

Strategic Investment Board

Chief Executive's Report – May 2013

Project Managers have provided quarterly reports this month, so this paper will cover the most significant issues arising from this work.

PROJECTS

DELIVERING SOCIAL CHANGE (DSC)

Denis McMahon, OFMDFM's Director of Equality & Strategy will attend the Board meeting and discuss 'Delivering Social Change'. This is a cross-departmental initiative being led by OFMDFM. The intention is for the programme to address those complex problems that do not lend themselves easily to single-departmental solutions. It will comprise a number of investment projects financed from funds set aside for this purpose by the Executive.

The first of these projects are likely to be:

- The education-led regeneration of the Colin Town Centre;
- The development of Urban Villages;
- The implementation of the 'Green New Deal'.

Later projects will include:

- Administering the Social Protection Fund;
- Delivering projects financed by the Social Investment Fund;
- Delivering Social Change through Childcare.

The Equality and Strategy Directorate (EqSD) has obtained agreement to allocate £500k pa of revenue funding to establish a Delivery Unit to support its DSC work. The Delivery Unit will be staffed and managed by SIB, but physically based within OFMDFM. The operating model is that SIB will provide a Head of Unit with associated programme management staff. Each project will then be resourced with individuals with the skills, knowledge and experience appropriate to that project. These are likely to come from both the public and private sector.

The governance and management arrangements for the programme are set out in an OPA agreed with OFMDFM. These arrangements provide for political direction and oversight; close cooperation between SIB and OFMDFM and establish a single authority for the management of all projects within the programme.

NEW 'GREEN NEW DEAL'

SIB has developed a proposal which has the support of the Finance Minister, First Minister and Secretary of State. It is likely that it will now be included in the forthcoming 'economic pact' with the coalition government that is currently under development.

CITY OF CULTURE

Dermot McLaughlin, who SIB seconded to Derry City Council as its City of Culture Project Manager, has resigned for personal reasons. This creates a gap in the Council's team which Wesley Emmett is working to fill as soon as possible. A revised job description, taking account of Dermot's experiences, has been agreed with the Chief Executives of the Council and Culture Company.

Three FoI requests were made in connection with the resignation of Dermot McLaughlin. Responses were issued within the 20 day deadline in each case. Some material was withheld under Section 36 terms of the act on the grounds that its release would prejudice effective government.

DESERTCREAT

The focus of recent work has been to reduce the cost of the project to a point where it falls within the availability envelope. This has now been achieved and a revised business case is currently being considered by DoJ and DHSSPS before being re-submitted to DFP.

Deloitte is currently carrying out a review of the governance arrangements which will determine whether there were any failures in the management of the project that contributed to the initial underestimation of its total cost. The results of the review should be known shortly.

I have asked Bryan Gregory to take on an increased oversight role on the project, in particular ensuring that the revised business case was produced to the required quality. It

may be that, following the publication of the Deloitte report, further changes to the project management arrangements may be necessary.

COLIN TOWN CENTRE

The public consultation report for Colin Town Centre was launched on 18th May. Five Ministers attended and the event was a great success. The Minister for Education, in particular, expressed his full support for the programme.

SIB has advertised for a Construction Manager who will work under Brenda Burn's direction to take the project to the next stage.

NW REGIONAL WASTE MANAGEMENT GROUP

A group of existing local, independent waste processors has issued a writ seeking a halt to the NWRWMG project.

SCHOOLS DELIVERY PROGRAMME

SIB has been asked to provide 3-5 project managers to assist the department. SIB is currently working with officials to scope the precise nature of the requirement.

VISIT TO ONTARIO

Paul Priestly and Leo McKenna spent a week in Ontario visiting a range of individuals and organisations involved with the delivery of infrastructure. Ontario is generally considered to be in the forefront of rapid and cost-effective organisation of such delivery and the visit was justified by the possibility of learning from their experiences.

GOVERNANCE, FINANCE & ADMINISTRATION

Budget for FY13/14

OFMDFM has reduced the SIB budget for the current year by 1.5%. Given that we were over-committed already by some £350k, this action will place additional pressure on an already overstretched budget. We will be bidding for additional funds at June monitoring but there seems little likelihood of gaining new money this early in the year. I will come forward with proposals for addressing this issue at the next Board meeting.

Pressure on HR & Recruitment

There is substantial and seemingly unrelenting pressure on the recruitment and HR functions arising from the new requirements being placed on SIB.

The major projects for which staff are currently being recruited for include:

Social Housing Reform:	4 posts
Schools Delivery Programme:	3-5 Posts
DSC Delivery Unit:	2-7 Posts
Other singleton projects:	5 posts
Total:	14-21 posts

The Investment Committee will consider a business case for additional, temporary, resources to handle this pressure.

Green Energy Programme

A New Domestic Energy Saving Programme will be established. The programme will offer 35,000-40,000 home-owners and tenants approximately £44million of loans at 0% interest for use on fitting homes with energy efficiency measures.

The finance will be drawn from the HMT “Financial Transactions Capital Scheme” and lent to a third-party organisation responsible for the scheme’s administration. This organisation will be outside the public sector. The loans will be supplemented by some £10million in grants that will ensure occupants achieve a rapid payback from their investment.

Homes will be assessed by surveyors who will ensure that, before entering the scheme, occupiers will have a clear understanding of the cost of the proposed work and the energy savings they can expect. The surveyors will manage the work of accredited installers. All work will be independently quality assured. The loans will be paid back by occupants at 0% interest over an agreed term of no longer than four years.

The programme will also include:

- The extension of the “Warmer Homes” scheme to families in employment but on very low incomes;
- A scheme for older people who are asset rich but relatively cash poor. This scheme may include delaying loan repayments on a similar basis as the “deferred rates” scheme.

Rationale

The Social Return on Investment (SROI) from energy efficiency measures encompasses economic, social and environmental benefits.

These include reduced energy usage; reduced fuel poverty; lower CO² emissions and reduced pressure on energy distribution networks.

The scale of the work envisaged will deliver a substantial economic stimulus (c£210m in additional economic activity) and provide significant employment opportunities for skilled, semi-skilled and unskilled workers.

Should the scheme prove successful, it can be extended and enlarged.

Background

This approach builds upon the ideas put forward under the Green New Deal. It takes account of the experience of the 'Warmer Homes' programme and similar schemes in other jurisdictions. In particular, it recognises the importance of insights into occupants' attitudes and the need to provide incentives to encourage participation.

Loans will be available for measures including;

- Installing or topping up loft insulation;
- Installing cavity wall insulation;
- Applying internal or external insulation to solid walls;
- Fitting thermostats;
- Renewing window seals and locks;
- Insulating hot water tanks and installing other minor measures.

Small grants will be used to ensure that loan repayments are equal to or less than savings made through reduced energy costs. The scheme will also incentivise participation through making the scheme as user friendly as possible. For example, occupants could be given assistance to empty lofts before fitting insulation; then re-filling them after the work is complete.

A key feature is the scheme is the use made of funding under the HMT "Financial Transactions Capital Scheme". This will require that the scheme be operated by a third-party outside the public sector. This operator will be chosen competitively.

The "Warmer Homes" scheme, which fits similar measures to the homes of those on passport benefits, is not available to the employed on low incomes. It may be possible to use finance raised through the Energy Efficiency Levy to target this group.

