



Northern Ireland  
Assembly

Public Accounts Committee

## Report on Major Capital Projects

Together with the Minutes of Proceedings of the Committee relating  
to the Report and the Minutes of Evidence

Ordered by the Public Accounts Committee to be printed on 8 October  
2020

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**This report is embargoed until 00:01am on Thursday 22 October 2020**

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## PUBLIC ACCOUNTS COMMITTEE

### Membership and Powers

The Public Accounts Committee is a Standing Committee established in accordance with Standing Orders under Section 60(3) of the Northern Ireland Act 1998. It is the statutory function of the Public Accounts Committee to consider the accounts, and reports on accounts laid before the Assembly.

The Public Accounts Committee is appointed under Assembly Standing Order No. 56 of the Standing Orders for the Northern Ireland Assembly. It has the power to send for persons, papers and records and to report from time to time. Neither the Chairperson nor Deputy Chairperson of the Committee shall be a member of the same political party as the Minister of Finance and Personnel or of any junior minister appointed to the Department of Finance and Personnel.

The Committee has 9 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 20 January 2020 has been as follows:

Mr William Humphrey (Chairperson)

Mr Roy Beggs (Deputy Chairperson)

Mr Cathal Boylan

Mr Harry Harvey<sup>1</sup>

Mr Maoliosa McHugh

Mr Matthew O'Toole<sup>3</sup>

Ms Órlaithí Flynn

Mr David Hilditch

Mr Andrew Muir<sup>2</sup>

<sup>1</sup> With effect from 17 February 2020 Mr Harry Harvey replaced Mr Gary Middleton

<sup>2</sup> With effect from 31 March 2020 Mr Andrew Muir replaced Mr Trevor Lunn

<sup>3</sup> With effect from 19 May 2020 Mr Matthew O'Toole replaced Mr John Dallat

## List of Abbreviations used in the Report

the Committee	Public Accounts Committee (PAC)
C&AG	Comptroller and Auditor General
CEF	Construction Employers Federation
CPD	Construction Procurement Delivery
DfC	Department for Communities
DE	Department of Education
DfE	Department for the Economy
DoF	Department of Finance
DoH	Department of Health
DfI	Department for Infrastructure
the Executive	the Northern Ireland Executive
HOCs	Head of Civil Service
ISNI	Investment Strategy Northern Ireland
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
RHI	Renewable Heat Incentive (Scheme)
SIB	Strategic Investment Board
SROs	Senior Responsible Officers
TEO	The Executive Office

## Executive Summary

1. The 2011-21 Investment Strategy Northern Ireland (ISNI) outlined plans to invest a total of £13.3 billion over the period from 2011-12 to 2020-21. Over the eight year period to 31 March 2019, almost £10.6 billion was spent on Northern Ireland public infrastructure. Current estimates indicate that by 31 March 2021, there was a total of over £14.8 billion in capital expenditure in Northern Ireland (over a ten year period).
2. In 2015, the Northern Ireland Executive (the Executive) identified seven infrastructure flagship projects as its highest priority projects. Funding for these projects was allocated over a five year period, rather than the usual annual year allocation.
3. The Committee notes the results of the NIAO review of each of the flagship projects and four additional high profile projects which revealed that each suffered time delays and/or cost overruns (of over £700 million in total) when compared against original timescales and budgets. The Committee is deeply concerned about existing accountability mechanisms and this level of overspend, given that the additional funds incurred could have been invested in infrastructure, hospitals, roads, transportation or schools.
4. Accountability for delivery needs to be sharpened at the top of the civil service. In Northern Ireland, unlike in Wales or Scotland, the Head of the Civil Service does not hold the designation principal accounting officer; he or she therefore sits outside the chain of public accountability. This must change going forward. The NI Civil Service Board should also be strengthened by the inclusion of top quality independent non executives.
5. Unlike other jurisdictions, in Northern Ireland there is no single oversight body. In the Committee's view, there is need for central monitoring of major capital projects to bring more transparency and accountability to critical areas of the Executive's spend. The Committee also made it clear that the progress of individual major projects must routinely be on the radar of Accounting Officers if projects are to be delivered on time and within budget.

