

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyfrifon Cyhoeddus](#)

[The Public Accounts Committee](#)

12/10/2015

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Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn
ogystal, cynhwysir trawsgrifiad 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

Andrew R.T. Davies	Ceidwadwyr Cymreig (yn dirprwyo ar ran Mohammad Asghar) Welsh Conservatives (substitute for Mohammad Asghar)
Alun Ffred Jones	Plaid Cymru (yn dirprwyo ar ran Jocelyn Davies) The Party of Wales (substitute for Jocelyn Davies)
Mike Hedges	Llafur Labour
Sandy Mewies	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Richard Anning	Cyn-aelod o Fwrdd Cronfa Buddsoddi Cymru mewn Adfywio Former Regeneration Investment Fund for Wales Board Member
Richard Baker	Pennaeth Ystadau a Gwasanaethau Proffesiynol, Llywodraeth Cymru Head of Estates and Professional Services, Welsh Government
Ceri Breeze	Cyn-aelod o Fwrdd Cronfa Buddsoddi Cymru mewn Adfywio Former Regeneration Investment Fund for Wales Board Member
Owen Evans	Dirprwy Ysgrifennydd Parhaol, Y Grŵp Addysg a Gwasanaethau Cyhoeddus, Llywodraeth Cymru Deputy Permanent Secretary, Education and Public

Services Group, Welsh Government

Richard Harris	Cyn-aelod o Fwrdd Cronfa Buddsoddi Cymru mewn Adfywio Former Regeneration Investent Fund for Wales Board Member
Chris Holley	Cyn-aelod o Fwrdd Cronfa Buddsoddi Cymru mewn Adfywio Former Regeneration Investent Fund for Wales Board Member
John Howells	Cyfarwyddwr, Tai ac Adfywio, Llywodraeth Cymru Director, Housing and Regeneration, Welsh Government
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Mike Usher	Swyddfa Archwilio Cymru Wales Audit Office

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

Fay Buckle	Clerc Clerk
Claire Griffiths	Dirprwy Glerc Deputy Clerk
Joanest Varney-Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

*Cynhaliwyd y cyfarfod yn Amgueddfa Genedlaethol y Glannau, Abertawe.
The meeting was held in the National Waterfront Museum, Swansea.*

*Dechreuodd rhan gyhoeddus y cyfarfod am 14:38.
The public part of the meeting began at 14:38.*

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions**

[1] **Darren Millar:** Welcome to the meeting of the Public Accounts Committee at the National Waterfront Museum in Swansea. I'm very pleased to be able to welcome members of the public to this committee meeting as well. Just a few housekeeping notices. If I could remind everybody that the

National Assembly for Wales is a bilingual institution, and our proceedings can be conducted through either English or Welsh, as Members and witnesses see fit. There are headsets available for translation purposes and these, of course, can also be used for those who require sound amplification as well. The room is quite echoey, so people may feel more comfortable wearing them throughout the duration of the meeting. If I could remind everybody that, in the event of a fire alarm, we should follow the instructions of the ushers, and I encourage everybody who's in the room as well to switch off their mobile phones or put them into silent mode.

[2] It's a pleasure to be here. We're very grateful for the National Waterfront Museum hosting us today, and I want to put on record my thanks as Chair of the committee for the support that the staff at this museum have given to the clerks of the committee in making arrangements for today.

[3] Just to note that we have received some apologies for today's meeting. We've got a couple of substitutions. It's a pleasure to be able to welcome Andrew R.T. Davies to the committee today in place of Mohammad Asghar, and Alun Ffred Jones as well, in place of Jocelyn Davies, who has excluded herself from the meeting under Standing Order 18.8 of the National Assembly's Standing Orders.

[4] I want to give an opportunity for Members to make any declarations of interest. The declarations rules changed earlier this year, and it may be necessary for Members to make some oral declarations. I'm going to come to you each in turn. Jenny Rathbone.

[5] **Jenny Rathbone:** I chair the European programme monitoring committee.

[6] **Darren Millar:** Thank you, Jenny. Sandy. No. Mike Hedges.

[7] **Mike Hedges:** First of all, can I say 'welcome to Swansea'? Yes, I would like to declare that I've known Chris Holley as a fellow councillor for 20-plus years.

[8] **Darren Millar:** Thank you, Mike.

[9] **Julie Morgan:** The Lisvane land is in my constituency of Cardiff North.

[10] **Darren Millar:** Thank you. Alun Ffred.

[11] **Alun Ffred Jones:** Mae tir fferm Goetre Uchaf ym Mangor yn fy etholaeth i. **Alun Ffred Jones:** The land belonging to Goetre Uchaf farm in Bangor is in my constituency.

[12] **Darren Millar:** Diolch, Ffred. Aled.

[13] **Aled Roberts:** Mae yna nifer o safleoedd o fewn rhanbarth y Gogledd sydd yn rhan o'm rhanbarth etholaethol i. Hefyd, rwy'n adnabod Chris Holley fel cyn-arweinydd Cyngor Bwrdeistref Sirol Wrecsam. Hefyd, rwy'n cofio Ceri Breeze fel pennaeth yr adran tai ac adfywio pan oeddwn yn lefarydd o fewn Cymdeithas Llywodraeth Leol Cymru. **Aled Roberts:** There are a number of sites within the North Wales region that are part of my electoral region. I also know Chris Holley as former leader of Wrexham County Borough Council. I also remember Ceri Breeze as head of the housing and regeneration department when I was a spokesperson within the Welsh Local Government Association.

[14] **Darren Millar:** Diolch, Aled. Andrew.

[15] **Andrew R.T. Davies:** Yes. I declare an interest in that some of the blocks of land that are the subject of this report form part of my electoral region.

[16] **Darren Millar:** Thank you for that. I want to declare also that there are two pieces of land referred to in these documents that are in my own constituency as well, notably in Towyn and in Abergele.

14:41

Cronfa Buddsoddi Cymru mewn Adfywio: Sesiwn Dystiolaeth 1 Regeneration Investment Fund for Wales: Evidence Session 1

[17] **Darren Millar:** We have before us today the Welsh Government. I'm very pleased to be able to welcome the Deputy Permanent Secretary, Owen Evans, to the table; John Howells, director of housing and regeneration at the Welsh Government; and Richard Baker, the acting joint head of property division at the Welsh Government. Welcome to you all. We're obviously here today because of the publication of the auditor general's report into the regeneration investment fund for Wales, and you very kindly responded to that report in writing. Do you want to add anything to your response, to put

on the record, before we go into questions from Members? Owen Evans.

[18] **Mr Evans:** Thank you. First of all, thank you for the opportunity to present today on behalf of myself and my colleagues. I think that what we're looking at is what was an innovative approach, which I think the auditor general has supported, at a time when we needed to do something to assist with the fact that the Welsh economy was struggling. However, with the benefit of hindsight, we can see that there were a number of facets of the delivery of that project that we have had to learn some lessons from. I think that some of the aspects were suboptimal. I think we concur with many of the points that the auditor general has raised; however, I think the biggest thing that we have struggled with is that, actually, particularly around the events that the board had to deal with themselves, was trying to set ourselves back to 2012 or 2011, when the economy was in a very different place. So, from our behalf, we've tried to place ourselves there, but also I think there's been sufficient evidence gathered about the lessons that the Welsh Government had to learn from this.

[19] **Darren Millar:** And what lessons precisely do you consider that the Welsh Government needs to learn?

[20] **Mr Evans:** The lessons are fairly wide. They go from whether this was the right vehicle, actually, to use to achieve this type of programme, right through to how Welsh Government in particular had oversight of the operations of what was an arm's-length body and how, actually, the Welsh Government treats arm's-length bodies within its governance frameworks. They are two of the big lessons, I think, that the Welsh Government has learnt from this. The other element, of course, is understanding how, through our audit and governance procedures, we can ensure in future—. Whereas, in this case, we haven't been able to prove or disprove that a sale at undervalue was achieved, in future we would need to make sure that that type of expenditure was safeguarded. Of course, that doesn't preclude that, in all cases, we will be trying to defend and protect the public purse in such matters. However, I think that there are lessons that we have learnt in the way that both the construction and the operation of the vehicle were delivered.

[21] **Darren Millar:** Are there any lessons that you think that the Welsh Government may have learned about the way it responds to written questions—tabled questions—from Assembly Members at all? I mean, obviously, there was a question that was asked of Ministers back in March

2012, which was answered incorrectly, wasn't there?

14:45

[22] **Mr Evans:** That was an interesting one and actually one I've probably changed my mind on since writing to you, Chair. We continually revise the way we answer questions, almost on a monthly basis, and I, with Ministers, for example, will go through the accuracy of the information provided. We would have to set the context. Normally, we're reacting to such requests within a very short timescale and so it limits, sometimes, the amount of enquiry that you can make. However, I think, in this instance, there were a number of factors that conspired to not providing something that was accurate. The first was that the question that was tabled actually didn't hint that there was anything wrong, and so we gave a fairly factual response on the process that was involved. But I think the biggest weakness wasn't in the way that we responded on the advice in the question itself, but what it actually got to the core of was that, through our own oversight of the RIFW board's activities, we didn't have the governance and assurance in place that actually would've allowed officials to question more any responses it was getting from an arm's-length body.

[23] I think, in principle, we have to deal with the fact that arm's-length bodies are set up for a principle; they're set up for a reason and we have to rely on them to provide us accurate information. However, I think, in this instance, the oversight of that body was not sufficiently strong.

[24] **Darren Millar:** So, what do you have in place now to ensure that if a question is tabled of a Minister in relation to an arm's-length body the response is going to be correct to the elected representatives?

[25] **Mr Evans:** The biggest thing, actually, that has changed since then is the way that we treat the arm's-length bodies themselves; to stiffen up the accountability and the governance that we have of those bodies. So, if we were to be provided with material information from those arm's-length bodies, we would have a more robust basis on which to advise whether the information received was accurate or not. If you'd like me to go through the steps that we've undertaken—

[26] **Darren Millar:** If you can just give us an overview of them. How do you test the accuracy of information that comes back to you?

[27] **Mr Evans:** Fine. The biggest weaknesses, I think, in the way that the oversight was run with RIFW was the fact that we did not pursue the requirement for annual general meetings, but also there were significant issues around the observer status of the official on that board. I think there were misunderstandings from both parties, really, of how the observer was reporting back to Welsh Government.

[28] Given that there was confusion about how the information was tracking back into Welsh Government at the time, and also some issues, potentially, around the handover from one department to another after a ministerial reshuffle, there was not sufficient information or robustness around our understanding of the activities, so that when the question was asked, we tended to rely on the response that was received.

[29] **Darren Millar:** Without questioning.

[30] **Mr Evans:** What we've done since are several things. First of all, the principal accounting officer notices around how Welsh Government officials deal with their involvement in boards have been revised—that was revised back in 2012. We've also written out to a number of organisations that were affected by this to reinforce that. The principal accounting officer guidance for the transfer of projects between departments has also been revised under note 007; that makes it far more clear about how departments are to transfer projects like this. But starting at the top, the corporate governance system of the whole Welsh Government has looked at how these types of activities are both monitored at corporate governance committees and also how that information is then pulled through.

[31] We are currently in the process of revising training for all board members who come from Welsh Government; we have done an audit of all Welsh Government personnel who are serving on external boards. There are a significant number of things, I think, that the Welsh Government has put in place to ensure that the lack of oversight, in many respects, over the body would not happen in future. This is actually giving us lessons that we're using in either the creation or the management of current arm's-length bodies. I can give you examples of that if you want them.

[32] **Darren Millar:** Okay. I'm sure we'll pick up on some of those during the course of today's meeting and subsequent meetings, as well. Mike Hedges is first.

[33] **Mike Hedges:** Yes. Obviously, if they'd had the AGM, all these problems would have disappeared.

[34] I think that there are inherent problems with arm's-length companies; I'm bemused by the Welsh Government's desire to keep on creating arm's-length companies. Tell me if I've got any of this wrong. With an arm's-length company, you cede control, but you don't lose responsibility—you know that, because you're sat here now—and you end up with additional costs that come in. Why would you have set this up as an arm's-length company to sell off this land when the Welsh Government could quite as easily use some of the areas they took into Welsh Government, such as the land body for Wales or the Welsh Development Agency, which are used to selling land? Why couldn't they have just done it internally? Then perhaps we wouldn't be having this discussion here, nice though it is to be in Swansea.

[35] **Mr Evans:** If I could answer that in two stages. Firstly: why have arm's-length bodies? I'll come to the point about the sale in a second. The reason for having an arm's-length body in this respect was the fact that the JESSICA fund required it. So, the urban development funding model that was being developed required us to have separation with ministerial control. The second question, which is probably the more interesting one, is: why did we hand over the responsibility for the sale of the land to the arm's-length body? I'm not sure the Welsh Government might have done a better job of it. At the time, we would probably have had to bring in advisers to advise us on doing it, and so I'm not sure that, with the benefit of hindsight, the Welsh Government would have been better prepared to do it than RIFW itself was. I think where the weakness came was over the misunderstanding, really, of the observer—who, as it happens, was an expert in property—and what his role was, particularly as a Welsh Government observer. I think there was confusion between the board and the individual himself, in fairness, over the lack of guidance that the Welsh Government had given to that observer about what his role was.

[36] **Mike Hedges:** Maybe you needed to make that Welsh Government observer a Welsh Government adviser to the board, which would have clarified his position. But coming back to the land itself, selling land is generally not that difficult. You make one of two decisions: you either put it out by tender, or you market it in the areas where you think people will be interested. If you've got land that may well be used for building, then you market it to building companies. If you have land that you think might be useful for supermarkets, you market it to the supermarket companies. Why

do you need these experts to come in and tell you? It obviously hasn't worked very well, has it?

[37] **Mr Evans:** I think it's slightly more complex. In the decisions that were facing the board at the time, first of all you needed the expertise to create an asset realisation plan. Then you needed someone who could translate what was a pocket of land, really, into something that could be marketed. Now, we know from the Deloitte report that the amount of marketing that was conducted was probably suboptimal. However we also know that the land agent did, through various informal bases, market it with the usual suspects who'd be interested in buying this type of land. Now, in coming to what the value was in doing that, I think, in fairness, with the way that the RIFW board was constructed, where the time commitment was probably insufficient, that they were largely focused on the future tense, which was looking at how they'd adapt and regenerate areas around Wales. I think there were issues then, occasionally, around how that information was actually passed on to the board. But I think, you know, we're back in 2012, and I would think we can rehearse this, probably, for quite a significant amount of time. The pressures at the time were that it was a very uncertain market, it was uncertain what sort of bids they would receive on this, it was very uncertain as to what the upside on any market activities was to be, and there was very little evidence of similar market sales across Wales. So, I think the situation was very complex at the time.

[38] **Mike Hedges:** We'll discuss that in other places, but you keep on using the word 'suboptimal'. Does that mean 'inadequate'?

[39] **Mr Evans:** If you look at what the Deloitte paper looked at, what they highlighted was that there were certain elements of the advice that was provided to the board that could have been better. It's always difficult to actually look at something and work out, 'Is that the perfect scenario?' Perfect scenarios very seldom happen. However, there are always elements that you can improve on.

[40] **Darren Millar:** I'm going to come to Aled Roberts and then to Jenny Rathbone. Aled.

[41] **Aled Roberts:** A gawn ni **Aled Roberts:** Could we take a step gymryd cam yn ôl ac edrych, yn y lle back and look in the first place at the cyntaf, ar y gwaith rheolaeth corporate governance work of the gorfforaethol o ran Llywodraeth Welsh Government? Because the

Cymru? Achos mae adroddiad Gilbert Lloyd yn eithaf damniol o'r gwendidau pan wnaeth Llywodraeth Cymru sefydlu'r corff yma. Felly, a gawn ni ddeall yn iawn a oedd hwn yn fenter ar ran adran datblygu economaidd y Llywodraeth? Rydych chi wedi dweud beth oedd eu rôl nhw o ran ymateb y Llywodraeth i'r sefyllfa economaidd ar y pryd. Felly, a oedd yr holl drefniadau o ran llywodraethiant corfforaethol y corff yma o fewn yr adran datblygu economaidd, neu a oedd yna ryw fath o drosolwg gan adran rheolaeth gorfforaethol Llywodraeth Cymru yn ganolog?

Gilbert Lloyd report is quite damning of the weaknesses when the Welsh Government established this body. So, could we understand whether this was an enterprise on behalf of the economic development department of the Government? You've said what their role was in terms of the response of the Government to the economic situation at the time. So, were all of the arrangements in terms of the corporate governance of this body within the economic development department, or was there some sort of overview by the Government's corporate governance department centrally?

