

# Cofnod y Trafodion The Record of Proceedings

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[The Public Accounts Committee](#)

01/12/2015

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

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o'r Cyfarfod  
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from the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi 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 Davies	Ceidwadwyr Cymreig (yn dirprwyo ar ran Mohammad Asghar) Welsh Conservatives (substitute for Mohammad Asghar)
Mike Hedges	Llafur Labour
Alun Ffred Jones	Plaid Cymru (yn dirprwyo ar ran Jocelyn Davies) The Party of Wales (substitute for Jocelyn Davies)
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**

Langley Davies	Cyfarwyddwr, South Wales Land Developments Limited Director, South Wales Land Developments Limited
Alastair McQuaid	Swyddfa Archwilio Cymru Wales Audit Office
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
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Claire Griffiths	Dirprwy Glerc
	Deputy Clerk
Joanest Varney– Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

*Dechreuodd y cyfarfod am 09:07.*

*The meeting began at 09:07.*

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

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. If I could, I just make the usual housekeeping notices and remind Members and witnesses that the National Assembly for Wales is a bilingual institution and that Members and witnesses should feel free to contribute to today's proceedings through either English or Welsh as they see fit. There are, of course, headsets that are available for amplification and for translation purposes. If you need assistance with those then please ask the ushers and they will provide it to you. I encourage everyone to switch off their mobile phones because these can interfere with the broadcasting equipment. Obviously, in the event of a fire alarm, we should follow the directions from the ushers.

[2] Members have received guidance on the new arrangements for the oral declarations of interest. Can I ask whether there are any declarations that any Member wants to make this morning?

[3] **Sandy Mewies:** Yes, Chair. As a commissioner, I won't be entering into any discussion about Commission accounts or indeed anything else that involves the Commission.

[4] **Darren Millar:** Thank you, Sandy. That will be noted. Julie.

[5] **Julie Morgan:** The Lisvane land that we'll be discussing is in my constituency of Cardiff North.

[6] **Darren Millar:** Rather than detail all of the oral declarations that we've had in respect of the regeneration investment fund for Wales inquiry in the past, I'll take it that everybody wants those registered for today's meeting as well. Is everyone content with that, to save just repeating ourselves? Okay. Any further declarations? There aren't. That's terrific. Thank you very much

indeed.

[7] I want to put on the record that we welcome Nur Saleh from Global Partners Governance to our committee today. She's just here observing the committee arrangements in the National Assembly. I'm sure that all Members will want to give her a welcome.

09:08

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

[8] **Darren Millar:** Item 2 then: we've got a few papers to note. First of all, we've got the minutes of our meeting held on 24 November. I'll take it that those are noted. We've got a letter from the chief exec and clerk of the Assembly in relation to a voluntary exit scheme. I'll take it that that is noted. We can discuss this in private session later. We've got a further submission from Lambert Smith Hampton in relation to some further queries that we had in respect of our ongoing inquiry into RIFW. I'll take it that that is noted. And we've had a letter from the district valuer in respect of the valuation that he undertook of the various land assets within the RIFW portfolio, just clarifying his opinion on whether his work was Royal Institute of Chartered Surveyors-compliant. Can I take it that that is noted? Excellent.

09:09

### **Cronfa Buddsoddi Cymru mewn Adfywio: Sesiwn Dystiolaeth 6 Regeneration Investment Fund for Wales: Evidence Session 6**

[9] **Darren Millar:** We'll continue then with our inquiry into the regeneration investment fund for Wales. I should put on the record that we received two apologies this morning—one from Jocelyn Davies, and I'm very pleased to be able to welcome Alun Ffred Jones to the table; and one from Mohammad Asghar, and Andrew R.T. Davies will be joining us in a short while. So, continuing with our inquiry into the regeneration investment fund for Wales, this is our sixth evidence session on this particular matter. I'm very pleased to be able to welcome this morning to the table Mr Langley Davies, director of South Wales Land Developments Limited—welcome to you. Can I thank you for the written evidence that you've provided to this committee? That's been circulated to Members, and you'll be aware of our ongoing piece of work. Do you want to just state for the record what your

relationship with South Wales Land Developments is, and indeed with any of the other parties that have been involved in RIFW over the years? Over to you, Mr Davies.

[10] **Mr Davies:** I'm a director of South Wales Land Developments. I wasn't a director when the portfolio was purchased. I was charged with managing the assets when the portfolio was purchased within the UK, because they were purchased by Barclays Wealth, or a vehicle that became South Wales Land Developments, on behalf of Sir Stanley Thomas. He was a Jersey resident and his business had been conducted offshore for 20 years. It was transferred back into the UK to trade in the UK probably 18 months ago. I can't remember the exact date, but it came back to the UK and, at that point, the Barclays Wealth guys asked me to become a director of it as I was managing it in the UK in any event. So, my relationship is that I'm a director of South Wales Land Developments.

[11] The assets purchased in Imperial Park and Imperial Courtyard in Newport were transferred into a separate company, which is Imperial House Investments Limited, and I'm a director of that company as well. It was a different sort of asset base to the rest, which was predominantly land, so it seemed sensible to download it into more of an investment-type vehicle, because it's going to take a longer term to sort out and get let. So, they're the two businesses that I'm involved with directly in terms of the portfolio. I'm not sure about the latter part of the question.

[12] **Darren Millar:** In terms of your relationship as well, perhaps, with Lambert Smith Hampton, Amber, anybody else on the RIFW board—have you had any previous relationships with those?

[13] **Mr Davies:** Okay. Lambert Smith Hampton—in Newport, opposite the Imperial Park, Imperial House and Imperial Courtyard developments, I developed in 2004 to 2006, with a partner, two offices, which now house Target learning services and Beachcroft, and, in fact, Qualifications Wales are now a tenant. That development was opposite the Imperial House developments and Lambert Smith actually had done some work on office letting and office valuation in, probably, 2007/2008, and probably some ratings work on that business as well. That's about it.

[14] **Darren Miller:** So, you've known individuals at LSH since around 2007/08-ish?

[15] **Mr Davies:** Yes. They came into Cardiff quite late—. I've been doing property in Cardiff for—I think it was 1991 I kicked off Park Properties. So, I know quite a number of the agents. Lambert Smith came into Cardiff—they weren't around when I kicked off, I don't know when they actually established themselves in Cardiff, but they were a latecomer to the market, I think.

[16] **Darren Millar:** And just going back to the relationships between the different companies and Sir Stanley Thomas—so, Sir Stanley Thomas effectively set up this as an investment vehicle, South Wales Land Developments?

[17] **Mr Davies:** No. Sir Stanley Thomas's portfolio of assets are managed abroad by what was then Barclays Wealth, and is now Trust Corp, because Barclays Wealth retracted in Guernsey. So, his portfolio of investments is managed by trustees within that environment—as I've said, Barclays Wealth or Trust Corp. I'd previously had dealings with GST Investments Ltd, which is the vehicle that invests in businesses. We'd bought other businesses previously and he was involved in a business I had back in the 1990s, so I've known him for a number of years. That's how he manages his affairs, or how he did manage his affairs before he became a full-time resident back in the UK. He came back a couple of years ago. His father was in poor health and subsequently died and he came back and became a UK resident again.

09:15

[18] **Darren Millar:** I see. So, Sir Stanley Thomas was resident overseas, or in Jersey, back in the UK now, GST Investments was the investment vehicle, but the funds, as it were, were completely managed by Barclays Wealth.

[19] **Mr Davies:** He might have been the ultimate beneficiary, but the directors of SWLDL were Barclays Wealth trustees in Guernsey.

[20] **Darren Millar:** Okay. I understand. Right. As you are aware, we're trying to follow here the arrangements to determine whether the taxpayer got value for money from the assets sale. So, we've got a number of Members who've got questions on different aspects of the transaction and some of the stuff that went on before the transaction. So, I'm going to bring in, first of all, Aled Roberts.

[21] **Aled Roberts:** Rwyf eisiau **Aled Roberts:** I'll be asking my

gofyn yn Gymraeg. Rydych wedi esbonio'r berthynas rhwng y gwahanol gwmnïau. Felly, beth oedd y ffynonellau arian ar gyfer prynu'r portffolio penodol yma?

questions in Welsh. You've explained the relationship between the different companies. So, what were the funding sources for buying this specific portfolio?

[22] **Mr Davies:** Barclays Wealth trustees borrowed—. SWLDL borrowed the money from GST Investments, which is an investment vehicle for Sir Stanley Thomas's money. I don't know if people know he started a business here called Peter's Savoury Products, which he sold. He then built up TBI Ltd, which was an airports business—it owned Cardiff Airport, Luton airport and a number of airports. He sold those. He's got wealth that is managed by Barclays Wealth trustees, so they, ultimately, make decisions on his behalf, but they borrow the money from his pool of money. So, it was funded by Sir Stanley Thomas.

