

National Assembly for Wales
Public Accounts Committee

Regeneration Investment Fund for Wales

January 2016

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

An electronic copy of this report can be found on the National Assembly's website:
www.assembly.wales

Copies of this report can also be obtained in accessible formats including Braille, large print; audio or hard copy from:

Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 0300 200 6565

Email: SeneddPAC@assembly.wales

Twitter: [@SeneddPAC](https://twitter.com/SeneddPAC)

© National Assembly for Wales Commission Copyright 2016

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

National Assembly for Wales
Public Accounts Committee

Regeneration Investment Fund for Wales

January 2016

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Public Accounts Committee

The Committee was established on 22 June 2011. The role of the Public Accounts Committee is to ensure that proper and thorough scrutiny is given to Welsh Government expenditure. The specific functions of the Committee are set out in Standing Order 18. The Committee will consider reports prepared by the Auditor General for Wales on the accounts of the Welsh Government and other public bodies, and on the economy, efficiency and effectiveness with which resources were employed in the discharge of public functions.

Current Committee membership:



Darren Millar (Chair)
Welsh Conservatives
Clwyd West



Mohammad Asghar
Welsh Conservatives
South Wales East



Jocelyn Davies
Plaid Cymru
South Wales East



Mike Hedges
Welsh Labour
Swansea East



Sandy Mewies
Welsh Labour
Delyn



Julie Morgan
Welsh Labour
Cardiff North



Jenny Rathbone
Welsh Labour
Cardiff Central



Aled Roberts
Welsh Liberal Democrats
North Wales

Jocelyn Davies AM excluded herself for this inquiry under Standing Order 18.8. Alun Ffred Jones AM attended on her behalf.



Alun Ffred Jones
Plaid Cymru
Arfon

Contents

Chair’s Foreword	5
Conclusions and Recommendations	7
1. Introduction	14
2. Establishment of the Regeneration Investment Fund for Wales	17
The RIFW Concept	17
Appointments and induction of the former RIFW Board Members	18
Appointment of Advisors to the RIFW Board	22
Conclusions and Recommendations.....	24
3. Welsh Government oversight of the RIFW Board	26
The Welsh Government “observer”	26
Conclusions and Recommendations.....	32
4. Asset selection and transfer to RIFW	33
Welsh Government Documentation and Record Retention.....	35
Conclusions and Recommendations.....	37
5. The RIFW Board’s approval of, and departure from, the Asset Realisation Plan	39
Conclusions and Recommendations.....	43
6. The Portfolio Sale Process	44
Defects in Quality of Title Information	44
The actions of the RIFW Board during the sale process	46
Conclusions	51
7. The Role of the Advisors in the Portfolio Sale Process	53
Amber’s role in the portfolio sale to SWLD	53
LSH’s role in the portfolio sale to SWLD	55
LSH’s conflicts of interest and relationships	58
Conclusions and Recommendations.....	60
8. Overall Value for Money of the portfolio disposal to SWLD	62
Subsequent Asset Sales by SWLD	63

Lisvane Site	68
Potential EU State Aid Concerns	71
Welsh Government Corrective Actions.....	71
Conclusions and Recommendations.....	73
Annexe A	76
Annexe B.....	78
RIFW – who’s who and outline of responsibilities.....	78
Ministerial Responsibility for oversight of RIFW – a chronology.....	81
Welsh Government Departments with responsibility for RIFW	81

Chair's Foreword

The Public Accounts Committee's inquiry into the Regeneration Investment Fund for Wales (RIFW) has been one of the most significant and deeply concerning inquiries undertaken by the Committee. The fact that one of the largest sales of publicly owned land in Wales should have generated tens of millions of pounds more for the taxpayer is inexcusable.

At any given time, it is essential that the public sector organisations secures maximum benefit from public funding but the evidence provided to us is explicitly clear that the sale of RIFW's land assets did not represent value for money for the taxpayer.

While the Committee found the concept of RIFW to be innovative, we concluded that it was poorly executed due to fundamental flaws in Welsh Government oversight and governance arrangements, and poorly served from those appointed and trusted to provide the RIFW Board with professional advice and expertise. As a result, the public have faced a double whammy in that they have not only lost out on potential proceeds from land sales, but the promised regeneration projects that RIFW was established to fund have failed to materialise.