6. The Committee considers that the system for commissioning and delivering major capital projects is over complicated. In its view, the failure to centralise procurement (as recommended by the Strategic Investment Board in 2013) represents a missed opportunity to streamline the public sector procurement process, reduce waste and generate cost efficiencies for the public sector and industry. The Committee considers that there remains a need to assess the extent to which alternative structures could improve project delivery. In the Committee's view, this, together with greater use of standardised procurement approaches and standard contracts with few bespoke clauses, would reduce public sector and bidder costs.
7. The Committee considers it vitally important that staff in senior roles on projects, particularly Senior Responsible Officers (SROs), have relevant experience and are retained throughout life of projects to ensure transparency and accountability. The Committee welcomes the issue of new guidance from DoF on the appointment of Senior Responsible Officers and endorses plans to ensure that all SROs and project managers, leading on projects with an estimated cost of over £20 million, have a fully accredited qualification. The Committee agrees that improving the professionalism of procurement and construction staff will ultimately improve project delivery.
8. The Committee expects that, with qualified project managers in place throughout the life of large departmental projects, operating under the terms of a formal letter of appointment, transparency and accountability will improve and departmental staff appraisals will more accurately reflect an individual's performance in delivering projects on time and within budget.
9. In relation to the Construction Procurement Delivery (CPD), DoF accepted that target setting and reporting on CPD performance had been limited in recent years. The Committee considers that this is a step backwards from the situation several years ago when CPD was an Agency and reported annually on its progress.
10. The Committee heard from the Construction Employers Federation that it would be very keen to take a place on the Procurement Board to ensure that the private sector could contribute to the public sector process. The Committee welcomes

assurances from DoF that discussions have started about the make-up of the Procurement Board and how often it meets.

11. It is clear that there were serious weaknesses in the business case process. The Committee welcomes the revision of the process but will reserve judgement on the success of the new approach until it can be demonstrated that business cases are more soundly based.
12. The Committee concluded that many of the issues resulting in cost overruns and time delays experienced could have been reduced if, at the outset of projects, departments had fully considered, and planned for, project risks and engaged adequately with planners, local communities and special interest groups. This was particularly evident in the Casement Park project.
13. The Committee considers that that there is much room for improvement in the current planning system. The Committee saw evidence that in some cases, delays occur because statutory consultees do not respond promptly. It is within the gift of the Northern Ireland Civil Service (NICS) to address this issue. The Committee expects the NICS to do much more to avoid delays by forcing improvement in response times from statutory consultees.
14. The Committee is aware that capital funding continues to be surrendered by departments because they were not in a position to progress delivery of projects. The Committee is deeply concerned about the implications of this on job creation and economic and community development.
15. In the absence of multi-year spending plans, the Committee acknowledges that it is difficult for the Executive to produce a Programme for Government and investment plan which relate to several years. The Committee noted that funding issues were a factor in a number of the projects examined and stressed the importance of ensuring that, when major capital projects are approved, there is certainty that a funding stream is available going forward. The Committee is

aware that the “New Decade, New Approach<sup>1</sup>” document provides a commitment that, from 2021-22, the Executive will put in place multi-year budgets (minimum three years) where the UK Government has provided multi-year funding. This is absolutely necessary to put Northern Ireland’s finances on a sustainable footing.

16. In relation to the Casement Park project, the Committee was appalled to learn that advice from experienced consultants external to the department was only sought after the initial planning permission was quashed and that the need for an appropriately qualified, full-time senior responsible officer had not been identified at the outset of the project.

17. The Committee considers that the current culture in drawing up public sector contracts focuses on penalty clauses to deal with instances of poor contractor performance. In the Committee’s view, contractor performance may improve where they are incentivised to deliver on time and within budget. DoF explained that it is aware that the Crown Commercial Service within the Cabinet Office regularly uses incentives in contracts and told the Committee that it is looking at those arrangements to see whether they have applicability here.

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<sup>1</sup> New Decade, New Approach sets out the detail of the deal to restore the devolved government in Northern Ireland. It was published by the Northern Ireland Office on 9 January 2020. At that stage, there had not been a fully-functioning Assembly or Executive in Northern Ireland for more than three years. Under the terms of the deal, an Independent Fiscal Council will be established in Northern Ireland by July 2020 to provide an annual assessment of the Executive’s revenue streams and spending proposals, while from 2021/22 the Executive will put in place multi-year budgets



## Summary of Recommendations

### Recommendation 1

18. The Committee believes that, in line with arrangements in Scotland and Wales, the HOCS in Northern Ireland should have personal responsibility for the propriety and regularity of all government finance and the economic, efficient and effective use of related resources. It is not acceptable that in Northern Ireland, the HOCS sits outside the formal chain of public accountability.

**The Committee strongly recommends that the role of the Northern Ireland HOCS is revised to mirror the role in Scotland and Wales.**

### Recommendation 2

19. The current arrangements, where projects are the sole responsibility of individual Accounting Officers, and leads to silo working with no joined-up thinking. In the interest of the public purse this practice must end to ensure better value for money.

**The Committee recommends that action is taken to strengthen accountability for delivering major capital projects across the public sector. The Committee expects the Head of Civil Service to show leadership by taking a much more proactive role in monitoring delivery of public sector projects, challenging departments where performance is not in line with approved plans. The Committee believes that this, together with more regular scrutiny from individual Accounting Officers, will help improve major capital project delivery.**

### Recommendation 3

20. Construction and Procurement Delivery (CPD) is an important player in securing effective delivery of major capital projects. Given this, the Committee was shocked to discover that the DoF Accounting Officer of DoF did not have a suite of performance indicators in place to measure performance.

