



NAOMI LONG MP

Alliance Party Deputy Leader

Member of Parliament for Belfast East

Dr. Kevin Pelan
Committee Clerk, Social Development
Room 284, Parliament Buildings,
Ballymiscaw, Stormont,
Belfast, BT4 3XX

Date: 8th October 2014

Dear Kevin,

Thank you for your letter dated 15th September regarding the Committee's inquiry into allegations of impropriety or irregularity relating to NIHE managed contracts. I have addressed each of your points under the headings you provided, which I trust is helpful:

1. My knowledge of the detail behind my letter of 26 April 2011 to Minister Attwood regarding the notice of termination of the contract with Red Sky:

This is as detailed within the letter. The concerns set out therein were raised with me by employees of Red Sky who, having staged protests at the constituency offices of all East Belfast MLAs when the termination of the contract became public knowledge, in April 2011, later met with me as a small delegation.

2. How I became aware of the decision by NIHE to terminate the Red Sky contract:

I became aware of the decision by NIHE to terminate the Red Sky contract through media reports. There were also protests staged by Red Sky employees outside each of the MLAs' constituency offices in East Belfast, where the company was based, raising concerns about the job losses and the audit process.

3. Details of any meetings you might have attended with either Red Sky representatives and/or NIHE officials in respect of the Red Sky contract.

NIHE:

- I did not engage NIHE officials in respect of the Red Sky contract and the audit thereof. I directed concerns raised with me regarding this matter to the Minister/s for Social Development.
- During this period I would have routinely raised concerns on behalf of constituents regarding the quality of work completed by Red Sky under this contract, with the maintenance manager and staff and NIHE, on a case-by-case basis.



RED SKY Representatives

a/ Management

- Brendan Mulgrew of Stakeholder Communications contacted my office by e-mail on 15th October 2010, on behalf of Red Sky, seeking an urgent meeting. The previous week, the BBC had broadcast information regarding a leaked NIHE interim audit report into Red Sky. I have enclosed a copy of the e-mail and of my reply herewith for the Committee's convenience.
- I had a short meeting with Brendan Mulgrew and representatives of Red Sky management on Thursday 21st October 2010. Whilst expressing my concern for the ultimate fate of the employees, I reiterated my view that the audit and investigation were entirely appropriate actions for NIHE to take in the context of seeking to protect public funds where any allegation of impropriety had been made and that political intervention in any outcome was not appropriate. They raised a number of concerns about the manner in which the audit had been conducted.
- I wrote to then Minister, Alex Attwood MLA, (Ref: L211010RedSky) and raised their specific concerns regarding the need for due process and received a reply from the Minister on 24th November 2010 (Ref: COR/713/2010)
- I forwarded this letter to Red Sky and had no further meetings or correspondence with them on the matter.

b/ Employees

- As set out above (1) and (2), I met with a small delegation of Red Sky employees in the period prior to 26th April 2011, after the termination notice was issued and had become public knowledge.

If I can be of any further assistance on this matter, please do not hesitate to contact me at any time.

Best Regards,

A handwritten signature in blue ink that reads "Naomi".

Naomi Long MP



Department for
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Development**

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Mrs Naomi Long MP
Alliance Party East Belfast Constituency
56 Upper Newtownards Road
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BT4 3EL

Our ref: COR/1004/2011

25 May 2011

Dear Naomi

Thank you for your letter of 26 April to my predecessor, Alex Attwood, about a number of issues in relation to the independent review of Red Sky commissioned by the Housing Executive.

I share your concerns in relation to the 400 plus employees of Red Sky, though I am aware that not all are engaged on response maintenance contracts with the Housing Executive. However, I can assure you that the Housing Executive is currently in discussion with other contractors to agree the arrangements to be put in place at the end of the three month notice period for Contract termination. As part of this process the impact of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) and how they will affect those Red Sky employees engaged on Housing Executive work are being actively considered.