Throughout our deliberations, the Committee considered the 'trade-off' between the need to secure value for money and the wider strategic goals of the Welsh Government. We have also analysed whether the Welsh Government sufficiently considered the various options available to achieve its policy objectives and whether the risks involved were sufficiently assessed and mitigated.

Our inquiry also sought to gauge an understanding of whether a portfolio sale of publicly owned development assets by private treaty, without proper marketing and unsupported by independent valuation, was appropriate for a sale of public assets and was ever likely to result in a good deal for the taxpayer.

Most shockingly, the Committee found that the subsequent sales of this land by the purchaser demonstrate convincingly that the sale did not represent value for money for taxpayers. Instead, it appears that tens of millions of pounds could and indeed should have been generated for investment in

regeneration projects across Wales. We believe such a cavalier approach to the disposal of public assets is scandalous.

The Committee's inquiry was detailed and wide ranging, it exposed numerous flaws in Welsh Government processes and procedures; in accountability and line management arrangements; and in fundamental issues such as record keeping and data retention. It is regrettable that many of the flaws we identified are consistent with issues this Committee has considered during previous inquiries, such as its inquiry into the Welsh Government's acquisition and action to dispose of the former River Lodge Hotel, Llangollen.

Given the above, we believe that there is still much work to be undertaken to improve the robustness of Welsh Government processes and specifically in relation the monitoring and oversight arrangements of its arm-length bodies. Our recommendations have focussed on the lessons the Welsh Government can learn from the RIFW initiative and we believe that if they are implemented then they will help to ensure that the risks of such losses to the public purse are never repeated.

I commend the report to all who read it.

Darren Millar AM
Chair

Conclusions and Recommendations

The Committee is of the view that the concept of the Regeneration Investment Fund for Wales to support regeneration projects in Wales by recycling investment funds rather than simply dispensing grants is an innovative model and should have worked. However, we believe the RIFW Board lacked the operational capacity and expertise to fulfil the task it was set by the Welsh Government as Board members were appointed to oversee investment in regeneration projects not to dispose of significant property assets. Former RIFW Board members told us that had they been clearer on the role expected of them in practice, they would have declined to become members of the Board.

The Committee understands the reasons for establishing the Regeneration Investment Fund for Wales as an arms-length body. However, from the evidence received, the Committee found there to be a lack of clarity amongst the RIFW Board members, the Fund Manager, the Investment Manager and the Welsh Government observer regarding their respective roles. This was a significant governance failing.

The Committee is satisfied that the Welsh Government has recognised this issue in light of the review undertaken by Gilbert Lloyd on the Governance Arrangements of RIFW.

We believe the entirely appropriate decision of Jonathan Geen to recuse himself from the Board because of his conflict of interest left the remaining RIFW Board members with insufficient capacity to provide robust oversight and challenge of the sale process.

Recommendation 1. The Committee recommends that the Welsh Government must demonstrate that it has made appropriate changes so that governance arrangements oversight and accountability are robust, clearly defined and understood by all parties involved, not only in relation to RIFW, but to all other activities the Welsh Government is undertaking. (Page 25)

Recommendation 2. The Committee recommends that should the Welsh Government establish future arms-length bodies, these bodies' functions and roles of Board Members must be clearly defined and understood by all concerned from the outset. (Page 25)

Recommendation 3. The Committee recommends that measures are put in place to ensure that Board Members have the appropriate expertise and

capacity to fulfil their duties and receive adequate and appropriate induction training. (Page 25)

Recommendation 4. The Committee recommends that the Welsh Government should ensure that the capacity and capability of Boards is carefully addressed whenever members are absent or are unable to participate due to conflicts of interest. (Page 25)

Recommendation 5. The Committee recommends that the Welsh Government's internal accounting officer with responsibility for arms-length bodies is explicit, especially where officials are operating outside their usual line management arrangements. (Page 25)

The Committee received conflicting views on the role of the Welsh Government observer at the RIFW Board meetings. We believe that the role of the Welsh Government observer was ill-defined and poorly understood by all concerned, placing the observer at times in a difficult position.

The Committee concludes that Welsh Government oversight of RIFW was fatally flawed. There is evidence that oversight not only broke down but it was not designed to operate diagonally across departments and this is indicative of organisational cultural and behavioural problems.