[42] **Mr Evans:** Byddaf yn dod at John mewn eiliad, ond fy nealltwriaeth i yw na chafodd RIFW ei drafod o fewn pwyllgor *corporate governance* adran yr economi ar y pryd.

Mr Evans: I'll turn to John in a second, but my understanding is that RIFW wasn't discussed within the economy department's corporate governance committee at the time.

[43] **Mr Howells:** Mi oedd hwn i gyd yn ymwneud ag etholiad 2011. Mi oedd RIFW yn wreiddiol wedi ei ddatblygu gan adran yr economi; ar ôl etholiad Mai 2011, mi wnaeth y cyfrifoldeb am RIFW drosglwyddo i'r adran adfywio, ac mi wnaeth hynny gymhlethu'r broses o oruchwylio gwaith RIFW.

Mr Howells: This all related to the 2011 election. RIFW had originally been developed by the department for the economy; after the election in May 2011, responsibility for RIFW transferred to the regeneration department, and that muddied the waters in terms of overseeing the work of RIFW.

[44] **Aled Roberts:** Felly, pwy wnaeth drafftio amodau'r corff newydd yma, a phwy wnaeth drafftio llythyrau penodi aelodau'r bwrdd?

Aled Roberts: So, who drafted the conditions of this new body, and who drafted the appointment letters for members of the board?

[45] **Mr Howells:** Mi oedd yna dîm a

Mr Howells: There was a team

oedd yn gyfrifol am ddatblygu'r model trwy 2010— responsible for developing the model throughout 2010—

[46] **Aled Roberts:** Tîm o ba adran? **Aled Roberts:** A team from which department?

[47] **Mr Howells:** Yr adran adfywio, y tu fewn i adran yr economi. **Mr Howells:** It was the regeneration department, within the economy department.

[48] **Aled Roberts:** Ocê. A ydych chi'n meddwl ei bod hi braidd yn chwerrhinllyd bod yna amod o fewn apwyntiad un o aelodau'r bwrdd yn dweud na ddylai fo neu hi fod yn aelod gweithredol gwleidyddol, ac eto bod yr aelod yna'n cael ei apwyntio trwy'r WLGA fel arweinydd o ran datblygu economaidd o fewn y WLGA? **Aled Roberts:** Okay. Do you think that it's a bit laughable that there was a condition within the appointment of one of the board members saying that he or she shouldn't be an executive political member and yet that member would be appointed through the WLGA as a leader in terms of economic development within the WLGA?

[49] **Mr Howells:** Mi wnaeth adroddiad Gilbert Lloyd dynnu ein sylw ni at y ffaith bod camgymeriadau wedi digwydd yn y broses o apwyntio aelodau. Mi oedd hynny'n un enghraifft o gamgymeriad. Rwy'n cymryd taw'r hyn a wnaeth ddigwydd oedd bod pobl wedi defnyddio termau cyffredinol heb deilwra'r rheini i sefyllfa arbennig Cynghorydd Holley. **Mr Howells:** The Gilbert Lloyd report drew to our attention the fact that mistakes had been made in the process of appointing members, and that was one example of a mistake. I take it that what happened was that people had used general terms without tailoring them to the particular situation of Councillor Holley.

[50] **Aled Roberts:** Ocê. Os ydyn ni'n dweud eich bod chi'n cyfaddef erbyn hyn bod yna wendidau yn y ffordd y cafodd ddogfennau eu drafftio, a oedd yna unrhyw fath o ganllawiau ar gael ar y pryd i weision sifil a oedd yn gweithredu ar ran Llywodraeth Cymru fel rhyw fath o **Aled Roberts:** Okay. If we're saying that you're admitting now that there were weaknesses in the way that documents were drafted, was there any guidance available at the time for civil servants who were acting on behalf of the Welsh Government as members of similar boards—

aelodau o fyrddau tebyg—wrth gofio, remembering, of course, that this wrth gwrs, bod y pwyllgor yma wedi committee has looked at a similar edrych ar sefyllfa digon tebyg o fewn situation within the third sector, y trydydd sector, pan roeddem yn when we were discussing Powys tra fod Powys Fadog? Nid yw hyn yn Fadog? This is not a new thing for rhywbeth newydd i nifer ohonom ni many of us who have been sitting on sydd wedi bod yn eistedd ar y this committee for about four years pwyllgor yma ers rhyw bedair by now. blynedd erbyn hyn.

[51] **Mr Howells:** Yr hyn sy'n glir, **Mr Howells:** What's clear, with wrth edrych yn ôl, yw nad oedd hindsight, is that the Government aelodau'r Llywodraeth ar y pwyllgor appointees on the committee hadn't wedi cael unrhyw ganllawiau o'r been given any guidance by the Llywodraeth ynglŷn â delio â'r *issues* Government on dealing with the sy'n gallu codi ar fwrdd o'r fath. issues that can arise on such a board.

[52] **Aled Roberts:** Pam? **Aled Roberts:** Why?

[53] **Mr Howells:** Nid wyf yn siŵr. **Mr Howells:** I'm not sure.

[54] **Darren Millar:** Okay. Jenny Rathbone.

[55] **Jenny Rathbone:** We know that some of the board members were appointed without letters of appointment, for some considerable time. When the observer was appointed, was that person given a letter indicating what their role was and how they were supposed to be reporting back?

[56] **Mr Howells:** No, there were no guidelines at the time for either the Welsh Government members on the board or the Welsh Government observer. I'm pleased to tell you that there is currently an interim board of RIFW in place, and we have guidelines for the members and the observer on that board. At the time, that did not take place.

[57] **Jenny Rathbone:** So, was the observer appointed just through a casual corridor conversation? How was that person appointed? How did they know they had to turn up at these meetings?

[58] **Mr Howells:** The observer was leading the project that established RIFW in the first instance, and was part of the sponsor team.

[59] **Jenny Rathbone:** Okay. Mr Evans, you said that there were deficiencies in how the observer was reporting back to Government; could you just tell us exactly what reporting Mr Munday was—? How was he reporting back?

[60] **Mr Evans:** Overall, the weakness was that I think Mr Munday was of the view that his role on the RIFW board was to manage the transfer of the asset from Welsh Government into the RIFW board itself, and he was reporting back on that basis. He was not reporting back or didn't feel—or hadn't been instructed, in fairness, to report back on the basis of what the activities of the board were doing in terms of the sale.

15:00

[61] **Jenny Rathbone:** So, he didn't feel it was any part of his responsibility to report back on the steps being taken to make sure there was a fair price.

[62] **Mr Evans:** My understanding is not.

[63] **Jenny Rathbone:** Okay, thank you.

[64] **Darren Millar:** Okay, Julie Morgan.

[65] **Julie Morgan:** So, continuing on that line of questioning on the role of the observer, was there any actual reporting back at all on what was actually happening on the board?

[66] **Mr Howells:** Which period are you interested in?

[67] **Julie Morgan:** Well, an overview.

[68] **Mr Howells:** At the time of the land sale, which was during the summer of 2011, the observer didn't perceive there to be any issues of major concern that required him to report back to Ministers.

[69] **Julie Morgan:** So, was there any point when the observer did report back with any degree of concern?

[70] **Mr Howells:** No.

[71] **Julie Morgan:** And did Welsh Government officials in that department make any queries about what was happening?

[72] **Mr Howells:** As it happens, they did, but as part of a process of acquiring responsibility for the oversight of RIFW, which took place in the second half of 2011 into 2012. But, that didn't give rise to concerns at that time about the land sale process.

[73] **Julie Morgan:** Right. So, you've identified there was a clear gap of allocated responsibilities that would have helped the oversight of the Welsh Government.

[74] **Mr Howells:** As we said, the observer was never given terms of reference to clarify what that accountability line should have looked like.

[75] **Julie Morgan:** Right, thank you.

[76] **Darren Millar:** Okay. Andrew R.T. Davies.

[77] **Andrew R.T. Davies:** Thank you very much, Chair. Owen, in your earlier comments to the Chairman, you said that there were issues around the tracking back into Welsh Government of responses that you were seeking. Can you be a bit more elaborate in what the issues were about tracking these responses back so that the most robust information possible could have been brought forward to elected Members, or to anyone else who asked the questions—lead civil servants like you and Ministers?

[78] **Mr Evans:** I think that what I meant by that was that when the Assembly question was asked, it was asked on a fairly procedural basis about the process that was being adopted. At that point, it was not raised as a concern that there were some issues around that. I think, given some of the conversations we've just had around the observer status being clearer, that observer would have been reporting back into Welsh Government if they felt that there were issues being thrown up by the activities. If that had been the case, when the question would have been answered—these things are normally signed off by the senior civil service—somebody within the senior civil service would have been aware of any issues and would have known that, perhaps, inquiries should have been a little more robust.

[79] **Andrew R.T. Davies:** Was there an issue just with this one question, or was there a wider issue with questions that civil servants were asking of RIFW, and, again, to refer your language, the tracking back of information into Welsh Government? Was there a flaw in that supply of information so

that either you could offer challenge via more robust questions, or you could be satisfied by the answers that were coming in that you were being kept in the picture at all times?

[80] **Mr Evans:** The board were, I think, properly constituted of people of note and through a proper public appointments process. They were an arm's-length body, which means that whilst they were beyond ministerial control, they were still a responsibility of the observer on that board to report back. Now, because of the weaknesses I've mentioned, that person was not aware that that was his role and, therefore, in answering the questions and actually tracking what the activities of that body were, that line of information coming back into Government didn't exist.

[81] **Andrew R.T. Davies:** Didn't exist. In your letter of 7 September you also say

[82] 'This means that we are unable to demonstrate conclusively that the sale has achieved best value.'

[83] But, then you go on to say that, given the information that the board were given, it is safe to say it was reasonable—the sale. That, I think, is the way you word it here. What would your opinion be of the technical advice that the board was receiving and the quality of that technical advice, given that you specifically referred to it in your letter here as the basis of the board's decision ultimately to sell this land?

[84] **Mr Evans:** I think one of the challenges in all this, as I've mentioned, is trying to put ourselves back to the time when this bid would have been tabled to the RIFW board. It was a very different time to now. The issues, though, are that the board, I think, took reasonable decisions, based on what was presented in front of them—

[85] **Andrew R.T. Davies:** Can I just ask chairman? What was different about the time?

[86] **Mr Evans:** Compared to now. Sorry, I mean the different economic time that we're in, where—

[87] **Andrew R.T. Davies:** With respect, the auditor general's letter takes an extract of the Savills valuation on January 2012, so that's looking back on 2011, and I quote

[88] 'Cardiff residential land values, particularly in the suburbs, have recovered almost to pre crash levels in early 2007 and in most cases were sold by tender with competitive bidding.'

[89] So that's a pretty informed opinion; Savills are a well noted company. It's painting a different picture to the economic picture that you want to paint at that time.

[90] **Mr Evans:** I'll give two responses to that, if I may. Firstly, I have some evidence—other reports from the time. We've got to remember that housing prices went down 2 per cent to 4 per cent the previous year. We've got a report here from Chris Sutton from JLL talking about how difficult the market was at the time. The second point is that Savills of course did—. I've mentioned they did a review for South Wales Land at around that time, where their opinion of what the sales value overall was relatively similar to the King Sturge original survey. So, whilst Savills might have been talking up to the market, they were being fairly realistic, I think, about what the upside was and the property market at the time. So, if we look at the Savills report, which indicated a value of the land between £21 million and £25.5 million, that's not a million miles away from the original King Sturge report, which is £20 million to £26 million.

[91] **Darren Millar:** Can I just intervene here? The King Sturge report was in the public domain, was it not?

[92] **Mr Evans:** Yes it was.

[93] **Darren Millar:** So, that's going to impact on any further valuations that are done, because there's something on the table that somebody else has already prepared, which is clearly going to have an impact on the judgment that's going to be taken by Savills, by Colliers, by anybody else. Yes. Do you accept that?

[94] **Mr Evans:** I don't—

[95] **Darren Millar:** You don't accept that it influenced at all.

[96] **Mr Evans:** I don't know if I accept that it influenced or not. I can't answer on behalf of Savills. However, each of the valuations would have used different assumptions to come to their conclusions. It is not a clear art, so to

speak. The point I was trying to make, I suppose, was that while Savills, in the article you mention, were talking up the market—

[97] **Andrew R.T. Davies:** It's not an article; it's a report—

[98] **Mr Evans:** The report, sorry.

[99] **Andrew R.T. Davies:** A report specific to this deal. The South Wales Land—

[100] **Mr Evans:** In talking about that, Savills, almost contemporaneously, were valuing the land at a basis that wasn't dissimilar, and they'd have used different assumptions, but they did come to a similar value to King Sturge. Now, I have mentioned—

[101] **Darren Millar:** In light of the fact that that report was published though, it may have had an impact. Do you accept that?

[102] **Mr Evans:** Possibly. However, I did mention that Savills was a report commissioned by the purchaser, and therefore you have to treat it in that respect.

[103] **Andrew R.T. Davies:** So, going back to my original point, what would your opinion be on the technical advice that was being provided to the board? We've had a bit of knockabout over whether we agree or disagree over the Savills assessment, and their market interpretation, but you specifically refer to the technical advice that was given to the board in your letter, so I'd be pleased to hear what you think of the strength of the advice that was being given.

[104] **Mr Evans:** I think we have to rely on the Deloitte report in that respect, that there were elements that they questioned over the amount of marketing that was conducted; the advice that was provided to the board on the various aspects of the bid that was tabled; the treatment of overage within that; and, also, how the final contract sale differed from the initial bids that were tabled. I think those were the four key aspects that came out from the Deloitte report.

[105] **Darren Millar:** Okay. Sandy Mewies.

[106] **Sandy Mewies:** Thank you, Chair. There's been a lot of talk about

hindsight; it's amazing how many of us have 20:20 vision when we're looking back, isn't it? Obviously, there are different opinions on what should or should not have taken place. But, what I'm wondering about is whether, after the looking back that you have done and the examination that's been made of the situation, do you think that the assets that the Welsh Government set RIFW up with were the right assets for them to go on with? There was no cash. Was it an appropriate portfolio of assets for them to sell in the first place? Mr Howells has told us that there is an interim board at work now—I think that was what you said—which is going on, and that has control, presumably, over the three remaining assets. Are there any thoughts about which way they're going to go, and what care will be taken, and will lessons be learned? I mean, will they be approached in a different way?

[107] **Mr Evans:** Perhaps I'll ask John to pick up, because he's currently chair of the shadow board—chair of the board—just to mention the treatment of the three pockets that remain and what lessons we've learned, and then perhaps I'll come back to the original lotting.

[108] **Mr Howells:** Well, as far as the assets that remain, they're not worth very much, but we are going through a very careful process before contemplating disposing of those assets. The interim board at RIFW has actually visited each of the three sites, to get a full understanding of the issues surrounding potential sale, and we haven't yet decided that sale is appropriate.

[109] **Darren Millar:** Owen, do you want to tell us why there was this decision to transfer some land assets in, rather than set up with cash, as Sandy Mewies asked?

[110] **Mr Evans:** Well, the first thing was, I don't think the Welsh Government at the time had the cash to do it, which is why the priority was taken by the Ministers to release physical assets, rather than cash. I suppose the ulterior question to that is, 'Were they the right assets to be handed over?'

[111] **Darren Millar:** And, also, why you couldn't dispose of them prior to releasing some cash value.

[112] **Mr Evans:** There was a considerable amount of work done. Remember that a number of these assets had been in Welsh Government ownership through the various bodies that had come in, for a number of years; Lisvane, which we were talking about—about 15 to 10 years' worth. There was a lot of

work done within the Welsh Government to begin with, in sorting out title defects, and things like this. There was then quite a rigorous process, involving external independent advice, about working out a portfolio of assets that was saleable, but that included some lots that would have been more difficult for the Welsh Government to pass on itself. And so, putting that package together, there was a fairly robust process, of a number of stages, of whittling down the various assets that the Welsh Government held into something they felt that the board could deal with. I don't know, Richard, whether you want to comment.

[113] **Mr Baker:** Well, the only other aspect to add, really, is that, in terms of reviewing the portfolio, not all the assets would have been eligible for a fund—many of them were tied up into existing joint venture agreements, may have been lined up in terms of employment sites, which was supporting the economy's particular policy objectives at the time. So, the actual choice of assets were more limited than—. There wasn't a whole pool of assets; it was a more limited choice, but, then, the rationale is covered within the WAO report, in terms of making them attractive to the market, their saleability, et cetera, and the ability to convert it into cash, really, for the fund, within a reasonable period of time.

