

Public Accounts Committee

Inquiry into the Regeneration Investment Fund for Wales

Correspondence from Mr Ivor Cook, Swansea

Email dated 11 October 2015

Dear Mr Millar

I am writing to you in your capacity as Chairman of the Welsh Government's Public Accounts Committee.

I am the promoter of a major development project known as Royal Fern at Llangyfelach, Swansea within a few hundred metres of Junctions 46 and 47 of the M4.

In autumn 2010, I was encouraged by Welsh Government officials to submit an application for RIFW funding, ie a repayable loan, to enable the development to proceed. The loan required was £15 million to be secured against an Agreement with Persimmon Homes South Wales, who were to pay £25 million at the minimum rate of £2.5 million per annum in respect of 135 luxury houses. The £15 million was required to construct an 18 hole golf course, a nine hole golf course, club house, academy facilities, and planning permission was in place for the entire development. Consent was also in place for 80 luxury timber lodges. The projected outputs of the project was some 250 jobs and a £30 million per annum benefit to the Swansea Bay Region in respect of leisure and tourism.

After many months delay, due to (I was informed), the fact that RIFW was putting together a business plan, I was pressed to submit an application in June 2011, which was done. The response from Lambert Smith Hampton (Property Advisers to RIFW) was that my scheme was "as ideal RIFW project" and that our application would become "the template for RIFW projects".

Then matters started to go awry. Whilst we were originally advised that RIFW could make a £15 million loan available, in early 2012, I was advised that there was a £10 million cap. I had sought for some 18 months to ascertain from RIFW what interest rates it would charge on any loan, but with no response. When pressed in February 2012, Lambert Smith Hampton (who clearly did not have any knowledge of the Royal Fern Project) advised that a lending rate "of 12 to 14 percent would be applied to any loan".

Shortly afterwards, RIFW withdrew its interest in Royal Fern as it thought that the project was "too complicated". "Complicated" comprised a £15 million loan secured by the UK's largest house builder, to be repayed out of £25 million receipts over 10 years.

I was, and still remain, astounded by [REDACTED] how RIFW was set up and operated, both within Welsh Government and RIFW, and it gives me little

pleasure (but no surprise) that there was almost no transparency in RIFW's property dealings (as well as it's dealing with applicants for funding).

In conclusion, I have closely followed the machinations of RIFW, Welsh Government, Amber Infrastructure and Lambert Smith Hampton in this matter. I have been contacted by and have had many conversations with the Welsh Audit Office, and I know they still have numerous questions that they feel need addressing, which were not raised in their Report.

In conclusion, with the full support of Byron Davies MP, it was suggested to me that I submit a list of questions (Annex A) which I hope you and your colleagues on the Public Accounts Committee will see fit to ask.

Should you require any additional information, please do not hesitate to contact me.

Yours sincerely

Ivor Cook

Annex A

Questions:

Which official(s) commissioned the list of properties to be sold to RIFW and what selection process was followed to determine how much the properties were expected to realise? Were the said officials professionally qualified to consider the choice of properties?

Who decided upon the overage provisions which were included in the deals for only one or two of the sites disposed of, and why was the percentage overage so low (30%)?

Why was overage not included in respect of all of the sites?

Why were the properties not sold direct by Welsh Government to Developers, instead of them being sold to RIFW and then subsequently sold on by RIFW? The process adopted, presumably, resulted in "double" legal cost, Stamp Duty, agents fees and other disbursements.

How much was expended on the above mentioned disposal costs, by (i) Welsh Government and (ii) by RIFW bearing in mind that RIFW's costs were paid out of Welsh Government/EU provided Funds?

Did Welsh Government officials consult with the in-house Compliance Team to ascertain whether the procedure adopted (sale of property to RIFW followed by private treaty sale(s), without competition by RIFW to end-purchasers) was appropriate? If so, what advice was received; if not, why not?

