

Minutes of a Board Meeting of Strategic Investment Board Limited

Held at 2.00pm on Tuesday 21st February 2012 at
Clare House,
303 Airport Road West, Belfast

Present: David Dobbin (DD) – Chair
Frank Hewitt (FH)
Bro McFerran (BM)
Chris Thompson (CT)
Brett Hannam (BH)
Geraldine McAteer (GM)
Denis Rooney (DR)

In attendance: Martin Spollen (MS)
Scott Wilson (SW)
Gregor Hamilton (Comp. Sec.)
Tim Losty (OFMDFM)
Pamela Dugdale (NIAO) (Not item 1)
Richard Bannister (Interim Programme Director-Stadiums)
(Item 2 Only)
Wesley Emmett (SIB) (Item 2 Only)

In attendance for meeting with Ministers only:
First Minister
Deputy First Minister
Paul Kavanagh
Richard Bullick

The non-executive directors held a private meeting in advance of the main meeting

Declarations of Interest: DD declared interests in respect of his involvement with Ulster Rugby and Belfast Harbour Commissioners. BM declared interests in respect of his involvement with ILEX and City of Culture 2013. FH declared interests in respect of his involvement with ILEX and NI Science Park.

1. Topics for discussion with Ministers

The board discussed potential topics to be covered with the First and deputy First Ministers. It was agreed that, given limited time available, in addition to short presentations from BH on SIB's work on programmes and projects; Martin Kelly on Primary Care, and SW on AMU, the key topics which should be covered were alternative sources of financing (and potential to access additional funding from EU), and in particular the requirement to find a way of making up for a potential shortfall in the later years of the CSR.

2. Stadiums Programme

BH explained the background to Richard Bannister's appointment as programme Director on the Stadiums Programme. He explained that the Programme Steering Group had agreed that a new programme plan should be put in place to replace the previous plan, which had somewhat unrealistically attempted squeeze delivery of the IFA and GAA elements of the programme into a predetermined timescale. While the change to a more realistic programme was necessary, it would create difficulties as DCAL's capital spend would now largely be required at a later stage in the CSR period when a shortfall in available funding had already been identified.

CT queried the extent of the delay. BH said it was impossible to quantify at this stage but estimated 12-18 months. RB agreed that at least a year's delay was certain, and explained that soundings would be taken from leading contractors in the field to establish more realistic timescales.

DD queried whether costs were likely to increase in addition to timescales. RB acknowledged that this was a risk.

GM pointed out that the perception on the ground was that the projects were continuing – the GAA were appointing consultants. RB acknowledged this – the projects were all progressing, it was simply that the plan for completing them was being rewritten.

3. Minutes of Previous Meeting

The minutes of the January 2012 board meeting were agreed.

3. Away Day

DD agreed to circulate suggested dates for a board away day.

4. Interim Chief Executive's Report & Executive team reports

BH spoke to the report. He drew particular attention to:

- his attendance with MS and SW at the Assembly's OFMDFM committee;
- a meeting with NILGOSC to discuss potential for pension funds to provide financing for infrastructure. He noted that, as established in discussions with pension fund managers in London, there is a requirement to establish suitable vehicles to spread risk to allow any major programme of investment by pension funds in infrastructure;
- MLK: he noted that the offer of funding for the PbCRC had been received from SEUPB, but not yet accepted, and that progress on the RUAS deal was dependent upon progress with the PbCRC; and
- a meeting with Brenda Burns and the DSD Minister re the Colin Regeneration project, at which the possibility of carrying out a similar project in North Belfast had been explored.

CT queried the position regarding prisons, and BH updated the board on the background to the resignation of the Change Director.

FH noted the reference in the report to potential German investment in the ARC 21 project and volunteered any assistance he could provide in that regard in his capacity as German Consul.

DR offered his own services and local knowledge in relation to North Belfast.

MS then updated the board on the ISNI.

MS noted that turnout at the consultation events had been disappointing and that interest had focused on local issues and the A5/A8.

He explained that going forward into the next CSR period a sum of £100m pa had been earmarked for water/wastewater, but that DRD were of view that the actual figure required to avoid infraction proceedings could be in the region of £160m/£200m. The options were to transfer money from other Departments (difficult given the relative size of the shortfall), transfer money from within the DRD budget, or leave as it is and run the risk of infraction proceedings. Discussions were ongoing with DRD. DD queried whose decision it was. It was for SIB to advise the Executive on best course of action.

