



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 Peter Cooke

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

Mr Mickey Brady (Deputy Chairperson)  
Mr Jim Allister  
Ms Paula Bradley  
Mr Fra McCann  
Mr Sammy Wilson

**Witnesses:**

Mr Peter Cooke

**The Deputy Chairperson (Mr Brady):** We return to our inquiry. I welcome Peter Cooke, former Red Sky managing director. The details are at page 170 of members' packs.

Thank you very much for coming to the Committee. I ask members to note that Mr Cooke has provided a written submission, which is included at page 178 of members' packs. Members have also been provided with a cover note at page 172 of their pack. Mr Cooke, do you wish to brief the Committee initially, or are you content to simply take questions?

**Mr Peter Cooke:** First, I apologise for being late. It is the ageing progress: I thought that I was coming at 2.00 pm, and I suddenly realised that it was 1.00 pm. It was one minute before 1.00 pm when I realised that, so my apologies.

**The Deputy Chairperson (Mr Brady):** That is fine.

**Mr Cooke:** I will just give you a flavour of where I may or may not be able to assist you. I am a businessman, not a politician, and I was invited by what was then the Northern Bank to have a look, on their behalf, at Red Sky at the end of 2010 because the bank was very concerned about their ability to recover the loans they had made to the company and its owner. They invited me to go and spend a couple of months looking at the company to see whether I thought that it was recoverable, because it was in a fairly parlous state at that stage.

During October and November, I had an opportunity to sit in on the company, ask questions and look at it, but I had no executive function at that time. At the beginning of December, I went back to the Northern Bank and said that a lot of good work had already been done by the then acting managing director, a gentleman called Harold Booth. He was a banker from the west of England who had been brought in by the board around one year previously. I said that, if his work was continued and some

further restructuring took place, the company had a reasonable potential of being turned around again. I was then asked if I would take on the role of acting managing director from around the beginning of December 2010, and I took on that role and was there until I requested the administrators to come in in April 2011. I stayed on during the administration process to assist the administrators in any way that I could. At the time I joined the company, having spent much of my working life travelling and away from here, I had actually never heard of Red Sky. I did not know any of the people who owned or were involved in the company or any of the politicians who later became involved in it, so I hope that I can give you as neutral a view as possible of all that I saw and heard during that period.

**The Deputy Chairperson (Mr Brady):** Thanks very much. I will ask you a question initially and then bring members in. The note of the meeting that you attended on 27 June 2011 between representatives of Red Sky, Minister McCausland, DUP MLAs and senior DSD officials indicates that the Minister would have liked to have had the administrator in place until the end of August to allow contract handover issues to be considered and so that, during that time, the proposed new company might be able to progress matters. During your extensive career of managing companies large and small across Europe, how often have you met a Minister to discuss public contractual issues for which that Minister would be ultimately responsible?

**Mr Cooke:** Never. Prior to that particular series of events, I had never been in a company facing administration. It was an entirely unique set of circumstances. My priorities through this whole process were to try to see if the company could be sustained in some shape or form and if the employment that it furnished in east Belfast could be continued. As we were apparently denied any access to the Housing Executive to discuss the opportunity further, the only recourse we had was to local politicians. Through the local politicians, we were then given the opportunity to talk to the Minister.

**Mr Allister:** You were invited by the Northern Bank to come in as a consultant.

**Mr Cooke:** Initially, yes.

**Mr Allister:** Why you? Do you know that?

**Mr Cooke:** As the recession hit, I had been round the banks and a number of the institutions saying that my skills, such as they were, were available if anybody wanted to use them. The Northern Bank was one of a number of places that I had been.

**Mr Allister:** Was Frank Cushnahan someone whom you knew?

**Mr Cooke:** I had never met him prior to Red Sky. I met him a couple of times during the Red Sky thing, but I had never met him prior to that. I beg your pardon; he interviewed me once when I applied for a job as managing director of the Harbour Commissioners, but I did not get the job.

**Mr Allister:** What was his role at Red Sky when you went there in October 2010?

**Mr Cooke:** None, other than, as I understand it, he was a person who Norman Hayes referred to for private advice.

**Mr Allister:** And it was in that context, though he held no official function —

**Mr Cooke:** No, and he was never on the premises in my time.

**Mr Allister:** But you said that you met him in connection with Red Sky.

**Mr Cooke:** I met him with Norman socially a couple of times.

**Mr Allister:** Norman Hayes was not known to you before you went there.

**Mr Cooke:** I had never met him in my life, and I have not seen him for the last two years.

**Mr Allister:** What was Norman Hayes's position in the company in October/November/December 2010?

**Mr Cooke:** He was the owner of the company, which is questionable because I would say that, effectively, the bank was the owner of the company at that stage. The previous acting managing director, Harold Booth, had him, using his words, "handcuffed in his office", so he was not doing anything really functional with the company. He came into work and was in his office, but he did not actually have a role when I arrived.

**Mr Allister:** Until administration, he was still the owner of the company.

**Mr Cooke:** He was still the owner of the company.

**Mr Allister:** Who then appointed you managing director or temporary managing director?

**Mr Cooke:** I was informed by the bank that the company had appointed me.

**Mr Allister:** Does that mean Mr Hayes?

**Mr Cooke:** I imagine that Mr Hayes was persuaded to appoint me by the bank, which held the purse strings, but I could not prove that.

**Mr Allister:** Yes, but, within the company, if it was a company appointment, it had to be Mr Hayes's appointment.

**Mr Cooke:** Yes. Eventually, I got an offer of employment from him, but I think that his arm was all the way up his back when that offer was made.

**Mr Allister:** Remind us how the meeting with the Minister on 27 June came about.

**Mr Cooke:** Norman Hayes had contact with one of the local MLAs, Robin Newton, and prevailed upon him to see if he could bring any influence to bear in political circles for the termination to be delayed while we made the case, which we wished to make to the Housing Executive but that they did not want to listen to at the time, that the problem that it was referring to was not a problem that related to Red Sky in particular but a problem with the Housing Executive contracts that applied across its different contractors.

**Mr Allister:** I think that what you appeared to say on the 'Spotlight' programme was that you were looking to the politicians to put pressure on the Housing Executive to change its position. Is that fair?

