

Dr Kevin Pelan
Committee Clerk
Committee for Social Development
Room 412
Parliament Buildings
Ballymiscaw
Belfast
BT4 3XX

2nd Floor
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
BELFAST
BT7 2JB

Telephone: 028 9082 9325
Facsimile: 028 9082 9324
EMail: susan.mccarty@dsdni.gov.uk

11 November 2013

Dear Kevin

Inquiry into allegations, arising from a BBC NI Spotlight programme aired on 3 July 2013, of impropriety relating to NIHE managed contracts and consideration of any resulting actions

As part of the above Inquiry, the Committee has requested oral evidence on 14 November 2013 from Departmental officials and Northern Ireland Housing Executive officials who attended a meeting on 16 April 2012. In advance of the Inquiry meeting, the Committee has requested that officials provide a short written briefing on their understanding of which organisation/organisations they were meeting on 16 April 2012, what they understood the meeting was to be about, their role in attending and any other information that is relevant to the issue.

The following officials will attend the Inquiry meeting:

- Michael Sands – Deputy Director, Housing Division, DSD
- John McPeake – Chief Executive, Northern Ireland Housing Executive
- Declan Allen – Head of Procurement, Northern Ireland Housing Executive

Written briefing in advance of the meeting from the three officials attending on 14 November 2013 is attached at Annex A.

Yours sincerely



SUSAN McCARTY

Inquiry into allegations, arising from a BBC NI Spotlight programme aired on 3 July 2013 - oral evidence session from Department officials to be held at 2.30pm Thursday 14 November 2013, in Room 29, Parliament Buildings.

The officials are asked to provide a short briefing to the Committee of their understanding of which organisation/organisations they were meeting on 16 April 2012, what they understood the meeting was to be about, their role in attending and any other information that is relevant to this issue.

DSD official – Michael Sands, Deputy Director of Housing

Their understanding of which organisation/organisations they were meeting on 16 April 2012.

I was aware that the Minister received a letter dated 2 February 2012 from Ian Young, General Manager, Turkington Holdings in connection with the Programme for Government target to install double glazing in all Housing Executive homes by 2015 and that a meeting was to be arranged.

I was further advised that the meeting was arranged for 16 April 2012 and that Jim McKeag and Ian Young of Turkington Holdings would be attending the meeting and that Dr John McPeake, Chief Executive of the Housing Executive, would also attend.

What they understood the meeting was to be about.

I understood that the meeting was related to the Programme for Government target to install double glazing in all Housing Executive homes by 2015. The draft Programme for Government (PfG) 2011-15 was published for consultation on 17 November 2011 and the Minister had also issued a press statement on 17 November 2011 advising of his Department's PfG priorities which included double glazing for all Housing Executive properties.

Mr Young had advised in his letter that he felt that the specialist glazing manufacturers and installers could assist the Department and the Housing Executive to undertake this major programme of work over the next four years. He advised in his letter that this particular scheme promised great potential if executed properly but urged caution that if the scheme was not handled properly a great opportunity could be lost

Mr Young stated that Turkington Holdings had been actively involved in the glazing sector for over 30 years as manufacturer and installers in larger replacement contracts and were also active members of the Glass and Glazing Federation (GGF). He advised that with their experience, expertise and active role within the National Standards Body (the GGF) they have a lot to offer the Department and the Housing Executive and would see value in a meeting to discuss this in greater detail.

Their role in attending.

I attended the meeting as the appropriate official from Housing Division, Department for Social Development. My role was to listen to the discussion and if necessary or relevant to take forward any actions that the Minister may require from his departmental officials.

Any other information that is relevant to this issue.

Immediately following the meeting I asked the Division's Housing Advisory Unit, Professional Staff, to research the Glass and Glazing Federation Guidelines and compare these guidelines against the current NIHE specification for window replacements, as at the meeting we had been advised that there were potential savings if these guidelines were followed.

Housing Advisory Unit subsequently confirmed that, if the Glass and Glazing Federation Guidelines were applied, then there was a potential for considerable savings largely due to the fact that there would no longer be a requirement to pay redecoration grants to tenants.

This has resulted in an estimated savings of £15.1m

Michael Sands
Deputy Director of Housing

NIHE officials - Dr John McPeake Chief Executive & Declan Allen Head of Procurement

Organisations Attending

On 16th April 2012 the Chief Executive, the Head of Procurement (and a management trainee who was shadowing the CX that month) attended a meeting hosted by the Minister at his office in Parliament Buildings.

The Chief Executive's diary entry for the meeting reads as follows: "Meeting with Minister McCausland and Jim McKeag and Ian Young of Turkington Holdings to discuss Double Glazing of NIHE Houses."

