



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

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

2 October 2014

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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 Stewart Dickson
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Mr Paddy McIntyre

The Chairperson: We have Paddy McIntyre. Paddy, you are up first this morning. Thank you for attending. As requested, Paddy has provided a briefing to the Committee. To remind ourselves, this is in respect of phase 3 of the inquiry. Paddy, as is the norm here, we first of all want to thank you for attending this morning and for providing us with a written paper before coming here to let members have an opportunity to read it. We are dealing with phase 3 of the inquiry, and we have provided you with the relevant terms of reference and so on. You have had the opportunity to provide us with a paper, and I want to thank you for that. Is there anything that you want to add to that before we open it up to members?

Mr Paddy McIntyre: No, Chairman. Thank you very much for the opportunity to come along here today. I will not go through the brief, because I imagine that most of the issues will arise during questions. The only thing that I want to say is that it is about four years since I left the Housing Executive, and I do not have access to all the papers — not that they have been denied to me in any way. Sometimes I will not remember things, and I may as well say that at the outset. Where I feel that my knowledge might be doubtful, I will suggest to the Committee that it might want to check what I am saying with the Housing Executive, just for the record.

The Chairperson: Not a problem, Paddy. Feel free to make those clarifications at any stage. Members, you have a briefing paper in your packs.

Mr F McCann: Morning, Paddy, you are very welcome. In your briefing to the Committee you say that there were:

"from the outset significant complaints from tenants, Community representatives and politicians regarding quality of work, completion of work and the attitude of Red Sky staff."

Can you elaborate on that?

Mr McIntyre: From the letting of the second phase of contracts in 2007, when Red Sky won, I think, five contracts locally, more complaints were coming about Red Sky than all of the other contractors put together, particularly in the west of the city. It had had a history previous to that. One of the successes of Egan from the early 2000s, as I certainly knew from experience around councils, community groups and so forth, was that there had been a significant improvement in the service that tenants were getting. That was demonstrated in a number of ways, not least by the fact that, when I went to the Housing Council every month and attended district councils and community associations regularly, maintenance as a big sore for us went off the agenda. Red Sky was unique from 2007 in that there were problems with it landing on my desk from public representatives such as you, west Belfast community centres and so forth that we were not experiencing elsewhere.

Mr F McCann: When these were investigated, was it substantiated that there was a high level of poor work?

Mr McIntyre: The report of the repairs investigation unit (RIU) plus the follow-up report from ASM Horwath justified that. Across the board, it was clear that not only were the problems related to west Belfast but that they were occurring in other parts of the city and in Newtownabbey.

Mr F McCann: The other thing is that some people have said, during this inquiry and in the past, that the complaints against Red Sky were motivated by sectarianism. Did you find anything on that?

Mr McIntyre: That is not something that I have any knowledge of, to be quite honest. I can say that Red Sky's contracts for fault failure in the three Belfast districts and the two districts in Newtownabbey was coming out at 3.6% as opposed to a provincial average of 1.7%. So, faults against Red Sky as a whole were higher than across the rest of the Province.

Mr Allister: It appears that, in February 2008, you received a letter from the chairman of Red Sky and that, in that letter, he is reported to have written to you:

"I hope you would acknowledge the communication is a very honest endeavour on my part, which, in setting out some observations, one can avoid having to wash dirty linen in public, albeit if that is the course we must take so be it."

Do you recall that letter?

Mr McIntyre: I do indeed, yes.

Mr Allister: Did you ever reply to that letter?

Mr McIntyre: I probably did not reply, but I think that the letter may have been replied to by someone else in the organisation. I am not sure. I know the letter. It was passed out to the relevant staff for comment and for reply.

Mr Allister: We do not seem to have a copy of it.

Mr McIntyre: It may well be that there was not a reply, members.

Mr Allister: What did you understand the reference to avoiding washing dirty linen in public to mean?

Mr McIntyre: As I mention in my briefing, the relationship between our staff in west Belfast and Red Sky was not good.

Mr Allister: Yes, I think that we have gathered that, but what did you understand that to be saying?

Mr McIntyre: Red Sky would allege that, in west Belfast, going back to a comment that was made earlier, there was a sectarian influence in how it was being dealt with.

Mr Allister: So you believe that to be a reference to that particular allegation.

Mr McIntyre: Yes. Whether there is any truth to that or not, I am not in a position to say. Colm may know a bit more about that than I do. That is what I read into it. It was a comment amongst a substantial letter, if I recall, Mr Allister. Is it?

Mr Allister: The chairman of Red Sky at that time was Mr Cushnahan.

Mr McIntyre: Yes.

Mr Allister: He had previously had a role with the Housing Executive.

Mr McIntyre: He had been on the board, and was also on the audit committee for a time. When the Red Sky issue came up, he immediately left the meeting and resigned from the audit committee prior to the next meeting in March, whenever it was, 2007 or sometime.

Mr Allister: March 2007.

Mr McIntyre: Yes.

Mr Allister: And then immediately got into discussions with you and others in respect of an alleged overcharge of some £680,000 by Red Sky.

Mr McIntyre: Are you sure that that is the figure? I do not think —

Mr Allister: Sorry, £260,000.

Mr McIntyre: That is not a figure that I recognise at all, certainly from my time there.

Mr Allister: I am mixing the two figures — £260,000.

Mr McIntyre: Yes. Well, he was chairman. I had a couple of meetings with him and his company, along with other relevant staff members. The case that he was putting around that overpayment was that we were not justified in trying to claim it back. It turns out, by the way, that, for a large part of it, it was not justified because Red Sky installed kitchens to a higher standard that was signed off by our local staff. The eventual claim was settled, I think, at around £20,000, if I am not mistaken, and —

Mr Allister: Yes.

Mr McIntyre: Part of the problem was that we were undermined by our staff certifying higher kitchens to a higher price. Interestingly, subsequent to all of that, we actually increased our kitchen specifications, because the kitchens that we were installing were just not good enough.

Mr Allister: Yes. I think that we have heard the evidence in previous weeks that the £260,000 was negotiated down to £20,000, and key to that was Mr Cushnahan.

Mr McIntyre: Again, I met him a couple of times while he was presenting the case for the company. I was not involved in the subsequent discussions around a negotiated settlement. By the way, that settlement was based on legal advice and also advice from our contracts claims people, who have a lot of experience in dealing with claims and who are also quantity surveyors.

Mr Allister: You are also aware that the Public Accounts Committee had something to say about his involvement in those negotiations.

Mr McIntyre: Well, it said it, yes.

Mr Allister: It said that it was unethical.

Mr McIntyre: That is its view. I mean, he is the chairman of a company and a well-known local businessman. He also, interestingly, was on the audit committee of OFMDFM, if I am not mistaken.

Mr Allister: Yes, I think that you are right; he has been in many places.

Mr McIntyre: That is its view, so it is.

Mr Allister: But I think that the point was that he had been on the audit committee of the Housing Executive, had been a board member and then, from all the knowledge of having been there, made a quick transition to negotiating downwards, very substantially, Red Sky's alleged debt.

Mr McIntyre: To be clear about this: we undermined ourselves by our local maintenance officers specifying, which they should not have done and for which they were disciplined, higher standards of kitchens that Red Sky installed. As I said, we subsequently increased the standard for our kitchens.

Mr Allister: Yes, and you obviously signed off, as accounting officer, that reduction to £20,000.