**The Committee recommends that swift action is taken to reintroduce SMART targets for CPD with immediate effect. Performance against these targets should be publicly reported annually.**

#### **Recommendation 4**

21. The Committee considers that overall responsibility for monitoring delivery of major capital projects should sit with the Northern Ireland Civil Service Board. This is in line with other United Kingdom jurisdictions.

**The Committee recommends that membership of the Northern Ireland Civil Service Board is revised so that top quality non-executives (with a commercial background) sit alongside NICS Permanent Secretaries. Further it recommends that progress on major capital projects features more prominently on the agenda of the NICS Board.**

#### **Recommendation 5**

22. The Committee considers that the existing arrangements for commissioning and delivering major capital projects are over complicated.

**The Committee recommends that the public sector, as a matter of urgency, undertakes a further review of procurement arrangements to assess the extent to which alternative structures could improve project delivery. The Committee also recommends that departments are encouraged to make increased use of standardised procurement approaches and standard contracts with few bespoke clauses as a means of reducing public sector and bidder costs.**

#### **Recommendation 6**

23. Unlike other jurisdictions, in Northern Ireland there is no single oversight body responsible for monitoring delivery of major capital projects, not even the Executive's highest priority flagship projects.

**The Committee recommends that serious consideration is given to appointing a single oversight body or creating an independent advisory body with responsibility for central monitoring of major capital projects.**

### **Recommendation 7**

24. The Committee agrees that departments need to have the right people with the right skills in place and welcomes the issue of new guidance from DoF on the appointment of Senior Responsible Officers and plans to upskill staff to become professional project managers who can move from one department to another to manage projects as they arise. The Committee expects that, with qualified and experienced project managers in place throughout the life of large departmental projects, operating under the terms of a formal letter of appointment, departmental staff appraisals will more accurately reflect an individual's performance in delivering projects on time and within budget.

**The Committee recommends that the NICS looks to other jurisdictions, e.g Whitehall, for the latest thinking in incentivising staff to see long term projects through. The Committee recommends that the SIB ensures that it attracts the most capable experts and that secondment of these staff is always considered to strengthen project teams.**

### **Recommendation 8**

25. The Committee is aware that the Independent Inquiry into the non-domestic Renewable Heat Incentive (RHI) Scheme concluded that aspects of the departmental business case were "incomplete, incorrect or misleading". The Committee has concerns over the "accuracy, preciseness and efficiency of outline business cases" and was shocked at the number of major projects examined which were subject to scope and design changes and/or experienced cost overruns. DoF explained that the old, overcomplicated, 10-step business case model has been reviewed and a new, streamlined five-step business case approach, used internationally and adopted across England, Scotland and Wales, became effective from 1 April 2020.

**The revision to the existing process is welcomed but the Committee will reserve judgement on the success of the new approach until it can be demonstrated that business cases are more soundly based. The Committee recommends that DoF review the impact of the new process within the next 18 months and expects to hear the results of that review.**

### **Recommendation 9**

26. The Department for Infrastructure (DfI) accepts that there is much room for improvement in the current planning system, which is just over four years old, and told the Committee that is encouraging learning and the sharing of experiences across local councils. In addition, DfI has recently set up a cross-government planning forum which will meet regularly to ensure better co-ordination and management of the way in which statutory consultees play their part in the planning system.

**Given the scale of delays and costs which can arise during the process of securing planning permission, the Committee recommends that DfI takes immediate steps to simplify and improve the process.**

### **Recommendation 10**

27. In relation to the Casement Park project, the Department for Communities (DfC) explained that the initial planning permission was quashed (in December 2014) when a judicial review concluded that the process was flawed, rendering the planning decision unlawful. Concerns included the department's assessment of the impact on traffic of a capacity crowd at the stadium. The Committee finds it incredible that the issue regarding traffic at Casement Park was not foreseen and addressed at the outset of the project, prior to the submitting the original planning application.

**The Committee recommends that expert advice is sought, and acted upon, by departments at the outset of projects.**

### **Recommendation 11**

**The Committee recommends that, for future projects, much more time is spent at the outset of projects, identifying potential barriers to securing planning permission. The Committee expects that this process will involve early departmental engagement with planners.**

### **Recommendation 12**

28. The Committee considers that DfC's experience with the Casement Park project clearly illustrates the consequences of failing to undertake effective engagement with local communities at the outset of projects. Without community confidence and buy-in to the project, much upset was caused, significant project delays were encountered and development costs more than doubled. That is not acceptable and, in the Committee's view, could have been avoided.

**The Committee recommends that revised procedures are introduced across departments to ensure that effective community engagement, mitigating concerns where possible, is completed prior to progressing projects.**

### **Recommendation 13**

29. The Committee acknowledges that "the public and organisations with an interest must be allowed the opportunity" to contest projects on environmental or other issues. However, it is concerned about the extent to which judicial reviews delays add costs to, public sector projects.