**Mr Cooke:** Yes, that is fair.

**Mr Allister:** Was Norman Hayes at that meeting?

**Mr Cooke:** No.

**Mr Allister:** Was he at any meetings?

**Mr Cooke:** He was at the meetings with the Housing Executive in February. He certainly was not at that meeting.

**Mr Allister:** You have said to us in your written submission that you had pre-briefed politicians before a meeting. How many times did you pre-brief politicians?

**Mr Cooke:** To the best of my knowledge, once.

**Mr Allister:** When and with whom?

**Mr Cooke:** Robin Newton and Mr Robinson visited our office and spoke to staff and management. I could not tell you what the date was, but it was at some distance before the meeting here with the Minister.

**Mr Allister:** We know, for example, that there was a meeting between Mr Robinson and colleagues and the Housing Executive. Relying on my memory, I think that that was on 28 April. Had you pre-briefed those politicians for that meeting with the Housing Executive?

**Mr Cooke:** Not specifically for that meeting. All we had done was to appeal to the local politicians of a number of parties, of which the DUP was but one, to explain that we felt that the termination of the contracts was not allowed for in the contracts and was being handled in a way that was prejudicial to Red Sky.

**Mr Allister:** But you told us that Mr Newton and Mr Robinson came to the Red Sky offices —

**Mr Cooke:** They did.

**Mr Allister:** — and that that was where the pre-brief took place.

**Mr Cooke:** That was about the general situation. It was not particularly preparation for whatever came next, because I did not know what actions they were going to take.

**Mr Allister:** I was trying to establish whether you think that that was before they went and met the Housing Executive at the end of April.

**Mr Cooke:** Yes, definitely; it must have been. I have no doubt that it was as a consequence of their meeting with us that they went to meet the Housing Executive.

**Mr Allister:** And you did not brief them again before you met them on 27 June.

**Mr Cooke:** To the best of my ageing memory, I think that I met them only once prior to the meeting in June, which was on the premises of Red Sky one evening.

**Mr Allister:** Did you brief the Minister at any stage?

**Mr Cooke:** No, the only time I ever spoke to the Minister and, you could say, briefed him was at that meeting in June that you referred to. I have not met him before or since.

**Mr Allister:** On the last page of your written submission to us, you say of the meeting of 30 June between the Minister, the chairman and chief executive of the Housing Executive, and senior DSD officials:

*"I was not there, nor to my knowledge did I receive any information at the time on such a meeting. Through the local MLA for Red Sky I had been given the opportunity to brief both the First Minister and the Minister".*

**Mr Cooke:** That was at the meeting that you have just referred to, where I was called to this Building and explained the situation. That was the only meeting that I had with the Minister.

**Mr Allister:** So, to be clear: there was a meeting with Mr Newton and Mr Robinson in Red Sky's offices, probably before the end of April.

**Mr Cooke:** It must have been around that time, yes.

**Mr Allister:** And, then, there was a further meeting between Red Sky personnel and the Minister and the First Minister.

**Mr Cooke:** I have read all the correspondence. He did not say either that he was or was not the First Minister. He was in the room, as were other MLAs; that is all that I can tell you.

**Mr Allister:** Yes, but we are talking about Mr Peter Robinson.

**Mr Cooke:** Mr Peter Robinson, correct.

**Mr Allister:** And that was at the end of June.

**Mr Cooke:** That was at the end of June. I have read about everything that happened after that in your evidence with great interest in the last 48 hours, because the sequence of events after that was never known to me.

**Mr Allister:** At the meeting on 27 June, you were looking to set up a new company, is that right?

**Mr Cooke:** I was not looking to set up a new company.

**Mr Allister:** You — the Red Sky collective.

**Mr Cooke:** I was not a financial part of anything. I was —

**Mr Allister:** Was someone looking to set up a new company?

**Mr Cooke:** Mr Hayes and some of his colleagues were, yes.

**Mr Allister:** And was that to take over the contracts?

**Mr Cooke:** I think at that stage it was fairly clear that the contracts were not going to be retained. It was to carry on with the rump of the Red Sky business, which was maybe 40% of its turnover. I think there was an attempt there to see whether there was a possibility of being able to stay involved with the Housing Executive.

**Mr Allister:** If you look at what you told the 'Spotlight' programme just on that point:

*"The purpose of that meeting was to try to get some way of delaying the termination while Red Sky was in administration so that it could prove that it had been treated unjustly and have an opportunity to emerge back out into the sunlight as a trading business".*

**Mr Cooke:** Correct. That does not necessarily mean with or without the Housing Executive. The company had gone into administration, and the sole objective was to try to see if the employment could be continued and the business could continue in some shape or form, either by being bought by others or from within.

**Mr Allister:** But there was a desire by Mr Hayes to set up a new company.

**Mr Cooke:** Oh yes, as you can see.

**Mr Allister:** And the sequencing that you now know about, of trying to extend the termination of the contracts, would have facilitated that.

**Mr Cooke:** If that venture had been successful it would have meant that the new business might have potentially been bigger than the current businesses, yes.

**Mr Allister:** Was that new company to be Totalis?

**Mr Cooke:** At that stage there was no name or anything. It was a concept, as a number of people were asked by the administrator to bid for the business and Norman Hayes was asked among them if he wanted to express an interest. So, at that stage he was trying to see if it was possible to do something for himself.

**Mr Allister:** How appropriate was it to hold meetings with the Housing Executive and the Minister for a company in administration in the absence of the administrators?

**Mr Cooke:** In all honesty, I never thought about that issue until I saw it in —

**Mr Allister:** But thinking about it now.

**Mr Cooke:** As far as what we were trying to achieve that day is concerned, I think my answer would be simple. The administrators did not appear to be terribly interested in anything other than getting maximum value out of the company.

**Mr Allister:** Legally, they were the company.

**Mr Cooke:** Yes, they were, so in legal terms you might well be correct in suggesting that maybe we should not have been there. In practical terms, I was receiving constant representations from the employees to try to see if we could do anything to save their jobs. I do not at all regret having endeavoured to do that. That is what we were trying to do. If we were able to forestay the determination until a third party could see that what Red Sky was being accused of was common across all of response maintenance and was a function of the way the contracts were run, I believed that Red Sky would at least have a chance of staying alive. As it happens, it did not.