NIHE was initially advised via email to our Information Department on 28th February 2012 that the Minister had agreed to meet Ian Young of Turkington Holdings Ltd and the Minister's Special Advisor had suggested that John McPeake should be invited to attend.

Subsequently, a telephone confirmation of the date of the meeting was received from the Private Office to the Chief Executive's PA and the detail of the entry text above was how the meeting was described.

The Chief Executive requested that the Head of Procurement accompany him to the meeting. This was because of the Head of Procurement's earlier involvement in meeting industry representatives in respect of our double glazing work.

Purpose of the Meeting

The Housing Executive was not advised of any specific purpose beyond discussing the double glazing of NIHE houses. We were not asked for any briefing in advance and nor did we receive any specific requests by way of preparation from the Department or the Minister's office.

At that time Turkington Holdings were a sub contractor working on NIHE double glazing schemes.

We were aware that they had some ideas about how double glazing could be fitted more economically, a meeting having previously taken place between representatives of Turkington Holdings and our Policy and Standards Team (13th March 2012).

Equally, we were aware of the wider context of a PFG target to double glaze all NIHE properties and ongoing work to put in place a dedicated framework contract to deliver the necessary works.

Role in Attending

In broad terms, the Chief Executive and the Head of Procurement understood their role in attending was to listen to the suggestions of the contractor and to take part in any discussions that arose.

Representatives from Turkington Holdings commented on the then current approach NIHE contractors used to fit windows and compared that with an alternative approach based on the guidance from the Glass and Glazing Federation. The key difference was the removal of a requirement for re-plastering of the window reveals, which would mean a reduced likelihood that redecoration grant would be required.

During the course of the meeting the Chief Executive explained that the Housing Executive was currently reviewing the specification for double glazing, including the types of window frames, the glazing, and the hinges. He also commented that his technical staff were aware of the Glass and Glazing Federation's approach and were considering its potential.

There were no issues raised by the representatives of Turkington Holdings that the Housing Executive was not already aware of and/or working on.

Other Information

By way of additional background, the following paragraphs set out in broad terms the Housing Executive's approach to revisions in the double glazing specification and associated issues up to and post the meeting with the Minister and others on the 16th of April 2012.

Actions Related to the Specification up to the 16th April Meeting

The Housing Executive has regularly reviewed its specification for double glazing. There was a fundamental review in 2006 and additional changes were made in February 2010. Further changes were approved by the Board in November 2011.

On 1st December 2011 the Chief Executive met with the Head of Procurement, the Director of Housing and Regeneration and two Assistant Directors in Housing and Regeneration to discuss double glazing and it was agreed that the Head of Procurement would commence discussion with the industry to help finalise the specification and help inform our procurement strategy.

On 2nd December 2011 the Head of Procurement met with Peter Blair, Blair Neill Ltd (now insolvent) to discuss windows in general to discuss on our future procurement strategy for double glazing.

On 5th Dec 2011 the Head of Procurement met with Mila and Peder Neilsen to discuss capacity and supply of hinges. This was considered important as we had previously experienced supply problems which impacted on ability to deliver schemes in line with the planned schedule. Given the volume of work anticipated at that time we believed that there was a need to broaden the supply. We recognised that changes to specification could broaden the supply base which, in turn, would stimulate competition and competition helps ensure value for money.

Around the same time, the Head of Procurement contacted the Glass & Glazing Federation in London to seek a meeting to discuss how we might construct our procurement process. We were advised that there was no representative of the Federation in Northern Ireland with whom to have such a discussion. However, we were able to review published materials regarding the Federation's standards.

Also around that time the Head of Procurement had a discussion on technical aspects of double glazing with an academic at the University of Ulster. This focused on the interplay between cost and energy efficiency.

On 15th February 2012 the Chief Executive met with the Director of Housing and Regeneration and the Assistant Director with responsibility for policy and standards to discuss the specification in light of the discussions with the industry.

On 30th March the Chief Executive wrote to the Director requesting clarification on the extent to which the specification for the new double glazing programme was appropriately “future-proofed.”

As a result, further work was initiated to review the energy performance requirements in light of the pending procurement for a dedicated contract to install double glazing.

On 4th April 2012 a briefing note on options was produced and discussed with the Director of Housing and Regeneration and subsequently with the Chief Executive in advance of the meeting with the Minister on the 16th April.

At the meeting with the Minister and representatives of Turkington Holdings the Chief Executive made clear there would be no discussion of the planned procurement and the commercial assumptions that were being made by the Housing Executive, but it was appropriate to discuss the ongoing work regarding the specification as this was seen to be in line with good commercial procurement practice. The Chief Executive outlined the work that was being done to future proof the specification in advance of going to the market. This included up-rating the glazing component, revising the frames, reviewing the hinges and considering the fitting methods, particularly in light of the redecoration grant issue. In short, a significant review of the specification was underway.