Recommendation 6. The Committee recommends that the Welsh Government's extant guidance to its officials on attendance at external board meetings should be enhanced to include an explicit requirement for observers to provide a written report to their line managers on their activities and key decisions made. (Page 32)

Recommendation 7. The Committee acknowledges that clearer procedures have recently been put in place for transfer of portfolios between Welsh Government Departments and recommends that these procedures are reviewed in light of our inquiry and strengthened accordingly (Page 32)

Recommendation 8. The Committee recommends that the transfer of business at both Ministerial and official level within the Welsh Government and between its Departments should be monitored by our successor Committee in the Fifth Assembly to look carefully for evidence that these changes have taken effect. (Page 32)

The Committee was surprised that Welsh Government procurement processes allowed commercially sensitive information to be shared with

interested parties and that the potential impact of this on onward sale values was not considered.

We consider that the Welsh Government could have sold the assets itself in a phased manner that best fitted the planning status of each asset and then given RIFW the funds directly to match its investment cash-flow needs. In our view, the Welsh Government should have considered this and other alternative means of funding RIFW instead of providing it with assets to sell. For example, consideration could have been given to the relevant local authorities in lieu of capital allowances and giving RIFW cash instead.

The Committee has serious concerns regarding the procedures and processes within the Welsh Government regarding record keeping and data retention.

In particular we are concerned that no minutes were kept of meetings to discuss key decisions regarding the sale of the RIFW assets. This lack of formal record is a serious shortcoming within Welsh Government administration. The Committee heard evidence to suggest that deficiencies in Welsh Government administrative procedures arose from the integration of the Welsh Development Agency into the Welsh Government in 2006 and that it took several years to make the way for more appropriate systems to be put in place. We do not believe this to be an acceptable defence for poor administrative and oversight practices; improvements should have been implemented more swiftly.

Recommendation 9. The Committee recommends that the Welsh Government's procurement processes are reviewed to prevent the unnecessary disclosure of commercially sensitive information to the marketplace. (Page 37)

Recommendation 10. The Committee recommends that the Welsh Government take action in relation to its remaining asset portfolio in order to ensure that it actually possesses clear legal ownership of each asset, has up to date valuations and a full understanding of how their potential for development can be best aligned with wider policy objectives. (Page 37)

Recommendation 11. We recommend the Welsh Government must, as a matter of urgency, address the weaknesses in its organisational culture that have given rise to deficiencies in the robustness of its record keeping processes. (Page 38)

The Committee notes that originally, RIFW planned to dispose of its assets by selling them separately. However quite soon after this agreement the intention changed and an offer to purchase the whole portfolio was instead agreed by the RIFW Board. This significant departure from the approved Asset Realisation Plan drew the RIFW Board into an executive role in respect of the portfolio disposal, for which it had not been designed and for which its members lacked both capacity and expertise.

During our evidence gathering we questioned whether this change was conveyed either to Welsh Ministers or to Senior Civil Servants. We believe that this fundamental change in direction was a significant factor in whether the greatest value for money and benefit was achieved by RIFW and that it should therefore have involved Welsh Ministers.

Recommendation 12. We recommend that any material departure from a previously agreed plan by anyone acting on behalf of Welsh Ministers which has the potential to adversely impact on value for money must be reported to Welsh Ministers for their consideration (Page 43)

The speed of asset disposal to fund potential regeneration investments became more important than the maximisation of the potential sale proceeds, and as a result the opportunity for a portfolio sale appeared to the RIFW Board members to be an attractive option. However, the majority of the asset portfolio could have been retained by RIFW beyond the end of 2015 which would have generated far greater returns for the public purse.

The departure from the ARP amounted to a fundamental change in direction and was a significant factor in whether value for money was secured by RIFW. It reinforces our view expressed in Chapter 5 that it should have been referred to Welsh Ministers for their consideration.

We recognise the difficult economic situation the RIFW Board was operating, but we have significant concerns that decisions were taken without proper analysis, which arose from the RIFW Board being poorly advised by:

- Amber, which led for RIFW on the sale negotiations and which was responsible for oversight of the actions of LSH; and
- Lambert Smith Hampton which provided advice to both Amber and the RIFW Board on the assets' values and the merits of the SWLD offer.

The Board's decision making was also hampered by the actions and inactions of the Welsh Government, whose observer (responsible for the creation of RIFW, the appointment of the RIFW Board members and advisors, and the

selection and transfer of the asset portfolio to RIFW) was fully aware of the WEFO match funding requirements and also failed to alert the Board to significant information regarding the market value of the portfolio. Finally, RIFW's legal advisors must take some responsibility for the very weak contractual overage clauses that RIFW entered into with SWLD.