[114] **Darren Millar:** But you didn't feel as though the Welsh Government could dispose of these assets, before transferring the sum that could be released?

[115] **Mr Baker:** The only thing I would say is—I know Mr Hedges mentioned the staff from the land authority and the WDA—a lot of that skill and expertise had actually gone by 2012, so the resource was more limited really at that time, to take that forward. So, the option was to procure in, obviously, expertise to take that work forward.

[116] **Darren Millar:** Sandy, did you want to come in?

[117] **Sandy Mewies:** No, it's fine.

[118] **Darren Millar:** Okay. Mike, you wanted to come in. It was on this point.

[119] **Mike Hedges:** It's on this point. You've got this land and you need money. Did anybody consider giving the local authorities that land in lieu of their capital allocation for the year?

[120] **Mr Howells:** The point about—

[121] **Mike Hedges:** As part of their capital allocation. Say you valued a parcel of land in Anglesey at £2 million, you were going to give Anglesey £20 million capital—you give them £18 million capital, and £2 million would be that land.

[122] **Mr Howells:** It was all about the matching requirements of the JESSICA fund. In order to establish the fund, we needed resources that we could match with the ERDF allocation.

[123] **Mike Hedges:** I'm obviously not making myself clear. You want to give Anglesey £20 million. You give them £18 million for their capital in money, and you give them £2 million in land, and then you take the £2 million you would have given them in capital and put it into the JESSICA fund. And, if you add all that together, you could build the JESSICA fund up by giving the local authorities the money as part of their capital allocation.

15:15

[124] **Darren Millar:** With those sorts of alternatives considered, I think is the—

[125] **Mike Hedges:** It might not be a good idea, but it's something that would have had to be considered, I would have thought.

[126] **Mr Howells:** I'm not aware whether that was thought about at the time.

[127] **Darren Millar:** Richard.

[128] **Mr Baker:** No, I'm not—

[129] **Darren Millar:** Okay. Alun Ffred.

[130] **Alun Ffred Jones:** Mr Howells, fe ddywedoch chi yn haf 2011 nad oedd dim achos i'w adrodd yn ôl i'r Llywodraeth ynglŷn â'r gwerthiant, achos nid oedd achos pryder. A gaf i fynd â chi yn ôl i gyfarfod 31 Ionawr 2012, pan gyflwynwyd cynllun

Alun Ffred Jones: Mr Howells, you said in the summer of 2011 that there was no case to report back to the Government about the sale, because there was no cause for concern. Can I take you back to the 31 January 2011 meeting, when the

gwireddu asedau i fwrdd RIFW? Mae'r cynllun hwnnw yn sôn am werthu trwy arwerthiant, gwerthu ar y farchnad agored, a gwerthu trwy gytundeb preifat, ac mae'r cynllun hwnnw'n cael ei dderbyn gan y bwrdd yn ei gyfarfod ar 28 Mawrth 2011, ac eto, ar ôl derbyn y cynllun hwnnw, maen nhw, os nad wyf yn camgymryd, yn yr un cyfarfod yn penderfynu derbyn cynnig i waredu'r eiddo yma i gyd mewn un portffolio, fwy neu lai. Onid yw hwnnw yn achos—. Wel, y cwestiwn cyntaf ydy: a adroddwyd ar hynny i'r Gweinidogion ar y pryd?

[131] **Mr Howells:** Na. Rwy'n meddwl bod hynny'n mynd yn ôl i bwynt Owen ynglŷn â rhoi ein hunain yn y sefyllfa yr oedd y bwrdd ynddi yn ôl ar ddechrau 2011. Ar ôl derbyn yr adroddiad cyntaf yna a oedd yn amlinellu'r ffordd o gael gwared ar dir, mi wnaeth y bwrdd dderbyn y cynnig oddi wrth South Wales Land, ac mi wnaeth y bwrdd ddechrau ar broses o benderfynu ar sut i ymateb i'r cynnig hwnnw. Roedd y ddau beth yn digwydd ar yr un pryd—

[132] **Alun Ffred Jones:** Ond mae gennyh—

[133] **Mr Howells:** Na. Nid wyf yn ymwybodol bod hynny wedi arwain at adroddiad yn ôl i'r Llywodraeth. Nid wyf yn meddwl bod yr *observer* ar y pryd wedi penderfynu bod eisiau gwneud hynny.

asset realisation plan was presented to the RIFW board? That plan talks about selling through an auction, selling on the open market, and selling through private agreement, and that plan is accepted by the board in its 28 March 2011 meeting, and yet, after accepting that plan, they, if I'm not mistaken, in the same meeting, decide to accept the proposal to dispose of all of the property in one portfolio, more or less. Isn't that a case—. Well, the first question is: was that reported back to the Ministers at the time?

Mr Howells: No. I think that goes back to Owen's point on putting ourselves in the situation that the board faced at the beginning of 2011. Having received that first report, which outlined the way of disposing of the land, the board accepted the offer from South Wales Land, and commenced a process of deciding on how to respond to that offer. The two things were happening simultaneously—

Alun Ffred Jones: But you have—

Mr Howells: No. I'm not aware that that led to any reporting back to Government. I don't think that the observer at that time had decided that that was necessary.

[134] **Alun Ffred Jones:** Wel, onid ydych chi'n ei gweld hi'n beth rhyfedd bod bwrdd yn derbyn gwaredu asedau, ac, yn yr un cyfarfod, yn penderfynu gwneud rhywbeth sy'n gwbl groes i'r cynllun gwaredu asedau?

Alun Ffred Jones: Well, don't you think it strange that the board accepted the asset disposal plan, and, in the same meeting, decided to do something that totally conflicted with that plan?

[135] **Mr Howells:** Rwy'n meddwl bod hynny'n adlewyrchu'r ffaith taw ym mis Ionawr oedd cyfarfod cyntaf bwrdd RIFW. Mi oedd y bwrdd yn etifeddu lot o waith a oedd wedi digwydd y tu fewn i'r Llywodraeth cyn i'r bwrdd gyrraedd, ac mi oedd yn rhaid i'r bwrdd ddechrau rhedeg y gyllideb, a dyna wnaeth y bwrdd o fis Ionawr ymlaen.

Mr Howells: I think that reflected the fact that January was the first meeting of the RIFW board. The board inherited a great deal of work that had happened within Government before the board's establishment, and the board had to start to manage the budget, and that is what it did from January onwards.

[136] **Alun Ffred Jones:** Ond rwy'n dod yn ôl at y pwynt fod yna gynllun gwaredu asedau a oedd yn dweud, fel y byddech chi, yn rhesymol, yn disgwyl iddynt ei wneud, y byddech chi'n gallu cael gwell gwerth am arian trwy waredu'r asedau yma ar y farchnad agored yn unigol neu fesul lotiau, ac maen nhw'n derbyn yr egwyddor honno ond yn penderfynu gweithredu mewn ffordd gwbl wahanol. Onid ydych chi'n gweld rhywbeth yn rhyfedd yn hynny?

Alun Ffred Jones: But I come back to the point that there was an asset disposal plan that said, as you would reasonably expect them to do, that you would be able to get better value for money through disposing of the assets on the open market individually or in lots, and they accept that principle but decide to act in a completely different way. Don't you see anything strange in that?

[137] **Mr Howells:** Roedd y bwrdd yn gorfod penderfynu ar sut i ymateb i'r cynnig, a dyna oedd y penderfyniad a wnaeth y bwrdd.

Mr Howells: The board had to decide how to respond to the offer, and that was the decision that the board made.

[138] **Alun Ffred Jones:** Er nad oedd yna gynnig arall ar y bwrdd ac nad oedden nhw wedi marchnata'r peth.

Alun Ffred Jones: Although there was no other proposal on the table and they hadn't marketed it.

- [139] **Mr Howells:** Wel, mi oedd yna sŵn o wahanol lefydd ar y pryd, ond gwnaeth y bwrdd benderfynu derbyn y cynnig oddi wrth yr un cwmni yn y pen draw.
- Mr Howells:** Well, there were noises coming from different places at the time, but the board decided to accept the proposal from the same company in the end.
- [140] **Alun Ffred Jones:** Pa fath o sŵn?
- Alun Ffred Jones:** What kind of noises are you talking about?
- [141] **Mr Howells:** Mi oedd yna un neu ddau o gwmnïau eraill yn mynegi diddordeb yn—
- Mr Howells:** There were a couple of other companies expressing an interest—
- [142] **Alun Ffred Jones:** Oedd, ond a aethon nhw ar ôl y diddordeb hwnnw a thrio cael cynnig gan y cwmni hwnnw?
- Alun Ffred Jones:** Yes, but did they pursue that interest and did they seek offers from that company?
- [143] **Mr Howells:** Rwy'n meddwl bod hynny'n dod yn ôl at y cwestiwn yma o'r cyngor a wnaeth y bwrdd dderbyn trwy'r cyfnod yna. Mi wnaeth y bwrdd dderbyn cyngor ynglŷn â chael gwared ar asedau, ac wedyn mi wnaeth y bwrdd dderbyn cyngor o'r un cwmni ynglŷn â'r ffordd i ymateb i'r cynnig oddi wrth South Wales Land.
- Mr Howells:** I think that goes back to the question of the advice that the board received during that period. The board had advice in terms of disposing of the assets, and then the board had advice from the same company about the way in which they should respond to the proposal from South Wales Land.
- [144] **Alun Ffred Jones:** A oedd gan y bwrdd neu'r Llywodraeth unrhyw farn ynglŷn â gwerthu'r tir i gwmni wedi ei sefydlu yn Guernsey, y tu allan i'r cylch trethiannol?
- Alun Ffred Jones:** Did the board or the Government have any view on the sale of the land to a company established in Guernsey, outwith the taxation regime?
- [145] **Mr Howells:** Nid oedd y cwestiwn hwnnw wedi cael ei ystyried gan y Llywodraeth ar y pryd, achos mi oedd yn fater i'r bwrdd.
- Mr Howells:** That question hadn't been considered by the Government at the time, because it was a matter for the board.

[146] **Alun Ffred Jones:** Diolch yn fawr. **Alun Ffred Jones:** Thank you.

[147] **Darren Millar:** Okay. Aled.

[148] **Aled Roberts:** Rydych chi wedi esbonio nad oedd dim digon o arian ar gael o fewn coffrau'r Llywodraeth, i ryw raddau, i gyrraedd y nod, felly, o ran yr arian yr oedd yn rhaid ei casglu. Rydych chi hefyd wedi dweud bod yna ryw fath o broses a oedd yn dibynnu ar a oedd yna ryw fath o glymu tiroedd—os oedd tiroedd ar gael, fod y rheini'n cael eu hasesu i fynd i mewn. Pwy oedd yn gwneud yr asesiad yna yn y Llywodraeth? Ac a oes yna gofnodion ar gael ynglŷn â pha diroedd a oedd yn cael eu cynnig i RIFW?

Aled Roberts: You've explained that there were insufficient funds within Government coffers, to a certain extent, to reach the target, therefore, in terms of the money that needed to be collected. You've also said that there was that was dependent on whether land was packaged together—if land was available, that it was assessed to go into that. Who made that assessment within the Government? Are there any minutes available in terms of what land was offered to RIFW?

[149] **Mr Evans:** Mi fydd yna gofnod o hynny. Richard. **Mr Evans:** There should be a minute of that. Richard.

[150] **Mr Baker:** I think there was a rigorous process within the economy department of the time in terms of identifying assets and, from memory, a number of assets actually fell out at the time because of the legal defects you identified. I should say, so that you're aware, my team were involved in advising WEFO at the time in terms of the value of the assets going into the fund, so we were aware that there was some to-ing and fro-ing in terms of the assets that were going to comprise part of the overall fund. So, that's as much as was known. It was very much an internal process that was being undertaken in conjunction with King Sturge, who were valuing the assets that were going to go into the fund.

[151] **Mr Evans:** Os bydd yn helpu, fe allwn ni edrych i weld a oes unrhyw gofnodion. **Mr Evans:** If it would be of assistance, we can look to see if there are any minutes.

[152] **Aled Roberts:** Rwy'n meddwl y byddai hynny'n help. Buaswn i hefyd **Aled Roberts:** I think that would be of help. I'd also be very eager to

yn awyddus iawn i deall a oedd yr asesiad yn cynnwys unrhyw fath o wybodaeth ynglŷn â pha mor aml yr oedd rhai o'r tiroedd yma wedi cael eu marchnata gan y Llywodraeth yn y gorffennol. Os ydym ni'n edrych ar sefyllfa lle, hwyrach, rydym ni'n feirniadol o RIFW o ran y ffaith eu bod nhw'n barod i dderbyn y cynnig cyntaf, yn ôl beth ddywedodd Alun Ffred wrthym ni yn gynharach, hwyrach y buasai hefyd o ddiddordeb gweld a oedd Llywodraeth Cymru hefyd yn ymwybodol o faint o ddiddordeb a fuasai mewn rhai tiroedd, os oedd yna nifer o gynigion wedi cael eu gwneud i farchnata'r tiroedd yna yn y gorffennol.

understand whether the assessment included any information about how often some of these pieces of land had been marketed by the Government in the past. If we are looking at a situation where we are perhaps critical of RIFW in terms of the way in which they were willing to accept the first proposal, according to what Alun Ffred told us earlier, it might also be of interest to see whether the Welsh Government were also aware of how much interest there would be in some pieces of land, if a number of proposals have been made to market the land in the past.

[153] **Darren Millar:** Okay, you can send us a note, can't you? You can send us a note.

[154] Can I turn our attention, if I may, to the pause of RIFW's operations back in October 2012? Do you want to tell us precisely why that pause occurred, and why it took until February 2013 for any public announcement about the pause to be made?

[155] **Mr Evans:** Perhaps if I kick off, then I'll look to John, who was there at the time. When it became apparent that the Wales Audit Office were looking into the operations of RIFW as a construct, I think it was a prudent decision for Welsh Government to take to pause on the activities of that. At the end of the day, we are there to safeguard the public purse, and I think that was a reasonable decision to take, but I'll go into the detail through John in a second.

[156] Why we didn't announce it at the time was that there was considerable work being done behind the scenes, particularly by people like the Serious Fraud Office, who were keen that we did not go public with the fact that there was any form of investigation apparent. Now, in doing so, we were in fairly regular contact with both the audit office and the police, and it was in February the following year, in 2013, that finally we felt, with the

announcement that we were going to commission Gilbert Lloyd to do some research for us, and also Deloitte to look into this, that it would be prudent to announce it then. It was always—and it is always—the intention of Welsh Government I think to be as transparent as possible. However, there were some circumstances in this respect.

[157] **Darren Millar:** So, when was the Welsh Government notified by the Wales Audit Office that it was conducting its piece of work, its investigations?

[158] **Mr Howells:** The audit office presented us with their audit findings, emerging audit findings, in October 2011. Those audit findings were, we were told, on their way to the police, because of the nature of the findings. We therefore had an important decision to make as to how we should respond to that information. Given that it involved the same organisations that were responsible for the investment activity of the fund, the conclusion we came to was that we couldn't advise Ministers that it was safe to proceed with the business of the fund, and we therefore introduced the pause. It would not have been our normal policy to not have announced such a development, but, as Owen has mentioned, because of the interest of the police and their desire for us not to draw attention to the fact that they were considering an investigation, we didn't immediately announce that pause.

[159] **Darren Millar:** But—

[160] **Mr Thomas:** Could I just clarify?

[161] **Darren Millar:** Of course.

[162] **Mr Thomas:** It was October 2012, not 2011.

[163] **Darren Millar:** That the emerging findings were reported from the Wales Audit Office. Can I just clarify this with you? Were you instructed by the police not to make an announcement in relation to the pause? Or were you advised by the police not to make an announcement in relation to the pause of business?

[164] **Mr Howells:** We were asked by the police not to do anything that would cut across their investigations.

[165] **Darren Millar:** But they didn't specifically preclude you from announcing that you had paused the operation of the fund.

[166] **Mr Howells:** They didn't issue any instructions at that time, no.

[167] **Darren Millar:** Okay. So, you weren't given any instructions, but you decided not to because it might alert people to the fact that the police were considering how to deal with what was emerging. In February 2013, I don't recall the Welsh Government mentioning police involvement at that stage either, though. So, there was nothing stopping you announcing the postponement of the operations on the basis of the ongoing work of the Wales Audit Office, was there, in 2012, and that being the rationale for the pause, rather than having to mention anything to do with the police?

[168] **Mr Howells:** It was very unclear where this exercise was going, other than we knew there was strong police interest, and that was the decision we came to. We were very uncomfortable about that position and that decision and that's why, as soon as we could, we found a way of announcing the fact that the fund had been paused.

