



RSM McClure Watters (Consulting)
Connected for Success

OFMDFM

Review of Ilex, the Urban Regeneration Company

Final Report
July 2015

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1 EXECUTIVE SUMMARY

1.1 Introduction

Ilex was set up in 2003 with two members: Office of the First Minister and Deputy First Minister (OFMDFM) and Department for Social Development (DSD). Ilex was funded by OFMDFM and DSD from 2003 to 2013, as set out in the Management and Financial Memorandum (MSFM)¹, and was accountable to both departments for its activities.² In 2013 OFMDFM became the single sponsor of Ilex. Ilex was established with the following objectives:³

- The creation and promotion of the co-ordinated regeneration of the Derry City Council Area generally and to facilitate its implementation in cooperation with DSD, other relevant government departments, Derry City Council, the private sector and other interested parties; and
- To secure the economic social and physical regeneration of the Ebrington Site (being a relevant site with the meaning of Article (2) (2) of the 2003 Order). With specific reference to Ebrington the article states that Ilex have the necessary powers to manage and develop the Ebrington site, including procurement of works.

OFMDFM appointed RSM McClure Watters to conduct a review of Ilex to examine the continuing need for the company, its effectiveness, purpose, aims, objectives, achievements, VFM, and funding arrangements. The MSFM⁴ requires a periodic review of the company in accordance with the business needs of the Department (OFMDFM) and Ilex. The BDO review of Ilex in 2011⁵ also recommended that a subsequent organisational review be carried out in 2014. Ilex has now been operating for 12 years and in this time has produced a regeneration plan as well as a number of business and corporate plans. Therefore it is timely to assess the outputs, outcomes and impact of the company's work and its future role.

It is anticipated that the work currently undertaken by Ilex in support of the delivery of the One Plan will be subsumed or included within the work of Derry City and Strabane District Council (DCSDC) to provide a community plan⁶ for the Council area. Give this expectation, this review focuses on Ilex's role to develop the Ebrington site.

¹ Ilex Urban Regeneration Company Limited MSFM (2008; updated 2014)

² Ilex: Management Statement and Financial Memorandum.

³ Ilex Urban Regeneration Company Limited Memorandum and Articles of Association (2003)

⁴ Ilex Urban Regeneration Company Limited MSFM (2008; updated 2014)

⁵ BDO (2011) Review of Ilex Urban Regeneration Company

⁶ The 11 new councils have a duty to make arrangements for community planning in their areas.

Community planning involves integrating all the various streams of public life (such as the services and functions that are delivered in an area) and producing a plan that will set out the future direction of a council area. They will work with statutory bodies, agencies and the wider community, including the community and voluntary sector, to develop and implement a shared vision for promoting the well-being of an area and improving the quality of life of its citizens (Local Government Reform Guidance to Councils: Community Planning Foundation Programme. Department of the Environment Local Government Policy Division (2013):

http://www.doeni.gov.uk/community_planning_foundation_programme_-_oct_2013.pdf

1.2 Conclusions and Recommendations

1.2.1 Need for Ilex

There is a continuing need to develop the Ebrington site but, particularly given the changes following Local Government reform, this does not necessarily need to be led by Ilex. Ilex has not been sufficiently focused on this core purpose, the development of Ebrington (or Fort George), over the period of this review. As a result there has been an underspend of £6m over the period and no significant private sector investment on the site. Instead there has been mission drift as the organisation has been involved in other activities, for example the City of Culture.

The management team also needs to improve not only its focus but its reporting processes. A wealth of information is provided on projects and programmes, but progress against deadlines is not clearly monitored. A recent example of this would be the development of a business need assessment for Grade A office accommodation was due at the end of February 2015 and it has not been delivered at the time of this report (July 2015).

The lack of business cases for new capital projects and the feedback from funders on the quality of business case information presented in the past, highlights concerns over Ilex's ability to deliver.

A review of the resources and the information produced in the business plans shows that the organisation spends too much time being internally focused.

A comparison of Ilex's costs as a percentage of capital spend against other comparators show Ilex costs nearly four times DSD, nearly three times Riverside InverCLYDE (Scotland) and approx. twice Lagaside costs.

The emerging preference, both nationally and internationally, is to ensure coordination and collaboration of development projects at a local level. This is in line with the Reform of Public Administration (RPA) model which envisages local government as the cornerstone of reformed public services with a focus on creating vibrant and cohesive local communities through social, environmental and economic development. The BDO review recognised in 2011 that given these developments the Council could therefore ultimately become "owners" of the Ebrington development project.

Given the implementation of RPA, the limited capital spend delivered by Ilex, concerns in respect of the quality of business cases and delivery of a pipeline of projects, this review endorses the direction of travel noted in the BDO review.

Recommendation: We therefore recommend that Ilex ceases operation on 31st March 2017 and the function in relation to Ebrington is transferred to the Council on 1st April 2017, therefore bringing it in line with other regeneration / economic development functions for the area. Under this option the Council would be responsible for delivering the plan of work set out in the EDF for 2015-19 and bringing forward as much of the work planned for 2019-23 as possible so that it can be delivered within a

shorter timeframe. In addition the animation of Ebrington should continue, if required, to attract events and groups to the site.

In light of reorganisation following the RPA, it is accepted that DCSDC is not in a position to take responsibility for Ebrington immediately, therefore it is proposed that Ilex remain until 1st April 2017 at which point it is expected that the development of Ebrington will become the responsibility of the Council.

To support the regeneration work required, Ebrington could be recognised as a regionally strategic project by DSD, therefore providing the opportunity to bid for central government funding through the in year monitoring rounds. However it is recognised that this option may not be immediately deliverable given the challenges facing the new Council. In the interim, if Ilex is to retain its current responsibility to develop Ebrington, its effectiveness must be improved. In order for this to be achieved it will be important for Ilex to progress the recommendations noted below as swiftly as possible. The Department should seek to support this work.

1.2.2 Effectiveness

The review of Ilex highlighted that whilst it had made progress in a number of areas since the last review in 2011, it has not been effective at delivering on its core function.

The lack of progress in infrastructure investment and specifically in developing business accommodation is particularly concerning. A review of performance has shown that Ilex has prioritised public realm projects and the car park over commercial units. This has made it more difficult to market the space / units to the private sector. Therefore strategically Ilex has not placed the development of Ebrington as its core focus; instead allowing wider opportunities such as the City of Culture, One Plan projects and Peace Bridge activities to take precedence.

There is a lead time in getting public sector investment approved, but it requires business cases to be submitted in advance in order this to happen. Until May 2015, there was no evidence that a pipeline of business cases were sent to OFMDFM indicating that progress in this area is unlikely to change significantly over the next 6 months unless urgent action is taken. There was also evidence of poor quality business cases submitted which needed significant reworking in order to get approval.⁷

Recommendation: The Board and CEO should ensure that the number and quality of the business cases should be significantly improved and increased over the period to the function is transferred, focussing on projects which can be delivered in the next 12-24 months.

⁷ Feedback provided by OFMDFM (see section 1.2.5)

1.2.3 Operation of Ilex

1.2.3.1 Corporate Governance

Ilex's corporate governance systems came in for significant criticism by the Public Accounts Committee in July 2012. Since then the internal and external audit reports demonstrate that Ilex has improved its governance.

The Board needs to oversee an organisation focused on regeneration and attracting private investment into Ebrington but retaining high levels of governance and accountability. The lack of an agreed Corporate Plan and Business Plan for 2015/16, raises concern as these are essential for good governance.

Recommendation: The Board need to focus on Capital work on Ebrington and maintain high levels of governance. Therefore whilst membership of the Board should not be increased it should be reviewed to ensure that it has members with proven track records in physical regeneration; commercial development, corporate governance and attracting private sector investment.

1.2.3.2 Budget and Business Planning / Monitoring

A review of the Ilex's Corporate and Business Plans 2011-2015- show a range of targets (for example they separately contain 100, 200 and 300 day targets and then further targets for each business objective). These separate targets do not completely align and makes the process of reviewing and monitoring progress against targets confusing and difficult.

There are too many low level targets set, especially with regard to measuring 'process', 'team' and 'partnership working' demonstrating a focus on measuring its internal working rather than delivering on its core purpose.

The key performance indicators should include:

- Metres squared of developed or refurbished space;
- Number of business cases produced and approved;
- Number of businesses set up on the site;
- Number of jobs created on the site;
- Capital funding invested; and
- Private sector funding leveraged.

The monitoring reports have improved during 2014/15, but they still need further improvement. The Ilex CEO needs to ensure the reports⁸ give clear messages regarding performance against already agreed targets; sufficient to allow the Board to complete their role of robustly challenging the management team in the information presented.

⁸ Reports cover no only project progress reports to ensure the projects are being delivered to the agreed deadlines, but also Post Project Evaluations- which should show that the projects delivered on the Outcome Targets expected or any reasons for under performance.

Recommendation: The Ilex Board need to finalise a SMART business plan for 2015/6 by July 2015. The work programme contained in the plan at minimum needs to see the existing developed buildings rented out and 175 jobs confirmed for the area based on those projected to be in the final stage of completion as detailed in Appendix F.

Recommendation: The information going to the Board should be improved immediately, to show a greater focus on the deadlines set out in the revised business plan and progress against these; including capital spend on a monthly basis.

Recommendation: The Board needs to develop a performance culture, challenging the project information presented to them to ensure that the work programme is being delivered as planned.

Recommendation: PPEs should be completed using evidence and data that is sourced and validated where possible to show performance against the targets set.

1.2.3.3 Funding and Value for Money (VFM)

The cost of running Ilex has decreased from £2.1m per annum to £1.6m per annum over the review period. However over the same period the capital and revenue expenditure has decreased from £9.9m per annum to £5.2m per annum. The cost as a percentage of expenditure has therefore increased from 21% to 32%.

Comparisons of costs involved in delivery against a number of other organisations show that Ilex is between two to four times the cost. This is not VFM and the costs involved in developing Ebrington need to be significantly reduced from present levels.

The opportunities for reducing costs exist with staffing as detailed below.

1.2.3.4 Structure and Staffing

The administration cost is too high for the organisation. Administration costs were over £700k in 2011/2 and while these have been reduced, they are still over 40% of the total staff costs (2011/12 – 2014/15). This high percentage of staff cost allocated to administration (against the much lower percentage allocated to Development) is not the best use of the public monies.

The structure and staffing have evolved over time, as some roles have changed in order to take on additional responsibilities after other staff left and Ilex has made some cost reductions. For example, the CEO has taken on responsibilities for Ebrington (mainly legacy issues and the office accommodation) and Corporate Affairs (chairing case work committees; governance returns etc.). The HR and Finance roles have been brought together into one role and are being delivered by a finance specialist. The Cultural Broker moved into the key Director of Ebrington role, resulting in a merging of both jobs.

The Development team has an additional resource seconded, at Director level, from SIB delivering on core operational project work, but which provides much needed expertise on a flexible basis.

As a result some staff members are undertaking roles that they were not recruited for and others are working on areas outside their areas of competence.

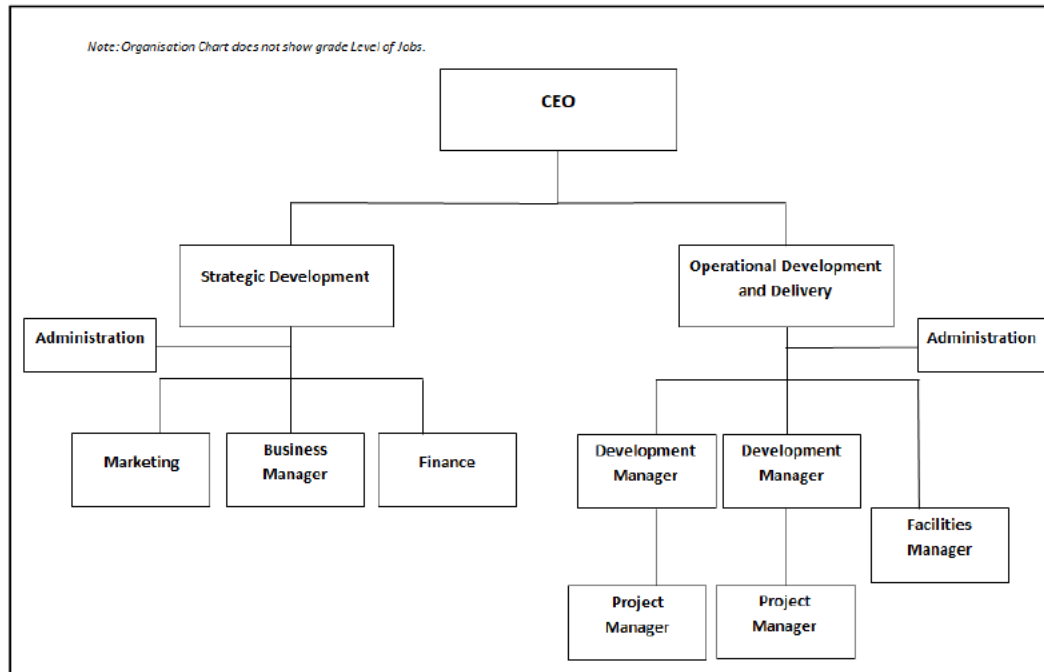
Consequently the current staffing structure is not an efficient or effective use of resources nor is best use of the skills available within or available to Ilex and significant change required to deliver VFM. However it is recognised that in order to access the skills needed to deliver the development of Ebrington and the recommendations in this report to improve effectiveness, Ilex may need continued support from SIB. Given that the Director of Ebrington is a key role, this support may need to be increased given the planned end to Ilex in April 2017. Therefore it is suggested that this key role could be discharged by a person with relevant experience and skills in SIB who is familiar with the challenges of the Ebrington site.

This would allow the Cultural Broker to continue with the role he was appointed to, specifically the animation and marketing of the Ebrington site, along with revenue generation.

Recommendation: The Administration costs should be reduced and the finance function needs to be reduced to at most one member of staff.

Recommendation: A staffing review needs to be completed by the end of September 2015 to reduce the staff headcount, with no new staff or board members required. This needs to ensure a Director of Ebrington is in place who is responsible for capital works and has a proven track record in delivering in this area. Numbers employed / costs should be closer to the benchmark organisations, with a maximum of 13 FTE in the current year. A proposed structure is set out in figure 1.1, which includes staffing and costs greater than some of the benchmarks would suggest, but allows for the completion of a number of ongoing projects and assumes that the work planned into the EDF can be brought forward in order to demonstrate significant progress in attracting the private sector into Ebrington.

Figure 1:1: Recommended Future Structure for Capital Development at Ebrington



The staffing review should include revised job descriptions to reflect the changed roles:

- CEO: the role should involve leading/managing the operation; building the pipeline of new projects and leadership of the development function. The key performance indicators for the position should reflect the changes in the role.
- Operational Development team: the team responsibilities will change in light of the changes to the CEO role. The team should include a Director of Ebrington with relevant experience to deliver Capital projects. The Director would be responsible for managing projects from business case stage on; developing business cases for smaller less strategic projects and delivering all projects to the agreed deadlines and budgets set out in the business plan. This team should continue to be responsible for dealing with local communities/stakeholders on issues relating to Ebrington. The number of staff in this section should be proportionate to the number of projects being completed. This post requires specific knowledge/skills that are lacking in the organisation at present. It is likely that the SIB resource should be retained to fill this post in the interim as it would not be appropriate to recruit to an organisation with an imminent closure date.
- The Director of Strategic Development would be responsible for the cultural animation of the Ebrington site, developing and project managing programmes of events that consolidate Ebrington's position as a key shared space within the city and a venue for cultural and community events. This role would assume responsibility for marketing all aspects of the site as outlined in section 1.2.4.
- All jobs that have changed significantly as a result of the restructuring should be evaluated to provide clarity on the level of the job and the public sector

grade norms for this level of work. Note, any job evaluation which shows that a staff member is currently deployed at a level above the new job grade would not be impacted by this evaluation but it should inform the level at which any replacements are recruited.

1.2.4 Marketing Potential

Ilex's marketing activities during 2011 – 2015 cover a wide range of areas, however in total 86% of communication and marketing spend (including event management) is attributable to areas outside Ilex's core mission and only 3% of spend has been on Ebrington.

Ilex has been working with Invest NI over the last year to promote the site to international companies seeking to move to or expand in Northern Ireland. This work needs to be expanded.

Recommendation: The Marketing function needs to be led by a Director who would be responsible for delivering a 100% focus on marketing Ebrington to the private sector, working with Invest NI and other relevant stakeholders. Key performance indicators should include number of companies contacted; number of site visits to Ebrington; number of offers discussed / negotiated and number of deals.

1.2.5 Relationships

Partnership working and therefore relationships are key for any URC. The relationships between Ilex and the local stakeholders in the North West/Derry~Londonderry area are generally positive and these stakeholders highlighted the vision and success of the organisation in relation to the Peace Bridge⁹, the City of Culture and the funding for the NW Science Park. However they also highlighted Ilex's lack of success with regard to attracting businesses, and the focus on car park / public realm projects rather on projects likely to attract a high number of jobs to the area.

Many felt that Ilex's non-performance in attracting private sector jobs was due to the time central government takes to get business cases approved. However evidence provided by OFMDFM indicates that the time taken to approve major capital business cases during 2012 – 2014/15 was up to six weeks¹⁰, therefore it is concerning that this information is not getting through to wider stakeholders.

Relationships with Central Government Departments are strained. DSD noted that when they held the sponsor Department role they were critical of the quality of the business cases produced by Ilex. OFMDFM have also suggested that this, alongside a lack of planning ahead on projects to take into account the time required by OFMDFM / DFP, has impacted on their ability to get business cases approved and

⁹ Note, whilst local stakeholders highlighted the importance of Ilex is the development of the Peace Bridge, the bulk of this work took place before the period of this review. The reference is included for completeness of recording the stakeholder feedback.

¹⁰ Details on the time taken to approve a sample of capital business cases have been provided by OFMDFM and are detailed in Appendix M

work started on buildings on the Ebrington site. The quality and quantity of the information produced by Ilex remains an issue for OFMDFM and requires them to be involved in reviewing and providing feedback on corporate/business plans, financial information and business cases well in excess of the normal level used in managing other arm's length bodies. In addition, meetings with Departmental Finance and Economists prior to the submission of the business case have been arranged; however there remain a number of issues outstanding when the business case has been submitted. OFMDFM is also very concerned about the length of time it takes for Ilex to develop business cases for capital works on Ebrington (dates of business cases submitted to the Department are included in Appendix M). OFMDFM have noted that they expect a pipeline of projects developed to different stages in order to ensure a phased approach to development.