[23] **Aled Roberts:** Rwyf eisiau troi rŵan at y llythyr oedd yn cynnwys y cynnig cychwynnol ar ran Barclays Wealth Guernsey. Mae'r llythyr, sy'n ddyddiedig 4 Mawrth 2011, yn gofyn am brisiad yr asedau a baratowyd gan King Sturge ar gyfer Llywodraeth Cymru. Felly, a wnaeth yr adroddiad yna gael ei ryddhau i South Wales Land neu Barclays Wealth Guernsey ar ran y cwmni ar unrhyw adeg?

**Aled Roberts:** I want to turn now to the letter that included the initial offer on behalf of Barclays Wealth Guernsey. The letter, dated 4 March 2011, requests the valuation of the assets prepared by King Sturge for the Welsh Government. Therefore, was that report released to Barclays Wealth Guernsey on behalf of the company at any point?

[24] **Mr Davies:** No.

[25] **Darren Millar:** So, there was no information at all shared in relation to that valuation?

[26] **Mr Davies:** No.

[27] **Darren Millar:** But you were obviously aware, as you say in your statement, of the approximate value of the assets that had been transferred into the RIFW fund? And that was from Welsh Government's own statements on the matter?

[28] **Mr Davies:** I think it was reported in the press that RIFW was being

started with £10 million of cash and £20 million of assets, roughly. So, we knew it was circa £20 million.

[29] **Darren Millar:** Did you find it odd that they had disclosed roughly what the value of the assets was?

[30] **Mr Davies:** I didn't give it a lot of thought, really. I guess, when the JESSICA idea was there and it was being put forward, it was news. But it wasn't something that was of interest to me at that time. I did a bit of research when we started looking at the assets to see where values lay. I was more interested, as I said, initially, from a personal point of view, in Imperial Park.

[31] **Darren Millar:** Because of the history.

[32] **Mr Davies:** Well, not actually because of the history. We've always had an issue there—we still have, and we're trying to resolve it currently with Welsh Government—with parking. We've got 800 to 1,000 people working there and we've got inadequate car parking. I was looking at Imperial Courtyard and Imperial House because they had an acre of land and they had other car parking within the site, so that was where I was coming from in terms of my initial enquiry.

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

[34] **Aled Roberts:** Os na chawsoch chi gopi o'r adroddiad gan King Sturge er mwyn i chi benderfynu beth oedd eich cynnig cychwynnol chi, neu sut wnaeth Barclays Wealth Guernsey wneud y cynnig cychwynnol, sut oeddech chi yn ymwybodol o beth yn union yr oedd wedi cael ei gynnwys o ran asedau o fewn y portffolio? Y safleoedd unigol, felly.

**Aled Roberts:** If you didn't have a copy of the report from King Sturge for you to decide what your initial offer was going to be, or how Barclays Wealth Guernsey made the initial offer, how were you aware of what exactly had been included in terms of the portfolio assets? The individual sites, I mean.

[35] **Mr Davies:** I had an initial chat with Lee Mogridge at Lambert Smith concerning the Imperial Courtyard and Imperial House. He said it was part of a portfolio being brought to the market by the RIFW and I asked what was in the portfolio because I'm in property and that's what I do. So, he said he'd provide me with some information sheets when they were available, but that I

shouldn't rely on them particularly because they were coming from Welsh Government. So, I got some sheets, I think probably three or four weeks later, which had the asset portfolio. They were pretty scant. A number of them were inaccurate, but that was all I had to base anything on.

[36] **Aled Roberts:** A oeddech yn **Aled Roberts:** Did you know at the gwybod ar y pryd nad oeddent yn time that they weren't very reliable? ddibynadwy iawn?

[37] **Mr Davies:** Yes, they made that point.

[38] **Darren Millar:** Is it on this, Ffred?

[39] **Alun Ffred Jones:** Yes.

[40] Beth ydych chi'n ei feddwl What do you mean when you say that wrth ddweud eu bod nhw'n they were 'inaccurate'? In what way '*inaccurate*'? Ym mha ffordd yr were they inaccurate? oedden nhw'n *inaccurate*?

[41] **Mr Davies:** Well, for example, the Wrexham sheet that was provided to me told me that I was potentially buying 137 acres in Wrexham on the Wrexham industrial estate, which turned out to be 16 acres.

[42] On Imperial Park, Newport, the actual acre of land that I was after in terms of car parking turned out to be not included in the sale, and was actually owned by Newport City Council. That type of information. They were very scant, one-page sheets. I don't know if they've been made available to the committee, but, as said, things changed. Also, some of the assets had been sold or removed from the portfolio as well.

[43] **Darren Millar:** Were you shocked by the quality of that information? We've been told as a committee that a heck of a lot of work went in by Welsh Government officials preparing that information so that everything was ready to go, as it were, once these assets were transferred to—

[44] **Mr Davies:** As part of my attendance today, I've read all of the papers associated with the committee. This is wholly inaccurate. I pulled the title report that we had when we actually purchased. We had 99 defective title issues. I've read that Blake Morgan, or Morgan Cole, had tidied the portfolio up. We did this sort of warts-and-all thing, but we didn't realise quite how

many warts there would be. We had 99 title issues. We've had insurances after we've purchased in terms of defective title and we've had to insure on the sale against other covenants and also defective titles. So, they weren't in a tidy state at all.

[45] **Aled Roberts:** Mae sylw Mr Mogridge hefyd yn awgrymu nad yw'n synnu am stad y teitl chwaith. Roeddech yn dweud ei fod o'n dweud wrthy ch i beidio â disgwyl gormod. A yw hynny'n awgrymu bod rhyw fath o ddarganfyddiad fod y ffordd yr oedd Llywodraeth Cymru'n rheoli'r tir a'r teitl, hwyrach, yn wybyddus o fewn y diwydiant?

**Aled Roberts:** Mr Mogridge's comment also suggests that he wasn't surprised at the state of the title either. You said that he told you not to expect too much. Does that suggest that there was some kind of perception that the way that the Welsh Government managed the land and the title was known within the industry?

[46] **Mr Davies:** No—well, maybe, but not to me. His comment was that they weren't Lambert Smith details or Lambert Smith documents and they weren't prepared by him. So, I couldn't rely on him in terms of the information.

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

[48] **Sandy Mewies:** Just on the points. It was quite a large land transaction, depending on, I suppose, where you are in the game. But were you surprised at—? Is it usual to have, at the start of such an undertaking, information that was scant, as you describe, and the title not proven in so many parts of it? Is it unusual or would you assume to yourself, maybe, 'Okay, that's the basis from which we'll start and we'll go into more discussion'?

[49] **Mr Davies:** That's pretty much it. I don't know if it's unusual. I hadn't really dealt with a transaction like this previously.

[50] **Sandy Mewies:** Thanks. So, you took the position that you would go into this and discuss it more.

[51] **Mr Davies:** Yes. Subsequently, in terms of Imperial Courtyard and Imperial House, I was surprised at how those assets had been managed—

[52] **Sandy Mewies:** But you were able to find out enough to—you had insurance, if certain things arose.

[53] **Mr Davies:** Yes. For title defects, yes.

[54] **Sandy Mewies:** Okay.

[55] **Darren Millar:** Okay. Julie.

[56] **Julie Morgan:** Just on that—I just want to check what you said. The Courtyard turned out to be Newport county's—it belonged to the council, did you say, earlier on?

[57] **Mr Davies:** The Imperial House is two buildings—one house is GoCompare, and the other one is becoming empty pretty soon. Imperial Courtyard is six buildings, and, next to it, is an acre of land, which is developable, and would create a number of car parking spaces. I tried to buy that—I don't know, way back when—from Welsh Government, from the Welsh Development Agency, actually, so before the WDA disappeared. We spent quite a lot of time, and did quite a lot of work on it, detailing it for development of 20,000 sq ft, and car parking. It was suddenly withdrawn because one of the supposed tenants next door needed it for expansion, so we never got any further with it. It transpired at the death that Welsh Government had never owned that acre of land, and it belonged to Newport council. We've subsequently bought it. But, as I said, it was one of the inaccuracies in the portfolio.

[58] **Julie Morgan:** Was that a surprising inaccuracy, or does that happen a lot—you don't know who actually owns stuff?