[169] **Darren Millar:** So, what changed your mind in February so that you actually ended up making this announcement at that point?

[170] **Mr Howells:** Well, we generally had a need to get a handle on what was happening here. So, by February, we had secured the agreement of the police to commission Gilbert Lloyd to look at the governance of the fund and to commission Deloitte to conduct a peer review of the fund. We therefore announced that as soon as we could and we announced the status of the fund at the same time. But that was negotiated with the police at that time.

[171] **Darren Millar:** So, those decisions were made in the February to commission those two particular pieces of work, yes?

[172] **Mr Howells:** Yes.

[173] **Darren Millar:** And what was being done in the meantime to manage the risks associated with this pause exercise?

[174] **Mr Howells:** This was tricky for the fund managers and the board of RIFW, because we had to explain to them why the pause had been introduced, and we couldn't explain to them why the pause had been introduced. We couldn't mention the police, because the police had specifically asked us not to mention the police. So, we explained to the board

that the pause was as a result of the Wales Audit Office deciding to extend their investigations at that time.

[175] **Darren Millar:** And, obviously, you've mentioned the Gilbert Lloyd report, the Deloitte report—both of those were made available to you as soon as the work was completed. What action have you taken in response to those two particular reports?

[176] **Mr Howells:** Gilbert Lloyd offered a number of recommendations to do with RIFW, which were, in the main, overtaken by events because the fund had been paused by then. He also made a number of recommendations about our oversight of arm's-length bodies. We are still engaged in a process of implementing the Gilbert Lloyd recommendations as far as arm's-length bodies are concerned, because they have general applicability. The Deloitte report was an important perspective on activities within the fund and informed our work, and we passed it on to the WAO to inform their work on RIFW.

[177] **Darren Millar:** You didn't seek to allow third parties to fact-check that report, did you, before it was published and completed. Why was that?

[178] **Mr Howells:** We never published that report. It was intended for internal purposes. We did try and fact-check the report. With the benefit of hindsight, it should have been a requirement for that report to have been fact-checked. In the end, what happened was that Deloitte invited people who were going to look at the report to sign disclaimers in advance, and people were not happy to sign those disclaimers.

[179] **Darren Millar:** Okay. But you will make sure that any future piece of work is always fact-checked before it's signed, sealed and delivered to you, will you?

[180] **Mr Howells:** You will see that our response to the committee suggests that there may occasionally be examples where that wouldn't be the case. But it wouldn't normally be our policy.

[181] **Darren Millar:** Can you give us some examples? Can you provide us with the sort of scenario where you don't think it would be appropriate to fact-check an important document like the report that we're discussing?

[182] **Mr Howells:** We would normally expect any report that's published to

be fact-checked. Occasionally, there may be very sensitive matters that wouldn't result in publication where it might not be—

[183] **Darren Millar:** Give me an example.

[184] **Mr Howells:** One of the examples we thought about in responding to the committee was the current Chilcot inquiry, where there's long delays. [*Inaudible.*]—is the general process that we were concerned about. That's not to give a blanket undertaking; it would normally be our policy.

15:30

[185] **Darren Millar:** Okay. Just one final question, then, as we come to the end of our time with you. Obviously, there's reference in the auditor general's report about the potential implications for EU state aid and the rules around EU state aid, and whether they may or may not have been breached in respect of the way that these assets have been disposed of and indeed, in terms of the arrangements for staged payments in the final deal that has been done. Do you want to tell us what the current situation is in terms of that, and what discussions you might have had with the UK Government and others about whether there's any clarity on the EU state aid rules?

[186] **Mr Evans:** We have been privy to the legal advice, or to reports of the legal advice, from other parties within this that have stated that they believe that state aid isn't applicable. However, as a responsible Government, we will investigate all potential breaches of any state aid regulations. In this instance, whether there was state aid created is inexorably linked to whether we can prove that the sale was conducted under value, and at the moment we have not proven that the sale was conducted under value. However, investigations are continuing.

[187] **Darren Millar:** Okay, I've got two Members who want to come in on this issue—Aled Roberts and then Andrew R.T. Davies.

[188] **Aled Roberts:** Nid ydych wedi derbyn cyngor cyfreithiol eich hunain felly, fel Llywodraeth, ynghylch unrhyw fath o gwynion bod y *state aid* wedi cael ei dorri. **Aled Roberts:** So, you have not had any legal advice yourself as a Government in terms of complaints that state aid rules have been broken?

[189] **Mr Evans:** Do; rydym wedi cymryd tystiolaeth gyfreithiol ein hunain, ond dyma beth mae'r dystiolaeth wedi ei ddweud yn y bôn: nes ein bod ni'n gallu dangos bod y gwerthiant wedi bod o dan *value* y farchnad, byddai'n anodd iawn i ddangos bod *state aid* wedi digwydd. Felly, dyna un o'r—. Fel y dywedais i pan gymerais y job newydd yma, fe wnes i edrych eto ar beth roeddem ni wedi ei gael yn gyfreithiol. Un o'r pethau rydym yn edrych mewn iddo ar y funud yw a oes *undervalue* wedi bod ar y gwerthiant ei hun. Nid ydym wedi cwblhau'r darn o waith yna eto; mae yna dal elfennau mae'n rhaid i ni edrych mewn iddynt.

Mr Evans: Yes; we have taken legal advice ourselves, but what that told us, essentially, was that, until we can demonstrate that the sale was under market value, it would be very difficult to demonstrate that there had been a problem with state aid. So, that is one—. As I said when I took on this job, I did review the legal advice that we'd received. One of the things that we're looking at at present is whether there has been any undervalue of the sale itself. We haven't yet completed that piece of work; there are still elements that we need to look at.

[190] **Aled Roberts:** Ond mae yna gwynion posibl eraill heblaw am y ffaith bod y tir wedi cael ei danbrizio. Mae yna gwynion eraill ynghylch posibiladau bod *state aid* wedi cael ei dorri.

Aled Roberts: But there are other possible complaints aside from the fact that the land has been undervalued. There are complaints about possibilities that state aid rules have been broken.

[191] **Mr Howells:** Oes.

Mr Howells: Yes.

[192] **Aled Roberts:** Ydych chi wedi cymryd cyngor cyfreithiol ar y rheini?

Aled Roberts: Have you had legal advice on those?

[193] **Mr Howells:** Ydym.

Mr Howells: Yes, we have.

[194] **Aled Roberts:** Ocê. A gaf i jest ofyn un cwestiwn byr arall?

Aled Roberts: Okay. Can I just ask you one more question?

[195] **Darren Millar:** Is it on the state aid issue?

[196] **Aled Roberts:** No.

[197] **Darren Millar:** I'll come back to you in a second. Andrew R.T. first.

[198] **Andrew R.T. Davies:** Just very briefly, obviously, sales have been completed and there are tax positions that people will incur now. Are you aware of where the liability of those positions lies?

[199] **Mr Evans:** Sorry; in what respect?

[200] **Andrew R.T. Davies:** The sales have occurred. Obviously, there will be tax to pay—various stamp duty, capital gains and other tax issues need resolving. Where do the liabilities reside with those liabilities? Is it on the purchaser or the seller, or is it on a shared basis? I'm just trying to understand how it has all been apportioned.

[201] **Mr Evans:** I'll look at colleagues on this, but I presume that the liability for any tax through the sales would fall on the seller. That's not to preclude, of course, how they might treat that liability within the context of things like overage clauses. However, I think the overall responsibility for those would be with the seller.

[202] **Andrew R.T. Davies:** I understand that on that normal basis, but are you aware whether the Government will have any liabilities placed on it through overage, which you just touched on?

[203] **Mr Evans:** I believe not—I'll look at colleagues again—but my understanding is that within the transfer of the assets from the Welsh Government to RIFW, both being public sector constructs, that there would not be any tax liability or stamp duty, for example, on that transfer.

[204] **Andrew R.T. Davies:** So, there are no liabilities regarding stamp duties or any other tax angles that are in any of the overage clauses.

[205] **Mr Evans:** For Welsh Government.

[206] **Andrew R.T. Davies:** Or RIFW.

[207] **Mr Evans:** Or for the RIFW board, my understanding is.

[208] **Darren Millar:** Can I just ask for clarity's purposes, given that this was obviously an offshore, if you like, company that this transaction was had with, what consideration now does the Welsh Government give to the tax status and the location of a business when it's interacting with it, and where

taxes may or may not be due?

[209] **Mr Evans:** I would probably need to get you a note on that.

[210] **Darren Millar:** Okay. Can I just ask in terms of the state aid rules again? I'll come back to Aled—I know you've got a question you want to ask as well. Obviously, we're not just talking about the land value here, are we? We're talking about interest-free deferred payments; and we're talking about the application of overage just on two sites as opposed to a number of others that potentially overage clauses could have been put in on. So, it's not just a matter of the actual value of those sites, is it, and demonstrating that the value of those sites was below what it should have been?

[211] **Mr Evans:** No, I agree. It's the total performance of the contractor. It would include the fact that the payments were staged and that the payments were interest free, as you say. They would all be factored into a composite. However, the difficulty we'll always face is that the RIFW board contracted at the time to establish a market value and without other proof about market value it's difficult to prove. So, that's the type of work that we're trying to undertake at the moment.

[212] **Darren Millar:** And the auditor general's recommendation is pretty unambiguous. It suggests that there ought to be a discussion with the UK Government over any potential breaches of EU state aid rules. Have you had discussions with the UK Government? Have you followed through on that recommendation?

[213] **Mr Evans:** Not yet, because if we were to move to the point where we think that state aid was applicable, the first step is for us to prove that the sale was actually below market value, and we have not yet assured ourselves that that was the case.

[214] **Darren Millar:** Okay. Aled.

[215] **Aled Roberts:** Mae'r cadeirydd **Aled Roberts:** The Chair has referred wedi cyfeirio at y cyfnod hwnnw pan oedd yna oedi ynghylch unrhyw fath o weithredu o dan y broses. Mae yna sôn o fewn un o'r adroddiadau bod taliadau misol wedi parhau i Amber Infrastructure Ltd a rhai eraill. A to the period when there was a delay in terms of acting on the process. There has been mention within one of the reports that monthly payments have continued to Amber Infrastructure Ltd and others. Can

allwch chi gadarnhau bod hynny wedi digwydd; ac a yw'r taliadau hynny yn parhau i gael eu gwneud? you confirm that that has happened; and do those payments continue to be made?

[216] **Mr Evans:** My understanding is that the payments are still being made. They are probably not as much as the party would have originally expected. However, we did take legal advice on whether we could terminate the contract. The legal advice, which we are very willing to share with the committee should you require it, was fairly definitive in that there was no legal basis for us to terminate that contract. In making sure that we actually get value for money from public expenditure, we have tasked Amber to look at other projects and to do an appraisal, for example, of future regeneration projects that we can engage in. So, rather than have the money go to waste we're trying to ensure that that money is spent well.

[217] **Darren Millar:** Can I just ask, in relation to the potential for any other remedial action that the Welsh Government might take, has the Welsh Government considered taking civil litigation proceedings against any of the players, if you like, involved in this saga?

[218] **Mr Evans:** There were no decisions, but as Welsh Government we would always be seeking to protect the public purse, and so all avenues are still available to us.

[219] **Darren Millar:** Okay.

[220] **Aled Roberts:** A oedd yna broses dendro llawn cyn i Amber Infrastructure Ltd gael eu penodi? **Aled Roberts:** Was there a formal tender process before Amber Infrastructure Ltd was appointed?

[221] **Mr Evans:** Oedd. Roedd proses OJEU. **Mr Evans:** Yes. There was an OJEU process.

[222] **Darren Millar:** Okay. And just one last question: do you accept that the way in which RIFW was set up, the way in which it was given this bundle of assets, and the way in which it was in the public domain what the transfer value of those assets actually was—. Do you accept that the RIFW board was hamstrung from the start as a result of those decisions which the Welsh Government took in setting it up?

[223] **Mr Evans:** I think, in hindsight, some of those decisions will have made

things more difficult for the board, and we'll just seek to learn from those mistakes.

[224] **Darren Millar:** Okay. If there are no further questions then I think that brings us to the end of this particular oral evidence session. If I can thank Owen Evans, John Howells and Richard Baker for your evidence. You'll receive a copy of the transcript of today's proceedings. We look forward to receiving the additional information, which you've indicated you will be able to share with the committee. I can now inform you that we'll take a short break until 3.50 p.m, and there will be some refreshments available outside the Ocean Room. Thank you very much indeed.

*Gohiriwyd y cyfarfod rhwng 15:39 a 15:50.
The meeting adjourned between 15:39 and 15:50.*

Cronfa Buddsoddi Cymru mewn Adfywio: Sesiwn Dystiolaeth 2 Regeneration Investment Fund for Wales: Evidence Session 2

[225] **Darren Millar:** Good afternoon and welcome back to Senedd@Swansea and a meeting of the Public Accounts Committee here in the waterfront museum. We're now on item 5 on our agenda this afternoon, which is the first day of our inquiry into the regeneration investment fund for Wales, post the publication of the Wales Audit Office report earlier this year. I'm very pleased to be able to welcome to the table former RIFW board members; I'll deal with them in the order that they are sat: Richard Harris, Chris Holley, Ceri Breeze and Richard Anning—welcome to you all. We're very grateful for you attending today. We're also grateful for the written submission that we have received, which, of course, has been circulated to Members.

[226] I should also note that Jonathan Geen, who is another former RIFW board member, has declined the invitation to attend the evidence session on the basis that he withdrew from the board before any decisions were taken in respect of the sale of these particular sites that we are considering. So, I'll just note that for the record.

[227] Obviously, Members have got a number of questions that they want to ask you today, but perhaps I can start with one before we get into Members' questions. We've heard a lot today in the first evidence session with the Welsh Government and we've seen in the auditor general's report and, indeed, in your own submission, that it appears that there may have been a lack of clarity at times about the role that you were expected to deliver, as

board members. Do you want to tell us whether that role that you were expected to deliver was different to the one that you were sold, if you like, when you accepted a post to sit on the RIFW board? I don't know who wants to speak. Ceri.

[228] **Mr Breeze:** If I kick off. I think the role, as envisaged and as set out in papers—the members' agreement and so on—was one of investing in regeneration projects. I think that was the main difference for me. Very quickly, we realised that we were into the ball game of selling land. I think that struck me as the main point. I didn't actually have an appointment letter, as such, but the information provided to my colleagues here was very clear in terms of the role of the fund and the actions. So, I'll pass over to colleagues to expand on that.

[229] **Mr Holley:** Yes. I think it's pretty clear, Chair, that when we were asked to join, it was on a regeneration basis, not on a land development or a land sale basis. That's what it was sold to me as—a regeneration-based board that was going to invest in projects throughout Wales to create jobs and regeneration.

[230] **Darren Millar:** Mr Anning.

[231] **Mr Anning:** Thank you. Well, when I applied, the basis of the documentation accompanying the application did not, in any stretch of the imagination, go into the role of being a property speculator, which has been implied. The position in relation to the interview did not pick up, in any detail, the question of time being devoted to realisation of assets, as it turned out to be, because, of course, we were only talking about having to be available for four days a year in an oversight role. The induction training that took place in January 2011 did mention the property assets and it did discuss the transfer value—and I was only led to believe it was the transfer value—but the great stress was put on regeneration within Wales and the creation of jobs and inward investment.

[232] **Darren Millar:** So, do you think you were sold a pup, then?

[233] **Mr Anning:** Your words, sir.

[234] **Darren Millar:** I'm asking you. I mean, do you think you were misled in some way by the advert and by the briefings that you received on induction as a board member?

[235] **Mr Anning:** It was not what I was led to believe. If I had been asked to be involved in a portfolio sale that meant bringing forward land potentially for development over a 12-year period outside the lifetime of the limited liability partnership, then I wouldn't have taken it forward.

[236] **Darren Millar:** You wouldn't have taken it forward.

[237] **Mr Anning:** No.

[238] **Darren Millar:** Does that go for any other members? Would you have participated in this had you known precisely what you were going to be asked to do?

[239] **Mr Holley:** To be fair, I think, Chair, if we were asked to be a development company, I don't think I, personally, would've been involved in it. I knew about regeneration, but to sell land to develop greenfield and brownfield sites is not something that we were there for.

[240] **Mr Anning:** Can I just come back on that specific point? It's quite clear from the way it was set up, with the limited number of board members, that, clearly, there was not going to be the capacity to bring forward land for development.