Other departments outside of the sponsor role highlighted Ilex's tendency to contact local politicians if they wish to try and achieve a result rather than working with the department concerned. DRD's feedback suggested that Ilex has tended to focus on formal reporting structures which had not necessarily added value either in terms of delivery or communicating progress. Departments also questioned the role and value-add of Ilex in delivering on certain aspects of the One Plan, specifically transport and education/skills. These examples demonstrate Ilex's tendency to digress from its central mission of developing Ebrington and to get involved in other areas that are not within their remit.

Overall relationships at a local level are more positive than those which exist with Central Government departments. However to be effective, Ilex needs to have strong working relationships with central and local stakeholders. It is also a concern that Ilex does not have a good working relationship with its current or its previous sponsor departments.

Recommendation: Ilex needs to build the confidence and relationships with central government and to accept the limitations of Ilex's role in respect of other Departments roles and remits.

2 INTRODUCTION AND BACKGROUND

2.1 Background

In 2003 and 2004 six former military and security sites were transferred to the Northern Ireland Executive as part of the Reinvestment and Reform Initiative in order to deliver the economic and social regeneration of local areas. Conditions applied to the transfers by the UK government were that the sites must be used specifically for the purposes that represent a tangible benefit to the peace process and that the Northern Ireland Executive must bear the cost of making the sites ready for use. Northern Ireland communities were then given the opportunity to develop and bring proposals for the sites. A community based panel¹¹ was established in 2002. It recommended the formation of a new structure to take forward the strategic development of Derry~Londonderry.

Ilex Urban Regeneration Company (Ilex) was subsequently set up in 2003 with two members: Office of the First Minister and deputy First Minister (OFMDFM) and Department for Social Development (DSD). Ilex was funded by OFMDFM and DSD from 2003 to 2013, as set out in the Management and Financial Memorandum (MSFM)¹², and was accountable to both departments for its activities.¹³ In 2013 OFMDFM became the single sponsor of Ilex.

Ilex was established with the following objectives:¹⁴

- The creation and promotion of the co-ordinated regeneration of the Derry City Council Area generally and to facilitate its implementation in cooperation with DSD, other relevant government departments, Derry City Council, the private sector and other interested parties; and
- To secure the economic social and physical regeneration of the Ebrington Site (being a relevant site with the meaning of Article (2) (2) of the 2003 Order). With specific reference to Ebrington the article states that Ilex have the necessary powers to manage and develop the Ebrington site, including procurement of works.

The rationale¹⁵ for using the Urban Regeneration Company (URC) model was:

- URCs depend on the powers and resources which the partners who establish them bring, and much of the added value of the approach is therefore expected to result from the company's coordinating, influencing and facilitating role;

¹¹ A community based panel tasked with bringing forward proposals within three months on the potential role of the Ebrington Barracks within the wider strategic development of the North West, as well as the most appropriate vehicle to take it forward.

¹² Ilex Urban Regeneration Company Limited MSFM (2008; updated 2014)

¹³ Ilex: Management Statement and Financial Memorandum.

¹⁴ Ilex Urban Regeneration Company Limited Memorandum and Articles of Association (2003)

¹⁵ Set out in NIAO report 'The Transfer of Former Military and Security Sites to the NI Executive November 2011.

- URCs work towards a coordinated approach to the problems and opportunities in their target areas;
- Principal focus is engaging the private sector in an agreed physical and economic regeneration strategy; and
- Ilex was set up at a time when Derry~Londonderry was experiencing significant economic and social problems and the military sites were viewed by many as an opportunity for regeneration of the area.

The evidence as to whether Ilex was effective as an URC is set out in section 5 and concluded on in section 11.

2.2 OFMDFM

The overall aim of OFMDFM is to ‘build a peaceful and prosperous society with respect for the rule of law where everyone can enjoy a better quality of life now and in years to come’.¹⁶ The Department objective relevant to Ilex is to drive investment and sustainable development through the regeneration of strategic former military sites.¹⁷

2.3 Ilex

According to Ilex’s 2011-2015 Corporate Plan, its mission during this time is to ‘champion sustainable economic, physical and social transformation in Derry~Londonderry’. The aims of Ilex are:

- To create, promote and implement a co-ordinated regeneration of the Derry City Council area in co-operation with DSD, OFMDFM, other relevant government departments, Derry City Council, the private sector and other interested parties; and
- To secure the economic, social and physical regeneration of the Ebrington and Fort George sites.

Specific actions included:

- Embed the structures and lever the finance necessary to deliver the objectives of the One Plan;
- Expend £50m capital investment from 2011 until 2015;
- Lever £3 private sector funding for every £1 of public sector expenditure;
- Create 745 jobs and embed social clauses;
- Develop Ebrington as a regional cultural Hub; and
- Establish the North West Regional Science Park at Fort George as a centre of excellence in science and digital technology.

¹⁶ OFMDFM Departmental Plan 2013-2014

¹⁷ <http://www.ofmdfmi.gov.uk/index/about-ofmdfm/about-the-department.htm>

2.4 Organisational Review

OFMDFM appointed RSM McClure Watters to conduct a review of Ilex to examine the continuing need for the company, its effectiveness, purpose, aims, objectives, achievements, VFM, and funding arrangements.

The MSFM¹⁸ requires a periodic review of the company in accordance with the business needs of the Department (OFMDFM) and Ilex. The BDO review of Ilex in 2011¹⁹ also recommended that a subsequent organisational review be carried out in 2014 (progress against BDO recommendations is noted in section 5.7).

2.5 Terms of Reference

The Terms of Reference for the review of Ilex are as follows:²⁰

Need

- Critical examination of the continuing need for the company, its effectiveness, purpose, aims, objectives, achievements, VFM, and funding arrangements.

Effectiveness

- Taking account of the resource base and staffing structure consider how well Ilex has performed against its aims, objectives, key targets and quality standards.
- Confirm whether the current aims, objectives, targets and standards are sufficiently focused, stretching and consistent with the Executive's needs.
- Independent and objective evaluation of the effectiveness and achievements of Ilex in:
 - Delivering its regeneration mission, in particular the development of the Ebrington site; and including the Peace Bridge and the development of Fort George;
 - the oversight and monitoring of the One Plan and associated contribution to the One Plan, Programme For Government 16 targets and objectives²¹;
 - working in co-operation with key stakeholders;
 - adding strategic value beyond that which might otherwise have happened without it; and
 - Attracting additional private sector investment.

¹⁸ Ilex Urban Regeneration Company Limited MSFM (2008; updated 2014)

¹⁹ BDO (2011) Review of Ilex Urban Regeneration Company

²⁰ OFMDFM: P19276 – Review of Ilex Urban Regeneration Company, Specification (December, 2014).

²¹ Note: refers to Programme for Government commitment number 16

Operation

- Assessment of the effective operation of the company including key internal and external relationships and corporate governance arrangements, budget planning and monitoring, VFM and the role of the Ilex Board.
- Assessment of the current organisational structure and staffing with regard to its suitability for delivering its current functions.

Marketing Potential

- Assessment of the marketing of the Ebrington site including engagement with the private sector.

Funding

- Finance arrangements for Ilex including budget allocation by OFMDFM and income from other sources.

Relationship with Sponsor Departments

- Assessment of the role and effectiveness of the relationship between Ilex and the sponsoring department and an assessment of the corporate governance arrangements between Ilex and the Department.

Future Directions

- Ilex's role in, and suitability for, delivering the required services in its future operating environment, including new financial models such as Financial Transactions Capital (FTC) and changes to new Council responsibilities.

2.6 Methodology

Full details of the review methodology are contained in Appendix A. The stages of work used to undertake this review were designed to address each element of the Terms of Reference detailed in section 2.5 and involved five key work stages, which were as follows:

- Stage One: Project Planning and Initiation;
- Stage Two: Organisational Context;
- Stage Three: Organisational Performance (in relation to targets; relationships established; governance arrangements);
- Stage Four: Organisational Evaluation and Draft Report; and
- Stage Five: Review Finalisation.

2.7 Report Outline

The following sections of this report are set out as follows:

- Section 3: Policy and Delivery Context
- Section 4: Need
- Section 5: Effectiveness of Ilex
- Section 6: Operation of Ilex
- Section 7: Marketing Potential
- Section 8: Relationships
- Section 9: Comparators
- Section 10: Future Options
- Section 11: Conclusions and Recommendations

Additional supporting information is provided in the Appendices to this report.

2.8 Acknowledgements

The findings in this review have been informed by data, views and feedback provided by a range of individuals and organisations. We would like to acknowledge the valuable information, assistance and support provided by all stakeholders involved in this review of Ilex, specifically Ilex Board, CEO and staff; OFMDFM Regeneration Sites Team and stakeholders detailed in Appendix B.

3 POLICY AND DELIVERY CONTEXT

3.1 Introduction

This section details the key policies and organisational changes impacting on Ilex over the Review period.

3.2 Northern Ireland Programme for Government (2011-15)

The Programme for Government 2011-15 includes a commitment to 'develop the 'One Plan' for the regeneration of Derry~Londonderry, incorporating the key sites at Fort George and Ebrington'. Responsibility for this commitment is allocated to OFMDFM and the associated KPIs are detailed in table 3.1.

Table 3:1: Programme for Government 2011-2015: KPIs associated with the One Plan

Key Commitment	Milestones / Outputs		
	2012/13	2013/14	2014/15
Develop the 'One Plan' for the regeneration of Derry/Londonderry, incorporating the key sites at Fort George and Ebrington (OFMDFM)	<ul style="list-style-type: none"> 1175 jobs promoted through the public, community and private sectors Development framework completed, and outline planning approval for Ebrington and Fort George secured Opportunities for development at Ebrington opened to the market 	<ul style="list-style-type: none"> 1670 jobs promoted through the public, community and private sectors Decontamination programme at Fort George complete Regeneration of key buildings and places at Ebrington completed 	<ul style="list-style-type: none"> 1200 jobs promoted through the public, community and private sectors £23m infrastructure investment programme at Ebrington complete

Source: Programme for Government 2011-2015

3.3 Other Relevant Strategies

The Programme for Government targets regarding the One Plan and the redevelopment of Ebrington and Fort George are also reflected in the following strategies:

- Northern Ireland Executive (2012) Investment Strategy 2011-2021: Building a Better Future;
- Department for Regional Development (2012) Ensuring a Sustainable Transport Future: A New Approach to Regional Transportation;

- Northern Ireland Executive (2012) Economic Strategy: Priorities for sustainable growth and prosperity; and
- Department for Regional Development (2010) Regional Development Strategy 2035: Building a Better Future.

3.4 One Plan (2010-2020)

The One Plan is a strategic regeneration plan for Derry~Londonderry which sets out a vision of delivering 12,900 jobs by 2020. Its mission is to deliver renewal (economic, physical and social) and to build a stronger and more vibrant economy with increased prosperity for the City and region. This is to be done in ways which ensure opportunities and benefits from regeneration are targeted²² towards the most deprived groups in the community. The One Plan was developed after a two year period of consultation and research, which took place prior to the period under review.

Details on One Plan targets and the delivery structure in place to deliver the One Plan is detailed in Appendix C, performance of Ilex against One Plan targets is detailed in section 5.6.

3.5 Regeneration Planning - Ebrington

The first Ebrington Masterplan was launched in 2006 and a review of this was planned for 2011.²³ The review was completed later than targeted and the Ebrington Development Framework (EDF) was only completed in 2014. The EDF highlights a demand in Derry~Londonderry for Grade A space in the range of c. 5,000 – 7,000 square feet to meet demand from the IT / Technology and Business & Professional Services sector. Potential land uses outlined in the EDF include:

- Creative Industries;
- Culture and education / research;
- Hotel and leisure;
- Museum and heritage;
- Commercial office space;
- Residential;
- Cafes, restaurants and bars; and
- Car parking

²² Words “targeted/targeting” means that proposals must demonstrate how they will bring about measurable improvements for those groups who have been identified as experiencing inequality in, for example, housing, education, employment and health.

²³ BDO (2011) Review of Ilex Urban Regeneration Company

3.6 Regeneration Planning- Fort George

The draft Masterplan for Fort George was launched for consultation in December 2007. The framework was completed and the outline planning application was submitted in June 2012. Responsibility for planning application approval passed to DSD in April 2013.²⁴

A key issue in relation to Fort George was the level of contamination and work needed with the previous owner (Ministry of Defence) regarding confirmation of liability.

3.7 Changes in Local government

Local government have been granted powers²⁵ to undertake community planning²⁶ and the One Plan will shortly be superseded by DCSDC's Community Plan.²⁷ Councils now have a statutory responsibility to lead community planning and as a result work is underway between Ilex and the Council to transfer the Strategy and Regeneration team resource and function from Ilex to the Council.

From April 2016, it is anticipated that Councils will also take on responsibility for regeneration from DSD. They will have the power to carry out regeneration schemes and projects, public realm and environmental improvement schemes and they will take the lead in tackling deprivation and delivering community development in their areas. They will be able to decide their priorities and where their budgets should be expended. DSD will have the power to publish strategic guidance to which Councils must have regard when exercising their functions. The Urban Regeneration and Community Development Policy Framework published in July 2013 provides the strategic direction for regeneration and community development policy.

3.8 Planned Changes at Central Government Level from 2016

The Stormont House Agreement of 23 December 2014 included a commitment that the number of departments should be reduced from 12 to nine in time for the 2016 Assembly election, with the new allocation of departmental functions to be agreed by the parties. OFMDFM would become the Executive Office and responsibility for the development of the North West sites (which includes Ilex's responsibility at present for Ebrington) would move to the Department for Communities. This change, if it goes ahead, will have implications for future options and is examined in section 10.

²⁴ Feedback DSD noted that the masterplan for Fort George did not progress beyond draft status and was not endorsed by the statutory agencies due to a number of reasons / issues

²⁵ Under the Local Government Act (Northern Ireland) 2014

²⁶ The Local Government Bill introduced legislative provisions to make community planning a statutory process. It places a duty on local councils to initiate, maintain, facilitate and participate in the process, and on partners to participate in and support community planning. Government departments will be required to promote and encourage community planning in exercising their functions. The legislation took effect in April 2015.

²⁷ http://www.doeni.gov.uk/local_government_reform

3.9 Summary

The Programme for Government includes objectives relating to the development of the two ex-military sites (Ebrington and Fort George) in order to help the regeneration of Derry~Londonderry and in particular to generate jobs and leverage funding from the private sector. In addition the key Northern Ireland economic, investment and regional development strategies have also recognised that the development of Derry City is key to developing the North West.

The importance of the development of the sites is also set out in the One Plan which states that the “re-development of the former military sites at Fort George and Ebrington will significantly advance the transformation of the City and Region”. The success of the Ilex must therefore be measured with regard to the contribution it has made to the economic development of Derry~Londonderry, and the extent to which it has levered investment to do so.

Recent changes in local government and planned changes to central government mean that the environment within which Ilex is operating has and is changing considerably. The new DCSDC (effective from 1 April 2015) will have much greater powers and responsibilities and the community plan which it develops should drive local economic and regeneration activity in the Derry~Londonderry / North West area.

Responsibility and resource for the One Plan is expected to move to the local Council in 2016, meaning Ilex will have a sole focus and responsibility for the development of Ebrington. However from 2016 if the planned changes to Departments go ahead responsibility for Ebrington will move to the Department for Communities. The options for the future development of Ebrington are reviewed in section 10.

4 NEED

4.1 Introduction

This section provides summary of the need for the regeneration of Ebrington, one of Ilex's current functions. Supporting evidence is included in Appendix D.

4.2 Need for Physical, Economic and Social regeneration of Derry~Londonderry

Derry~Londonderry is a city which has a population of 110,000 and is strategically located in North West Northern Ireland. However the city has the lowest resident employment rate in Northern Ireland, high dependence on the public sector and considerable inequalities in areas such as education, skills and health (see Appendix D).

Planned Development of Ebrington to support Economic Development

The Ebrington Development Framework (EDF)²⁸ was launched in 2014 and sets out the planned work programme for the development of office space: licenced premises/ restaurants; hotel/ tourism; niche retail development and residential, based on public sector investment being available to stimulate the market.

The table 4.1 shows that there is low development planned for phase 1 (2015-18) of only 2,800 sq. metres, with a more extensive work programme in phase 2 (2019-23) of 43.6 sq. metres. However the EDF includes a note relating to phase 1 which says *'flexibility will be maintained to ensure that if demand for a mix of uses arises in the first phase, through private sector demand or enabling investment, [phase 1] can be realised in a shorter timescale'*.

Table 4:1: EDF Phasing Programme

Land Use (m ²)	Year / Phase				
	2015 – 2018* (Phase 1)	2019 – 2023 (Phase 2)	2024 – 2028 (Phase 3)	2029 – 2033 (Phase 4)	Total
Creative Industries and Culture + Education / Research Development	*	12,853	6,681	1,282	20,816
Museum and Heritage	*	7,168	0	0	7,168
Hotel and Leisure	*	0	5,802	5,695	11,497
Commercial Office Space	2,800	6,386	7,350	2,777	19,313

²⁸ Ebrington Development Framework (2014)

Land Use (m ²)	Year / Phase				
	2015 – 2018* (Phase 1)	2019 – 2023 (Phase 2)	2024 – 2028 (Phase 3)	2029 – 2033 (Phase 4)	Total
Residential (50m ² apartments)	*	2,551 (51 units)	2,327 (47 units)	0	4,878 (98 units)
Cafes and Restaurants and Bars	*	3,640	576	445	4,661
Platform Car Park	0	11,023	0	0	11,023
Multi Storey Car Park	0	0	0	4,200	4,200
Total (m²)	2,800	43,621	22,736	14,399	83,556

Source: Ebrington Development Framework (2014)

A (Strategic Investment Board) SIB report completed in 2011 and a report by Colliers in 2014 found that there was limited appetite from the private sector to invest in physical development in Ebrington and that there was a requirement for up-front public sector intervention and investment into prime projects to create initial demand and stimulate the market. The Colliers report notes that it will take another 3-5 years before the private sector will be ready to invest in the physical regeneration of Derry~Londonderry.