**The Committee recommends that the Northern Ireland Civil Service works with the Judiciary to consider if the balance needs to be reviewed between having a higher bar for taking Judicial Reviews while at the same time not discouraging genuine concerns from being raised. This should include an examination of the cost of lodging a judicial review in Northern Ireland. The Committee consider this could help to reduce the risk that 'vexatious' challenges are made.**

## **Recommendation 14**

30. In the absence of multi-year spending plans, the Committee acknowledges that it is difficult for the Executive to produce a Programme for Government and investment plan which relate to several years. DoF told the Committee that it has raised the issue of multi-year budgets with HM Treasury twice and received “very warm responses”.

**The Committee reinforced the importance of these multi-year funding representations to HM Treasury and recommends that DoF continues to push for their introduction as a matter of urgency.**

## **Recommendation 15**

31. The Committee considers that the current practice of drawing up public sector contracts focuses on penalty clauses to deal with instances of poor contractor performance. In the Committee’s view, contractor performance may improve where they are incentivised to deliver on time and within budget. The Committee welcomes DoF’s assurance that it is looking at practice elsewhere with a view to learning lessons and improving performance.

**The Committee recommends that further work is completed to evaluate whether incentivising contractors might improve their performance and result in the delivery of project on time and within budget.**

## Introduction

32. The Public Accounts Committee (the Committee) met on 27 February 2020, 5 March 2020 and on 8 July 2020 to consider the Comptroller and Auditor General's (C&AG's) Report "Major Capital Projects". The main witnesses were:

### 27 February 2020

- **Mr Jonathan Caughey**, Federation Manager, Construction Employers Federation
- **Mr Mark Spence**, Assistant Director, Construction Employers Federation

### 5 March 2020

- **Mr David Sterling**, Head of Civil Service, The Executive Office;
- **Ms Sue Gray**, Accounting Officer, Department of Finance;
- **Mr Brett Hannam**, Chief Executive, Strategic Investment Board;
- **Mr Des Armstrong**, Director, Construction and Procurement Delivery;
- **Mr Kieran Donnelly**, Comptroller and Auditor General; and
- **Mr Stuart Stevenson**, Treasury Officer of Accounts, Department of Finance.

### 8 July 2020

- **Ms Tracy Meharg**, Accounting Officer, Department for Communities;
- **Ms Jacqueline Fearon**, Head of Capital Delivery, Department for Communities,
- **Mrs Katrina Godfrey**, Accounting Officer, Department for Infrastructure;
- **Mr John Irvine**, Director of Major Projects and Procurement, Department for Infrastructure;
- **Mr Kieran Donnelly**, Comptroller and Auditor General; and
- **Mr Stuart Stevenson**, Treasury Officer of Accounts, Department of Finance.

33. Over the eight year period to 31 March 2019, almost £10.6 billion was spent on Northern Ireland public infrastructure. Current estimates indicate that by 31 March 2021, a total of over £14.8 billion will have been invested in Northern Ireland (over a ten year period).

34. In the period from 2011 to 2019, Northern Ireland government departments managed 54 major capital projects with a value of over £25 million (excluding

local government and housing association projects). The total cost of these projects was estimated at £5.5 billion. The majority of the major capital projects (61 per cent by number and 72 per cent by cost) were managed by two departments - the Department for Infrastructure (DfI) and the Department of Health (DoH).

35. In 2015, the Northern Ireland Executive (the Executive) identified seven flagship infrastructure projects as its highest priority projects. Funding for the flagship projects, which was allocated over a five year period to 2021-22, was estimated at just over £1 billion.

36. While the Committee accepts that major capital projects are inherently risky, complex and vulnerable to procurement challenge, it expects lessons to be learnt from past failings and future projects to be delivered at pace, to time and budget.

37. The Committee is deeply concerned about the level of overspend on the 11 projects examined given that the additional £700 million incurred could have been invested in infrastructure, hospitals, roads, transportation or schools.

38. To achieve this the Committee expects DoF to progress its planned review of governance arrangements. The Committee also expects the Head of the Civil Service to adopt a much more prominent role, overseeing delivery of major capital projects across the sector and holding Accounting Officers to account when performance falls short. Departmental Accounting Officers must devote more time to overseeing projects and project managers must have relevant qualifications and experience and be more accountable for delivery of projects. The Committee anticipates that changes to the business case process will contribute to improving delivery but has stressed the need for departments to undertake much more work and engagement with interested parties (including planners) prior to commencing project procurement.

39. Projects examined were as follows:

**Department for Infrastructure (DfI):**

- A5;
- A6;
- Belfast Rapid Transit;



- Belfast Transport Hub.