Mr McIntyre: No, I would not have had to because — I was aware of it, by the way, because it was in the —

Mr Allister: You would not have signed that off.

Mr McIntyre: Pardon?

Mr Allister: You would not have signed that off.

Mr McIntyre: No, it was within the delegated limit of the director. Now, I was advised of it because of its nature. I was advised that a settlement of £20,000 had been agreed, which was cleared by legal and by our contracts claims people.

Mr Allister: Mr Cushnahan told the Northern Ireland Audit Office that he attended the settlement meeting after discussions with two of the most senior executives of the Housing Executive. That was you and your colleague Mr McCaughley.

Mr McIntyre: Yes, I met him, I think, and then there were discussions around the settlement after that, which I was not party to.

Mr Allister: Yes. He attended a settlement meeting after discussions with two of the most senior executives:

"as it was considered that his participation would be beneficial to both NIHE and Red Sky in seeking to diffuse"

a controversial issue. Do you quibble at all with his assessment there?

Mr McIntyre: I do not exactly remember that, but if Mr Cushnahan said it — there certainly was a discussion. Now, whether or not or who agreed should be at the meeting, I do not recollect, to be quite honest.

Mr Allister: He is putting it forward that his participation was thought by the two executives to be beneficial in seeking to defuse —

Mr McIntyre: Now, I am not in a position to contest that because I do not remember the conversation.

Mr Allister: Do you remember thinking that it would be a good idea to have Mr Cushnahan on board?

Mr McIntyre: I am not being evasive here, but I do not recall the conversation at all. On reflection — I mean, he was the chairman of the company.

Mr Allister: Yes, but did you approach him to come in as some sort of broker?

Mr McIntyre: I do not think that I did.

Mr Allister: So, can you help us? Who did?

Mr McIntyre: At his request, I arranged to meet the Red Sky management and him as chair to discuss that claim. OK? Thereafter, he made a number of points, particularly about the kitchens. It went back into the system — back into the process — and was dealt with as any other contractual claim would be.

Mr Allister: So you cannot help us on whether you came up with the idea to involve Frank Cushnahan.

Mr McIntyre: Again, I am not being evasive here; it could be the case that he is right. I do not recollect the conversation.

Mr Allister: Did you have or would you have had any qualms given that he had been in the audit committee?

Mr McIntyre: He was the chair of Red Sky, so he was. The Audit Office has come to a view. Whether it is right is another matter. I am sure that Mr Cushnahan would not accept that.

Mr Allister: Was Mr Cushnahan someone who was well known to you?

Mr McIntyre: Well, he had been on the board of the Housing Executive for quite a few years.

Mr Allister: Did you know him otherwise?

Mr McIntyre: Not all that well, but I would know him now, yes.

Mr Allister: So when it came to this suggestion about dirty linen, did you interpret that as a threat?

Mr McIntyre: Not really. If I am not mistaken, it was a letter of four or five pages.

Mr Allister: Maybe.

Mr McIntyre: Yes. It was quite a long letter. It was in there amongst a number of other things.

Mr Allister: Yes, but as the chief executive of an organisation like the Housing Executive, to have anyone writing to you suggesting that, if we cannot sort this, there will be some washing of dirty linen in public —

Mr McIntyre: It would not affect me at all.

Mr Allister: You did not take that as a threat.

Mr McIntyre: I would not. It would not stop me from doing what had to be done either, so it would not.

Mr Allister: What would you say to the suggestion that, over the years, right from when it first got into difficulties with contracts back in 2000 through to 2006-07 and right up, Red Sky had had a fairly charmed existence in terms of being able to get itself out of difficulties with the Housing Executive?

Mr McIntyre: Yes, and I think that the Audit Office sums it up pretty well. The table in its report does demonstrate that from 2000, if you go back to the allegations about impropriety when we actually sacked the maintenance officer as a result of it. On independent appeal, by the way, he got his job back, much to our regret and surprise. You are right: I can think of very few other contractors, I suppose, with whom we have had as much trouble as we have had with Red Sky over the years.

Mr Allister: But, until the end, it seemed to come out of it fairly well each time.

Mr McIntyre: That is not quite true. If you go back to 2000, for example, you see that it actually claimed that we owed it £173,000, which it did not get off us. It was negotiated down or was actually demonstrated down to nothing, so it was. Looking back on it, I suppose that there are two things that I

regret, in a way. One was that we tried to stop Red Sky from tendering for future work. We got legal advice to the effect that we could not do that. We tried to terminate its contract in 2007. Eventually, legal advice was that we should not proceed.

So, really, I suppose that what happened was that we commissioned the RIU within the Housing Executive to carry out a very detailed study around April 2009, which demonstrated very clearly that there were problems with the quality of the work, overpayment and so forth. At that time I took a view, which was shared by the chair of the audit committee, that really we needed to get somebody to go through that forensically in a big way to make sure that we could make it stick this time. You have probably seen the ASM Horwath report which has subsequently led to the termination of its contract. By the way, the nature of the business with Red Sky was such that if you look at the termination of its contract, you will see that there was a claim by the Housing Executive of around £600,000, possibly. I suspect that if it had not gone into administration or whatever it was, we would still be arguing over what money was due. The construction industry, as you know, is not a fine business; there is always dispute and discussion around claims.

Mr Allister: So there were several stages in the saga with Red Sky. On a number of occasions, one can observe that it came out of it better than one might have expected.

Mr McIntyre: Or that we might have hoped as well.

Mr Allister: Yes. When it was in difficulties, was there any political lobbying on its behalf?

Mr McIntyre: Not to my knowledge and not to me personally.

Mr Allister: We know that ultimately there was, after you were gone.

Mr McIntyre: Yes, but not in my time.

Mr Allister: You say that it was not to you personally.

Mr McIntyre: No — nor am I aware of any lobbying to anybody else, by the way.

Mr Allister: One of the low points may have been the fact that there seemed to be a desire on the part of Red Sky to have a certain individual in west Belfast removed from post. Is that right? It was Mr Ballantyne.

Mr McIntyre: Well, I have to tell you that was never represented to me at all. I mean, do you want me to go through just what the position was with regard to Mr Ballantyne?

Mr Allister: Just let me try and remind you. Is it not the case that the Red Sky operations manager, Ms Gazzard, wrote to Mr McCaughley in November 2008 expressing deep concern about certain personalities who remained working in the west Belfast office? It states that:

"we trust appropriate actions will be taken to address this in the near future."

Were you aware of that letter?

Mr McIntyre: I saw it some time after the event, by the way. I did not see it when it was —

Mr Allister: Did Mr McCaughley not show that to you?

Mr McIntyre: No, not at the time, but I did see it. The letter should have been replied to, by the way, with a lot of force. I gather from reading the Audit Office report that a very strong reply was drafted —

Mr Allister: But it never went.

Mr McIntyre: It never went, for whatever reason.

Mr Allister: You cannot help us as to why it did not go.

Mr McIntyre: I cannot, no. I got the letter some months afterwards, by which stage it was too late to do anything about it. You are assuming that it applies to Gary Ballantyne, are you? Does it name Gary Ballantyne?

Mr Allister: No, it refers to the west Belfast office. I am making the correlation between them.

Mr McIntyre: Well, I need to correct that: Gary Ballantyne's move was nothing to do with that letter. There was a planned move —

Mr Allister: It coincided in time.