[241] **Darren Millar:** So, you think it was flawed in terms of the way it was established?

[242] **Mr Anning:** There was insufficient support to the board, yes.

[243] **Darren Millar:** Okay.

[244] **Mr Breeze:** If I could just add that I'm in a slightly different position to colleagues in terms of taking on things like this, and I don't think I would have necessarily said 'no' because I'm always asked to help out with other Welsh Government issues. It's quite a standard thing. So, I would have—as we did—participated and we did the best we could with what we had.

[245] **Darren Millar:** So, both you, Ceri, and you, Richard, were Welsh Government officials as well who were appointed to the board. Clearly, you had two sets of responsibilities—one to the Welsh Government; one to the RIFW board—both of which, potentially, could have had different aims and

objectives. So, I mean, how do you reconcile those?

[246] **Mr Breeze:** Let me kick off on that and then pass over to Richard. I think, as a civil servant, my day-to-day work is geared to effective support for Ministers, delivering policies, programmes and legislation, and not making decisions but actually advising Ministers on making decisions. The fund was very, very different. I was required to put the best interests of the fund first.

[247] In terms of being a civil servant on the board, I think it was helpful in some respects. For example, during the sale, when there were some questions on the transfer of legal titles, I think, because I knew the internal workings and the contacts, I was able to sort of broker a solution on that basis. I was actually acting in the interests of the fund in doing that. Similarly, when there was a gap in the transition arrangements and we were getting numerous enquiries from outside, particularly when the fund and Amber were turning down investment decisions—quite rightly, I might say; this was a commercial decision—there was confusion out in the field as to what the fund was, to the extent that many thought it was a department of the Welsh Government. So, if there was a problem and something didn't work out, it would come in. Many thought it was providing grants as opposed to loans. So, I was able to actually help furnish information to colleagues to make sure the reputation of the fund and the facts were clarified.

[248] However, I think a good example of where it became very, very difficult indeed was with the pause, because, in the interest of the fund, I had to say I didn't agree with the pause. I was looking for a way to be found to continue the fund in parallel with the value-for-money study. However, I must say, I wasn't party to the information that was to hand at that point in time. I know what goes on when these sorts of matters arise. I've done it myself. I wasn't party to all the information, and, quite appropriately wasn't party to that information, but, obviously, I had to give my views in terms of my role in representing the fund.

[249] **Darren Millar:** And Richard—Richard Harris.

[250] **Mr Harris:** Similarly—. I mean, I joined the board in July 2012, so, actually, I joined at a later stage to fellow members of the previous board. The focus at that point was about driving forward the investment opportunities through regeneration, and it was seen very much as our responsibility to the board in turning round and making sure there were

good opportunities to deliver on jobs and growth for the Welsh economy. On separation as a civil servant, obviously, as Ceri has just alluded to, my role would be to provide advice to Ministers to enable them to make decisions going forward in the respective policy areas. At that point in time, I was working in the regeneration department.

[251] **Darren Millar:** So, you arrived after some of the more controversial aspects of the report that we have before us. But, again, in terms of your induction process, was it adequate for you to be able to fulfil your role? I mean, Mr Anning has suggested that the induction was about coming into an organisation that he found to be very different once he was part of the board.

[252] **Mr Harris:** I think it's fair to say that I didn't actually have an induction. It was given to me as a development opportunity—

[253] **Darren Millar:** So, there was no induction at all for you as a board member for making multi-million pound decisions?

[254] **Mr Harris:** It was provided to me as a development opportunity, working in the shadow of my colleague Ceri as chair of the board and obviously taking a lot of guidance. I was provided with a lot of papers from the previous points of the board, and it's something that I think would have been taken forward in the autumn, but, obviously, during the time that came forward and almost immediately being appointed onto the board, there was a change in the role. All of a sudden, the WAO audit was coming on board and I think time and events overtook that, Chair.

[255] **Darren Millar:** But there was no talk of any induction? There was no planned induction at the time that you joined the board? It was seen very much as, you know, 'You have a development opportunity here. Even though you've got limited experience of boards, we want you involved.'

16:00

[256] **Mr Harris:** Yes, that's right.

[257] **Darren Millar:** Okay. Thank you. Jenny Rathbone.

[258] **Jenny Rathbone:** If you all felt out of your depth, why didn't you say so at the time? Why did you not say openly, 'Look, this is not what we signed up

for. We thought we were a regeneration company, and we're being asked to make huge decisions about property disposals that we don't have the background in'?

[259] **Mr Breeze:** I don't think I felt out of my depth. I think it was challenging in a new area. As far as the induction goes, I was offered an induction, actually, but I wasn't able to attend due to other commitments. However, I'd actually been involved in the setting up of the fund earlier, so I knew some of the background to it. So, I was in quite a different position.

[260] **Jenny Rathbone:** I don't think there's much dispute about the proposal to set up a fund, a regeneration fund. That really isn't the controversial bit. The controversial bit is asking you to dispose of these properties without apparently having that sort of background.

[261] **Mr Breeze:** I was more than comfortable with the quality of colleagues who had been appointed as well—Richard Anning, Jon Geen and Chris Holley—in terms of their experience and expertise, and obviously the board operated as a board, not just as individuals. I could bring another dimension to the board in terms of policies to regenerate and broader issues of policy.

[262] **Jenny Rathbone:** Okay, but the impression you gave from the earlier answers you gave to the Chair was that how it actually rolled out was not what you had expected when you took on this appointment.

[263] **Mr Breeze:** Perhaps let me expand on that. In terms of the description of the role, the oversight role, which I think Richard Anning mentioned—oversight of Amber and LSH, the running of the board—that all worked out exactly as was planned. The bit that wasn't expected was the amount of time we needed to devote to selling land.

[264] **Jenny Rathbone:** So, it was the time rather than the actual content of the role that you found onerous.

[265] **Mr Breeze:** Yes. It was the fact that all the paperwork was about investment. This was about job creation, investing in regeneration projects, and I remember thinking at one point that one of my concerns was, 'How do we actually decide which areas and which projects get the grant?', but, actually, the fund was set up very well in that respect, because such decisions were made by Amber's investment committee. It was out of the hands of the board; they were made on a strictly commercial basis, and that

was the way to do it.

[266] **Jenny Rathbone:** Okay. Turning to Mr Anning, you worked for a company called Sydney & London Properties. That gives me the indication that you did know about property development.

[267] **Mr Anning:** I know a significant amount about property investment, and propositions associated with that. I would not hold myself out to be a property developer. It's a different skill set. It's a skill set that takes considerable time, because you need to be on top of the promotion of a land project almost on a week-by-week basis in order that you can take the little steps forward in order to bring land forward for development. The land within the portfolio was land that was not allocated for redevelopment—or, with the controversial sites, allocated with planning consent. That is a very time-consuming process, and certainly not one that one could conceivably monitor and add value to on the basis of a quarterly meeting.

[268] **Jenny Rathbone:** But on the basis of your experience, were you familiar with assessing the value of land that might, at the moment, have agricultural permission, but could, obviously, hugely increase in value were it to have a particular designation?

[269] **Mr Anning:** I would hold myself out as an expert in the sense of property investment. I would hold myself out as being knowledgeable as a property developer. But I would not hold myself out as being an expert in property development. So, I can ask probably the right questions, but I wouldn't consider that I would have a full depth of knowledge of bringing land forward for development.

[270] **Jenny Rathbone:** Okay, but concepts like overage—

[271] **Mr Anning:** Oh—those sorts of concepts, like overage, yes.

[272] **Darren Millar:** We've seen, obviously, in the Deloitte report that there were some probing questions that were asked by you from time to time in relation to the disposal of these particular assets. Did you want to—?

[273] **Jenny Rathbone:** I'll all right for the time being.

[274] **Darren Millar:** Okay. Aled Roberts and then Julie Morgan.

[275] **Aled Roberts:** Rydych chi'n sôn bod yna gyfarfodydd chwarterol. Jest er mwyn inni ddeall: nid oedd, felly, canllawiau? Rwy'n meddwl bod Mr Owen Evans wedi derbyn hyn: nid oedd canllawiau ar gyfer y gweision sifil ar y pryd. Rydych chi wedi sôn am gwrs hyfforddiant ym mis Ionawr. Pa fath o gefnogaeth ymarferol oedd ar gael rhwng y cyfarfodydd chwarterol i chi fel aelodau'r bwrdd, neu a oedd i chi'n fater o dderbyn y papurau ar gyfer cyfarfod o'r bwrdd ac yn eu trafod nhw ar y dyddiad penodedig?

Aled Roberts: You've mentioned that there were quarterly meetings. Just for us to understand: there weren't, therefore, any guidelines? I think Mr Owen Evans has accepted this: there weren't any guidelines for the civil servants at the time. You've mentioned a training course in January. What kind of practical support was available between the quarterly meetings to you as board members, or was it a case of you receiving the papers for board meetings and then discussing them on the specified day?

[276] **Mr Breeze:** Very much so. In terms of the running of the board, the board discussed a range of matters, commissioned specialist advice if it needed specialist advice, and shared the experience and expertise of its own members. If support was needed, I'm sure that could have been obtained. We did commission a number of pieces of work—on the financial aspects of the fund and we set up an audit and risk committee, and obviously that commissioned pieces of work as well.

[277] **Aled Roberts:** But it was a case, then, of the board identifying its needs and if it identified that there was a need for specialist advice, they would have to call for that advice, rather than having any ongoing formal arrangements with regard to support being in place for any event.

[278] **Mr Breeze:** It was an arm's-length body, and operated as such.

[279] **Mr Anning:** And that's evidenced by the way that the board was uncomfortable with the legal position on title and that the board decided to take into its own hands, through Morgan Cole solicitors, the tidying up of the legal title in order that the land could be registered and actually be sold. If your question comes from the way that I put it forward, we were told it would be four meetings a year, that is quarterly, but you will see from the papers that, I think, in one year, it was getting up to nearly 20 meetings being required in order not only to review the progress on the land sales, but also for the purpose of having the additional audit and risk committees, which were held a minimum of four times a year, but did not form part of the

original specification. As a board, we were faced with running a £55 million limited liability partnership on behalf of the two members, being the Welsh Ministers and Amber. Now, you've accepted a position, you've either got to walk away from it, or you've got to do the best you can. Now, you can't actually walk away from something that's £55 million of public money.

[280] **Aled Roberts:** In deciding, though, to do the best that you could, were any concerns raised, either through the observer to the Welsh Government or to Amber Infrastructure that the demands being placed on the board were much greater than those that you'd envisaged originally?

[281] **Mr Anning:** You're looking at me, so shall I continue with that response? The position with the observer was that he was an expert in having put the matter together, and as far as I was concerned, I considered him to be a shadow director, as it would have been had it been in a corporate sense, a company sense, because for the period up to and past that summer period in what would be 2011, he wasn't just listening, he was giving advice—and sensible advice, because of his historic knowledge. As you have noted from some of the e-mails that I put forward in relation to overage et cetera, I was copying him in on it to be certain that, as far as I was aware, the Welsh Ministers were reasonably comfortable with the decisions that I was taking.

[282] **Mr Breeze:** To come back to your point on whether we ever raised the issue of the amount of time, I don't think we did, actually. I think we got on with the job. The time did increase and in addition to, as Richard said, 20-odd meetings, there was the preparation, the correspondence and a whole range of issues that went with it, and the preparation for meetings, but I don't think we actually formally said, you know, 'This is too much, we need help'. We just got on with it.

[283] **Aled Roberts:** If you weren't raising concerns regarding the time commitment, were any concerns raised regarding the nature of the role and the fact that it was very different to that which was outlined at the beginning?

[284] **Mr Breeze:** I certainly didn't raise concerns about the changing role; it was something we had to do. It was a pan-Wales fund. A lot has been made of the ERDF element—which is absolutely right; it was a priority—but the fund was pan-Wales. We were looking at it in the broadest possible sense. We were looking at it in terms of investing in regeneration projects as they came forward, and we were driving Amber to develop the pipeline in order to come forward with more projects. So, I don't think there were concerns

raised by me on that.

[285] **Darren Millar:** Can I just check this issue about the perception of the role of the Welsh Government's observer at your meetings? You suggested, Richard, that he was treated very much as a shadow member; he would take full part in discussion, didn't have a vote; was kept in the loop, as it were, on all of the discussions that were taking place; was present at the board meetings; and you assumed that he was feeding information back to the Welsh Government and to Ministers about the activities of the board. Is that a fair summation of—

[286] **Mr Anning:** Entirely, other than the last comment, that I assumed that he was feeding back. It wasn't my role to consider what he was or was not doing, because it is a different legal entity; it's a limited liability partnership, which had its annual general meeting and its report to members, and that was the corporate, structured role of the limited liability partnership.

[287] **Darren Millar:** I understand the structure; I'm simply trying to establish what the board's perception of Chris Munday's status was as an observer. Were you all under the same assumption that he was to participate in the activities of the board, whilst not having any voting rights, and that he was supposed to provide this link in terms of information flowing backwards and forwards between the Welsh Government and the board, and Welsh Government Ministers?

[288] **Mr Anning:** Yes.

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

[290] **Mr Breeze:** If I can make one other point, I think, as you've rightly said, Chair, the members' agreement actually says about the observer, 'No vote, but can speak at board meetings', and I think, in the early days, Chris was quite active in disseminating the information on the fund because he'd been involved in the set-up, which was entirely reasonable.

[291] **Darren Millar:** Because it was his brainchild.

[292] **Mr Breeze:** It was entirely reasonable, and the board needed that sort of information on the background.

[293] **Darren Millar:** Okay. Richard, do you want to come in?

[294] **Mr Harris:** Just briefly, Chair, obviously, I only joined the board in July 2012, and Chris Munday at that point was no longer the observer.

[295] **Darren Millar:** I understand; we've noted that. Is it on this issue, Mike, because I want to bring Julie in?

[296] **Mike Hedges:** One of the questions is on this issue and I have a couple of others later on. We've talked for a long time now around this thing, so are you saying that RIFW was a suitable arm's-length company for regeneration, but not a suitable arm's-length company to deal with land sales?

[297] **Mr Breeze:** RIFW was highly innovative. It was operating at a time when, I think, as Richard will confirm, the availability of money was limited. It was intervening in the market for the right sort of reasons. It had to change the assets into cash in order to have that money to invest, and that was the slight difference in terms of the model.

[298] **Mike Hedges:** A very interesting answer. Would you like to answer the question I asked first time now? I'll rephrase it again: was RIFW, as set up, a suitable vehicle for dealing with regeneration, but not a suitable one for dealing with land sales? The answer to that would be 'yes' or 'no' actually.

[299] **Mr Anning:** It isn't, with respect, sir, a 'yes' or 'no' question because it was not all land sales. Some of the land, was available for use and had value as its existing use. If you turned your question slightly differently and asked whether it is an appropriate vehicle for the disposal of land to which value has to be added—i.e. obtain planning consent and all the other associated thing—no, because it is in the heading: it's a regeneration investment fund.

[300] **Darren Millar:** Thank you. Julie Morgan, then I'm going to flip across to Alun Ffred and then back to—.

[301] **Julie Morgan:** Thank you. I just wanted to ask for some more information about the role, as you saw it, of the observer. I think you said that you saw him as feeding back to the Welsh Government what you were doing on the board. Did he ever feed back to you what the response was from the Welsh Government and any thinking from the Welsh Government about what was happening on the board?

[302] **Mr Breeze:** I can't recall that.

[303] **Julie Morgan:** Does anybody recall anything about that? No. So, it wasn't seen as a two-way process.

[304] **Mr Anning:** I saw him as the Welsh Government representative, not that he was wearing two hats, providing information back. He was the Welsh Government representative. So, the two hats are one, if that answers—

16:15

[305] **Julie Morgan:** Right. So, you didn't expect him to be—he was the Welsh Government, as far as you were concerned.

[306] **Mr Anning:** Correct, yes.

[307] **Julie Morgan:** And was that how you saw him as well? And what about the civil servants?

[308] **Mr Holley:** Chris—and, before then, there was another person from the Welsh Government on the board, and, as far as we were concerned, they were the representative of the Welsh Government on that board. Now, his particular role under the induction programme was to be there as part and parcel of the board and to report what was going on. You know, I can't tell you what he did when he left the board, but—

[309] **Julie Morgan:** You didn't expect to know, really.

[310] **Mr Holley:** Pardon?

[311] **Julie Morgan:** You didn't expect there to be any—

[312] **Mr Holley:** I didn't expect—I'd expect, if there was anything wrong, from the Welsh Government, for it to be reported back, yes.

[313] **Julie Morgan:** Yes, right. And, I think, Richard Harris, you said you had no induction at all when you joined the board.