You are also concerned in relation to the knock on effect to the wider local economy and in this regard I think it is important to stress there will still be an on-going need for response maintenance services for those properties currently serviced by Red Sky and this will continue to provide business for suppliers and sub-contractors.

In relation to the investigation process, it is correct that Red Sky has not been provided with a copy of the terms of reference for the work undertaken by the forensic accountants, ASM Horwath, or with a copy of the full report. This decision was made by the Housing Executive because the report provides an independent, professional review of a range of issues concerning the management of these contracts and it would not be appropriate to disclose all the documentation.



INVESTOR IN PEOPLE

I have, however, been assured by the Housing Executive that Red Sky were provided with sufficient extracts from the ASM Horwath report, together with supporting documentation, to allow the Company to undertake its own assessment of the findings. The same is equally true for additional and subsequent reviews undertaken by the Housing Executive's own Repairs Inspection Unit. In all cases Red Sky has been given the opportunity to consider and examine the evidence collected across those Districts for which it provided maintenance services.

As part of this process Red Sky was invited to provide explanations of the evidence presented to them and their responses were carefully considered and, in a few cases, accepted and appropriate adjustments made. In some cases, Red Sky accepted responsibility for the overpayments. However, in most cases, the company's explanations were simply not acceptable. The fact that the Housing Executive responded quickly to submissions received from Red Sky does not indicate any lack of rigour in assessing those submissions which I am assured were given all due consideration.

With regard to your comments about the role of Housing Executive staff in the management of these contracts, the Housing Executive specifically asked ASM Horwath to investigate this matter and their findings are presented in the report. It would not be appropriate to allow Red Sky to have access to this information, especially as internal disciplinary action is underway.

The Housing Executive does not accept Red Sky's suggestion that some form of arbitration should have been applied. The review of these contracts was prompted by concerns raised by a Whistleblower through the Northern Ireland Audit Office and a preliminary review considered both the substance and seriousness of these claims. I am advised that before external reviewers were appointed, the process has been conducted throughout in a fair and careful manner and Red Sky has been given ample opportunity to respond at the appropriate times.

In relation to the apparent lack of benchmarking against performance of other contractors. The Housing Executive has advised that there is on-going benchmarking and review of all contractors' performance and that any concerns about quality or invoicing practices would be dealt with appropriately.

The Housing Executive assures me that it firmly believes its management of what is a very serious matter was demonstrably fair, open and transparent and that it considered these matters in a fair and reasonable manner with significant care and time taken to ensure all the relevant evidence has been identified, validated and evaluated. They have advised that they provided Red Sky sufficient information to respond to any claims against the Company and those responses were given due consideration before any decisions were made.

I hope this information is helpful and provides the assurances that you seek.

Yours sincerely

Nelson McCausland

NELSON McCausland MLA
Minister for Social Development



Cllr Naomi Long MP
Alliance Party Deputy Leader
Member of Parliament for Belfast East

Tuesday 26 April 2011

Mr Alex Attwood
Minister for Social Development
5th Floor, Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Rd
Belfast BT7 2JB

Our Ref: L260411RedSky
Your Ref: COR/713/2010

Dear Minister,

I am writing, further to my previous letter of 21st October 2010, regarding the NIHE internal audit of Red Sky, in which I raised with you a number of issues regarding the impact of the leaking of information to the press ahead of completion of the report, my concerns at the narrow remit of the audit which appeared to be restricted to Red Sky work only, and in which I also raised the need for a full and proper opportunity for Red Sky to respond to any interim report and provide rebuttal and/or refutation of any allegations made in order to ensure that due process is followed.

As you will be aware, the situation has now moved on and NIHE has now served a notice of termination of the contract with Red Sky and I understand that the company has since entered into voluntary receivership.

As you will appreciate, I am concerned for the jobs of the 400-plus employees of the firm which are now clearly in jeopardy and for those suppliers and sub-contractors whose businesses will now also be under significant pressure, not to mention the knock-on effect of job losses on this scale to the wider local economy.

