



# **Cynulliad Cenedlaethol Cymru The National Assembly for Wales**

## **Y Pwyllgor Cyfrifon Cyhoeddus The Public Accounts Committee**

**Dydd Llun, 19 Tachwedd 2012  
Monday, 19 November 2012**

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir  
trawsgrifriad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In  
addition, a transcription of the simultaneous interpretation is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

|                 |  |
|-----------------|--|
| Mohammad Asghar | Ceidwadwyr Cymreig<br>Welsh Conservatives  |
| Jocelyn Davies  | Plaid Cymru<br>The Party of Wales  |
| Mike Hedges     | Llafur<br>Labour   |
| Darren Millar   | Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor)<br>Welsh Conservatives (Committee Chair) |
| Gwyn R. Price   | Llafur<br>Labour   |
| Jenny Rathbone  | Llafur<br>Labour   |
| Aled Roberts    | Democratiaid Rhyddfrydol Cymru<br>Welsh Liberal Democrats                          |

**Eraill yn bresennol**  
**Others in attendance**

|                 |  |
|-----------------|--|
| Gillian Body    | Swyddfa Archwilio Cymru<br>Wales Audit Office  |
| Andrew Davies   | Cyn-weinidog dros Fenter, Arloesi a Rhwydweithiau<br>Former Minister for Enterprise, Innovation and Networks   |
| Paul Dimblebee  | Swyddfa Archwilio Cymru<br>Wales Audit Office  |
| Ieuan Wyn Jones | Aelod Cynulliad, Plaid Cymru, Cyn-weinidog dros yr Economi<br>a Thrafnidiaeth<br>Assembly Member, Plaid Cymru, Former Minister for<br>Economy and Transport  |
| David Richards  | Cyfarwyddwr Llywodraethu, Llywodraeth Cynulliad Cymru<br>Director of Governance, Welsh Assembly Government   |
| Karen Sinclair  | Cyn-aelod Cynulliad<br>Former Assembly Member  |
| Arwel Thomas    | Dirprwy Gyfarwyddwr, yr Is-adran Llywodraethu<br>Corfforaethol a Sicrwydd, Llywodraeth Cynulliad Cymru<br>Deputy Director, Corporate Governance and Assurance<br>Division, Welsh Assembly Government |

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

|                 |   |
|-----------------|---|
| Dan Collier     | Dirprwy Glerc<br>Deputy Clerk                       |
| Joanest Jackson | Uwch-gynghorydd Cyfreithiol<br>Senior Legal Adviser |
| Tom Jackson     | Clerc<br>Clerk                                      |

*Dechreuodd y cyfarfod am 1.32 p.m.*  
*The meeting began at 1.32 p.m.*

**Ethol Cadeirydd Dros Dro**  
**Election of Temporary Chair**

[1] **Mr Jackson:** Good afternoon, and welcome to the Public Accounts Committee

meeting. The Chair of the committee will be arriving shortly but, unfortunately, has been slightly delayed. In the absence of the Chair, I therefore call for nominations to appoint a temporary Chair under Standing Order No. 17.22.

[2] **Jenny Rathbone:** I nominate Jocelyn Davies.

[3] **Gwyn R. Price:** I second the nomination.

[4] **Mr Jackson:** Jocelyn Davies has been nominated. Are there any other nominations? I see that there are not. Jocelyn Davies is therefore appointed temporary Chair.

[5] **Jocelyn Davies:** Thank you, clerk. We will just wait for the witnesses to settle down before beginning.

*Penodwyd Jocelyn Davies yn Gadeirydd dros dro.  
Jocelyn Davies was appointed temporary Chair.*

1.33 p.m.

### **Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions**

[6] **Jocelyn Davies:** Welcome. The Chair is temporarily delayed, so I am going to be chairing the meeting until he arrives. You have just missed my speech thanking the returning officer for electing me unopposed. [*Laughter.*]

1.33 p.m.

### **Proses Gaffael Llywodraeth Cymru a'r Camau a Gymerwyd ganddi i Waredu Hen Westy River Lodge, Llangollen The Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen**

[7] **Jocelyn Davies:** We will now take further evidence on the Auditor General for Wales's report on the Welsh Government's acquisition and action to dispose of the former River Lodge Hotel in Llangollen. I welcome David Richards, who is the Welsh Government's director of governance. I see that you have Arwel Thomas with you. I know that you are familiar with the report, because I think that this is your second time to give evidence to us. I also know that you will have kept up to date with the evidence that we have received. I will go straight to the first question, Mr Richards, if that is okay. Why was your role as director of governance created, and what were the shortcomings in the Welsh Government's governance that the role was intended to address?

[8] **Mr Richards:** The then Permanent Secretary, Dame Gillian Morgan, created this role, and I took up post in January 2010. I think that Gill felt that there were a number of issues, of which the River Lodge was one, which meant that, as an organisation, we could do better in governance and accountability compliance terms. While we had lots of really good systems and lots of really good people working on all that, Gill thought that the organisation would benefit from someone who had a degree of experience and background in this, which I do, I think, to come in and act as a kind of independent adviser, working very closely with the Permanent Secretary to advise the organisation on how to ensure that we continued to drive up standards.

[9] **Jocelyn Davies:** It was thought that one person having an overall look at a number of

the problems that cropped up was likely to be more effective than having individuals looking at different problems in different departments.

[10] **Mr Richards:** It was as well as, rather than instead of. We have a head of internal audit and auditors, we have a director general for finance, Michael Hearty, and his team, and we have individual additional accounting officers, who all have their own advice and teams. However, Gill felt that there was a need for somebody who was at the heart of things, standing closely next to her, as her adviser and as someone who was independent. As some Members will know, I have a background in this stuff, so I think that she felt that I had some experience and wisdom—learned from the many mistakes I have made over the years—which I could bring to bear on helping the organisation to improve.

[11] **Jocelyn Davies:** So, what does the role entail? Does it extend beyond the Welsh Government, perhaps to the sponsored bodies or to the wider public sector?

[12] **Mr Richards:** I concentrate on the Welsh Government. I am available to the sponsored bodies. In fact, I am available to help anybody in the public service in Wales if I have the time and resources to do so and if they want to make use of it. I am the Permanent Secretary's principal adviser in relation to her accounting officer role and I advise the directors general on compliance and governance issues. I get quite heavily involved in training and development. I run a training programme of my own, which I think Gill has mentioned to the committee before, called 'Governance, monsters and trolls', which I take around the offices. I am now on, I think, the seventy-third session of that and I have trained about 1,500 people. That is a very clear intention to get out and talk to, or work my way through, the whole of the office, if I can, to talk about the importance of the basic values and standards and to remind people what it is really important to get right. I am involved in training new accounting officers and the courses that are run for that, and I turn up in ad-hoc stuff. I am involved in helping to review, revise and update our guidance on this area. I am managing a team now that is revising 'Managing Welsh public money'.

[13] I tend to pick up issues that have cut across more than one portfolio of additional accounting officers. So, if there is a particular issue or problem that has implications for more than one area, I will pick it up. For example, I have been chairing a task and finish group for the last six months that has been leading the Welsh Government's handling of the All Wales Ethnic Minority Association issue, dealing with the Wales Audit Office report and the winding up of AWEMA. So, I tend to get involved in those things.

[14] I manage the Permanent Secretary's office and staff, and I manage the complaints and the tribunals, so I have quite a large staff of my own. I am in charge of principal accounting officer notes, which are the particular issues that the Permanent Secretary wishes to emphasise to the office. I have the benefit of being independent of all the other areas, so I can give an unbiased and impartial view, and I am available to anyone who wants some advice and guidance. So, part of my week is spent simply talking to people about the particular issues they have that they want some help with.

[15] **Gwyn R. Price:** From a good governance perspective, what do you think are the key lessons to be learned from the River Lodge experience? What are you doing to embed the lessons that have been learned from the case across the Welsh Government and the wider public sector in Wales?

[16] **Mr Richards:** I will take those in the order in which they were asked. The lessons are these: it is really important to have clear, tight delegations, and that the responsibility for the decision be given to the person who is best placed to make that decision. I feel strongly that, in any delegation system, you put the decision with the people who are best placed to make it. However, another lesson coming out of this very clearly is the need to keep emphasising basic

values. It is not just about rules, but about values and principles. The two principles that scream out at you from the River Lodge report are value for money and propriety. So, alongside the rules, you just have to keep emphasising the standards and values that underpin them.

[17] Another lesson is that we needed to review and tighten our guidance on managing conflicts of interest, and we have done some of that and will do some more, because there are some important issues around that. Another important lesson from River Lodge for us is that, sometimes, you just need to stop. When something is really worrying you, you need to say 'Hold on here, let's all just stop and take another calm look at this to see which way we are going.' That is not always easy to do, because these things tend to gather momentum, but that is one of the key lessons, to stop.

[18] There is also a lesson about working with our partners, and how it is important to ensure that, when we are working with delivery partners, or potential partners, we be careful that they have the capacity and capability to do the sort of stuff that we are working on with them. There is good and interesting stuff coming out of the response of the department for business, enterprise, technology and science to this, on how good delegation often involves building in peer review and challenge as a way through. Lastly, our training and education programmes need to be underpinned and strengthened, again with an emphasis on values and not just on the rules. For me, those are the lessons that have come out of it.

[19] I will now turn to the sorts of things that we have done to strengthen governance over the past two years, only some of which was in response to River Lodge. We have appointed a head of governance. That is good; I like that. [*Laughter.*] It is a great job, if I may say. I am having so much fun. All directors general have their own head of finance, so we have a more professional team working in each area. We have much more emphasis on training. Like everybody, as an organisation, we have had to cut back on a lot of budgets, but we have tried to ring-fence our training budget, and we have put more emphasis on training through a variety of media, some of which is face to face and some through electronic means. There is the perennial problem of what to do when people do not follow the rules. Putting rules in place is not actually that hard, and we are good at putting rules in place. The tricky thing comes when you find that people do not follow them. One of the big solutions and responses to that is education and training, and making sure that people realise why these things are important.

[20] We have a network of corporate governance committees. Their role continues to evolve and they are becoming increasingly effective. That means that they are increasingly challenging and asking the hard questions of the directors general and the permanent secretaries, which is really good. We have an operations group that sits under the Permanent Secretary's board and has representatives from all departments. It gets together and considers the mechanics of running the organisation. For example, it regularly considers the lessons learned and governance issues. Corporate governance is a standing agenda item for the operations group, and I use that opportunity to raise the things that are going on: what we are learning, the mistakes that we have made, the lessons that are coming out, and what this committee and the Wales Audit Office are talking about. We also have a finance network, which meets fortnightly.

[21] We are reviewing and revising all our guidance. We have loads of guidance—too much, actually. We can make it simpler, more streamlined and more accessible, and we are working hard on that. As the committee knows, we have done a lot of work on grants management and grants management development, although you might want to come back to that one when we are talking about AWEMA.

[22] Finally, the new Permanent Secretary, Derek Jones, also feels that the fewer rules we

have, the better and more effective we are, and the more likely it is that everybody will follow them. Derek has brought in three reviews, one of which is a review of complexity and bureaucracy, so we are going through our procedures at the moment to see what we can do to take out some of the bureaucracy and to simplify and streamline them. Derek has asked me to lead on that. I had to be talked out of calling it 'Rulebusters Incorporated', but I still like the title.

[23] **Gwyn R. Price:** What about a traffic-lights system? This was given a green light, when, to me, it should not have been. It could have got to amber and it would definitely have been stopped, but this got to red and still did not stop, and the train went on. That sort of system is simple, but effective.

[24] **Jocelyn Davies:** Before I hand back to Darren Millar, I know that Mike Hedges has a supplementary question.

[25] **Mike Hedges:** You have talked a lot about structures and processes, but a simple thing that you do when you buy property is you secure it and put security into it. That was not done in this case. You have talked about all the processes around it, but from what you have said, I do not see how that is going to be implemented in the future. The key thing on buying a property is to secure it and put security in it. You might get criticised by people for having security there, but it means that you keep the building secure.

1.45 p.m.

[26] **Mr Richards:** Yes, you should, and we should have at the time. The lesson has not been lost on my property colleagues that this was something that did not happen but should have happened. I hope very much that they will be far more aware of this in the future.

*Daeth Darren Millar i'r Gadair am 1.45 p.m.  
Darren Millar took the Chair at 1.45 p.m.*

[27] **Darren Millar:** I apologise for not having been here at the start of the meeting; Arriva Trains Wales was below par this morning, as I think Aled found out as well. However, it is good to be here and I had the fortune of being able to listen to most of your evidence. I am grateful for the opportunity to do so. Thank you, Jocelyn, for stepping into the breach. I should have asked the clerks to note that Julie Morgan will not be here for this particular part of the meeting. As Members will know, she asked to be excluded from evidence sessions on River Lodge because her husband was First Minister for part of the duration referred to in the Wales Audit Office's report.

[28] Aled, I know that you have a supplementary question on this.

[29] **Aled Roberts:** You mentioned, Mr Richards, that people did not follow the rules, but is there not an issue here regarding how long the department operated without any rules after the WDA came in? The evidence we heard was that there was no issuing of new guidance et cetera, even though some of the processes within the Welsh Development Agency might have been different from the Government's processes.

[30] To follow up on what Mike said regarding security, another aspect that appears to be rather basic is that the Government did not even ensure the vacant possession of the land that it was buying. That was not down to one individual, which suggests that there was something more fundamentally wrong with the way in which the whole thing was approached.

[31] **Mr Richards:** I am certainly not going to attempt to defend any of those issues at the time. I think that Gareth and James could talk rather more authoritatively than I could about

the different regimes that were in place in the department at the time. One of the big reminders from this—perhaps I should have added it to my list of things—is that you have to get the basics right in these things. In public administration, doing really clever, bold and innovative things is great, but you have to underpin that with getting the core and obvious things right, such as taking care with the property and making sure that you get the right value for it when you pay for it. We did not get the basics right on this one.

[32] **Jenny Rathbone:** One of the most troubling aspects of this—others have been touched on already—was that Gareth Hall, the then director general of the department, said that he had been assured by senior management in north Wales that there was no conflict of interest and that the problems raised by Karen Sinclair and others had been resolved. It is unclear who is being economical with the truth, because we have not seen documentary evidence of what was said by people in north Wales or how that was. If that is the case, and what Gareth Hall says is correct, how would fewer rules, which I accept is a good thing, deal with this situation, where people in north Wales are telling you the opposite of what actually happened?

[33] **Mr Richards:** I do not know. You do that because you emphasise values. One of our civil service core values is honesty and integrity. One of the basic building blocks of the way in which the organisation works is that people act with honesty and integrity. Almost all of the time, they do, which means that it is quite hard if there is a case where people have not acted with honesty and integrity. That is hard, because generally you take what you are told. In this case, it appears that the Wales Audit Office found in its report that there was a significant conflict of interest. Amanda Brewer said in her evidence that she did not think that there was. So, my take on it is that people were not trying to deliberately mislead, but that there might have been a difference of view on what constituted a conflict of interest. That is an issue that we need to address.

[34] My experience in the public sector is that we are less good at managing conflicts of interest in terms of what you do once you have a conflict. I have talked about principal accounting officer notes. We are going to put out another note between now and Christmas that will go into more detail about conflicts of interest to help people identify one that arises, and which will include what I propose to be a kind of sliding scale of the action that needs to be taken in respect of that, because we do have a responsibility to clarify in a bit more detail what a conflict of interest is and what you do when you get it.