Actions Related to the Specification Post the 16th April Meeting

Following the meeting, on the 30th April the Minister wrote to the Chief Executive asking for a rigorous review of the Housing Executive’s specification for window replacement on the basis that it was not delivering best value for money. The Minister drew particular attention to the fitting method, hinges and handles. He instructed that until the review was completed new work should be held except for those jobs already ordered.

On 9th May 2012 DSD issued a Press Release in which the Minister outlined his concerns that the NIHE specification for supply and fitting of double glazing did not offer value for money. The Press Release also referred to the letter he had written to the Chief Executive requesting an urgent review of the specification and an instruction to hold further schemes until that review was completed (bar those that had already been ordered).

On the 14th May 2012 Michael Sands of DSD emailed the Chief Executive asking for details on the impact of the Minister’s instruction to halt work on schemes not yet ordered as “We are receiving numerous requests from MLAs about how Minister’s decision will affect their constituents...”

The Chief Executive replied by email on 15th May 2012 indicating that there were 7,094 dwellings in schemes that had been ordered and a further 7,193 where the work had not been allocated to contractors or orders placed with the supply chain. A list of impacted schemes was provided. The email also indicated that Technical Staff in the NIHE had been to see some schemes where windows had been fitted using the revised method and the results were positive.

On 16th May 2012 Michael Sands emailed the Chief Executive to confirm that the Minister was content for the NIHE to proceed with the 7,094 dwellings where orders had been placed but that all such work should be completed using the revised fitting method, except for any high rise schemes.

At its meeting on 30th May 2012 the NIHE Board approved changes to the specification, including the introduction of a revised fitting method. Subsequently, a new Code of Practice for Survey and Installation was issued to contractors requiring the use of the new method for low rise schemes moving forward.

With the review of the specification now having been completed and instructions issued to contractors, on 15th June the NIHE responded to the Minister's letter of 30th April.

There were two further letters from the Minister on 4th July and 16th August requesting additional clarification around the specification, with responses provided by the NIHE on 20th July and 4th September.

In each case, the Minister's queries related to his concerns over value for money. He sought explanations of the proposals and the data and assumptions that underpinned the proposals. In our view these were legitimate questions, appropriately asked, and appropriately answered.

On 18th September the NIHE wrote to the Minister indicating that all of the agreed schemes had been started (i.e. the 7,094 dwellings previously approved). Approval was sought to start work on a further 2,400 dwellings using the revised fitting method. Approval to proceed on this basis was received from the Minister on 8th October.

In preparation for tendering, the Board approved a Final Specification for double glazing at its meeting on 26th September 2012. This confirmed a move to "A" rated windows, use of modified friction hinges in low rise properties, the retention of fully reversible windows with the "hotel" hinge in medium / high rise properties, and the revised fitting method which minimised the need for re-plastering and hence redecoration grants.

Subsequently, following contact from unspecified members of the industry, the Social Development Committee requested briefing on the specification of hinges used by the NIHE and the proposed cost savings with the new specification. A hearing was scheduled for 10th January 2013.

Gerry Flynn, the Director of Housing and Regeneration, and David Adamson, a Senior Project Manager represented the NIHE. The DSD representative was Michael Sands.

The Committee received a briefing from industry representatives on 17th January 2013.

Subsequently on 25th January the Committee wrote to the DSD and requested that the procurement be delayed until the industry representatives had an opportunity to meet with the Chairman and Chief Executive of the NIHE (scheduled for 5th February), a further review of the proposed cost savings was undertaken, and a review of the rationale for change over and above cost.

Donald Hoodless, the NIHE Chairman, chaired the meeting with the industry representatives on 5th February, where there was a full airing on the issues. The Chairman's conclusions were that this was a wholly operational matter for the Housing Executive as the purchasing authority and the rationale and approach adopted by the organisation was reasonable.

The Minister responded to the Committee Chair on these issues on 11th February and included the comment that the specification issue "is entirely an operational matter for the Housing Executive and neither I nor Departmental officials have any approval role if they decide to change the specification."

There was further correspondence from the Committee to the Department on 21st February requesting further briefing from the NIHE as the specification was an operational matter for that organisation. There was a request for a further delay in the procurement.

The NIHE Board approved the initiation of the procurement at its meeting on 27th February.

NIHE officials Gerry Flynn and David Adamson appeared before the Committee on this matter on 28th February and the Committee asked for a further week's delay to allow additional information to be provided on a number of the matters raised and discussed at the hearing.

The requested information was provided and there being no other issues raised the OJEU Notice was placed with an operative date of 13th March 2013.

John McPeake
Chief Executive

Declan Allen
Head of Procurement