious of the time.

**Mr Copeland:** Mr Hoodless, I have just managed to get the statement that was issued by the Housing Executive board prior to the ministerial statement. I will read from it:

*"The Chairman of the Housing Executive has advised the Social Development Minister, Nelson McCausland, that an internal investigation has indicated an estimated £18m has been overpaid to planned maintenance contractors."*

So far as I can see, the origins of the word "estimated" lie in this statement. I assume that you, perhaps, watched on television, read Hansard or got a transcript of the ministerial statement that was given on 10 June. Did you watch it on television?

**Mr Hoodless:** I did not.

**Mr Copeland:** So you got a transcript afterwards.

**Mr Hoodless:** Yes.

**Mr Copeland:** You heard the Minister this morning indicate that repeated reference was made to the fact that these were estimates, and I believe that Hansard will show that. Yet, in Hansard, the word "estimate" appears once and is caveated and is then almost obliterated in terms of any real meaning of the word. He said:

*"The figure is estimated to be some £18 million."*

Then he said:

*"Let me say that again in case you think that you have misheard: £18 million in overpayments to four contractors ... The scale of what has been uncovered has been a scandal ... a situation in which there were overpayments of £18 million ... We are talking about £18 million of overpayments, so it was very widespread. As I indicated, a number of contractors were involved in receiving overpayments. If there are only four contractors and £18 million, you are talking about very large amounts".— [Official Report, Bound Volume 86, p2-4].*

When you read what the Minister said, did it occur to you that perhaps he had overstressed or placed great importance on what you believed, according to this, to be an estimate?

**Mr Hoodless:** It did cross my mind.

**Mr Copeland:** Did you communicate that to him?

**Mr Hoodless:** No. I do not think that it was my place to.

**Mr Copeland:** I do not want to put words in your mouth, but do you think he possibly over-egged the pudding?

**Mr Hoodless:** It was my job, as the chairman, to report what we had been told as a board. I have no influence and nor should I have on what he then does with the information or what he says as a result of it.

**Mr Copeland:** Does he have any influence on what you do with information?

**Mr Hoodless:** No, he merely acknowledged what I told him.

**Mr Copeland:** Mr Aire, I presume that you had sight of the statement by the board of the Housing Executive on the same morning?

**Mr Haire:** Yes. I would say so.

**Mr Copeland:** And you saw or heard the ministerial statement later on that day. Did the same thing occur to you that perhaps the estimate had been slightly taken to the side and statements made that were — Would it be your place to say that to the Minister or his adviser?

**Mr Haire:** What I say to my Minister has to be between me and my Minister.

**Mr Copeland:** Yes. Thank you.

**Mr Brady:** The confessional springs to mind.

To clarify, the board meeting was on 29 May, and you said that there was some discussion about a report, yet we were told, I think in November, by Mr Hoodless that the decision was made on 7 June, which was three days before the Minister's statement. There had been some discussion, presumably, about obtaining a report or appointing somebody to do a report. What sort of notice would the Minister give of his statement? Is it literally only three days? The decision was made, it seemed, very quickly on 7 June, and the statement was made on 10 June. Would there not have been a longer period? Would you have been aware, for instance, on the Monday of the previous week that there was going to be a statement, or was that decision made very suddenly based on the information that had been given about the £18 million?

**Mr Haire:** The Minister heard about this process here, and I cannot remember how quickly the Minister intimated to us that he wanted to make a statement to handle it that way. It certainly was an issue that, through the week, he had made the decision that he wanted to go public. He felt that he had to, and he has explained the reasons why he felt that at that time. I cannot remember exactly which day. But the key point, Mr Brady, is that, on 29 May, Mr Hoodless indicated that the board felt the need to have an independent review, and, by 30 May, he was starting to think about this process. So, at that time, as I said, I tasked a member of staff to work to make sure that the due processes were in place so that, by 7 June, a business case and all the processes could be done appropriately and clearances could be achieved.

**Mr Brady:** Ministers' statements are obviously made in reaction to certain events, but are they normally done spontaneously? Mr Allister has, rightly, referred to the frenetic Friday, but should there not have been a frenetic Monday, Tuesday, Wednesday and Thursday leading up to that in preparation for the Minister's statement? Or did he decide on the Friday that he was going to make a statement on Monday based on the evidence, or, in some cases, some may consider the lack of evidence, that he had been given in relation to the contracts?

**Mr Haire:** No. As you know, we have to give notice to the Business Office, etc in that process. I have had, many times with Ministers, different things, where things have come up, as you say, and they have rightly said, "I must make a statement to the Assembly". My memory of this one is that, quite early on in the week, a decision had moved that way, and work was then in place on trying to make the stuff. It was done at a quite a big pace, but it was not said suddenly on a Friday, "Oh, let us make a statement". It was worked up in a process.