[35] **Jenny Rathbone:** Nobody is in any doubt that Amanda Brewer actually declared her interest; it is just that neither she nor her managers seem to have understood that there was a conflict of interest. She has told us, as you say, that she could not see the problem, but it would appear that nobody who was line-managing her could either. That is part of the problem, really. Could you tell us how you think the Welsh Government has changed in order to be better at understanding what a conflict of interest is, and to reduce the risk of those conflicts persisting unmanaged, as happened in this case?

[36] **Mr Richards:** I think that we are getting better because we put more effort into our training on conflict of interest and the range of ways in which we manage conflict of interest, so we are more aware of this. In the training sessions that I do, I always talk about what a conflict of interest is—in fact, I refer to the published information on this case as a kind of lessons-learned example—and how to manage it. We require all staff to declare anything when they take an outside appointment or anything that might raise a conflict. We have a pro forma for that, and directors then keep a register, and that register is reviewed annually by the directors and reported on a six-monthly basis to the corporate governance committees. As I was saying earlier, they are increasingly becoming more effective and better at scrutinising the information that they have in front of them, and saying, ‘Are you sure about this one?’.

[37] I think that the key lesson is that, often, you have not managed the conflict of interest just by saying that you have a conflict of interest. Sometimes you need to stay out of that particular discussion, as happened this afternoon, sometimes you need to just not go to a meeting at all, and sometimes you need to step away from that role entirely. So, there is a sliding scale. It depends on how immediate the conflict is and how severe the consequences might be. What I say to everybody is that you have a conflict of interest when you either have or it appears that you have a pressure or an incentive to act in a way that is not consistent with your responsibilities as an official with the Welsh Government.

[38] **Jenny Rathbone:** Are you therefore in a position to tell us how many officials currently hold management or board-level positions with external organisations, and therefore what the potential risk might be to the Welsh Government?

[39] **Mr Richards:** We cannot give you the number because, basically, this is held in a paper system at the moment, so we do not have a database that we can easily amass. I get regularly approached by people who say, ‘I am thinking about this appointment; does that give me a conflict? How do you think I should manage it?’, and I know from the register that we have on conflicts of interest that there are quite a lot of people declaring, ‘Well, I have this other appointment, so I need to do this’. The other thing—and this is another bit of advice I always give to people about managing any potential conflict of interest—is that you have to play safe. You do not take any chances. If you are not sure, play on the safe side and step away.

[40] **Darren Millar:** You say there is a paper-based system; it should not be a problem for you to collate that information and provide it to the committee before we compile our report.

[41] **Mr Richards:** Yes, we could do that if you would find that helpful.

[42] **Darren Millar:** I have another point I would like to check with you. Mr Hall, when he gave evidence to committee, made it clear that he was made aware and was copied in to correspondence from Karen Sinclair and others about what was perceived by most outsiders to have been a conflict of interest on the part of Amanda Brewer. Amanda Brewer told us that she had declared but also specifically asked her line managers whether she ought to continue to function in the way that she was in respect of the land purchase and the lease negotiations and discussions. Do you think that the director and the regional director of the department at that time behaved responsibly in not stepping in to intervene in that situation, particularly given that Mr Hall seemed to be absolutely adamant that it was a very clear conflict of interest that should have been stepped on? Why did he not step on it? Do we have any explanation of that?

[43] **Mr Richards:** My understanding of what Gareth Hall was saying to this committee is that he had an awful lot of staff, an awful lot of issues, and a number of people between him and this particular conflict. So, I think that he was relying on the people in the line management chain to actually deal with the day-to-day business which, at the time, would have seen—

[44] **Darren Millar:** Forgive me for interrupting, but he would not have had lots of correspondence crossing his desk from angry, frustrated Assembly Members relating to one particular conflict of interest, would he? So, he had seen those copies of the correspondence sent to the First Minister and individual Ministers and deputy Ministers, some of whom we will speak to later, and he had simply taken at face value assurances that he had received from regional offices, rather than—given that it was a blatant breach of what would usually be the protocol, according to Gareth—not stepping in. Do you think that that is acceptable behaviour? If that were to happen now, what would you do, as the person responsible for governance in the Welsh Government? Would that be a disciplinary matter?

[45] **Mr Richards:** I do not think I can comment on that, Chair.

[46] **Darren Millar:** If that happened now, what would you do?

[47] **Mr Richards:** First, I think that Gareth would say that, as soon as he became aware that there actually was a problem, he stepped in, took decisive action and triggered off the subsequent actions of review. No-one ever gets a perfect score on these things. I have not had this conversation with Gareth, but I am sure that, in retrospect, Gareth might feel that perhaps this would have triggered off an earlier intervention. We all have many things that we look back on and say, 'Actually, I wish I'd picked that one up sooner. I wish that I'd reacted to that one sooner'. I do not think that we can say, 'If something goes wrong within your patch, this is a disciplinary matter', because something is going wrong somewhere all the time.

[48] **Darren Millar:** Let us just get this clear: if the same situation arose today and Assembly Members were corresponding with Ministers and the First Minister about what they perceived to be a serious conflict of interest where a Welsh Government official was acting on behalf of the Government and on the behalf of another organisation in a way that was inappropriate, and that that had been brought to the attention of the director of a department, how would you act as the person responsible for governance? Would you ask them to a meeting? What would you do? You say that you now have robust processes to deal with this, but what do those processes look like?

[49] **Mr Richards:** If that was the case, first, I would want to make sure that the issue was being addressed. So, you would ask, 'What is actually the problem?', and then have it fixed. Secondly, you would ask, 'How did we get here?', and look at what went wrong in the systems or how individuals were led to this position. You would then think, 'What can we learn from this and what can we do to prevent this situation from happening again?'. Those are the steps that I would go through.

[50] **Darren Millar:** Okay. I think that I still do not get it. Do you wish to come in, Aled?

[51] **Aled Roberts:** I wish to challenge the suggestion that the civil service got involved as soon as it became aware of potential conflict. In fact, the local Assembly Member first raised concerns in early 2007, and it took two and a half years to instigate an internal review. Moving on, given that we appear to have some difficulty regarding management being able to identify whether there is a conflict or not, given your answer to Jenny Rathbone's question that you now hold only paper records with regard to senior management positions or board membership as far as civil servants are concerned, and given the findings of the Wales Audit Office report, was any review undertaken of how many of these positions that civil servants hold?

2.00 p.m.

[52] **Mr Richards:** Arwel will kick me under the table if I am wrong, but I do not think that we have had a formal review of each of these instances, but we review them anyway. Directors are required to review them every 12 months and the corporate governance committees review them every six months. As soon as the Wales Audit Office report came out, the headlines from that report were circulated to our corporate governance committees. So, the people who have the task of scrutinising and challenging these registers of potential conflicts of interest were very aware of what happened in this case, and that will have informed the challenge and the scrutiny that they would make.

[53] **Mr Thomas:** I just want to add a little more detail on the management of conflicts of interest. David described that it is a manual system. The filling in of a form by the individual

is a manual system, and part of that involves a response by the line manager, who makes a judgment on the conflict itself, because it varies. If you look at any register of interests, you will see that it includes roles such as school governor and board member for the Scouts. A whole range of things come through, and some of those will be important in terms of their potential impact on an individual's role.

[54] As far as BETS is concerned, which is what we are looking at at the moment, all of those manual declarations of interest forms are then entered onto an Excel database. So, there is a database, and the BETS one, for example, currently holds 148 entries. Part of the system includes the description of management action, which is to mitigate any conflicts. In some cases, there might be a statement like, 'There is a potential conflict, but certain things can be done to mitigate the situation so that the person can carry on', but in other situations there might be a statement like, 'You have to stop being involved in that'. So, the system that is now in place is a lot more comprehensive and is centrally held, which was not previously the case.

[55] **Darren Millar:** So, you have this Excel-type database within one department. Do all departments have databases? Is that consistent across the Welsh Government?

[56] **Mr Thomas:** They all have summaries of registers of interest, but they are not all identical. David mentioned earlier that he was going to propose a principal accounting officer note, so I suggest that we should have a standard template for that. The important thing for me, beyond the initial declaration, is the management of the conflict. It is important that that is documented.

[57] **Mike Hedges:** You have talked a lot about systems, but surely there is a duty on a line manager, where there is a potential conflict of interest, to have a look at that in some detail. A cursory glance at this scheme would have shown that it could not have worked. We are talking about these problems now because the scheme collapsed, but even if everything had gone right with it, this scheme could not have worked—it would never wash its face financially—and, as I said, a cursory glance at it would have found that out. What is happening now to stop such schemes, which basically cannot work financially, getting through?

[58] **Mr Richards:** That is a very good question and a hard one. Could I pass it on to Arwel? [*Laughter.*]

[59] **Mr Thomas:** I agree with the point because, if you look at the situation, I do not think that the original business case stands up in terms of providing value for money or in terms of the due diligence that was undertaken, given that we were dealing with a new company that had no track record, there was no capital, insufficient revenue and the scheme itself was untested. So, there was a whole package of question marks around the original scheme in terms of the acquisition and then the disposal of the property. The important thing that we are doing as far as that is concerned is tightening up, as part of the grants management project, the due diligence tests and work that we have. So, we are looking at organisations and individuals to see whether schemes and proposals stand up in terms of being potential successful projects.

[60] **Darren Millar:** I know that Jenny wants to come in on this. Could you please be brief, Jenny?

[61] **Jenny Rathbone:** Do you agree that one of the problems with this project was that there was a lack of proper scrutiny of the nature of the project? We know that the business case did not stack up, but people living locally, who had a genuine interest, were simply unable to get the information necessary in order to be able to ask the sorts of questions that

ought to have been asked. So, the community of interest, the stakeholders, simply were not given the information; it was all being done behind closed doors. Do you agree that that was part of the problem? Do you think that that has now changed with regard to the way in which the Government develops projects?

[62] **Mr Thomas:** I agree that that was the situation in terms of a number of things, even going back to the beginning, regarding options appraisals in terms of what was the best use of the property, having acquired it. There were also a number of issues related to the structure at the time in terms of the approval for such schemes to go through. James Price, in his evidence session with you, went through the new arrangements that he has put in place, which include a far more centralised approach to approving such schemes. He has a new property leadership team so that this type of transaction, which includes the acquisition and onward disposal of property, is done and is subject to rigorous challenge. He also has in place an investment panel that, once again, looks at the potential success or otherwise of some of these projects. I am more confident with regard to the systems and structures that are now in place that the chances for this type of proposal going through are much reduced. So, there is a lot more rigour around the challenging of proposals such as this one.

[63] **Darren Millar:** Okay. I am very conscious of the time. Thank you for that. If we can be brief with questions and answers, I would appreciate it.

[64] **Mohammad Asghar:** The auditor general's report raised some concerns about the accuracy of briefings provided to Welsh Ministers by officials dealing with the purchase of the River Lodge; these were seriously flawed. So, as the director of governance, what assurance can you provide that systems to ensure that briefings provided to Ministers are robust, reliable and operating effectively across the Welsh Government? Is there a standard system across the Welsh Government for handling correspondence received by Ministers?

[65] **Mr Richards:** This goes to the heart of what we do as officials in providing advice for Ministers, so it is hugely important. Yes, we have standard procedures. We have three different categories of advice for Ministers: we have a submission folder, which is where a Minister is being asked to take a decision to commit some money, decide a new policy and exercise their functions; we have a briefing folder, where someone is providing the Minister with information; and we also have a legislation folder. We have a hierarchy of controls.

[66] For submission folders, where Ministers are being asked to decide something, all the submissions have to go forward either in the name of or having been signed off by the head of division, who is a member of the senior civil service and upwards. So, it has to have senior management input and approval. Each submission will also have to have been cleared by the operations branch of that particular directorate-general, which is the central group of people who have the finance and governance expertise to take an independent view on whether what is being proposed is sensible, affordable and makes good governance sense. If it includes anything that is novel or contentious, or if it is proposing some expenditure that is not affordable within the immediate budget, that also has to be cleared by the finance and compliance people at the centre. If there is any suggestion of any legal implications, that also has to be cleared by the legal services division. So, there is quite a team of controls. Each submission has a set list of copy recipients, who also have to be copied into it so that they are aware of the submission going out.

[67] We have similar arrangements for briefing folders, but they are not as onerous, because we are not asking a Minister to take a decision. Legal folders, as you would expect, also have to be crawled over by legal services before they can go out. So, there are checks and balances, and peer reviews, built into this system. The private offices, who are effectively the gatekeepers for Ministers, are very familiar with these arrangements. They have standing instructions to send right back any submission that comes to them that does not comply with

these procedures, and they do. Just in terms of the volume of numbers, within a month, each ministerial office gets somewhere between 100 and 200 submissions, so there is a big throughput of stuff.

[68] **Mohammad Asghar:** When a Minister takes the wrong decision, his or her career is on the line and they face the chopping block. If a civil servant makes a mistake, lessons should be learned, as you said to the Chair earlier. That person should be punished one way or the other. What we have heard over the last few months is that the buck keeps being passed around, but the buck must stop somewhere. Somebody must be held accountable for such a scenario and lessons should be learned at the time, rather than lessons being learned for the future and nothing being done for each incident.

[69] **Mr Richards:** As Gill said when she was here, ultimately the buck stops with the accounting officer, who is personally accountable for every transaction that goes on in their area. However, you can see from the number of submissions that I have talked about that there is a huge volume of business going on, which is why we need systems and training to underpin that, to manage it successfully most of the time.

[70] **Jocelyn Davies:** I want to ask you a question about this particular issue, the River Lodge. I was not here for the evidence session, but I have read the written evidence. According to Amanda Brewer and her line manager, she did not have a conflict of interest. Why, therefore, was she not preparing the briefings? Is that normal? Why was she not involved in preparing the briefings that went to the Minister? Is it normal for the person with the most knowledge about a subject not to prepare briefings or answers to letters for a Minister?

[71] **Mr Richards:** We do not have hard and fast rules, except for the rule that anything going out to a Minister has to be signed off by a head of division. It would not be the case that somebody below a head of division could send something out that had not been previously approved by the head of division. Usually, it is the person who is in charge of that area that you would expect to provide the advice. I am not familiar enough with the detail of this to take a view on why Amanda Brewer did not do so.

[72] **Jocelyn Davies:** Clearly, letters were answered and ministerial briefings were prepared. In her evidence, she said that she was not even aware that those briefings were being prepared. So, you would think that it was a bit odd that the person who was dealing with something on a day-to-day basis, or had the most to do with it, was not involved. She was not a lowly civil servant—she was a high-ranking civil servant—but she was not involved in the preparing of the briefing and the answering of letters.

[73] **Mr Richards:** I can say that, normally, you would expect it to be the case that a person leading on a subject area would be the person to prepare the initial draft of advice for Ministers.

[74] **Darren Millar:** Does that not strike you as odd that, at that point, knowing that Amanda was not preparing those briefings, the person responsible—the head of service in that department—did not take that into account? He appears to have not taken any action to intervene. You said that many people are copied in on briefings so that they can have oversight of them and ensure that any problems are flagged up. We know that Mr Hall, for example, was receiving copies of all of these briefings, in addition to copies of the correspondence that was flying between the First Minister's office and Assembly Members, but appeared to do nothing. I fail to see why there was no intervention from Mr Hall at that point.