**Mr Allister:** But, with hindsight — which is a wonderful thing, of course — would it not be fair to say that it would have been much more appropriate to have involved the administrators in any such meeting?

**Mr Cooke:** As a simple, black-and-white expression, that is absolutely correct. They were not interested in —

**Mr Allister:** Were they getting in the way of the agenda to get a new company?

**Mr Cooke:** No. I think if they had been getting in the way, a new company would never have happened. I do not believe that they were getting in the way at all. They wanted the maximum number of bids on the table to get the best value.

**Mr Allister:** Were they getting in the way of the extension of the contracts?

**Mr Cooke:** They were persuaded initially that the extension of the contracts was in the interests of the administrators. Then they went to the Housing Executive and came back persuaded that it was not going to happen.

**Mr Allister:** You said that you had never met a Minister on a contractual issue.

**Mr Cooke:** Yes.

**Mr Allister:** Of course, the contractual issue here lay not with the Minister but with the Housing Executive.

**Mr Cooke:** Correct.

**Mr Allister:** So why was one meeting the Minister at all?

**Mr Cooke:** We went to the local politicians because the Housing Executive would no longer talk to us.

**Mr Allister:** Who suggested that you meet the Minister?

**Mr Cooke:** Norman Hayes.

**Mr Allister:** Norman Hayes.

**Mr Cooke:** He suggested that we meet Robin Newton; Robin Newton suggested that we meet the Minister.

**Mr Allister:** And that is without the administrator.

**Mr Cooke:** Without the administrator.

**Mr Allister:** And without the Housing Executive.

**Mr Cooke:** I did not send out the invitations for that meeting.

**Mr Allister:** But they were not there either.

**Mr Cooke:** No.

**Mr Allister:** And they were with whom the contract was.

**Mr Cooke:** As far as I recollect, there were two representatives from DSD's housing department.

**Mr Allister:** Yes, from DSD, but there was nobody from the Housing Executive.

**Mr Cooke:** No, no one from the Housing Executive was there.

**Mr Allister:** I have a few other questions for later.

**Mr Wilson:** The one thing that comes through in your submission to us, Mr Cooke, was that you believed that a bias or a prejudice against Red Sky was endemic in the Housing Executive. What brought you to that conclusion?

**Mr Cooke:** I have to try and think, after all the things that I have read from your evidence in the past few days. Clearly, those are other people's opinions and I have to try to give you my own opinion.

My period there was very short, and I cannot see, in real terms, anything that took place before I was there. I can only see what happened when I was there. What I sensed, and certainly what the people working around me would have encouraged me to believe, was that, for whatever reason, Red Sky was being, I will use the word "victimised" for a contractual environment that did not work and that was being operated by all the response maintenance contractors, and, as I think that you now know, the general maintenance contractors as well. Previous claims of overcharging had largely been dispensed with and the evidence that I could see, as we picked through the enormous volume of documents that was being put in front of us constantly at that time, suggested that the sum of the conclusions did not tie with the individual facts underneath.

I have said on numerous occasions and am happy to say again that I am not going to be an apologist for Red Sky: it did some things really well, and it did some things really badly. It was a commercial enterprise and probably a fairly extreme one in certain ways. There was a great deal of work that it should have been ashamed of, there was some work that it should have been extremely proud of and there was a lot that was acceptable. I do not like the word "acceptable" in a business environment, but there was a lot that was acceptable. However, when the data was collected, either by the repairs inspection unit (RIU) or by the ASM report, collated and given to us as a great raft of data on a case-by-case basis, we started checking through it. In the case of the ASM report, we had an independent quantity surveyor from across the water to ensure independence in checking through it, but we could not find the substance of the numbers.

What we could find — I can freely agree with this — was that there was massive difficulty in working those contracts in the way that they were written. Nobody was doing that. In fact, the Housing Executive had instructed a number of variances to make them operational, and the vast bulk of what was claimed as overcharging was actually down to contractors doing exactly what they had been told to do. My outrage, if I may use that word, at the time of the termination of those contracts was that it was inequitable to do that to Red Sky; it should have been done to all the contractors or none of them. Then the problem should have been solved and a fresh start made. I would use the word "victimisation", but I cannot give you the reason behind that because I do not know.

**Mr Wilson:** You point out that practices were similar across all contractors and were in accordance with the Housing Executive's written instructions, yet you feel that Red Sky was —

**Mr Cooke:** Yes.

**Mr Wilson:** When Mr Cuddy was here, it was put to him that this was common practice and that all contractors were guilty of that. His argument was that that was not the case and that only Red Sky stood out as far as this was concerned. What is your response to that?

**Mr Cooke:** Reading through the evidence that you have already got, I understand that another contractor was investigated on the same basis very shortly afterwards. You have probably got much more information on that than I have access to. It was certainly common knowledge at the time, and it would have been said through the Housing Executive offices, "This is how the contracts work. This is how they are done". It is a pragmatic way of finding your way around a rule book that does not fit the circumstances.

Were there opportunities inside that to defraud a public body of money? There may have been. During the time I was at Red Sky, I have to say, hand on heart — I had my eyes as open as I could get them — that I never saw anybody doing anything deliberate. I saw people doing things that were really stupid, I saw people who were unsupervised and unmanaged, I saw workmanship that people should have been ashamed of, but I never saw any evidence, in my time, of anybody deliberately twisting information for gain. If they had done so, then they did it pretty badly, because Red Sky had been making losses for three years, and there is not much value in defrauding people if you are not going to make money out of it.

**Mr Wilson:** You have identified some of the ways in which the alleged overcharging occurred —

**Mr Cooke:** I will happily talk about those.

**Mr Wilson:** — in the application of pro rata rates but that would have happened with all the other contractors.

**Mr Cooke:** It was the norm.

**Mr Wilson:** Housing Executive officials gave us evidence that Red Sky alone was guilty, or primarily guilty, of this. You have been very helpful in your submission in pointing out, for example, that, if a door was put on with one screw missing, then the full cost of that door was regarded as an overcharging rather than 5p for the screw. That would have occurred with all the other contractors, yet you are saying that Red Sky was picked out.

**Mr Cooke:** There may be many reasons for that. I have read all the historical background over the last few days, which I did not have access to previously, and there was clearly some kind of breakdown in relationships between Red Sky and the Housing Executive. It goes back a very long time.

