

Minutes of a Board Meeting of Strategic Investment Board Limited

Held at 10.30am on Tuesday 18th December 2012 at
Clare House,
303 Airport Road West, Belfast

Present: David Dobbin (DD) (Chairman)
Frank Hewitt (FH)
Brett Hannam (BH)
Geraldine McAteer (GM)
Chris Thompson (CT)

Apologies: Bro McFerran

In attendance: Scott Wilson (SW)
Gregor Hamilton (GH)
Michael Donnelly (MD)(Item 5 only)

Declarations of Interest: FH noted interests in respect of his involvement with ILEX, NI Transport Holding Company and NI Science Park. DD noted his interests in Ulster Rugby and Belfast Harbour Commissioners. CT noted interest in G4S(NI).

1. Minutes of Previous Meeting

The minutes of the November 2012 board meeting were approved.

2. Chairman's Business

DD noted that ministers had approved the submission regarding appointment of a new Chairman and non-executive board members. He explained that board assessments were progressing and noted that he would be asking each member to indicate their willingness to serve for a further term. CT and FH expressed satisfaction at the approval of appointment of additional non-execs.

DD expressed concern that SIB had been incorrectly cited at a recent seminar (along with a number of other organisations) as an example of a body which had suffered a “corporate governance failure”. BH explained that he had pursued the matter with the relevant speaker and it would appear that the comment had been based on an incorrect interpretation of internal audit reports and other public comments about SIB. There was general agreement that the matter should be pursued further in the interests of the reputation of SIB. DD undertook to speak with the organizers of the event.

CT noted that he had attended a CBI sponsored breakfast session with Geoffrey Spence (the Chief Executive of Infrastructure UK). Although SIB had been represented at the same event, he suggested that it would be appropriate for SIB to have a more formal direct contact with IUK. BH noted that he had met with Geoffrey Spence on a number of occasions, but agreed to take forward on a more formal basis, and to invite him to meet the board.

Action: BH to invite Geoffrey Spence to meet the Board.

3. Chief Executive’s Report, ISNI Report and AMU Report

BH noted the publication by HMT of its review of the PFI model (“PF2”). He noted a number of interesting ideas in the review, but noted that there was no commitment to public sector underwriting of refinancing risk, or any other measure which would substantially improve access to long term finance.

BH sought board approval for appointment of additional associate advisors – specifically to work on development of business cases, to provide “surge” capacity to the HR function, and for process mapping and analysis. DD queried if SIB was becoming an in-house advisory service displacing the role of private sector consultancy. BH explained that the role of the associate advisors was to carry out a limited number of tasks which could be done more quickly and cheaply than through external consultancy. CT shared DD’s concerns, but equally understood the advantages of using associate advisors and the speed and flexibility they provide. FH asked if OFMDFM had expressed a view on the matter. BH explained that OFMDFM had been party to the original introduction of the associate advisor model, and that they were consulted in parallel with the board itself. FH noted that this raised again the issue of whether SIB was a strategic organisation or was being used by departments to rescue ailing projects when they hit

problems. DD requested that BH keep the board informed as to the level of use of associate advisors. He was content to support the current proposal provided clear rules of engagement were in place on the use of associates and their use was monitored and kept under regular review. GM asked for clarification as to the legal status of the associate advisors, and BH explained that they were employees not independent contractors- SIB paid national insurance in respect of their employment and they had rights to holidays etc.

BH noted that Dermot McLaughlin had identified a substantial requirement for additional staff for City of Culture and that DCAL and OFMDFM had asked SIB to be prepared to recruit them on their behalf (at DCAL's expense) if Derry City Council was unable to do so itself.

CT noted the reference in the Chief Executive's report to a delay in the launch of the social clauses toolkit. BH explained that it remained a PFG requirement to include social clauses in projects. The delay in launch had arisen because CPD's programme guidance note (which the toolkit was designed to support) had not yet received Procurement Board approval. SIB was now revising the toolkit to permit it to be published independently of the CPD document. GM and DD noted with approval that social clauses were becoming more widespread and familiar to market participants.