[75] **Mr Richards:** With regard to picking things up from the copy list, it is partly for

information, to help people to know what is going on. It is part of the fail-safe procedures: if you spot something, you can intervene and people do. You can see from the volume of stuff that you could spend all day reading copy lists of submissions and you would never get anything else done.

[76] **Darren Millar:** However, there is not much point in copying them in if people are not going to read them or pay attention to them, or if nobody in their office is going to pay attention to them.

[77] **Jocelyn Davies:** How confident are you that the schemes of delegations and the processes whereby decisions are reviewed and approved in different Welsh Government departments are appropriate as regards propriety and value-for-money risks?

2.15 p.m.

[78] **Mr Richards:** I am confident that it is getting better all the time; it is not perfect. I will outline what we have done and then Arwel can pick up all the bits that I have missed. The core delegation comes from the Permanent Secretary, as accounting officer, to the additional accounting officers, and that is a formal letter that mirrors the letter that the accounting officer gets from the Treasury. I talked about principal accounting officer notes; principal accounting officer note 2 sets out the delegations framework. That means that, at the beginning of the year, the Permanent Secretary writes formally to each of the accounting officers setting out their budgets, their framework of delegation and the standards, with reference to the guidance that we expect our accounting officers to apply to this, and telling them that the first thing they will want to do is agree with Ministers what Ministers will want to decide for themselves and what they are prepared for officials to decide. They will be asked to put in place a framework underneath that, which sub-delegates budgets down. The previous Permanent Secretary decided that she did not want any budget holders below the level of senior civil service and she did not want anybody holding a budget if they had not, as a minimum, completed the online training from the Civil Service College on budgets and management.

[79] Beneath that, the additional accounting officers have a very clear instruction on what the budgets are, what standards, values and guidance they are working to and how they run that. They then put in place their own systems. I know, for example, that Gareth Jones, director general for Sustainable Futures, has turned that into a delegation pack for each of his budget holders, requiring each of them to prepare a governance improvement plan for their area, drawing on previous internal audit reports and lessons learned from these kinds of issues. That is an improvement plan that gets rolled out during the year, and they are then asked to report back on it in the statement of internal control. That is a good idea, and we might be rolling that out across the office next year.

[80] **Jocelyn Davies:** You know that I have been a Minister, and all this is news to me. How do individual Ministers approve delegations? I see from the evidence that, in BETS, it appears that there are no delegations other than the most routine ones. How do individual Ministers approve delegations and can you tell us when that system came into being?

[81] **Mr Richards:** There are two separate empowerments. Ministers are in charge and decide and commit money on new policies, and anything that they feel that they want to decide is within their powers. The delegation share that I have outlined is the accounting officer, using her responsibilities for regularity, propriety and value for money, delegating the required standards to additional accounting officers. In terms of delegations, each DG will discuss with the relevant Minister the bits of the portfolio on which they wish to take decisions themselves. As you know, the Minister for Business, Enterprise, Technology and Science has decided that, with some exceptions, she wants to take decisions on all

programmes—that is fine—and some other Ministers want to delegate more responsibility down to officials. The DG would build that in to his own delegation framework as he goes through.

[82] **Jocelyn Davies:** When did this start?

[83] **Mr Richards:** This framework of delegations came in in April, with our latest—

[84] **Jocelyn Davies:** So that is since the River Lodge—

[85] **Mr Richards:** Yes.

[86] **Jocelyn Davies:** This is something that we could pursue with the ex-Ministers when they arrive.

[87] **Darren Millar:** Yes, it would be interesting to discuss that with them.

[88] **Aled Roberts:** You said that Ministers are in charge; of course, they are only in charge if they receive all the information. There was a decision to withdraw a briefing to a Minister on 15 January 2010. Do your processes allow you to identify who decided to withdraw that briefing and to withhold subsequent submissions as well?

[89] **Mr Richards:** I think that Arwel was closer than me; I think that that was a decision taken by the Permanent Secretary at the time.

[90] **Mr Thomas:** There were a number of discussions happening at the time and concerns were increasing. To work back in terms of a time frame, the Permanent Secretary asked me to lead a review of the acquisition of River Lodge. That was in March 2010. I reported to the Permanent Secretary in April 2010. Prior to that—probably in January or February of 2010—I was aware of, but not involved in, a number of draft submissions. It was done within the senior management team—in economy and transport, as it was then—in terms of the handling of that particular submission and its withdrawal.

[91] **Darren Millar:** Do Members have any further questions? I see that you do not. In that case, that brings this part of our meeting to an end. Thank you, David Richards and Arwel Thomas, for your attendance today. You will be sent a copy of the transcript of today's proceedings to check for factual inaccuracies; you will be allowed to correct those if they arise. We will now take a two-minute break while we sort out the technology to bring in Karen Sinclair from north Wales via video-conference.

*Gohiriwyd y cyfarfod rhwng 2.21 p.m. a 2.24 p.m.  
The meeting adjourned between 2.21 p.m. and 2.24 p.m.*

[92] **Darren Millar:** We move on now to the next item, which is to take evidence from Karen Sinclair, former Assembly Member for Clwyd South. First of all, Karen, thank you for joining us today by video-conference and thank you for your papers; they have been circulated to all committee members. We have had the opportunity to read those over the past week or so. We have lots of questions on the subject of those papers, but before we go into those in detail, it might be useful if you made a few opening remarks.

[93] **Ms Sinclair:** Thank you, Darren. This is quite novel for me; I have never been this side of the table before. I will go back right to the very beginning. I found out about the Woodlands, or River Lodge—you will find me calling it both, because in Llangollen we tended to call it the Woodlands and in all of this it is called the River Lodge; if I slip in and out, I mean the same place—from the deputy leader of Denbighshire County Council at the

time. He sent me an e-mail that had been forwarded to him in which we could see that the Welsh Assembly Government had purchased River Lodge. He wanted to know what I knew about it, but I was as much in the dark as him. So, we went to Denbighshire council officers and various people and to my Ministers to ask what was going on. I have to say—that is important—that, initially, I was pleased that WAG had purchased the building, because the site was a real eyesore on one of the main roads into Llangollen. So, anything that was going to tidy it up, I was more than happy with.

[94] It became interesting. Bear in mind that Llangollen was in my constituency as an Assembly Member—the constituency is a big place—and I lived in Llangollen, so every time I walked down the street, people would ask me what was going on, in a way that they would not have done in some of the other villages, because I would not have been on the street all the time. So, people were regularly coming with questions as to what was happening. Eventually, I asked Andrew—who was the Minister at the time—for a briefing as to what was happening with the site, in relation to the rumours in Llangollen. There were a lot of rumours—that naughty children were going to be shipped in to Llangollen and so on; Llangollen was rife with this sort of thing—and I wanted to quell residents' fears. However, the briefing that I received, of which you have copies, caused me concern, because I could not understand how declared interest made everything okay with somebody who sat on another body.

[95] Also, the chair of the chamber of trade raised worries with me about the cafe and so on. The chamber of trade had been worried about direct competition with existing traders, and I knew that state aid should not be used to create competition. That rang alarm bells as well. That was probably the starting point for me. After the briefing from Andrew in March, we went in to election mode, and after that, I dealt with the Minister who took over, who was Ieuan. [*Interruption.*] I cannot hear you.

[96] **Darren Millar:** We will talk to Ieuan Wyn Jones later on and we will have the opportunity to discuss with him some of your concerns. In terms of what you knew about the project once you had received the initial information from Andrew Davies, as Minister, and the overall proposal from Powys Fadog, did you think that it was worthy of the money that had been invested in purchasing the site?

[97] **Ms Sinclair:** I had not seen an overall proposal. I had received the briefing, which really was not very comprehensive—it was not like a business plan or anything. So, without sitting down and looking at a business plan and the possibilities for how viable it would be in the future, you could not really tell.

[98] **Darren Millar:** So, you were not raising concerns at that particular time about the acquisition. You were happy with the acquisition. You just wanted more information to reassure local residents.

[99] **Ms Sinclair:** I was happy with the acquisition in that I thought 'Gosh, hopefully, now, somebody is going to take it on and tidy it up'; probably not many of you will have seen it, but it is a real eyesore on the way in to Llangollen.

[100] **Darren Millar:** As time went on, you were able to establish exactly what the project was about, namely a Kung Fu centre with some community and cultural activities taking place in the same building. Did you feel that this was a worthwhile investment? Were you aware of significant support within the local community in Llangollen for that sort of venture?

[101] **Ms Sinclair:** There was a small group that was interested but, more than anything else, I was being bombarded with Chinese whispers. When something is going to happen in a

town, you know that people will say one thing but, by the time 10 people have spoken about it, it is something completely different. By the time it came in to my office, it would bear no relationship to the truth. That is why I was writing back and forth to the Minister, trying to understand why it was going on and what was going on, so that I could respond to people. However, the more questions I asked, the more concerned I became.

[102] **Darren Millar:** We will talk about those concerns now, because we know that one of the issues that the Wales Audit Office report raised dealt with the quality of ministerial briefings. Of course, a copy of some of the ministerial briefings that you received is in the pack that you sent to us. Oscar, over to you.

[103] **Mohammad Asghar:** During your correspondence with Ministers—

[104] **Ms Sinclair:** May I ask something, Chair?

[105] **Darren Millar:** Yes.

[106] **Ms Sinclair:** I can only see Oscar's body, so if I cannot catch what he is saying— When you can see somebody's face, it gives you a clue, does it not?

[107] **Mohammad Asghar:** Can you hear me now? [*Inaudible*]

[108] **Darren Millar:** Can you hear him okay?

[109] **Ms Sinclair:** I will try.

[110] **Darren Millar:** Ok. Let us try again.

[111] **Mohammad Asghar:** During your correspondence with Ministers, did you feel confident that the system in place for handling ministerial correspondence and providing ministerial briefs was appropriate and robust? Further than that, were you also confident that concerns that you were raising about the Woodlands were being relayed to and acted upon by both the relevant and appropriate Government officials?

[112] **Ms Sinclair:** No, I was not confident. You will all have read the letters in the order that I wrote them. I sent them to you, with comments, by date. In fact, I was becoming less and less confident that I was getting at what was going on.

[113] **Mohammad Asghar:** I have a letter in front of me, dated 15 July 2008, from Ieuan Wyn Jones, in which the last line says:

[114] 'I hope this action will alleviate any remaining concerns'.

[115] So, I think that he clarifies his position on 15 July 2008.

[116] **Ms Sinclair:** Just bear with me as I look for it. As you can imagine, I have a lot of paperwork.

[117] It was a very brief response, Oscar. He said:

[118] 'I have now instructed my officials to proceed with those arrangements by way of providing you with a copy of Powys Fadog's recently completed Business Plan. You should receive a copy of the Business Plan shortly.'

[119] That is the letter that you are referring to, is it not?

[120] **Mohammad Asghar:** Did you receive the plan or anything after this letter?

[121] **Ms Sinclair:** No. What I did receive was an executive summary, which was more like a wish list than anything else. What I had wanted was a fully costed business plan, but all I got was an executive summary.

[122] **Darren Millar:** However, I assume, Karen that your main concern with the briefings was that they did not seem to agree with the information that you were getting from other sources.

[123] **Ms Sinclair:** No.

[124] **Gwyn R. Price:** Good afternoon, Karen. Could you describe your concerns around the Welsh Government's lack of communication with the local community in Llangollen regarding proposals for the River Lodge Hotel?

[125] **Ms Sinclair:** There was no communication from the Welsh Assembly Government at all. You will have to bear with me, because this was a long time ago and there has been a lot of water under the bridge since then. In 2007 or 2008, my husband was on the town council, and Pol Wong, who described himself to it as the caretaker at the time had come along and given some sort of background, but, as for WAG officers, nothing was heard from them in the community.

[126] **Gwyn R. Price:** So, in your opinion, the community did not know about what was going on.

[127] **Ms Sinclair:** No.

[128] **Gwyn R. Price:** What action was taken to address your concerns by the Welsh Government?

[129] **Ms Sinclair:** It kept sending me letters, but it did not seem to take any action, as far as I could see, for quite a long time.

[130] **Gwyn R. Price:** It is pretty clear to me that your concerns on behalf of the local community were not being addressed at the time. Would you agree with that?

[131] **Ms Sinclair:** Absolutely. We were talking about a significant amount of money being spent on the purchase of the building and, subsequently, a huge amount of money in grants. We are talking about pushing £3.5 million in total. That is an awful lot of money, and, as the local Assembly Member, I felt that it was my duty to ascertain the probity and the propriety of what was going on, given that, let us not forget, I had had Plas Madoc just six miles down the road.

[132] **Aled Roberts:** Your notes to us outline that that you had raised concerns verbally with Andrew Davies in February 2007, and you were obviously getting little response, so, on 22 February 2008, you set out your concerns in writing. Given that you were the local Assembly Member, and looking back, perhaps based on your experience of dealings with other departments, what would you have expected to have happened as far as action was concerned? From looking at the file, it would appear that you were getting letters when you requested responses, but, as you said, very little action. What would you have expected as far as action was concerned?

[133] **Ms Sinclair:** Obviously, I had not had to deal with anything quite like this before—

thank goodness. However, I did feel that I was being stonewalled. You also have to accept that, come May 2008, I was not down in Cardiff, because I was receiving treatment for my cancer and so I was not able to access people in the same way that I would have been had I been down in Cardiff, but I felt pretty stonewalled about it all.

[134] **Aled Roberts:** Apart from when you raised the issue, there was no attempt by either officials or Ministers to explain exactly what the situation was, was there?

[135] **Ms Sinclair:** The explanation was, as you have seen, in letters. That was more or less it.

[136] **Jenny Rathbone:** I want to come on to the apparent inability of certain people to understand what a conflict of interest looks like. We have heard from Amanda Brewer, who said that she did not think that there was a conflict of interest, simply because she had declared that she was on the board of Powys Fadog. In the meantime, we have Gareth Hall, the head of the department, saying that, as far as he was concerned, the senior management in north Wales had assured him that there was no conflict of interest. We are unclear as to exactly what correspondence went on or whether that was done verbally. I want to understand how it was possible that the Welsh Government did not seem to be capable of getting to grips with this matter. On the one hand, the people in north Wales did not seem to think that there was a problem, and, on the other, the people in south Wales did not seem to think that there was an issue, because they had been assured that there was not. Given your experience of being in Government and being a whip, how could that possibly have happened?

[137] **Ms Sinclair:** Your confusion around this is the same as mine, which is why I kept coming back. In my opinion, there was a clear conflict of interest and I really could not understand how anybody could think there was not.

[138] **Jenny Rathbone:** Do you think that it might have had anything to do with the fact that there was a coalition Government at the time and a desire not to rock the boat?

[139] **Ms Sinclair:** I could not really comment on that, Jenny, could I? It is a fair question.

[140] **Jenny Rathbone:** Okay. We will obviously be asking other people about this issue. It is clear from your correspondence that you persisted in asking about this issue, including in letters to the First Minister. At that point, the lease had been signed, but, when you were writing to the First Minister, which was in July 2009, you were clearly stating that there was a conflict of interest. What was it about the system that did not enable that to be identified, even at that late stage, after the lease had been entered into?