Mr McIntyre: Yes. Indeed, by the way, when I was approached by Maurice Johnston, the area manager, about plans that he had in place to move Gary as part of a planned rotation programme, I asked Maurice to defer it because people might read something like that into it.

Mr Allister: Well, Mr McIntyre, it coincided in time. Is that right? Chronologically, it happened shortly after that letter.

Mr McIntyre: You have got the letter there. The discussion about Gary Ballantyne and his rotation went on for about six months. I would not be sure of the time, but what I can assure you of is that that letter had nothing to do whatsoever with a planned move for Gary Ballantyne.

Mr Allister: That is what you want us to believe.

Mr McIntyre: I can assure you, by the way, that it was absolutely nothing to do with the area manager in Belfast. I would like to go through the history of it.

Mr Allister: Did Mr Ballantyne subsequently receive an apology for how he was treated?

Mr McIntyre: I do not know. If he did, it was after my time. An independent personnel person was appointed to review that after I left. It was my understanding —

Mr Allister: So, it is mere coincidence —

The Chairperson: One at a time, please.

Mr McIntyre: My understanding is that that independent personnel consultant said that the move was part of a planned rotation which the area manager had in mind for some years before that. It may not have been well handled, but, at the end of the day, it was not related to anything to do with Red Sky.

Mr Allister: OK. So, what you want the Committee to conclude is that it was mere coincidence that Red Sky wrote asking for the removal of unnamed personnel and then the relevant manager was, at the same time, moved. That is mere coincidence.

Mr McIntyre: Yes, but I did defer the move. I asked the area manager to defer it for a while because it might have seemed to people that there was some connection to it.

Mr Allister: Did you refer that letter from Ms Gazzard to the board of the Housing Executive?

Mr McIntyre: No. It was seen as an operational matter.

Mr Allister: Did you refer Mr Cushnahan's letter that we talked about previously to the board?

Mr McIntyre: It would have been an operational matter.

Mr Allister: Were you keeping the board in the dark?

Mr McIntyre: Absolutely not. I want to totally refute that.

Mr Allister: It might be rather surprising, would it not, that, I think, both the audit committee and the board were kept in the dark about those two pieces of correspondence.

Mr McIntyre: Well, Mr Allister, think about the amount of correspondence that comes into our organisation. It was an operational matter, so it was.

Mr Allister: It is not every day that you get a letter from a company threatening to wash dirty linen in public, is it?

Mr McIntyre: Well, it would not be the first time that I have seen it.

Mr Allister: Do you not think that that is something that you should at least tell the board about?

Mr McIntyre: I think, in hindsight, there are probably a lot of times when things get to a certain stage and you think it may have been wiser to have told the board at the time, but, at that time, the judgement was that it was an operational matter which would be dealt with by officers.

Mr Allister: Were you concealing such matters from the board?

Mr McIntyre: Absolutely not, no.

Mr Allister: But they were not told about them.

Mr McIntyre: They were not told about them, but there is no suggestion whatsoever from you, I hope, that it was a matter of deliberate suppression.

Mr Allister: I am asking you.

Mr McIntyre: I am saying to you that there was not.

Mr Allister: Did you make a conscious decision to —

Mr McIntyre: Absolutely not.

The Chairperson: One at a time.

Mr Allister: So, how was it, then, that the board was not told?

Mr McIntyre: Because it was an operational matter involving a contractor with whom we were in dispute. Think of the size of our organisation: our board operates at a strategic level.

Mr Allister: But this was a major contractor for the Housing Executive.

Mr McIntyre: In the scale of things, it was one of probably a couple of hundred contractors we were dealing with.

Mr Allister: Yes, but this is a contractor about whom you have told us already you were receiving multiple representations from public representatives in west Belfast about the quality of work. You then get a letter threatening to wash dirty linen in public, and you did not think: "I should really tell the board about this".

Mr McIntyre: On reflection, it might have been wiser to have done so, but that is a long way away from saying that it was deliberately withheld from the board.

Mr Allister: When did you take to the board the issue about Mr Ballantyne?

Mr McIntyre: I am not quite sure that that was ever at the board in my time.

Mr Allister: So, that, too, never went to the board, even retrospectively.

Mr McIntyre: It may have done after I left, but certainly I know that, after I left, an HR consultant was appointed by the director of personnel management services to review the position around the transfer of Gary Ballantyne. I do not know whether the director took that to the board at that stage, but certainly that review was done after I left.

Mr Allister: Did Red Sky discuss personnel issues with you, never mind correspondence?

Mr McIntyre: I have no recollection of that. The discussions that I had with Red Sky were around two key things: one was that claim and, subsequently, I met Red Sky on a couple of occasions around the issue of its performance in west Belfast.

The Chairperson: We will have to take a couple of other members here, Jim.

Mr Allister: OK.

Mr Brady: Paddy, thanks very much for your presentation. The Public Accounts Committee's report expressed:

"very serious concerns about the capability and competence of management within the Housing Executive over a number of years, particularly at a senior level."

It highlighted what the Committee considered to be:

"significant and serious breakdowns in corporate governance and accountability".

Do you accept that that allowed Red Sky and other contractors to do what they were doing?

Mr McIntyre: First, it is a sweeping conclusion to come to on the basis of one contract and one audit that there was something wrong with the stewardship and governance of the Housing Executive. You have to judge it across the breadth of the organisation. While the Audit Office said that, there were a significant number of other internal and external reviews of the organisation over the years that I was there that had a lot of positive things to say about the stewardship of the Housing Executive.

For example, a health check that was carried out in around 2010, although it had a number of things to say about what we needed to do, was extremely complimentary about the organisation. The PwC report on the future of the organisation was extremely complimentary about the leadership of the organisation. The RPA was complimentary about the leadership and stewardship of the organisation. Numerous charter marks and quality awards all had very positive things to say about the Housing Executive, so you cannot read the Audit Office across and say that the organisation was badly led or badly stewarded or whatever the word might be. Likewise, every year, we delivered our business performance targets to the Department and, which is a very important point, each year I got an annual assurance from both the Audit Office and our head of internal audit around governance and stewardship. I really want to make the point that you cannot read that across the organisation.

The Chairperson: Just for the record, the report that you are referring to is from the Public Accounts Committee, not the Audit Office.

Mr Brady: To follow that, the Public Accounts Committee criticised the fact that it seemed that Mr McCaughley's division had been out of control for many years. Do you accept that?

Mr McIntyre: No, I do not, because, as I have just demonstrated to you, across the piece, the organisation has been extremely successful over the years in delivering what it was supposed to.

Mr Campbell: Mr McIntyre, you were in post until 2010.

Mr McIntyre: Yes.

Mr Campbell: You were asked a series of questions about Red Sky and the issue of there being some sort of sectarian allegation. Your response was that you had been aware of issues about the types of contract earlier, and then the issue arose of some sort of sectarian inference. Is that what you said?

Mr McIntyre: I am not quite sure, Mr Campbell, that —

Mr Campbell: You said that you had been aware for some time of the problems with Red Sky —

Mr McIntyre: Yes, going back to 2000.

Mr Campbell: That was very early in your term.

Mr McIntyre: It was.

Mr Campbell: At what stage did you become aware of some inference in the later stages of your tenure that there was some sort of sectarian undertone?