I have also always acknowledged that it is crucial that NIHE, as with all other Government agencies and Departments, fulfils its duty to ensure that value for money is obtained in all its activities, that robust checks and balances are in place to safeguard public finances and that those processes are fair and equitable.

I, along with my colleague, Chris Lyttle, met recently with employees of Red Sky and they expressed to us their view that the process which has been followed to date in this case has not been fair, open or transparent and they were keen that I would raise those concerns with you directly.

They firstly indicated that it is their understanding that Red Sky has not been permitted to see either the full terms of reference of the internal audit conducted or the entire report which was submitted to NIHE by the auditor. Whilst I understand that they did have access to the section of the report relating to the work of Red Sky specifically, they were unable to consider the contents in the wider context of the full report and any other issues raised therein with respect to issues relating the running of the contracts more generally.

Furthermore, whilst they confirmed that Red Sky were afforded an opportunity to provide rebuttal to NIHE, as you had assured me in your last letter would be the case, this was, in their view, not afforded any serious consideration, as only 4 days later a final position was taken by NIHE with respect to the contract.



Clir Naomi Long MP
Alliance Party Deputy Leader
Member of Parliament for Belfast East

They expressed significant concern that each job undertaken was subject to a pre- and post-contract inspection before being passed for payment and yet, to the best of their knowledge, the District Managers and Maintenance Managers employed by NIHE have not been approached or interviewed in relation to their role in approving any alleged over-payments or poor workmanship or to give their view of the performance of Red Sky. Indeed, the staff representatives stated that it is their understanding that Red Sky's key performance indicators against the contract were good across all Districts but that these were not included or considered as part of the investigation.

They also stated that they understand that Red Sky senior management had challenged the value of disputed work and they feel that, as a result, the company should have had access to some form of arbitration process regarding the disputed amount before the value was deducted from their most recent payment run.

Finally, they remain extremely concerned that the apparent lack of benchmarking against the performance and claims of other contractors operating the same contracts as part of this audit, as they feel that to consider Red Sky in isolation could lead to problems with the contract itself being interpreted unfairly as problems with Red Sky's operation of the contract. The staff representatives who met with me and with my colleague, Chris Lyttle, have stated that they would welcome a fair comparison of the company's performance against that of other contractors and believe that the only way to achieve this is through an independent review of all maintenance contracts and contractors.

I realise that at the time of your last response you were constrained in terms of a detailed response by the fact that my query related to matters which were part of an on-going investigation and by the confidentiality issues which surround such a case, and I recognise that, in addition, you may now be further constrained by potential legal implications of what is now a contractual dispute.

I would not seek in any way to interfere with due process in this regard, but would simply seek your reassurance that the issues which the staff members have raised with me will be fully and fairly considered and responded to as far as is possible within those constraints and your further assurance that the company has been and will continue to be treated in a fair and equitable manner when compared to other contractors.

I look forward to your response in due course.

Best Regards,

Naomi Long MP



Department for
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Development**

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29 NOV 2010

Mrs Naomi Long MP
c/o Alliance Party East Belfast Office
56 Upper Newtownards Road
BELFAST
BT4 3EL

Our ref: COR/713/2010

24 November 2010

Dear Naomi

Thank you for your letter of 21 October requesting the terms of reference in relation to the Red Sky investigation and raising a number of other issues.

I am sorry but I am unable to provide you with a copy of the Terms of Reference at this time as it is inappropriate to release the report or any part of the report given the requirements of due process and the constraints imposed by its confidential nature.

You also asked that the operation of the contract with Red Sky should not be considered in isolation and I can assure you that, whilst this investigation is being carried out as a result of specific concerns, the Housing Executive will consider any wider issues which may apply to all contractors.

I can also confirm that the Housing Executive will share the findings of the review with the contractor and afford them the opportunity to comment as they see appropriate. The contractor has already been advised of this.