**Mr Brady:** I suppose that I am suggesting that there were nine days.

I have one more question before I finish. Is money still owed to contractors? I know that there has been a statement of settlement on that.

**Ms Lightbody:** The settlement covers everything in that period. We still have live schemes, as they were described, 5b and 1a, and so are managing with the contractors, and we have got a firm timeline to close those out properly and reconcile money.

**The Chairperson:** We have a further three members wishing to speak. I am conscious of the time, so I intend to wrap it up after that.

**Mr Dickson:** Mr Hoodless, could you perhaps remind the Committee how the original figure of £18 million came to the board of the Housing Executive? Who prepared that figure?

**Mr Hoodless:** The director of housing and regeneration at the time prepared the figure, under pressure from the board and me particularly, to crystallise what the extent of the problem with those contracts was.

**Mr Dickson:** So, the Department, then, was aware that that was the extent before you had your board meeting, where you decided to —

**Mr Hoodless:** No, no, no. That was put to the board, and, after the board meeting, it was brought to the attention of the Minister. I met the Minister after the board meeting.

**Mr Dickson:** Mr Haire, in respect of the single-tender action — and we heard you indicate to the Committee that, with hindsight, broader terms of reference might have been more helpful — just in terms of who Campbell Tickell were, and bearing in mind that this was coming from the Housing Executive to you, and they were the people who were highlighting the problem, what due diligence checks did you perform to ensure that Campbell Tickell were the right people to fulfil this single-tender contract?

**Mr Haire:** We have known of Campbell Tickell in the Department. We have known through the work we have done with the Homes and Communities Agency in GB. We know the history of Campbell Tickell and its high reputation for doing similar work across England. It is well known in the sector as being one of the very effective teams that has been used for inquiries in England. We were well aware of that process, hence we were happy when it was suggested. We thought that was an appropriate one because we knew of no other Northern Irish-based organisation — locally based organisation — with those skills and we knew the high reputation that Campbell Tickell had.

**Mr F McCann:** I have two questions. I want to go back, Will, to what you just said. It said in a briefing paper that the chair of the Housing Executive indicated on 30 May that, when asked, he was aware that Campbell Tickell had relevant experience. Did he indicate that to yourselves, because you are saying that you already had knowledge of that experience? I took from that that it was Mr Hoodless who raised the question of Campbell Tickell with yourself.

**Mr Haire:** Indeed he came, rightly, because he was the commissioning person. As I said, we already knew of Campbell Tickell's work. You will remember, for example, the work on Helm Housing Association, so we were experienced; we knew what expertise we could draw on for this sort of issue. At that time, I think, we understood and had some knowledge of this organisation.

**Mr F McCann:** Did it concern you at the time when this was raised that there may have been a conflict of interest with the member of the board who still had experience or had previous experience of working with Campbell Tickell?

**Mr Haire:** Sorry, I was not aware of that at that time. It was not processed.

**The Chairperson:** That was Mr Greg Lomax, if I understand it — a fellow associate.

**Mr Haire:** Mr Lomax, yes. I think there was, I mean, there was —

**Mr F McCann:** Would that have changed your opinion of awarding the contract?

**Mr Haire:** I understand he was an associate, therefore he would have done other bits of work. I saw no particular problem. Ideally, it should have been brought to my attention if people had known about that issue, just to make sure there was no question of personal gain or that he had not been influential in making any decision about it. Ideally, if people had known about that, it should have been in the papers, but I was not aware of it.

**Mr F McCann:** I emphasise that the Minister said he made his statement to the House on the back of information supplied, but I take it that yourself, Mr Hoodless and the Minister, and possibly others, had sat down and discussed the contents of the statement before it was made to the House. Did you have any knowledge of the information contained in it?

**Mr Haire:** Draft advice would come from the housing division of the Department, setting out the issues. I see [*Inaudible.*] The Minister will use that material and make a decision on how he speaks.

**Mr Hoodless:** I was certainly not involved in any way.

**Mr Haire:** No. It was done by the normal process.

**Mr F McCann:** Given that concerns were already being raised about the samples that were used to come to the £18 million figure — I think that difficulties were raised in the Moore McDonald report — did you not advise caution to the Minister on making the statement to the House, especially about the figure of £18 million; that it might be problematic and not as accurate as had been said?

**Mr Haire:** It is difficult for me to give — Advice is given to the Minister. It is not right for me to disclose advice in that sense. Advice is given in the process. A brief will have been given to the Minister in that process. I was happy with the brief that was given to him.

**The Chairperson:** With all due respect, Will, I do not think that there is any privilege attached to advice that you have given to the Minister in your role as accounting officer and permanent secretary of the Department. I do not think that we will let that sit.

**Mr Haire:** I am just saying that I know that material was given up to him, and I was happy with the material that was sent to him. OK?