**Department of Health (DoH):**

- Mother and Children's Hospital;
- Critical Care Centre;
- Primary Care Community Centres;
- Northern Ireland Fire and rescue Service, Learning and Development Centre, Desertcreat.

**Department for Communities (DfC):**

- Regional Stadia Programme and Sub-Regional Stadia Programme for Soccer.

**Department for the Economy (DfE):**

- Ulster University, Greater Belfast Development.

**Department of Education (DE):**

- Strule Shared Education Campus.

40. The Committee heard evidence from DfI in relation to the current planning system and the A5 and A6 projects and from DfC in relation to the Casement Park project.

41. The Committee is appalled by the scale of overruns encountered on the Ulster University, Greater Belfast Development project. It considers that this is indicative of poor project management. The Committee intends to closely monitor the progress of this project.

## **Accountability at all levels must be strengthened if major capital project delivery is to improve**

### ***Accountability at the top of the Northern Ireland Civil Service must be sharper***

42. The Committee questioned the Head of the Civil Service (HOCS) about his role and was told that, in Northern Ireland “the permanent secretary in each department is under the direction and control of the particular Minister...” and that, as HOCS, he cannot tell “other permanent secretaries what to do”. The Committee finds this difficult to accept and considers that the HOCS was understating his role and that this structure dilutes the accountability process and leads to silo working with no joined-up thinking. The Committee is aware that arrangements in Northern Ireland are at odds with those in place in Scotland and Wales where the HOCS, designated as either the Principal Accounting Officer or the Accountable Officer, bears personal responsibility for the propriety and regularity of all government finance and the economic and effective use of related resources. It is not acceptable that in Northern Ireland, the HOCS sits outside the formal chain of public accountability. This practice must end.

### **Recommendation 1**

43. **The Committee strongly recommends that the role of the Northern Ireland HOCS is revised to mirror the role in Scotland and Wales.**

44. Accounting Officers must spend more time reviewing major capital project progress. This is vital. The Committee expects that the progress of individual major projects is routinely on the radar of the responsible Accounting Officer, enabling them to monitor progress and take speedy and appropriate action to deal with emerging issues, minimise project delays and/or cost overruns.

### **Recommendation 2**

45. **The Committee recommends that action is taken to strengthen accountability for delivering major capital projects across the public sector. The Committee expects the Head of Civil Service to show leadership by taking a much more proactive role**

**in monitoring delivery of public sector projects, challenging departments were performance is not in line with approved plans. The Committee believes that this, together with more regular scrutiny from individual Accounting Officers, will help improve major capital project delivery.**

46. Construction and Procurement Delivery (CPD) is an important player in securing effective delivery of major capital projects. Given this, the Committee was shocked to discover that the Accounting Officer of DoF did not have a suite of performance indicators in place to measure performance. The Committee considers that this is a step backwards from the situation several years ago when CPD was an Agency and reported annually on its progress. The Committee notes DoF's comment that it is addressing this area with CPD.

### **Recommendation 3**

**The Committee recommends that swift action is taken to reintroduce SMART targets for CPD with immediate effect. Performance against these targets should be publicly reported annually.**

### ***Strengthening the role of the Northern Ireland Civil Service Board***

47. The Committee acknowledges that membership of the Procurement Board has been opened up more widely and that there is now greater representation from outside government but saw little evidence that the Procurement Board looked at, or influenced, the delivery of major capital projects.

48. The Committee agrees with the Construction Employers Federation (CEF) that there is room for further improvement but believes that overall responsibility for monitoring delivery of major capital projects sits more naturally with the Northern Ireland Civil Service Board. This is in line with other United Kingdom jurisdictions.

### **Recommendation 4**

**The Committee recommends that membership of the NICS Board is revised so that top quality non-executives (with a commercial background) sit alongside NICS Permanent Secretaries. Further it recommends that progress on major capital projects features more prominently on the agenda of the NICS Board.**

### *Improving commissioning and delivery arrangements*

49. The Committee considers that the existing arrangements for commissioning and delivering major capital projects are over complicated. In 2013, the Strategic Investment Board (SIB) Review of Procurement recommended the centralisation of procurement to allow more flexibility in budgets, smooth the release of projects, concentrate scarce expertise in one place and permit sharing across departments. The Committee believes that implementation of this recommendation would have generated considerable cost efficiencies for the public sector and industry.
50. While the reduction in the number of departments in 2016 and the transfer of health estates to DoF resulted in a greater concentration of expertise across a smaller number of departments, the centralisation envisaged by SIB in 2013 did not happen. The Committee heard from the Construction Employers Federation (CEF) that the combination of complex procurement structures (with various centres of expertise and different procurement bodies) and the pursuit of bespoke contract terms, creates confusion for the industry and causes unnecessary duplication and additional cost.
51. The Committee considers that the failure to fully implement the recommendations of the 2013 SIB procurement review represents a missed opportunity to streamline the public sector procurement process and reduce waste.