The focus over the period of 2015-17 for any public sector intervention must therefore at minimum be to:

- Deliver on any work currently in progress but not completed (see Appendix F);
- Deliver the 2,800m² of office accommodation in line with the needs of Foreign Direct Investment (FDI) / local business needs as set out in the EDF; and
- Build the pipeline of work so that the 43,621 m² also set out in the EDF can be realised in the early stages of Phase 2²⁹, specifically 2019/20.

The option chosen for delivering on this workplan must be highly cost effective given the constraints on public funding. Section 10 considers the options and assesses these against ability to deliver and VFM.

4.3 Strategy Development and Delivery

Ilex's Strategy and Regeneration Team is responsible for the development and the coordination of the One Plan.³⁰ However the One Plan will be superseded by the Community Plan for the new DCSDC Work is underway at present to second Ilex staff responsible for the One Plan to the Council so that they can work on the new community planning process. Once this is completed Ilex will no longer have the skills

²⁹ Phase 2 is 2019-23

³⁰ Ilex (2011) *The One Plan* (<http://www.illex-urc.com/our-successes/one-plan>)

or resources to be involved in this area. This report does not therefore review any further options for delivery of this function.

4.4 Summary

This section shows that although Derry~Londonderry has shown some improvement in its economy over the last decade, it remains one of the most deprived areas in Northern Ireland. There is therefore a clear need for investment and regeneration in the region.

The Ebrington site is an asset in the Derry~Londonderry area which, if invested in, could provide office space; licenced premises/restaurants; hotel/tourism; niche retail development and housing. Research by SIB and Colliers shows that public investment is needed to stimulate the private sector and that this is expected for at least the next 3-5 years.

The short-term plans for the site as set out in the EDF are modest, with the planned scale of investment rising significantly from 2019 onwards. Any future delivery option must be able to demonstrate that it can deliver the plan of work set out in the EDF for 2015-19 and bring forward the work planned for 2019-23 so that it can be completed within a shorter timeframe. This is considered further in the future options section (section 10.3).

The focus of any government support should be on the precise market failures regarding physical development detailed in the Colliers report. The options are considered in section 10.

5 EFFECTIVENESS OF ILEX

5.1 Introduction

This section assesses whether Ilex has been effective³¹ in delivering on its objectives and targets. The analysis is based upon evidence from the annual reports and accounts; year-end internal performance reports and information provided by Ilex staff.

5.2 Performance against Annual Business Plan Measures

The sections below summarise Ilex performance against the measures / actions (targets) set in the business plans for 2011/12; 2012/13 and 2013/14. Full details of performance each year is provided in Appendix E. The annual analysis shows that the highest number of targets not met related to those centred on Ilex's core purpose of developing Ebrington and Fort George.

5.2.1 Year 2011/12

In total 34 targets were met; 26 were not met; 12 were not met within timescales, a further two were not met but were outside of Ilex's control, for one there was insufficient information on which to make an assessment and one action was not clear enough to be robustly assessed.

Of the 29 core delivery actions (targets) (i.e. those relating to the One Plan, Ebrington and Fort George or Shared Spaces) only 12 (41%) of these were met in 2011/12. Of the 26 actions (targets) not met three had no clear alternative strategy in place as required by the MSFM.

5.2.2 Year 2012/13

In total 42 targets were met; 16 were not met; one was not met within timescales, for one there was insufficient information on which to make an assessment and two measures were not clear enough for performance to be robustly assessed.

The greatest number of measures (targets) not met related to Ilex's core purpose of regenerating Ebrington / Fort George (n=10). The highest number of targets met related to Processes (n=10), followed by the One Plan (n=9).

Of the 34 core delivery measures (targets) (i.e. those relating to the One Plan, Ebrington and Fort George or Shared Spaces) only 19 (56%) of these were met in 2012/13. Of the 16 measures (targets) not met five had no clear alternative strategy in place as required by the MSFM.

³¹ Effectiveness refers to delivering a successful outcome and meeting objectives as fully as possible(<http://www.dfpni.gov.uk/index/finance/eag/eag-glossary.htm>)

5.2.3 Year 2013/14

In total 36 targets were met; 12 were not met; one was not met however this was outside of Ilex's control, for two there was insufficient information on which to make an assessment, while another two measures were not clear enough for performance to be robustly assessed.

The greatest number of targets not met was within Ebrington / Fort George (n=4). The highest number of those met was within the Processes (n=11). Of the 24 core delivery measures (targets) (i.e. those relating to the One Plan, Ebrington and Fort George or Shared Spaces) only 16 (67%) of these were met in 2013/14.

5.3 Ebrington

The work on Ebrington has focused on the development of the Master Plan (which was only finalised in 2014), shared space and the car park.

Programme for Government provided £23m for infrastructure investment. However only £17m³² of capital investment was delivered by the end of 2014/15 and the final underspend for capital investment was £6m.

Specific progress on Ebrington over the review period is as follows:

- **Masterplan for Ebrington:** a Concept Masterplan / Framework for Ebrington was drafted in 2013 and finalised 2014, which was much later than the original timescale of quarter three 2011/12 and is currently still with DOE Planning Division for consideration.
- **Completed Public Realm shared space:** Ebrington Square part of Public Realm Stage 1 completed 25 June 2011. Stage 2 completed 14 February 2012.
- **Maritime Museum project:** No progress on this to date, as the full Business Case has not yet been submitted or the project approved. The original date for business case approval was Q4 2012/12³³
- **Refurbishment of the Clock Tower:** a Strategic Outline Case (SOC) was submitted by Ilex in 2011/12; however this did not demonstrate affordability and therefore could not be considered by OFMDFM or Department of Finance and Personnel (DFP) and subsequently the project was not pursued.³⁴
- **Conservation works:** delivered as part of general maintenance by Ilex.

³² This figure includes 2014/15 projected capital expenditure provided as an estimate in March 2015 by the Ilex finance manager

³³ Ilex 2011/12 Business Plan

³⁴ Following submission of an SOC by Ilex, DFP wrote to DCAL in February 2011 in relation to the Strategic Outline Case (SoC) for a proposed Gallery in the Clocktower building at Ebrington. In the letter DFP stated that the affordability issue needed to be addressed and DCAL, OFMDFM and DSD needed to confirm the capital and on-going revenue commitments for the project. In December 2011 Ilex and OFMDFM agreed to pursue an alternative approach, and arising from this Ilex accommodated the Turner Prize for three months in the Creative Hub (Building 80/81)

- **Construct the Car Park and Office Quarter (enabling infrastructure):** the car park was completed in October 2014, 19 months later than the original timescale of completion by March 2013.³⁵
- **Completion of refurbishment of Buildings 80 and 81:** This project was being developed at the time of writing this report (April 2015).³⁶
- **Building 71:** Refurbished as the regional headquarters of the Department of the Environment; took up tenancy in October 2014.
- **Completion of the Venue 2013 programme and reinstatement of the site:** work commenced on the Venue in September 2012, was completed in December 2012 and the Venue removed from site January / February 2014 and the site reinstated for event use.

To date no capital project has been delivered by Ilex within the original timescale, without addendums to the business case and additional budget has been required for completion.

The current status (at the time of writing this report) of each of the buildings on the Ebrington site is outlined in Appendix F.

As a result of projects not being progressed as planned only 25 of the projected 174.5 jobs have been delivered at April 2015 (Department of the Environment jobs in building 71).

5.4 Fort George

There were three main areas which Ilex was responsible for during the period 2011/12 and 2012/13 in relation to Fort George, these were:

- **Developing a Concept Masterplan and outline planning application / obtaining outline planning permission:** business plan targets were to achieve a revised development framework and secure Outline Planning Application Approval from the Planning Service.³⁷ Ilex submitted the development framework and outline planning application in July 2012; responsibility for progressing the planning application approval passed to DSD in April 2013 and it was not achieved by Ilex before this.
- **Decontamination**³⁸: business plan targets for 2011/12 were to agree the methodology with DSD and seek DFP / Ministerial approval of the Economic Appraisal in Q1 2011/12. Ilex secured DFP approval for Decontamination in June 2011 and ministerial approval in July 2011, however a consultant was not

³⁵ Due to the linking of this project to Ebrington Square, Ilex was not able to proceed with the project until late 2013

³⁶ During phase 1 Buildings 80/81 were used to host Turner Prize and in June 2014 Blick Studios was awarded the contract to manage the Hub.

³⁷ Ilex 2011/12 and 2012/13 Business Plans

³⁸ The site had been a ship building yard, a ship repair yard for the allied forces in WWII, a military base and a municipal dump. These varied uses, coupled with non-regulation of environmental hazards, resulted in widespread contamination which in 2010/11 revealed significant levels of hydrocarbons, polycarbons, heavy metals and invasive plant species including Japanese Knotweed.

appointed until 2013 which was later than the original timescales. DSD note that the decontamination was not significantly completed when the site was handed over. Ilex documents note that by February 2013 75% decontamination had been achieved before DSD became responsible for Fort George, which is not accepted by DSD.

- **NW Regional Science Park:** business plan targets during 2012/13 were to commence infrastructure; select delivery partners and to construct the NW Regional Science Park, however Ilex's role in the development of the NW Regional Science Park was in relation to the application for funding. The Strategy and Regeneration team led the development of the INTERREG IVa funding bid to develop the €14.5 million NWRSP at Fort George. In November 2012 the Special European Programmes Body (SEUPB) announced that Ilex's application for the science park was to be awarded £12m funding from the EU Interreg programme and an additional £1.1m DSD funding was provided towards the total project costs. Ilex's contribution to the NWRSP included³⁹:
 - writing the business plan, economic appraisal and funding application;
 - facilitating the working group to scope the project;
 - researching the Knowledge Economy and need for the project in the North West;
 - identifying partners;
 - developing the project;
 - establishing and supporting the Steering Group including secretarial support;
 - engaging with stakeholders;
 - risk management; and
 - programme management.

Details on the capital and revenue expenditure in relation to Fort George are in section 6.4, however in summary £176,079 was spent on capital expenditure during 2011 – 2013.

5.5 Peace Bridge

Business plan targets during 2011/12 show that Ilex was responsible for completing construction of the bridge and achieving planning conditions / reaching agreement for the Peace Bridge to be adopted by the Roads Service.

The Peace Bridge was opened in June 2011. However while Technical Approval in principle was received for the Bridge, DRD advised Ilex in May 2014 and again in November 2014 that a number of unresolved issues, particularly in relation to oscillation, remains and until the reports requested are furnished evidencing the structures capability, the Peace Bridge will not be adopted.⁴⁰

³⁹ Ilex Summary of Performance (provided by Ilex to RSM McClure Watters March 2015)

⁴⁰ Letter_PatColganToPhilipFlynnILEX_Re_ThePEACEBridge_2015-04-28

5.6 The One Plan

The terms of reference for this evaluation require a review of Ilex's performance in relation to the One Plan. Ilex has two roles regarding the One Plan:

- Oversight and Monitoring and
- Delivery of a number of projects.

5.6.1 Oversight and Monitoring of the One Plan

The Ilex Strategy and Regeneration team are responsible for monitoring progress against the One Plan and through the programme and project management system provides information to the Strategy Board on a quarterly basis.

A review of the One Plan reporting information shows that it is overly complicated and difficult to read / understand. It also does not set out progress against the overall key targets set for the One Plan (2015 and 2020 targets). The progress reports sent to the Strategy Group do not focus on these targets sufficiently or highlight easily that performance is well below what was expected. The reporting system needs to be simplified and produced to give progress at a project level on the activities completed, but also the outputs and outcomes achieved.

Ilex's also is responsible for verifying the jobs promoted figures provided by the One Plan interdepartmental co-ordinating group. The verification of the jobs promoted figures has taken Ilex up to six months which has meant that OFMDFM are late in reporting this information.

5.6.2 Project Delivery

Ilex is Lead Body⁴¹ for eight programme activities in the One Plan and has contributed to 16 other projects, ranging from participating as a consultee to helping develop a specific idea / business case. Progress made by the Ilex is outlined in Appendix C. Overall six of the eight projects it is Lead Body for have been progressed significantly or completed. As targets were not always set, it is not possible to confirm if they have all been effective. There is also a lack of clarity on the specific role of Ilex with regard to all projects, therefore going forward details of the roles and responsibilities of Ilex in relation to the outputs and outcomes achieved should be more clearly detailed.

5.6.3 Post Project Evaluations

The review of PPEs shows that there are areas for development in how Ilex plans and delivers its projects. First the project objectives need to be more specific and targets included so that evidence of success can be evaluated. Second the evaluations need to go beyond qualitative information and include quantitative evidence. This evidence of data when used should be sourced and/ or validated so that the findings are robust.

⁴¹ Lead Body - Responsible for leading delivery of Catalyst Programme & accountability for performance

5.6.4 Jobs Promoted

Ilex's role within the jobs sub group is to verify the jobs promoted figures provided by the One Plan interdepartmental co-ordinating group. The verification of the jobs promoted figures has taken Ilex up to six months which has meant that OFMDFM are late in reporting this information.

Attracting Additional Private Sector Investment

Ilex has been successful with regard to accessing public sector investment in support of the One Plan. Specific examples regarding the One Plan are:

- Attracting the Northern Ireland Science Park to the Fort George site and assisting with the business case for the North West Regional Science Park, which ultimately secured £12m of Interreg IV funding (£12m) in summer 2012;
- Preparing the business case for and managing the VENUE during the 2013 UK City of Culture Year. This project secured a return which DSD Analytical Services Unit estimate to be in excess of £1m on a full-cost recovery basis, backed by £500k - £600k in ticket sales and additional sponsorships (estimated by DSD to be in excess of £1m); and
- Managing the £3m for City of Culture Capital Scheme for DSD, which levered a total of £7m in funding for projects for 33 organisations in the city. Of the 33 some (e.g. Inner City Trust) invested private sector funding.'

However information on private sector investment was not readily available for this review.

5.7 Review of Ilex Urban Regeneration Company (BDO, 2011)

BDO completed a review of Ilex in February 2011. It was critical of Ilex's performance and made 22 recommendations requiring action regarding delivery, project / financial management, organisational development, corporate planning, reporting and Ilex's relationship with the private sector. These recommendations and an assessment of progress against these are contained in Appendix H.

As at March 2015 it is evident that seven recommendations have been fully addressed; eight not fully addressed / not addressed within the timescale set or there was insufficient evidence of progress against the recommendation. In total five were not addressed and two were not the responsibility of Ilex.

Most notably the BDO report emphasised the development of SMART⁴² KPIs targets and, greater involvement of key stakeholders in the planning and review of performance. Specifically it highlighted the need to align business planning, monitoring and evaluation to prevent under performance. It also criticised Ilex for mission drift, stating that many of Ilex's achievements had not contributed to the development of sites at Fort George and Ebrington and the urgent need to complete

⁴² Specific; Measureable; Achievable; Realistic and Timebound

and sign off delivery strategies for the two sites. These are issues which, whilst action has been taken by Ilex, still remain significant weakness in 2015.

The BDO review also recommended Ilex should continue for at least the next 3 years with immediate significant revisions to operations, a further organisation review before the end of 2014 and the expectation that subject to this review and outworking of RPA that the organisation should wind down its operations by 2016. This recommendation is considered further in section 10.

5.8 Summary

Ilex has not delivered on the Programme for Government target of completing £23m infrastructure investment at Ebrington by 31 March 2015 and no private sector jobs have been created on the site.⁴³ The development of business accommodation at Ebrington has been slower than projected, although a number of small projects (four) are understood to be close to closure.

Public realm projects have been implemented and contaminated land at Fort George was significantly reduced with before handover to DSD in April 2013 to make the locations at both sites more attractive. It also successfully applied for funding of £12 million to support the construction of the North West Science Park.

In addition, Ilex delivered a consultation process for the One Plan which brought together many stakeholders and built relationships that previously did not exist. It also contributed to a City Of Culture events programme that delivered more than 400 events and it is estimated that these events generated up to 1 million attendances and participants.⁴⁴

⁴³ The £23m target relates to Northern Ireland Executive Monies

⁴⁴ Strategic Investment Board: Monitoring Report on City of Culture 2013

6 OPERATION OF ILEX

6.1 Introduction

This section provides an assessment of the operation of Ilex. This includes a review of corporate governance arrangements, budget planning and monitoring, funding and Value for Money (VFM), and the current organisational structure and staffing.

6.2 Corporate Governance

Governance Framework

Ilex is a Company limited by Guarantee that was established in 2003. Accordingly, its governing documents are its memorandum and articles of association and, subsidiary to these, the Management Statement and Financial Memorandum which sets out the powers given by its sponsor Department, OFMDFM, and those items for which approvals should be sought.

Originally, Ilex was the shared responsibility of two NI Departments namely DSD and OFMDFM. However, during the period of this review, the MSFM changed to reflect OFMDFM becoming the single sponsor department. A Memorandum of Understanding (MOU) was then set up between DSD and OFMDFM, with regard to the oversight of Ilex which took effect from 1 April 2013 and which should remain in force until Ilex no longer exists or sponsorship of Ilex and responsibility for Ebrington is transferred to Department for Communities. The MOU states that up to 31 March 2015, DSD will provide £1.5 million resource by way of transfer in each of the years 2013/14 and 2014/15 to cover Ilex operations. These monies are to be used for the purposes as outlined in Ilex's approved corporate plan for 2013/14 and 2014/15. DSD will also provide £133,000 resource by transfer to enable OFMDFM to provide those additional services through staffing.

This agreement between DSD and OFMDFM requires OFMDFM to review and approve the Ilex Corporate Plan and for DSD to have sight of it prior to approval.

6.2.1 Corporate Governance Systems Summary

Ilex's corporate governance systems were significantly criticised by the Public Accounts Committee in July 2012. Since then OFMDFM have taken on single authority responsibility for Ilex, reduced the delegated authority of Ilex and put in place a system for ensuring business cases are received and approved before any funding is approved on projects (over £100k). The internal and external audit reports since 2012 demonstrate that Ilex has improved its governance systems.

However a review of meeting minutes between OFMDFM and Ilex show that the sponsor department spends a lot of time on checking and rechecking that projects and agreed actions are being implemented. This indicates a lack of confidence by OFMDFM in Ilex's ability to deliver and a shortfall in the reporting information provided

by Ilex. The quality of Ilex's reporting information is reviewed further in the next section.

6.3 Budget and Business Planning / Monitoring

There has been one corporate plan and four business plans developed during the review period. This section reviews whether these provided the content needed to focus the work of Ilex over this period.