Mr McIntyre: From the time that Red Sky started its contracts in 2007 — the three in Belfast and the two in Newtownabbey — there were problems with west Belfast. Its response times were very poor, it was running behind time, and the quality of the work was not all that good. Also, at that stage — this was not common to its other contracts — the relationship between our local staff in west Belfast and the contracting staff was quite toxic. I do not know, Mr Campbell, whether it was sectarian, but it was toxic.

Mr Campbell: You said that the Red Sky contract was one of a number — maybe 100 or thereabouts.

Mr McIntyre: Contractors deal with the Housing Executive, but I think that we had about 20 response maintenance contracts throughout the Province. However, we deal with lots of other contractors as well.

Mr Campbell: Were there problems of that nature with any of the other contractors?

Mr McIntyre: With relationships?

Mr Campbell: Yes, as well as workmanship.

Mr McIntyre: Not to the point that it ever reached my ears.

Mr Campbell: Does that mean, then, that there may have been —

Mr McIntyre: I would have been in a local office once a week, and it was never really an issue. Maintenance almost went off our agenda with public opinion and the problems that it caused with public representatives and so forth as a result of the introduction of the Egan contracts. The answer is that I did not generally get it, and nor did I get it in localities all that much.

Mr Campbell: You said, however, in answer to me just now and to an earlier question about the sectarian undertone as it related to Red Sky, that you did not seem to be aware of specific knowledge of that. Is that right?

Mr McIntyre: No. I was aware of the toxic relationship. One of the allegations that Red Sky would have made was that, because it was a firm from east Belfast working in west Belfast, problems were being put in front of it that it was not getting anywhere else. I do not know whether that was the case. I think that Colm might be able to say a bit more about that because he asked somebody to investigate it. It was not a common problem that we were getting anywhere else.

Mr Campbell: It is just that, last week, when Stewart Cuddy was before us, I put a similar question to him. His answer was that there was:

"no question whatsoever of any sectarianism."

Mr McIntyre: I am not saying that there is sectarianism. I am saying —

Mr Campbell: I know that, but he was quite specific.

Mr McIntyre: Did he say that there was none?

Mr Campbell: Yes.

Mr McIntyre: You and I have had discussions before about the make-up of the Housing Executive workforce, but it is not a sectarian organisation in any way.

Mr Campbell: As you say, we have had quite a number of discussions down through the years. You will be aware, as most people are, that the organisation has a problem recruiting from a very large section of our community and has had for decades. That is why I wanted to try to get to the issue of sectarianism. Mr Cuddy seemed to be quite specific and precise, but you are not being as specific or precise.

Mr McIntyre: I am saying that allegations were made. I do not know whether that was the case. The organisation does not generally get allegations about sectarian behaviour.

Mr Campbell: What I am really getting at is that the allegations were there, as you said. Everybody can accept that. Mr Cuddy appeared to be very forthright in repudiating those allegations. You seem to be saying that you did not have as much knowledge as Mr Cuddy, but you were the chief executive.

Mr McIntyre: No, what I am saying is that the relationships between the staff in our local west Belfast office and the staff of Red Sky were toxic. One of the things that emerged is that Red Sky said that it was being treated in a sectarian way by local Belfast staff. That was never proven one way or the other; all I can tell you is that it was an allegation that was made by Red Sky.

Mr Campbell: I have a final question. You were aware of the allegation and, as you said, the company was from east Belfast and was doing work in west Belfast. That was happening in the context of the overall organisation that had been awarding the contract for decades, and which had an issue. As you say, you and I have had a number of conversations about how to address the problem of ensuring that your organisation of over 3,000 people would attract equitable numbers from both communities, and we have done that. At that stage, did nobody say, "Here's an allegation about Red Sky that has a sectarian undertone. Given the bigger picture that we already know has been out there for many years, maybe we had better investigate this very comprehensively"?

Mr McIntyre: I think that my colleague might have something more to add to what I am saying, because I think that some investigation was carried out at the time. I am not trying to avoid what you are asking. I think that you will agree that we have taken a lot of steps to attract Protestant people into the Housing Executive over the years. I am sure that you will acknowledge that.

Mr Campbell: I do acknowledge that, and, hopefully, the work that I have been doing with a number of your staff has contributed to that. You say that Mr McCaughley might be able to help us.

Mr McIntyre: I think that those allegations were looked at at the time.

Mr Wilson: I will start with Gregory's last point. I know that you say that you cannot throw a great deal of light on it, Paddy, but as part of this investigation and any conversations you have had, were you made aware of the fact that there was clearly a sectarian campaign against Red Sky in west Belfast by public representatives and tenants and, indeed, that there were attacks on their vans and personnel? Ball bearings were fired at them —

The Chairperson: Sammy, just a wee second. I do not mind giving people a bit of latitude, as I said last week, but I am not going to have it on record that there was factually established sectarian harassment of any company by any representative. You are making very sweeping and damaging accusations against people who were public representatives. I am telling you to exercise caution. I will not let you go down that road.

Mr Wilson: You might not like to hear it, but —

The Chairperson: It does not matter whether I like it or do not like it. I will not let —

Mr Wilson: First of all —

The Chairperson: Sammy Wilson, excuse me. I am making a point: I am asking members to be professional in their approach, because I will instruct the person not to answer the question.

Mr Campbell: I hope, Chairman, that there is no question of somebody being restricted in the nature of the question they are asking.

The Chairperson: No, but I am not —

Mr Campbell: If there is, Chairman, it calls into question the participation of some of us in the rest of the inquiry. If that is the route that you are going to go down —

Mr Wilson: Chairman —

The Chairperson: Just a second. Let me deal with one question at a time. We are doing OK; we have to keep this professional. There is no restriction on any member asking questions, but we cannot have people putting factually incorrect statements on the record as fact. People can make their statements and allegations if they wish; they cannot put something on record and expect an official here to respond to something that is not factually established or correct. That is all that I am saying. Let us not generalise.

Mr Wilson: Let me start with one question, Paddy. Were you aware, for example, that representatives of Sinn Féin in west Belfast made complaints to the Housing Executive about Red Sky?

Mr McIntyre: About the quality of work, yes. I would expect that from any public representative anywhere who was getting a service that was not up to scratch.

Mr Wilson: For the record, since two of the representatives who made those complaints are here and, therefore, surely have some vested interest, maybe the Committee Clerk can indicate whether we got a declaration of interest at the beginning of the meeting.

The Committee Clerk: No one has declared an interest in respect of that.

Mr Wilson: So —

The Chairperson: Sorry, Sammy, just a wee second. We can check all the legal advice and the procedural fairness, rules and regulations — I am happy to do that — but, as an elected representative, I am certainly not aware of that, because, at that time, I do not recall making complaints in west Belfast. Other members of your party, for example, made representation. That is fine; people are entitled to make representation. That does not mean to say that anybody has an interest. As you well know, a conflict of interest means that you have some relevant, peculiar or other interest in a matter.

Mr Wilson: I would have thought that there would be a conflict of interest. If someone had made allegations and complaints about a firm, I would have thought that that would slant the view that you might take to questions being asked and be one of the reasons why you probably object to some of the questions I am asking now and questions being asked of those who come along and give evidence.

The Chairperson: My only assertion is that people cannot put things on the record that are not the case. That is all that I am saying. Let us keep it professional.

Mr Wilson: Paddy, you had a number, maybe even a substantial number, of complaints about Red Sky from Sinn Féin representatives in west Belfast.