### **Recommendation 5**

52. **The Committee recommends that the public sector, as a matter of urgency, undertakes a further review of procurement arrangements to assess the extent to which alternative structures could improve project delivery. The Committee also recommends that departments are encouraged to make increased use of standardised procurement approaches and standard contracts with few bespoke clauses as a means of reducing public sector and bidder costs.**

### *Appointing a single oversight body*

53. Unlike other jurisdictions, in Northern Ireland there is no single oversight body responsible for monitoring delivery of major capital projects, not even the Executive's highest priority flagship projects. In the Committee's view, there is

need for central monitoring and challenge to bring more transparency and accountability to critical areas of the Executive's spend.

54. The Committee welcomes DoF's commitment to undertake a review of governance arrangements. It expects that this will compare Northern Ireland arrangements with those in other jurisdictions.

### **Recommendation 6**

55. **The Committee recommends that serious consideration is given to appointing a single oversight body or creating an independent advisory body with responsibility for central monitoring of major capital projects.**

#### *Improving the professionalism of staff in senior roles on major capital projects*

56. The Committee reflected on the Renewable Heat Incentive scheme experience which illustrated that, if you move key staff during a project, "you risk losing key knowledge and key information may not be passed on". The Committee considers it important that staff in senior roles on projects, particularly Senior Responsible Officers (SROs), are allocated to posts and retained throughout life of projects to ensure transparency and accountability.
57. The Committee endorses CPD's plans to ensure that all SROs and project managers, leading on projects with an estimated cost of over £20 million, have a fully accredited qualification. The Committee believes that improving the professionalism of procurement and construction staff will ultimately improve project delivery.
58. The Committee agrees that departments need to have the right people with the right skills in place and welcomes the issue of new guidance from DoF on the appointment of Senior Responsible Officers and plans to upskill staff to become professional project managers who can move from one department to another to manage projects as they arise. SIB has a role to play in this and must ensure it attracts the most capable experts and offers them on secondment to departments.
59. The Committee expects that, with qualified and experienced project managers in place throughout the life of large departmental projects, operating under the terms

of a formal letter of appointment, departmental staff appraisals will more accurately reflect an individual's performance in delivering projects on time and within budget.

60. The Committee heard from the Department for Communities (DfC) that an internal review of the Casement Park project had highlighted the need to appoint an appropriately qualified, full-time senior responsible officer to lead the project. The Committee struggled to understand how this need had not been identified at the outset of the project.

### **Recommendation 7**

**The Committee recommends that the NICS looks to other jurisdictions, e.g. Whitehall for the latest thinking in incentivising staff to see long term projects through. The Committee recommends that the SIB ensures that it attracts the most capable experts and that secondment of these staff is always considered to strengthen project teams.**

### **Significant work is required to restore confidence in the business case process**

61. The Committee is aware that the Independent Inquiry into the non-domestic Renewable Heat Incentive (RHI) Scheme concluded that aspects of the departmental business case were “incomplete, incorrect or misleading”. Given this, the Committee was alarmed by the acknowledgement (from SIB) that departments may “play down project costs and boost potential benefits” in order to get projects approved. Such practice, which prevents objective assessment of the relative merits of individual projects and impacts on project prioritisation, must stop. This will require a culture change across the NICS, led by the Head of the NICS. Business cases must reflect reality, must include accurate estimates of costs (based on experience on similar projects) and be subjected to detailed, independent scrutiny.
62. The Committee has concerns over the “accuracy, preciseness and efficiency of outline business cases” and was shocked at the number of major projects examined which were subject to scope and design changes and/or experienced

cost overruns. This cannot continue. Given that public resources are scarce, departments must devote more time at the outset of projects if expensive mid-project changes are to be avoided. Early design phases of projects must be more robust.

63. SIB noted that, in the past, those assessing projects may not have had access to the same (or a sufficient) level of information as those proposing the project and, as a result, sums included in respect of optimum bias tended to be “demonstrably insufficient”.
64. DoF acknowledged that costings included in business cases need to be more accurate. It explained that the old, overcomplicated, 10-step business case model has been reviewed and a new, streamlined five-step business case approach, used internationally and adopted across England, Scotland and Wales, became effective from 1 April 2020. Under the new approach, business cases will be clearer on project objectives, will highlight those areas where expert advice is needed and will provide greater clarity on project roles and responsibilities. Those assessing projects will have access to external, independent and objective advice. Under the revised arrangements, projected costs will be estimated by identifying the cost of similar projects elsewhere, and adjusting that, as necessary, to account for differences in scope, size and other factors. DoF anticipates that this result in more accurate calculations of optimum bias.
65. Under the revised approach, DoF will be able to evaluate the performance of those who write and review business cases and take steps to address poor performance. The Committee agrees with this approach to performance assessment.
66. While DoF considers that the combination of these factors will ensure more robust challenge on departments and more accurate cost predictions, it offered no assurance that the new arrangements would guarantee future projects will be delivered within budget and on time.
67. The Committee welcomes the revision of the business case process but had expected that several of the success factors of the new approach were already part of the process. The Committee assumed that business cases routinely

considered the outcomes of previously completed similar projects to identify potential delivery problems and to calculate the impact of these on actual costs. Further it expected that DoF was robustly challenging departments and identifying the need for experts. The Committee expects to see an improvement in the accuracy of forecast costs and timescales in relation to future major capital projects and anticipates that DoF will take a more active role in challenging departments.