[59] **Mr Davies:** No. Generally, you know if something is owned and something isn't. But, as I said, in working through, doing our due diligence on the portfolio as a whole, was it any great surprise at the end that they didn't own it? Possibly not, really.

[60] **Darren Millar:** Okay. Is it on this area of questioning, Andrew?

[61] **Andrew R.T. Davies:** Yes. Thank you very much for coming in today, Mr Davies, and giving us the benefit of your evidence today. We've had evidence—and you said you've read the papers—that the Government were very keen to dispose of this land, and, actually, price wasn't the actual motive in all this—to achieve the best price—it was more a case of just freeing up assets, as such. How would you describe the way that the

paperwork, and your initial dealings with the disposal of this land—? Because you give an impression here that it was very chaotic—you know, you had 99 defects. We've had people before us who have assured us that a huge amount of work—and that work wouldn't have come cheap; it would have cost the taxpayer quite a bit of money—was done to put all the things in order so that a sale could have been concluded in a timely manner. Would you say that there was an atmosphere around the sale of just wanting to get rid of the assets?

[62] **Mr Davies:** Well, I'd probably say the opposite, because I think we bid—and, you know, when you're bidding, you're sort of putting something in, where you say, 'Well, we'll have a look', and if our bid is acceptable, we want exclusivity so we can start to spend money on looking at title, on looking at the assets, on looking at valuations, on looking at planning. Me doing it in the first instance is—you know, I'm an accountant by background, I'm not a planner, so we need time to do that. We put in the bid, I think, in March 2011, and we did a deal in March 2012. So, they weren't in an extraordinary hurry to do it—I mean, it took a year to get over the line. Now, I'm used to commercial property, and the properties we do—if you're going to buy something, you do it in sort of a month or so, not 12 months.

[63] **Andrew R.T. Davies:** Even on a very spread out portfolio of property like this portfolio was? Because, obviously, you had a very diverse portfolio here, didn't you, not just geographically, but also in the type of property you were buying as well?

[64] **Mr Davies:** Yes, but 12 months is an extraordinarily long time to do any sort of deal. I mean, one of the issues I had, in terms of commitment to the deal from Sir Stanley, was that he had to put aside £20 million to say, 'Well, I will do this, or I won't do this. I will do this, or I won't do this.' And there were other places that he could have put that money. So, to keep him hanging on for that period of time was a difficult proposition.

[65] **Andrew R.T. Davies:** But did the time take so long because of, obviously, the conditions and clawbacks, for example, that would have had to have been discussed, or was it just the way it dragged on?

[66] **Mr Davies:** It was the legal process of transferring the assets from Welsh Government to RIFW, which hadn't taken place.

09:30

[67] **Andrew R.T. Davies:** That hadn't taken place. So, when you went to negotiations, Welsh Government were still the owners. RIFW—

[68] **Mr Davies:** They may not have been the beneficial owners, in that they may have been transferred into RIFW, but that hadn't been done at the Land Registry. So, in transferring legal title, as I understand it, from Welsh Government to RIFW, that's where Blake Morgan supposedly did their tidy-up exercise and all these things were transferred in. But in terms of tidy up, there are covenants that existed within the portfolio, which could have been cleaned up by Welsh Government. The title issue we've got in Imperial Park, for example, is that our boundaries around Imperial Park are clearly our boundaries—we've been maintaining them; there are hedges as high as that television screen up there all around the site—but in terms of title, we don't own the land up to the hedges. Now, we're trying to run adverse possession claims to tidy up the site and say, 'Can we have that?' and we can't find anyone in Welsh Government to say, 'Well, yes, it is; it's always been there. It's always been maintained and we had ownership of it.' So, those sorts of issues exist within the portfolio. That, supposedly, was tidied up when the assets were transferred to RIFW, but we've still got issues with them.

[69] **Andrew R.T. Davies:** This tidying up was supposedly being undertaken, I think I'm correct in saying from the evidence we've had, from about 2009 onwards, when the first working groups and all the rest of it were gathered into the Welsh Government, and then put into solicitors' hands and surveyors' hands. The sale concluded in 2012, I think you were saying, or part of the sale was agreed in 2012. We're talking three years there, and you're saying, even today, you've got issues over—

[70] **Mr Davies:** We've still got issues now around it. But, look, it may have been much worse, so I don't know—. They may have tidied up quite a bit of it, but not all of it.

[71] **Andrew R.T. Davies:** Thank you, Chair.

[72] **Darren Millar:** Jenny Rathbone.

[73] **Jenny Rathbone:** In your earlier response to Mr Davies, you said you wanted exclusivity. I wonder if you could just explain what you mean by that.

[74] **Mr Davies:** If you put a bid in to buy something, you don't want to be

gazumped, effectively. So, you ask for exclusivity in terms of the deal, so you can then spend money on lawyers and valuations, because you can run up quite a bit of money to be gazumped at the last minute. So, if someone gives you exclusivity, you've effectively got a clear run and they won't deal with anybody else.

[75] **Jenny Rathbone:** Even if you haven't yet agreed a price.

[76] **Mr Davies:** No, no—

[77] **Jenny Rathbone:** And you obviously weren't able to agree a price because—

[78] **Mr Davies:** No, no. You'd only get exclusivity if they've agreed a bid.

[79] **Jenny Rathbone:** Okay. So, you were attempting to get the agreement on the price so that you could then take this investment forward. Could you just explain these overage arrangements that were entered into on the Monmouth and the Lisvane site? How common is that sort of arrangement in property dealing?

[80] **Mr Davies:** It's reasonably common on bigger sites. There are two types of things that people do. If you're dealing with house builders—. For example, because we know Redrow pretty well now, because they're running the Lisvane planning application, and have been involved in Lisvane, in that site, for about 20 years, Redrow may do a deal where they would promote the site, run the site and they would want a market value deal at the end. So, they would pay no money for the site initially, and then they would simply say, 'If we get planning consent, and if we do a deal down the road, we will then pay you 75 per cent of the market value of that site at that time.' That would be one way of constructing a property deal. The other way is to say, 'We will buy the assets now, and if we get planning on it down the road, we will pay you an overage based on the value at the time, or the sales price.'

[81] **Jenny Rathbone:** So, if this was a common arrangement on large property deals, could you explain why it was only entered into in relation to the Monmouth and Lisvane sites?

[82] **Mr Davies:** No. I wouldn't have wanted to enter into it on any of them, really. I'm the buyer; that's sort of where I am. But in terms of Monmouth, I think Monmouth was, the way it was put to me by the RIFW guys, pretty close

to the line. They thought they would get planning; they were tempted to remove the property from the assets, and therefore, they wanted a 50 per cent overage on that site. We got planning on Monmouth, as it happened, three years later, and they will get a 50 per cent overage on that site, which will amount to between £4.7 and £5 million.

[83] **Jenny Rathbone:** So, if RIFW had asked for overage on other sites—

[84] **Mr Davies:** We wouldn't have paid the same money for the portfolio.

[85] **Jenny Rathbone:** Okay. You'd have either insisted on a lower price or you'd have walked away.

[86] **Mr Davies:** Yes. I saw some reference to overages being placed on Brackla. Brackla already had a planning—. You, generally, would expect an overage if something hasn't got a consent, but Brackla already had planning consent, so, I don't know how they were going to impose an overage on Brackla. I saw something on Anglesey. We sold Anglesey at just £55,000 and it was valued at £175,000, so it would've been an underage rather than an overage, I guess. So, you know, some of them just looked a bit silly. But in terms of Lisvane and in terms of Monmouth, they were relatively significant.

[87] **Jenny Rathbone:** Okay. So, could you just explain why, in your e-mail to Mr Millar, as Chair of the committee, that you are saying that you want the Government and RIFW to agree to the sale of the Monmouth site to the prospective buyer, without having agreed the overage arrangements? That is strange in terms of—you know, you normally set out the deal before you make the contract.

[88] **Mr Davies:** The way the overage is constructed in the contract between RIFW and SWLDL is that we will agree an overage and then complete with the purchaser. If you can't agree the overage for any reason, it goes to arbitration, and the arbitration process is a sort of eight-week process. Since RIFW has slowed down, we've provided them with information well ahead of this. I think we had to complete with the buyer—the structure was complete with the buyer—and serve an overage schedule upon RIFW. We did it three months in advance of that because we're not used to getting decisions back from RIFW now, or from Welsh Government, who run the RIFW thing as I understand it, very quickly. So, we issued it with three months of advance notice. We were getting queries back from Blake Morgan in terms of the calculations of the overage, which were fair enough, and we revised it and

we've been negotiating that for a period of three months.