Mr McIntyre: We also had complaints from community representatives and the SDLP, because, frankly, the service was very poor, which is why people were making representations and complaints.

Mr Wilson: Were you also aware of an ongoing campaign of attacks on vans and personnel etc on Red Sky workers by elements in west Belfast?

Mr McIntyre: I was aware of vans being damaged. I also believe that Sinn Féin representatives got involved in trying to stop that happening.

Mr Wilson: Were Red Sky employees described as "red, white and blue sky"?

Mr McIntyre: I have never heard that expressed in any meeting or from any public or community representative. That is the first time I have heard it.

Mr Wilson: OK. Complaints were made about the attacks on Red Sky equipment and employees in west Belfast. Were complaints about attacks on contractors so prevalent in other parts of Northern Ireland?

Mr McIntyre: Generally speaking, currently, no. It might have been an issue at some time in the past, but in recent times it has been — . I know that local Sinn Féin and community representatives tried to influence the local community and make sure that that did not continue.

Mr Wilson: Red Sky was a Protestant firm from east Belfast. Do you accept that Red Sky was singled out for special treatment in west Belfast?

Mr McIntyre: No, not to my knowledge.

Mr Wilson: But you said that its vans —

Mr McIntyre: Yes, it happened, and I do not know why. We had Red Sky in our sights because its performance was very poor. The reason why we were getting complaints from public and community representatives was that its performance was very poor. I cannot remember the same volume of complaints about any contractor in a lot of years. We were not getting those complaints across the piece.

Mr Wilson: That brings me to my second point. You said that its performance was about twice as bad as the performance of other contractors.

Mr McIntyre: The Province average was 1.6% or 1.7%.

Mr Wilson: You said that most of the complaints emanated from west Belfast.

Mr McIntyre: No, I did not say that. We inspected across all the contracts that Red Sky held. Its failure rate was around 3.6% across all five of those contracts, only one of which was in west Belfast. The provincial failure rate was around 1.6% or 1.7%. I can get you the failure rate for west Belfast, or the Housing Executive can supply it to you. I do not have it to hand.

Mr Wilson: I have written down what you said. Hansard will maybe show that I might be inaccurate, but you said that there were more complaints from the west of the city than from the rest of the Province.

Mr McIntyre: May I explain what I mean by that? Before we brought in the Egan contracts — people may have comments about them — I regularly went around district councils, community associations and the Housing Council. At that stage, maintenance was not an issue with public representatives to the extent that it had been previously, with one exception: from 2007, there was a build-up of complaints about Red Sky's performance in west Belfast. They would have recognised that themselves. They brought in additional arrangements to try to sort out the problem that they were having in delivering with regard to the quality of the work and their response times to the Housing Executive.

Mr Wilson: On the response times, you said that there was a toxic relationship between Housing Executive staff and Red Sky. Did that in any way contribute to the flow of information about repairs that were required, thus causing time delays, which in turn had an impact on the performance that you were talking about?

Mr McIntyre: Are you suggesting that staff locally were making it difficult for Red Sky?

Mr Wilson: You said that there was a toxic relationship. Red Sky made complaints about the relationship with staff and claimed that there was sectarianism. You say that the relationship was toxic. Will you explain how you came to that judgement and how that evidenced itself?

Mr McIntyre: Egan-style contracts involve partnership, which certainly was not working in west Belfast for a variety of reasons. It takes two sides for a relationship to be toxic: Red Sky would probably have admitted at the time that some of the behaviour of some of their staff was not what they would have expected. Steps were put in place, which Colm might want to explain a bit more, to address those relationship issues.

Mr Wilson: If communication and relationships were not good, it is possible that some of the delay in getting repairs done was due to failures on the Housing Executive side.

Mr McIntyre: Some of it may have been. However, my reading of it — this was one of the few times that I got involved in any great detail on any contract that was delivering response maintenance — is that the fault lay mainly on the side of Red Sky. The quality of the work was terrible, and the delays were terrible and worse than anywhere else in the Province. That did not happen to the same extent in other areas where Red Sky had the contracts, but the relationship was not good and its performance was not good.

Mr Wilson: Did you ever seek any explanation of why it was particularly bad in one part of the contract and not as bad in other parts?

Mr McIntyre: Toxic relationships might be one reason. By the way, I think that Red Sky overstretched itself when it went for those five contracts and priced them. Almost from the outset, it was not going to be able to deliver across all five.

Mr Wilson: However — this is important given the allegations that were made about the relationship between the community, the Housing Executive and the firm in one part of Northern Ireland — you are saying that the performance was not as bad in other places where the Housing Executive, the tenants and the community cooperated with Red Sky.

Mr McIntyre: I am saying to you that Red Sky in west Belfast stuck out like a sore thumb in its performance.

Mr Wilson: You are also saying that there were particular problems with the community and particular problems with your staff.

Mr McIntyre: The relationship between our staff and the contractor was not good. That was operating on both sides. I do not want you to say that I said something that I did not. I am saying that public representatives, community people and tenants were vociferous about the service that they were getting in west Belfast, and, as far as I am concerned, they were right to be because the contractor's performance was very poor.

Mr Wilson: I will move on to the overpayment that was alleged to have been made. Initially, it was deemed to be £200,000, but that was negotiated down to £26,000 or whatever. Was that done on an objective basis or some other basis?

Mr McIntyre: Colm might be able to help you a wee bit more than I can on that, but the starting point of the overpayment of £150,000 was to do with kitchens. The contractor installed kitchens of a higher standard. That had been authorised by the local maintenance officers — they should not have done that — and that immediately knocked off £150,000. I am not terribly familiar with the rest of the detail, but the big piece that was taken out of the overpayment was for work that Red Sky did when it put in kitchens of a higher standard, which it believed it was authorised to do. It turned out, indeed, that the maintenance officers asked Red Sky to do that, which took a substantial chunk of the overpayment away. I am not all that familiar with the detail of the rest of it.

Mr Wilson: So any suggestion that it was to do with who was negotiating the change rather than an objective assessment of what was owed was totally incorrect.

Mr McIntyre: That was one of the points that was made in a meeting that I had with Mr Cushnahan. The claim went into a process with the organisation, and the substantial point that he made was, "How can you put down an overcharge for the kitchens worth £150,000 when your people locally authorised that?".

Mr Wilson: Had Santa Claus done the negotiations, would you still have come to the same conclusion?

Mr McIntyre: At the end of the day, this claim was agreed by legal advice and by our contract claims people, who are quantity surveyors and have long years of experience in dealing with contractors and their claims.

Mr Wilson: Initially, it was not reported to the board. Your explanation for that, Paddy, is that this was an operational matter that you would not have expected to take to the board. Given your knowledge of the Housing Executive, what percentage of contracts would there be disputes about?

Mr McIntyre: To some extent, Egan contracts have taken that very adversarial relationship out of it, but the construction industry is well known for claims and counterclaims. I can recall a contractor who at one stage, after he had finished doing big contracts for us, came back in with a claim for £5 million. It went to arbitration and all that sort of stuff. The construction industry is famous for claims around contracts.

Mr Wilson: Has the board set some kind of criteria as to the threshold for reporting disputed contracts to it?