[141] **Ms Sinclair:** I just do not know, Jenny. I really could not understand it. I thought that the questions that I was asking were very clear. The response that I got at that point to the letter that I sent in July was, 'There's no conflict of interest; off you go', I think—let me just check—I have a wodge of pages in front of me, as you can imagine. Yes, I was being told that declaring an interest was sufficient and that the agreement for the lease was signed off. Bear in mind that, while the officers knew what was going on, I did not. I just knew what I was being told in letters.

[142] **Darren Millar:** You had obviously flagged up this concern over a conflict of interest quite early on and we have heard evidence from different people about their role in picking this issue up. There is some correspondence from Gareth Hall in the file that you sent to us, and there are also letters from Ieuan Wyn Jones saying that you should feel free to speak to Gareth Hall about your concerns. When did Mr Hall first speak to you about the conflict of interest issue that you wanted to raise?

[143] **Ms Sinclair:** To be honest, Darren, it is hard for me to say, because I did not keep a log of how things happened at the time. I could be wrong on this, but I do not think that I spoke to Gareth until a while after I had had the second response from Rhodri and the response from Carwyn, which was quite late on, really—obviously after Carwyn had become First Minister. At that time, I was feeling that I was getting absolutely nowhere and I was seriously considering getting hold of the Wales Audit Office to say, ‘Look, I’m really not happy with all of this’, which is what I consequently did. So, I cannot give you a date; I am sorry about that.

[144] **Darren Millar:** Was it only after you wrote to the Wales Audit Office that things really started to move in terms of addressing this concern about the conflict of interest?

[145] **Ms Sinclair:** Yes.

[146] **Darren Millar:** So, the Welsh Government did not really react until the Wales Audit Office got involved, did it?

2.45 p.m.

[147] **Ms Sinclair:** No, sadly.

[148] **Darren Millar:** Okay, thank you for that. We will now go to Mike’s question.

[149] **Mike Hedges:** I have three questions, really. First, were you surprised that, when they took over River Lodge, it was not vacant, secure and with security around it? We now know that it is derelict, but what is the view of the people living in Llangollen of Welsh Government officials allowing it to become derelict? The third question is a question that I have asked everyone. Looking at it from outside, I can see no way that the scheme could work. Why do you think that anyone thought that it could work?

[150] **Ms Sinclair:** It is not for me to explain what was in their heads, is it? I knew that Pol Wong was there. Obviously, I did not know when the contract was signed. I was not involved, was I? It was only subsequently that I found out that it had been bought without vacant possession. On the dereliction, people have been saying that it became derelict once Mr Wong went away, but it has been derelict, or a mess, for an awfully long time. Perhaps a few more windows were broken, but it was certainly derelict for a long time before. With hindsight, for us to have—well, it is not ‘us’ anymore; I take myself out—for the Government and the Assembly to have bought this place with vacant possession, or not, is really quite shocking. However, I did not know about it until I was told by the newspaper, I think. Pol Wong used the media an awful lot. He had said that he had been evicted and was now homeless. Subsequently, I found that he had lived there totally rent-free, which was rather nice, was it not? However, that is when I realised that he had been living there.

[151] **Darren Millar:** In addition to the correspondence, Karen, you obviously had some close friends and colleagues who were Cabinet members. Were there opportunities for you to discuss informally with any of those Cabinet members your concerns about the quality of the responses that you were getting back from them, which officials, obviously, had a hand in drafting?

[152] **Ms Sinclair:** I did.

[153] **Darren Millar:** When you raised those concerns, what sort of responses did you get?

[154] **Ms Sinclair:** I did raise concerns with people sometimes and I would get the response, ‘I’ll look into it’. You can see that I have actually e-mailed back and forth to special

advisers on odd occasions. Bear in mind that, although people would say, ‘I’ll get back to you’, you can see that there are big gaps where I did not write or communicate, which was when I was really very ill. As I felt better at certain times I would pop up and say, ‘Hang on, I have not had any responses to this’. I was frustrated that I was not getting any responses, and I was quite shocked at how little involvement Ministers seemed to have in this.

[155] **Darren Millar:** We are coming to the end of this part of our meeting with you now, Karen. If there are any important points that you would want to make in respect of what went on in terms of the acquisition of the River Lodge Hotel, what is the main message that you want to get across to us today?

[156] **Ms Sinclair:** There were a few things that I was shocked about, to be honest. I was shocked at the time about how the purchase of buildings could be done like that for someone—and I still am, to be honest. I know that we buy places—or the WDA certainly used to buy places—in order to try to push them for work and so on, but it just seemed very odd to me that it was being purchased with a particular person in mind. There had been no review of what the building could be used for. As somebody said, it did not look like a very suitable building. It was not purpose built for this sort of activity. For that amount of money, you could probably have built a purpose-built place.

[157] I was also quite shocked—and the more I went on, the more I realised it—that there did not at the time seem to be any central control or compilation, if you like, of the applications for grants. There were many streams of grant that you could apply for, but it seemed that people were able to apply for all sorts, but none of the people administering those grants talked to one another and said, ‘Oh yes, I’ve had a grant application as well’. I found it odd that there did not seem to be any joined-up thinking, and I was quite disappointed about that.

[158] **Darren Millar:** That will be helpful evidence for our grants management inquiry, actually.

[159] **Jenny Rathbone:** Karen, just finally, I understand why there was no discussion on the purchase of the River Lodge beforehand, because, if you start making things publicly known, that instantly ratchets up the price, or it can do. So, I understand that, but what I cannot understand is why, having purchased this building, there was no proper consultation with all the stakeholders who had an interest in the future use and management of the building. Why was there no engagement with the Llangollen community? Why did the independent councillor have to write to you to find out what you knew about it? Why were you apparently being constantly stonewalled? Is that the way in which business was normally conducted around matters of significant local interest, or was this a one-off?

[160] **Ms Sinclair:** I would have said that it was a one-off but, subsequently, after AWEMA, I heard an officer from the audit office saying that that was the nineteenth report that he had done that worried him, which was quite interesting. The questions that I asked in my final letter to Rhodri Morgan made very clear that I had exactly the concerns that you are articulating now. I just could not understand how a review had not been done of the best use of the building. How had it not been put out for people to show an interest in the building? On the price, Jenny, that building had been for sale for a very long time, because it was ridiculously overpriced. That is why somewhere is on the market for that long.

[161] **Darren Millar:** Okay, that brings us to the end of this particular part of our meeting. Thank you very much, Karen. We appreciate that it is sometimes difficult with the technology. It is not the same as having you in the room, and we would have loved to see you down here, but we wish you all the very best for the future and thank you for your evidence today.

[162] Okay, we will wait for our next witness to be shown in. Here he is. Whenever there is an Assembly Member on the opposite side of the table, there is always the temptation to call them ‘Minister’, but I will try not to do that today. I got into the habit over the number of years for which you were a Minister, Ieuan Wyn Jones. We are very grateful to you for attending today’s meeting to give us oral evidence on the River Lodge Hotel and the acquisition of that building by the Welsh Government. You were the Deputy First Minister and Minister for the Economy and Transport—*[Interruption.]* I see that the television is still on after the video-conference. Can we turn that off? We will just wait for that to be dealt with.

[163] Right. It is unusual for the Public Accounts Committee to take evidence from Ministers and former Ministers, but we felt, as Members, that it was important, given your closeness to the situation at the time, to get a better understanding of what went on in the department. We also felt that, given that ministerial briefings had been raised as an issue, and that correspondence had been flying between Assembly Members and Ministers, it was important that you had the opportunity to come in. So, we really appreciate your taking the time to do that. I do not know whether you want to make some sort of opening statement, to paint a bit of the background. If not, we will go straight into questions, if that is easier.

[164] **Ieuan Wyn Jones:** Diolch yn fawr am y gwahoddiad i ddod yma. Rwyf yn falch fy mod wedi cael y cyfle i ddod i roi unrhyw gymorth y gallaf i’r pwyllgor. Rwyf wedi darllen y dystiolaeth yr ydych wedi ei derbyn hyd yn hyn, ac felly, yn hytrach nag ychwanegu at eich amser drwy wneud datganiad, atebaf gwestiynau fel y maent yn codi.

**Ieuan Wyn Jones:** Thank you for the invitation to be here. I am pleased that I have had the opportunity to come here to provide the committee with any assistance that I am able to give. I have read the evidence that you have received to date, and therefore, rather than take up your time by making a statement, I will answer any questions as they arise.

[165] **Darren Millar:** Iawn, diolch yn fawr.

**Darren Millar:** Okay, thank you.

[166] One issue that was raised as a concern by the Wales Audit Office in its report was that of ministerial briefings, as I mentioned earlier. We know that you had a ministerial briefing back in June 2009, and the Welsh Government’s Legal Services department at that time recommended that the Welsh Government refrain from entering into an agreement for a lease. However, the briefing seemed to make the case for going ahead in any case. Why was that? Is that a pretty unusual situation, or did you find briefings on a regular basis that said, ‘The legal people are raising concerns about this, but we should press on ahead in any case, Minister’?

[167] **Ieuan Wyn Jones:** Credaf fod hynny’n eithaf anghyffredin, ond roedd yn digwydd o bryd i’w gilydd. Mae’n rhaid ichi gofio bod dau fath o ddogfen yn dod at Weinidog. Roedd dogfen a elwid yn MB, pan fyddai penderfyniad wedi’i wneud gan swyddog ac roeddech yn nodi’r penderfyniad hwnnw neu’n codi cwestiynau amdano. Yn ail, roedd dogfen pan fyddai gofyn i chi wneud penderfyniad, sef dogfen gwbl wahanol, a elwid yn SF.

**Ieuan Wyn Jones:** I think that that is quite unusual, but it did happen from time to time. You must remember that two types of document are sent to Ministers. There would be a document called an MB, where a decision had been taken by an official and you noted that decision or raised questions about it. Secondly, there was a document where they asked you to make a decision, which was an entirely different document, called an SF.

[168] Rwyf wedi edrych drwy’r holl ddogfennau a baratowyd yn yr achos hwn, ac

I have looked through all the documentation that was prepared in this case, and every one

roedd pob un a oedd yn dod at Weinidog yn MB. Roedd hynny'n golygu bod yr holl benderfyniadau wedi'u dirprwyo i'r swyddogion. Felly, roedd pob penderfyniad a gymerwyd yn yr achos hwn yn benderfyniad a oedd wedi'i ddirprwyo i swyddog. O ganlyniad i hynny, yr unig ddogfennau a oedd yn dod i Weinidog oedd rhai i'w nodi. Rwyf wedi ailedrych ar y ddogfen yr ydych yn cyfeirio ati, ac roedd y penderfyniad i roi cytundeb les wedi'i wneud gan swyddog cyn i mi gael y ddogfen. Felly, nodi'r penderfyniad a wneuthum i, ar ôl darllen y ddogfen.

[169] Fel y mae'r Ysgrifennydd Parhaol yn ei nodi yn ei thystiolaeth, mae tensiwn yn aml rhwng swyddogion polisi a'r adran gyfreithiol. Y rhan fwyaf o'r amser, byddech yn derbyn cyngor cyfreithiol, ond mae adegau pan fyddech yn ei nodi ond efallai yn gwneud penderfyniad gwahanol. Yn amlwg, yn yr achos hwn, dyna a wnaed.

[170] **Aled Roberts:** Wrth ystyried eich ateb, rydym wedi derbyn tystiolaeth bod y ffordd y mae'r gwasanaeth sifil yn gweithredu yn awr yn wahanol efallai i sut yr oedd yn gweithredu ar y pryd. Pan fydd tensiwn rhwng swyddog polisi a swyddog cyfreithiol, a phan nad ydynt yn gallu datrys yr anghydfod, y polisi ar hyn o bryd yw bod gan y swyddog cyfreithiol yr hawl i ddweud, 'Dyna fe, felly'. A ydych yn cytuno?

[171] **Ieuan Wyn Jones:** Mae'n rhaid ichi gofio—ac rydych chi'n ymwybodol o'r byd cyfreithiol—nad yw barn gyfreithiol mor ddiffiniol â hynny. Mae wastad yn edrych, ac yn pwyso ac yn mesur. Fel rhywun sydd â chefnidir cyfreithiol, rydych wastad eisiau edrych ar ddwy ochr y ddadl cyn dod i benderfyniad, ac wedyn rydych yn gwneud penderfyniad. Fodd bynnag, yn aml, mae'r farn gyfreithiol yn dweud, 'Ar y naill law mae hyn, ac ar y llaw arall mae fel arall, ond rwyf wedi dod i'r casgliad mai fel hyn y dylai fod'. Mae hynny'n awgrymu, felly, fod trafodaeth yn digwydd. Felly, nid wyf yn gwybod a oes modd cyrraedd sefyllfa lle mae'r farn gyfreithiol mor ddiffiniol fel y gallwch ddweud, 'Os yw felly, yn naturiol, byddaf yn ei gymryd heb fynd y tu hwnt iddo'. Fodd bynnag, fel y gwyddoch, nid felly y mae bob amser yn y byd go iawn.

that came to a Minister was an MB. That meant that all the decisions had been delegated to officials. Therefore, all the decisions that were taken in this case were decisions that had been delegated to officials. As a result of that, the only documents that came to Ministers were ones to be noted. I have reviewed the document to which you refer, and the decision to award a lease agreement had been made by an official before I received the document. Therefore, I noted the decision, after reading the document.

As the Permanent Secretary noted in her evidence, there is often a tension between policy officials and the legal department. For the most part, you would accept legal advice, but there are times when you would note it but perhaps come to a different decision. Obviously, in this case, that is what happened.

**Aled Roberts:** In light of your answer, we have received evidence that the way in which the civil service operates now is perhaps different from how it operated at that time. Where there is tension between a policy official and a legal adviser, and where they cannot resolve that disagreement, the current policy is that the legal adviser has the right to say, 'That is it, then'. Do you agree with that?

**Ieuan Wyn Jones:** You have to bear in mind—and you yourself will be aware of legal issues—that legal advice is not always that definitive. It always takes an overview, and balances the pros and cons. As someone with a legal background, you always want to look at both sides of the argument before coming to a decision, and it is only then that you make the decision. However, often, the legal advice is along the lines of, 'On the one hand you have this, and on the other you have that, but I have come to a conclusion that this is how it should be'. That suggests, therefore, that there is some discussion ongoing. So, I do not know whether it is possible to get to a point at which the legal opinion is so definitive that you can say, 'If it is like that, naturally, I will take it and not deviate from it'. However, as you know, that is not always the case in the real world.

3.00 p.m.

[172] **Aled Roberts:** Rydym hefyd wedi derbyn tystiolaeth nad yw rhai o'r *briefings* yn hollol gywir na'n ddigon manwl. O'ch profiad chi fel cyn Ddirprwy Brif Weinidog, a oeddech yn meddwl bod y *briefings* hyn gan y gwasanaeth sifil yn gywir, gan amlaf?

**Aled Roberts:** We have also received evidence that some of the briefings were not entirely accurate or lacked detail. From your experience as a former Deputy First Minister, did you think that these briefings from the civil service were, for the most part, correct?