Evidence to the Committee has highlighted that crucial information known to the Welsh Government, Amber and Lambert Smith Hampton was not shared with the RIFW Board members. We note that this included the "hope values" of sites within the portfolio, and that as a direct result the RIFW Board thought that the transfer values were the market values when, in reality, these were only the existing use values. Furthermore, the RIFW Board were not made aware that only £6 million of assets sales by 2015 were necessary to meet the WEFO match funding requirements. We note that the Board had been led to believe that the entire asset portfolio had to be sold by December 2015 and the imperative to sell RIFW's assets had been driven by this misapprehension.

In our view Lambert Smith Hampton should have informed the RIFW Board in March 2011 of its previous dealings with Langley Davies, as well as giving prior notice in March 2012 of their intention to act for SWLD in order to give the Board the opportunity to scrutinise Lambert Smith Hampton's arrangements in relation to conflict management.

In this regard, we note that evidence to the Committee has identified significant weaknesses in overage provisions with overage agreements applied to only two sites and for only a period of 5 years. We also note that the deductible expenses were too widely drawn.

The Committee are concerned at the Auditor General for Wales' finding that Lambert Smith Hampton had breached their own company's procedures and professional standards in having their same employee deal with the interests of both RIFW and SWLD simultaneously.

Recommendation 13. We recommend that the Welsh Government and RIFW should carefully consider whether any potential cause of action lies against Lambert Smith Hampton (and against Amber in respect of its oversight of Lambert Smith Hampton) regarding:

- the advice provided to the RIFW Board on the sale; and
- the contractual terms of appointment when acting for both SWLD and RIFW.

(Page 61)

Recommendation 14. The Committee recommends that the Welsh Government should consider referring Lambert Smith Hampton to their professional body. (Page 61)

Central to the Committee's inquiry into RIFW is the issue of whether overall value for money was achieved by the RIFW initiative. Throughout our deliberations we have considered the "trade-off" between the achievements of value for money against the wider strategic goals of the Welsh Government. We have also analysed whether the Welsh Government sufficiently considered the various options available to it for achieving its policy objectives and whether the risks involved were sufficiently assessed and mitigated.

Furthermore, we have sought to gauge an understanding of whether a portfolio sale of publicly owned development assets by private treaty, without proper marketing and unsupported by independent valuation to an offshore entity was appropriate for a sale of public assets and was likely to result in a good deal for the taxpayer.

The Committee notes that RIFW sold publicly owned assets by private treaty and without prior valuation at a price that reflected the assets' existing use, under sale terms that provide only limited protection to the public interest in their significant future development values, and via a negotiation process that left RIFW in possession of undesirable assets.

We also disregard the arguments put forward by various witnesses about the merits of competing valuation opinions, since South Wales Land Developments Limited has since sold on the sites within the open market and these sales provide compelling empirical evidence as to true market values.

The Committee notes that these subsequent sales by South Wales Land Developments Limited demonstrate convincingly that the sale did not represent good value for money for the taxpayer – it appears that tens of millions of pounds could and indeed should have been generated for investment in regeneration projects across Wales. We believe such a cavalier approach to the disposal of public assets is disturbing.

In light of South Wales Land Developments Limited onward sales, we believe that the Welsh Government's contention that it is not possible to demonstrate that the sale was under value, is unconvincing and did not withstand our scrutiny. We note from our evidence the following:

- the Rhoose site was purchased from RIFW for less than £3 million, without overage, and sold on by SWLD for nearly £10.5 million;
- the Abergele site was purchased from RIFW for £0.1 million, without overage, and sold for £1.9m.
- Lisvane was / is the “jewel in the crown” and should have been disposed of via a properly marketed open and competitive sale process. We believe that it is incomprehensible that this was sold to SWLD at an agricultural land value of £1.835 million (even with overage) when its potential open market value for residential housing is at least £39 million.

In conclusion, the Committee does not believe that value for money was achieved.

The Committee’s inquiry into RIFW has been both detailed and wide ranging and we have identified three recommendations of wider application to the conduct of Welsh Government business.