6.3.1 Ilex Corporate Plans

The layout of the corporate plans is confusing as there is duplication of the objectives throughout and a mix of looking forward and looking back in the same section.

Corporate objectives are three year action statements and good practice dictates they should be SMART.⁴⁵ However some of the targets set for corporate objectives are not specific and measureable to allow for a robust assessment of performance. Appendix K details targets in the draft corporate plan 2015-2018 under the objective "to advance the regeneration of Ebrington" and an assessment of whether these are SMART. Overall, only four of the 11 targets under the objective "to advance the regeneration of Ebrington" in the draft 2015-2018 Corporate Plan are SMART. The draft Corporate Plan 2015-18 needs to set out how the existing projects still in development will be completed to standard. Those to be completed with particular urgency are ensuring grade A accommodation is delivered on time and budget and that the pipeline of work is built for 2019 in line with the EDF. Targets set for these areas need to demonstrate not only the capital build but also the employment created.

The Corporate plans did not detail alternative scenarios for any areas that are crucial to delivery, despite this being a requirement in the MSFM. The Corporate Plans note this is included in the risk strategy however a review of this information found that they do not include the detail required.

6.3.2 Ilex Business Plans

Content of Business Plans

Each business plan during 2011/12 - 2013/14 includes four areas (perspectives): Delivery; Partners; Processes; and Team. There are a number of corporate objectives and measures (targets) listed under each perspective.

Appendix K provides an overview of the number of objectives and measures (targets) that relate to core delivery work (i.e. One Plan, Ebrington, Fort George and Shared Spaces) and those that are needed to support delivery (i.e. the partners, processes or team). There are numerous measures (targets) in place ranging from 52 in 2011/12; 62 in 2012/13 and 53 in 2013/14. This number did not reduce despite responsibility for Fort George moving to DSD as part of the single sponsor arrangement in 2013.

⁴⁵ Specific; Measureable; Achievable; Realistic and Timebound

Three objectives focused on the core purpose of Ilex were set each year; however nine objectives were set for the support areas. Similarly the number of measures (targets) set for delivery work was lower in 2011/12 and 2013/14 than the number set for support areas, indicating a disproportionate focus on the organisation workings rather on delivering the organisation's core purpose. The plan needs to refocus with objectives and measures (targets) set relating mainly to the delivery priorities. While the other areas are important, targets need to be set at a higher level than at present.

The plans also need to be simplified, with a smaller number of objectives and targets and with a stronger focus on the organisation's core purpose, namely the development of Ebrington. The key performance indicators should include:

- Metres squared of developed or refurbished space;
- Number of businesses set up on the site;
- Number of jobs created on the site;
- Capital funding invested; and
- Private sector funding leveraged.

Structure of the Business Plans

In addition to the measures (targets) set against each objective, 100, 200 and 300 day targets have also been included in the business plans. However these targets are often not directly linked to the corporate objectives. For example Appendix K.3 compares the 100 day targets and the business measures set for quarter one in 2013/14. This shows that the two are not aligned.

There should be one set of corporate objectives with measures / targets as to what will be achieved over the three year period. The objectives and measures in both the corporate and business plans should be identical if they relate to the same planning period. The targets set in the business plans should show progression towards the relevant corporate objective.

Role of Ilex in delivering the targets set

Ilex business plans should focus on the work they are directly responsible for. For example there are currently targets included in the business plans over which Ilex has limited control, such as the "Adoption of Peace Bridge". Such targets should be re-developed to measure how Ilex can progress this.

6.3.3 Budgeting

Ilex budgeting procedures are set out in the Financial Memorandum. This states that each year, in the light of decisions by the Department on Ilex's corporate plan, the Department will send to Ilex a formal statement of the annual budgetary provision allocated by the Department and a statement of any planned change in policies affecting Ilex. The process used within Ilex is in line with this procedure. However while adhering to general processes Ilex is not realistically profiling spend as during

2014/15 Ilex failed to identify a £666k underspend and this was only highlighted in mid-March 2015.

6.3.4 Monitoring Reports

A monitoring report should provide a comprehensive but concise assessment of how the organisation has performed against each of its targets for that year. In doing so the Board and others are able to clearly identify what has / has not been achieved.

The performance monitoring reports for 2011/12 - 2013/14 do not provide robust and concise summaries of progress against objectives and targets as set in the respective business plans. For example, in relation to the development of Ebrington the year end 2013/14 performance monitoring report does not state whether the projects detailed in the business plan for that year were on target (budget and / or timeline). It does include the following information however further work is required in order to understand whether this performance is on target or not⁴⁶:

- Building 80/81 completed to host Turner prize and will be converted as a creative hub;
- 76 informal expressions of interest received, being followed up as part of development framework process;
- Agents in place and completed initial soft market testing for hotel opportunity;
- Car Park progressing, completion July 2014;
- Development Framework commenced - stage 1 of public engagement completed and on target to complete by 2014 (no specific date given);
- A further route through Ebrington from Dales Corner to St Columb's Park completed;
- Going to market with buildings on Ebrington with LPS/BTW Shiells; and
- Over 500,000 attended events on Ebrington Square and in VENUE 2013 and for the turner prize during 2013.

The 2014/15 reports have been revised to use a traffic light system to monitor performance against targets. However a review of the 9 Month Performance report to 31 December 2014 report highlights that this approach is overly complicated with additional colours and definitions used to describe the current status of project progress. While this approach usually requires a red / amber / green system to indicate whether targets are not met / on track to meet / or met; the Ilex approach is as follows:

- Completed – Blue;
- Green - on track for delivery;
- Green/Amber - broadly on track, close to outcomes;
- Amber - significant doubt about outcomes; and
- Red - will not be achieved in current Programme for Government period.

⁴⁶ Ilex 2013/14 performance monitoring report

In addition, in some cases there is insufficient information to determine if a target is on track to be met as intended or has been met within the original timescales.

Monitoring of performance should include the following:

- Project title and description;
- Target date in business plan;
- Action date completed; and
- Code / assessment.

For this system to work it is essential that Ilex assess their progress robustly and accurately using the deadlines agreed in the business plan, otherwise the organisational culture becomes one that is overly tolerant of poor project management. It is the responsibility of the Ilex Board to ensure they are receiving accurate and complete information and challenge instances where this is not provided.

6.3.5 Review of Available Post Project Evaluations

The review of PPEs (see appendix G) shows that there are areas for development in how Ilex plans and delivers its projects. First the project objectives need to be more specific and targets included so that evidence of success can be evaluated. Second the evaluations need to go beyond qualitative information and include quantitative evidence. This evidence of data when used should be sourced and/ or validated so that the findings are robust.

6.3.6 Summary

The Corporate and Business Plans developed by Ilex over the period 2011/12 - 2014/15 are confusing in with the inclusion of 100,200, 300 day targets and separate measures / targets included later in the same plan for the business objectives. These often do not align and the inclusion of both is unnecessary.

The Board needs to ensure that the number of targets is reduced and that they focus on the core purpose of Ilex (the development of Ebrington as measured through the square metres developed in line with the EDF and the jobs created). Objectives and targets can be used to measure progress in areas that support the core objectives however they should not become the main focus.

Performance reports going to the Board have not made it clear what is on target or not.

The use of the traffic light system represents improvement in this area however the benefit of this has been reduced by the changing of deadlines, rather than recording the work as not delivered and therefore there needs to be a stronger focus on meeting the original deadlines set. The Board needs to ensure that they are receiving sufficient information to allow them to hold management to account.

6.4 Funding and Value for Money

This section sets out the funding sources for Ilex and how these funds were spent. Note all 2014/15 figures were provided as an estimate in March 2015 by the Ilex Manager.

6.4.1 Funding of Ilex

Ilex derives the majority of its funding from Departmental grant in aid. In 2011/12 and 2012/13 this came from both OFMDFM and DSD; however in April 2013 OFMDFM became the single sponsor. Table 6.1 details Ilex's income from 2011/12 to 2014/15.

Table 6.1: Grant in Aid and Other Income 2011/12 – 2014/15

Year	Grant in Aid		Total Revenue Grant in Aid	% change in grant received
	OFMDFM (£)	DSD (£)		
2011/12	2,400,512	1,530,411	3,930,923	-13%
2012/13	1,692,000	1,889,856	3,581,856	-9%
2013/14	3,804,000	0 ⁴⁷	3,804,000	6%
2014/15	3,075,000	0	3,075,000	-19%
Total	10,971,512	3,420,267	14,391,779	-

Source: Statutory Accounts 2011/12 – 2013/14 and Ilex Finance Manager

Total grant in aid during 2011/12 to 2014/15 from OFMDFM and DSD was £14,391,779. It decreased by 21% from £3,930,923 in 2011/12 to £3,075,000 in 2014/15.

Income is also derived from other sources and this totalled £1,344,608⁴⁸ in 2011/12; £235,489⁴⁹ in 2012/13; £447,484⁵⁰ in 2013/14 and £60,000 in 2014/15.

6.4.2 Ilex Costs

Table 6.2 provides cost details in relation to the four years to March 2015.

⁴⁷ Under the change to a single sponsor, DSD provides £1.5m to OFMDFM for Ilex and there is an MOU between OFMDFM and DSD relating to this spend.

⁴⁸ Other receivable relates £16,393 received from Republic of Ireland Government to support the Cultural broker, £13,361 of recharges to Derry City Council for primarily City of Culture related costs and £900 of DEL wage subsidy funding.

⁴⁹ SEUPB funding for construction of the Peace Bridge; Hire income for Venue 2013; DSD support for Venue 2013; and Derry City Council rental income

⁵⁰ SEUPB funding for construction of the Peace Bridge; Hire income for Venue 2013; DSD support for Venue 2013; Derry City Council (includes £11,429 recharge for utility costs for buildings 71 & 83 (Culture company offices) and £16,135 recharge for utility costs for building 80/81 (Turner Prize)); DSD Peace Bridge CCTV; Rental Income (£842 from Sandwich Company rental); and other income (£1,900 of DEL wage subsidy funding)

Table 6:2: Expenditure 2011/12 – 2014/15

Cost Element	2011/12	2012/13	2013/14	2014/15 ⁵¹
	Expenditure	Expenditure	Expenditure	Expenditure
Staff Costs ⁵²	1,715,962 ⁵³	1,496,197 ⁵⁴	1,494,837 ⁵⁵	1,290,402 ⁵⁶
Overheads ⁵⁷	420,412 ⁵⁸	529,351 ⁵⁹	357,320 ⁶⁰	401,000 ⁶¹
Programme Costs ⁶²	£9,978,355	£8,034,684	£9,159,744	£5,252,000

Source: Statutory Accounts 2011/12 – 2013/14 and Ilex Finance Manager

Staff costs have reduced from £1.715m in 2011/12 to projected costs of £1.29m in 2014/15 (a decrease of 25%). However programme costs (i.e. the capital and revenue expenditure on projects) have decreased from £9.978m in 2011/12 to a projected expenditure on capital and revenue of £5.252m in 2014/15 (a decrease of 47%).

Staff Costs

There are four categories of staff costs:

- Administration Team;
- Development Team;
- Strategy & Regeneration Team; and
- Culture Team.

⁵¹ 2014/15 figures are projected by Ilex as at March 2015

⁵² Includes the staff costs for the Administration Team; Development Team; Strategy & Regeneration Team; and Culture Team

⁵³ Statutory Accounts 2011/12 page 23 & 31: £768,699 (Administration Team); page 37: £430,609 (Development Team); page 37: £335,007 (Strategy and Regeneration Team); and Statutory accounts page 37: £181,647 (Culture Team); Full Breakdown for each year is in table 6.3.

⁵⁴ Statutory Accounts 2012/13 page 27 & 38: £664,750 (Administration Team); page 42: £282,467 (Development Team); page 42: £314,883 (Strategy and Regeneration Team); and page 42: £234,147 (Culture Team); Full Breakdown for each year is in table 6.3.

⁵⁵ Statutory Accounts 2013/14 page 29 & 39: £604,223 (Administration Team); page 51: £291,392 (Development Team); page 51: £418,281 (Strategy and Regeneration Team); page 51: £180,941 (Culture Team); Full Breakdown for each year is in table 6.3.

⁵⁶ Email from Ilex Finance Manager to RSM McClure Watters dated Mon 02/03/2015

⁵⁷ Establishment and Other Costs

⁵⁸ Statutory accounts page 38: £420,412

⁵⁹ Statutory accounts page 43: £529,351

⁶⁰ Statutory accounts page 52: £357,320

⁶¹ Email from Ilex Finance Manager to RSM McClure Watters dated Thu 12/03/2015

⁶² Programme costs calculated here do not include the staff costs for the Administration Team or the Strategy & Regeneration Team; however they do include staff costs for the Development Team and Culture Team

Detailed descriptions of the work carried out by the different teams within Ilex are detailed in Appendix L; however in summary the staff costs outlined in table 6.3 relates to the following⁶³:

- Administration: responsible for HR, finance, corporate governance and communications;
- Development Team: responsible for developing the Fort George and Ebrington sites / capital projects;
- Strategy & Regeneration Team: responsible for developing the regeneration plan for Derry~Londonderry – One City One Plan One Voice and thereafter coordinating and facilitating implementation; and
- Culture Team: responsible for cultural animation of the Ebrington site and its marketing potential; supporting the delivery of the city of City of Culture Programmes to 2013; developing Ebrington and delivering the Vital Venue Project in 2013.

The table below details staff costs per year by team as set out in the statutory accounts:

Table 6.3: Staff Costs (2011/12 – 2014/15)⁶⁴

Cost Element	2011/12 ⁶⁵		2012/13 ⁶⁶		2013/14 ⁶⁷		2014/15 ⁶⁸		Total (2011/12 – 2014/15)	
	£	%	£	%	£	%	£	%	£	%
Administration Team	768,699	45	664,750	44	604,223	40	439,122	34	2,476,794	41
Development Team ⁶⁹	430,609	25	282,467	19	291,392	19	453,907	35	1,458,375	24
Strategy & Regeneration Team	335,007	20	314,833	21	418,281	28	397,373	31	1,465,494	24
Culture Team	181,647	11	234,147	16	180,941	12	0	0	596,735	10

⁶³ Staff costs does not include Venue 2013 staff costs which are included in the Ebrington revenue expenditure in table 6.7

⁶⁴ Staff costs does not include Venue 2013 staff costs which are included in the Ebrington revenue expenditure in table 6.7

⁶⁵ Statutory Accounts 2011/12

⁶⁶ Statutory Accounts 2012/13

⁶⁷ Statutory Accounts 2013/14

⁶⁸ 2014/15 figures are projected by Ilex as at March 2015

⁶⁹ Note Martin Turner is an SIB resource working full time in Ilex, but his cost of £75k pa is not included in Ilex accounts. Seconded costs are included in staff costs

Cost Element	2011/12 ⁶⁵		2012/13 ⁶⁶		2013/14 ⁶⁷		2014/15 ⁶⁸		Total (2011/12 – 2014/15)	
	£	%	£	%	£	%	£	%	£	%
Total	1,715,962		1,496,197		1,494,837		1,290,402		5,997,398	

Source: Statutory Accounts 2011/12 – 2013/14 and Ilex Finance Manager

The table above shows that total staff costs from 2011 – 2015 were £5,997,398. Costs decreased from £1,715,962 in 2011/12 to £1,290,402 in 2014/15.

Administration accounts for 41% of total salary costs over 2011 - 2015. While administration costs have decreased over the four year period (from 45% of the total staff costs in 2011/12 to 34% in 2014/15), they still cost £439k per annum. It is recognised that administration team includes the Chief Executive's salary, which partially accounts for the high cost. The Development team had the lowest staff costs in 2012/13 and 2013/14 of the three teams, although they have increased to being the highest in 2014/15 (35% of staff costs), but only slightly ahead of Administration (34% of total staff costs) and Strategy & Regeneration (31% of total staff costs).

Summary of staff and associated costs

In summary total staff costs⁷⁰ for 2011/12 – 2014/15 are £5,997,398 (excluding a SIB resource whose costs are £75k per annum) and of this 41% are accounted for by spend on Administration staff, followed by the Development Team and Strategy & Regeneration Team (24% respectively). Administration costs were over £700k in 2011/12 and while these have been reduced to £439k, they were still over 40% of the total staff costs during 2011/12 – 2014/15. The high percentage of staff costs allocated to administration is not a good use of the public monies and options are considered as how these functions could be delivered more cost effectively in section 10.

6.4.3 Overheads

Table 6.4: Establishment and Other Costs 2011/12 - 2014/15

Expenditure	2011/12	2012/13	2013/14	2014/15 ⁷¹	Total
Establishment and other costs (£)	420,412	529,351	357,320	401,000	1,708,083

Source: Statutory Accounts 2011/12 – 2013/14 and Ilex Finance Manager

Table 6.4 shows that overheads cost £1,708,083 over the four year period 2011/12 – 2014/15. This includes Board fees, recruitment costs, training and development, advertising and marketing, accountancy, rent, telephone, heat and light etc. Overall 2012/13 recorded the largest spend (£529,351 and 31% of the total spend), partly due

⁷⁰ Staff costs does not include Venue 2013 staff costs which are included in the Ebrington revenue expenditure in table 6.7

⁷¹ 2014/15 figures are projected by Ilex as at March 2015

to an increase in legal and associated fees in that year (£122,578 compared to £4,363 the previous year). This spend was due to costs associated with the Director of Development's departure.

Summary: Costs of Running Ilex

The total cost of running Ilex is shown in table 6.5.

Table 6.5: Costs of Running Ilex 2011/12 – 2014/15

Cost	2011/12	2012/13	2013/14	2014/15 ⁷²	Total
Staff Costs ⁷³ (excludes SIB costs)	1,715,962	1,496,197	1,494,837	1,290,402	5,997,398
Establishment and other costs (£)	420,412	529,351	357,320	401,000	1,708,083
Total Costs	£2,136,374	£2,025,548	£1,852,157	£1,691,402	£7,705,481

Source: Statutory Accounts 2011/12 – 2013/14 and Ilex Finance Manager

Table 6.5 shows that the costs of operating Ilex over the 2011-15 period vary from £2.1m per annum to £1.7m in 2014/15 showing a reduction of 20%.

6.4.4 Programme Capital and Revenue Costs

The table below details programme (capital and revenue) costs linked to key work areas.