[89] I think the reason we wanted that to happen is that we were due to complete with Barratt and Taylor Wimpey, who bought Monmouth, on, I think, about 5 October. We've not been able to complete, because we've not agreed the overage. So, what we said was, 'Well, look: let's complete with them. We will, at some point, have to agree the overage—there will be arbitration and it will be done'. I'm not giving anything away, but we're not too far away, as I said. So, given that that's going to happen in any event, what we said was, 'Look, let's complete. You keep the money'. So, Blake Morgan, on behalf of RIFW, keep the first tranche of money—the first £5.5 million or £6 million that's being paid. 'You keep it until we sort out our differences and then we'll spread the money out down the road'. That gives no risk at all to RIFW or to Welsh Government. They've got the money; it's held in escrow. Why not complete and let Barratt and Taylor Wimpey get on the site and get on with it? They can't get on the site and get on with it until RIFW remove their charges from the land, and they won't remove their charges until the overages are agreed. So, in this way, they could remove their charges and get these guys on site. There'd be no risk associated with that.

[90] **Jenny Rathbone:** Okay. It's not our job to enter into negotiations, but clearly, from the taxpayer's point of view, one would expect to see the overage agreed before the transaction takes place, certainly, because otherwise, there is no way in which this can be negotiated, effectively.

[91] **Mr Davies:** The legal process is that it can be negotiated. It will be negotiated, and sort of has to be, within a certain time frame from issue of the overage notice. The overage notice can't be issued until completion. So, it's sort of a bit circular and not very well done. We are very close. In fact, I was expecting something yesterday. We are very close to agreeing this and getting this done. That is probably the way in which it will be done.

[92] **Jenny Rathbone:** Okay, but all property deals tend to be circular developments. You know, people are selling one thing in order to buy another. Exchange of contracts all take place simultaneously. I think I've gone as far as I would want to go on this because it's not our job to negotiate this, but what we clearly want to see is that the taxpayer does get the benefit of this piece of land that was previously owned by the taxpayer.

[93] **Mr Davies:** I think that's a done deal. You know, it's £12 million, and

there are certain allowable deductions in the £12 million. Then it's 50/50 on the profit. So, as I said, it's going to be circa £4.7 million that's going to come back on the Monmouth site.

[94] **Darren Millar:** I'm going to bring in Mike Hedges in a second. Can I just ask: in terms of the overage terms, these are pretty standard terms, are they, that you are dealing with on these sites?

[95] **Mr Davies:** Monmouth's very high.

[96] **Darren Millar:** It's very high.

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

[98] **Darren Millar:** In terms of the percentage.

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

[100] **Darren Millar:** But in terms of the terms more generally, the length of the overage period, et cetera, et cetera, they're pretty standard.

[101] **Mr Davies:** Yes. I've seen longer overage periods where farmers have sold land to people—it may be 10 years hence or five years hence. It depends on how close these things are to getting some traction, but yes, generally—. Monmouth was put to me as, 'It's a done deal. It's over the line'. We did our own planning enquiries. We thought it was closer, actually, than it was. It went to committee and it got over the line by one vote at committee. So, it was more difficult than was anticipated. With 50 per cent, you're almost in the land of joint ventures.

[102] **Darren Millar:** You said that you've had extensive dealings in land in the past, including with the Welsh Development Agency, I think, and the Government, as it were. Are these pretty typical in terms of the terms that you would expect from the Government, from the WDA, from the Welsh Government and its predecessors?

[103] **Mr Davies:** I'll give you an example. On several of the sites, there were already overage deals in place. Looking at value, the district valuer's value and so on and so forth, he wasn't aware of all of this. He wasn't aware of all these title defects and so on and so forth. But on Monmouth, for example, there was an overage in favour of a particular seller to the Welsh Government

previously of 40 per cent of the value of the site if her land had been brought into the development. Now, our job was to maximise, in good faith, the public purse. In terms of this, her land happened to be sink land outside of the development, so didn't kick in in terms of overage on that site. But on other sites there were also overage deals. So, where farmers had bought land, where the Welsh Government had bought land, or the Land Authority for Wales or the WDA had bought land in the past, they've entered into overage deals on certain sites. Llandudno, again—and probably unknown to people—had an overage agreement. If the land was developed by the Welsh Government, there was overage. If it was developed by somebody else, there wasn't. So, there was another one on Llandudno. I can't think, but there are a few others as well, but there are overage agreements already in place on some of this land.

[104] **Darren Millar:** Right. Just to clarify, in terms of the Monmouth site, sold for £12 million, although the transaction is obviously still not quite complete, as it were, overage must have been around £9.5 million, 50 per cent of which is due, based on your own figures, which you've just given us, to the Welsh Government. You've made a real killing on that site, haven't you?

09:45

[105] **Mr Davies:** In terms of the purchase of it?

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

[107] **Mr Davies:** Well, you know, I didn't do the transaction not to make money. So, I'm not going to apologise for that. I mean, we did do it. We've run up certain interest costs. We've run up costs on the site. We've taken it forward from where it was and got consent on it. As I said, when it went to the vote, there was one person who got us over the line. It was won by one vote in committee. In terms of the run-through, it was almost removed from the local development plan during the LDP hearings. The reason for that is that there were other candidate sites in Monmouth, and it was said at the committee stage in front of inspectors that this site could be withdrawn because of the noise around the RIFW portfolio. So, it was almost withdrawn from the LDP during the course of this. As I said, we pushed forward, got planning consent with Barratt on it. We got a pretty good price for it. Other bids were in and around the nines and tens. We pushed Barratt up to a higher figure, but, actually, during the course of negotiations with them, they

decided that they couldn't proceed on the £12 million basis because they thought they would have too much risk in Monmouth. By risk, I mean that they probably would sell 30 houses a year; they were buying 360 houses—that was 12 years' supply, which is too long for them. They therefore found Taylor Wimpey to come in and buy half of the deal, so they wanted to de-risk the deal. So, Monmouth, as I said, wasn't quite as easy a ride as anticipated. Along the way, there were hurdles, where it could have been withdrawn and we could have been left with agricultural land.

[108] **Darren Millar:** But obviously the costs of that work have been covered as part of the overage agreement—

[109] **Mr Davies:** They'll be deducted.

[110] **Darren Millar:** You've got about £2.5 million-worth of deductions, haven't you, from the overage? So, again, there's a contribution effectively from the taxpayer towards that work.

[111] **Mr Davies:** Yes. Look, we've made money. And Welsh Government have as well.

[112] **Darren Millar:** You certainly made plenty of money. Mike Hedges.

[113] **Mike Hedges:** A couple of points: the first one is that you talked about the importance of going to planning committee—

[114] **Mr Davies:** Sorry?

[115] **Mike Hedges:** You talked about the planning committee being passed by one vote—

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

[117] **Mike Hedges:** Of course, if it had lost, you'd have gone to appeal, wouldn't you?

[118] **Mr Davies:** Very probably.

[119] **Mike Hedges:** And it came with the planning officer's recommendation of approval, which meant that the chances of it being given on appeal were fairly high.

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

[121] **Mike Hedges:** So, it's not really down to one vote—it just would have pushed it back a bit. You talked about exclusivity earlier. I've never been involved in buying land with exclusivity, but I've been involved with the sale of football clubs, and I assume it follows exactly the same principle that exclusivity only lasts for a certain period of time and you have to do things within that period in order for it to continue.

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

[123] **Mike Hedges:** How long did the exclusivity last?

[124] **Mr Davies:** We didn't have it.

[125] **Mike Hedges:** You didn't? I thought you said you—

[126] **Mr Davies:** We requested it.

[127] **Mike Hedges:** And they refused it?

[128] **Mr Davies:** We never had it.

[129] **Mike Hedges:** Can I just move on? We wouldn't be having this discussion now if Lisvane and Monmouth weren't in there. The whole of this investigation wouldn't have taken place if Lisvane and Monmouth hadn't been in the portfolio. Were there any problems with the ownership of the land regarding Lisvane and Monmouth? You talked about problems with title across the piece. Did Monmouth and Lisvane have problems with title?

[130] **Mr Davies:** Yes—not Monmouth.

[131] **Mike Hedges:** But Lisvane did?

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

[133] **Mike Hedges:** Substantial?

[134] **Mr Davies:** There were some issues in terms of title on Lisvane in terms of access to and egress from the site.

[135] **Mike Hedges:** You mean there was a ransom strip somewhere?

[136] **Mr Davies:** Certain covenants were in place around those sites, yes.

[137] **Mike Hedges:** Sorry. I'm probably not asking the questions correctly. You had this site in Lisvane. Was the acreage it said correct? You said there were problems with access and egress. Was that a ransom strip owned by a third party or was it some other—

[138] **Mr Davies:** There are third-party issues that Redrow are addressing around access to the site, yes.