Recommendation 15. The Committee recommends that the Welsh Government should alert the UK Government to our view that the sale transaction should be referred to the EU for State Aid considerations. We note that it would be for the UK Government to decide whether to refer this or not, as neither we nor the Welsh Government are able to do so directly.
(Page 74)

Recommendation 16. The Committee recommends that the Welsh Government should ensure that robust overage arrangements are considered whenever it disposes of public assets that possess future development potential.
(Page 74)

Recommendation 17. The Committee recommends that the Welsh Government must strengthen monitoring and oversight arrangements of its arms-length bodies and in particular ensure that any concerns are swiftly identified and escalated internally.
(Page 74)

Recommendation 18. To ensure clear and robust lines of accountability and management in the future, the Committee recommends that the Welsh Government should designate a Senior Responsible Officer for each major programme or project that it undertakes, with clear reporting lines to Welsh Ministers
(Page 74)

1. Introduction

1. In July 2015, the Auditor General for Wales (the Auditor General) published a report on the *Regeneration Investment Fund for Wales*.¹ The Regeneration Investment Fund for Wales (RIFW) was established in December 2009 in response to the constrained financial climate which restricted access to capital for investment in regeneration in Wales. RIFW was created as a Limited Liability Partnership (LLP) wholly-owned by the Welsh Government. RIFW's purpose was to invest £55 million initially in urban regeneration schemes across Wales, comprising £25 million of European Regional Development Fund (ERDF) and £30 million of Welsh Government funding. The Welsh Government provided RIFW with £9.4 million cash, and a portfolio of 18 land and property assets valued in existing use at £20.5 million, based on a valuation commissioned by the Welsh Government.²

2. The portfolio was transferred to RIFW so the assets could be disposed of in order to generate cash to invest in regeneration schemes. Time was a factor in the Fund's success as the Fund had to sell sufficient land and property to have £15.4 million of cash available to match fund £25 million of ERDF Funding, and invest the funds in those parts of Wales designated as regeneration areas by the European Union before the end of 2015.

3. In March 2012, RIFW sold 15 land and property assets from its portfolio to South Wales Land Developments (SWLD) for £21.7 million payable in three instalments. Two of the sites included in the sale were subject to "claw-back" overage clauses which entitled RIFW to a share of future profits, subject to certain contractual conditions.³ The sale was agreed in principle at a RIFW Board meeting on 9 June 2011, the precise sale terms were finalised on 31 January 2012 and contracts were exchanged on 18 February 2012. The sale of 14 of these assets was completed on 2 March 2012 for £15.7 million and the final site on 1 March 2013 for £6 million, following fulfilment of the pre-conditions for the sale of that land.

4. In March 2012, Byron Davies AM tabled a Written Assembly Question regarding the land and property assets transferred to RIFW from the Welsh

¹ [Auditor General for Wales Report](#) (AGW), July 2015

² Valued as at October 2009 and reconfirmed in March 2010

³ The contractual arrangement whereby the seller is entitled to a proportion of future profits arising from an increase in the value of the asset sold, within a specified period. Selling an asset subject to such a clause can provide some protection to the seller and yield additional returns from a share of any uplift; however, including such a clause generally (though not always) results in the buyer negotiating a lower sale price.

Government. Mr Davies was dissatisfied with the response and referred the matter to the Auditor General in March 2012. Following preliminary audit enquiries, the Auditor General decided to commence a value for money study into the Regeneration Investment Fund for Wales in October 2012.

5. The Auditor General's report, published on 15 July 2015, focussed primarily on RIFW's sale of 15 land and property assets to SWLD for £21.7 million (plus overage on two sites – Monmouth and Lisvane) in March 2012. However, the report also examined RIFW's aims, governance and operation, including its investment business, and the effectiveness of the Welsh Government's oversight of RIFW.

6. The Auditor General concluded that, due to flaws in the way RIFW was established, in the selection of assets and also in the sale process itself, neither RIFW nor the Welsh Government are able to demonstrate that value for money was achieved from the portfolio sale transaction.⁴ This was because:

- The RIFW investment concept was innovative and has many merits, but the need to sell property assets was a distraction from RIFW's core investment purpose;
- Effective Welsh Government oversight of RIFW's activities was difficult because of ambiguities and governance weaknesses within the arrangements for implementing RIFW;
- Due to flaws from the outset, the Welsh Government and RIFW cannot provide public assurance that the land and property portfolio sale achieved value for money; and
- Overall, the actions that the Welsh Government and RIFW have taken in response to the concerns about RIFW have been appropriate.

7. The Committee agreed to undertake a review into the findings of the Auditor General's report and specifically examined the Welsh Government's role in the establishment of RIFW, the process for the portfolio sale and lessons learnt.