Mr McIntyre: Again, I am thinking about the scheme of delegations here. When it comes to contract claims, the contracts manager, I think — I would want this to be checked because I am not exactly sure whether these figures are still right — had a limit, and he could settle a claim up to £50,000, provided he had the right legal advice and so forth. I have a feeling that I might have been authorised to settle claims up to £100,000, but there were delegated limits set by the board. I do not know whether those limits are as I am quoting them now, but they were of that order.

Mr Wilson: So that is for claims being settled. Are there any criteria given, when there are difficulties or issues with a contract, that would trigger things that would indicate that the board should be told about those difficulties?

Mr McIntyre: No. At the end of the day, the board was made aware of Red Sky when it became almost a political issue, or, rather, when it was very much in the public eye. The board would have been aware of it then. Until then, that is what it was: it was a dispute with a local contractor in a local district that was not performing properly and about which lots of complaints were coming in.

Mr Wilson: Would it be normal for that to be dealt with locally?

Mr McIntyre: Yes. If you think about the scale of our business, if we put everything like that to our board, it would be meeting for three or four days every month.

Mr Wilson: So there was nothing unusual. There was no attempt by officials, as has been suggested, to hide this.

Mr McIntyre: No, absolutely not. I would totally refute that allegation.

Mr Wilson: I want to move on to the termination of the Red Sky contract. In March 2009, you advised the deputy director that, because of contract administration, backlogs in payments and relationships that may have been relevant, you considered that the Housing Executive's position in the matter of the termination was not robust. Is that correct?

Mr McIntyre: In 2009? No, no. We made an attempt to terminate the contract in December 2007, by the way. In 2009, we began a process — the work was commissioned in April 2010 —

The Chairperson: Hold on a second, Paddy. Sammy, we have a letter that was sent to Barney McGahan; that might be the one you are referring to.

Mr McIntyre: Those dates do not ring a bell with me.

The Chairperson: I want you to have a copy of the letter in front of you.

Mr McIntyre: There is my signature, and it is dated March 2009. It is quite a long letter. At this stage, I have a feeling that the letter emerged because the Minister had been alerted about problems with Red Sky. I cannot remember whether it was Margaret Ritchie or Alex Attwood, but I assume that that is why I was giving Barney an update.

Mr Wilson: Was the Minister pushing at that stage? Clearly, from the tone of the letter, you are seeking to give guidance that the contract should not be terminated. Was the Minister pushing for the contract to be terminated?

Mr McIntyre: Absolutely not. They were looking for an update on the position. I would like time to read this letter before I commit any further comment to it.

Mr Wilson: All I am asking is this: what provoked that letter? It is about refuting any case for termination. The letter states:

"The basis of the legal opinion was that the Housing Executive should demonstrate reasonable cause for termination of the contract."

You then go into the reasons why you do not believe that there is a robust case for the termination of the contract.

Mr McIntyre: Minister Ritchie and Minister Attwood were aware of the issue because of complaints that they had received about problems with Red Sky. I assume that I was asked for an update, which I gave. I may have said at that stage, without reading the letter in full, that we were not in a position to take action, but, in the following year, we subsequently commissioned work by the repairs investigation unit across the outside contracts. We followed that up with the commission of ASM Horwath to build the case, which allowed us to take action against Red Sky and terminate the contract.

Mr Wilson: Can you recall what provoked that letter from you, Paddy?

Mr McIntyre: Was it Minister Ritchie or Minister Attwood?

Mr Wilson: Attwood.

Mr McIntyre: I can only imagine that he was hearing from his constituents that there were problems with Red Sky, and he knew that we were having problems, I guess, and was looking for an update.

Mr Wilson: Last week, Mr Cuddy told us that he was very surprised that any Minister would wish to get involved in discussions about procurement and contracts etc. If this was a request from the Minister at that stage to terminate the contract, and you had to give reasons why you thought that that should not be the case, would you have taken the same view as Mr Cuddy that it would be unusual for a Minister to want to dabble in the detail of a contract like this?

Mr McIntyre: I have a feeling that, at that time, significant numbers of questions were being asked in the Assembly by local MLAs about Red Sky. The questions were coming fast and furious, and I presume that he might have been looking for an update on the back of those questions. It is a very factual letter describing our position. That would not have been the first time that Ministers have asked for that type of information.

Mr Wilson: It might be useful to check that we have the letter from the Housing Executive, and who it came from, that provoked that response.

Mr McIntyre: It may have been verbal. I do not know, Mr Wilson. I guess that it was because, at that time, MLAs were asking significant questions about Red Sky.

Mr Wilson: Had it been as a result of a verbal or written request for the Housing Executive to terminate the contract, or to consider terminating the contract, would you have regarded that as unusual and unacceptable — to use Mr Cuddy's term, totally unacceptable — interference by a Minister in a public procurement contract?

Mr McIntyre: I do not know that Minister Attwood was asking for us to terminate the contract. I would not expect a Minister to ask us to terminate a contract. As I said, I am not quite sure of the background, but it was obviously a comprehensive brief.

Mr Wilson: Had it been that, would you take the same view as Mr Cuddy that it was totally unacceptable?

Mr McIntyre: This letter is not unacceptable. This seems to be giving information.

Mr Wilson: No, but would you regard a request to terminate a contract as totally unacceptable interference by a Minister, as Mr Cuddy did last week?

Mr McIntyre: I would have thought that, in anybody's view, a Minister asking the Housing Executive to terminate a contract would not be acceptable. That said, Ministers — certainly devolved Government Ministers — have been pretty challenging compared with the old system here, where you dealt with a Minister whom you might have seen twice a year. They have a bigger interest and challenge a great deal more than under the old system.

Mr Wilson: This is the last point. As has been pointed out, as part of the process of negotiating the amount that Red Sky owed the Housing Executive, the chairman of Red Sky was involved in those discussions. He had been a member of the audit committee but had come off the committee. Do you find anything unusual about that? Indeed, from your memory of it, was any advantage given to him because of his membership of the audit committee when it came to the negotiation of the downward part of the debt?

Mr McIntyre: My contact with Mr Cushnahan was at one meeting, as far as I can recollect, where he made the point that the claim of £200,000-odd was excessive when his firm had installed kitchens as it had been instructed to do and should be paid for. Even a blind man could see that that should not have happened.

Mr Wilson: All I am asking, Paddy, is whether his former position as a member of the board and the audit committee in any way impacted on the decision that you have said was made on an objective basis.

Mr McIntyre: It would not have done, no.

Mr Allister: On the issue of the kitchens and the £260,000, you have said twice that Red Sky was entitled to be paid because it was installing a higher-standard kitchen.

Mr McIntyre: Authorised by the local Housing Executive staff.

Mr Allister: I have to tell you that the evidence that we heard a fortnight ago —

Mr McIntyre: I have read it.

Mr Allister: — from the head of the audit side of the Housing Executive was that Red Sky was charging for higher-standard kitchens but fitting lower-standard kitchens.

Mr McIntyre: I read that evidence. Raymond Kitson is a great guy, but I did not understand where he was coming from on that. That needs clarified, I think.

Mr Allister: He was absolutely clear to us. Hansard states:

"We have two types of kitchen in our schedule of rates: post-formed, which is a fairly expensive, elaborate-type kitchen, and a standard kitchen. What we were getting in west Belfast, north

Belfast, east Belfast and the like were standard kitchens. However, we were paying for post-formed kitchens, which are substantially more expensive."