[139] **Mike Hedges:** Sorry. Is that the ownership of a ransom strip or is—

[140] **Mr Davies:** It's not a ransom as such; it's the movement of certain land around the entrance to the site.

[141] **Mike Hedges:** Land that wasn't in the ownership of RIFW, which wasn't transferred to you and that now hasn't been transferred to Redrow.

[142] **Mr Davies:** Yes, that's correct.

[143] **Mike Hedges:** Lisvane, if it all takes off, will probably be more financially beneficial than Monmouth was, I would suggest to you; would you agree with that?

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

[145] **Mike Hedges:** What is the current position with Lisvane?

[146] **Mr Davies:** In terms of the planning position or—?

[147] **Mike Hedges:** The planning permission, which is the key isn't it?

[148] **Mr Davies:** Together with Redrow, we launched a planning application ahead of Lisvane's inclusion in the LDP. Lisvane was, last Christmas, promoted as part of Cardiff's ongoing LDP, and it's likely that Cardiff's LDP will be adopted, hopefully, in January/February next year. We put in a planning application three years ago, which effectively brings forward—. The north-south road runs entirely through our site and the east-west cross-

roads also run through our site, so, if you like, we were central to the whole development of possibly 4,500 to 6,000 houses in Lisvane. We met with a loose consortium very soon after buying the land and thought, 'This is not going to get off the ground'. They've been trying to do something, I think, for 20 years under Redrow and didn't have any agreements to go forward as a consortium; there was no consortium agreement in place. So, we decided to run our own planning application and see if we could get some traction doing that.

[149] We duly did that. We didn't get that determined by Cardiff council, so we appealed for non-determination on the site. That planning appeal went to an inquiry in June/July sort of time last year. The inspector has reported back to Welsh Government in August of last year, and it's sitting with Welsh Government now whether or not to give consent on that site. I think Welsh Government are waiting for Cardiff's LDP to make sure that they're consistent with the LDP. So, in other words, I think if our site gets included in the LDP in January/February, we may get a planning consent from Welsh Government thereafter.

[150] In the meantime, Cardiff council said, 'Look, we would like a more compliant planning application'. The original one was for 1,200 houses, there was a contribution towards education, but no school on the site. Cardiff came back and said, 'Look, we'd like 7.3m-wide roads, we'd like a school on the site, and we'd like 1,000 houses', and we put a second application, which was more Cardiff compliant, to Cardiff. I was told that if we did that, would we withdraw the planning appeal if we then got consent on the second application, but we never got consent on the second application either. So, that is still running. It is likely to go to a meeting on 10 February—that's our latest from Cardiff council. So, the second application may get a consent before the first, or the first may get a consent before the second, or neither of them may get a consent and the land may not be included in the LDP. So, that's sort of where we are. We're pretty hopeful that we'll get somewhere in the new year.

[151] **Mike Hedges:** My final question: one of the big problems for RIFW, for us and probably for you is that if land is agricultural, its value is relatively low and housing land in Lisvane would be very high in value. So, you've probably overpaid if it's going to stay as agricultural land, and the £20 million you paid for the whole portfolio is less than the Lisvane site would be worth on its own if it had planning permission.

[152] **Mr Davies:** Yes, if you'd had planning permission. But, remember, it was four years ago, the Lib Dems were in power, brownfield development. We thought it might get into an LDP—we gave ourselves 10 years, possibly, to get it into the LDP. It didn't, though. But, running our planning application has, I think, helped. It was contra-Cardiff-policy because it wasn't in the LDP, so we've run a planning application that is against Cardiff policy, which isn't, I don't think, a bad thing. That got the other landowners together. So, the other landowners have now loosely engaged Taylor Wimpey—TW—to talk about the rest of the site and bring that forward. Taylor Wimpey promoted the rest of the site and we promoted our site in the LDP, as I said, last Christmas.

[153] **Mike Hedges:** Okay.

[154] **Darren Millar:** Julie.

[155] **Julie Morgan:** Has the inspector queried that land in the secondary consultation that's taking place now, as part of the LDP?

[156] **Mr Davies:** I don't think so.

[157] **Julie Morgan:** No. So, it's very likely that you will get the planning permission.

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

[159] **Julie Morgan:** Just one general question: what view do you take of the whole portfolio of land that was put forward by the Welsh Government, with the two, namely Monmouth and Lisvane? How do you feel that was put together? What was the motivation?

[160] **Mr Davies:** I don't know that I can answer that. What I see in this forum, in terms of value for money, is, where we are currently and if Cardiff comes off—and let's assume Cardiff comes off—the portfolio will produce 2,700 houses pan-Wales. Within there, there will be about 650 affordable units. Now, those affordable units are sold to housing associations at £100,000 discount, at least, to market value. That's a £65 million or £70 million social dividend back to local councils. There will be £20 million-worth of section 106 contributions for schools, transport, infrastructure and public open space.

[161] That is 2,700 houses being built under the Home Builders Federation or Barratt, and look at their statistics. Those will create at least 10,000 permanent jobs—there's four permanent jobs for every house built. So, if you add that to what's coming back in terms of overage and what's happening throughout Wales, through the release of this portfolio to the private sector, I think it's a good deal for Wales. But then I would say that. But all those things are not considered in the Wales Audit Office report in terms of the value for money—it's a bit limited in terms of the fact that it doesn't go on to ask, 'Well, what's happening with these assets?'

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

[163] **Darren Millar:** Let's be clear, though, Mr Davies, you didn't buy these assets for philanthropic purposes, did you? You bought them to make a killing out of them. You've already made a killing, or are in the process of doing so, on the Monmouth site; you will probably do so on the Lisvane site as well. You were starting to sound a little bit like a spin doctor, to be honest, in some of your assertions just a few moments ago.

[164] Can I just ask you one question in relation to the line of questioning that Mike Hedges brought forward? In response to Mike, you said that you estimated that 10 years would be the approximate timescale for securing some planning gain on the Lisvane site—

[165] **Mr Davies:** A detailed planning consent over 10 years.

[166] **Darren Millar:** Detailed planning consent—

[167] **Mr Davies:** Because of the—. In terms of doing it as a consortium and getting together with a group of people who—. I understand the rest of the landowners still haven't got an agreed split of their land—they haven't put together an equalisation agreement across the rest of the site. In order to get that together and get a planning application in on behalf of the whole consortium, we thought, down the road, it might take 10 years to get something.

[168] **Darren Millar:** Okay, but the overage period is just five years. So, you must have been laughing all the way to the bank when RIFW signed up to a five-year overage period, given that you were expecting it to be beyond five years by the time in which there would be some gain on this.

[169] **Mr Davies:** No, no. Cardiff's planned LDP was 2015. We thought it would make the LDP, which it's very likely to do, and the trigger for overage is allocation in the LDP or detailed consent.

[170] **Darren Millar:** But, of course, until the detailed consent is established—

[171] **Mr Davies:** You don't have to pay any money.

[172] **Darren Millar:** Absolutely, but the point I'm making is that even an allocation within the LDP doesn't tell you precisely what the land is going to be worth.

10:00

[173] **Mr Davies:** No, but that's the same for me as it is for the overage, isn't it?

[174] **Darren Millar:** Absolutely. But it's only for this five-year period, the overage, and you've made it quite clear that you were anticipating a 10-year gap before you were able to result in any gains—deliver any gains, significant gains—for the portfolio.

[175] **Mr Davies:** No. The LDP allocation, we thought, would happen within a five-year time frame, because the LDP for Cardiff was going to be determined by 2015. An allocation in the LDP triggers the overage. The overage is then payable. It's not payable until we receive the money, but the trigger event, which means overage will be payable, is an allocation in the LDP or a detailed planning consent.

[176] **Darren Millar:** So, you get beyond the five-year period, but the overage is still payable on the basis that there was an allocation within the five-year period.

[177] **Mr Davies:** But, in fairness, I mean, what have we done? We could have sat on our hands, and said, 'This land is not deliverable; we can't get together with the other consortium players; we can't deliver on this', and we could have waited until there was no overage payable. What have we done? We've actually run our own planning application on the land, very quickly. We've actually run a second planning application on the land. Redrow have spent in excess of £1.4 million on running these applications, and putting

them forward. And, if we get a detailed consent before the LDP, that triggers overage as well. So, I think we've acted in good faith.

[178] **Darren Millar:** And it's a 30 per cent overage payment, isn't it, in respect of that particular site?