FH expressed disappointment at poor turnout on the ISNI consultation. He queried whether SIB could have done more to market the events to the public. Had there been better response to the programme for Government and Economic Development Strategy? MS explained that all three documents had been covered at the same consultation meetings. He added that there had been plenty of interest shown by interest groups - local government, trades unions etc- even if individuals hadn't attended the meetings, and that NICVA were carrying out their own exercise collating their members' responses into a single submission.

SW updated the board on the work of the AMU. He noted that it was on course to achieve its £10m target for this year and that £90m of the targeted £100m over three years had been identified, and that there was a further "B" list identified in excess of £15m. He explained that NIAO had prepared a report on Asset Management upon which AMU had been asked to comment, and, in response to a query from CT, that the main finding of the report was that DFP Properties Division might have done certain things differently.

5. Committee Reports

Audit

CT reported that the Audit committee had considered 2 internal reports.

The report on Recruitment had given an assessment of substantial assurance and made one recommendation.

The report on Communications had given a satisfactory assessment and made four recommendations.

He noted that the committee thought there was a wider question whether SIB should be proactive or reactive in its communications strategy and suggested that this was something which might be discussed either at a future board meeting or at the away day.

CT further noted that OFMDFM had reported on a whistle blowing accusation, and that the committee were not in agreement with the terms of that report. Although there was no suggestion of impropriety there had been criticism of the appointment of a consultant by single tender action, which criticism the committee believed to be unfair. CT suggested that this was a matter for the whole board to consider at the March board meeting and that SIB should put on record its views on the matter.

CT also brought to the attention of the board an issue in relation to the annual report and accounts. BH explained that an internal audit report had identified the need for certain controls to be put in place in respect of money paid by SIB in support of projects (which controls had been put in place), but that the word “grant” had been used in this context. However “Grant Scheme” has a specific technical meaning and implications, which had not been intended. The matter would require to be clarified in order to avoid qualification of the accounts.

6 Meeting with First Minister and Deputy First Minister

FM and dFM and their advisers joined the meeting.

- DD welcomed the Ministers and gave a brief introduction to the work being carried out by SIB and the issues it needed to address. He specifically drew attention to:-
- the ISNI, and issues around funding projects which had been announced for the latter years of the strategy but whose funding had not been identified;
- the difficulty of funding DRD’s expenditure on water/waste water in absence of water charging;
- the stadium projects, and potential difficulties in spending capital and delivering the projects on time; and
- the AMU, and need for departments to progress disposals in order to allow it to meet its targets.

DD suggested that greater discussion between SIB and ministers (in particular the junior ministers) and SPADs would be welcome in relation to new ideas for strategic thinking on infrastructure (as distinct from simply delivering the ISNI as currently stands).

BH then gave a brief outline of the types of work being undertaken by SIB, including:

- support for specific projects and programmes for individual departments (eg Lisanelly)
- cross cutting work of general relevance (eg the Delivery tracking System, Social Clauses, Short Run Jobs Model, NI Energy Model)
- Strategic Investment Planning Models as originally piloted for ambulance services and now being introduced for libraries, education, further education and police deployment.

BH explained that SIB was essentially doing more on a smaller budget by utilizing directly employed experts in particular fields rather than using external consultancy firms.

MK then gave a brief presentation on the Third Party Developer model being introduced in the primary care sector. He explained the background requirement to reconfigure the way primary care service delivery was provided, and how the new model would allow service provision to drive infrastructure rather than the other way around.

SW then gave a brief presentation on the AMU. He explained that a paper would be submitted shortly to the budget review group, and that just short of £90m out of the £100m target for disposals over the 4 year period had now been identified. He broke this down £17m from the sale of 4 car parks (although revenue implications of this would require to be addressed), £50m from DSD, and £20m from a general sweep of departments to identify surplus assets.

FM thanked the board for the presentations. He observed that he was not convinced that the possibilities for innovative funding approaches had yet been fully explored. He noted that it was unavoidable that priorities set by the Executive might differ from what SIB might “objectively” determine to be priorities. He noted that he wished to see the A5/A8 project delivered in its entirety at some stage, but in the meantime the two stretches the executive had agreed to progress would have to suffice. He welcomed the developments in 3PD and observed that this was very much in line with ministerial policy of drawing in private finance to fund infrastructure where possible. He identified the main priority as finding sources of additional funding for roads and education.