Table 6.6: Programme Costs (2011/12 – 2014/15)

Programme	Year				Total
	2011/12	2012/13	2013/14	2014/15 ⁷⁴	
Ebrington (£) ⁷⁵	6,523,799	3,605,944	7,973,477	4,467,000	22,570,220
Fort George (£) ⁷⁶	184,049	286,567	0	0	470,616

⁷² 2014/15 figures are projected by Ilex as at March 2015

⁷³ Staff costs does not include Venue 2013 staff costs which are included in the Ebrington revenue expenditure in table 6.7

⁷⁴ 2014/15 figures are projected by Ilex as at March 2015

⁷⁵ Ebrington Capital Costs + Revenue Costs. Capital costs relate to assets owned by OFMDFM now in use + assets owned by OFMDFM under construction. Revenue costs relate to Development Team Costs + Culture Team Costs + Ebrington Programme Costs minus Ebrington Capital. In 2012/13 and 2013/14 Venue 2013 costs are also included in Ebrington Revenue. Programme Costs for 2014/15 are projections provided by the Ilex Finance Manager

⁷⁶ Fort George Capital Costs + Revenue Costs. Capital costs relate to assets owned by DSD under construction; Revenue relates to Net Expenditure

Programme	Year				
	2011/12	2012/13	2013/14	2014/15 ⁷⁴	Total
Peace Bridge (£) ⁷⁷	1,389,669	283,562	357,060	185,000	2,215,291
One Plan (£) ⁷⁸	53,251	21,024	0	0	74,275
Cultural Infrastructure (£) ⁷⁹	1,288,516	3,080,543	(22,448)	0	4,346,611
Other, primarily One Plan projects (£) ⁸⁰	539,071	757,044	851,655	600,000	2,747,770
Total	£9,978,355	£8,034,684	£9,159,744	£5,252,000	£32,424,783

Source: Statutory Accounts 2011/12 – 2013/14 and Ilex Finance Manager

Table 6.6 shows that Ilex has spent over £32m from April 2011 to March 2015. Ebrington accounted for 65% of programme spend in 2011/12; 87% in 2013/14 and 85% in 2014/15. The high percentage of expenditure associated with Ebrington fits with the focus on this site by OFMDFM.

The absence of spend on Fort George in 2013/14 and 2014/15 corresponds with DSD taking responsibility for the site in 2013.

A detailed breakdown of capital and revenue expenditure is outlined in table 6.7 the detail of what constitutes Programme costs is included in the footnotes for table 6.6.

⁷⁷ Peace Bridge Programme costs include recovery of funding previously provided + 'Peace Bridge' as per the statutory accounts + CCTV Peace Bridge + Peace Bridge depreciation + Peace Bridge Capital Costs (as provided by the Ilex Finance Manager)

⁷⁸ One Plan Programme costs relate to Regeneration Plan as per the statutory accounts

⁷⁹ Cultural Infrastructure Programme Costs relate to Cultural Community Infrastructure Scheme

⁸⁰ Total minus all of the above (as stated / calculated by the Ilex Finance Manager)

Table 6:7: Programme Costs (March 2010 – March 2015): Breakdown of capital and revenue expenditure

Year	Ebrington Expenditure (£)		Fort George Expenditure (£)		Peace Bridge Expenditure (£)		One Plan Expenditure (£)		Cultural Infrastructure (£)		Other, primarily One Plan projects (£)		Total		Total
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	
2011/12	5,439,767	1,084,032	29,774	154,275	624,961	764,708	0	53,251	0	1,288,516	0	539,071	6,094,502	3,883,853	9,978,355
2012/13	2,253,465	1,352,479	146,305	140,262	76,671	206,891	0	21,024	0	3,080,543	0	757,044	2,476,441	5,558,243	8,034,684
2013/14	6,328,754	1,644,723	0	0	0	357,060	0	0	0	(22,448)	0	851,655	6,328,754	2,830,990	9,159,744
2014/15	3,133,000	1,334,000	0	0	0	185,000	0	0	0	0	0	600,000	3,133,000	2,119,000	5,252,000
Total	17,154,986	5,415,234	176,079	294,537	701,632	1,513,659	0	74,275	0	4,346,611	0	2,747,770	18,032,697	14,392,086	32,424,783

Source: Statutory Accounts 2017091/12 – 2013/14 and Ilex Finance Manager

Table 6.7 shows that capital expenditure during 2011/12 – 2014/15 totalled £18,032,697 (56%) while revenue expenditure totalled £14,436,982 (44%).

The Programme for Government target was to have completed £23m infrastructure investment at Ebrington by 2015. However as shown in table 6.7 total spend to date is c. £17m, representing an underspend of £6m.

Costs of Delivering Capital and Revenue Expenditure

The table below shows that the total costs of running Ilex (i.e. staffing and overheads) as a proportion of the capital and revenue monies expended have increased from 21% in 2011/12 to a projected 32% in 2014/15 (note this percentage could further increase if the planned capital expenditure is not delivered). In addition staff costs as a percentage of total expenditure has increased from 17% in 2011/12 to a projected 25% in 2014/15.

Table 6:8: Cost and Expenditure

Cost/ Expenditure	2011/12	2012/13	2013/14	2014/15	Total
Total Costs of Running Ilex ⁸¹ (see table 6.5)	£2,136,374	£2,025,548	£1,852,157	£1,691,402	£7,705,481
Capital Expenditure (see table 6.7)	£6,094,502	£2,476,441	£6,328,754	£3,133,000	£18,032,697
Revenue Expenditure (see table 6.7)	£3,883,853	£5,558,243	£2,830,990	£2,119,000	£14,392,086
Total Expenditure	£9,978,355	£8,034,684	£9,159,744	£5,252,000	£32,424,783
Costs/ Expenditure	21%	25%	20%	32%	24%
Staff Costs ⁸² (excludes SIB costs) as a % of total expenditure	17%	19%	16%	25%	18%

Source: Statutory Accounts 2011/12 – 2013/14 and Ilex Finance Manager

The increase in costs against expenditure is not value for money and in section 10 future options are considered.

⁸¹ Sum of staff costs and establishment and other costs; staff costs does not include Venue 2013 staff costs which are included in the Ebrington revenue expenditure in table 6.7

⁸² Staff costs does not include Venue 2013 staff costs which are included in the Ebrington revenue expenditure in table 6.7

6.4.5 Summary

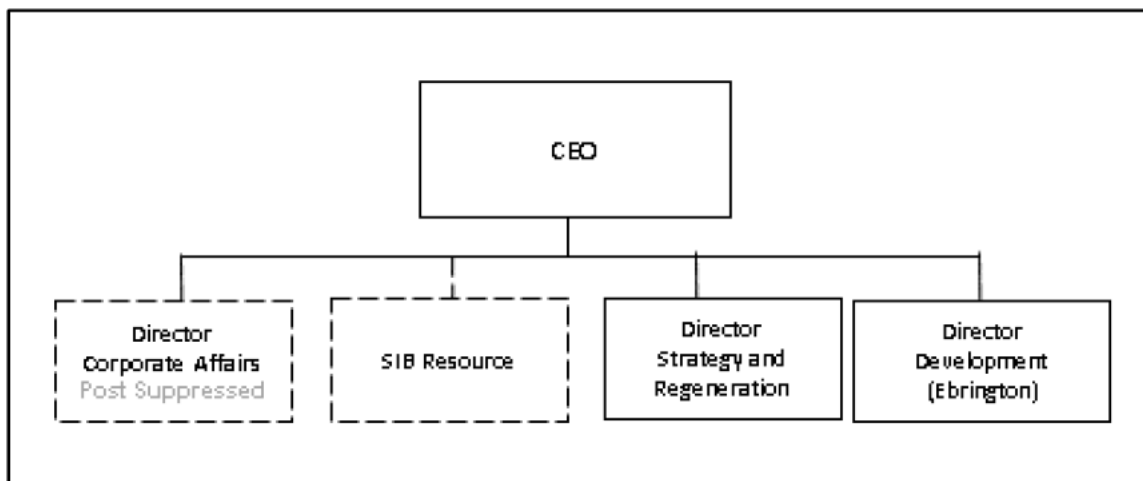
It costs in the region of £1.7m⁸³ per annum to run Ilex at present (staff and overhead costs). The costs of staff⁸⁴ and overheads as a percentage of spend have increased significantly from 21% in 2011/12 to a projected 32% in 2014/15. This is not value for money. Further investigation highlights that administration has accounted for 41% of total staff costs over the period 2011/12 to 2014/15. There is a need to reduce costs generally and in proportion to capital spend figures and a specific need to reduce administration costs.

6.5 Structure and Staffing

This section sets out the current organisational structure and staffing within Ilex and reviews its suitability for delivering on its current functions.

6.5.1 Current Senior Staffing Structure

Figure 6:1: Ilex Senior Structure as at March 2015



Source: Ilex CEO (May 2015)

The Ilex organisation structure has been amended in recent years to accommodate changes in staffing and as a result some staff members are conducting roles or part of roles that they were not recruited for, while others are undertaking duties below their levels.

For example the Director of Development / Ebrington was previously the Cultural Broker and moved into the Development role when the previous incumbent left. The CEO undertakes part of the Development role, focused on legacy issues regarding Ebrington; is Senior Responsible (SRO) for the car park and is leading on the initial work regarding office accommodation. The Development function is also supported by a SIB resource at Director level within the organisation. The resource and monies

⁸³ Includes SIB resource of £75k

⁸⁴ Staff costs does not include Venue 2013 staff costs which are included in the Ebrington revenue expenditure in table 6.7

invested in the Development function are therefore significant, however as detailed in section 5, Ilex has not performed in this area as targeted.

The Director of Corporate Affairs position has been suppressed and these duties have been subsumed into the roles of finance manager and / HR lead and the CEO.

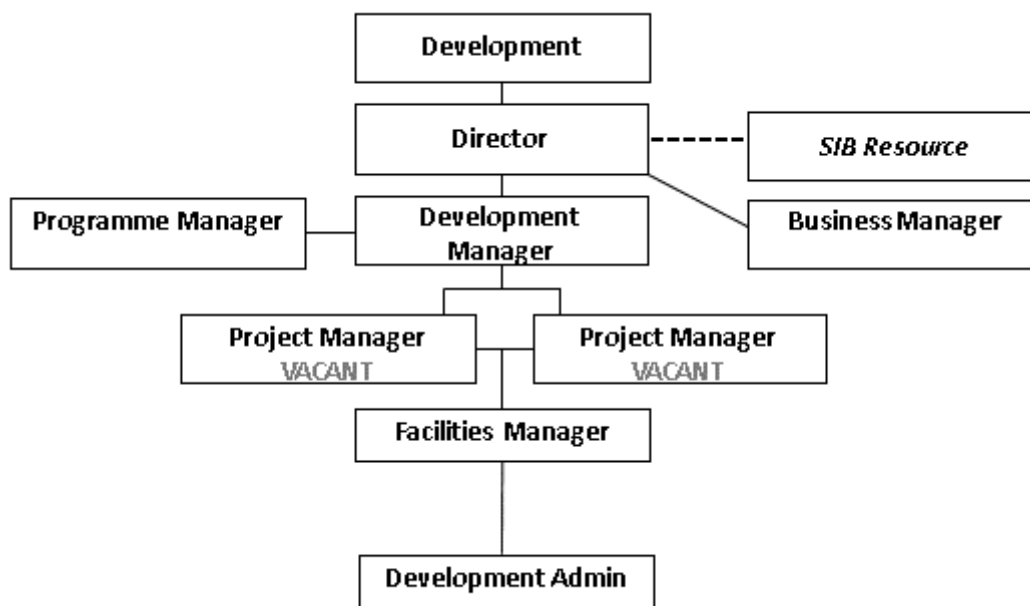
6.5.2 Senior Management Structure and Teams

Ilex currently has 21 WTE staff⁸⁵ and five vacant posts. The following section details the current departments and the functions of each with details on roles and responsibilities in Appendix L.

Ebrington Team

The organisational structure of the Development Directorate is shown in figure 6.2.

Figure 6:2: Organisational Structure of the Development Directorate



Source: Ilex CEO (May 2015)

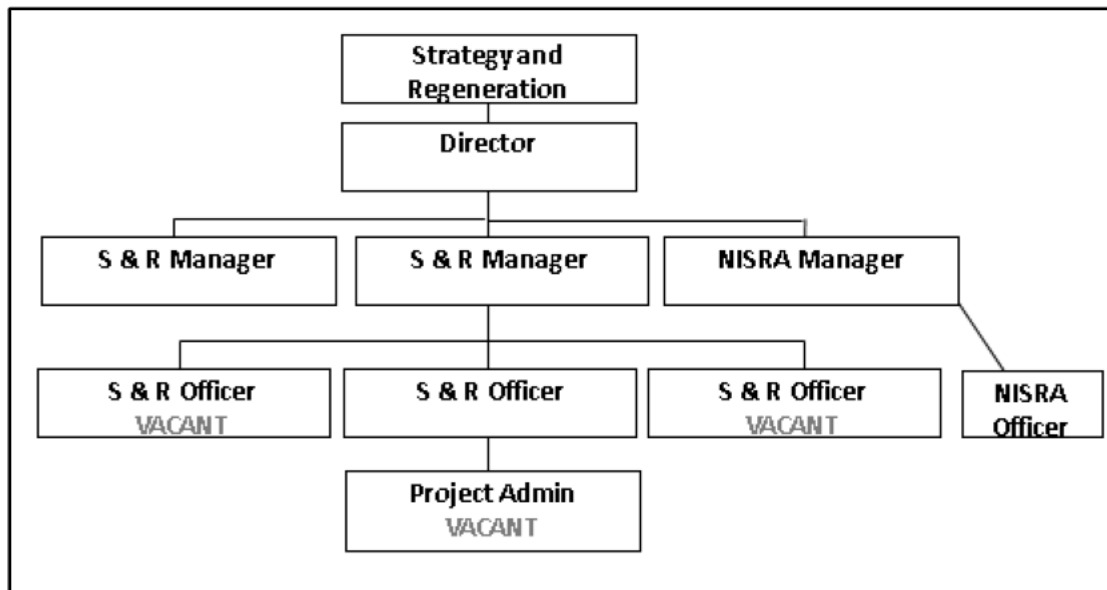
The Development Directorate structure shows a Director and a SIB resource both at the same level. The SIB resource has no supporting staff, however the Director has a Programme Manager, Development Manager and a Business Manager reporting directly and two project managers and a Facilities Manager / administrator reporting indirectly.

⁸⁵ The figures include secondees from NISRA, Del NIO etc. and temporary staff

Strategy and Regeneration Team

The organisational structure of the Strategy and Regeneration (S&R) Directorate is shown in figure 6.3.

Figure 6:3: Organisational Structure of the Strategy and Regeneration Directorate



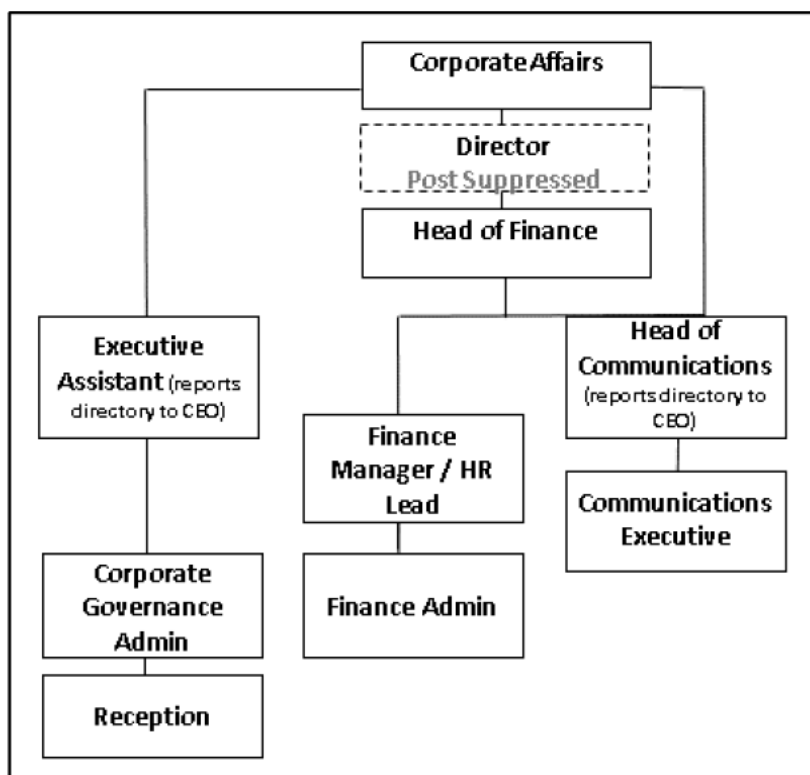
Source: Ilex CEO (May 2015)

The Strategy and Regeneration team are in the process of being seconded to the Council.

Corporate Affairs Team

The organisational structure of the Corporate Affairs Directorate is shown in figure 6.4.

Figure 6:4: Organisational Structure of the Corporate Affairs Directorate



Source: Ilex CEO (May 2015)

Evidence from the comparator organisations show small corporate services teams and/ or all or some of the functions delivered through service level agreements with other organisations such as the Council. The size of the corporate affairs directorate needs to be reduced, the one exception should be the marketing function which needs to be 100% focused on attracting private sector into Ebrington and therefore should remain within Ilex. The Director of Strategic Development should be responsible for the cultural animation of the Ebrington site, developing and project managing programmes of events that consolidate Ebrington's position as a key shared space within the city and a venue for cultural and community events (see section 11.2.3.4)

6.5.3 Recruitment

It is recognised Ilex has faced a number of staffing challenges since 2011, in particular with regard to senior team appointments. Specific issues relating to each post are outlined in Appendix L. Moreover, Ilex has found it difficult to recruit people with the requisite qualifications, skills and experience. This has proved problematic at all levels of the organisation, from Board level to operational staff levels.

For example, in October 2011 Ilex's Chairman, Sir Roy McNulty notified OFMDFM of his intention to step down at the end of February 2012. The post was advertised in July

2012 however no appointment was made. The post was subsequently re-advertised, resulting in the appointment of Philip Flynn on 16 September 2013, by which time Ilex had been without a permanent Chair for almost 19 months. However an interim chair was in post for the entire time.