[173] **Ieuan Wyn Jones:** Roeddent yn amrywiol, os caf ei roi felly. Roedd nifer ohonynt yn berffaith glir, gan ddweud wrthyhych, 'Dyma'r penderfyniad yr ydym yn awgrymu eich bod yn ei gymryd neu rydym ni wedi ei gymryd, a dyma'r rhesymau pam' ac yn dod i gasgliad. Rhaid cyfaddef bod *briefings* weithiau yn amwys, yn aneglur ac yn cynnwys arweiniad aneglur. Felly, a bod yn onest, roeddwn yn gyrru'r rheini yn ôl os oedd yn rhaid i mi wneud penderfyniad. Pan fyddai'r penderfyniad eisoes wedi'i wneud, roedd yn anodd achos roedd y penderfyniad wedi'i ddirprwyo. Fodd bynnag, nid oedd yn anghyffredin anfon *briefing* yn ôl a gofyn am iddo gael ei gryfhau.

**Ieuan Wyn Jones:** They did vary, if I can put it that way. Many of them were entirely clear and would tell you, 'This is the decision that we recommend you take or that we have taken, and this is the rationale behind it' and would come to a conclusion. I have to admit that, on occasion, briefings could be ambiguous, unclear and could offer no clear guidance. Therefore, to be honest, I would send those back when they were ones on which I was required to make a decision. When a decision had already been made, it was difficult to do that, because the decision was delegated. However, it was not unusual to send a briefing back and to ask for it to be made more robust.

[174] **Aled Roberts:** Rydym hefyd wedi derbyn tystiolaeth gan yr Ysgrifennydd Parhaol am y ffaith nad oedd y *briefings* hyn wedi cael unrhyw fath o sialens gan uwch-swyddogion. A ydych yn meddwl bod honno'n sefyllfa foddhaol?

**Aled Roberts:** We have also received evidence from the Permanent Secretary about the fact that these briefings were not subjected to any kind of challenge from senior officials. Do you think that that is a satisfactory situation?

[175] **Ieuan Wyn Jones:** Na, nid yw honno'n sefyllfa foddhaol o gwbl, a bu inni newid y drefn yn yr adran. Pan oeddwn yn cael *briefings* ar y dechrau, nid oeddwn yn ymwybodol o'r gadwyn cyn iddynt gyrraedd y Gweinidog. Hynny yw, ni wyddwn a oedd y *briefing* wedi cael ei lunio gan swyddog adrannol neu ranbarthol, ac i ba raddau yr oedd wedi'i awdurdodi gan uwch-swyddog. Felly, newidiais y drefn ychydig o fisoedd ar ôl imi ddod yno, fel bod taflen ar gefn y *briefing* yn dweud ei fod wedi bod at y swyddog yma, wedyn wedi cael sialens gan y swyddog arall. Nid oedd hynny'n digwydd yn ddigon cyson, yn fy marn i. Os yw'r drefn wedi newid—ac rwy'n cymryd ei bod, yn ôl yr hyn a roddwyd gan James Price yn ei dystiolaeth—mae'r Gweinidog mewn sefyllfa well i wneud penderfyniad os yw'r broses o gyrraedd y penderfyniad hwnnw wedi digwydd yn iawn.

**Ieuan Wyn Jones:** No, that is not a satisfactory situation at all, and we changed the procedure in the department. When I received briefings initially, I was not aware of the chain that had led to their reaching the Minister. That is, I did not know whether the briefing had been drafted by a departmental or a regional official, or the extent to which it had received clearance from a senior official. Therefore, I changed the procedure a few months after I arrived, so that there was a sheet on the back of the briefing to show that it had been to this official and had been challenged by another official. That did not happen consistently enough, in my opinion. If the system has changed—and I take it that it has, given what James Price put in his evidence—the Minister is in a better position to make a decision if the procedure for reaching that decision has been followed properly.

[176] **Jocelyn Davies:** You mentioned that, in this particular case, the River Lodge decision was delegated to officials, so your ministerial briefing just told you what had already taken place. Which delegations did you approve?

[177] **Ieuan Wyn Jones:** Dim o gwbl, oherwydd roedd y penderfyniad o ran beth i'w ddirprwyo wedi'i wneud cyn i mi ddod yn Weinidog, ac roedd swyddogion yn dilyn yr hyn a oedd yn digwydd o dan y Gweinidog blaenorol.

**Ieuan Wyn Jones:** None at all, because the decision as to what should be delegated had been taken before I became a Minister, and officials were following on from what happened under my predecessor Minister.

[178] **Jenny Rathbone:** That, in itself, would not have bound you, because new Ministers come in and they can decide to things differently.

[179] **Ieuan Wyn Jones:** Wrth gwrs y gallant, ond y realiti mewn unrhyw adran yw bod cannoedd o benderfyniadau yn dod ger eich bron. Nid yw'n fater o un *briefing* y dydd yn unig. Mae degau ohonynt yn dod i'ch cyfarfod chi. Felly, mewn unrhyw adran o Lywodraeth, y realiti yw bod llawer iawn o benderfyniadau yn cael eu dirprwyo i swyddogion. Er enghraifft, yn Adran yr Economi a Thrafnidiaeth, byddai grant o swm dros £0.5 miliwn yn mynd at y Gweinidog er mwyn iddo wneud penderfyniad amdano, ar ôl iddo fod drwy WIDAB, sef bwrdd cynghorol datblygu diwydiannol Cymru. Fodd bynnag, ni fyddai'r penderfyniad am grantiau cymharol fach yn mynd at Weinidog o gwbl, ond yn cael ei wneud gan swyddog. Felly, ar y cyfan, roedd penderfyniadau'n cael eu gwneud gan swyddogion. Dim ond penderfyniadau eithaf mawr oedd yn dod i ddwylo Gweinidogion. Oni bai eich bod yn cytuno ar ryw fath o system o ddirprwyo, byddai system y Llywodraeth, fel maent yn ei ddweud yn Saesneg, yn '*grind to a halt*'.

**Ieuan Wyn Jones:** Of course they can, but the reality in any department is that hundreds of decisions come before you. It is not a question of receiving just one briefing a day. Dozens of briefings cross your desk every day. Therefore, in any Government department, the reality is that very many decisions are delegated to officials. For example, in the Department for the Economy and Transport, a grant for a sum of more than £0.5 million would go before the Minister in order for him to decide on it, after it had gone through WIDAB, the Welsh industrial development advisory board. However, the decisions about relatively small grants would not go before the Minister at all, but would be dealt with by an official. Therefore, on the whole, decisions were made by officials. Only relatively major decisions would go to Ministers. Unless you were to agree on some sort of system for delegation, the whole workings of Government would grind to a halt, as they say.

[180] **Darren Millar:** One problem that we have found with the AWEMA situation was when Ministers change, with the handover to a new Minister. If there has been a concern, the new Minister is not always made aware of those concerns by civil servants. Clearly, some concerns had been raised with the Minister previously responsible for the portfolio by Karen Sinclair as an Assembly Member. Were you ever told about those concerns in the ministerial briefings that you had from officials following her intervention?

[181] **Ieuan Wyn Jones:** Na, ni chefais wybod am hynny. Mae rheol na chaiff Gweinidog weld papurau a gyflwynwyd i Weinidog blaenorol. Roedd y rheol honno'n cael ei dilyn yn eithaf deddfol. Ni fyddwn wedi cael gweld y *briefings* a gyflwynwyd i, diweder, Andrew Davies o'm blaen.

**Ieuan Wyn Jones:** No, I was not told about that. There is a rule that no Minister is allowed to see papers that were presented to previous Ministers. That rule was strictly adhered to. I would not have seen the briefings submitted to, say, Andrew Davies before me.

[182] **Darren Millar:** Okay; that is very helpful.

[183] **Jenny Rathbone:** Were you aware, before agreeing to sign off this lease, that legal services were raising some very considerable reservations about the terms? Were you made aware of that before you agreed to enter into this lease on behalf of the Government?

[184] **Ieuan Wyn Jones:** Wnes i ddim arwyddo'r les, na chytuno iddi. Cafodd y penderfyniad hwnnw, fel mae tystiolaeth wedi'i ddangos, ei wneud gan swyddog. Mae tystiolaeth yr archwiliwr yn dweud bod y les wedi ei chytuno gan reolwr rhanbarthol gogledd Cymru fy adran. Felly, ar ôl i'r penderfyniad gael ei wneud y cefais i'r *briefing*.

**Ieuan Wyn Jones:** I did not sign the lease, or agree to it. That decision, as evidence has shown, was taken by an official. The evidence of the auditor says that the lease was agreed by the regional manager for north Wales in my department. So, I was briefed after the decision was taken.

[185] **Jenny Rathbone:** At what point were you made aware that there were these reservations?

[186] **Ieuan Wyn Jones:** Nid wyf yn hollol siŵr o'r dyddiadau. Yn y ddogfen, mae'r archwiliwr cyffredinol yn dweud bod sôn fy mod wedi cael *briefing* ar 16 Mehefin, sef y diwrnod cyn i'r les gael ei harwyddo. Ond, pan edrychais ar y *briefings* yn ddiweddar, y dyddiad ar yr un a gefais i oedd 26 Mehefin. Felly, mae angen gwirio'r dyddiad. Y realiti yw i'r penderfyniad gael ei wneud gan swyddog; mae'r holl ddogfennau'n cadarnhau hynny. Felly, nid oes *issue* ynglŷn â phwy wnaeth y penderfyniad.

**Ieuan Wyn Jones:** I am not quite sure of the dates. In the document, the auditor general says that there is mention of me being briefed on 16 June, the day before the lease was signed. However, when I looked at the briefings recently, the date on the one that I had was 26 June. Therefore, we need to check the date. The reality is that the decision was made by an official; the documents confirm that. There is no issue about who made the decision.

[187] Yn y ddogfen *briefing*, cefais y cyfiawnhad dros gytuno i'r les. Wrth gwrs, rydych wedi gweld beth ddigwyddodd yn sgîl hynny. Mae'r *briefing*, fel rydych wedi awgrymu, yn tynnu sylw at y ffaith bod gwahaniaeth barn rhwng y swyddog a oedd yn gwneud y penderfyniad a'r adran gyfreithiol. Credaf fod James Price bellach yn dweud na fyddai hynny'n digwydd heddiw. Wrth gwrs, y realiti oedd, dyna ddigwyddodd yn 2009.

In the briefing document, I got the justification for agreeing to the lease. Of course, you have seen what happened as a result. The briefing, as you have suggested, draws attention to the fact that there was a difference of opinion between the official who made the decision and the legal department. I believe that James Price now says that that would not happen today. Of course, the reality is that it did happen in 2009.

[188] **Jenny Rathbone:** You were already aware of the concerns of Karen Sinclair, the local Assembly Member, about exactly what was going to happen with the building that was now under the ownership of your department. She appreciated the possible commercial sensitivities, but, nevertheless, was asking you about the proposals. That was all before the lease was signed off. Karen was saying that the community needed to know a good deal more about what was going on and what was proposed for the building.

[189] You wrote back to her in July saying that she would shortly get a copy of the business plan. The next month, she reminded you of that and, in October, you sent her a copy of the executive summary of a business plan. However, it was not a business plan as most people

would understand it. It contained no numbers whatsoever. One of the major issues was the financial capability of the Powys Fadog organisation to take on anything of this size and complexity or, indeed, its commercial viability in any sense. So, you were already aware that concerns were being expressed about this.

[190] Presumably, you were able to glance at this executive summary—I appreciate that it was among many other papers that you were getting as a Minister. However, were you not concerned that there was some anxiety about the capacity and capability of this small organisation to take on this building, for which you had paid £1.6 million?

[191] **Ieuan Wyn Jones:** Mae'n bwysig sylweddoli dau beth. Yn gyntaf, roedd Karen Sinclair yn mynegi pryder ynglŷn â'r holl gynllun, ond, wrth gwrs, roedd Aelodau eraill yn mynnu ein bod yn cefnogi'r cynllun. Hynny yw, nid oedd yn ohebiaeth unffordd. Roedd rhai Aelodau Cynulliad yn gofyn pam nad oeddwn yn sicrhau bod y cynllun yn mynd yn ei flaen. Felly, roedd dau fath o ohebiaeth. Yr ail beth i'w gofio yw nad yw gohebiaeth weinidogol yn dod i Weinidog yn uniongyrchol; mae'n mynd i swyddog. Pe baech yn anfon llythyr at Weinidog, nid yw'n mynd yn syth at y Gweinidog, ond i'r swyddog sy'n delio gyda'r achos, er mwyn paratoi ateb. Dyna beth a ddiwyddodd yn yr achos hwn.

**Ieuan Wyn Jones:** It is important to realise two things. First, Karen Sinclair was expressing concern about the scheme, but, of course, some Members were insisting that we should support the scheme. That is, it was not one-way correspondence. Some Assembly Members were asking why I did not ensure that the scheme went ahead. So, there were two types of correspondence. The second thing to remember is that ministerial correspondence does not come to a Minister directly; it goes to an official. If you send a letter to a Minister, it does not go straight to the Minister, but to the official who is dealing with the matter to prepare an answer. That is what happened in this case.

[192] Rhaid imi gyfaddef y byddai'n hynod anghyffredin anfon copi o gynllun busnes at unrhyw Aelod cyn iddo gael ei gwblhau. Mae hynny'n rhywbeth y dylem i gyd fod yn sensitif iawn yn ei gylch. Felly, yn briodol, penderfynwyd ar y pwynt hwnnw mai'r hyn oedd yn briodol i'w anfon oedd yr *executive summary*.

I must admit that it would be very unusual for a business plan to be sent to any Member before it was completed. That is something that we should all be very sensitive about. Therefore, appropriately, it was decided at that point that what was appropriate to send was the executive summary.

[193] **Mike Hedges:** Would you have expected your senior officials to ensure that your business plan was robust enough for the organisation to be able to continue? Secondly, when buildings were purchased, did you not expect that they were purchased under vacant possession and made secure, with security put in?

[194] **Ieuan Wyn Jones:** Sori, ni chlywais ran gyntaf y cwestiwn.

**Ieuan Wyn Jones:** Sorry, I did not hear the first part of the question.

[195] Perhaps you could repeat it, Mike?

[196] **Mike Hedges:** Did you expect your officials to ensure that the business plan was robust enough for what was being planned to be financially viable?

[197] **Ieuan Wyn Jones:** Yn sicr, byddwn. Byddwn wedi disgwyl i unrhyw gynllun busnes allu dangos bod y cwmni'n un a fyddai'n briodol i gymryd y cyfrifoldeb o redeg y safle.

**Ieuan Wyn Jones:** Certainly, yes. I would have expected any business plan to be able to demonstrate that the company would be appropriate to take on responsibility for running the site.

[198] Ar yr ail bwynt, nid wyf yn siŵr y byddai'r math hynny o beth yn dod i Weinidog i'w ystyried. Wedi dweud hynny, yn naturiol, byddem yn disgwyl i unrhyw swyddog sy'n gyfrifol am bwrcasu eiddo sicrhau ei fod yn ddiogel.

[199] Sylweddolaf fod amser yn brin, ond hoffwn ddweud bod awgrym yn y dystiolaeth rydych wedi ei chael bod gwahaniaeth yn y diwylliant rhwng yr awdurdod datblygu a'r Llywodraeth. Yn fy marn i, mae'n mynd yn ehangach na hynny. Roedd diwylliant y rhai a oedd yn aelodau staff yr awdurdod tir cyn dod i'r awdurdod datblygu yn wahanol iawn hyd yn oed i ddiwylliant yr awdurdod datblygu. Teimlaf, felly, bod y ffordd y mae'r adran wedi ei newid dros y blynyddoedd diwethaf yn dangos nad oedd y math o beth a oedd yn digwydd yn dderbyniol. Credaf fod pawb yn derbyn hynny.