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

[180] **Darren Millar:** Andrew, you wanted to come in on this. I'm going to bring Aled in afterwards.

[181] **Andrew R.T. Davies:** Just two very brief points, if I may. In our earlier papers—and you did say you were an accountant, Mr Davies—

[182] **Mr Davies:** A long time ago. [*Laughter.*]

[183] **Andrew R.T. Davies:** In our earlier papers, on some of the overages, there was a reference to tax being deductible. Is tax deductible under the overage agreements, as you understand it?

[184] **Mr Davies:** I can't see how it would be, unless it's maybe some stamp duty. Stamp duty land tax would be.

[185] **Andrew R.T. Davies:** But capital gains, or anything like that, as far as—. It was a very broad statement in a paper we had that questioned the tax status and, ultimately, alluded to the fact that they believed the overages did allow for tax deductions to be taken into consideration before the payment was made back to RIFW, or Welsh Government, whichever is the ultimate beneficiary.

[186] **Mr Davies:** No.

[187] **Andrew R.T. Davies:** So, as far as you're concerned, that isn't the case.

[188] **Mr Davies:** No. It's an allowable tax cost for us. So, if we sell for £12 million, we pay £5 million to Welsh Government, our profit is obviously £7 million, and then we'd be taxed on the £7 million—you know, 20 per cent on the £7 million.

[189] **Andrew R.T. Davies:** So, each party is responsible for their own tax.

[190] **Mr Davies:** Yes, but stamp duty land tax is payable, funnily enough, on an overage payment.

[191] **Andrew R.T. Davies:** So, as far as you're aware, on the tax angle, you would be responsible for your tax obligations, and, obviously, any benefit arriving back to the taxpayer, they would be responsible—Welsh Government or RIFW—for settling their tax affairs.

[192] **Mr Davies:** Yes. And, as far as I'm aware, it would be pre-tax.

[193] **Andrew R.T. Davies:** Right, okay. And the other thing—I do want to put it on the record, although the Chair did clarify it—you did do a very good job of making people aware of the public good of the endeavours that your company have done, and I don't begrudge you at all. You're a commercial operation—good luck to you; you make as much money as you need to make, and at fault here are other people as such. But, this land was accumulated by the public sector as strategic land—that was the role of the Land Authority for Wales, and the WDA, was it not? So, this land—in land circles, as it were—was always going to have a form of premium attached to it, because the Welsh Development Agency and the Land Authority for Wales didn't go out there and acquire this land because it just felt good to do it; it was part of a strategic plan that those organisations were working to, in certain areas of Wales, to deliver land banks that, potentially, would be developed over time. That's correct, isn't it? So, it was well known within the circle that this was going to be land that was going to have added value attached to it. It's wrong to say that it was just agricultural value.

[194] **Mr Davies:** Yes, but if you look at this in the round, as I said, I'm close to Redrow, in terms of dealing with them on Lisvane, and I've obviously spent a lot of time with them. They saw this portfolio and decided not to entertain it. It even went to a land business, which is a separate land business, and they said, no, there were too many cons and not enough pros in the portfolio. And, if you look across the piece, because we haven't as yet—the focus of all this is obviously Lisvane and Monmouth, and I get that—but if you look across the piece, I mean, I'm being told by the district valuer that I've got a piece of land in Tywyn that's worth £850,000, but I can't sell it for £150,000. Perhaps you can help. *[Laughter.]* I've got something in St Asaph that is worth £750,000, but my highest bid on it is £200,000, and it's not got an allocation. I sold Wrexham at less than I paid for it; I sold Llantrisant at less than I paid for it; Anglesey for £55,000—. So, across the piece, there are some winners and some losers. So, where they bought strategic land,

they haven't always got it right—

[195] **Andrew R.T. Davies:** No, but it was strategically purchased, wasn't it?

[196] **Mr Davies:** It was strategically purchased—

[197] **Andrew R.T. Davies:** And, in fairness, that was the basis of the estate.

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

[199] **Andrew R.T. Davies:** That's fine, thanks.

[200] **Darren Millar:** Aled Roberts.

[201] **Aled Roberts:** What we have to deal with, of course, is that they haven't always got it right either on the other side—not only on landholdings that you've lost money on. I'm not sure whether I should declare an interest as a brownfield Lib Dem, actually—*[Laughter.]* I understand that you're actually in it as a developer to make money. I understand that entirely, but I'm just wanting to understand with this Lisvane site—you've mentioned the consortium that you had meetings with—

[202] **Mr Davies:** One meeting.

[203] **Aled Roberts:** One meeting with. Is that the same consortium that the Welsh Government had previously been a member of—

[204] **Mr Davies:** I think so—

[205] **Aled Roberts:** —that we've referred to in the papers?

[206] **Mr Davies:** I think so. I think what happened was that that consortium was sort of being partially led by the Welsh Development Agency. That's what I gather from Redrow, so this is hearsay.

[207] **Aled Roberts:** So, Redrow had been involved with the consortium as well?

[208] **Mr Davies:** Redrow had been involved in Lisvane for about 20 years and tried to get into previous unitary development plans—what existed as a UDP or what exists in Cardiff—. I don't think Cardiff have had a plan in place

since about 1992, but they tried to get it and get planning on it over a long period of time. I think the WDA were playing quite a big part in that at the time, and consortium members had spent money on promoting the site. I think, after the WDA disappeared, there was less impetus to do that. That's what I gather from Redrow. So, as I say, this is hearsay. So, it'd sort of died a bit of a death and had not been included in any plan going forward. So, yes, that consortium has existed as a talking shop for a prolonged period of time. Look, I went in, met them, and I thought, 'This is a talking shop. We need to get on with something.' So, we decided to run a planning application—

[209] **Aled Roberts:** And you put your planning application in three years ago, you said.

[210] **Mr Davies:** Yes—

[211] **Aled Roberts:** The first one.

[212] **Mr Davies:** Don't hold me to that—

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

[214] **Mr Davies:** Two and a half/three years ago.

[215] **Aled Roberts:** That would have been relatively quickly after you actually purchased the site in March 2012.

[216] **Mr Davies:** It might seem like that, Aled, but it's probably two years. It wouldn't have been that quickly.

[217] **Aled Roberts:** Okay. All right. Can I just then turn our attention onto the Welsh Government? You've mentioned previously that they've given this impression that the solicitors were actually getting their portfolio into shape. I understand that there will always be, with these types of landholdings, problems with covenants, et cetera.

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

[219] **Aled Roberts:** But that's slightly different to an issue where you don't even own the land and certainly slightly different to an issue where you think you own 136 acres and you end up owning 16 acres.

[220] **Mr Davies:** Sixteen, yes.

[221] **Aled Roberts:** So, you put your offer in in March 2011. You completed in March 2012. Within that 12-month period, how long was it before you actually sort of received—? You said that the original documentation was scant. When were you actually given details with regard to title? Even if the title formalities hadn't been concluded and the transfer hadn't taken place, the usual situation would be that you would be given a copy of the land or charge certificate, together with confirmation or a photocopy of the transfer, even if the registration formalities hadn't been concluded. So, how long was it during that 12-month period before you had any kind of title documents through from the Welsh Government?

[222] **Mr Davies:** I can't remember, but we didn't do any work until we started to have things filtered through from Blake Morgan. Blake Morgan did the transfer from Welsh Government to RIFW. At the time they transferred, they transferred title. Those title documents were provided to us—I would think September/October they started to filter through. I think title issues and transfers were still taking place in the February of the following year. I know there was an issue with Imperial Park, where RIFW said, 'We may have to take Imperial Park out of the deal.' And I think the Imperial Park titles came through very late in the day. So, it was filtering through to our lawyers as it was being done by Blake Morgan.

[223] **Aled Roberts:** So, in reality, when the portfolio was offered in 2011, for us to be given the impression that they'd been spending two years getting their titles sorted before they actually sent the portfolio to the market might be something that we need to question them further on.

[224] **Mr Davies:** Well—

[225] **Aled Roberts:** Because that isn't what you're telling us.

[226] **Mr Davies:** No, the assets hadn't been transferred to RIFW, so RIFW couldn't sell them.

[227] **Aled Roberts:** Okay. Can I just clarify one other thing? You mentioned in your earlier evidence that you were a director of Imperial House Investments Ltd. Since when have you been a director, because you've explained the circumstances in which you became a director of South Wales Land and trust—

[228] **Mr Davies:** When they both came back to the UK to trade.

[229] **Aled Roberts:** Okay. All right.

[230] **Darren Millar:** Alun Ffred.