Similarly, the post of Chief Executive had to be re-advertised twice. This meant that Ilex did not have a permanent Chief Executive from 1 November 2012 until 1 March 2014, a period of 16 months. However an interim chief executive was also in post the entire time. It is also worth noting that Ilex had both an Interim Chairman and an Interim Chief Executive for 10 concurrent months (November 2012 – mid September 2013).

The current Director of Ebrington joined the organisation as the Cultural Broker in 2010 however this role changed to the Director Ebrington when the former CEO left in October 2012.

6.5.4 Summary

The structure and staffing will need to change in light of the secondment of the Strategy and Regeneration team to the Council, the high level of staff costs compared to capital expenditure (as detailed in section 6.4), and the inefficiencies in the present structure. The corporate affairs function is being delivered across a number of staff. However the CEO has taken on responsibilities for Ebrington (mainly legacy issues and the office accommodation) and Corporate Affairs (chairing case work committees; governance returns etc.). The Director for Ebrington was previously recruited into the Cultural Broker role and moved into his current role when it became vacant. Consideration needs to be given as to what staffing is needed to deliver on Ebrington development objectives and targets, and therefore a staffing review should be completed as soon as possible. The options are reviewed in section 10.

The performance appraisal process involves a formal annual review of the individuals' performance against the agreed objectives and targets. This is supplemented with one to one discussions as required. This should change to include a half year review, in order to ensure there is a stronger focus on meeting objectives and targets. The objectives and targets set at an individual level should link directly to those in the annual business plan and focus on the development of Ebrington, development of business accommodation and getting the private sector involved in the site.

7 MARKETING POTENTIAL

7.1 Introduction

The terms of reference require a review of the extent to which the sites have been marketed to the private sector. This section details the communications and marketing spend, the activities and the results achieved to date.

7.2 Communications and Marketing Spend

The majority of communications and marketing spend has been allocated to the Peace Bridge and associated events, as shown in the table below.

Table 7.1: Communications and Marketing expenditure since April 1st 2011

Programme Area	Communications and Marketing expenditure since 1 April 2011	% of total Communication and Marketing spend
Ebrington	£10,188	3%
Peace Bridge including event management fees	£329,917	86%
One Plan	£23,808	6%
City of Culture	£3,096	Less than 1%
Corporate	£16,658	4%
Fort George	-	-
Total	£383,667	100%

Source: Information provided by Ilex Head of Marketing & Communications to RSM McClure Watters (March 2015)

Table 7.1 shows that Ilex has not been focused on marketing Ebrington or Fort George to the private sector; instead the marketing budget has been significantly focused on marketing Ebrington to the public. This is not a core objective for the organisation and indicates that time and money has been spent on non-core activities, whilst those areas that are core have not been invested in.

7.3 Work Undertaken 2011/12 – 2014/15

A review of the communications and marketing activities completed over the review period show a focus on tours and event type activities, all of which will raise the profile of the sites to the general public. Private sector focused work is shown in 2013/14 with the advertisement for expressions of interest in Ebrington and a new website was set up in September 2014 which marketed the Ebrington site to the private sector.

Table 7.2 provides examples of the communication and marketing activities undertaken during 2011/12 – 2014/15.

Table 7.2: Ebrington Communication and Marketing Activities (Ilex PR Activity Reports)

Programme Area	2011/12	2012/13	2013/14	2014/15
Ebrington / Fort George	<ul style="list-style-type: none"> Tours of Ebrington and Peace Bridge Ebrington: six-page colour feature in Perspective Magazine Coffee concession: Ebrington Media briefing on Fort George contamination Statement issued re use of Ebrington Square for events Big Health Check event, Ebrington 	<ul style="list-style-type: none"> Tours of Ebrington and Peace Bridge Media articles EDF– Public Consultation 	<ul style="list-style-type: none"> EDF – Public Consultation Stage 2 Press Release: Creative Hub Operator appointed for Ebrington MTV Crashes Expressions of Interest – Ebrington (Ad placed in BT, DJ & LS)⁸⁶ 	<ul style="list-style-type: none"> Ilex worked with Invest NI to attract FDI to Ebrington Website launched September 2014 and active site marketing of Ebrington, the key objective being to showcase Ebrington to investors and developers⁸⁷ Social media, particularly in relation to the Ebrington Public Consultation process⁸⁸

Source: Ilex PR Activity Reports (September 2012 - December 2014) / Information from interviews with Ilex staff

While table 7.2 indicates that there has been communication and marketing activity in each year from 2011; this needs to be more focused on attracting businesses, jobs and investment to Ebrington. A marketing plan is needed which shows how the time and resources can be directed at three key audiences, namely:

⁸⁶ BT – Belfast Telegraph / DJ – Derry Journal & LS – Londonderry Sentinel

⁸⁷ The site is visually led and makes extensive use of CGI (computer generated imagery), 360 degree photos of a range of locations, and 3D modelling of the site plan and some buildings

⁸⁸ The company has used social media as an additional Communications and Marketing platform, with Facebook and Twitter accounts. In relation to Ebrington, the public consultation process was spearheaded by a social media campaign which, together with drop-in sessions and stakeholder workshops, resulted in feedback from over 1,800 people

- Businesses across the whole of the country, with a particular emphasis on growth / expanding companies so that there should be no displacement of jobs from other parts of Northern Ireland;
- Developers of commercial, industrial and residential property; and
- Northern Ireland economic regeneration agencies and funders.

7.4 Areas for Development

There are a number of KPIs that can be used to measure success with regard to the marketing / communications activity and the table below provides some examples.

Table 7:3: Examples of KPIs to measure the Communications / Marketing Function

Activity Measures	Output Measures	Outcome Measures
<ul style="list-style-type: none"> • Targeted marketing campaigns at FDI and/ or high growth mobile companies in NI. • Targeted marketing at property developers. • Joint working with Invest NI to market the sites to mobile businesses. 	<ul style="list-style-type: none"> • Number of companies located in sites at Ebrington. • Number of private developers investing in Ebrington. 	<ul style="list-style-type: none"> • Private Sector Income generated from the site. • Private Investment in the site. • Private sector jobs created.

7.5 Summary

The review of communications and marketing activities and spend shows that this has been mainly focused on supporting the One Plan rather than Ebrington and that the private sector have not been the main audience for work in this area. With the move of the Strategy and Regeneration team to the Council, all marketing and communication in relation to the One Plan should cease. Therefore the focus of all future marketing activity should be Ebrington, and given the need to create jobs in Derry~Londonderry, targets are required which reflect the sole focus of getting tenants into Ebrington (local businesses and / or FDI).

8 RELATIONSHIPS

8.1 Introduction

This section summarises Ilex's key internal and external relationships as well as its relationship with the sponsoring department based on findings from consultations with stakeholders agreed at the project planning stage with OFMDFM. Appendix B details the list of consultees. Stakeholders were asked to provide feedback on the need for Ilex's functions, the effectiveness and strategic added value of Ilex, relationships with Ilex, and the impact of the changing environment in which Ilex is operating.

8.2 Need for the Ilex Functions

The stakeholders interviewed highlighted that Ilex has two key functions: namely the development of the Ebrington site and to contribute to the co-ordination and delivery of the One Plan.

All consultees felt that there is a need to develop Ebrington, given that it has a prime location within the City.

Stakeholders felt the function of coordinating the One Plan was needed in the past but as the Council now has powers to develop a community plan it is important that this work be integrated within the Council. All were aware that work is underway to second the staff in the Strategy and Regeneration team (responsible for the coordination of the One Plan) to the Council to ensure that this work fits with the planned work on the Community Plan and the Economic Development Strategy being developed for the new Council.

8.3 OFMDFM feedback on the Effectiveness of Ilex

OFMDFM has as one of its key aims: 'driving investment and sustainable development: through regeneration of strategic former military sites; promoting effective long-term capital planning and delivery; and, promoting the Executive's policy interests internationally.' The work of Ilex focused on the Ebrington site (as a former military site) will contribute directly to the aims and objectives of OFMDFM. However, Ilex has two objectives set out in its MSFM, namely the development of Ebrington and contribution to the wider regeneration and development of the City Area. This lack of total alignment of Ilex's aims with those of OFMDFM causes tension in relationships and in ensuring accountability of OFMDFM funding provided to Ilex.

As the sponsor Department OFMDFM is accountable for the work of Ilex and were therefore impacted by the Public Accounts Committee findings⁸⁹ in July 2012 which resulted in Ilex's accounts being qualified. This subsequently influenced their working

⁸⁹ Public Accounts Committee (July 2012) *Report on the Transfer of Former Military and Security Sites to the Northern Ireland Executive and Ilex Accounts 2010 - 2011*

relationship with Ilex, for example the delegated limit on expenditure was reduced from £150k to £100k which meant more business cases should be submitted to OFMDFM for approval.

In line with PAC recommendations OFMDFM took on sole sponsorship for Ilex in April 2013 and this led to the aim “to secure the economic, social and physical regeneration of the Ebrington site...” becoming the primary aim of Ilex and the wider regeneration of the Derry City Council area becoming the subsidiary.

However feedback from the Department suggests that Ilex has paid insufficient attention to its now core purpose of redeveloping Ebrington and has worked on areas outside of its general remit of creating and promoting the co-ordinated regeneration of the Derry City Council area.

Evidence OFMDFM highlights:

- The underspend of capital monies (£17m⁹⁰ spent against a target of £23m) in an area where there is a need for significant expenditure;
- The low number of business cases being submitted to the Department;
- Business cases being submitted by Ilex to OFMDFM require rework which lengthens the time required to get them approved and increases the resource time needed by OFMDFM. The specific criticism was the lack of evidence included to support the funding request;
- Lack of planning ahead on projects to take into account the time required within OFMDFM / DFP to get approval on business cases as part of the project development process;
- The lack of understanding of the time required to project manage development projects generally and therefore the underestimation of work required and the late delivery of projects;
- The lack of attention to the processes needed to get funding approved. This was one of the issues highlighted at the PAC hearing in 2012, however OFMDFM have suggested that the lessons had not been taken on board. The Stratified Medicine project was provided as an example of a project which Ilex had worked on developing over a period of time, but for which no business case had been developed, despite the £500k of funding requested.; and
- The lack of SMART targets relating to Ilex’s now core objective of developing Ebrington in the 2014/15 business plans.

Moreover, it was indicated that the business planning process was not efficiently implemented, as the Department does not receive initial draft business plans in a timely manner and revisions / comments on these are not dealt with promptly. It highlighted that the draft 2015/16 plan was due to be submitted in December 2014 but was not received until 26 January 2015. Thereafter, the Business Plan has been back

⁹⁰ This figure includes 2014/15 projected capital expenditure provided as an estimate in March 2015 by the Ilex finance manager

and forth between Ilex and the Department with a number of revisions and further queries are still being addressed.

8.4 Effectiveness of Ilex- Feedback Other Government Departments and SIB

All consultees felt that Ilex had been effective or highly effective in at least some elements of their work, however issues were raised regarding the cost effectiveness of Ilex and what core competence existed within Ilex outside of SIB and NISRA resource.

The positive areas of Ilex's work highlighted were:

- It was unanimous that the Peace Bridge was highly unlikely to have happened if Ilex had not taken the lead in the project and that it was needed to assist in the development of Ebrington. Stakeholders felt that the then Chair and CEO had demonstrated vision and courage in taking responsibility for the Peace Bridge. However the bulk of the work on the Peace Bridge happened prior to this Review period, and it is noteworthy that consultees are referring to it even though it was completed in years earlier;
- The development of the successful City of Culture bid with Derry City Council was felt to be a significant success for the area, although stakeholders were not confident that it had delivered the impact expected. It was believed that the bid had set targets that were too ambitious and unlikely to be achieved;
- The development of the Venue for the City of Culture events (although some stakeholders highlighted the role of the SIB resource seconded to Ilex to get the Venue delivered on time);
- The development of the One Plan through the use of statistical evidence and the City Scope process.⁹¹ The One Plan process was felt to have galvanised the City and brought stakeholders together in the development of the plan;
- Ilex often become involved in areas when no-one else would, for example the Peace Bridge, delivering the Outline Business Case for the planned expansion of Magee and the sourcing of funding for the North West Science Park⁹²; and
- The Ilex team are perceived by the stakeholders to have specific strengths in data collection and analysis through the secondment of NISRA staff and use of external resource such as Oxford Economics.

There were a number of areas highlighted as weaknesses / areas for development:

⁹¹ Ilex has developed a web-based statistical resource outlining key information and data aligned to the five themes of the One Plan. The Citi-Stats section went live on the Ilex website in March 2012 and provides wide ranging data on education, health, demographics, etc.

⁹² Ilex was seen to be the main driver (although DCC claimed that the idea came from them not Ilex) and they wrote the business plan, economic appraisal and funding application and facilitated the working group to scope the project.

- Departmental consultees felt that Ilex staff were quick to use local political contacts to escalate issues, rather than working with relevant Department officials. DRD officials felt that escalating issues in this manner too often appeared to be the first course of action. This often resulted in misinformation and misunderstanding and negatively impacted on the efforts to build stronger relations between local and regional stakeholders;
- DRD feedback suggested that on occasion Ilex has tended to focus on formal reporting structures which had not necessarily added value either in terms of delivery or communicating progress;
- It was felt that the previous Chair and CEO disregarded government processes regarding getting approval for investments (but it was felt this had changed with the current CEO coming into position and the lessons learnt from the PAC in 2012);
- Ilex's perceived lack of project management capability was criticised. This was exemplified in the Venue as quotes from interviewees include: "they realised late in the day they needed help to get the venue sorted for the Turner prize"; 'their lack of progress was recognised late in the day and without the help of SIB this could have been a disaster', and 'it could have been managed much better';
- The pace at which Ilex works was also highlighted. Two of the Departmental contacts felt that Ilex was slow to deliver projects that it was responsible for. They also felt Ilex could be unrealistic about the length of time it would take to get projects delivered, resulting in these running late or not happening if the specific opportunity past. Specific projects highlighted as examples included the Clock Tower project; the lack of progress on the Ebrington framework until 2013; and the lack of research on the demand for property in the NW until DSD commissioned work in 2014;
- There were mixed views on the effectiveness of Ilex in coordinating delivery of the One Plan, with some consultees suggesting that actions in the One Plan were too ambitious and unrealistic and therefore could not be delivered; and
- DEL highlighted the potential for confusion with employers as to the role of Ilex with regard to skills, as opposed to DEL or the Council as part of its economic development agenda.

8.5 Specific Feedback from Local Stakeholders

The Chief Executive of Derry City and Strabane District Council Derry City Council and Derry Chamber of Commerce highlighted that Ilex had delivered well in difficult economic circumstances, although there was frustration with the slow pace in regenerating Ebrington. Both organisations felt that the success of Ilex had been limited not only by the economy but also by the time it takes to get business cases approved by Departments / DFP. It was felt that the time required was too long and would not work for any time critical project (which can often be the case when working with the private sector). However details on the time taken to approve business cases

have been provided by OFMDFM and are detailed in Appendix M; this indicates substantial reworking due to the quality of the business cases received from Ilex and that approval once the business cases meet the required standard happens relatively quickly. This table shows that the time taken to approve major capital business cases during 2012 – 2014/15 was usually within six weeks.⁹³

The Chief Executive of the Council agreed that the City could benefit by the functional activities being more aligned to those of Council as long as the appropriate mechanisms and governance arrangements to facilitate this were undertaken in a planned and co-ordinated manner. It was noted that at present Ilex as an arms-length body of central government can make bids for Capital monies to Central Government through monitoring rounds and other means whereas the Council does not have access to this source. This source of funds was felt to be needed in order to overcome the market failures for Ebrington..

The Chief Executive of Council stressed that major revenue and capital expenditure is needed to deliver the development required and that the key source of this initial investment must be through central government funding.

The Council is concerned that significant monies are needed to regenerate the Ebrington site and moving the functions to Council without addressing this fundamental issue effectively would result in a potential loss of critical funding.

The Council is concerned that significant monies are needed to regenerate the Ebrington site and moving the functions to Council without addressing this fundamental issue effectively would result in a potential loss of critical funding.

8.6 Strategic Added value of Ilex

Stakeholders felt the strategic added value of Ilex is no longer as clear as it was initially. Previously, the strategic added value provided by Ilex was that it took on projects others would not, particularly the development of the Peace Bridge; the One Plan; the City of Culture Bid and the bid for the NW Science Park.

All stakeholders felt that the Peace Bridge is seen as iconic and a major success for Derry~Londonderry which is a result of Ilex taking this forward. With regard to the One Plan, Ilex's strength was in bringing together all the key stakeholders. However the organisation's flexibility was also seen as a weakness as it is difficult to be clear on the exact contribution made by Ilex. In addition, it was felt by the sponsor Department that Ilex's attention on areas outside of its core purpose of developing Ebrington has resulted in significant mission drift and failure to deliver on its key priority (Ebrington).

⁹³ Details on the time taken to approve a sample of capital business cases have been provided by OFMDFM and are detailed in Appendix M

The City of Culture is viewed a success, but is understood not to have achieved all that was expected of it.

In the future:

- In the context of local government reform and the new community and development planning functions for local government, DRD officials suggested that Ilex may have limited opportunities and capacity to add strategic value in the development of the NW / Derry~Londonderry. DRD also suggested that while the One Plan was a significant achievement, it did not address the regional role of Derry City sufficiently. This was both in terms of its role as a driver of growth for the North West but also in terms of its role as a key gateway. This had resulted in a very limited focus in the One Plan on how the City region connected with other parts of the NW and Northern Ireland / Ireland generally;
- DCAL recognise the importance role that Ilex play in coordinating the One Plan and as part of this are responsible for monitoring the impact of the City of Culture 2013;
- DEL highlighted the considerable investment it currently makes in skills development in the North West and emphasised the need to ensure that additional interventions delivered clear benefits. In addition DEL drew attention to the need for clarity on the roles and responsibilities of all parties involved in marketing skills delivery. DEL also drew attention to the potential for confusion for employers with regard to skills and in particular the need for clarity around the role of ILEX on this subject; and
- Invest NI highlighted that there was no need for Ilex to get involved with Financial Transactions Capital (FTC) as this was an area that was under development by Invest NI.

8.7 Relationships

8.7.1 OFMDFM and Ilex Relationships

Relationships have improved somewhat between OFMDFM and Ilex since the very difficult times post the PAC hearing however relationships remain strained. Feedback from OFMDFM states that the continuing lack of understanding by Ilex in respect of the required governance processes indicates it cannot depend on Ilex to comply with government processes while Ilex indicated that as OFMDFM is its Sponsor Department, the departmental vires is limiting Ilex to deliver on a more broad range of projects as opposed to the focus on the Ebrington site.