[200] **Aled Roberts:** Derbyniaf nad yw'n ymarferol i Weinidog weld pob llythyr neu e-bost sy'n dod i mewn. Ond, gan fod yn ymwybodol o'r ffaith bod cwynion wedi eu gwneud yn erbyn swyddogion a sut yr oeddent yn delio â'r sefyllfa, ac o ystyried bod gan Aelodau Cynulliad safbwyntiau gwahanol o ran parhau gyda'r holl beth, oni fyddai'n ofynnol ar eich uwch swyddogion i'ch cadw yn y darlun o ran sut yr oedd pethau'n mynd, yn hytrach nag anfon llythyr at ryw swyddog bach yn y gogledd i ofyn iddo baratoi briff?

[201] **Ieuan Wyn Jones:** Ni ddigwyddodd yn y fan hyn—rwyf wedi darllen tystiolaeth yr Ysgrifennydd Parhaol, Gareth Hall, James Price ac yn y blaen—ond byddai'r Gweinidog wedi disgwyl na fyddai'r llythyrau hynny wedi cael eu hanfon ato oni bai eu bod wedi mynd trwy swyddfa'r uwch swyddog. Yn amlwg, dylai hynny fod wedi digwydd ar y pryd. Mae gennych hawl, fel Gweinidog, i ofyn i hynny fod wedi digwydd. Os daw llythyr i Weinidog i'w arwyddo, mae gennych hawl i deimlo y dylai'r llythyr hwnnw fod wedi mynd drwy'r prosesau cywir cyn eich bod yn ei arwyddo. Mae'n amlwg yn yr achos hwn, oherwydd yr hyn a ddigwyddodd yn ddiweddarach, nad oedd hynny wedi digwydd.

On the second point, I am not sure whether that sort of thing would come to a Minister for consideration. Having said that, naturally, we would expect any official responsible for purchasing property to ensure that it was secure.

I realise that we are short of time, but I would like to say that there is a suggestion in the evidence that you have had that there is a suggestion of a cultural difference between the development agency and the Government. In my opinion, it goes further than that. The culture of those who were staff members of the land authority before coming into the WDA was very different to the culture within the WDA. I think, therefore, that the way in which the department has been changed over recent years shows that the kind of thing that was happening was not acceptable. I think that everyone accepts that.

**Aled Roberts:** I accept that it is not practical for a Minister to see every letter or e-mail that comes in. However, given that complaints were made against officials and how they were dealing with the situation, and given that Assembly Members had different views on whether or not to continue with the whole thing, would it not have been necessary for your senior officials to keep you in the picture in terms of how things were progressing, instead of sending a letter to some junior official in north Wales asking for a briefing?

**Ieuan Wyn Jones:** It did not happen here—I have read the evidence of the Permanent Secretary, Gareth Hall, James Price and so on—but the Minister would have expected for those letters not to have been sent to him unless they had been through the senior official's office. Obviously, that should have happened at the time. You have a right, as a Minister, to ask for that to have happened. If a letter comes to a Minister to be signed, you have a right to feel that that letter should have gone through the correct processes before you signed it. It is clear in this case, given what happened later, that that did not happen.

3.15 p.m.

[202] **Darren Millar:** Did you want to come back on any of the issues, Jenny?

[203] **Jenny Rathbone:** There was obviously a difference of opinion between the local Assembly Member and others who wanted this project to go ahead. Given that Ministers are always blamed when things go wrong—that goes with the job of being Minister—why were you not a bit more concerned to be on top of the robustness of the business plan at Powys Fadog? You were clearly going to get the blame if it did not stand up. I understand that you only sent the summary—which was a very thin summary—to Karen Sinclair, but the business plan itself, given what we now know, is unlikely to have been much more impressive.

[204] **Ieuan Wyn Jones:** A bod yn onest, nid Aelod Cynulliad ddylai fod yn gorfod penderfynu a yw cynllun busnes yn *robust* ai peidio. Rôl swyddogion o fewn yr adran yw honno. Swyddogion o fewn yr adran ddylai benderfynu a yw'r cynllun busnes yn *robust*. Yn naturiol, mae'n iawn i Aelod Cynulliad fynegi pryder os yw'n teimlo nad yw'n ddigon da, ond mater i swyddogion yw hynny. Nid wyf yn credu ei fod yn ymarfer da i swyddogion anfon cynllun busnes at Aelod Cynulliad i ofyn a yw'n iawn. Mater i swyddogion oedd hynny, yn yr achos hwn. Yn fy marn i, nid yw'n briodol, fel mater o ymarfer da, bod cynlluniau busnes yn cael eu hanfon at barti nad yw'n rhan o'r cytundeb—yn yr achos hwn, Powys Fadog a Llywodraeth Cymru.

**Ieuan Wyn Jones:** To be honest, an Assembly Member should not have to decide whether a business plan is robust. That is the role of departmental officials. Departmental officials should decide whether a business plan is robust. Naturally, it is right for an Assembly Member to express concern if they feel that it is not good enough, but it is a matter for officials. I do not think that it is good practice for officials to send a business plan to an Assembly Member asking whether it is right. That was an issue for officials in this case. In my opinion, it is not appropriate, as an issue of good practice, for business plans to be sent out to those who are not party to the agreement—in this case, Powys Fadog and the Welsh Government.

[205] **Jenny Rathbone:** I do not disagree with that. I am trying to find out why you did not pay a bit more attention to whether this project stacked up, given that there was a difference of opinion from Assembly Members.

[206] **Ieuan Wyn Jones:** Gadewch inni edrych ar y ffeithiau. Cafodd yr eiddo hwn ei brynu yn 2007 ar gyngor aelod o staff—aelod o staff oedd wedi penderfynu hynny, wedi i'r pŵer hwnnw gael ei ddirprwyo i'r aelod o staff. Ddwy flynedd yn ddiweddarach, penderfynwyd, eto gan aelod o staff, y dylid rhoi cytundeb les. Unwaith roedd hynny wedi digwydd, nid oedd rôl. Gwnaed penderfyniad cyfreithiol i brynu'r eiddo. Yna, gwnaed penderfyniad cyfreithiol i roi cytundeb ar gyfer les. Beth allai Gweinidog ei wneud? Unwaith y gwnaed y penderfyniad hwnnw, allech chi ddim fod wedi troi yn ôl, fel y mae'r broses yn dangos. Gallech ddadlau na ddylid bod wedi prynu'r eiddo ar y dechrau. Gallech ddadlau na ddylid bod wedi rhoi'r cytundeb les. Fodd bynnag, unwaith roedd y ddau beth wedi digwydd, roedd eich dwylo wedi'u clymu.

**Ieuan Wyn Jones:** Let us look at the facts. This property was purchased in 2007 on the advice of a staff member—a staff member made that decision after it was decided to delegate that responsibility to that member of staff. Two years later, a decision was taken, again by a member of staff, that there should be a lease agreement. Once that had happened, there was no role. A legal decision was made to purchase the property. Then, a legal decision was made to issue a lease agreement. What could a Minister do? Once the decision had been made, you could not reverse it, as the process shows. You could argue that the property should have not been purchased to begin with. You could argue that the lease agreement should not have been issued. However, once those two things had happened, your hands were tied.

[207] **Jenny Rathbone:** I agree, but it was prior to the lease being signed that I felt that you might have had a greater interest in ensuring that the project stacked up.

[208] **Ieuan Wyn Jones:** Mae'n rhaid ichi gofio—eto rwy'n dod yn ôl at y pwynt rwy'n ei wneud—bod pryder yn cael ei fynegi gan un aelod ond bod aelod arall yn dweud wrthyf am gwblhau'r broses. Nid penderfyniad Gweinidog ydyw. Nid wyf yn credu mai lle Gweinidog yw gwneud penderfyniadau felly, ond yn hytrach i edrych ar y ffeithiau sydd o'i flaen. Ni chefais unrhyw beth yn dod o'm blaen a oedd yn dweud 'Weinidog, mae camgymeriad wedi'i wneud yn fan hyn'. Y cyfan a gefais oedd *ministerial briefing* yn dweud eu bod wedi dilyn y broses, eu bod wedi gwneud y penderfyniadau mewn ffordd benodol ac nad oeddent yn credu bod *conflict of interest*. Os ydych yn cael y cyngor hwnnw a'ch bod yn dibynnu ar gyngor eich swyddogion, beth arall y mae Gweinidog fod i'w wneud?

**Ieuan Wyn Jones:** You must bear in mind—again I return to the point that I am making—that concerns were expressed by one member but that another member was telling me to complete the process. It is not up to a Minister. I do not think that it is a Minister's role to make those decisions, but rather to look at the facts in front of him. I had nothing in front of me that said, 'Minister, there has been a mistake here'. All I had was a ministerial briefing saying that they had followed the process, that they had come to those decisions and that they did not believe that there was a conflict of interest. If you have been given that advice and you are dependent on advice from your officials, what else is the Minister to do?

[209] **Mohammad Asghar:** First, I would like to know whether MB or SF was written on the file that you used before the decision was made. Also, were any concerns raised with you privately by Assembly Members, in addition to the concerns being raised with you through formal correspondence?

[210] **Ieuan Wyn Jones:** Yn gyntaf, roedd pob dogfen—ac rwyf wedi edrych ar bob un ohonynt erbyn hyn—a ddaeth ataf i neu unrhyw Weinidog arall yn MB. Felly, roedd y penderfyniadau wedi cael eu dirprwyo i swyddogion. Yn ail, roedd yr unig gysylltiad a gefais gan unrhyw Aelod Cynulliad yn breifat o blaid y cynllun. Ni ddaeth neb ataf yn breifat i fynegi pryder ynglŷn â'r cynllun. Fe ddaeth Aelodau a chynghorwyr ataf yn breifat i ofyn, 'Pam nad ydych chi'n symud ymlaen i sicrhau bod y cynllun hwn yn mynd yn ei flaen?' Rwy'n ymwybodol bod Aelod arall wedi mynegi pryder wrth adran arall o'r Llywodraeth, ond nid i mi.

**Ieuan Wyn Jones:** First, all documents—and I have looked at them all by now—that came to me or to any other Minister were MB. So, the decisions had been delegated to officials. Secondly, the only contact that I had from any Assembly Member privately was in favour of the plan. No-one came to me privately to express concern about the scheme. Members and councillors came to me privately to ask, 'Why aren't you moving to ensure that the scheme goes ahead?' I am aware that another Member expressed concern to another Government department, but not to me.

[211] **Mohammad Asghar:** The Permanent Secretary clearly said that she believed that the Ministers were quite blameless in all of this. Thank you.

[212] **Darren Millar:** We now move on to Jocelyn. I think that we have already touched on this issue.

[213] **Jocelyn Davies:** From 2007 to 2009, Mr Wong, quite understandably, had the impression that the Welsh Government was supportive of the plan, as were Government officials. Do you think that he was fairly treated?

[214] **Ieuan Wyn Jones:** Na, nid wyf yn siŵr iddo gael ei drin yn deg, a hynny oherwydd os oedd penderfyniad i beidio mynd ymlaen â'r cynllun wedi'i wneud, neu os oedd teimlad ar ôl edrych ar y cynllun busnes nad oedd yn ddigon *robust*, yna dylid fod wedi dweud wrth Powys Fadog yn llawer iawn cynt na fyddai'r cynllun hwn yn mynd yn ei flaen. Rwy'n credu bod yr oedi a ddigwyddodd yn annerbyniol.

**Ieuan Wyn Jones:** No, I am not sure that he was fairly treated, in the sense that if there was a decision not to proceed with the scheme, or if there was a feeling once the business plan had been reviewed that it was not robust enough, then Powys Fadog should have been informed far earlier that the scheme would not be progressed. I think that the delays that happened were unacceptable.

[215] **Darren Millar:** Do you think that the hopes of Powys Fadog were perhaps unfairly raised at certain points in this whole saga?

[216] **Ieuan Wyn Jones:** Rwy'n siŵr eich bod chi'n iawn. Pan yr ydych yn edrych ar y dystiolaeth, fe welwch fod Powys Fadog yn amlwg yn credu bod y cynllun yn mynd i fynd yn ei flaen. Fodd bynnag, roedd hynny, ar un lefel, yn afrealistig, ond fe roddwyd yr argraff honno. Dim ond yn Ebrill 2010 y daeth hi'n eithaf amlwg nad oedd y cynllun yn mynd i ddigwydd.

**Ieuan Wyn Jones:** I am sure that you are correct. When you look at the evidence, you will see that Powys Fadog clearly believed that the scheme was to proceed. However, of course, on one level, that was unrealistic, but that impression was given. It was only in April 2010 that it became quite apparent that the plan was not going to happen.

[217] **Mike Hedges:** The one thing that we got out of Mr Wong was that he thought that he had a joint venture with the Welsh Government, and that leads me on to the conflict of interest. You had someone there who led on the purchase, who was a director of Powys Fadog and who made representations on behalf of Powys Fadog during this period, but did not represent the Welsh Government's interest in the lease. Were you content with how this potential conflict of interest was being managed by Welsh Government civil servants during this period, or did you even know that there was this conflict of interest?

[218] **Ieuan Wyn Jones:** Nid oeddwn yn ymwybodol ohono ar y dechrau, ond fe ddes i'n ymwybodol ohono oherwydd roedd yn ymddangos yn y *briefings*. Fodd bynnag, fel rwy'n siŵr yr ydych wedi ei weld yn y dystiolaeth, beth oedd yn cael ei ddweud oedd nad oedd hwnnw yn effeithio ar y penderfyniad, a'i fod wedi'i reoli'n lleol. Hynny yw, roedd y swyddog wedi'i wneud yn glir ei bod hi'n aelod o Powys Fadog, a bod hynny wedi'i nodi yn y cofnod. I fod yn glir am y pethau hyn, nid oedd Gweinidogion yn gyfrifol am reoli staff mewn unrhyw ffordd ac rwy'n meddwl byddai rheolaeth o'r fath yn gwbl amhriodol beth bynnag. Os oedd materion yn ymwneud â rheoli staff, yna, yn naturiol, byddech wedi disgwyl y byddai'r gweision sifil wedi delio â hwy.

**Ieuan Wyn Jones:** I was not aware of that at the outset, but I became aware of it because it appeared in the briefings. However, as I am sure that you have seen in the evidence, what was being said was that that did not affect the decision, and that it had been managed locally. That is, the official had made it clear that she was a member of Powys Fadog and that had been noted in the register. To be clear about these things, Ministers were not responsible for managing staff in any way and I think that such management would have been completely inappropriate anyway. If there were issues to do with staff management, then, naturally, you would have expected that the civil servants would have dealt with them.

[219] **Darren Millar:** As a Minister, when you receive a ministerial briefing, you expect that it was the officer closest to the action, as it were, who had prepared that briefing, and that it would have been signed off by his or her line manager further up the tree. Would that be a fair assumption?

