



Northern Ireland
Assembly

**COMMITTEE
FOR THE OFFICE OF THE
FIRST MINISTER AND DEPUTY
FIRST MINISTER**

**OFFICIAL REPORT
(Hansard)**

Strategic Investment Board

18 January 2012

NORTHERN IRELAND ASSEMBLY

**COMMITTEE
FOR THE OFFICE OF THE FIRST MINISTER AND
DEPUTY FIRST MINISTER**

Strategic Investment Board

18 January 2012

Members present for all or part of the proceedings:

Mr Tom Elliott (Chairperson)

Mr Trevor Clarke

Mr Colum Eastwood

Mr William Humphrey

Mr Alex Maskey

Mr Francie Molloy

Mr Mike Nesbitt

Mr George Robinson

Ms Caitríona Ruane

Mr Jimmy Spratt

Witnesses:

Mr Brett Hannam) Strategic Investment Board

Mr Martin Spollen)

Mr Scott Wilson)

The Chairperson:

The Strategic Investment Board (SIB) will brief us on its work and on the draft investment strategy. I welcome Scott Wilson, Brett Hannam and Martin Spollen. Members have a copy of the paper that you submitted. If you would like to, please brief us on that and leave yourselves

available for questions.

Mr Brett Hannam (Strategic Investment Board):

Good afternoon. My name is Brett Hannam. I am the chief operating officer and interim chief executive of the Strategic Investment Board. My colleagues are Martin Spollen, who is responsible for the investment strategy in the SIB and Scott Wilson, who is head of the asset management unit.

The Chairperson:

I am sorry, Brett. Before you go any further, I should remind members that the session is being recorded by Hansard.

Mr Hannam:

I want to begin by thanking the Committee for the opportunity to present to you. The SIB is very aware of the Committee's important role in scrutiny, consultation and policy development. I hope that my colleagues and I will be able to answer your questions. Of course, if there are any areas on which the information is not immediately to hand, we will come back to you in writing as soon as possible.

The briefing paper that we provided to the Committee in advance of the meeting sets out the three main areas of the SIB's work: the development of the investment strategy; the provision of direct support to departmental programmes and projects; and the asset management unit. The Executive published the draft investment strategy on 17 November 2011, and it is currently out for consultation. We are working with colleagues in the Office of the First Minister and deputy First Minister (OFMDFM) and the Department of Enterprise, Trade and Investment (DETI) who are consulting on the draft Programme for Government and the economic strategy, and we contribute to their public consultation events. We are also running a series of bilateral sessions to seek the views of key stakeholders. The Committee will be aware that the announcement of the Irish Government's decision to postpone their contribution to the A5 project will require the investment strategy to be recast. We are working with relevant Departments to inform Ministers' decisions and discussions on that issue.

The SIB currently supports almost 50 projects with a total value of some £4 billion. As the briefing paper describes the type of support that we provide and lists the projects, I will not go into them in any detail now. However, it may be worth noting that the SIB works solely at the invitation of Departments and in roles agreed with them.

The asset management unit was formally established in the SIB in 2011 and has responsibility for achieving targets for capital generation of £100 million over the current CSR period. Achieving that target in the current economic climate is exceptionally challenging. Scott Wilson will be happy to provide you with an update on progress to date if the Committee would find that useful. In parallel, the unit is also working on the development of an asset management strategy and departmental asset management plans. The unit's final task is the completion of a central register of assets that will enable their more effective management.

Finally, the Committee will be aware that the SIB manages the investment strategy delivery tracking system, which monitors progress on the delivery of programmes and projects. The system issues monthly reports to each MLA, and we hope that you find those useful. If you think that any aspects of the operation could be improved, we would be keen to learn what those are.

Mr Scott Wilson (Strategic Investment Board):

I am happy to give an update on the asset management unit. It commenced work at the end of August 2011 and has three permanent and four temporary members of staff. Our first task was to gather information on assets. The information is available but held in lots of different places, so we wanted to bring it together in what we call the central asset register. We use what is called the electronic property information management system (ePIMS), which was piloted by the Office of Government Commerce (OGC) in Britain. To date, six out of the 12 Departments have their information, at various stages, on the ePIMS system. We have met all Departments, so we have begun the process of everyone getting their information on to that. The process will, we hope, be finished by the end of the summer.