### **Recommendation 8**

**The revision to the existing process is welcomed but the Committee will reserve judgement on the success of the new approach until it can be demonstrated that business cases are more soundly based. The Committee recommends that DoF reviews the impact of the new process within the next 18 months and will wish to be kept informed of the results of that review.**

**A step change is required across the public sector to improve the quality of early engagement with stakeholders to minimise the possibility of planning issues or challenge through Judicial Review**

68. It is important that potential issues with planning or that might give rise to Judicial review are anticipated as early as possible. Early engagement with planners, communities and special interest groups is paramount in understanding, planning and anticipating, thus avoiding potential risks which can lead to delivery delays and additional costs. Communication with local communities at the outset of projects secures confidence and buy-in to projects.

69. Expert advice must be sought where necessary and departments must have due regard for advice given. Business cases should fully acknowledge and consider project risks and plan for these before moving to procurement. It is important not to become risk adverse but rather to have a sound/robust understanding of the risks and to plan accordingly.

#### ***Engaging with planners***

70. The Committee noted that three of the eleven projects considered by the Comptroller and Audit General (The Belfast Transportation Hub, Casement Park



and the Primary Care Community Centre in Newry) were beset with planning difficulties which resulted in cost overruns and time delays.

71. The Committee is aware that about 20 schemes in Northern Ireland have been waiting over five years for a planning decision. The Committee accepts that each application will have its own story but considers that delays can be reduced by getting the pre-planning engagement process right.

72. The Department for Infrastructure (DfI) accepts that there is much room for improvement in the current planning system, which is just over four years old, and told the Committee that is encouraging learning and the sharing of experiences across local councils. In many cases delays are caused by the considerable time taken by statutory consultees (such as Transport NI, NI Water and the Environment Agency). DfI has recently set up a cross-government planning forum which will meet regularly to ensure better co-ordination and management of the way in which statutory consultees play their part in the planning system. The Committee considers that it falls to DfI to force improvement in getting responses from statutory consultees. The Committee agreed with witnesses that planning should be about enabling economic and community development and growth rather than simply a process.

73. DoF and The Executive Office (TEO) welcomed the work proposed by the C&AG on the planning process noting that it will be useful to “get some empirical evidence on whether there is anything that we are not doing here that we should be doing to make the planning process simpler”. In the Committee’s view, rather than relying on the Audit Office to report, departments should already have had arrangements in place to assess the effectiveness of the planning system.

### **Recommendation 9**

**Given the scale of delays and costs which can arise during the process of securing planning permission, the Committee recommends that DfI takes immediate steps to simplify and improve the process.**

74. In relation to the Casement Park project, the Department for Communities (DfC) explained that the initial planning permission was quashed (in December 2014)

when a judicial review concluded that the process was flawed, rendering the planning decision unlawful. Concerns included the department's assessment of the impact on traffic of a capacity crowd at the stadium.

75. DfC told the Committee that the revised Casement Park planning application, which was informed by consultants from other parts of the UK with experience of traffic assessments for major football stadiums around the world, places much more emphasis on a sustainable traffic plan. DfC assured the Committee that the revised plans meet best practice in terms of stadium safety.

76. The Committee finds it incredible that the issue regarding traffic at Casement Park was not foreseen and addressed at the outset of the project, prior to the submitting the original planning application. The Committee did not accept DfC's assertion that expert advice was not available in Northern Ireland at the outset of the Casement Park project and considered it unacceptable that advice from experienced consultants (external to the department) was only sought after the initial planning permission was quashed.

#### **Recommendation 10**

**The Committee recommends that expert advice is sought, and acted upon, by departments at the outset of projects.**

#### **Recommendation 11**

**The Committee recommends that, for future projects, much more time is spent at the outset of projects, identifying potential barriers to securing planning permission. The Committee expects that this process will involve early departmental engagement with planners.**

#### ***Undertaking appropriate community engagement***

77. In relation to the Casement Park project, DfC accepted that many local residents considered the level of departmental engagement was inadequate and acknowledged that it had underestimated the level of resistance to the project.

78. Following the findings at Judicial Review (that the decision to proceed was unlawful), DfC embarked on a 32-week engagement with the local community.