**Mr F McCann:** Were you happy with the statement that was made at that time?

**Mr Haire:** Sorry: the Minister has said that he will stand by how he actually spoke in the House. That is the job of a Minister. Advice was given to him.

**Mr F McCann:** OK. I have a final question. Obviously, a lot has been said. I think that Alex was at pains to point out, and I had said on the day, that, when there is a question of any wrongdoing by anybody, the onus is on all of us to ensure that we get to the truth of the matter. That is the important thing. From day one of this, some of the statements that have been made — this is not just directed at you — give the impression that the Housing Executive was rotten to the core. Most of it came from Mr Hoodless. He wasted no opportunity. I am asking whether this was running through all of the Housing Executive? Did it rest with senior managers in the Housing Executive? The impression that I have had before and since that was that, by and large, an excellent job was being done by the people who run the Housing Executive at the middle and local levels of the organisation.

**Mr Haire:** The Department has done a number of reports. We have discussed this and shown you that. We have had lots of discussion. We have emphasised that there are weaknesses and structural issues. We have also had, for example, the previous chief executive, I think, very publicly describe what he saw as the weaknesses in some of the management and other issues. He was very open about those issues. It has been a difficult and complex process for the organisation, but the excellence and commitment of so many staff in the Housing Executive is not to be doubted in that process. Like any institution, there are structural failures or organisational issues that people have to deal with. There has never been any doubt at all, certainly from a departmental point of view. We work very closely with the Housing Executive. Our job is to be challenging on issues, but the excellence and commitment of Housing Executive staff is not in doubt on the part of the Department.

**Mr Hoodless:** The Housing Executive is not rotten to the core. This contract incident has been very damaging to its reputation. It is our intention to restore it and move on and make certain it provides its services to tenants and fulfils its other responsibilities properly and effectively.

**The Chairperson:** I will leave it at that because we will obviously have to return to the issue. Gregory will be the last member to speak.

**Mr Campbell:** I have just a couple of questions for Mr Haire further to what Michael Copeland and Fra McCann said. I do not want to probe the obviously confidential nature of discussions between the permanent secretary and the Minister, but, for clarity, once the meeting had been held between the Minister and Mr Hoodless about the initial scale of the potential estimated problem, would you have become aware of the nature of that conversation? If so, when?

**Mr Haire:** I was at the meeting.

**Mr Campbell:** Yes. I am talking about your recollection afterwards and before the statement to the House.

**Mr Haire:** Sorry; do you mean the conversation with the Minister on this issue? What do you mean? Apologies.

**Mr Campbell:** You are in attendance at a meeting between the Minister and Mr Hoodless. The extent of the potential problem, estimated at £18 million, becomes clear. The Minister is then going to make a statement to the House. Would your recollection of the meeting that you and the Minister attended where that information was relayed have helped to formulate the composition of the Minister's contribution to the House?

**Mr Haire:** Undoubtedly. At that meeting the estimated £18 million was crucial to the issue and process. Behind all of that, the Minister had been aware for a long time that the issue of planned maintenance had not been resolved. The Audit Office was very concerned about it. I think I put a lot of evidence to this Committee about my concerns and the fact that I had been probing a lot and asking about it, so it was a really big issue for the Minister. The Chairman came and told him at that time. Clearly, at that time, there was some discussion and a real concern. As you can understand, in government accounting terms, it is a big, major issue. I had never had to experience a write-off of that sort in the process. The fact that money was not being properly accounted for is a major issue, which had to be lanced. So there was that conversation at that meeting, and undoubtedly the Minister would have reflected on the issue and then the work would have been done. He would have said how he wanted to present that issue, advice would have gone to him and he would have heard it.

**Mr Campbell:** What I want to get at is this. Take your current Minister and you as permanent secretary. If, on any occasion, you are present with a Minister when an issue of such import is discussed, and the Minister, whoever that might be, then intends to make a statement to the House a few days after that, if it became clear to you before that statement was made that there may well be an exaggerated sense of the meeting that you attended, would you feel that you as the permanent secretary would have to draw the Minister's attention to the fact that he intended to exaggerate what you had been present to hear?

**Mr Haire:** The briefing that went to the Minister was accurate as I understood it. I felt that the advice to the Minister was in line with what they had heard.

**The Chairperson:** That is all of the members who have indicated, but I know that a number of members are trying to get in for a little bit more, so I propose that, due to the time and the work that we all, including you, have to get on with for the rest of the day, we suspend this session. Obviously, members will want to reflect on what we have heard this morning, and we may want to clarify issues, write to you or invite you back. We will return to this as a Committee.

I thank the four of you and the Minister for being here this morning and dealing with what are very complex, difficult issues that are very challenging for all of us. Thank you for your attendance this morning. We will talk to each other again soon.

**Mr Hoodless:** Thank you.