

Public Accounts Committee

Inquiry into the Regeneration Investment Fund for Wales

Correspondence from Mr Langley Davies, Director, South Wales Land Developments Limited

Email dated 14 October 2015 to Darren Millar AM, Chair of Public Accounts Committee

Mr Millar

My name is Langley Davies and I am a Director of South Wales Land Developments Limited. You will be aware that in March, 2012, SWLDL purchased a portfolio of land from RIFW a body which is subject to current review by the PAC.

I have copied to you below a note sent to Mike Usher of WAO yesterday. We have some concerns that the current position of our business in relation to the sale of certain of the assets has been mis-represented. The note is reasonably self-explanatory.

I trust you will pass this information on to the other Committee members whom you represent.

Langley Davies

Email dated 13 October from Langley Davies to Mike Usher, Wales Audit Office

Mike

I was sent a note yesterday by Nick Servini asking me to comment on the Auditor General's note below which I understand has been presented to the Public Accounts Committee:-

"I note in particular that that strategy has to date yielded total gross receipts for South Wales Land Developments of £16.93 million from onward sales of just 3.5 of the 15 assets that they purchased from RIFW"

I gather from your note last evening that the £16.93m above refers to the sale of Pyle, Bangor, Monmouth and Aberdare.

Since we have not yet completed on the Monmouth sale we have had no receipts at all on Monmouth and we still have some obstacles to overcome in terms of completing on the deal which in any event is structured over three years. If we do complete on the site at the exchanged figure of £12m prior to Christmas, the RIFW overage of 50% will obviously be deducted from any receipts to SWLDL and the £12m in any event is payable by 3 annual

instalments. Both of these significant facts seem to have been ignored in your calculation of our receipts to date.

To say we have gross receipts to date of £16.93m is therefore wholly inaccurate.

I hope this will not cause too much embarrassment to WAO and the Auditor General but I think the Public Accounts Committee ought to be made aware of such significant inaccuracies. Land Registry records would have been a good indicator of what's been achieved to date.

On another note I can only assume that the comments of the Auditor General have been misinterpreted by the media. It is being suggested in the media that sales of 3.5 of the assets has generated circa £17m which might go a long way towards paying off the original investment.

As stated above we have not yet received any such amount and such conjecture takes no account of the overage payable on Monmouth at 50% or the instalment payment profiles now demanded by the major house builders that can cause receipts to be delayed for up to 3-5 years on major sites. This conjecture is also commercially naive as it ignores the running costs associated with the administration, maintenance and promotion of this portfolio over the last three and a half years and more significantly the interest charges arising over the period of ownership together with the significant capital spend on enhancing the commercial assets.

Langley Davies

Public Accounts Committee

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Email exchange between the Wales Audit Office and Legal Advisers of Mr Langley Davies (12 October 2015)

Dear Mr Hudson,

Thank you for your email of today's date.

You questioned the basis of the information contained within the Auditor General's letter of 7 October 2015 to the Public Accounts Committee to which you refer below.

I can confirm that the figure of £16.93 million is taken from information provided by LSH.

I should like to refer you to:

1. Paragraph 9.19 of LSH's written submission to the Public Accounts Committee (available on the Committee's web-site), which discloses the sale of part of the Monmouth site by SWLD for £12 million; and
2. Paragraph 3.129 of the Auditor General's report on RIFW, which references the sales by SWLD of the Aberdare, Bangor and Pyle (7 of 13 acres) sites for £0.43 million, £2.5 million and £2.0 million respectively. I can also confirm that both LSH and Jonathan Geen had ample opportunity to comment on the factual accuracy of that paragraph prior to publication of our report.

I hope that this clarification, which I am copying to Langley Davies per your request below, is helpful to you.

Mike Usher

Wales Audit Office

Dear Sir

Auditor General: Public Accounts Committee

We act on behalf of South Wales Land Developments. A representative of our client has contacted us today to inform us that the BBC are quoting statements from page 9 of the letter of the Auditor General, which has been published on the Public Accounts Committee website as follows:

“I note in particular that that strategy has to date yielded total gross receipts for South Wales Land Developments of £16.93 million from onward sales of just 3.5 of the 15 assets that they purchased from RIFW”

We are instructed that this statement is factually inaccurate (in fact it is inaccurate by a significant margin) and as it is published as an apparent statement of fact, it has a detrimental impact on our client.

Please confirm that you will immediately retract this statement and confirm by return that this has been done. Should you wish to clarify the correct position then we are instructed to ask you to contact Mr Langley Davies. We understand that you have appropriate contact details but if not then please let us know and we will arrange to pass those on to you.

David Hudson
Partner
Acuity Legal Limited