A discussion ensued around potential sources of additional funding. DD and DR emphasized the need for a rigorous common approach to ensure delivery of departmental commitments to asset sales over the longer term. BM suggested that Northern Ireland was missing a trick in obtaining EU funding which was available for networks and inner city regeneration, and FM noted that a European Unit had already been created within the civil service tasked with ensuring the maximum benefit from the available schemes. GM noted that a number of the local Councils had been successful in obtaining EU funds. DD suggested that bonds should be investigated as a possible source of funding. FM noted that this had previously been explored but found to impact negatively on funding from Treasury. DD suggested that consideration should be given, if not to water charging *per se*, then to ring-fencing part of the rates revenue for water, effectively creating a stand alone revenue stream against which capital could be raised. FM and DFM emphasised that water charging was not a politically acceptable solution.

FM asked to be provided with a list of projects actually starting in the next financial year, which could assist in getting the level of confidence up in the economy generally.

FM, DFM and their advisers left the meeting.

7. Committee Reports (contd.)

Strategy

DD explained that the strategy committee had met and discussed its terms of reference and how it would develop new ideas/opportunities etc. The Executive team had a number of actions from the meeting to follow up in this regard. The board discussed the possibility of holding a workshop with opinion formers on future infrastructure provision or collaborating with others to identify long term regional infrastructure needs, alternative funding approaches etc. DR questioned whether this was appropriate- was it not the function of SIB to act as a think tank and come up with our own proposals? CT noted that the task clearly set by FM and DFM was to find a means of making up the funding shortfall in available capital for the Executive's programme. DD agreed that this was the immediate priority but insisted this did not preclude more long term strategic thinking. Part of SIB's remit was to innovate in infrastructure provision- whether a workshop was the best way to do this was open for debate. FH suggested bringing some of the leading experts to the away day to allow the board to develop their

thinking. BM suggested that inviting key speakers from Wales and Scotland would allow the board to compare approaches from elsewhere in the UK. BH cautioned that some time had already been spent looking at what was being done in Scotland (eg tax increment financing, Scottish Futures Trust) but much of what was done there was not possible under the devolved powers and government structures in NI. Consideration had even been given to the changes in legislation that might be required to facilitate more innovative approaches, but it was thought unlikely there would be political support for this. DD and FH expressed view that it was part of the board's function to challenge the politicians.

Communications

GM reported that the communications committee had discussed a draft communications policy. DR added that discussion had taken place around the extent to which SIB needed any PR function for itself. Although obviously SIB required to communicate with its own stakeholders, its communications activity should be largely ancillary to individual projects and programmes, rather than concerning the organisation itself. It was agreed that some more discussion would be needed before finalizing the communications strategy.

Programmes and Projects

BM reported that the committee had discussed a number of issues including:

- potential to obtain EU funding for decontamination of sites;
- two requests for assistance from DCAL in respect of recruitment of a project Manager, and OFMDFM for legal support.

BM raised a general query as to whether it made sense to discuss issues in committees only to raise the same issues for discussion at board level. DD said the intention was that the committees provided the opportunity to discuss issues in greater detail than was possible in board meetings and that committees could subsequently report back to the board on the key points. DD suggested that the committee structure could be reviewed/discussed at the away day. CT suggested it was too early to reach any decisions on the functioning of the committees, but the matter should be considered after a year when they would be better established.

8. Board self-assessment

CT gave a brief report on the board self assessment exercise. He noted that while the general response was positive there were areas for improvement- in particular there was a desire for minutes to be more comprehensive and for greater contact between the executive and non executive teams.

GM queried whether the committees should keep minutes. It was agreed that they should. BH agreed that the executive reps on the committees could do this.

9. Finance Report

The Finance report was noted. CT queried the overspend against plan shown in the report. BH confirmed this was solely a timing issue against plan, and there would be no overspend over the full year.

10. Media Update

The media update was noted.

11. Other Business

There was a further brief discussion around the potential for innovative funding solutions. BH pointed out that considerable effort had been put into consideration of this topic in the past, but that there were frequently legal obstacles to implementing schemes. For example, use of TIF would require legislation. MS added that the VFM assessment on projects would not allow them to proceed where private finance was more expensive than public, even where no public finance was available for the project.

DR suggested that an action should be taken away to look into the potential availability of EU funds in greater detail.

<i>Ref</i>	<i>Action</i>	<i>Owner</i>	<i>Status</i>
1	Circulation of dates for away day	DD	Ongoing
2	Preparation for FM/DFM of list of projects commencing	BH	Ongoing