I can only judge what I experienced when I was there, which was for less than six months in total. I believe that Red Sky was doing exactly what everybody else was doing, what they were being told to do and what was being signed off properly by maintenance officers across all the districts.

Red Sky might have had a higher profile because it was the biggest contractor in response maintenance; it had five contracts whereas most others only had one or two. There may have been more to it than that. Clearly, there is a massive amount of history here, and I put the same point to Mr Cuddy and the then chairman of the Housing Executive when we met. That was a very unpleasant meeting. It was the most unpleasant business meeting that I have ever been to in my life. I put the point to them that those were common practice, and they said, "They are not common practice. They do not exist". I have a piece of paper, which you have a copy of, which, if it is not the instruction, it is effectively confirming by the way in which it is written that that was the practice. So, I do not understand how they could have been in denial. That was how the system worked, and a number of audits on the Housing Executive confirm that the practices and the way that it ran the contracts were not giving proper control.

**Mr Wilson:** Mr Cuddy and, I think, Mr McIntyre both admitted when they were questioned that there was a toxic relationship between some of the Housing Executive officials and Red Sky. They allege that that was just at local level. From your experience of the relationships, were you aware of that toxic relationship and would you like to tell us how it demonstrated itself?

**Mr Cooke:** All I know is that the quality of the relationships between Red Sky local management and Housing Executive local management varied on a district-by-district basis. Much has been written already about the difficulties in the relationship between the west Belfast contract and Red Sky, and I have no doubt that that was a difficult relationship. However it got there, it was a very difficult

relationship. There were other parts of Belfast or Newtownabbey where the relationship was constructive. It was not necessarily warm, but it was constructive. I never saw the toxic bit directly myself.

It is unminuted, I suspect, and I cannot even remember the date, but we had a visit from, I think, Clark Bailie from the Housing Executive prior to all the events that you are referring to. I remember sitting with him in the Red Sky boardroom. I had never met him before. I cannot even remember the purpose of his visit in the first place, but I think that, at that time, we were owed £300,000 of overdue money for work completed. Under the contract, it was due. We were pushing for it, and he came out to discuss it with us. I have never found that you gain anything by keeping your thoughts to yourself, so I said to him very early in the meeting, "You are sitting there thinking that we are guilty of fraud". He said to me, "Nobody has ever said that to me before". I said, "But you are, aren't you?". He said, "Yes, I am", and I said, "Well, I would be fascinated to see the evidence, because, if we are, we deserve all the consequences arising from it. I don't believe we are". He said, "This is the first open conversation I have ever been able to have on this subject". Again, I never met him another time. I could clearly tell from his reaction that he came with a lot of baggage that was to do with the nature of the relationship. That might have been founded or unfounded; I do not know.

**Mr Wilson:** You talked about the unpleasant meeting —

**Mr Cooke:** The first of the two meetings in particular.

**Mr Wilson:** — of 4 February 2011. Did that indicate to you that there was perhaps a toxic relationship at the top of the Housing Executive towards Red Sky, as well as at local level?

**Mr Cooke:** It was toxic. There is no indication about it: it was absolutely toxic. We walked into the room, and it was like being made to stand in the corner at school. Before I even got my name out, I was standing in the corner to be shouted at. It was an appallingly badly handled meeting. The bit that still sticks in my mind is that I got my notepad out, and he said, "You may not make any notes. We will make the minutes available to you", but they never were. So, other than from my memory, I cannot tell you what happened at that meeting. I have never seen the minutes.

**Mr Wilson:** Was any reason given for you why they did not want the meeting minuted by you?

**Mr Cooke:** They said, "We will make the official record. No one else will have a record".

**Mr Wilson:** But they never supplied the minutes.

**Mr Cooke:** No. In fact, I would be very interested if you could get hold of those minutes for yourselves, if not for me.

**Mr Wilson:** That might be useful. I do not know whether we have a record of that meeting.

**Mr Cooke:** His secretary sat there and took minutes.

**Mr Wilson:** Who was in attendance at that meeting?

**Mr Cooke:** From the Housing Executive, there was Brian Rowntree and Stewart Cuddy. I cannot remember whether the head of RIU was there. He was certainly at the second meeting, and I think that he might have been at the first. Norman Hayes was there, myself, and Pauline Gazzard. I suspect that the chairman's secretary was present. That might have been it, or there might have been one more.

**The Deputy Chairperson (Mr Brady):** I am sorry, Mr Cooke, could you clarify what date that was?

**Mr Cooke:** It was on 4 February 2011.

**The Deputy Chairperson (Mr Brady):** Thank you.

**Mr Wilson:** The sum of money that they claimed was, I think, £650,000, and they withheld that in payments. Was any detail ever given of how that calculation was arrived at?

**Mr Cooke:** You are testing my memory a bit, but basically I think that they were sampling on the basis that I explained about taking one screw out of a door, etc. They were sampling and coming up with a number, multiplying it to make a total and then applying it across the districts. I never saw full evidence of where that particular number came from. Again, under the contract, so far as I remember it — I no longer have access to those documents — I think that they had no right to retain money. They had a right to call for arbitration, as we had. We called for arbitration when they gave us a termination notice, but they refused it. However, the contract allowed us that right of arbitration.

**The Deputy Chairperson (Mr Brady):** Can I just clarify that? There are minutes of a meeting held on 4 February 2011 at 2.30 pm between the Housing Executive and Red Sky Group Limited. It was a meeting about Newtownabbey overpayments, and they mention Norman Hayes, Mr Cooke and Pauline Gazzard. Presumably, those are Red Sky minutes.

**Mr Cooke:** We did not make any minutes.

**The Deputy Chairperson (Mr Brady):** They are in your pack, so you can check. Present from the Housing Executive were Stewart Cuddy, Clark Bailie and Raymond Kitson.

**Mr Cooke:** I think that those are Housing Executive minutes. I have never seen them before, but I am pretty sure that they are Housing Executive minutes.