Finally, in relation to the security of the final report, I have asked the Housing Executive to be very conscious of its responsibilities regarding the security of the documentation associated with this review and to make every effort to ensure this remains the case.

Alex Attwood

ALEX ATTWOOD MLA
Minister for Social Development





Naomi Long MP
Alliance Party Deputy Leader
Member of Parliament for Belfast East

Thursday, 21 October 2010

Mr Alex Attwood MLA
Minister for Social Development
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
Belfast BT7 2JB

Our Ref: L211010RedSky

Dear Minister,

I am writing to you with respect to the current NIHE internal audit of Red Sky, the interim report of which was recently leaked into the public domain.

I would be grateful if you could provide me with a copy of the terms of reference for the auditors. In particular, I would be grateful for your reassurance that the operation of the maintenance contract with Red Sky will be compared with the operation with other maintenance contractors and not merely considered in isolation, as flaws in the operation of the contract could be construed as flaws with one contractor, if such a comparator were not available.

I would also be grateful if you could confirm that, in line with good practice, a copy of the interim audit report will be made available to Red Sky to give them the opportunity to provide any clarification or rebuttal for consideration by the auditors in drawing up their final report, to ensure that it is as comprehensive and robust as possible.

I trust that you are also making every possible effort to ensure that there are no further leaks ahead of the publication of the final report, to ensure that the outcome of the investigation can be considered properly when published in full.

With thanks in advance for your assistance with this matter.

Best Regards,

Naomi Long MP

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RE: Red Sky Group

From: **Naomi Long** (naomi_r_long@hotmail.com)
Sent: 17 October 2010 17:43:10
To: brendan.mulgrew@stakeholdergroup.com
Cc: belfast.east@allianceparty.org; chris.lyttle@allianceparty.org

Dear Brendan,

Thank you for your e-mail. I would be happy to meet with the owners of Red Sky to hear their concerns if they feel that this would be helpful; however, given that there is an ongoing audit and investigation, any political intervention would not only be impossible but also inappropriate.

I am of course concerned about the impact that this situation, being leaked into the public domain, could have upon those employed by Red Sky in my constituency; however, the NIHE have a responsibility to ensure that public money is seen to spent in an appropriate way and, where concerns are raised, have a duty to their tenants and tax payers in general to investigate them.

If you feel that a meeting would be useful, please contact Judith Cochrane at my office on 02890472004.

Best Regards,

Naomi

Naomi R Long MP

**Alliance Party Deputy Leader
Member of Parliament for Belfast East**

"Alliance - building a united community"

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Subject: Red Sky Group
Date: Fri, 15 Oct 2010 14:22:06 +0100
From: brendan.mulgrew@stakeholdergroup.com
To: naomi.long@allianceparty.org

Hi Naomi

I am writing regarding Red Sky Group, in relation to the allegations which were aired by the BBC and other media last week.

Red Sky have written to the Chairman and Chief Executive of Red Sky and have copied the correspondence to the DSD Minister, Alex Attwood. A copy of the letter is attached and it goes a long way to setting out the Red Sky response to the allegations and how in their view they have been treated unfairly and in a way which is very damaging to their reputation and to their status as a major employer in east Belfast.

Media reports last week revealed that the BBC had seen an 'interim report' of an audit which has apparently been ongoing for a period of months and which, according to the NIHE, is due for completion within 6 weeks. Yet Red Sky have never been formally notified that an investigation is taking place, they do not know who is carrying it out and that have been denied access to the interim report.

On behalf of the management team at Red Sky I would request an urgent meeting with you, as we feel that a political intervention is necessary to protect the reputation of the company. Red Sky currently employs more than 350 people from its Grove Street headquarters, and frankly the allegations aired last week serve to destabilise the company and jeopardise those jobs.

Thanks Naomi,

I can be contacted in this email or on 07767 393252

Brendan Mulgrew

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