[314] **Mr Harris:** No. I joined the board in July 2012, as a development opportunity, and then shadowing Ceri.

[315] **Julie Morgan:** So, the rest of you had an induction process.

[316] **Mr Breeze:** Chris and Richard had an induction; I was offered an induction, but couldn't attend, but I was familiar with the fund anyway.

[317] **Julie Morgan:** And what about the nature of the induction that you two had? Did it prepare you for this?

[318] **Mr Anning:** That was the course leaflet of a series of slides and presentations. It took, probably, two and half, three hours, of going through in some detail, making sure that we understood the concepts of JESSICA, in particular the concept of the limited liability partnership as the arm's-length vehicle of Government, and how we should be responding, at practical in nature. So, it was practical information in relation to RIFW. We then had some discussion—well, I did, at my interview—on Nolan principles. But we didn't have—and whether it's necessary or appropriate is for you to decide—an induction relating to how Government works, and how Government works in relation to vehicles that are somewhat at arm's length. Earlier on, I heard you talk about vehicles and arm's-length element, but it must just be remembered this was a separate legal corporate entity; this is not an agency of Government, but, at times, we found that, I think, people assumed that we were an arm of Government—we were not.

[319] **Julie Morgan:** Right, thank you. Did you have anything to add?

[320] **Mr Holley:** I had an induction. Leo, and another person from Amber, came to my office, down here in Swansea—a DVD, for a couple of hours. Because I'd been used to the JESSICA fund, having seen it being floated previously in Brussels, in one of the workshops about future funding for convergence, and why should we carry on giving grants when convergence should be converted into a method of developing the loans system, which would encourage entrepreneurship and develop our economy, as opposed to giving out grants, which, really, do not develop our economy. So, when Amber came to do that instruction—induction, sorry, not instruction—the part about JESSICA, I was most aware about, and most aware about the fact that we were there to regenerate and to create a method for urban regeneration, with a fund set up, some from European funding, and then a sum of money, as it turned out to be, a sum of land, then transferred it to RIFW from the Welsh Government.

[321] **Julie Morgan:** Did any of you have anything in writing about what your particular roles were?

[322] **Mr Holley:** Yes, I did. I had a DVD and also a letter from the Minister.

[323] **Julie Morgan:** Right.

[324] **Mr Anning:** I had the appointment letter from the Minister.

[325] **Julie Morgan:** Thank you.

[326] **Darren Millar:** Okay. Aled, you had a short supplementary, and I'll then come to Sandy. Very brief.

[327] **Aled Roberts:** Rwy'n deall eich bod chi ar wahân i'r Llywodraeth, ond nid wyf yn deall sut yr oeddech chi'n cyfathrebu â'r Llywodraeth. Ac rwyf eisiau dewis un mater y cyfeirir ato yn yr adroddiad, sef indemniad proffesiynol. Rwy'n meddwl bod Mr Anning wedi codi'r pwynt ym mis Rhagfyr 2010, yn dweud ei fod o'n pryderu fod gan y gweision sifil *professional indemnity*, ond nad oedd gan aelodau eraill hynny. Rhwng Rhagfyr 2010 a mis Awst 2011, mae'n ymddangos nad oedd dim ymateb gan y Llywodraeth o gwbl ac, o achos hynny, fod y gronfa ei hun wedi cymryd camau i roi yr yswiriant yn ei le ar gyfer yr aelodau eraill. Felly, yr hyn nad wyf yn ei ddeall ydy: os oes yna aelod o'r Llywodraeth yn y cyfarfodydd yma, a'i fod yn ymddangos fod gan aelodau o'r bwrdd bryderon, a oedd ymateb o gwbl neu ai'r ymateb oedd eu bod yn gwrthod cymryd cyfrifoldeb ar gyfer hynny yn y Llywodraeth?

Aled Roberts: I understand that you are separate from the Government, but I don't understand how you communicated with the Government. And I'd like to choose one issue that's referred to in the report, namely professional indemnity. I think that Mr Anning raised the issue in December 2010, saying that he was concerned that civil servants had professional indemnity, but that the other members didn't have it. Between December 2010 and August 2011, it appears that there was no response from the Government at all and, because of that, that the fund itself had taken action to put the insurance in place for the other members. So, what I don't understand is: if there is a member of the Government in these meetings, and it appears that there are board members who are concerned, was there any response at all or did they respond by saying that they refused to take responsibility for that on behalf of the Government?

[328] **Darren Millar:** That is not a supplementary or a line of questioning that

was being pursued, but I will allow you to respond to that point, and then I want to get back to Sandy Mewies.

[329] **Mr Anning:** Shall I take the lead?

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

[331] **Mr Anning:** It was a condition that I put in the acceptance of the appointment—that I'd be granted professional indemnity equivalent to an employee within the Welsh Government. The WAO has not seen it—because I don't think that they necessarily asked for it—but there was some correspondence with Chris Munday and me, and there were various documents produced by Eversheds on behalf of the Welsh Government, but they never got to the point of putting me into an equivalent position as an employee of Welsh Government. The directors and officers policy was put in place then to provide a degree of comfort. What should be remembered is that, whilst it was providing me with that degree of comfort, because civil servants were not employed by RIFW and because they were on a board of a separate legal entity, there was a question mark whether their employment contract would, in fact, cover them in doing this work, because they were not there as a delegate of Welsh Government—it was an appointment and it's therefore a totally separate position and the compromise, ultimately—. We said, 'We're trying to run a £55 million-business here and the owners of the business are not prepared to provide the director support to us—we need to go out to the market and put in place some sort of cover'.

[332] **Mr Breeze:** That is why we covered the whole board, because I wasn't convinced that I was actually covered given the nature of RIFW.

[333] **Darren Millar:** Okay, and that is referenced in paragraph 2.17 of the report. Just before I come to Sandy Mewies, in terms of the particular role of the observer, when you were seeking the advice of the observer on the decisions that were being made, did you perceive that his approval of the board's decisions amounted to Welsh Government approval of your decisions?

[334] **Mr Anning:** Yes.

[335] **Darren Millar:** You did—yes, no.

[336] **Mr Breeze:** In terms of—

[337] **Darren Millar:** You said that you felt that the person who was there, who was taking part in the discussions, was a person who represented the Welsh Government. Did you feel that, if he approved of a decision, it was therefore the Welsh Government's approval of that decision? Mr Anning says 'yes'.

[338] **Mr Breeze:** The word you used was 'advice' and us seeking the advice of Chris Munday. There was discussion, when advice was offered and, obviously, the Welsh Government would have known about the same.

[339] **Darren Millar:** Okay. Perhaps if I put the question directly: did you think that he approved, and that that amounted to the approval of the Welsh Government for the decision that you took as a board to dispose of these assets under these circumstances?

[340] **Mr Holley:** I would say 'yes'.

[341] **Darren Millar:** Yes, you're all nodding. You can't comment, obviously. Okay, fair enough. Thank you very much for that. Sandy Mewies.

[342] **Sandy Mewies:** Thank you, Chair. The Chair's just asked one of the questions that I was going to ask.

[343] **Darren Millar:** I'm sorry.

[344] **Sandy Mewies:** That's quite all right. You're four very experienced people in your field, I do know that. I'm slightly surprised that you'd accepted, on terms that you understood, a post, which, as you said, held a huge portfolio—it was a lot of money to handle. It must have been apparent fairly quickly that it wasn't quite what you'd signed up for. Not only that, you were given four days a year to do it in, and there are four of you of you—so that's about a month, isn't it, 28 days in a year, something like that?—for what looks to me like an enormously responsible job, because you had an audit committee. Who was on the audit committee?

[345] **Mr Anning:** I was chair.

[346] **Sandy Mewies:** So, you think, 'We've got to have an audit committee. Who's going to be on it?' Hands up again; it's going to be you, so, more work. All those things were happening, but at the same time you just really

decided to soldier on. I'm not criticising that. I take your point. Regeneration; I think we all care about regeneration throughout Wales, and having the means to do it. But you didn't have cash. You had to realise your assets to get the cash to do it, which implied that certain other things had to be done. You must have reached a point at some stage where you thought, 'Aye, aye, what's going on?' And then you've got an observer who was your link in with the Welsh Government, and you say that, yes, you were very clear that it was a link between you and the Welsh Government.

[347] **Darren Millar:** Come on, Sandy, get to your question.

[348] **Sandy Mewies:** Yes, well, I think everybody else had their go. What evidence did you have coming back from that observer? You knew you were asking questions. What evidence did you have coming back from the observer that those had been passed on? You know, what responses were you getting that made it clear to you that is the fact?

[349] **Mr Holley:** Can I answer some of your question? I don't know whether I can answer all of it. When I was asked to join the board on regeneration—and, as I said, I was quite knowledgeable on JESSICA, because I had been in Brussels when it was developed—one of the things, and I think you've just said it, is that many of us are very passionate about the regeneration of the parts of Wales that we were talking about initially, and those were the convergence areas. Perhaps it's stubbornness, or whatever it is, but I wouldn't give up on saying, 'If I'm going to do it, I'm going to try to do to the best of my ability', and that's what we were doing.

[350] As I say, initially, we were told that there would be a transfer into the fund—we had the EU money—and a transfer of cash from the Welsh Government. When it turned out it was going to be land, our advisers were then telling us, 'Yes, we can sell that, you know, and you will have that money to be invested in projects throughout Wales'. I think none of us expected the timescales to be what they were. I don't think any of us expected the number of meetings we would have to attend, and some of the telephone conferences we had to have. I'm pretty certain that, when the audit committee came up, we were all—again, because of our concern about having cashed in a bank—how are we going to prove that we're looking after that. So, we used the audit committee for that. So, I think it's a question of, like you—you're politicians—if you say you're going to do something, you do it as best you can. When we were put in this position—and I'm sure I speak for all the other members when I say this—we did the very best we could to

make sure that we were there to build a fund, to invest in projects, to create jobs and investment in Wales. Unfortunately, things overtook us.

[351] **Sandy Mewies:** That's very clear. Thank you.

[352] **Mr Breeze:** I was hugely enthusiastic about the fund—an excellent model—and passionate about what it was designed to do. I'm well used to picking up extra pieces of work, so, the fact that the time was more than expected was just part of the norm, actually.

[353] **Sandy Mewies:** Okay. What about the feedback? You know, you got this link in to Government. What feedback did you get?

[354] **Mr Breeze:** I think, coming to your original point, I didn't raise the issue at all, as far as I can remember, that the extra time and the extra work needed was a concern, actually.

[355] **Darren Millar:** I think we've established that. Can you answer the question that Sandy Mewies has put to you? We'll talk about the feedback from Government—from Welsh Government to the board through Chris Munday. Was it coming back to you when you were putting these questions over indemnity, or any other questions that you were putting?

[356] **Mr Breeze:** On the indemnity, no.

[357] **Darren Millar:** No.

[358] **Mr Breeze:** As Richard said, it fell into a void. I don't know the reasons why.

[359] **Sandy Mewies:** Thank you.

[360] **Darren Millar:** Okay. Alun Ffred.

[361] **Alun Ffred Jones:** Diolch yn fawr. Mae'r cwestiynau sydd gennyf i yn rhai yr ydych chi wedi eu clywed nhw o'r blaen, ynglŷn â'r penderfyniad i werthu'r asedau fel portffolio.
Alun Ffred Jones: Thank you very much. The questions that I have are ones that you will have heard earlier, on the decision to realise the assets as a portfolio.

16:30

[362] Yng nghyfarfod 31 Ionawr 2011, mae'r cynllun gwireddu asedau'n cael ei gyflwyno i chi. Ar 28 Mawrth, rydych yn cytuno ar y cynllun hwnnw. Mae'r cynllun yn sôn am y broses o waredu asedau fesul cam—gwerthu trwy arwerthiant, gwerthu ar y farchnad agored a gwerthu drwy gytundeb preifat. Yn yr un cyfarfod, rwy'n meddwl, rydych chi'n cytuno i werthu portffolio o dir. Pam wnaethoch chi newid eich barn mor sydyn?

In the meeting on 31 January 2011, the asset realisation plan is presented to you. On 28 March, you agree to that plan. The plan talks about the process of realising assets in a stage manner—to sell through auction, to sell on the open market and to sell through private agreement. At the same meeting, I believe, you agree to sell the land as a portfolio. Why did you change your view so swiftly on that issue?

[363] **Mr Anning:** I think I'm going to lead on that. The asset realisation plan, as you say, was confirmed at that meeting. As you quite rightly say, it had the complete range of opportunities and processes for realisation of the assets over a controlled period. It is incorrect to say that at that meeting we agreed to the disposal of the assets as a portfolio.

[364] It was reported at that meeting that interest had been put forward by a party to acquire the entire portfolio. It is appropriate that the agents continued with those discussions because it was an expression of interest for the properties. Whether it was as a single property or as a group, the agents are under an obligation to report interest. They did so, and we supported them in pursuing those discussions.

[365] You then go on to the subsequent board meeting, which I think was in April—28 April, I am told—where there was a more detailed report put forward on the discussions that had taken place over the previous four weeks. Again, the board noted those discussions and noted that, as far as it was concerned, it thought that the offer that had been put forward did not match the aspirations of the board, particularly in relation to measuring the risks associated with disposal of all the properties in one go against the uncertainty of separate disposals, and put it back with the agents for further negotiation. Then, you move forward to subsequent board meetings when the discussions of overages et cetera come forward.

[366] So, it was a gradual process, whilst at the same time ensuring that the

agents continued with discussions with other parties that might be interested in taking it forward—and, of course, the expression of interest from the Rightacres group. I have inferred from your question that there was an immediate change of policy. There was no change of policy. The policy continued, with the board saying, ‘That’s the policy, but if you have another line of interest, you are to progress it’.

[367] **Alun Ffred Jones:** Roeddech chi wedi mabwysiadu strategaeth neu bolisi, ond wnaethoch chi ddim gweithredu ar y polisi hwnnw o gwbl, achos fe gymeroch chi'r unig gynnyg oedd ar y bwrdd, ac fe drafodoch chi and agreed upon it ultimately. So, ac fe gytunoch chi ar hwnnw yn y pen draw. Hynny ydy, ni wnaethoch chi brofi'r farchnad o gwbl. **Alun Ffred Jones:** You had adopted a strategy or policy, but you did not adhere to that policy at all, because you accepted the only offer that was on the table, and you discussed it and agreed upon it ultimately. So, you didn't test the market at all.

[368] **Mr Anning:** The market was tested. The agent's advice was that the market was tested through the marketing campaign that they undertook. Whether, with hindsight, it seemed to be as extensive as it should have been, we were advised by a professional firm of agents that a marketing exercise had been undertaken and all parties that they thought would be interested in the portfolio had been approached. There was an expression of interest from Rightacres and there was an offer from South Wales Land Developments. There was a detailed expression of interest to judge that offer and it was judged against the transfer values that were ascribed to the portfolio some two years before, in a declining property market.

[369] **Alun Ffred Jones:** Pa dystiolaeth sydd gennych chi o'r ymgyrch farchnata hon a gynhaliwyd i geisio profi'r farchnad? A gawsoch chi unrhyw dystiolaeth o hynny? **Alun Ffred Jones:** What evidence do you have of that marketing campaign that you mentioned in order to test the market? Do you have any evidence of that?

[370] **Mr Anning:** We do, on the basis of the undertakings and the reports given to us by Lambert Smith Hampton.

[371] **Alun Ffred Jones:** Mae Lambert Smith Hampton yn dweud yn eu hymateb diweddaraf nhw i adroddiad yr archwilydd cyffredinol: **Alun Ffred Jones:** Lambert Smith Hampton state in their latest response to the auditor general's report:

[372] 'It was made clear in our advice to Amber and the RIFW Board that a portfolio sale was beneficial to RIFW'.

[373] Ond, dydyn nhw ddim yn sôn am y polisi arall. Felly, nid wyf i cweit yn deall. Mae Lambert Smith Hampton fel pe baent yn awgrymu mai cael gwerthiant drwy bortffolio oedd eu dewis a'u blaenoriaeth nhw. But they don't mention the other policy. So, I don't quite understand, because Lambert Smith Hampton seem to be suggesting that sale through portfolio was their preferred option, if you like.

[374] **Mr Anning:** Could you refer me to the paragraph? I'm sorry.

[375] **Alun Ffred Jones:** It is 5.3—sale of the portfolio, and LSH's response to the auditor general's report.

[376] **Mr Anning:** 'It was made clear in our advice to Amber and the RIFW Board that a portfolio sale was beneficial to RIFW as there was a clear risk that a number of the less desirable or more challenging assets would not sell'.