Then he was asked a question by the Chairperson, and he said:

"Yes. We were getting the standard kitchen, not the more expensive one, but we were paying for the more expensive one."

He went on to reiterate that.

Mr McIntyre: I saw that and, to be quite honest, I found it strange. I am not in any way —

Mr Allister: It is totally contradictory to what you are saying.

Mr McIntyre: Absolutely.

Mr Allister: Who is right?

Mr McIntyre: My understanding of it is as I described to you. I read Raymond's evidence, and I must say that I did not recognise it, but I am not in any way calling his integrity into question.

Mr Allister: You both cannot be right.

Mr McIntyre: Exactly.

Mr Allister: Mr Kitson, as I understand it, was saying to us, "We were meant to be paying for standard kitchens, but we were paying for higher standards that were not installed, and that could not be pursued because someone in the Housing Executive had signed that off".

Mr McIntyre: My understanding of it was as I described to you until I read that evidence yesterday, and I must say that it runs contrary to what I understood.

Mr Allister: There would be no issue with the £260,000 if you were getting higher-standard kitchens.

Mr McIntyre: It is contrary, and I understand why you would take it up. It needs clarified.

Mr Allister: Who can clarify that for us?

Mr McIntyre: I think that you need to ask the Housing Executive. My understanding of it, up until I read that evidence yesterday, was that the higher-standard kitchens had been installed and were paid for on the back of that. Colm may be able to add a bit more light to that.

The Chairperson: I was going to suggest that, Jim. I had already asked the Assistant Assembly Clerk to take a note, because we need to get clarification on that.

Mr McIntyre: I want to assure you that I have not been misleading the Committee, but my understanding, up until I read that evidence yesterday, was that the position as I described it to you was why the claim was settled.

The Chairperson: We are not accusing you or anybody else of misleading. What we are saying is that we have two direct pieces of evidence contradicting each other, so we have to clarify that.

Mr McIntyre: I also want to say that I am not in any way calling Raymond Kitson's evidence or integrity into question.

The Chairperson: That is accepted.

Mr Allister: There are a couple of other points. Who was or is Laurence Mercer?

Mr McIntyre: He was a district maintenance officer with the Housing Executive. If you recall the Audit Office report, you will know that he was sacked in 2000 because, allegedly, he had taken holidays abroad with Red Sky. He was subsequently reinstated by an independent appeals committee and, I think, possibly downgraded and moved. I think that he subsequently ended up working for Red Sky as well. I do not know the man personally, but that is his history as far as I understand.

Mr Allister: That is the gentleman who — the allegation was — was taken on Concorde to Nashville.

Mr McIntyre: It could be, yes. You know more about that than I do. The allegation was that he was taken abroad on holidays by Red Sky.

Mr Allister: Were there other maintenance officers disciplined for accepting excessive hospitality?

Mr McIntyre: I believe there were, and I look to my colleague behind who will probably add to that.

Mr Allister: That is excessive hospitality from Spectrum or Red Sky.

Mr McIntyre: Yes, around Belfast in 2006, I think, there might have been some disciplinary action taken. Again, just to repeat, we had to take that man back on the back of an independent appeals tribunal.

Mr Allister: That is Mr Mercer. You downgraded him. But the others were also disciplined for excessive hospitality —

Mr McIntyre: Yes, but I think that might have been 2006. There might have been some incident around the Odyssey or something like that.

Mr Allister: Yes, but is it fair for the Committee to infer that you can confirm that there were offers and acceptance of excessive hospitality from Red Sky to some of your employees?

Mr McIntyre: We took disciplinary action, so that suggests that the answer is yes. I am not quite sure what the scale of the hospitality was around the Odyssey. I doubt that it was trips on Concorde.

Mr Allister: I think that there is one suggestion of that.

The Chartered Institute of Public Finance and Accountancy produced a report. First of all, it said that you acknowledged in an interview with it that you were a very close personal friend of Mr McCaughley.

Mr McIntyre: Yes.

Mr Allister: It went on to make the observation that that had clouded your judgement and that the degree of supervision and oversight of his division — the housing and regeneration division — was extremely weak.

Mr McIntyre: I do not accept that, and I have told them that I do not accept it. Colm McCaughley has been a friend of mine for 30 years, so, at the end of the day —

Mr Allister: Just inside the Housing Executive, or outside?

Mr McIntyre: And outside. But, at the end of the day, he had to produce his business plan and targets for his division and was monitored in exactly the same way as any other director.

Mr Allister: Have you any idea of how the Chartered Institute reached the view that your judgement was clouded by your friendship and that you let him off lightly in terms of supervision?

Mr McIntyre: I do not know how they came to that conclusion, but it is nonsense.

Mr Allister: It is a pretty damning conclusion, is it not?

Mr McIntyre: Not if you do not accept it. It is not true. People can come to a view but it is not necessarily based on fact.

Mr Allister: But they carried out an investigation.

Mr McIntyre: It is not necessarily based on fact.

Mr Allister: So, did they make it up?

Mr McIntyre: I am telling you that I am refuting it. I am not sure of its relevance to this inquiry.

The Chairperson: I am just going to make a point here, Jim. We are probably straying into something that is not the subject of the inquiry.

Mr Allister: I thought that Housing Executive oversight was part of the inquiry.

The Chairperson: Yes, it is; I was just going to say that. Obviously, we have to let some of these lines of questioning go to see where they get to, and we have to make a judgement at some point that it is straying.

Mr F McCann: One of the questions that Sammy asked was about what Stewart Cuddy said last week in relation to the termination of the contract, but I thought that the whole debate around what Stewart Cuddy said was that he was being asked to reinstate the contract, not terminate it.

The Chairperson: That is a different line. Sammy, you were asking about the previous ones.

Mr Wilson: There was clearly a request of some sort. Mr Cuddy seemed to be quite indignant that any Minister should ask questions about a contract that was live. Since there appeared to be an earlier question about the contract — in this case, rather than extend the contract, it was a case of terminating it — I just wanted to see whether Ministers did, on a regular basis, ask about controversial contracts, whether all Housing Executive officials took the view that such interference was unacceptable and what the background to this particular request had been.

The Chairperson: We said that we would try to get the correspondence. We dealt with that earlier when Paddy McIntyre was asked about what sparked the letter that he sent setting out the facts. For the record, the Minister at the time — October 2009 — was Margaret Ritchie. People were querying that earlier.

Mr Wilson: In relation to the last question, Paddy, do you find it surprising that the question has to be asked as to how that conclusion was reached if there was clear evidence that the conclusion was based on fact? Would it not substantiate the point that you were trying to make, which was that people can have an opinion, but, if they cannot substantiate that opinion, it really is not relevant to this inquiry?

Mr McIntyre: That is my view of it.

Mr Wilson: Lots of friendships occur inside and outside an organisation. Would it be regarded as unusual for people in the Housing Executive to be friends outside work as well as inside?

Mr McIntyre: No, and I have loads of other friends outside work from my days in the Housing Executive whom I still meet.

Mr Dickson: Maybe I will follow through on that, although it was not my intended question. I have heard what both of you have said in respect of that relationship. However, I have to ask this question: why would a professional body make that comment? It would not normally comment on people's personal relationships if it was not relevant to whatever their inquiry was. I appreciate that you can dismiss the comment, but why do you think a professional body conducting an inquiry would want to come to that view?

Mr McIntyre: You had better ask it why it might come to that view.