**The Deputy Chairperson (Mr Brady):** We were not sure who compiled those minutes.

**Mr Wilson:** I will not ask you to comment on them, Mr Cooke, as you have not had a chance to go through them.

**Mr Cooke:** I would be very interested in reading them at some point.

**Mr Wilson:** I know that your involvement started only in the last months of Red Sky but not only has the Housing Executive admitted that there was a "toxic relationship" that it claimed was at local level but you are now indicating that it may have been at a much higher level. There are also allegations that this stemmed from two things, the first being a sectarian campaign against Red Sky in west Belfast. Were you ever aware of complaints about those kinds of allegations and the practical ways in which they manifested themselves?

**Mr Cooke:** There were people at ground level in Red Sky who might have made those allegations. I heard conversations on that subject occasionally, but I have no evidence whatsoever that there was sectarianism. To try to put the winning of the west Belfast contract into some kind of context, I can say that we were all working very hard to create a new world here, and, if you remember the history of where we came from, which we all do, Red Sky was quick to win a very challenging contract. I suspect that it was always going to be stunningly difficult for a while. It may be just that simple. I suspect that there is a huge element of this being something that was forced on both communities that neither was ready for.

**Mr Wilson:** We also have legal advice from a barrister writing from the Housing Executive's legal team at a stage well before the contract was terminated warning against termination of the contract and advising caution because of the political interference that there had been. From the meetings that you had with the Housing Executive, were you aware of any kind of political pressure that may have added to the toxic relations that you described?

**Mr Cooke:** I do not think so. You all have all the evidence in front of you. The media, and the BBC in particular, enjoyed bringing Red Sky to the front as often as possible. I cannot believe that, when I went to Red Sky, I had never heard of it before. That is because when you start reading this stuff afterwards, you find that it was clearly an issue that stirred the public imagination for some considerable period of time. I was not aware of it other than that it appeared in the media to be a bit of a political football. I know nothing that justifies why that would be the case, other than perhaps that it was a company from east Belfast winning a contract in west Belfast. However, that is supposition.

**Mr Wilson:** You indicate in your submission that there had been other occasions when allegations of overpayment were made and then dropped and arrangements breached. It is fairly dramatic, and I

just wanted to ask you about the way in which that happens. On one occasion, £264,000 was overpaid and was settled for £20,000, and, on another occasion, £924,000 overpaid and settled for £35,000. From your knowledge, how are these figures reached? It seems to me that on one occasion you are out by 13 times the figure, and on the other occasion you are 33 times out.

**Mr Cooke:** Did you not just see from the evidence how, on the maintenance contracts, the figure of £18 million became £600,000-odd? This is an opinion, so you must treat it only as such. They had got themselves into a series of contracts that did not function and were under pressure from the Audit Office to justify the expenditure. It was really easy to blame the contractors, but the serious underlying problem was that the contracts as written were unworkable.

My understanding — I set it out in my evidence — was that the principle of the contracts was really simple: every job that you would ever be asked to do was in a schedule of rates, and a quantity surveyor, or a series of quantity surveyors, put a price on it, such as £200 for a door, to use my previous example. You then bid against the number 100. If we bid 98, we were bidding 2% below or 4% above, or whatever it was, and whoever won the contract had to honour those rates for every job. That is great. I would say that 80% of what happened was done that way.

The problem arose when a job was not in a schedule of rates or when the description of the job was not really appropriate for the work that was being asked to be carried out. The vast majority of the so-called over-claims relate to those areas, where either dayworks were permitted and policed in its own way by the House Executive — it had to sign it off to allow you to do it in the first place, and it was labour and materials — or there was this extraordinary one called pro rata rates. I am not sure whether you have got your heads around it yet, but it is really interesting.

I see exactly why anyone would want to conclude that it is fraudulent. If a contractor were asked — I will use the same example that I have used before — to clean the front garden of a house, which normally meant cutting the grass and straightening the fence, or whatever, and there was a scrap car and a tree stump in the garden, he would immediately go back to a district maintenance officer and say, "I can't do that for 20 quid". The officer would say, "OK, under the instruction I have from Colm McCaughley, you can have two front gardens". The contractor would then say, "OK, I'll do it". Therefore, you get two front gardens, but one of the houses does not exist, so it is fraud. However, it is Housing Executive-sponsored fraud, if you want to call it fraud, because that was how it found its way through that particular problem.

I cannot remember the details, but I know that we had one situation in which we had a change of tenancy and had to take a dead body out of a house. Extra money was paid for that, and I think that it is entirely right that it should have been.

**Mr Wilson:** You got an extra house for the body.

**Mr Cooke:** Effectively, yes. That was how the Housing Executive ran its system. The initiative came not from the contractor but from the Housing Executive. You would raise the issue and say that it is not fair to pay 20 quid for a job, and it would reply, "OK, I'll give you two". That is how it did it. It had a written instruction to do it. That is not fraud; it is a bad contract.

**Mr Wilson:** Why do you believe that Red Sky was singled out for engaging in those practices? In all the evidence that we have had from Mr McIntyre, Mr McCaughley and Mr Cuddy, they did not identify that other companies were engaging in those kinds of practices.

**Mr Cooke:** You should surely be able to find that out without too much difficulty by questioning one or two of the other response maintenance contractors. I find it interesting, and perhaps connected, that, after the jobs were transferred to what were called adjacent contractors, a number of them went out of business. This was not lucrative business for anybody. It was not where you went to make your fortune. It was dirty, dirty work, and it remains such. It is really hard work to do, because you are doing a little bit here and a little bit there. The problem is that, if you are going to a job worth £50 in someone's house, how many people are going to check it? Where is the value? The Housing Executive was not doing enough checking. Red Sky certainly was not doing enough supervision or checking. I suspect that other contractors were the same. It was driven by the economics.

**Mr Wilson:** You have described the toxic relationship. Mr Cuddy tried to lead us to believe that that was just at a local level, but, clearly, it extended throughout the Housing Executive towards Red Sky.

Leaving that aside, do you believe that Red Sky challenged that where other companies perhaps did not — perhaps they just paid the difference, or whatever — and therefore you were punished for that?

**Mr Cooke:** Honestly, I do not know the answer to that. If Red Sky challenged it, it was only because of the history that you have already read of claims of over-claims.

**Mr Wilson:** Are you aware that any other companies did challenge overcharging allegations?

**Mr Cooke:** Only through hearsay. That should not be difficult to find out, but it was only hearsay. In Red Sky, it would have been discussed continuously that the same situation was pertaining with other contractors but perhaps the focus of attention was very much on Red Sky. Again, from the evidence, I think that you can see that, for a period, the focus was on Red Sky rather than on anywhere else.