In parallel, we are working with each Department to create an asset management plan that will spell out areas in which they could be more efficient in their use of assets and areas in which assets that may become surplus over time could be disposed of.

Finally, we are preparing a paper for the Budget review group's meeting next week. It will give recommendations on areas in which we may be able to deliver the £100 million over the remainder of the CSR period.

Mr Martin Spollen (Strategic Investment Board):

I will not take up too much of your time. I know that you want to have time for questions. The draft investment strategy has been published and, as Brett said, is currently out for public consultation. If there are any questions, I will take them as we go round the table.

The Chairperson:

The asset management unit appears to have been brought forward, or at least progressed, in recent months. Originally, there was a view that some Departments' property could be sold off or made better use of. I assume that, because of the downturn in market values, any sales came to a stop fairly quickly. At what is the asset management unit looking in particular? Does the unit take a strategic view of all the properties or pick out properties that could, perhaps, be sold, or disposed of, at an earlier stage? I am trying to figure out its exact role.

Mr Scott Wilson:

I will start by explaining the process of what we have done to date. There are over 400 assets on what is called the surplus asset trawl system, which is managed by Land and Property Services (LPS). Those range from small strips of land that Roads Service no longer needs to quite sizeable sites. For example, some of the former new town lands are on the system. We have focused on what we think has a chance of selling in the current climate. We all know that values have gone down. What might have been valued at £1 million per acre at the height of the market is, at best, now worth £100,000 per acre. In some cases, for what are called phase 2 housing lands, it will be worth only its agricultural value, which is £10,000 per acre.

Very little, if any, debt is available in the market at present. In the past, you might have been able to sell a £5 million site for housing and the bank might have lent 70%, but that is now very rare. We are looking for quality sites in good areas that may still have a chance of raising debt. Otherwise, we are relying on cash buyers, probably in the £100,000 to £500,000 range, where

cash may be available. Again, however, that is for people who have cash, and they are looking for quality at a premium. We are filtering what has a bankable chance of happening and trying not to be unrealistic about what does not have a chance of being sold. We look at a broad spectrum of assets, everything from land and property to assets that may have an income stream.

The Chairperson:

Have you categorised some of those assets already?

Mr Scott Wilson:

We are building a database that we will use to provide advice to the Budget review group next week. It will be a case of outlining what land and property we think could be sold and the other areas that we want the group to consider as a possible way of generating the £100 million. We consider not only selling but ways of re-engineering the way in which we invest our capital, which could create additional capital for the Executive without selling anything. Those are some of the areas that we focus on.

The Chairperson:

Brett, will you talk me through the process and how the SIB is involved in projects? As briefly as you can but giving as much information as possible, will you explain the SIB's role in, for example, the Lisanelly shared educational campus programme?

Mr Hannam:

The Lisanelly campus project is being directed by the Department of Education. It comprises a plan to construct an educational campus on the former military site at Lisanelly in Omagh, which was gifted to the Executive as part of the peace process. The SIB's involvement is that it provided the Department of Education with a programme director, Hazel Jones, who is highly experienced in the delivery of high-value capital projects, with a particular bent towards educational projects. She has been given full responsibility by the Department of Education, working within its structures, for the delivery of the programme. Associated with that, we also provided some enabling funding at the outset of the project, before it becomes eligible for capital funding, to enable the project to progress. That is primarily in specialist areas such as the assessment of the decontamination requirement for the site. Our additional involvement is as part

of the management and oversight structures; I sit on the programme board chaired by the Minister of Education.

The Chairperson:

If the overall project commences, will the SIB have any ongoing work or continued role?

Mr Hannam:

We expect to continue with the project director role. If any areas in which we could provide additional support were identified by the programme director or the Department of Education —

The Chairperson:

Give me some examples of possible ongoing work.