Mr Dickson: Perhaps we should.

Mr McIntyre: You should do. By the way, I had never come across that until two years after the event.

Mr Dickson: OK. I will take you back to Mr Kitson's evidence. You helpfully told us that, when you read it yesterday, you felt that it was completely at odds with what you have told us.

Mr McIntyre: Absolutely, yes.

Mr Dickson: Why did you not tell us that at the beginning of giving your evidence this morning? Why did you not say, "By the way, I am going to tell you something that is very different from what you have already read"?

Mr McIntyre: I should have done, and I was not intending to conceal it. I read the stuff yesterday for the first time, and it is contrary to what my belief was up until I read it. By the way, it was Colm's belief as well, up until we read that yesterday.

Mr Dickson: Was that belief formed when you were the operational chief executive of the Housing Executive?

Mr McIntyre: Yes, it was.

Mr Dickson: So you have at least one other person who had a completely different understanding of a very serious situation inside the organisation at the same time that you were operationally functional.

Mr McIntyre: It may be that I am wrong. I would not at all question Raymond Kitson's integrity. However, up until I read that, my understanding was the position that I have stated to the Committee.

Mr Wilson: May I just ask one question based on that, Paddy? When you were looking at what was owed and what was not owed, and it was submitted that, "We supplied kitchens of a higher standard than what had been specified in the contract, but we did that at the request of the Housing Executive", presumably the Housing Executive official, Mr Kitson, who would have been knowledgeable in those matters, would have been asked the question at that time. Have you any recollection that he disputed that the appropriate kitchens had been supplied at that stage?

Mr McIntyre: That is news to me. At the end of the day, I was not deeply involved in any way in that negotiation.

Mr Wilson: I do not know how this works, but if someone came in and said, "No, those kitchens were better than what had been in the contract, but we did it at the request of the Housing Executive", presumably somebody would have checked that before agreeing the figure. Would they?

Mr McIntyre: I would have thought so, as part of the negotiation over the claim.

Mr Wilson: So Mr Kitson would have had an opportunity at that stage.

Mr McIntyre: I am not sure whether Raymond was involved at that stage.

Mr Dickson: Can I give you Mr Kitson's —

The Chairperson: Sorry, Stewart. I want to draw people's attention to the fact that we have a copy of an RIU interim investigation report, dated 2 June 2009. It indicates that Paddy McIntyre's record is accurate. This has been raised, and we are now getting into three or four references to material. We have already agreed that we are going to get clarification on this. I am not saying that we should park this, because people have explored it, and Stewart has the floor. However, it might be useful, because we are now exchanging different versions of information, that we bear that in mind. Stewart, deal with it as much as you want to here, of course, but bear in mind that we are seeking further clarification.

Mr Dickson: It is not my judgement at the end of the day, Chair. It is what Mr Kitson placed on the record. His opening words were:

"I was involved in the negotiations".

So he is claiming that he was involved.

Mr McIntyre: If he is saying that, by the way, I would not doubt it.

Mr Dickson: Can I take you back to the case of the employee who was disciplined, dismissed and then reinstated? You have made a couple of references to the fact that you had to take him back. Is there any significance, in the scale of things, in the fact that you are telling us that you had to take him back?

Mr McIntyre: We would rather not have taken him back, but he won an independent appeal and the recommendation of the independent appeal panel was that we had to take him back.

Mr Dickson: Was that due to administrative failures on your HR side, in respect of how the matter was handled, or was it to do with the substance of the actual misdemeanour?

Mr McIntyre: Again, that is back in 2000. I do not really have any detailed knowledge of it.

Mr Dickson: It has potentially a material aspect to it. Either it was because you had handled the administration of the disciplinary procedure poorly or it was because the penalty of dismissal was deemed to be inconsistent with the level of offence committed.

Mr McIntyre: Again, I do not know why the appeal panel came to that conclusion. I am sure that it is in the record somewhere, but I would have thought that, if the allegations were true that he had been taking that level of hospitality, he should never have been back through the door of the Housing Executive.

Mr Dickson: In which case —

Mr McIntyre: It could suggest that there was some failure in how we presented our case, or whatever. I do not know, to be quite honest, Mr Dickson.

The Chairperson: Paddy, in your submission to us, in the context of Red Sky and its track record, you state:

"Red Sky in its various forms had carried out work for NIHE for a number of years. Over these years it presented a number of management and performance difficulties."

There is a pattern. For a lot of the members here, there is a picture that these difficulties persisted for years. In his submission, which we will discuss shortly, Colm points to a lot of measures that were put in place to correct those problems. However, clearly, they persisted over a number of years. What we are trying to establish in our minds is how that was allowed to happen and why it happened. I know that you say that you might have different views on things with hindsight, but it would be interesting to hear your view of it, because it also relates to the "toxic relationship", as you describe it.

I find it a bit unusual, with all due respect to your position, that someone says that it is a toxic relationship, and then there are allegations of sectarianism. I take that to mean that somebody in the west Belfast Housing Executive district was a Catholic imposing a biased approach to Red Sky. That is what has been said or at least suggested in everybody's submissions. I think that it is better to say that openly than to hide around it. Clearly, it was a very important issue and a pressing one. Can you give us any further clarity on that? Obviously, it was a toxic relationship. Clearly, the inspection regime had been enhanced and so on, according to the evidence that we have received. You said that a lot of complaints were brought by a range of people, including your officials. We are trying to work out in our minds why that issue, where there were problems with performance and other management problems, was allowed to continue for years.

Mr McIntyre: As I said, over the years, we tried to take steps to prevent Red Sky from tendering for further contracts, five of which it got in 2007. The legal advice was that we could not do that despite the fact that we knew that performance had not been good in previous contracts over a period of time. Secondly, we tried to terminate the contract in 2007 and again, on the back of legal advice, we were unable to do so. That really leads us back into 2009 and the early part of 2010, which is when we decided that we wanted to collect solid evidence of its performance across all of its contracts. We asked the RIU to carry out that work. I took the view, along with the chair of the audit committee, that, given our difficulty in enforcing action against Red Sky previously, we should get forensic accountants in to have a look at it. That is where ASM Horwath came in, and that put us in a position where the evidence was such that we had a strong case to terminate the contract. That happened after I left, but I am familiar with the comings and goings of all of that.

We probably could have managed the situation better, but, at the end of the day, on the couple of times that we tried to take action, legally, we could not do it. We also undermined our own position from time to time as well. One way or another, on the kitchens, we undermined our position by our inaction.

The Chairperson: Paddy, thank you. No other members have indicated that they wish to speak. Paddy, we will get clarity around that issue that was last referred to. Before we wind up, are there any further comments that you want to make? Obviously, the Committee will, in an ongoing way, assess all of the evidence that we have heard. We may want to get further information or even maybe talk to a number of individual witnesses in the future. I suggest that that invitation will also be open to you if you want to come back to the Committee and add to anything that has been said already or clear anything up that you subsequently think about. Are there any comments that you want to make before we finish this morning?

Mr McIntyre: I presume, Chairman, that a draft report will be produced. Will people who have given evidence have an opportunity to have a look at it?

The Chairperson: The Committee will do a report. Up until now, we had decided that, if there were adverse findings against someone, they would receive a copy.

Mr McIntyre: That is OK.

The Chairperson: Paddy, thank you very much. As I said, your invitation to come back to us is open.