Did officials consider that, following the property disposals to RIFW that they should continue to exercise "stewardship" over RIFW in respect of, not only the receipts from the disposals, but also in respect of the additional cash sum injected into RIFW by Welsh Assembly to "top up" the deficiency in monies required to match-fund EU input?

It was reported that Welsh Government paid a sum of circa. £12 million cash into RIFW to top up the match funding to enable EU funding to be forthcoming. When added to the reported £22 million receipts from the property, this resulted in a total monetary input by Welsh Government of some £34 million. Welsh Government's match funding requirement was £30 million, so why did RIFW receive £4 million more than was necessary to unlock £25 million of EU funding?

Out of the total funding eventually received by RIFW (property receipts and cash) how much has been spent on fees/expenses/disbursements etc paid to Amber Infrastructure and Lambert Smith Hampton?

Arising from the last question, prior to any payments out of the RIFW fund to applicants, how much was left in the fund? How much is left in the fund at today's date?

It is understood (from *Week In Week Out's* documentary and other sources) that the RIFW Board was not advised of Lambert Smith Hampton's clear conflict of interest in acting for RIFW and the prospective of Welsh Government's property. What due diligence did the RIFW Board and Assembly officials carry out in respect of Lambert Smith Hampton's appointment (bearing in mind that Welsh Government appointed Lambert Smith Hampton - see Press Release of August 2010 (Annex B)?

In respect of the above question, was RIFW/Welsh Government aware of the case of Trustees of WASPS Football Club v The Lambert Smith Hampton Group, where the High Court found that LSH had "failed to make proper planning enquiries in respect of a property and also undervalued the asset at less than one third of its actual value!"

RIFW was established originally to assist with development and regeneration projects in Wales, and it was envisaged that such projects would be private sector promoted. How is it that the only funded project so far assisted is comprised a multi-story car park in Neath where the grantee is Neath Port Talbot Council? Should not have RIFW appreciated that Local Authorities have their own routes to securing funding, and that RIFW funding should have been directed to private sector, job creating projects?

Annex B

Amber and LSH selected to manage £55 million Regeneration Investment Fund for Wales (10 August 2010)

Amber Infrastructure Limited (Amber) with Lambert Smith Hampton (LSH), announce today that they have been appointed by the Welsh Assembly Government to manage the Regeneration Investment Fund for Wales (RIFW), a £55 million fund that will invest in urban regeneration focusing on building sustainable investment and growth throughout the region.

Amber, the leading sponsor and manager of social and economic infrastructure projects has been appointed as Fund Manager while LSH, the national commercial property consultancy, will provide the Investment Management services.

First announced in 2008 at the Welsh Regeneration Summit, the RIFW is the second European Regeneration fund to become operational in the UK, and through the scheme, Amber and LSH will help bring this new public-private mode to the market place.

The fund has been set up by the Joint European Support for Sustainable Investment in City Areas (JESSICA), an initiative established by the European Union in 2006, to enable the creation of recyclable regeneration funds that are run by the private sector.

The RIFW will be capable of providing loans, equity and guarantees to secure future growth and competitiveness in the region. The increased investment is expected to act as a catalyst for the construction of a diverse range of developments throughout Wales, many of which have been impacted by the economic downturn.

Amber is also currently working on a separate regeneration project in Wales, the Welsh Investment Strategic Partnership (WISP), developing Grade A offices throughout the regional centres of Wales and encouraging businesses to inwardly invest in the area.

Leo Bedford, Project Director, Amber Infrastructure, commented; 'We are delighted to have been selected by the Welsh Assembly Government to manage this pathfinder fund, which will help develop regeneration projects and support local economies throughout Wales. Amber is pleased to be at the forefront of this new and exciting way of financing urban regeneration across Europe.'

**Email dated 19 October 2015 from Mr Cook to the Public Accounts
Committee Clerk**

Thank you for your email of 15th October enclosing the letter from Darren
Millar AM

I have no concerns if the Committee wishes to publish my letter, as every
statement made therein is true.

Ivor Cook