**Mr Wilson:** That may well be because of the BBC's involvement, the public campaign that there was against it and the willingness within the Housing Executive to find a scapegoat for what you have described as bad contracts.

**Mr Cooke:** I think that bringing the subject to public attention was absolutely right. It needed to be fixed, but the finger was not necessarily pointed in the right direction.

**The Deputy Chairperson (Mr Brady):** Before I bring in Fra McCann and Mr Allister, I want to ask about the letter from you to the Housing Executive addressed to Stewart Cuddy. You attach the minutes of your meeting on 4 February. It may be confusing, because there was a meeting in December, I think. The letter from you to Stewart Cuddy states in the first paragraph:

*"to attach our minutes of that meeting prior to our next meeting this Wednesday 16th February."*

**Mr Cooke:** That refers to my minutes, then.

**The Deputy Chairperson (Mr Brady):** Yes. It is just to clarify that.

**Mr Cooke:** Those will have been done from memory, and I have just shown that my memory is not very good. We were never given minutes, so you are going to make me question myself about whether it was at the second meeting that we were not allowed to take minutes.

**The Deputy Chairperson (Mr Brady):** There was a meeting in December, and, as far as I am aware, there were no minutes taken of that meeting.

**Mr Cooke:** It was either the one on 4 February or 16 February for which we were told that we could not take minutes. Perhaps it was the second one. I am not absolutely sure.

**The Deputy Chairperson (Mr Brady):** It was just to clarify that.

**Mr Cooke:** Thank you for doing that.

**Mr F McCann:** Welcome, Mr Cooke, to the meeting.

**Mr Cooke:** Thank you.

**Mr F McCann:** Especially if you were to listen to Sammy and what has run through most of the meetings, you would believe that the problems that there might have been between Red Sky and the Housing Executive were as a result of this grand political conspiracy against Red Sky in west Belfast. However, before Red Sky got the west Belfast contract, under another name, it had a contract for the Shankill, where it faced a similar situation, in that there were complaints about the workmanship. I was reading some stuff the other day about Newtownabbey and some of the difficulties and problems there, so it was not confined to west Belfast.

**Mr Cooke:** Absolutely not.

**Mr F McCann:** I remember that a number of years ago — 2007 or 2008 — the introduction of Egan contracts was being argued against because it seemed to be a case of asking for more for less. Built into it was a programme where people argued for additions to the original contract, and people bid low for contracts.

Leaving that aside, the manager in west Belfast at the time when a lot of complaints were coming in certainly would not have operated in any sectarian way. I remember going into houses in which work had been carried out — for example, houses in which a tenant's hall had been dug up and the walls tracked — and the contractor had walked away. The argument was not about trying to deal with the issue but about the price that the company would get for the job. Therefore, many of the complaints from people in west Belfast were not about how much the contractor was getting paid but about when they were going to fix the hall or plaster the walls. That happened quite a lot. If you were to talk to a number of the residents' associations in west Belfast, they would tell you exactly the same thing. People have now made complaints against other contractors about work carried out. Rather than there being a grand conspiracy against Red Sky, people were genuinely complaining about what they saw as poor workmanship and the time that it took for contracts to be completed. I am making that point. Is that a fair reflection?

**Mr Cooke:** As I said at the beginning, I will not be an apologist for a lot of the stuff that Red Sky did. I was probably not there when the jobs that you are talking about were done, but it makes no difference. No contractor working for the Housing Executive should be allowed to get away with workmanship like that. That is not what you are being paid for. You have to do what you are being paid to do.

There are two separate issues here. There is the quality-of-work issue, which relates across all the contractors. They did some benchmarking, and from time to time Red Sky was quite good and, at other times it was not so good. Then there is the overcharging thing or the allegations of fraud. The two things are not the same, but they have been wrapped up in the same box at the moment.

I agree totally with what you say. There were undoubtedly examples of buildings that everybody at Red Sky should have been ashamed of. There were other ones that were superb and above the standard. However, there is no point in a contractor exceeding people's expectations one day and missing them entirely the next. That was, in my mind, a function of a company that expanded by acquisition really quickly. If you talk to Mr Hayes, you will probably get this from him. Ironically encouraged by the bank in the good times, Red Sky went out and bought everything that moved on this side of the water and on the other side. It ended up building a very large enterprise very quickly and did not have the management to run it. The companies that it bought generally managed to fall out with the new management and lose them as well. It ended up as inadequate management trying to run a company twice, three times or four times as big. There was a lot to be embarrassed about. I fully understand the point that you make, and I am sure that there are lots of examples of that.

The fraud and overcharging thing is something completely different. That was an integral part of the contract and the way in which it was operated by the Housing Executive. So if there is blame to be taken on this, the Housing Executive should be bearing a fair bit of it; that is what I am saying.

**Mr Allister:** I am a little confused about these meetings now. You initially told us that the 4 February meeting was a pretty robust meeting, and you were treated like the bad boy in the corner —

**Mr Cooke:** Correct.

**Mr Allister:** — and not allowed to take minutes.

**Mr Cooke:** It may have been on 16 February that we were not allowed to take minutes.

**Mr Allister:** So you are now saying that 16 February was the hostile meeting.

**Mr Cooke:** No. The first one was extremely hostile, but we may have taken minutes. I may have made my own notes as I went along. I know that, at one of those two meetings, perhaps it was the second — I am sorry that, after the passage of time, I cannot tell you absolutely —

**Mr Allister:** You see, on 16 February, after the meeting, Pauline Gazzard, on behalf of Red Sky, sent an email to Stewart Cuddy, which is at page 206 of our pack, saying:

*"Once again thanks to both yourself and your Chairman for your time this morning, and participation in what we consider was a very constructive meeting."*

**Mr Cooke:** Again, excuse me on this — you are testing my memory — but the first meeting led to the second one. The first meeting was an impasse, and we came back on the second one. What happened at the second meeting was that we were given a longer period of time to respond to two of these massive research exercises with claims attaching to them. Compared with the first one, the second one at least had an outcome.