Mr Hannam:

Do you mean in the delivery of the programme?

The Chairperson:

Yes.

Mr Hannam:

At the moment, the programme has reached a stage at which detailed design work is being done, an outline planning application has been made, and the third stage of the consultation has begun. Through Hazel Jones, we are managing all aspects of that work. At a later stage, depending on the financing route that is decided for the project, further involvement might arise. If, for example, private finance were to be used in any element of the project, I expect that we would be asked to help with that.

Ms Ruane:

Tá fáilte romhaibh. You are very welcome to our Committee. I want to put on record my appreciation for the work that you do. Obviously, we can all improve on certain areas, but you have made a contribution, along with Departments, in helping to spend money that, in the past, was sent back. In my previous role, I had a very positive relationship with the SIB. In fact, I

initiated the Lisanelly arrangements and chaired the previous board, and I think that it worked very well. I know that you are also involved in the Long Kesh site, which the entire Committee visited. I look forward to working with you in whatever capacity we can, because none of us wants any money to be returned. Scott, you mentioned how difficult it is to sell assets at the moment. That is a real difficulty for every Department. We need all the creative and innovative thinking that we can get to address that.

I have found the tracking document that you send to every MLA very useful, and I would appreciate your continuing to send those to keep us up to date with what is happening in our constituencies.

Mr Nesbitt:

Gentlemen, thank you. I want to ask about asset management, so it is back to you, Scott. I would like to tease out a couple of points. Taxpayers would probably be a little surprised by the lack, heretofore, of a central asset register, given that they will feel that they paid for it in the first place. How do you give the taxpayer confidence that you have everything on your list?

Mr Scott Wilson:

We are going through a process. Each Department has its own asset register. It is just that we do not have all 12 in one place. The national asset register is produced every five years, but it holds an address and value but little else. The kind of information that we look for is whether a property is freehold or leasehold, when the lease expires, how much it costs to run the building and what is its planning context. We seek to find every piece of information that you could ever want to know about a property, right down to title maps. We want that to be available on a web-based, electronic system that all Departments can access, and we want all Departments to be able to access other Departments' information as well. For example, all of the Department of Finance and Personnel (DFP) estate is now on the ePims register. That is an achievement: moving information from the Department's Excel-based system to a central system. We know that everything is on the system and that the majority of information that we will need to start working with that Department is there.

Similarly, all information for the Department of Agriculture and Rural Development (DARD),

apart from cost information, is on the system. So we know that we are trawling everything that they know about. However, what I cannot answer for is whether there are things that they do not know about. That will come through the process. Once each Department has completed its work, we will run a validation process in which we quality assure all the information and ensure that it matches their records.

Mr Nesbitt:

Are you anywhere near having a grand total of asset value?

Mr Scott Wilson:

I am not. Any total would be slightly skewed because, for example, roads have a value, and so you would have to ask yourself what the value of a road was. In the short term, we are focused on land and property.

Mr Nesbitt:

Brett, how would you categorise your relationship with the National Asset Management Agency (NAMA)?

Mr Hannam:

We do not have any direct contact with NAMA. I believe that that is done through named individuals in OFMDFM and DFP who have been given responsibility for that. My colleagues are very aware of NAMA's activities, and we get good briefings on the agency from the Department of Finance and Personnel.

Mr Nesbitt:

Is NAMA well aware of your activities?

Mr Hannam:

It is aware that we have a programme for the disposal of assets, but our programme is much smaller than theirs.

Mr Molloy:

Thank you for your presentation. I am looking at the list of projects in which the SIB is involved, and there is quite a spread. At what stage, and for what reasons, do you get involved?

Mr Hannam:

As I said in my briefing paper, the SIB works only at the invitation of a Department. We have no right to interfere unless asked to do so. Some Departments have well-developed mechanisms for the delivery of capital projects. Roads Service, for example, has little need for the type of support that we provide. Other Departments have less experience of delivering major capital projects and, therefore, would invite us in at quite an early stage to assist them with the formulation of their investment delivery plans and work on specific projects. If a project runs into trouble, we might be invited, in a troubleshooting role, to assist in bringing that project back on to the rails. I cannot say that we go through any standard process in engaging with Departments. However, regardless of the process, it is initiated by a Department coming to us and seeking support.