[231] **Alun Ffred Jones:** A gaf i jest ofyn cwestiwn yn Gymraeg? Fel dyn busnes sydd yn deall y farchnad tir yn dda iawn, pe baech chi'n berchennog y safleoedd yma, a fyddech chi wedi marchnata a gwerthu'r rhain yn unigol, neu a fyddech chi wedi gwerthu nhw fel un portffolio er mwyn uchafu eich derbyniadau?

**Alun Ffred Jones:** Can I just ask a question in Welsh? As a businessman who understands the land market very well, if you were the owner of these sites, would you have marketed and sold them individually, or would you have sold them as one portfolio in order to make the most of your returns?

[232] **Mr Davies:** It would depend on how quickly I needed to transact the business. If you think about where we are—. I mean, I read recently, in one of the reports, that we'd received gross receipts of something like £17 million in respect of the portfolio to date. And I wrote to the chairman and said, 'That's not the case.' In fact, if you think that we bought the portfolio for £20 million, if you've got interest running on that at circa 5 per cent, you've got a £1 million a year going out of the door in interest. You've got to promote the sites, you've got to take the thing forward, and, so far, none of the big sites have come off. So, we're four years down the track here; we haven't got a planning consent in Lisvane and we haven't got inclusion in the LDP in Lisvane. We've just done the deal on Monmouth. So, running them, and taking them forward individually, and possibly doing this—. I do this 24/7, so you need someone to do it. You'd need money to promote the sites; it's obviously costly to do that. So, not sure; if I owned them—that's obviously what we're doing. We now own the sites, we bought the sites in 2012, and we're running them forward and taking them forward; we're not selling them on. There are certain things we don't think we can do anything with, and I mentioned some of those sites, but, other sites, yes, we're running them forward. But it is costly to do.

[233] I don't think, unless—. A bank certainly wouldn't have funded the portfolio because of the time taken and because they were effectively lending on land assets, and, in 2010–11, the banks were shut, really. So, I don't think

that would have happened. So, yes, if you have the people, and the decision-makers, and the money to promote the sites, then, possibly—I understand there's another £250 million-worth of assets sitting in Welsh Government—that might be the way to do it. But, as I said, if you bring them out into the private sector, things do happen relatively quickly.

[234] **Darren Millar:** Can I just ask, in relation to—? We touched on conflicts of interest earlier on. One thing that we've been told by the Wales Audit Office, and, indeed, had confirmed by Lambert Smith Hampton, is that the same individual that was acting, if you like, on behalf of RIFW, has been also acting on behalf of South Wales Land Developments, in terms of the Brackla site, for example, and also is engaged on the overage work for both parties, or certainly was in the past. How unusual is that arrangement?

[235] **Mr Davies:** On the Brackla site in particular, I think we had the same objectives, in that we wanted to monitor the progress. The reason Brackla was removed from the portfolio sale was that we were told that there was a possibility of Linc-Cymru Housing Association creating 100 houses on the site, and that that would basically remove the need for an affordable housing contribution in respect of any housing development on the site, that that was happening and was due to happen but didn't, in that the Welsh Government were going to do, I think, a 999-year lease. I may be wrong about that, that may be a 125-year lease—

10:15

[236] **Darren Millar:** I can see the potential of interests being aligned on Brackla, but certainly not in terms of the overage. You want to minimise overage; RIFW, presumably, wanted to maximise the overage that was going to be received as a result of any deals.

[237] **Mr Davies:** Yes. I'm not with that point at all. I don't know who you're talking about.

[238] **Darren Millar:** Damian—Damian Barry.

[239] **Mr Davies:** Damian Barry. Well, Damian's a planner. So, we engaged—. He's now moved to Arup, and I still use him at Arup. He's gone from Lambert Smith.

[240] **Darren Millar:** Okay, but at that time he was engaged by both parties

on essentially the same piece of work, even though the interests were not aligned.

[241] **Mr Davies:** Can you tell me what piece of work it was, because I don't recognise that.

[242] **Darren Millar:** Well, we understand—. The information that we have received is that this particular individual was present at RIFW board meetings, giving advice to the RIFW board, but at the same time he was engaged by you as purchaser or acting on your behalf via LSH.

[243] **Mr Davies:** But you said on the overage.

[244] **Darren Millar:** Yes, yes.

[245] **Mr Davies:** Then I don't know what he would have done. I don't think that's the case.

[246] **Darren Millar:** The question is: would you—? Perhaps if I put the question in a different way: if you were RIFW, would you have allowed that individual to be engaged in that way, knowing that they had a relationship with someone who was buying a piece of land off you?

[247] **Mr Davies:** I honestly don't recognise the circumstances. I'm quite happy to answer the question if you can give me some detail about where this happened. I understand it happened on Brackla. I can't think of anywhere else. The other thing that I would say is that, during a—*[Interruption.]*

[248] **Darren Millar:** I'm just exploring this issue, because I think—

[249] **Mr Davies:** Sorry, I thought you might have been—

[250] **Darren Millar:** It's okay. I'm just exploring this issue because it's something of interest because we need to nail down where the conflicts of interests were appropriately declared by Lambert Smith Hampton to the RIFW board. It appears to us, on the face of it, that they weren't appropriately being dealt with by Lambert Smith Hampton. I'm not trying to get at you here. We're just trying to understand the nature of this particular person's engagement with you in order that we can focus in on this area.

[251] **Mr Davies:** Well, I don't think—and I may be wrong—I engaged Damian

to do any work on anything other than Brackla prior to us buying the assets.

[252] **Darren Millar:** If you can answer that question that I laid before you earlier, if you were in a situation where you were receiving advice from an individual at Lambert Smith Hampton, and you were trying to sell some land to somebody else, would you accept the same person also giving advice to the other organisation?

[253] **Mr Davies:** I might.

[254] **Darren Millar:** Under what circumstances?

[255] **Mr Davies:** Well, if I'm trying to find out—. If Lambert Smith are selling the assets—and Lambert Smith are selling the assets—you don't sell a dirty car. So, they're going to try and make the assets as clean as possible for me to buy. If Damian is saying, 'Well, you know, this could happen, or this could happen', or there could be something happening in Monmouth, or there could be something happening in Lisvane, then maybe we're aligned in terms of that. We were being fed information by RIFW in terms of the legal work. It was coming through piecemeal from Blake Morgan, or Morgan Cole, as it happened. We were moving forward towards buying the assets. I don't think that that was in doubt, and indeed we did, but I can't think of where Damian provided us with any information during that process, apart from a little bit of information on Brackla and how Brackla was going. That was, really, after the event as well, because he did do something for us after we'd bought the assets on Brackla, where he sort of monitored what was happening with Welsh Government and the Linc situation. But I can't think what advice he gave us before. And I was using someone else to get that advice. I was actually using RPS to get that advice. So, I wasn't using Damian to get advice.

[256] **Darren Millar:** Okay. Can I just check and test one other area with you? You've given an explanation in your response to me, as Chair of the committee—the written evidence that you've sent in—in relation to comments in one of the reports from Amber and Lambert Smith Hampton to RIFW back in December 2011. In their report to the RIFW board, it talks about a potential harm to the interests of the purchaser if there was going to be a formal valuation required. And this was a single valuation. In your response, you talk about the potential of multiple valuations being required, and I can completely appreciate why the purchaser may have resisted that sort of arrangement, which could have potentially very costly to him. But, in what way could it have harmed the interests of the purchaser to have RIFW

undertake its own valuation on its assets that it was looking at disposing of?

[257] **Mr Davies:** No, that wasn't the point.

[258] **Darren Millar:** Okay. So, what was the point of this, because it doesn't make any sense to us?

[259] **Mr Davies:** Well, we negotiated with RIFW an instalment-based deal, so we would pay £12.5 million upfront for the assets and we would pay a further £10 million over two years. We did our own contemporaneous valuation, as you're aware. RIFW wanted, on each and every occasion that we sold an asset out of the portfolio, a valuation done of that portfolio. And this related to their security position being maintained throughout the two-year period. So, basically, they were saying that if we were to sell—. I'll give you a very good example. If we were to sell Anglesey for £55,000 out of a £22.5 million portfolio, I would have to spend £10,000 with Savills—because it was a valuation for me, not for them—getting the assets revalued to ensure that their security position was the same as previously, or no worse.