[377] **Alun Ffred Jones:** But that's in clear contradiction to the policy that you adopted. So, who was saying what to whom?

[378] **Mr Anning:** With respect, it's not in contradiction of the policy because, as you read out, the policy was all by private treaty. The offer was made by private treaty for the portfolio, so it was within the policy.

[379] **Alun Ffred Jones:** Océ. A gaf i jest un cwestiwn arall? A oedd gan y bwrdd unrhyw bryder bod y cwmni yma—South Wales Land Developments—wedi ei sefydlu yn Guernsey ac newydd ei sefydlu hefyd heb unrhyw *track record*? **Alun Ffred Jones:** Okay. May I ask just one further question? Did the board have any concerns that this company—South Wales Land Developments—was established in Guernsey and was newly established without any track record?

[380] **Mr Anning:** As is perfectly normal in transactions of this nature, where a party may create a special-purpose vehicle for the purpose of the acquisition, we were advised that Barclays trustees were behind the purchaser and supported the purchaser. So, albeit that it was a newly constituted vehicle, we were satisfied that if it was being supported by a

company of that nature, it was a realistic bid and that it was appropriate to proceed with those discussions.

[381] As regards the legal or technical position, Blake Morgan obtained a legal opinion at completion as to the validity and the constitutional arrangements of the proposed purchaser before we completed the contract. This is perfectly normal in relation to dealing with offshore entities where not only is the corporate element to check, but there are sufficient checks undertaken to the ultimate beneficial owner to satisfy that all the know-your-customer, or KYC, regulations are being met with regard to money-laundering. So, I'm perfectly satisfied that the manner in which that negotiation was undertaken was perfectly normal for an offshore entity.

[382] **Darren Millar:** Are you satisfied with the advice that you were given by Lambert Smith Hampson and Amber?

[383] **Mr Anning:** No reason to doubt it. They're a respectable firm of property agents who were producing a recommendation that showed, in a declining market, they had achieved in excess of the transfer value.

[384] **Darren Millar:** And you made a decision as a board to proceed to discuss heads of terms regarding a portfolio disposal without any due diligence in respect of the organisation that you were planning to do business with.

[385] **Mr Anning:** With respect, that's not what I said, sir. The due diligence was undertaken because we had received assurance at that stage that Barclays trust in Jersey was supporting or assisting the purchaser in the acquisition of the interest. What we didn't know at that stage and we didn't know until the very end was the ultimate legal entity that acquired the portfolio. That is perfectly normal in cross-border transactions and transactions within the United Kingdom.

[386] **Darren Millar:** But, you were initially told that it was a cash sale, then it became clear that it needed to be financed by Barclays, then it became clear that, actually, you were going to receive the income over a period of time rather than up front.

[387] **Mr Anning:** Right, can I deal with this—

[388] **Darren Millar:** So, the terms of the deal were changing all the time and

the terms of the individuals and the organisation that you were dealing with where changing all the time, in spite of the advice that you were given. That's what the Deloitte report tells us.

[389] **Mr Anning:** In relation to the Deloitte report, as you may know, I only saw it last week when it was put on the website. So, I have not had an opportunity—

[390] **Darren Millar:** As did Members, yes.

[391] **Mr Anning:** Thank you; it's the committee that actually persuaded it to come more into the public domain. It's very much appreciated. My understanding of the transaction in relation to Barclays is that it was the trust company that was putting forward the information to us, not Barclays as a provider of finance. Now, if it is demonstrated that, at a later date, the transaction was subject to external finance, which it may well have been—. But, at no point did that, as far as I was aware, slow down or upset or in any way change the nature of the transaction. You've then gone on to say, 'Ah, but the terms of the transaction changed.' As far as I'm concerned, the terms of the transaction changed really in two elements. One was in relation to the three parcels of land, which were not taken forward, where there has been some discussion about the statement used by Amber and ourselves: 'warts and all'. Well, that relates to the asset that we were selling. 'Warts and all' related to the legal restrictions et cetera and the deficiencies in title that were around at the point we put the matter into legal hands. It didn't relate to external matters, such as planning issues, which had changed, and with the three sites, which I can go into in some detail—or you can ask Lambert Smith Hampton—you will find there was a change in external characteristics associated with those sites.

[392] You then asked me about timing and phasing of payment, I believe. Well, phasing of payment in land transactions is perfectly normal—

[393] **Darren Millar:** I understand that it may be normal. The assertion I'm making is that, when you agreed as a board to proceed with pursuing this portfolio transaction, it was on the basis that it was a cash purchaser for these sites—that there would not be a phasing over a period of time—and, therefore, the terms changed rather significantly.

[394] **Mr Anning:** I don't accept the terms changed—

[395] **Darren Millar:** You don't accept that.

[396] **Mr Anning:** That the terms changed significantly.

[397] **Darren Millar:** Okay. Well, some people would disagree with that. Do you accept also that the advice in relation to a portfolio disposal—that one factor in providing advice to pursue a portfolio disposal was that it would enable the board to dispose of some of the assets, which were, frankly, lemons that you didn't want to have hanging around and that those lemons were effectively given back to you when the deal was actually eventually signed. I mean, Ceri, you're nodding. I'm not having much luck with Mr Anning.

[398] **Mr Breeze:** Well, I'll let Richard come in again in a moment—

[399] **Darren Millar:** Well, I'd rather—. You know, you were the chair of the board. How was it presented to you by Lambert Smith Hampton at the time? You were told that there were advantages to a portfolio sale—this is what the auditor general's report tells us—on the basis that it enabled you to get rid of these lemons that you didn't need that were going to be difficult to dispose of otherwise, yes.

[400] **Mr Breeze:** We had a mixed bag of sites transferred to the fund. The board was mindful of what we were trying to do for the future, which was actually to generate cash—turn the assets into liquidity—in order to invest in regeneration projects. The advice we were receiving at the time was that there was a very poor market, a declining market, and that there was a risk that the land would be worth less in the future. Yes, there were some sites that were less attractive than others, and I think those are still in the portfolio that was sold. Yes, there were these three sites, one of which I think was Garth park or Garth farm in Talbot Green, which actually turned out to be zero value in the end, purely because there was an environmental protection arrangement on it. I think that's the word, is it, Richard?

[401] **Mr Anning:** A site of scientific interest.

[402] **Mr Breeze:** So, you know, that was a fundamental change in the planning status of the piece of land.

[403] **Darren Millar:** Did you feel under pressure to sell these sites?

[404] **Mr Breeze:** No. We were very mindful of the need to generate cash. I was particularly mindful of the time taken for cash to come in. It's one thing to sell the site; but, then, it's another thing to get the cash in to invest. So, not under pressure to sell the sites. I think what I want to do is to sort of explain to the committee that this wasn't a snap decision that happened very quickly. There was a lot of negotiation—some very, very tough negotiation. Deadlines were set by the prospective purchaser, which were broken on many, many occasions. I can remember one e-mail I sent saying, basically, 'We're not meeting that deadline. If they walk away, they walk away'. So, I don't want to give the impression that this was, you know, suddenly a portfolio offer comes along and it's snapped up. It was very, very detailed. I think, originally, there were differences in overage, and I know that there were differences in terms. That was a very, very detailed process.

16:45

[405] **Darren Millar:** And you're satisfied that all expressions of interest in relation to these assets were relayed to you as a board.

[406] **Mr Breeze:** We've heard since that there were some offers for sites which didn't get to the board, which came as a surprise.

[407] **Darren Millar:** That came as a surprise to you.

[408] **Mr Holley:** Yes.

[409] **Darren Millar:** Yes. It came as a surprise to you as well, but you're still content with the advice that you received from Lambert Smith Hampton and Amber.

[410] **Mr Holley:** At the time, yes.

[411] **Darren Millar:** At the time.

[412] **Mr Holley:** Yes.

[413] **Darren Millar:** But knowing, now, that there were other offers on the table that weren't relayed to you, are you content with their advice?

[414] **Mr Holley:** I think hindsight is a wonderful thing. At the time we had these offers in front of us and we accepted them.

[415] **Mr Breeze:** The portfolio sale in the context of where we were at that particular time in the economic environment and our need to concentrate on investing in projects, the advice fitted that very well.

[416] **Darren Millar:** Okay. Ffred, you wanted to come back on that.

[417] **Alun Ffred Jones:** Just on this issue of advice. Amber, in their response, pour cold water on the district valuer figure of £30.9 million. It's been called an outlier. Now then, in the light of what you know about the sales that have occurred subsequently, do you concur that the district valuer's figure is out of kilter?

[418] **Mr Anning:** Yes, I do. The district valuer's figure needs to be looked at in the context of subsequent events. We do have the benefit of looking at this with hindsight; we do have the benefit of an improved economy; we do have the benefit of residential land sales coming forward; and I would ask the committee to look in some detail in relation to the Monmouth transaction, and look at the advice and reporting given to the Wales Audit Office by the district valuer. You will note that the district valuer's report is dated 10 July 2015; you will note that, under section 15 of the appendix, where he considers Monmouth, he values Monmouth as at 10 July 2015 with planning consent at present-day values. I think it's £17,792,000—a very accurate figure. I would ask the committee then to make enquiries as to the price the site actually sold at, and the marketing exercise undertaken to sell that, because a very detailed report has been given to the Wales Audit Office. You will find that the site sold for the order of £12 million on a phased basis prior to the district valuer's report. The district valuer makes no reference whatsoever to a land transaction on the subject land at 50 per cent below his opinion of value, and that it was on a phased basis.

[419] **Alun Ffred Jones:** Can I come back?

[420] **Darren Millar:** We'll listen to this point of information and then I'll allow you to pursue the line of questioning. So, as I understand it, the site was sold for £12 million, but not the whole site, just the residential part of the site.

[421] **Mr Anning:** Correct.

[422] **Darren Millar:** So, there are some other parts of the site that haven't

yet been disposed of. Is that correct?

[423] **Mr Anning:** Correct; and if you refer to section 15 of the district valuer's report, dated 10 July 2015, the figure I have quoted you is just the residential element of the site. Your figure, sir, is that it was on a phased basis of payment.

[424] **Darren Millar:** Yes. The district valuer was valuing the whole site.

[425] **Mr Anning:** The district valuer valued the whole site. He apportioned the value of the site—the residential element of the site—at £17 million, on a single payment. To pick up your interest point earlier on, your figure back to me said it was sold for £12 million—

[426] **Darren Millar:** Of course, all of these figures are a darn sight more than the amount you disposed of this piece of land for, as a board. Alun Ffred Jones.

[427] **Alun Ffred Jones:** Well, I'm just interested—take the land that's in my constituency: Goetre Uchaf farm. It's valued in the portfolio as £1.5 million. The actual selling price—very, very soon after the sale—was £2.5 million, and, actually, it's stated in one of the reports here that it was sold under value, and was worth, at the time, probably in excess of £3 million.

[428] **Mr Anning:** Right. There are two points, I think—three points—to pursue on that. One: clearly, you need to ask for some detail of Lambert Smith Hampton, when you interview them, as to the background of that element, because the knowledge that the board had of that aspect is limited. Point two is that apportion of the sale price within a portfolio is a matter of conjecture and subjective analysis, because it is important that, when you have reached a total price for the portfolio, the vendor apportions that value in a manner that is most beneficial to him. And that was achieved by putting very low figures on Monmouth and Lisvane, so that, should they achieve a satisfactory planning outcome, you will receive an extra free payment, in effect, and it's covered in the redacted element of the report, or comments to the Auditor General, that we put forward. In relation, then, to your third point on the value specifically of that site, you have to question the apportionment, but, the information that has come to light since, I was not aware of at the time.

[429] **Darren Millar:** Okay. Aled, you wanted to ask a question; it's a brief

supplementary, isn't it?

[430] **Aled Roberts:** Jest ar Lambert Smith Hampton, rydych chi wedi dweud eich bod yn fodlon â'r cyngor y gwnaethant ei roi i chi. Ond, pan gawsoch chi eich penodi, mae yna gyfeiriad at wrthdaro buddiannau. Rwyf jest eisiau gofyn, hwyrach ei bod hi'n arferol i reolwyr buddsoddiadau i fynd o un maes i'r llall, ond mae Lambert Smith Hampton—mae yna gyfeiriad yn yr adroddiad yma—.

Aled Roberts: Just on Lambert Smith Hampton, you've said that you're satisfied with the advice that they gave you. But, when you were appointed, there is a reference to a conflict of interest. I just want to ask, maybe it's normal for investment managers to go from one area to another area, but Lambert Smith Hampton—there is a reference in this report—.

[431] They were the managing agents in relation to eight south Wales sites, on behalf of SWLD, having been purchased from RIFW. It is stated that that's not unusual, because the background knowledge, et cetera, is sometimes of use, but, at that time, Lambert Smith Hampton entered into that arrangement when Brackla hadn't been sold. What is your view of that situation where there was that apparent conflict, when you yourselves—it was drawn to your attention that you had to be very aware of those conflicts of interest? And it's quite apparent that the individual at Lambert Smith Hampton was the same person involved, so there weren't even Chinese walls put in place within the organisation.

[432] **Mr Anning:** You're correct. The set of circumstances arose relating to the date of sale. It's a matter that, perhaps, you need to talk to Lambert Smith Hampton about in greater detail. But, in mitigation, or in clear statement, I'm led to believe that those arrangements were not entered into until after exchange of contract—exchange of contract, the title, and all the other matters had been set down between the purchaser and the vendor, and none of the conditionality associated with that contract would have affected the outcome, so that, really, the target date that you need to look at, in my opinion, is at exchange of contract, not at completion of sale.

[433] **Aled Roberts:** But whether it's exchange of contract, or completion, is it acceptable for a professional advisor to act for both the seller and the purchaser in such transactions?

[434] **Mr Anning:** In relation to Brackla or in relation to the other

transactions?

[435] **Aled Roberts:** Well, in relation to all transactions, because Brackla had been retained.

[436] **Mr Breeze:** I asked the same question and I'm assured that, in property transactions, it's quite customary for someone who has knowledge of a site to actually then act for the purchaser of the land.

[437] **Darren Millar:** But the point that's being made is rather different, though, isn't it? It is whether it's appropriate for someone to act for both purchaser and vendor in respect of a site that has not yet been sold, yes. The Brackla site.

[438] **Mr Anning:** But it had had exchange of contract.

[439] **Darren Millar:** And so that satisfied you as a board.

[440] **Mr Anning:** May I explain why?

[441] **Darren Millar:** Please do, because many people think it's peculiar.

[442] **Mr Anning:** That is why I was wanting to identify—to separate Brackla from the rest.

[443] **Aled Roberts:** Well, most professional rules would say that you shouldn't act on both sides of a transaction.

[444] **Mr Anning:** It is very common in property transactions where there has been an exchange of contract and it is a question of something like planning for the planning team to move across to the purchaser, because there is an identity of interest in obtaining the planning consent. That is perfectly normal and perfectly—. It is the standard.

[445] **Aled Roberts:** Would you not accept that, even though it might be perfectly normal, to taxpayers who are having to pick up the tab on this, it seems to be a bit beyond the pale?

[446] **Mr Holley:** Chairman, can I say that I totally agree with what the Member's saying? That question was asked, and you're talking about one of the biggest land management companies—or estate agents, for want of a

better term—in the country. So, that question was asked by members of the board: is this the right thing to do? They're a large company, and there are many facets to that company, so one facet may look after one item and another part of that company—

[447] **Aled Roberts:** No, this was the same person.

[448] **Mr Holley:** The person could well be the manager of the establishment. I'm not sure of the name of the individual, but we certainly asked that question, because, as the member's saying, it is correct. In professional terms, nobody, in any organisation, in any profession, would do that prior to being, if you like, signed off.

[449] **Darren Millar:** So, you asked the question, but the difficulty, I think, that some people may have is that you accepted that it was okay, the arrangement—which was to have the same individual, not just the same firm—

[450] **Mr Holley:** No. The same firm we asked about.

[451] **Darren Millar:** But you actually had the same individual acting both on behalf of RIFW and South Wales Land Developments.

[452] **Mr Holley:** But all I can say is that we asked about the firm.

[453] **Darren Millar:** Yes. And did you seek to satisfy yourself that the firm's own arrangements were going to be sufficient to give you assurances that your interests were going to be properly looked after? Did you expressly, as an organisation, give prior consent to Lambert Smith Hampton to act for South Wales Land Development whilst acting for you at the same time? Did they seek your permission, and did you give it?