**Mr Allister:** Do you now accept that you did take minutes and were permitted to take minutes of the first meeting?

**Mr Cooke:** Yes, but not at the second one, I think.

**Mr Allister:** And it was a constructive meeting.

**Mr Cooke:** So that I get this right, could I ask if you have minutes from the Housing Executive for either meeting?

**Mr Allister:** I do not believe that we have, although I stand to be corrected.

**Mr Cooke:** When I sent those minutes of the first one, I believe that that was me sending minutes because we had not received them. They had been promised.

**Mr Allister:** But they were obviously contemporaneous minutes. The detail of them is such that they were quite clearly written in the room, were they not?

**Mr Cooke:** Yes, so it may be that I was allowed to make notes at the first one and sent the minutes, and, at the second one, I was not allowed to make notes.

**Mr Allister:** A few minutes ago you said that you must have made those afterwards. However, the detail of them is such that they were patently made in the meeting.

**Mr Cooke:** I have not had the time to study them. I apologise if I am confusing you as well as myself. However, I am guessing that what has happened here is that we were promised minutes of the first meeting and they did not come, so I sent them my minutes, and we then came to the second meeting and were not permitted to take minutes. That is the best approximation of what happened that I can think of, because I do remember being told quite clearly, "Put your pads down; you can't take minutes".

**Mr Allister:** So we should adjust your earlier evidence accordingly.

**Mr Cooke:** Please.

**Mr Allister:** Of course, the reason for the impasse in the first meeting, in part, was the fact that Red Sky had happily ignored the requested deadline for a submission, is that not right?

**Mr Cooke:** No, I do not think that is correct. What actually happened was that what was being asked for was completely unreasonable. I do not know whether you have access to the documents on Newtownabbey, for example. We were given a report on Newtownabbey and a report on ASM Horwath at much the same time, and given a very short period of time to come back with the full and complete response.

**Mr Allister:** You were allowed five weeks.

**Mr Cooke:** Yes, but if you saw what that was — you had to visit every job. We are talking about thousands of jobs to visit, and you had to resource that at the same time as keeping up with the Housing Executive's daily workload, which, at that time —

**Mr Allister:** But you turned up at the 4 February meeting having made no response to the documentation sent to you in December.

**Mr Cooke:** I honestly cannot —

**Mr Allister:** Take a look at page 203.

**Mr Cooke:** I cannot tell you the answer to that.

**Mr Allister:** This is the letter from Mr Cuddy back to you on 11 February, referring to the meeting on 4 February:

*"At that meeting I expressed my disappointment that Red Sky had not replied to my letter dated 23rd December 2010 which sought a response by 31st January".*

So you obviously had not.

**Mr Cooke:** I must not have.

**Mr Allister:** So, that was the scene-setter for that robust meeting.

**Mr Cooke:** Yes, I accept that.

**Mr Allister:** You have told us that the practices were rampant among other contractors. Have you ever worked with or for any of the other maintenance contractors?

**Mr Cooke:** No, I did actually say that you have the ability to find out whether that is true or not. That is what was commonly being said at the time. I have no evidence in my hand to prove it.

**Mr Allister:** So you have no evidence whatsoever that other contractors were operating exactly as Red Sky was.

**Mr Cooke:** Other than that that was what the Housing Executive staff were telling our people at the time. Again, it could be hearsay.

**Mr Allister:** Some of them have denied that to us, and the tone of their evidence has been that, whatever irregularities there were in general, Red Sky was in a league of its own. I think that is a fair synopsis of the tone of the evidence that we have heard from the executive.

**Mr Cooke:** Is that at the top level or at low level?

**Mr Allister:** That is from a senior level.

**Mr Cooke:** That is from Stewart Cuddy.

**Mr Allister:** I cannot remember exactly who said that.

**Mr Cooke:** I suspect that it is.

**Mr Allister:** In helping us to evaluate the truth of the speculation, which you gave legs to, that Red Sky was no different from anyone else, you in fact have no evidence whatsoever of how other contractors conducted themselves.

**Mr Cooke:** No, personally I have not.

**Mr Allister:** In regard to the unfairness being perpetrated on Red Sky by the termination of the contract, you had, of course, a ready remedy. That was in the High Court, but you never went there.

**Mr Cooke:** We went into administration immediately afterwards because we would not have made it another week. As I said earlier, the company was in a fairly parlous state already. Ironically, for the

first time in three years, we had actually returned to profit in March. The termination happened on, I think, 14 April. If we had attempted to go on without the protection of administration we would not have made another week, because all our creditors would have stopped supplying us.

**Mr Allister:** You could have been in the High Court within 24 hours to injunct the Housing Executive.

**Mr Cooke:** We had no resources to do it. We asked the bank if it would like to do it.

**Mr Allister:** You chose, rather, to use the hopeful route of political pressure on the Housing Executive.

**Mr Cooke:** That was not even contemplated before administration. The administration happened almost instantly after the termination.

**Mr Allister:** You told us that you knew Mr Cushnahan —

**Mr Cooke:** He interviewed me once, yes.

**Mr Allister:** Yes, and you knew him socially.

**Mr Cooke:** No, I met him after —

**Mr Allister:** Socialising with Mr Hayes. Was that at Mr Hayes's home?

**Mr Cooke:** Yes.

**Mr Allister:** Were there any politicians at those socialising events?

**Mr Cooke:** It was just the three of us, I think.

**Mr Allister:** Just the three of you. You were not at any meetings with —

**Mr Cooke:** As I have already explained in detail, I had no contacts with the politicians prior to that, and you are aware of the ones I have had since.

**Mr Allister:** It is the case that you were not there until the end of 2010, but you have given us the benefit of your opinion of things that have been happening down through the years at Red Sky. You furnished us with a letter from 2005 which you think is a testimonial to how good Red Sky was.

**Mr Cooke:** It was an example which was made available to me at the time.

**Mr Allister:** So you obviously have been delving into the past performance of Red Sky.

**Mr Cooke:** That was in preparation for the 'Spotlight' programme, yes.

**Mr Allister:** Did you delve into or find anything about the offering of excessive hospitality to Housing Executive officials?