8.7.2 Departmental and SIB feedback

Departmental Stakeholders (outside OFMDFM) assessed their relationship with Ilex (with one exception) as 'improving', with one stakeholder assessing their relationship as excellent.

The relationship between Ilex and Departments has been impacted by the PAC findings and the failure of Ilex to follow public sector processes; poor quality business cases (two Departments); the tendency to go to political advisors if they dislike responses from Department Officials and the lack of delivery in some areas while taking on work in other areas.

8.7.3 Local Relationships

Ilex is felt to have good working relationships with the Council and the Chamber. Both are aware and involved in the planning of the work that Ilex is involved in.

8.8 The Changing Environment

Stakeholders highlighted a number of issues regarding the future of Ilex:

- The reform of Local Government has resulted in a merger of Derry and Strabane Councils and a transfer of functions to the new Council. It will take time for these significant changes to bed in and therefore the new Council is unlikely to be able to take on any additional work until then;
- Once the Strategy and Regeneration team moves to the new Council in 2016, the cost of running the remaining development function will not require the existing corporate services provision;
- Change in Sponsor Departments; the Stormont House Agreement of 23 December 2014 included a commitment that the number of departments should be reduced from 12 to nine in time for the 2016 assembly election, OFMDFM's functions are being reorganised from 2016 with responsibility for Ebrington being passed to the Department for Communities.

All Departmental consultees and the Chamber of Commerce felt that the regeneration of Ebrington function should move to the Council, so that regeneration activity is linked directly to local economic activity. However it was suggested that given the level of change currently being experienced it would not be appropriate to hand on such additional responsibility at this stage.

The Chief Executive of Council agreed that the City could benefit by the functional activities being more aligned to those of Council as long as the appropriate mechanisms and governance arrangements to facilitate this were undertaken in a planned and co-ordinated manner. It was noted that at present Ilex as an arms-length body of central government can make bids for Capital monies to Central Government through monitoring rounds and other means whereas the Council does not have

access to this source. This source of funds was felt to be needed in order to overcome the market failures for Ebrington.

The Chief Executive of Council stressed that major revenue and capital expenditure is needed to deliver the development required and that the key source of this initial investment must be through central government funding.

8.9 Consultation with Ilex Chair and Chair of the Audit Committee

The current Chair was appointed to this position in September 2013. The Chair and Chair of the Audit Committee felt that the organisation had developed significantly since the criticisms stated at the PAC hearing in 2012. It was noted that the corporate governance recommendations had been taken on board and Ilex was now ready to 'show what it could deliver', after having been focused internally in the recent past in order to improve corporate governance processes.

The Chair and Head of Audit discussed the pipeline of projects and the expectations that nine businesses would be moved into Ebrington over the next few months. However to date only three Business Cases have been submitted for Departmental consideration of six that should have been submitted by now. In addition departmental feedback is that the quality of these Business Cases has been poor and comments from the Economists are with Ilex for consideration.

Both noted their frustration with the Managing Public Money NI processes for approving businesses cases. The quality of the work produced by Ilex was not felt to be an issue, but they were both critical of the amount of time taken by OFMDFM/DFP in this process. It was highlighted that decisions on business cases could take 6-18 months⁹⁴ but that private sector businesses cannot afford to wait this time to get decisions and have moved onto other sites/premises.

It was also highlighted that when in negotiations with a private developer the project costs or the conditions can change. In these situations it was the Chairs' perception that Ilex staff have had to resubmit a new business case, rather than producing an addendum to an existing approved business case and go through the process again. Given that it takes at least another 6 months, this situation was not felt to be practical.

The One Plan was felt to get an excellent example of a community planning process and there is complete agreement that this work should move to the Council.

8.10 Consultation with Ilex CEO and Senior Staff

The senior team at Ilex feel that the organisation has been highly effective in recent years, providing examples such as the development of the Peace Bridge; the City of Culture bid for 2013 and the support provided in delivery of the same. They also

⁹⁴ Details on the time taken to approve businesses have been provided by OFMDFM and is detailed in Appendix M

referred to the international recognition given to the One Plan by the OECD report⁹⁵; the way in which local stakeholders got involved in the One Plan process and the successful funding bid for the North West Science Park. In relation to Ebrington, it was highlighted that Ilex had successfully developed the carpark and the Venue as well as hosting a number of the City of Culture events, including BBC Radio 1's Big Weekend, 2013 Turner Prize and a range of other sporting, family, charity and cultural activities.. However it was suggested that OFMDFM constrain the organisation in a number of ways, specifically:

- The length of time involved in getting business cases approved – with cases taking 6-18 months; and
- The desire⁹⁶ to see Ilex's sole focus on the development of Ebrington, rather than also on the contribution that can be made to the wider area. The Ilex team noted that approx. £1.5m of their funding comes from DSD annually and DSD do not require that this money be solely focused on Ebrington and therefore can be used to contribute to the wider regeneration of the Derry City Council area.

Ilex were also critical of the time taken by CPD to provide support on procurement projects, noting that it can take 3-6 months to get a procurement process completed.

In terms of good practice, the Ilex team highlighted the:

- OECD feedback on the One Plan, which stated that "it offers a very clear and well-conceived approach to building the future of the city and through a thorough and commendable participation process, Derry~Londonderry has a solid regeneration plan, and the economic and social challenges faced by the city are not insurmountable".

Ilex does not use any quality schemes such as EFQM Excellence Model, Charter Mark or Investors in People.

8.11 Summary

Consultation feedback indicates mixed opinions on the performance of Ilex. Local stakeholders view their performance as successful in a difficult economic situation, although there is frustration with the lack of progress in getting businesses and jobs created in Ebrington. The willingness of Ilex to get involved in areas outside their core remit has resulted in mission drift and the organisation not delivering on its primary purpose of the regeneration of Ebrington / Fort George. Specific areas of non / poor

⁹⁵ The OECD report concluded that the One Plan represented 'sound and good progress' for the City and that arrangements had been put in place to oversee the plan locally and to engage with the plan within the central government. OECD (2012) *Delivering Local Development in Derry~Londonderry Northern Ireland: Inclusive growth through the One Plan*

⁹⁶ It should be noted that Departmental vires do not extend to the contribution that can be made to the wider area - therefore the Department, nor the work of any of its ALBs, can extend beyond the Departmental remit

performance were felt to be the significant underspend on the Programme for Government target of £23m; the lack of planning approval for Ebrington or Fort George and the lack of private investment. Stakeholders highlighted that Ilex needs to prioritise the development of Ebrington and not get involved in projects that are the responsibility of other departments and organisations.

With regard to the One Plan, it is more difficult to be clear on the exact contribution being made by Ilex, given that part of its role is influencing / coordinating the work of others. There is also concern that the targets set in the One Plan are overly ambitious. Moreover, while the City of Culture is viewed a success, it is understood not to have achieved all that was expected of it.

9 COMPARATORS

9.1 Introduction

This section reviews the structure and costs of other similar delivery organisations. The organisations agreed with the Project Steering Group were: Riverside Inverclyde (RI); Laganside Corporation and DSD North West Development Office further details of each are in Appendix N.

9.2 Methodology

Each comparator operates within different contexts and therefore any comparison of information should take this into consideration however the results still provide points for discussion. The following information was sought from each of the comparators (although information was not available for all):

- Aims, objectives, targets and progress against targets;
- Staffing levels and costs;
- Performance regarding regeneration and any KPIs set, and
- Key factors contributing to successes to date/ Lessons learnt.

9.3 Findings

The review of comparator information highlighted the following:

Importance of a focus on Physical Regeneration:

The review of RI in 2013⁹⁷ was critical of the organisation for not delivering as required. The recommendation was that it needed to refocus on physical regeneration and transfer the other business development work to the Council.

Key Performance Indicators – Physical Regeneration

The analysis of the comparators performance shows that the KPIs need to be focused on physical regeneration (rather than the wider development of the area) and the key performance indicators **are the cost per generated outputs/outcomes (i.e. cost per hectare of land developed; cost per square metre of property developed; cost per jobs promoted/retained etc.)**. Use of these indicators is essential as otherwise the URC can become too involved in other activities which will not deliver the results needed. While such work on other areas is accepted as important, there is recognition that this should be allocated to the most appropriate organisation to carry it out, with the Council being recognised as a key partner in terms of delivery.

⁹⁷ Inverclyde Council (2013) Review of Riverside Inverclyde and Delivery of Regeneration Services within Inverclyde

Cost Effectiveness

Public funding constraints have driven a focus on ensuring cost effectiveness and the RI URC provides an example of how operating costs can be reduced. RI's operating costs equate to an average of 8% of total organisational spending; and their staffing costs were projected to be 6.4% in 2013/14 of their budgeted capital spend.

DSD and Laganside provide local examples of costs against capital expenditure levels and, as shown in table 9.1, they are or have been much more cost effective when comparing staff costs against capital expenditure.

Table 9.1: Staffing and costs against capital expenditure

Comparator	Capital Spend for one year or average spend (£)	Staff numbers	Staff Costs for one year (£)	Capital Spend per staff member (£)	Staff Costs as a % of capital spend
Inverclyde (RI)	£4,655,806 ⁹⁸	6.5	£298,456 ⁹⁹	£716,278	6.4%
Laganside	£8,000,000	22 ¹⁰⁰	£792,781 ¹⁰¹	£363,636	9.9%
DSD-NWO	£5,500,000	6	£258,945	£916,667	4.7%
Ilex	6,328,754 ¹⁰²	17 ¹⁰³	£1,156,556	£372,280	18.2% ¹⁰⁴

Note: the staff costs as a percentage of capital spend must be treated with caution for a number of reasons:

- DSD NW office staff costs are underestimated as the team also access support from the Department's centralised teams for Payments and HR.
- Laganside invested £147M over 18 years. The 2005/6 accounts show capital expenditure of £5.9M, however this is in the rundown of the organisation and the average capital expenditure of £8M is instead included.
- The staff costs for Ilex include the Development and Administration resources and exclude the Strategy and Regeneration team. The administration costs in the accounts include all of the CEO's salary and a % of this should be taken out to account for the work involved in managing the Strategy and Regeneration team.

⁹⁸ Inverclyde Economic Development and Regeneration Single Operating Plan 2014-2017

⁹⁹ Inverclyde Economic Development and Regeneration Single Operating Plan 2014-2017

¹⁰⁰ Excludes River Management staff

¹⁰¹ Total staff costs (2005)

¹⁰² Total capital spend 2013/14

¹⁰³ Total staff numbers in 2014 minus those in the Strategy and Regeneration team

¹⁰⁴ Note if staff costs are taken as a percentage of total expenditure (i.e. capital and revenue) for 2013/14 this changes to 17%, however this is still a comparatively high percentage.

Despite this the information provided shows a significant difference in the costs of Ilex compared to the other organisations and highlights the scope for reducing the costs involved in delivery and/ or increasing the level of capital expenditure. Given the constraints on public funding the latter is not a realistic option, therefore the costs need to be reduced.

A comparison of Ilex's costs as a percentage of capital spend against other comparators show Ilex costs nearly four times DSD, nearly three times RI and is approximately twice Laganside costs.

9.4 Summary

Ilex does not have a focus on the physical regeneration KPIs used by the other comparators as their main performance measures. Ilex needs to adopt these in any subsequent business plans- namely **the cost per generated outputs/outcomes (i.e. cost per hectare of land developed; cost per square metre of property developed; cost per jobs promoted/retained. This will also not only measure the outcomes being delivered by the costs involved in delivery.**

10 FUTURE OPTIONS

10.1 Introduction

An important part of the terms of reference was to undertake an assessment of future options for the delivery of regeneration activities at Ebrington.

10.2 Assessment Criteria

Assessment criteria were developed to reflect the conditions and issues that need to be addressed in order to provide an effective approach to regeneration delivery in the future. The assessment criteria set were (in no specific order of importance):

- **Improved delivery regarding regeneration of Ebrington:** which option will provide a clear focus on regeneration activity within Ebrington;
- **Flexibility:** which option will respond quickly to opportunities i.e. could be scaled up or down responding to changes in the availability of regeneration funding;
- **Private Sector:** which option will increase the involvement of the Private Sector in Ebrington;
- **Ability to secure funding in a highly competitive environment:** which option provides the best chance of securing regeneration funding; and
- **Value for Money:** which option will deliver the regeneration function more cost effectively, particularly with regard to operating and staffing costs.

10.3 Potential Options

The options for moving ahead are as follows:

- Option 1: Status Quo ;
- Option 1 A : Ilex remaining but restructured in light of changed priorities;
- Option 2: Ilex Dissolved with Ebrington and its development transferred to the Council;
- Option 3: Ilex Dissolved with Ebrington and its development a function of Central Government (DfC post departmental restructuring).

10.3.1 Option 1: Status Quo

This option involves no change regarding the responsibility for the development on Ebrington. Ilex will continue as a company limited by guarantee reporting to OFMDFM¹⁰⁵ with responsibility for the regeneration of the site. Historically Ilex had necessarily a wide remit given its responsibility for Fort George, lead role in respect of the One Plan and its input into the City of Culture. Fort George is now the

¹⁰⁵ From 2016, this responsibility would move to the Department for Communities – under the planned reduction in Departments and the Stormont House Agreement

responsibility of DSD and the legacy of the City of Culture is being taken forward by DCAL. The One Plan continues to be important but will during the current year be subsumed by the Community Plan which is the responsibility of the new Council. The review therefore has provided evidence of a need by Ilex to focus on the development at Ebrington.

The organisation at present has 21 staff (plus 5 vacant posts) and based on 2014/15 figures staffing costs would be in the region of £1,290,402 per annum and overheads would be £401,000 per annum. The organisation has a board that costs £78,841 per annum based on figures recorded in the 2013/14 annual report and accounts.

The capital budget for Ilex over the next year is projected to be in the region of £2m-3m per annum. A comparison of costs as a percentage of capital spend shows that Ilex costs between 2-4 times the comparator organisations. Detailed assessment of option 1 against the criteria is contained in Appendix O.

Conclusion: The status quo alone option does not deliver value for money, nor does it offer the opportunity for any improvement in delivery or reduced costs.

10.3.2 Option 1 A: Ilex remaining but restructured in light of changed priorities

Given the assessment above Ilex requires major restructuring to allow it to focus on delivery of its primary objective - the development of Ebrington.

To do this the Ilex Board and CEO immediately need to focus on work which will increase the development of business / commercial accommodation and therefore attract the private sector to Ebrington. This will need a fundamental change in culture and focus by the Board and CEO. The annual business plan needs to use SMART outcome targets, for example in line with the benchmarks use sq. m of buildings developed, businesses established on site etc. There also needs to be a tighter control of projects and a focus on meeting deadlines. Our assessment is that this does not need additional resources, indeed the new focus (and reduced scope of Ilex) should deliver efficiencies.

Conclusion: This option would deliver a new focus on Ebrington as the priority for Ilex and cost savings due to the reduced scope of the organisation / proposed staffing review. However in the longer term it does not integrate Ebrington with other local economic development priorities, or provide access to resources within the Council, and therefore limits the development impacts that can be expected. There has been insufficient evidence supplied to demonstrate that Ilex are able to deliver the volume of projects required to develop the Ebrington site. Furthermore, Ilex has failed to prioritise the development of existing buildings with potential tenants, instead focusing on speculative projects on as yet undeveloped parts of the site.

10.3.3 Option 2: Regeneration Function transferred to the Council (2016), followed by transfer of the Ebrington site to DCSDC (2017) and dissolution of Ilex

This option involves a phased approach with regeneration functions moving to the Council on 1 April 2016 and transfer of the site to DCSDC on 1 April 2017, resulting in the dissolution of Ilex. As noted above the Council is currently developing the community plan for the Council area which will subsume the One plan responsibility which currently rests within Ilex. There is consequently obvious synergies.

The move to the Council removes the need for a separate corporate services function as these supports already exist within the Council. There is the potential for further savings as the Council already has technical and project management resource working on major capital projects.

The Council is undergoing significant change in 2015 and there are risks that adding the regeneration of Ebrington this year would not deliver the focus or the scale of development needed, specifically delivering the plan of work set out in the EDF for 2015-19 and bringing forward the work planned for 2019-23 so that it can be completed within a shorter timeframe. In April 2016, the Council is expected to take on responsibility for urban regeneration and the addition of Ebrington to the Council would place major site regenerations under Council control.

The Council is concerned that significant monies are needed to regenerate the Ebrington site and moving the functions to Council would mean there is no opportunity to bid for additional central government monies (although the current delivery structure has not availed of this opportunity). Discussions with DSD have highlighted that if Ebrington is designated as a regionally significant project, then bids can be made through the Department for central government monies. Responsibility for designation of projects as regionally significant rests with the DSD Minister, and detail on the criteria for becoming registered is under development. Detailed assessment of option 2 against the criteria is contained in Appendix O.

Conclusion: This option provides benefits in terms of cost savings and the integration of the development of Ebrington with local economic development priorities. If Ebrington can be designated as a regionally significant project, then it also provides potential access to central government funds for further expansion and development.

Given the benefits, this is an option that needs to be seriously considered for April 2017. However, it is clear from consultation with the Chief Executive of Council that the transfer of any more functions to Council would have to be fully resourced in both revenue and capital terms, under appropriate and flexible governance arrangements and developed and implemented in full consultation with Council. At a minimum the Council needs to see evidence that Ebrington is performing, that income is being generated from the site and private sector involvement is forthcoming.

10.3.4 Option 3: Ilex Dissolved and responsibility for Ebrington Regeneration transferred to Central Government.

Under this option Ilex would be dissolved and the functions moved to central government, in the first instance OFMDFM and then (subject to the review of Departments) move to the Department for Communities from May 2016. (The Stormont House Agreement provides for the functions in respect of Ebrington to move to the new Department for Communities). This option provides the most cost effective option of the 3, given that in 2014/15 DSD's Physical Development Unit and One Plan Team between them managed the Fort George site and delivered £6.15m in capital expenditure with a total of 11 staff (compared to Ilex's 17 staff delivering £6.3m). The functions of Ilex could be absorbed into the Department for Communities with relatively small resourcing implications. DSD has also demonstrated its ability to get the North West Science Park developed and fully operational in a short period of time, therefore showing significant credibility in this area.