[454] **Mr Breeze:** I cannot remember giving prior consent. The operations manual that Amber prepared for the fund, which governed their work with Lambert Smith Hampton, was very clear on managing conflicts of interest—no reason to suggest that wasn't working. The question was asked, as Chris said, and I was assured by the answer. It was unknown to me at the time, but I was assured that that's the way that the property market works.

[455] **Mr Anning:** Sir, you're saying there is a conflict of interest. My position to you is that there is no conflict of interest because there is an identity of

view that is identical on Brackla post exchange of contract, prior to sale, because it is in the interests of both parties.

[456] **Darren Millar:** Okay, Mr Anning. You've made your view perfectly clear. But, quite clearly, some of your fellow board members did feel that a question needed to be asked, and had concerns over conflict of interest, whilst you may well have been satisfied, as you've already stated on a number of occasions. Aled, did you have any further questions?

[457] **Aled Roberts:** Well, I'd say the conflict of interest would be that the taxpayer wanted the best possible price and the buyer wanted to get the cheapest possible price. Surely that must be a conflict.

[458] **Mr Anning:** The price was fixed at the point in time that Lambert Smith Hampton came to us for consent.

17:00

[459] **Aled Roberts:** But points of time can be very convenient, can they not?

[460] **Darren Millar:** Okay, Aled. Andrew.

[461] **Andrew R.T. Davies:** [*Inaudible.*]—no questions.

[462] **Darren Millar:** Mike.

[463] **Mike Hedges:** Just one question really. Everybody's got 20:20 hindsight. I've tried to put myself in the position of the four of you on the board. If I'd been on the board at that time, the question I would have asked was: why not apply for outline planning permission on the sites that we think are able to have residential development, and why not sell them off as individual sites? Did you consider that and, if you did, why did you reject it?

[464] **Mr Breeze:** Yes, we did consider it. The fund was not set up as a property development fund. It was set up as an investment vehicle. That was our goal: actually to make sure that there was investment in regeneration projects. So, whilst we took that into account, we were also taking into account the pipeline—the very fast growing pipeline—of need; we needed the cash to invest in projects and that's why the decision to sell the portfolio on the basis of the advice that we had was made. I think that is recognised in the auditor general's report: that it was a reasonable decision at the time.

[465] **Jenny Rathbone:** In terms of conflicts of interest, I wondered if we can just discuss the role of Mr Geen, who was a member of your board, but, once you'd agreed the asset plan, in March 2011, he announced that he had a potential conflict of interest as he might be asked to act for the purchaser. I wonder if you could describe what your view was on whether Mr Geen should resign forthwith or whether he should be asked not to act for the purchaser, given his role on the board.

[466] **Mr Breeze:** Perhaps I'd better pick that up. When Jon Geen was approached, he did the right thing and he made the declaration immediately to the Welsh Government. I think we were then faced, from my point of view, with what action should be taken. I think at the time I was chair of the board—the previous chair had left, so I'd actually stepped into the chair from being a member. My—

[467] **Jenny Rathbone:** Hang on. He made this declaration in March. Mr Lewis was still the chair until the July, was he not, of 2011?

[468] **Mr Breeze:** I think, if I remember rightly, Mr Lewis actually—. I formally took over as chair in October 2011. Mr Lewis left the organisation before that, but I believe he was away, unwell, at a certain time. So, I was filling in the gap, basically, while he was away.

[469] **Jenny Rathbone:** I understand that. But, according to the WAO, he resigned in July 2011. I appreciate you weren't the chair at the time, but you were a member of the board.

[470] **Mr Breeze:** I was standing in as the chair and, because of the gap, because Mr Lewis was not in work, I was actually taking on then the role in his place. So, I dealt with the issue of Jon Geen after he made a declaration.

[471] **Jenny Rathbone:** The issue was raised by Mr Geen—

[472] **Mr Breeze:** It was.

[473] **Jenny Rathbone:** —in March 2011, when you were a member of the board and Mr Lewis was the chair. At that point, what consideration was given to what was quite a substantial conflict of interest?

[474] **Mr Breeze:** Mr Geen made the declaration to Amber, who passed it on

to the Welsh Government. The matter was referred by the Welsh Government to the board. As the chair, I must have—. Mr Lewis wasn't there because I was actually acting in that capacity. So, the decision—

[475] **Jenny Rathbone:** Oh, even in March, you were acting as the chair.

[476] **Mr Breeze:** Yes.

[477] **Jenny Rathbone:** Okay. I didn't realise.

[478] **Mr Breeze:** At that time. I can't remember the exact dates. But I wouldn't have actually got involved with the decision if the original chair was in place. I considered it very carefully. My immediate priority was what action should be taken to actually put in place the right sort of arrangements. The right arrangements were put in place via direction of myself and the board and Amber.

[479] **Jenny Rathbone:** Can you just describe what you think the right—

[480] **Mr Breeze:** The arrangements were that Jon Geen would not take part in any discussions—I'll come back to that in a moment—papers weren't copied to him; papers were redacted: all the proper arrangements to make sure that there was no conflict of interest arising. Mr Geen offered to resign. There was a question then, 'What should I do?' I believe I came to the right decision at the time. Jon Geen had been with us for about two meetings or so. He'd gone through the whole public appointments process. It was a very small board. I didn't want to lose the experience and expertise of Jon Geen. The main point, I think, to make is that I thought that the sale process would be covered within two meetings or so and Jon Geen would be back to us, because of the expertise that he's got on investment. It didn't work out that way. I didn't have a crystal ball. I think, looking back, if the board had been bigger, it would have been a different matter altogether, but at that point we were down to three on the board, and I didn't want to lose him at that point. As it turned out, it went on for much, much longer and, had I known that at the time, I think the decision would have been different.

[481] **Jenny Rathbone:** Alternatively, could you not have asked him not to act for the putative purchaser and, if his firm wanted to act, somebody else with some Chinese walls could act for that company?

[482] **Mr Breeze:** I think the decision to act was a matter for Jon Geen. I

understand—. I think in terms of the discussion at the outset, I believe he had discussions about possible conflicts of interest. I don't think it actually went to the level of, 'Should you accept business or not?' I know, since then, the Welsh Government has taken action to address all those issues for the future.

[483] **Jenny Rathbone:** Okay. In your deliberations as to how this should be handled, did you discuss this with the Welsh Government?

[484] **Mr Breeze:** No, because the Welsh Government had referred it to me. So, my immediate—

[485] **Jenny Rathbone:** So, the Welsh Government—. It went to Amber and then Amber took it to the Welsh Government and then it came back to you?

[486] **Mr Breeze:** It went to Amber as a member of the fund, who referred it to the other member of the fund, which was the Welsh Government, and it came back to me as the board, and I actually then put in place the arrangements to make sure there was no conflict.

[487] **Jenny Rathbone:** But you didn't have any discussion with the Welsh Government about what was going to—

[488] **Mr Breeze:** I didn't, personally, have any discussion—

[489] **Jenny Rathbone:** —be the appearance of the conflict.

[490] **Mr Breeze:** No. I didn't have any discussion, no. I made the decisions in the interest of immediately removing the conflicts—as I said, in the expectation that he may miss one or two meetings and then it would be back to the normal business of investment.

[491] **Darren Millar:** Can I just check two things? Can I ask you a direct question? Why didn't you, as a board, seek a fresh valuation prior to the disposal of the portfolio?

[492] **Mr Breeze:** Do you want to take that, Richard?

[493] **Mr Anning:** The decision was taken, primarily against the King Sturge report, which is what we were marking the performance of the fund against. We were in a market that was declining, and, therefore, at the time, on the

basis of the professional advice from Lambert Smith Hampton, we were seen, as far as we saw it, to be outperforming the benchmark that we had been given. Once there were the questions raised, we appointed—the board appointed—Colliers to give us the advice, but it is acknowledged that that was some time after.

[494] **Darren Millar:** The King Sturge valuation, though—. I'll bring Andrew in. Go on, Andrew.

[495] **Andrew R.T. Davies:** I just want to clarify this position because, several times this afternoon we've heard the term 'declining market', and I appreciate the opening comments from everyone on this board before us as witnesses today that, in fairness to you all, you weren't property experts in the sale of commercial property—I fully accept that. But I refer you again to this comment from Savills in their valuation report to South Wales Land Developments, dated January 2012, which would have been looking back on the property market in 2011. It clearly says:

[496] 'Cardiff residential land values, particularly in the suburbs have recovered almost to pre crash levels in early 2007 and in most cases were sold by tender with competitive bidding.'

[497] That doesn't sound to me like a declining market. It sounds to me like a competitive market. I did hear what you said in your opening remarks.

[498] **Mr Anning:** May I come back on that? You're comparing apples and pears, I'm afraid. You are making use of the Savills report, which I haven't seen, but which, from the statement you've read, would appear to relate to land with planning consent immediately available for development.

[499] **Andrew R.T. Davies:** It's making a comment of the market—

[500] **Mr Anning:** But that was the market for residential land with planning consent immediately available for development. The subject land was not—

[501] **Darren Millar:** Just to clarify this, the Savills market valuation included hope value on Monmouth and Lisvane, and also reflected some overage terms, but the King Sturge market valuation, which is what the board appears, according to you, Mr Anning, to have relied upon to give itself some comfort that the value you were realising was reasonable, was, of course, a market valuation that didn't include, even if you take out any hope value on

any of the sites—it's still more than was actually paid, isn't it?

[502] **Mr Anning:** Perfectly correct. But we've never seen either King Sturge report, and we had no knowledge of the second element of the King Sturge report.

[503] **Andrew R.T. Davies:** I just want to clarify that the Savills report that I'm referring to that's in the auditor general's report is talking of the valuation of the assets as at 2012, as I'm reading it here in this letter. It says it is their valuation report. So, it is valuing the properties as they stand in 2012. I stand to be corrected on that.

[504] **Mr Anning:** May I just look at the auditor general's report? There is a schedule in the auditor general's report.

[505] **Darren Millar:** Yes. We've got a copy of the schedule in front of us. It's pages 104 and 105.

[506] **Mr Anning:** It's the appendix that we're looking at, is it?

[507] **Darren Millar:** Yes. I mean, one thing we have been made aware of, from the Wales Audit Office, is that a copy of the King Sturge report and valuations was provided to Lambert Smith Hampton and Amber, but you say you had no sight of it.

[508] **Mr Anning:** Correct.

[509] **Darren Millar:** Did you not feel as though you should have had sight of it before you took a decision on whether to dispose of £20-odd million-worth of land—public assets?

[510] **Mr Anning:** No, because we'd been told about a transfer of land between Welsh Ministers and RIFW, which we understood, to all intents and purposes, was the market value. That was based upon the King Sturge report.

[511] **Darren Millar:** But that was on existing use, yes?

[512] **Mr Anning:** We weren't told that it was based on existing—

[513] **Mr Breeze:** We understood that it would be at open market value. Can I

also say, just in relation to the Savills point that you mentioned—? I'm sure you've seen it—it's the advice received by the board in April 2012 from Amber and Lambert Smith Hampton, which was about the forecast. It was a very, very detailed and very dismal forecast. So, you know, that was obviously key information in terms of the board's considerations.

[514] **Andrew R.T. Davies:** I could speculate why, and many people could as well, but that is a statement from a reputable company that undertook a valuation of the land for South Wales Land Developments. It's dated January 2012. I'm presuming they're not redacting it, and it shows a market in robust health, I would say. I'll just put that in the public domain because I've heard it three or four times—a declining market. That was not the case, I would suggest, in 2011. I do take the point that we can all look back with hindsight. I do take that point on board as well, but we have to deal with reality here, and a huge sum of money has been lost to the public purse here and we need to get to the bottom of why that money was lost.

[515] **Mr Anning:** With respect, sir, if you look at the appendix, the Savills valuation was £3.5 million to £4 million, taking it on an individual basis, and, of course, you're looking at the apportionment figures, and I earlier explained that Lambert Smith Hampton and Amber negotiated lower figures, as far as we were told, on Lisvane and Monmouth. So, I'm not quite sure—. There's their figure at that date: £3.5 million to £4 million.

[516] **Andrew R.T. Davies:** Could I ask you, then, and I appreciate maybe if you do look—and the auditor general's letter is in the public domain—at the comment from Savills that was in their report? I'd welcome your observation, once you've had time to reflect on it, or are you just quite happy with the statement you've just made? Because, frankly, the statement that Savills have made is pointing to a robust market, in a competitive market, that land like the Lisvane land was put to the market, that there were numerous bidders for it, and the prices were attractive to the sellers.

[517] **Mr Breeze:** We'd be happy to review that and write to you.

[518] **Darren Millar:** Can I just say that we started this line of questioning asking why you didn't feel it necessary to have another valuation of the land? Your response suggested that you were comfortable, given the King Sturge valuation, that that was an appropriate value that you could realise for the land, even though the King Sturge market valuation was based on existing use rather than any sort of hope value being attached to it or any overage

being attached to any of the conditions on the disposal of the site. Yes? But you didn't ever see a copy of the King Sturge valuation, did you, as a board?

[519] **Mr Anning:** Correct.

[520] **Darren Millar:** And you still felt it appropriate to proceed with £20-odd million-worth of taxpayers' assets being disposed of?

[521] **Mr Anning:** Because we had no reason to believe that the transfer between Welsh Ministers and RIFW was not an arm's-length transaction at market value.

[522] **Darren Millar:** And just finally, you've asserted that, based on the advice that you received, you believe that the decisions that you made as a board were responsible decisions—the right decisions. Based on what you know now—that there were other offers on the table that were not communicated to you, that there were other material pieces of information that were not shared with you as a board by either Amber or Lambert Smith Hampton—are you disappointed in their advice to you as a board?

[523] **Mr Holley:** I'd have to say 'yes'. We are disappointed. I think I've said publicly before, and I'll say it again: like every other organisation, you ask for advice off people you employ and you accept that advice and, you know, it is disappointing if that advice is sometimes wrong.

17:15

[524] **Darren Millar:** And you'd all concur with that statement. Because they led you to believe, didn't they, that there had been a second offer from Rightacres on this portfolio of land—yes? Yes.

[525] **Mr Breeze:** It was an expression of interest—

[526] **Darren Millar:** An expression of interest.

[527] **Mr Breeze:** —and we asked them to pursue it.

[528] **Darren Millar:** Okay.

[529] **Mr Breeze:** And they did pursue it and then came back and then it went with the other purchaser.

[530] **Darren Millar:** Okay. Are there any further questions from Members? Are there any further comments to conclude?

[531] **Mr Holley:** If you don't mind, Chairman, this has been—. To put it bluntly, if we were asked to do it again, I don't think any of us would have come forward to do it, on the grounds that, you know, we've put an awful lot of effort into a project that we believed was for the benefit of the whole of Wales, and we've actually had quite a torrid time over the last couple of years. But we welcome the chance to come here and put a few things right. One thing I'd like to say is that I'd like to thank Ceri, particularly, as chairman of the board. Considering the circumstances that he's employed by the Welsh Government and has also had the role of an independent arm's-length company, I think he's done a remarkable job and I want to publicly thank him and Richard for their work in doing it. And I welcome the opportunity to have come here and put the record straight.

[532] **Darren Millar:** Well, we're very grateful for—

[533] **Mr Breeze:** Can I just add, Chair—?

[534] **Darren Millar:** Ceri, very briefly.

[535] **Mr Breeze:** We submitted a paper to the committee, which you've seen; that focused on the district valuer's valuation, which is obviously a major concern. It did actually say that we hadn't seen the DV's report at the time; we have seen it since, we have looked at it very carefully and we do have further views. We haven't been able to complete the analysis, because some of the information—appendix J with the calculations—is redacted. Would it be helpful for us to provide the committee with any comments?

[536] **Darren Millar:** If there is any material information that you feel should be shared with the committee, then we'd be very happy to receive it as part of our inquiry.

[537] **Mr Breeze:** Okay. We'll do that.

[538] **Darren Millar:** If I can thank you, then, Richard Harris, Chris Holley, Ceri Breeze and Richard Anning for the oral evidence that you've provided to the committee. You'll be sent a copy of the transcript from today's proceedings. If there are any factual inaccuracies in there in terms of the

record, please feel free to send any amendments through to the clerks and we'll correct the record for you. We do appreciate you taking the time to help us with our inquiry. Thank you very much, indeed.

11:20

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**
**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd o weddill y exclude the public from the
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in
17.42(vi).*

*accordance with Standing Order
17.42(vi).*

Cynigiwyd y cynnig.

Motion moved.

[539] **Darren Millar:** Item 6, then—motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the rest of our business. Does any Member object? There are no objections, so we'll go into private session.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 17:20.

The public part of the meeting ended at 17:20.