[220] **Ieuan Wyn Jones:** Mae hynny'n asesiad eithaf cywir. Byddech yn disgwyl y byddai'r *briefing* 'MB' neu 'SF' wedi cael ei baratoi gan yr aelod staff a oedd yn delio â'r achos, a'i fod wedi dilyn proses benodol cyn iddo gyrraedd y Gweinidog a chyn gallu dweud, 'Iawn, mae hwn mewn ffurf briodol i fynd at y Gweinidog'. Wrth gwrs, yn y dyddiau cynnar, nid oeddwn yn ymwybodol o bwy oedd wedi'i arwyddo, ar wahân i'r swyddog, achos nid oedd y record honno arnynt. Fodd bynnag, mae hynny wedi newid erbyn hyn.

[221] **Aled Roberts:** Mae tystiolaeth sy'n cadarnhau bod *briefing* ar 15 Ionawr 2010 a gafodd ei dynnu yn ôl. A oeddech chi'n ymwybodol o hynny? A fyddai'r broses yn rhoi rhyw fath o restr ichi o'r *briefings* roeddech yn eu disgwyl?

[222] **Ieuan Wyn Jones:** Na.

[223] **Aled Roberts:** A wnaeth unrhyw un ddweud wrthy ch chi bod *briefing* wedi cael ei dynnu yn ôl ar y pryd?

[224] **Ieuan Wyn Jones:** Naddo, nid ar y pryd, ond fe wnes i ddeall yn nes ymlaen bod Powys Fadog, am ryw reswm, yn gwybod bod y *briefing* wedi cael ei dynnu yn ôl. Nid wyf yn gwybod sut yr oedd yn gwybod hynny. Rwy'n credu bod hynny wedi cael ei godi mewn gohebiaeth ddiweddarach, ond, ar y pryd, nid oeddwn yn gwybod hynny. Yr hyn sy'n digwydd weithiau yw bod swyddog yn paratoi *briefing*, mae'n mynd i fyny'r *chain*, ac mae'r uchel-swyddog yn dweud nad yw'n briodol i fynd at Weinidog, felly mae'n cael ei dynnu yn ôl ac nid ydych yn gwybod ei fod wedi digwydd.

[225] **Aled Roberts:** Felly, roedd cyrff allanol yn gwybod cyn i'r Gweinidog wybod.

[226] **Ieuan Wyn Jones:** Os rwy'n cofio yn iawn—ac mae'n rhaid i mi fod yn glir iawn yn fy meddwl—rwyf bron yn sicr bod hynny wedi digwydd. Fel yr ydych yn ymwybodol, rwy'n siŵr, roedd degau o geisiadau o ryddid gwybodaeth. Nid wyf yn cofio os oedd wedi digwydd oherwydd hynny, ond yn sicr yr oedd rhyw fath o awgrym wedi'i wneud bod rhyw *briefing*

**Ieuan Wyn Jones:** Yes, that is an accurate assessment. You would expect that the MB or SF briefing had been prepared by the member of staff who was dealing with the case, and that it had followed an appropriate process before reaching the Minister and before it could be said, 'Right, this is in an appropriate state to go to the Minister'. Of course, in the early days, I was not aware of who had signed it, apart from the official, because that record was not on them. However, that has changed by now.

**Aled Roberts:** There is evidence that confirms that a briefing on 15 January 2010 was withdrawn. Were you aware of that? Would the process give you some kind of list of the briefings that you were expecting?

**Ieuan Wyn Jones:** No.

**Aled Roberts:** Did anyone inform you at all that a briefing had been withdrawn at that point?

**Ieuan Wyn Jones:** No, not at that point, but I did learn later that, for some reason, Powys Fadog was aware that the briefing had been withdrawn. I do not know how it knew that. I believe that was raised in later correspondence, but at the time I did not know that. What tends to happen on occasion is that an official will prepare a briefing, it goes up the chain, and then the senior official says that it is not appropriate to go to a Minister, so it is withdrawn and you do not know that it has happened.

**Aled Roberts:** Therefore, external bodies knew before the Minister.

**Ieuan Wyn Jones:** If I remember correctly—and I have to be very clear in my mind—I am almost certain that that happened. As you are aware, I am sure, there were dozens of freedom of information requests. I do not recall whether it happened because of that, but certainly some suggestion was made that a briefing had been withdrawn.

wedi cael ei dynnu yn ôl.

[227] **Darren Millar:** If there are no further questions, I would like to thank Ieuan Wyn Jones for coming in today; we appreciate it.

[228] **Ieuan Wyn Jones:** Hoffwn wneud un pwynt, os caf. Hoffwn ailadrodd un pwynt ynglŷn â'r hyn yr oeddwn yn ei weld fel mater yr oedd angen ei gywiro, sef y swyddogion eiddo yn adran y Llywodraeth. Rwy'n meddwl bod James Price, yn ei dystiolaeth i chi, wedi ei wneud yn glir bod honno'n un adran y mae wedi ei thrawsnewid yn llwyr. Pe byddai'r broses a fabwysiadwyd gennym ar ddiwedd y cyfnod drwy'r ERP wedi cael ei rhoi yn ei lle, ni fyddai hyn wedi digwydd.

**Ieuan Wyn Jones:** I would like to make one point, if I may. I would like to reiterate the point regarding what I saw as an issue that needed to be corrected, namely the property officials in the Government department. I think that James Price, in his evidence to you, made it clear that that is one department that he has completely transformed. If the process that was adopted by us at the end of the period through the ERP had been put in place, this would not have happened.

[229] **Darren Millar:** Diolch yn fawr. We are very grateful to you for coming in. You will be sent a copy of the transcript of today's proceedings. If there are any errors in the transcript that need to be corrected for accuracy, please let us know. Diolch yn fawr iawn i chi.

[230] We will continue with our evidence session on the acquisition of the River Lodge Hotel. I am delighted to be able to welcome a former Assembly Minister and former Minister for Enterprise, Innovation and Networks, Andrew Davies. Welcome to the table, Andrew. You will have to forgive us if we lapse into our former roles and call you 'Minister' from time to time. As you will be aware, it is unusual for this committee to take evidence from former Ministers, or Ministers, in fact, but we felt that, given the information in the WAO report, it would be useful to speak to Ministers, particularly regarding your role in looking at the ministerial briefings and some of the issues that have been raised in the report. I have given every witness so far the opportunity to make a few opening remarks. I do not know whether you want to take that opportunity; if not, we will go straight into questions.

[231] **Mr Davies:** Other than thanking you very much, I would also like to thank you for rearranging the session so that I could attend the funeral of a friend of mine.

[232] My involvement with Powys Fadog was quite limited, in that I was the Minister for Enterprise, Innovation and Networks, as you said, which is basically the Department for Business, Enterprise, Technology and Science as it is today, plus transport. My understanding was that this was a legacy project from the former Welsh Development Agency that was taken forward largely by the north Wales division of the WDA, which was incorporated into my then department on, I believe, 1 April 2006.

[233] **Darren Millar:** So, it was regarded as a legacy project. You obviously will have received briefings on all of the legacy projects that the WDA was working on when it became part of the Welsh Government. What was the scale of interest in this particular project compared to others? I assume that there were quite a number of them in the pipeline.

[234] **Mr Davies:** I do not think that it would be true to say that there would be a whole raft of legacy issues. There would be those for which a risk assessment had been made by senior officials, of either involvement by the department or major potential investments, inward investment projects, et cetera. Until the then local Assembly Member, Karen Sinclair, raised it, I do not think that it had reached ministerial attention. I, certainly, was not aware of it.

3.30 p.m.

[235] **Darren Millar:** Karen Sinclair told us that she originally raised concerns with you around February 2007. She was expressing concerns at that time about this potential conflict of interest. In the correspondence that she sent to us, she says that you gave her assurances over that conflict of interest that it was not an issue to be concerned about. On what basis were you able to feel confident to give her that advice?

[236] **Mr Davies:** I was not aware that the WAO was looking at this until it reported and the media were in touch asking my views on it. I was not interviewed by the WAO at the time, although it did interview me about the AWEMA case more recently. After receiving your invitation, I sought documentation—as a former Minister, you are allowed to look at any documentation that is relevant to any decision that you made—so, on Friday, I had access to the two items that related to my term as Minister. The first was a briefing from the north Wales officials within the department in February. It said something like, ‘You may well be approached by Karen Sinclair’, which indicates that there was no item of correspondence at that time. From the WAO report, I assume that there was an item of correspondence and, therefore, I would have responded to it. If that letter does exist, I have not been able to see it. The briefing that I saw on Friday was by John Adshead, who was the line manager, I believe, of Amanda Brewer. The advice was very clear, and this is what the WAO report picked up: the background to the case was given, the reference to the district valuer’s valuation was made, and it also made reference to the conflict of interest between Amanda Brewer’s role as an official and as company secretary for the community organisation. The wording said very strongly that there was absolutely no conflict of interest. It then referred to the valuation by the district valuer and said that it had been given an approved red-book valuation, although, subsequently, that transpired not to be the case.

[237] **Darren Millar:** Did you ever have concerns about the quality of the briefings that were sent to you, not only in this case, but at any other time while you were a Minister?

[238] **Mr Davies:** As a former colleague and Minister, you receive hundreds of submissions every month—in my case—across a whole range of policy areas. To a large extent, most of those decisions are fairly straightforward, but clearly there are those where there are issues of concern raised; in those cases, I would normally go back to officials for clarification or, on occasion, if it was particularly problematic, I might ask my special adviser to look at it. I had no grounds to do so on this because of the cast-iron guarantee given by officials. As it says in the WAO report, the briefing given to me was unbalanced and misleading.

[239] **Darren Millar:** Let us get this right: you had a briefing from the regional team in north Wales that gave categorical assurances about the conflict of interest issue. That briefing was sent to you in a speculative sort of way, saying that Karen may be in touch. It had obviously been prompted by some concern that Karen had expressed either locally or through correspondence to your private office, but which, for some reason, did not reach your desk.

[240] **Mr Davies:** I can only assume that, from asking for all documentation from civil servants and what I was provided with on Friday.

[241] **Jocelyn Davies:** I take it that you had the same experience as most Ministers and that you did not read, every day, all the letters that came into your private office that were addressed to you. So, if Karen had written to you in January or February, asking you about something, would you have read those letters? Did you read all the letters that came in addressed to you every day?

[242] **Mr Davies:** No. The system in most private offices, as I understood it—it was certainly the case in mine—was that letters would be sent to us, which officials in the private

office would receive and then advice would be sought on what is called a 'jacket' or a submission. You would then get the letter after the advice had been provided by officials. The only other item of business that I saw on Friday was an e-mail that had been addressed to me when I was Minister for finance by a county councillor in the Llangollen area. I think that was in around May 2009, but it was sent to my ministerial e-mail address. I had not seen that until Friday, but it had been transferred initially to the then Minister for culture and subsequently to the Deputy First Minister, who answered the e-mail.

[243] **Darren Millar:** With regard to this briefing that was given to you, obviously assurances were being given by the north Wales office about potential conflicts of interest in the north Wales office. Did you ever think that it might be appropriate to question that and did you question that at the time?

[244] **Mr Davies:** Part of the problem is that it was quite a long time ago—we are talking about five years ago—and this was not long before the Assembly elections and we were a minority administration, so there was a tremendous amount going on politically as well as the merger that I was leading on of the WDA and the Wales Tourist Board into Government. I cannot honestly distinguish at the time what Karen was saying to me because she had raised this consistently both before that election and subsequently. I know that, subsequently, when I was Minister for finance, I did make enquiries about this, but I was no longer the ministerial lead on it.

[245] **Jocelyn Davies:** What the briefing said was that there had been absolutely no conflict of interest in the way that your officials had dealt with this matter. That seems a very bold and confident assertion, and as if that is backed up by something or other. Who else would have seen that briefing before it came to you? It was prepared in the north Wales office; would that have gone to Gareth Hall before it came to you?

[246] **Mr Davies:** I have to say that I do not know. We are looking at this with 20/20 hindsight. At the time, it was seen as a community project. As I said, and that is why I started my remarks by saying that this was a legacy project from the WDA, the WDA had become a very large organisation prior to the merger. It had gone, under the former chief executive, from having around 250 or 300 staff to having 1,100 staff upon its dissolution or merger with the Government. It had a structure in which the regions were almost autonomous and that was one of the major problems. I am sure that Mike will know that, as a former leader of a council. That was part of the problem with the organisation. The regional directors were almost like medieval barons and that was particularly the case in north Wales. The former regional director was a fairly strong character and it was almost his own personal fiefdom. Therefore, there was little central co-ordination or management and there was a great deal of delegation and autonomy. Unfortunately, that culture continued following the merger into the Welsh Government. I was talking to senior officials recently and there are still some elements of that culture in existence in the current department. So, my assumption is that that briefing would not have gone to Gareth Hall or his senior officials; it would probably have come directly from the northern region to my private office.

[247] **Jocelyn Davies:** To come back on that, you said that it was part of the problem and that there were particularly strong characters, but did you read the evidence that Gareth Hall gave to this committee? He said that Ministers wanted strong, regional offices. He said that that was the wish of Ministers.

[248] **Mr Davies:** It certainly was not the wish of this Minister.

[249] **Jocelyn Davies:** I do not know how long ago it was, but my reading of it was that he said that what Ministers wanted was strong regional offices.

[250] **Mr Davies:** I was the lead Minister for him; he was my senior official and that certainly was not the case. In fact, I was not keen on having strong regions, because what you were finding was that you had regional tourism partnerships, regional economic fora, as well as strong regions within the department, and part of the problem was that there was a lack of co-ordination and central direction. That may have been the view of subsequent Ministers, but it was not my view as Minister. Do not forget that I was in charge of the merger of the WDA and the Wales Tourist Board into Government, and, looking at the structures, there was a regional structure, but it was certainly not the case that I wanted strong regions in the sense that I think he was talking about.

[251] **Jocelyn Davies:** Okay. I was going to ask a question about leadership. Shall I ask it now, Chair?

[252] **Darren Millar:** Yes.

[253] **Jocelyn Davies:** You mentioned that the regional offices were part of the problem, so that might have been a particular concern. You had these strong officers, and you had this fiefdom—I think that that is how you described it. So, do you think that that required significant delegations? What delegations did you approve to those individuals who behaved as if they were not accountable to anyone, and acted as if they were running fiefdoms? What approvals did you give to delegations following the discussion with your director general?

[254] **Mr Davies:** What I said about fiefdoms related to the WDA—this was prior to the merger in April 2006. The delegations after that would be the normal delegations that Ministers would have. If there was a large inward investment project, or items that were particularly sensitive politically or locally or were unusual or contentious—I think that that is the phrase used—then it would be forwarded to you. However, most decisions, for example, grant decisions, would be delegated to officials.

[255] **Jocelyn Davies:** Were you comfortable with that?

[256] **Mr Davies:** Yes. I did not think that it was healthy for Ministers to deal with grant applications; I think that that lays Ministers too open to accusations of bias. I was always quite content for grants—as long as the process had been followed—to be delegated. Large grants—I think that, at the time, those were grants of over £250,000—for regional selective assistance would go to the Welsh Industrial Development Advisory Board. However, when it came to grants, I certainly did not get involved.

[257] **Jocelyn Davies:** What about the purchase of this particular building?

[258] **Mr Davies:** Again, my assumption was that it would be within the delegated limits, the delegated powers, for officials to do that.