**Mr Cooke:** No. I read about that for the first time in documents that I read in the last couple of days.

**Mr Allister:** Or about Concorde flights, or anything like that?

**Mr Cooke:** No.

**Mr Allister:** And do you know anything about the reference to the threat:

*"to wash dirty linen in public"?*

**Mr Cooke:** No. I am not even aware of that threat.

**Mr Allister:** Thank you.

**The Deputy Chairperson (Mr Brady):** Before I bring Sammy back in, let me tell members that we can check back to December in the minutes and come back to the Committee with those.

**Mr Wilson:** Now having had a chance to read through the minute which you had taken, I can see why you described the meeting as being robust. I just want to get a flavour of the relationship with Stewart Cuddy. Stewart Cuddy came along here and gave evidence in which he clearly indicated that Red Sky were only — and almost solely — responsible for the fraud that is described, etc. During this, he described you as being "paranoid" and said he would not allow you to get sidelined; and there are other references. Did Stewart Cuddy have a particular difficulty with Red Sky, personally?

**Mr Cooke:** I had never met him or Brian Rowntree before that first meeting. It was a most extraordinary meeting, because it was "Nice to meet you all; have a cup of coffee" and then pounce. It was kind of back and forwards between the chairman and the acting chief executive. Mr Allister is quite correct, of course; in not responding to that, perhaps we had set the environment in which the meeting was going to be robust. I had no prior knowledge of either of those guys. I met them both twice and have never seen them before or since. So I do not know what their agendas were or were not.

**Mr Wilson:** You have described the total shambles that the Housing Executive's contract system was. You have actually described it as "Housing Executive-sponsored fraud", because of the way the contracts were organised. Did you get the impression that the Housing Executive was unhappy that somebody was actually challenging it on the shambles that it was running at that stage?

**Mr Cooke:** I do not know whether it was or was not, but there was no reason to do anything other than challenge it when these enormous claims came out. Any company that did not challenge it was not going to be around for very long. The sums of money involved were massive.

**Mr Wilson:** Red Sky was the one that was identified, but is it possible, Mr Cooke, that any of the other contractors, given the pro rata arrangements that there were and the way in which jobs were evaluated — if there was one thing wrong, the whole job was scrapped and was regarded as an overpayment — is it possible that any of the other contractors, since they had to operate on the same contract basis as Red Sky, would not have been caught in the same way that Red Sky was, with having claims which could be described as fraudulent because of the way in which the Housing Executive officials allocated them?

**Mr Cooke:** As has already been pointed out, I should be careful about speculating. I cannot possibly know.

**The Deputy Chairperson (Mr Brady):** In fairness to Mr Cooke, he has already said that he did not have any knowledge of that —

**Mr Wilson:** Mr Cuddy would have had some knowledge, because he indicated in his note, on page 202, that he had already had to speak to one contractor the very same morning about the same kind of issue.

**Mr Cooke:** The only thing I would say is —

**Mr Wilson:** Mr Cuddy did not deign to give us that information when he came here. All I am saying is that, given the way in which these contracts operated, every contractor, if they got a difficult job, would have had to apply on a pro rata basis and would have been allocated a mythical job in order to get payment, and that would have been regarded as fraud.

**Mr Cooke:** That is how the system worked. That is how it is documented as having worked.

The most embarrassing thing for Red Sky, and the one that the media enjoyed focusing on most — I think that it is appropriate to bring it up because it was always the elephant in the room — was the payment for checking lights in external alleyways of blocks of flats, which I am sure that you have read

something about. Red Sky's part in that is not acceptable. Again, I have to be careful about speculating, but what I believe happened was that, in the previous maintenance contract and the contract after the one that replaced Red Sky's, there were a number of properties listed for response maintenance that do not exist any more. The first thing that is wrong is that they have been listed in a contract by the Housing Executive, which should know that it does not own them any more because it has knocked them down. If you want to share blame, there is a good reason to share some blame before you start. I understand — hearsay; you will be able to check it — that they were still in the next contract as well, but I cannot prove that, so, it is speculation.

Red Sky sent out a man to check the light bulbs and to replace them if they were gone and, from memory, of seven flats, he found five. He would go in once a fortnight or whatever it was, and he signed off and got £7 for the company for doing it. It turned out that, when Horwath went out to inspect it, two of the blocks of flats did not exist. Red Sky's supervisors had not checked on the work that the man did. There was no personal gain for the guy doing it, because he was not being paid on the amount of work he did; he was getting his weekly wage. If there was a gain for the company, it was very small. It was identified and was repaid at that time. I maintain that it is something that any company should be ferociously embarrassed about being any part of, but I am fascinated that the Housing Executive was listing properties that it did not own to be inspected in the contract. That perhaps shows you that this was not just about Red Sky; it was about a very inefficiently run contract.

**The Deputy Chairperson (Mr Brady):** Do any other members have any questions?

**Mr Allister:** That is a bit different from what you told the programme.

**Mr Cooke:** Tell me.

**Mr Allister:** You told the programme "Our operative will have driven through an estate, looked at x number of blocks and ticked a box to say 'Everything is done and I have inspected it' ". In reality, what he never did was count the number of blocks.

**Mr Cooke:** That is what I am saying.

**Mr Allister:** Some of those blocks had been demolished in previous years, during the time that the previous contractor had also been paid for them.

**Mr Cooke:** That is right. As far as I am concerned, that is what I have just said.

**Mr Allister:** That you did not count the blocks; you held your hands up and repaid that sum.

**Mr Cooke:** Yes, that was deducted immediately. It was repaid within the week. It is very embarrassing, but that is exactly what I said.

**Mr Allister:** Is it a snapshot?

**Mr Cooke:** In what sense?

**Mr Allister:** In that no one can possibly revisit every charge sheet for every piece of work. Is that a snapshot of a more endemic problem?

**Mr Cooke:** Absolutely, in the sense that neither Red Sky's supervisors nor the Housing Executive's supervisors visited every job always. The low-value ones tended to go through. I think that that was a problem then, and it is probably still a problem. If you got £7 a week for checking that, how many supervisors would you send? That is a risk with the form of contract.

**The Deputy Chairperson (Mr Brady):** No one else has any other questions, Mr Cooke. Thank you very much for attending.

**Mr Cooke:** Thank you. If you happen to manage to get a copy of the executive minutes of those meetings, I would be fascinated to see them.

**The Deputy Chairperson (Mr Brady):** Obviously that is something that we will check on. Thank you.