[260] The difficulty I had with that, and what might have been detrimental, is we were told by Savills, and you've seen the report, that for a portfolio of this nature, they valued it at £17 million to £18 million. Okay? RIFW needed to maintain a 50 per cent asset cover in the portfolio, so if I'd had a valuation done by Savills, having sold Anglesey for £55,000 and having bought the assets for £22.5 million, and the Savills valuation came back at £18 million, RIFW would have said 'Well, we're only prepared to lend you £9 million on the £18 million valuation that you've just had done'. Given that I owed them £10 million, I would have had to have given them £1 million to satisfy their security issue, or not sold Anglesey—not sold the asset. That was my position. So, effectively, I couldn't have sold any assets if I'd had to continue to do valuations for them, and those valuations had come in at a lower value. So, that was why it was detrimental to us, and that was why we didn't want to do it. Apart from that, I didn't want to spend £10,000 every time I sold an asset.

[261] So, what we decided to do in the end was if we sold any of the assets, we would remit 50 per cent of the proceeds to RIFW, which ought to keep them in the position that they were in.

[262] **Darren Millar:** The report makes it quite clear that it would harm the interests of the purchaser and could prejudice the transaction if the

purchaser was forced to carry out a formal valuation now, so that would have been in December 2011. Why would it have harmed the interests to have a valuation at that time, prior to the—

[263] **Mr Davies:** I did one.

[264] **Darren Millar:** No, I'm talking about RIFW to undertake a valuation.

[265] **Mr Davies:** That wasn't what that was about. I've no idea—. Am I going to tell RIFW, 'You can't do a valuation of your assets'?

[266] **Darren Millar:** I'm just trying to understand this. I can see the sense, given what you've just said, in terms of not wanting multiple valuations further and further down the line, which could then prejudice the difficulties that might arise as a result of that, if the valuation dips for whatever reason. But, to discourage a valuation because it might harm the interests of the purchaser prior to valuation by RIFW seems very, very odd indeed.

[267] **Mr Davies:** That's not what that was about. I don't know whether it's an issue—

[268] **Darren Millar:** So, just to clarify this, then, so at no time, Mr Davies, did you discourage a formal valuation prior to the sale of the portfolio of assets by RIFW?

[269] **Mr Davies:** No.

[270] **Darren Millar:** At no time at all?

[271] **Mr Davies:** At no time at all.

[272] **Darren Millar:** And at no time at all did you communicate to Lambert Smith Hampton or Amber that that might harm the interests of the purchaser?

[273] **Mr Davies:** No.

[274] **Darren Millar:** Categorically 'no'?

[275] **Mr Davies:** Categorically 'no'.

[276] **Darren Millar:** It was all in relation to subsequent valuations further down the line on the disposal of each asset, potentially.

[277] **Mr Davies:** Absolutely.

[278] **Darren Millar:** Okay. Any further questions from Members on this? Jenny.

[279] **Jenny Rathbone:** You were very clear in your note to the Chair that you commissioned the Savills valuation prior to your purchase, and the Savills valuation estimated the value of the Lisvane site at £3.5 million to £4 million, which is obviously quite a significant drop from the £6.1 million estimated by King Sturge, and a good deal less than the district valuer's valuation. I just wondered if you could explain why that was—why it was so much less than these other valuations.

[280] **Mr Davies:** Well, I didn't have the benefit of those other valuations at the time.

[281] **Jenny Rathbone:** Fair enough; I understand that.

[282] **Mr Davies:** I didn't see the King Sturge hope value valuation until I read these reports recently. The district valuer's report was three years hence. So, no, I can't.

[283] **Jenny Rathbone:** Okay, so you're not in a position to—. Is that, as far as you're aware, attributable to the change in the market as a result of the banking crash, or some other—?

[284] **Mr Davies:** I don't know. The valuation we did, or we commissioned, looked reasonably sensible to me—the Savills valuation. That's all we had at the time. That was the valuation we took. We didn't have the benefit of anything else. If you're asking me about my views on it now—

[285] **Jenny Rathbone:** Well, it's clearly, obviously, the substance of our inquiry, as to whether the assets were sold for a good deal less than they were worth.

[286] **Mr Davies:** Well, all I can do is rely on Savills' international valuers, who did the valuation; that's how the assets came back. So, as I said, I hadn't seen the King Sturge valuation, I didn't know about the hope value valuation

until I read the papers, and the district valuer has his own views on life, but I relied on Savills.

[287] **Jenny Rathbone:** Thank you.

[288] **Aled Roberts:** Rydych chi wedi esbonio'r berthynas rhyngoch chi ac unigolion o fewn LSH, ond jest er mwyn i ni gael cofnod cyflawn, felly, a oedd gennych chi berthynas neu a oedd unrhyw fath o drafodion busnes yn y gorffennol rhyngoch chi neu unrhyw gwmni roeddech chi'n gyfarwyddwr arno ag unigolion o fewn Llywodraeth Cymru, neu aelodau'r gronfa, neu unrhyw un oedd yn eu cynghori nhw?

**Aled Roberts:** You've explained the relationship between you and individuals within LSH, but just for us to have this on record fully, did you have a relationship or were there any business transactions in the past between you or any company that you were a director of, with any individuals within the Welsh Government, or with members of the fund, or anyone who advised them?

[289] **Mr Davies:** No.

[290] **Darren Millar:** Just one final question: in terms of the typical return on some of these investments for developments and land deals, and the typical timescale by which you'd want to realise some returns on those investments—as someone who is very familiar with this industry, as it were—how do the realisation plans that you're beginning to deliver on with this portfolio of land compare to others? Is it typical, or fairly typical? Are you making a better return, or worse return?

[291] **Mr Davies:** Well, that's a difficult question. I'm, by background, a corporate finance accountant, so I can only put that into context in terms of a venture capital deal, and I saw this as a sort of venture capital deal, because you're buying assets that may get planning, or may not get planning, and it may take five to 10 years to sort the portfolio out. So, it's a return over time, in almost a sort of venture capital-type way. It's a portfolio that was very risky. As I said, I don't think it could have been banked at the time. The reason I approached Sir Stanley is he's got 500 acres in St Mellons that I know about, he's got planning consent for a golf course, he'd previously been involved in land in the area; he's a guy who holds land over many years, so it might have been right up his street. But, there wouldn't have been many people who would have taken that view. And, as I said, it's working the assets out over time. So, we didn't do a return on capital

employed-type, VC-type thing, but it was just to hold the assets, work them out and see if we can make some money.

[292] **Darren Millar:** You're an expert in land and property deals, just tell us—. We've been told that it was not really practical to expect piecemeal disposal of these assets, if the regeneration investment fund for Wales was going to secure the cash that it needed in order to meet its objectives as far as accessing European cash was concerned. Do you think that's a reasonable approach that they took? Given your experience, would you have been able to realise it very differently by disposing of the land piecemeal? You're obviously doing that now.

10:30

[293] **Mr Davies:** Yes, but, as I said, over a long period of time. It would have been wonderful to sell everything in year 1, but here we are, as I said, down the road, and you've still most of Brackla on the go. We're looking at Lisvane. We don't know if we're going to get consent or not. Some of the north Wales assets we've still got. So, I think selling it quickly, or selling it piecemeal for the right sort of money—I don't know what they had to generate or what they had to do, so I don't know the answer to the question, but I think you couldn't have sold this quickly. If you'd done it over time, you'd still be here, four years later, with some of these assets. They weren't saleable in a short time frame.

[294] **Darren Millar:** And just for the record, in response to Aled Roberts before, when he asked you about relationships with anyone on the RIFW board, we're obviously aware that Mr Jonathan Geen was acting on behalf of the purchaser, and he actually declared a potential conflict of interest at the time, because he may have been instructed to act on behalf—. That's accepting—your response seemed very clear—no links or relationships.

[295] **Mr Davies:** Well, I thought he'd stepped off the board, to be honest, but I did know Jon Geen. He'd acted for me previously in terms of—he's my, sort of, lawyer. So, I did instruct him to do the work, but I thought he'd stepped down from the board or cleared that.

[296] **Darren Millar:** Are there any other omissions, then, that you want to just clarify before we wrap this session up?

[297] **Mr Davies:** Well, when you asked the question, I thought, I don't know

everybody in Welsh Government, so, maybe, but not that I can think of.

[298] **Darren Millar:** Okay. Thank you very much indeed, Mr Davies. If there are no further questions, that draws this evidence session to a close. I'm very grateful for you taking the time. You'll receive a copy of the transcript of today's proceedings. If there are any factual inaccuracies in there, then feel free to let the clerks know and we'll get those addressed. In addition, if there's any further information that you feel may be useful to our inquiry, feel free to send that in. We appreciate it very much indeed.

10:32

**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.*

[299] **Darren Millar:** Item 4, then: motion under Standing Order 17.42 to resolve to exclude the public for the remainder of our meeting, and for item 1 next week on 8 December. 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 10:32.*

*The public part of the meeting ended at 10:32.*