However it doesn't link the regeneration of Ebrington into other local economic development activities or provide locally appointed representatives the opportunity to provide local leadership. Detailed assessment of option 3 against the criteria is contained in Appendix O.

Conclusion: This option provides the opportunity to make significant cost savings, but it does not provide the link to local economic development that option 2 provides.

10.3.5 Preferred Option

The Preferred Option is that Ilex ceases operation on 31st March 2017 and the function in relation to Ebrington is transferred to the Council on 1st April 2017, therefore bringing it in line with other regeneration / economic development functions for the area. Under this option the Council would be responsible for delivering the plan of work set out in the EDF for 2015-19 and bringing forward the work planned for 2019-23 so that it can be delivered within a shorter timeframe. To support this, Ebrington could be recognised as a regionally strategic project by DSD, therefore providing the opportunity to bid for central government funding through the in year monitoring rounds. However it is recognised that this option may not be immediately deliverable given the challenges facing the new Council. In light of reorganisation following RPA, it is accepted that DCSDC is not in a position to take responsibility for Ebrington immediately therefore it is proposed that Ilex remain until 1st April 2017, at which point it is expected that the development of Ebrington will become the responsibility of the Council. If Ilex is to retain its current responsibility to develop Ebrington, its effectiveness must be improved. In order for this to be achieved, it will be important for Ilex to progress the recommendations noted below as swiftly as possible. The Department should seek to support this work.



11 CONCLUSIONS AND RECOMMENDATIONS

11.1 Introduction

This section presents the conclusions and recommendations based on the findings contained in the previous sections of this report and set against the headings in the terms of reference for this study.

11.2 Conclusions and Recommendations

11.2.1 Need

There is a continuing need to develop the Ebrington site but, particularly given the changes following Local Government reform, this does not necessarily need to be led by Ilex. Ilex has not been sufficiently focused on this core purpose, the development of Ebrington (or Fort George), over the period of this review. As a result there has been an underspend of £6m over the period and no private sector investment on the site. Instead there has been mission drift as the organisation has been involved in other activities, for example the City of Culture.

The management team also needs to improve not only its focus but its reporting processes. A wealth of information is provided on projects and programmes, but progress against deadlines is not clearly monitored. A recent example of this would be the development of a business need assessment for Grade A office accommodation was due at the end of February 2015 and it has not been delivered at the time of this report (July 2015).

The lack of business cases for new capital projects and the feedback from funders on the quality of business case information presented in the past, highlights concerns over Ilex's ability to deliver.

A review of the resources and the information produced in the business plans shows that the organisation spends too much time being internally focused.

A comparison of Ilex's costs as a percentage of capital spend against other comparators show Ilex costs nearly four times DSD, nearly three times Riverside InverCLYDE (Scotland) and approx. twice Laganside costs.

The emerging preference, both nationally and internationally, is to ensure coordination and collaboration of development projects at a local level. This is in line with the RPA model which envisages local government as the cornerstone of reformed public services with the focus on creating vibrant and cohesive local communities through social, environmental and economic development. The BDO review recognised in 2011 that given these developments the Council could therefore ultimately become "owners" of the Ebrington development project.

Given the implementation of RPA, the limited capital spend delivered by Ilex, concerns in respect of the quality of business cases and delivery of a pipeline of projects, this review endorses the direction of travel noted in the BDO review.

Recommendation: We therefore recommend that Ilex ceases operation on 31st March 2017 and the function in relation to Ebrington is transferred to the Council on 1st April 2017, therefore bringing it in line with other regeneration / economic development functions for the area. Under this option the Council would be responsible for delivering the plan of work set out in the EDF for 2015-19 and bringing forward as much of the work planned for 2019-23 as possible so that it can be delivered within a shorter timeframe. In addition the animation of Ebrington should continue, if required, to attract events and groups to the site.

In light of reorganisation following the RPA it is accepted DCSDC is not in a position to take responsibility for Ebrington immediately therefore it is proposed that Ilex remain until 1 April 2017, at which point it is expected that the development of Ebrington will become the responsibility of the Council.

To support the regeneration work required, Ebrington could be recognised as a regionally strategic project by DSD, therefore providing the opportunity to bid for central government funding through the in year monitoring rounds. However it is recognised that this option may not be immediately deliverable given the challenges facing the new Council. In the interim, if Ilex is to retain its current responsibility to develop Ebrington, its effectiveness must be improved. In order for this to be achieved it will be important for Ilex to progress the recommendations noted below as swiftly as possible. The Department should seek to support this work.

11.2.2 Effectiveness

The review of Ilex highlighted that whilst it had made progress in a number of areas since the last review in 2011, it has not been effective at delivering on its core function.

The lack of progress in infrastructure investment and specifically in developing business accommodation is particularly concerning. A review of performance in relation to capital works on Ebrington has shown that Ilex has prioritised public realm projects and the car park over commercial units. This has made it more difficult to market the space / units to the private sector. Therefore strategically Ilex has not placed the development of Ebrington as its core focus; instead allowing wider opportunities such as the City of Culture, One Plan projects and Peace Bridge activities to take precedence.

There is a lead time in getting public sector investment approved, but it requires business cases to be submitted in advance in order this to happen. Until May 2015, there was no evidence that a pipeline of business cases were sent to OFMDFM indicating that progress in this area is unlikely to change significantly over the next 6 months, unless urgent action is taken. There was also evidence of poor quality

business cases submitted which needed significant reworking in order to get approval.¹⁰⁶

Recommendation: The Board and CEO should ensure that the number and quality of the business cases should be significantly improved and increased over the period to the function is transferred, focussing on projects which can be delivered in the next 12-24 months.

11.2.3 Operation of Ilex

11.2.3.1 Corporate Governance

Ilex's corporate governance systems came in for significant criticism by the Public Accounts Committee in July 2012. Since then the internal and external audit reports demonstrate that Ilex has improved its governance.

The Board needs to oversee an organisation focused on regeneration and attracting private investment into Ebrington but retaining high levels of governance and accountability. The lack of an agreed Corporate Plan and Business Plan for 2015/16, raises concern as these are essential for good governance.

Recommendation: The Board need to focus on Capital work on Ebrington and maintain high levels of governance. Therefore whilst membership of the Board should not be increased it should be reviewed to ensure that it has members with proven track records in physical regeneration; commercial development, corporate governance and attracting private sector investment.

11.2.3.2 Budget and Business Planning / Monitoring

A review of the Ilex's Corporate and Business Plans 2011-2015- show a range of targets (for example they separately contain 100, 200 and 300 day targets and then further targets for each business objective). These separate targets do not completely align and makes the process of reviewing and monitoring progress against targets confusing and difficult.

There are too many low level targets set, especially with regard to measuring 'process', 'team' and 'partnership working' demonstrating a focus on measuring its internal working rather than delivering on its core purpose.

The key performance indicators should include:

- Metres squared of developed or refurbished space;
- Number of business cases produced and approved,
- Number of businesses set up on the site;
- Number of jobs created on the site;

¹⁰⁶ Feedback provided by OFMDFM (see section 11.2.5)

- Capital funding invested; and
- Private sector funding leveraged.

The monitoring reports have improved during 2014/15, but they still need further improvement. The Ilex CEO needs to ensure the reports¹⁰⁷ give clear messages regarding performance against already agreed targets; sufficient to allow the Board to complete their role of robustly challenging the management team in the information presented.

Recommendation: The Ilex Board need to finalise a SMART business plan for 2015/6 by July 2015. . The work programme contained in the plan at minimum needs to see the existing developed buildings rented out and 175 jobs confirmed for the area based on those projected to be in the final stage of completion as detailed in Appendix F.

Recommendation: The information going to the Board should be improved immediately, to show a greater focus on the deadlines set out in the revised business plan and progress against these; including capital spend on a monthly basis.

Recommendation: The Board needs to develop a performance culture, challenging the project information presented to them to ensure that the work programme is being delivered as planned.

Recommendation: PPEs should be completed using evidence and data that is sourced and validated where possible to show performance against the targets set.

11.2.3.3 Funding and Value for Money (VFM)

The cost of running Ilex has decreased from £2.1m per annum to £1.6m per annum over the review period. However over the same period the capital and revenue expenditure has decreased from £9.9m per annum to £5.2m per annum. The cost as a percentage of expenditure has therefore increased from 21% to 32%.

Comparisons of costs involved in delivery against a number of other organisations show that Ilex is between two to four times the cost. This is not VFM and the costs involved in developing Ebrington need to be significantly reduced from present levels.

The opportunities for reducing costs exist with staffing as detailed below.

11.2.3.4 Structure and Staffing

The administration cost is too high for the organisation. Administration costs were over £700k in 2011/2 and while these have been reduced, they are still over 40% of the total staff costs (2011/12 – 2014/15). This high percentage of staff cost allocated to

¹⁰⁷ Reports cover not only project progress reports to ensure the projects are being delivered to the agreed deadlines, but also Post Project Evaluations- which should show that the projects delivered on the Outcome Targets expected or any reasons for under performance.

administration (against the much lower percentage allocated to Development) is not the best use of the public monies.

The structure and staffing have evolved over time, as some roles have changed in order to take on additional responsibilities after other staff left and Ilex has made some cost reductions. For example, the CEO has taken on responsibilities for Ebrington (mainly legacy issues and the office accommodation) and Corporate Affairs (chairing case work committees; governance returns etc.). The HR and Finance roles have been brought together into one role and are being delivered by a finance specialist. The Cultural Broker moved into the key Director of Ebrington role, resulting in a merging of both jobs.

The Development team has an additional resource seconded, at Director level, from SIB delivering on core operational project work, but which provides much needed expertise on a flexible basis.

As a result some staff members are undertaking roles that they were not recruited for and others are working on areas outside their areas of competence.

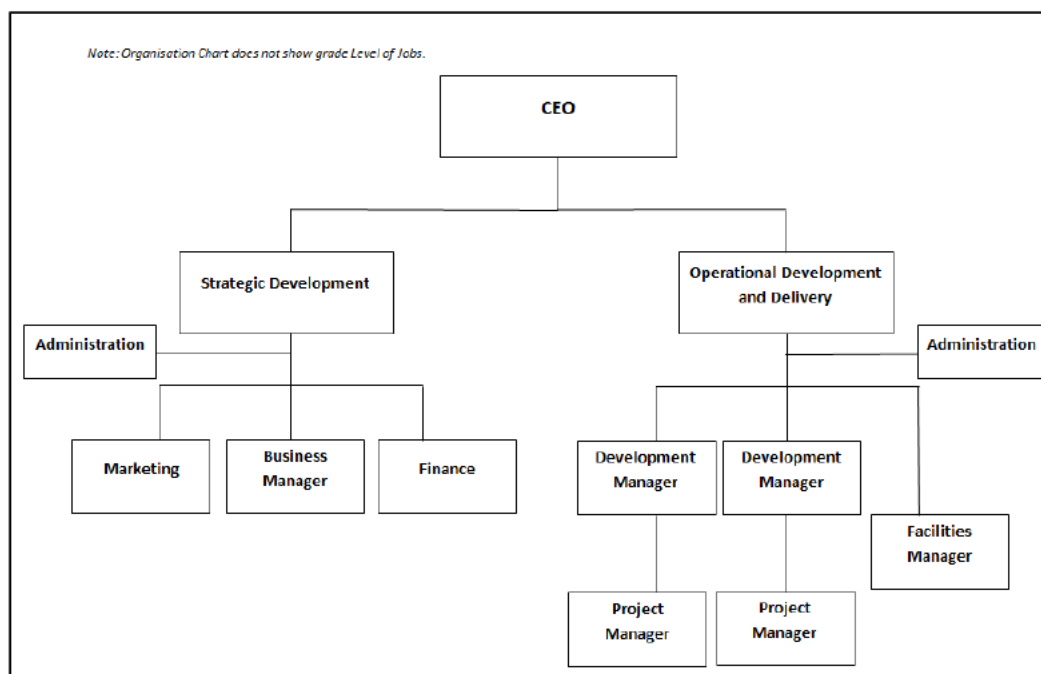
Consequently, the current staffing structure is not an efficient or effective use of resources nor best use of skills within or available to Ilex and significant change is required to deliver VFM. However it is recognised that in order to access the skills needed to deliver the development of Ebrington and the recommendations in this report to improve effectiveness, Ilex may need continued support from SIB. Given that the Director of Ebrington is a key role, this support may need to be increased given the planned end to Ilex in April 2017. Therefore it is suggested that this key role could be discharged by a person with relevant experience and skills in SIB who is familiar with the challenges of the Ebrington site.

This would allow the Cultural Broker to continue with the role he was appointed to, specifically the animation and marketing of the Ebrington site, along with revenue generation.

Recommendation: The Administration costs should be reduced and the finance function needs to be reduced to at most one member of staff.

Recommendation: A staffing review needs to be completed by the end of September 2015 to reduce the staff headcount, with no new staff or board members required. This needs to ensure a Director of Ebrington is in place who is responsible for capital works and has a proven track record in delivering in this area. Numbers employed / costs should be closer to the benchmark organisations, with a maximum of 13 FTE in the current year. A proposed structure is set out in figure 11.1, which includes staffing and costs greater than some of the benchmarks would suggest, but allows for the completion of a number of ongoing projects and assumes that the work planned into the EDF can be brought forward in order to demonstrate significant progress in attracting the private sector into Ebrington.

Figure 11:1: Recommended Future Structure for Capital Development at Ebrington



The staffing review should include revised job descriptions to reflect the changed roles:

- CEO: the role should involve leading/managing the operation; building the pipeline of new projects and leadership of the development function. The key performance indicators for the position should reflect the changes in the role.
- Operational Development team: the team responsibilities will change in light of the changes to the CEO role. The team should include a Director of Ebrington with relevant experience to deliver Capital projects. The Director would be responsible for managing projects from business case stage on; developing business cases for smaller less strategic projects and delivering all projects to the agreed deadlines and budgets set out in the business plan. This team should continue to be responsible for dealing with local communities/stakeholders on issues relating to Ebrington. The number of staff in this section should be proportionate to the number of projects being completed. This post requires specific knowledge/skills that are lacking in the organisation at present. It is likely that the SIB resource should be retained to fill this post in the interim as it would not be appropriate to recruit to an organisation with an imminent closure date.
- The Director of Strategic Development would be responsible for the cultural animation of the Ebrington site, developing and project managing programmes of events that consolidate Ebrington's position as a key shared space within the city and a venue for cultural and community events. This role would assume responsibility for marketing all aspects of the site as outlined in section 11.2.4.

- All jobs that have changed significantly as a result of the restructuring should be evaluated to provide clarity on the level of the job and the public sector grade norms for this level of work. Note, any job evaluation which shows that a staff member is currently deployed at a level above the new job grade would not be impacted by this evaluation but it should inform the level at which any replacements are recruited.

11.2.4 Marketing Potential

Ilex's marketing activities during 2011 – 2015 cover a wide range of areas, however in total 86% of communication and marketing spend (including event management) is attributable to areas outside Ilex's core mission and only 3% of spend has been on Ebrington.

Ilex has been working with Invest NI over the last year to promote the site to international companies seeking to move to or expand in Northern Ireland. This work needs to be expanded.

Recommendation: The Marketing function needs to be led by a Director who would be responsible for delivering a 100% focus on marketing Ebrington to the private sector, working with Invest NI and other relevant stakeholders. Key performance indicators should include number of companies contacted; number of site visits to Ebrington; number of offers discussed / negotiated and number of deals.

11.2.5 Relationships

Partnership working and therefore relationships are key for any URC. The relationships between Ilex and the local stakeholders in the North West/Derry~Londonderry area are generally positive and these stakeholders highlighted the vision and success of the organisation in relation to the Peace Bridge¹⁰⁸, the City of Culture and the funding for the NW Science Park. However they also highlighted Ilex's lack of success with regard to attracting businesses, and the focus on car park / public realm projects rather on projects likely to attract a high number of jobs to the area.

Many felt that Ilex's non-performance in attracting private sector jobs was due to the time central government takes to get business cases approved. However evidence provided by OFMDFM indicates that the time taken to approve major capital business cases during 2012 – 2014/15 was up to six weeks¹⁰⁹, therefore it is concerning that this information is not getting through to wider stakeholders.

¹⁰⁸ Note, whilst local stakeholders highlighted the importance of Ilex is the development of the Peace Bridge, the bulk of this work took place before the period of this review. The reference is included for completeness of recording the stakeholder feedback.

¹⁰⁹ Details on the time taken to approve a sample of capital business cases have been provided by OFMDFM and are detailed in Appendix M

Relationships with Central Government Departments are strained. DSD noted that when they held the sponsor Department role they were critical of the quality of the business cases produced by Ilex. OFMDFM have also suggested that this, alongside a lack of planning ahead on projects to take into account the time required by OFMDFM / DFP, has impacted on their ability to get business cases approved and work started on buildings on the Ebrington site. The quality and quantity of the information produced by Ilex remains an issue for OFMDFM and requires them to be involved in reviewing and providing feedback on corporate/business plans, financial information and business cases well in excess of the normal level used in managing other arm's length bodies. In addition, meetings with Departmental Finance and Economists prior to the submission of the business case have been arranged; however there remain a number of issues outstanding when the business case has been submitted. OFMDFM is also very concerned about the length of time it takes for Ilex to develop business cases for capital works on Ebrington (dates of business cases submitted to the Department are included in Appendix M). OFMDFM have noted that they expect a pipeline of projects developed to different stages in order to ensure a phased approach to development.

Other departments outside of the sponsor role highlighted Ilex's tendency to contact local politicians if they wish to try and achieve a result rather than working with the department concerned. DRD's feedback suggested that Ilex has tended to focus on formal reporting structures which had not necessarily added value either in terms of delivery or communicating progress. Departments also questioned the role and value-add of Ilex in delivering on certain aspects of the One Plan, specifically transport and education/skills. These examples demonstrate Ilex's tendency to digress from its central mission of developing Ebrington and to get involved in other areas that are not within their remit.

Overall relationships at a local level are more positive than those which exist with Central Government departments. However to be effective, Ilex needs to have strong working relationships with central and local stakeholders. It is also a concern that Ilex does not have a good working relationship with its current or its previous sponsor departments.

Recommendation: Ilex needs to build the confidence and relationships with central government and to accept the limitations of Ilex's role in respect of other Departments roles and remits.