Mr Molloy:

I was a bit surprised that the move of DARD's headquarters was not one of the issues that the SIB was dealing with, because it is a big operation.

I am not sure whether I am right, but I think that you are involved in Arc21 and the North West Region Waste Management Group. I thought that the SIB was involved and had a management role in SWaMP 2008 as well.

Mr Hannam:

No, SWaMP is the only one of the three waste management projects for which we do not provide a project manager. We provide project managers for the North West Region Waste Management Group and the Arc21 project. However, we do not have input into the SWaMP project. As part of the waste programme, we also provide the waste programme delivery support unit, which is a small unit in the Department of the Environment that provides central support to all three waste management programmes.

Mr Spratt:

I apologise for being late. My earlier Committee was on an outside visit. Thank you for your presentation. I think that I heard most of it.

I see that, to minimise the impact of funding reductions, you reviewed the operating model and reduced the sum spent on outside consultancy. How much was the spend on external consultancy, and by how much was it reduced? You state that you have had to bring some consultancy in-house by employing a couple of people on short-term contracts. What has been the saving to the public purse?

During the past number of months, the Committee has been seriously concerned about the high cost of decontamination, particularly on former military sites. Figures appear to have been reached without there being any competition. What advice can you give on decontamination? What expertise is used to ensure that the public purse is not being ripped off? It is blatantly obvious that, at present, there is an element of that.

Mr Hannam:

Perhaps I can answer the second part of that question. It exemplifies how we work, so it might answer the first part as well. As you correctly point out, sites inherited from the military are heavily contaminated. One issue that we identified is exactly that which you identified: the firms responsible for assessing the decontamination requirements are, in many cases, the same firms that will bid for the work. We worked with the Environment Agency on the problem. Together, we decided that we will employ our own experts in that field. Adverts will be issued shortly for two decontamination officers whose posts will be funded jointly by the SIB and the Environment Agency. That will address the moral hazard of the same companies both assessing and meeting the decontamination requirement. Therefore, we hope, or intend, that, in that way, we will be able to drive down the cost of that very expensive work.

You asked about the ways in which we have tried to reduce the cost of consultancy. We have pursued a policy of trying to replace consultants from the big companies with individuals who are brought in to do specific pieces of work on short-term contracts. In the currently model, we recruited six associate advisers on zero hours contracts. They can be deployed at short notice on

specific, focused pieces of work, without the necessity of our going through an expensive procurement process or paying the higher rates of standard consultancies. Our preliminary evaluation of the approach, which, so far, is only a pilot employing six people, is that we are delivering savings of around 50%. We are getting people to work for around 50% of what would have been paid to an equivalent consultant from a large company. We intend to evaluate that pilot fully. If those results are borne out, we will continue with it and, perhaps, expand it.

Mr Spratt:

That was a revelation about decontamination and one that certainly bears out what some Committee members thought, too. I am glad to hear you say that and that you are looking into the issue. You said that most military sites were heavily contaminated, but some of those sites are hundreds of acres in size. Not all sites are contaminated. Some are in agricultural use, and so on. There are small pockets of decontamination where helicopters landed for fuel, or firing ranges and suchlike were in use. Therefore, the contaminated areas are not large.

We should be seriously concerned about the decontamination issue. What moves have you made to ensure that the Executive are aware of your concerns? Have those concerns been highlighted to Ministers?

Mr Hannam:

We reported back through our normal channels on the work that we are doing in that area. I believe that Ministers are acutely aware of the problems, particularly Ministers in OFMDFM who have responsibility for those strategic sites. They receive regular briefings on those sites from their officials, and we feed into those. So I have little doubt that they are aware of the issue.

The Chairperson:

OK. Thank you very much for your briefing. As Caitríona said, your updates are always very welcome. Indeed, we would very much appreciate your forwarding us any update or information that you think might be of use to the Committee.

Mr Hannam:

Thank you.