[259] **Jocelyn Davies:** Okay. I think that I will leave it there, Chair.

[260] **Darren Millar:** Okay. Aled Roberts has the next questions.

[261] **Aled Roberts:** Going back to this worry regarding fiefdoms, particularly in the north, Gareth Hall states in his evidence that it was business as usual following the merger. Certainly, the evidence that we have received is that no new guidance was sent out to civil servants in regional offices et cetera to change their working practices. Given these fears, and with the benefit of hindsight, was that wise in the circumstances?

[262] **Mr Davies:** A huge amount of work had been done on the merger prior to the legal timetable of April 2006. However, that was only part of the process; that was when the WDA

and the WTB ceased to exist. A very large amount of work continued to be done. I had also established a ministerial advisory group, under Richard Parry-Jones, to look at the shape of the department, and where, for example, Government and the public sector should be investing. He reported just before the election in 2007. The assumption, and the remit that he was given, was that the department and Government would be shaped around his recommendations. His recommendations were that key sectors be identified, such as manufacturing, automotive aerospace, creative industries, life sciences, information and communications technology, et cetera, and the department focused around those key sectors. So, it was always my assumption as Minister that the merger did not start and finish on 1 April 2006 but was an ongoing process and, to a large extent, was going to await the report by Richard Parry-Jones's committee. I regret that those recommendations were not put into place for some time.

3.45 p.m.

[263] **Aled Roberts:** To go back to the February 2007 briefing, and the cast-iron guarantees, one was on the conflict of interest and the other was that the district valuer was instructed to provide an open-market valuation in accordance with the provisions in the RICS red book. Clearly, that was not the case, as we have discovered subsequently. If that briefing had made it clear that a red-book valuation had not been obtained from the district valuer—I accept that it was a ministerial briefing situation subsequently—would you have stepped in at that time?

[264] **Mr Davies:** Yes. On any of this, whether it was the conflict of interest or the valuation by the district valuer, had there been any hint of ambivalence or ambiguity I would, I am sure, together with my special adviser, have followed it up. However, if you read the briefing, it gives no hint whatsoever. The implication is that the district valuer followed procedure completely, according to the red book, and gave a valuation that was equated to market value locally. My subsequent understanding is that the district valuer did that on the basis that part or all of the site might well be used for residential housing, but, of course, that was not made clear in the briefing.

[265] **Aled Roberts:** I have one final question on current practice. We are told that practice within BETS has now changed and that officials are no longer able to discharge finance, apart from for European cases or the most routine of cases, without reference to Ministers. Do you consider that to be a helpful innovation?

[266] **Mr Davies:** In Government, it is always about trying to get a balance between having robust governance and transparent processes and making sure that decisions are made quickly and, as you will know as a former council leader, that your department is able to respond to the needs of business or the market. It is about trying to get that balance. I, certainly, was not of the view that I wanted to be making all decisions as a Minister, either financial or in other ways, because I do not think that that is the best way for organisations to work, either in the public or the private sector. I cannot comment on current practice, because I do not know enough about it, but certainly that was my clear intention as a Minister—I wanted my department and the Government to be lean and to be able to be responsive to the needs of companies, because we were working in a very competitive, global market. If Wales is seen as somehow rigid, unresponsive and not open for business, then that will not do Wales any good. However, as ever, it is about trying to get the balance right, as I am sure Jocelyn knows—in Government you are always trying to get the right balance.

[267] **Darren Millar:** This was not the usual sort of business creation investment, however, was it? We are talking about £1.6 million of public money. You have already suggested to us that the scheme of delegation for those items that were over £250,000 was different from that for smaller grants—that was in terms of regional selective assistance. Did you not think,

therefore, that this merited a little more attention, particularly given the fact that there had been concerns raised by an Assembly Member?

[268] **Mr Davies:** Regeneration was part of the department's remit at the time—it subsequently moved out into a different department—so there were a lot of community regeneration projects happening, many of which were funded by European structural funds, particularly Objective 1 at the time, and subsequently convergence funding. So, this was not unusual in that regard, in that community enterprise and community interest companies such as Powys Fadog were very active and there was a lot of activity right across the board. So, for me, it did not stand out as unusual in that respect.

[269] **Jocelyn Davies:** Your budget would have been much larger than the current BETS budget, because you said that you had responsibility for transport as well. So, your budget would have been many times larger.

[270] **Jenny Rathbone:** The picture that you paint is of a system that allowed the organs of Government to be hijacked by a particular interest with a particular bee in their bonnet, which turned out to be completely fanciful. I suppose that what concerns me is that it is not just all these WDA legacy projects, which you felt it was appropriate to have delegated. You have a briefing that states that the district valuer had done the job based on the red book, and then we come to the matter of the whole concept of vacant possession when someone buys a property. This guy was living there free of charge for many months afterwards. We do not even know when he stopped using it for running classes. The legal department engaged in the normal conveyancing was completely lacking in the normal practice that even the most junior employee in any legal firm would know is appropriate. All this indicates is that the Government at that time was not fit for purpose.

[271] **Mr Davies:** It is difficult for me to comment on the points you make because I think that that was after the election in 2007, when I was no longer the Minister in charge.

[272] **Jenny Rathbone:** I appreciate that but we are talking about the purchase, which was in March 2007.

[273] **Mr Davies:** Yes, I agree. As I said, the briefing that I had was on the basis that I might be approached by the then Assembly Member. I absolutely agree about the governance arrangements. That was one of the main reasons why we decided, as the Government of the time, to abolish the WDA and to bring it in-house because the governance arrangements were not as good as they should have been in a publicly funded body. I think that the WDA often forgot that it was a public organisation and funded by the taxpayer and, therefore, needed robust and transparent governance.

[274] **Jenny Rathbone:** I understand that you were keen to have lean government to make sure that people felt that Wales was a good place to come to do business, but, with hindsight, is it possible that you moved too far the other way? Ieuan Wyn Jones, who we spoke to earlier, indicated that much of the business of the department had been delegated to officials and that that was the regime that he inherited, which you previously ran, and that therefore he was not involved in the decision about the lease arrangements, for example, which clearly had no commercial viability whatsoever. So, would you say that the arrangements that you put in place in order to make for lean government, which delegated to officials, was one of the contributing factors in this?

[275] **Mr Davies:** As I said earlier in response to another question, this was very much a transitional period and it was within the first year of the formal merger process. As the Chair said, a large degree of the processes had been inherited from the then WDA, and the evidence was that there had not been any significant changes. As I said, I always saw the merger

process as an ongoing process, and it was not something that started and finished in April 2006. Therefore, it would be a process of incorporating what was in the WDA ways of doing business into the Government. That, inevitably, took time. As I said, I left that office after the election of 2007. It is very difficult for me to comment about what happened afterwards.

[276] **Jenny Rathbone:** Certainly, but as Minister for finance in the subsequent Government, surely you were in a position to ensure that all of the processes were in place.

[277] **Mr Davies:** Oh that it were true. [*Laughter.*] I think that Jocelyn will understand what I mean. As a Cabinet Government, the way that the Welsh Government worked meant that most decisions—budgetary and policy decisions—were delegated to individual Ministers or to Deputy Ministers. As Minister for finance—and I was also Minister for public services—other than through discussion or cajoling I could not instruct my colleagues to do something.

[278] **Jenny Rathbone:** Right. That is something that we, as a Public Accounts Committee, will reflect on. Thank you for that. I feel that the question that I was originally going to ask has been covered.

[279] **Darren Millar:** I think that there is a little bit more exploring to do on this. Obviously, one thing that was accurate within the briefing that you got in February 2007 was the fact that Amanda Brewer was both a director and company secretary of the organisation for which she was working on this transaction within the Welsh Government. Given that it said that and still went on to say that there was no conflict of interest, did you not find that a little bit unusual? Anyone reading that would think, ‘Wait a minute, this is obviously a clear conflict of interest’. Why did that fact in itself, as presented, not sound alarm bells for you?

[280] **Mr Davies:** As I said, at this distance, I am finding it difficult to remember what I did at the time when I was Minister for enterprise and subsequently what I did as Minister for finance. However, following conversations with Karen Sinclair, my special adviser asked and followed up questions. Regarding the timing of that, I would be misleading you if I was to say, ‘We did that together after discussing this submission in February 2007, or it was sometime after the election’. If it had not been for Karen, we would not be discussing it. I commend her publicly for her persistence in this area. However, at some stage in the process, my special adviser followed it up on several occasions but I cannot say with hand on heart that it was in February 2007.

[281] To go back to the briefing, it said that there was no pecuniary benefit to Amanda Brewer, and it was pretty categorical in the lines to take, which indicates that it was a briefing rather than an item of correspondence, and that there was absolutely no conflict of interest. Coming from Amanda Brewer’s line manager, an official in the northern region, that is pretty unequivocal.

[282] **Mike Hedges:** The Wales Audit Office has expressed concerns around the quality and accuracy of written briefings for Ministers. I have concerns about the lack of basic good practice. For example, when you buy a building, you make sure that it has vacant possession, make it secure and put security around it. Also, when you have a business plan, you make sure that it is robust and not based on hope. Based on your ministerial experience as a whole, do you believe that such inaccuracies and problems are isolated occurrences, or symptomatic of a wider issue across the Welsh Government’s civil service?

[283] **Mr Davies:** I am sure that you will know that I have publicly expressed strong views on the civil service system. My concern has been that the civil service is process-obsessed and compliance-obsessed. The problem was that you had that at one end and at the other end you had the WDA structure, where there was clearly no central co-ordination or accountability. It

is about getting the balance right. In February 2007, all I had was this briefing. I was not aware of some of the issues around vacant possession and what subsequently transpired. As I said in response to Jenny Rathbone, one of the reasons why we as a Government merged the WDA was because of the concerns about a lack of transparency and effective governance.

[284] **Mike Hedges:** I do not think that anyone would reasonably expect you to know about such things, but there is an expectation that such basic actions are taken by civil servants lower down the order so that good practice is carried out.

[285] **Mr Davies:** Absolutely, and that was clearly not the case here. From reading the rest of the WAO's report, it is clear that the problems did not apply just to the period in February 2007 but that they continued for some time afterwards.

[286] **Darren Millar:** We have also had the report on AWEMA, which you touched on earlier. We do not want to talk about that in any great detail, but that also found shortcomings in ministerial briefings. Did you have lots of experiences where weaknesses in ministerial briefings were exposed during your time as a Minister?

[287] **Mr Davies:** Yes. The quality varied considerably. There were those officials whom you knew if you had a briefing and recommendations from them, you could put money on it. There were others whose punctuation you checked because the quality was not good and the advice was not sound. I do not know whether Jocelyn had a similar experience, but I found as Minister that as you become more knowledgeable and more experienced, not just are you aware of those differences in personal qualities, but you understand issues far more deeply.

4.00 p.m.

[288] **Darren Millar:** If you saw a pattern, as a Minister, of poor quality briefings, how would you address that? What did you do, for example, when you identified that a particular person seemed to be giving poor briefings on a regular basis?

[289] **Mr Davies:** I would raise it. When I was Minister for enterprise, I would meet at least once a week with my director, but we were on the phone nearly every day, so if there were concerns, I would either report them directly to him or I would raise them through my private office. I would also have regular meetings with other members of senior management, so if I felt that the advice was not good, I would raise it either with the director or with one of the senior managers.

[290] **Darren Millar:** Who would you see as being ultimately responsible for addressing the quality of briefings?

[291] **Mr Davies:** The director or what is now known as the director general. Ultimately, the Permanent Secretary of course, but—

[292] **Darren Millar:** You would expect it to be sorted out within the department.

[293] **Mr Davies:** Yes.

[294] **Mohammad Asghar:** What concerns were raised with you personally or privately by Assembly Members with regard to the River Lodge Hotel, as well as any concerns raised through formal correspondence? What action did you take?

[295] **Mr Davies:** As I think I have already indicated, I had several conversations over quite an extended period with Karen Sinclair. In fact, as I said, Chair, when I looked at the papers on Friday, I saw that the other item was an e-mail sent to me in May 2009 from

Councillor Lucy Morris. She referred to the issue, but also to the fact—and this is something that I was aware of, which is perhaps one of the reasons I was wary, particularly before the election—that there were political conflicts at a local level. I, as a Minister, did not want, particularly in a pre-election period, to get this involved as a political football.

[296] **Darren Millar:** It was just those two individuals who contacted you to express concerns.

[297] **Mr Davies:** I asked officials for all the relevant documentation, but I was only shown the two: the briefing by John Adshead in February 2007; and an e-mail exchange and the subsequent letter from the Deputy First Minister to Councillor Lucy Morris.

[298] **Darren Millar:** I think we were copied in on the e-mail, and I think Karen Sinclair was also copied in on the same e-mail that you received through your private office, which she has circulated to committee members.

[299] **Mr Davies:** As I said, until last Friday, I was not aware of it.

[300] **Darren Millar:** Jocelyn, did you want to follow any further matters?

[301] **Jocelyn Davies:** No.

[302] **Darren Millar:** We will go straight over to Gwyn.

[303] **Gwyn R. Price:** Were you aware of culture differences between existing Welsh Government staff and those entering from the WDA? [*Laughter.*] It has already been answered very strongly, I believe.

[304] **Mr Davies:** Yes, and I understand that some of those differences still remain, which shows that reorganisations and mergers take many years and that cultures and, in fact, behaviours can continue for many years afterwards. I can see several former councillors nodding sagely at that point.

[305] **Mike Hedges:** I was going to say that the case in Swansea, as I am sure it is in other places, is that we have not really got over the 1973 reorganisation.

[306] **Gwyn R. Price:** I will put down ‘yes’ as the answer. [*Laughter.*]

[307] **Darren Millar:** Unbelievably, I was not even born in 1973. We will draw this part of our meeting to a close. Are there any further questions from Members?

[308] **Aled Roberts:** You will have read the evidence of the Permanent Secretary on 10 July when she stated that the briefings had not been validated or challenged by more senior officials, as well as Gareth Hall’s evidence on 8 October, which confirmed that he had not approved or challenged briefings. Does that surprise you?

[309] **Mr Davies:** Not really, no. However, as I said, I do not want to criticise officials in this regard because it is still a very large department, and if the director general—as the post is now called; it is obviously a different person now, who, in my view, is extremely good—or his senior management, have to read every submission from officials and assess them, then the whole machinery of Government can gum up. Particularly with the economic position as it is, that department is at the forefront of winning inward investment and of regeneration across Wales, so I would not want senior officials paper-chasing and assessing submissions rather than winning business and jobs for Wales, but it is about getting a balance. I felt that, under the WDA, there was no robust governance, and I think that you have seen that through

this example. However, as I said, it is about trying to get that balance right.

[310] **Darren Millar:** If there are no further questions and no further comments from the witness, I just need to say thank you for coming in today, Andrew. We appreciate it. You will have a copy of the transcript and, if there are any factual errors, please feel free to get them corrected.

4.05 p.m.

**Papurau i'w Nodi  
Papers to Note**

[311] **Darren Millar:** We have received a number of papers to note. I will take it that they have been noted.

4.06 p.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd  
o'r Cyfarfod  
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public  
from the Meeting**

[312] **Darren Millar:** I move that

*the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42.*

[313] I see that there are no objections. Thank you.

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 4.06 p.m.  
The public part of the meeting ended at 4.06 p.m.*