This led to a complete redesign of the project. DfC told the Committee that, as a result of having to design the project twice, developments costs of £11 million are likely to be incurred against initial estimates of about £5 million. DfC is aware that, despite the redesign, some residents remain concerned about the size of the stadium. The public sector can ill-afford to undertake the same process twice - this is clearly a waste of public funds.

79. The Committee considers that DfC's experience with the Casement Park project clearly illustrates the consequences of failing to undertake effective engagement with local communities at the outset of projects. Without community confidence and buy-in to the project, much upset was caused, significant project delays were encountered and development costs more than doubled. That is not acceptable and, in the Committee's view, could have been avoided.

### **Recommendation 12**

**The Committee recommends that revised procedures are introduced across departments to ensure that effective community engagement, mitigating concerns where possible, is completed prior to progressing projects.**

#### *Reducing the impact of Judicial Reviews*

80. The Committee acknowledges that "the public and organisations with an interest must be allowed the opportunity" to contest projects on environmental or other issues. However, it is concerned about the extent to which judicial reviews delay, and add costs to, public sector projects.

81. DoF advised the Committee that, in Northern Ireland, a procurement or environmental objection can be raised at very little cost to the challenger. Once lodged, the project is stalled and time delays and additional costs ensue.

82. The Committee agrees with SIB that the solution is to identify and address the underlying reasons for objections at a much earlier stage, for example, by paying reasonable compensation to those who suffer as a result of projects and taking a different approach to consultation in advance of moving to procurement.

83. The Committee noted that the Department for Infrastructure encountered serious legal challenge with its A5 and A6 projects and is aware that, even where DfI's actions were upheld by the Court, the challenges resulted in project delays.

### **Recommendation 13**

**The Committee recommends that the Northern Ireland Civil Service works with the Judiciary to consider if the balance needs to be reviewed between having a higher bar for taking Judicial Review while at the same time not discouraging genuine concerns from being raised. This should include an examination of the cost of lodging a judicial review in Northern Ireland. The Committee consider this could help to reduce the risk that 'vexatious' challenges are made.**

### **Multi-year spending plans would provide more certainty over funding and allow departments to make more informed decisions on the timing of projects**

84. The Committee is aware that in previous years, capital funding has been surrendered by departments because they were not in a position to progress delivery of projects. The Committee is concerned about the implications of this on job creation and economic and community development.

85. The Committee noted that funding issues were a factor in a number of the projects examined by the C&AG. TEO and SIB acknowledged the current single-year budgets create problems for departments and for the construction industry. For example, in the case of the Strule project, one of the last two remaining bidders cited uncertainty of funding as one of the reasons for its withdrawal.

86. It is important that when major capital projects are approved, there is certainty that a funding stream is available going forward. The Committee notes that the "New

Decade, New Approach<sup>2</sup>” document provides a commitment that from 2021-22, the Executive will put in place multi-year budgets (minimum three years) where the UK Government has provided multi-year funding. This is intended to put Northern Ireland’s finances on a sustainable footing.

87. In the absence of multi-year spending plans, the Committee acknowledges that it is difficult for the Executive to produce a Programme for Government and investment plan which relate to several years. DoF told the Committee that it has raised the issue of multi-year budgets with HM Treasury twice and received “very warm responses”.

#### **Recommendation 14**

**The Committee reinforced the importance of these multi-year funding representations to HM Treasury and recommends that DoF continues to appeal for their introduction.**

#### **Departments must consider whether incentivising contractors would result in delivery on time and within budget**

88. The Committee considers that the practice of drawing up public sector contracts focuses on penalty clauses to deal with instances of poor contractor performance. In the Committee’s view, contractor performance may improve where they are incentivised to deliver on time and within budget. CPD acknowledged that driving tenders on lowest price all the time has, over time, negative consequences and agreed that there was merit in considering alternative approaches.

89. DoF explained that it is aware that the Crown Commercial Service within the Cabinet Office regularly uses incentives in contracts and told the Committee that it is looking at those arrangements to see whether they have applicability here.

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<sup>2</sup> New Decade, New Approach sets out the detail of the deal to restore the devolved government in Northern Ireland. It was published by the Northern Ireland Office on 9 January 2020. At that stage, there had not been a fully-functioning Assembly or Executive in Northern Ireland for more than three years. Under the terms of the deal, an Independent Fiscal Council will be established in Northern Ireland by July 2020 to provide an annual assessment of the Executive’s revenue streams and spending proposals, while from 2021/22 the Executive will put in place multi-year budgets.

90. The Committee welcomes DoF's assurance that it is looking at practice elsewhere with a view to learning lessons and improving performance.

### **Recommendation 15**

**The Committee recommends that further work is completed to evaluate whether incentivising contractors might improve their performance and result in the delivery of project on time and within budget.**

### **List of Appendices**

Minutes of Proceedings can be viewed [here](#)

Minutes of Evidence can be viewed [here](#)

Correspondence can be viewed [here](#)

Other Documents relating to the report can be viewed [here](#)

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