SW delivered the AMU report. He noted that completed disposals now stood at £19.9m and that the £22.5m total would be achieved if 50% of the disposals currently being processed were completed. He explained that AMU was now monitoring departmental delivery of the outputs specified in their asset management plans. He noted that information was now being collated for the first "State of the Estate" report, but that certain departmental estates might have to be excluded from the report if they did not provide information in time.

4. Draft Asset Management Strategy

SW explained to the board the five recommendations and sixteen specific actions arising from the draft asset management strategy which was to be submitted to the Executive in January. The board discussed the draft report. CT expressed concern that the implementation of the recommendations might require a lot of expertise which was not available within departments. DD agreed that departments would require properly experienced staff to implement the requirements of the strategy. BH noted that SIB had already been asked to assist in that regard, and that although there was some reluctance to do so, there might be little choice, at least in the short term.

5. Social Housing: Potential Asset Transfer

MD joined the meeting and gave a presentation on the potential transfer of social housing out of DSD/NIHE and into housing associations. He explained that the main transfer of around 90K units would be one of the biggest property transactions ever carried out in the UK, and that it would be preceded by a number of smaller stock transfers of 2-5K units of the stock most badly in need of refurbishment. DD queried whether the housing associations were keen to take these transfers, and MD said that generally they were, so long as their own financial position was not threatened. BH wondered whether there was some capacity building to be done within the associations and SW and MD agreed that there was. MD explained that there were currently 37 relatively small (by GB standards) housing associations, only a few of which actually continued to develop new housing. Some consolidation into fewer larger associations would assist them to find funding for the transfers, although there was no such trend yet discernible. DD noted that there was limited scope to force the pace of consolidation, although CT noted that DSD and NIHE had a number of levers they could use to encourage it.

CT asked when the stock transfers would begin. MD explained that the second pilot stock transfer should complete within the next 6 months. Work was progressing, although there was no set programme for the main transfer as yet. DD stressed the importance of putting in place a proper timetable and plan to avoid any project drift.

BH drew attention to the substantial employment benefits arising from the refurbishment programme. DD noted that this was not something which appeared to be widely appreciated at

a political level and perhaps should be highlighted more in view of the Executive's drive to create jobs.

GM raised concern at the potentially adverse impact of changes in the benefits regime at time when the proposal was for NIHE rents to converge over time with much higher housing association rents. MD said he did not think NIHE had enough information on the social mix of their tenant base to understand the impact of this. DD suggested it would be important for DSD to understand this better if it were not to disrupt the process at some point. CT noted that DSD had in fact commenced work to understand the impact of welfare reform.

DD summed up the discussion by identifying 3 main issues – the need for a proper programme and timescale, the requirement to understand the landscape in the context of welfare reform, and the need to build capacity within the housing associations.

6. Report from Audit Committee

CT reported that the Audit committee had carried out a self assessment process and that there had been a small number of recommendations out of this, which would be implemented. They had also considered two internal audit reports, both of which were satisfactory, although again there were a number of minor recommendations arising. There would be one more internal audit report commencing in January, on the provision of advice.

CT indicated that the Audit Committee had discussed a small number of STAs. Since one of the STAs was of relevance to one of DD's declared interests, he volunteered to leave the meeting, and CT took over the Chair for the purposes of the discussion. The Board noted that the STA in question had been justified on the basis of the requirement for confidentiality. The board were assured that VFM had been adequately addressed (and indeed the price had been very heavily negotiated) and the OFMDFM Accounting Officer had approved the procurement.

CT rounded off his report by noting the new requirement to include a governance statement in the annual report.

DD rejoined the meeting.

7. Finance Report

BH confirmed that spending remained on budget.

8. Other Business

BH agreed to write out to confirm dates for the 2013 board meetings

Chairman

Summary of Actions

<i>Ref</i>	<i>Action</i>	<i>Owner</i>	<i>Status</i>
1	Invite Geoffrey Spence to meet the Board	Brett Hannam	