8. The Committee held seven oral evidence sessions with witnesses including the Welsh Government, the RIFW fund and investment managers, former RIFW Board members and a Director of South Wales Land Developments Limited. The full list of witnesses can be found at Annexe A.

⁴ AGW Report, Summary, Box 1 and paragraphs 7-8, July 2015

Annexe B details who was involved in the process together with an outline of their responsibilities.

9. The following report details the Committee's conclusions and recommendations based on the evidence received during the course of its inquiry. The Committee would like to thank all those who contributed.

2. Establishment of the Regeneration Investment Fund for Wales

The RIFW Concept

10. The Auditor General concluded that the RIFW investment concept was innovative and had many merits, but he found that the need to sell property assets had been a distraction from RIFW's core investment purpose. In commenting on the RIFW concept Lambert Smith Hampton (LSH) told the Committee:

“On the set-up of RIFW, it was a very innovative concept, I thought, for the regeneration opportunity and the way markets were going. I think it was a very, very sound vehicle.”⁵

11. Members raised concerns that the RIFW concept was likely to be a risky strategy as the Welsh Government was giving £20 million of assets to the RIFW Board, whose primary purpose was to invest in regeneration projects rather than to maximise income from the sale of land and property. Members queried whether the composition of the RIFW Board was appropriate for undertaking commercial land sales and asked the Welsh Government what consideration had been given to whether RIFW was the right vehicle for securing the best value for money for taxpayers from the assets which were transferred to the fund.⁶

12. Owen Evans, the Welsh Government's Deputy Permanent Secretary for the Education and Public Services Group (Mr Evans), referred to the economic climate at the time RIFW was established - it was only a year and a half from Lehman Brothers collapsing and Northern Rock going bankrupt - and told us:

“We had to get some assets and some investment back into the Welsh economy at the time. And I think— Sometimes, the Government is criticised for taking risks. Sometimes, I think we do need to take risks. Whether we mitigated and handled that correctly, of course, is another matter. In getting the assets out to RIFW, the professional support that was assembled around RIFW was incentivised to get best value. The RIFW Board itself was well aware that, within the confines of the concept of the regeneration vehicle, they were there also to get best value. So, I think there was evidence that incentives were put in

⁵ Record of Proceedings (RoP), paragraph 6, 20 October 2015

⁶ RoP, paragraph 26, 8 December 2015

place, and clarity of message was in place—that they were to obtain the best value they could for those assets, within the confines, as you say, of something that had to be reinvested into regeneration.”⁷

13. Mr Christopher Munday (Mr Munday), the Welsh Government official who had responsibilities for establishing RIFW, explained that following advice given by the financial advisers and the lawyers at the time, Ministers took the decision to establish an arms-length company and appoint a fund manager. This was in order to comply with the EU regulations governing the JESSICA (Joint European Support for Sustainable Investment in City Areas) model and provide the commercial expertise required to advance and invest money on behalf of the Welsh Government.⁸

Appointments and induction of the former RIFW Board Members

14. RIFW was established in December 2009 as a Limited Liability Partnership (LLP) wholly owned by the Welsh Government. Mr Munday was the Welsh Government’s observer on the RIFW Board until June 2011 and was the lead official responsible for the establishment of RIFW and the appointment of the Board members.

15. From January 2011, the Board comprised five voting members: two Welsh Government officials (one of whom served as Chair), a Welsh Local Government Association representative and two external members appointed following an advertised public appointments process. Although Welsh Ministers appointed the Board members, under the LLP model all of the Board members had a legal responsibility to act in the interests of RIFW, even if those interests were not entirely aligned with those of Welsh Ministers. LSH told the Committee that they felt the composition of the Board contained the right expertise for this venture.

16. The small size of the RIFW Board meant that its capacity to discharge its responsibilities was weakened when a conflict of interest regarding the portfolio sale to SWLD arose when one of the external members, Jonathan Geen, started to act as the legal advisor to SWLD on the sale transaction. The anticipated time commitment of four days per year for the RIFW Board members (who were unpaid) also proved wholly insufficient when the Board decided to depart from its approved Business Plan and proceed with the

⁷ RoP, paragraphs 27 & 28, 8 December 2015

⁸ RoP, paragraphs 17-19, 13 October 2015

portfolio sale. Between January 2011 and October 2012, the Board met 11 times.⁹

17. The Committee noted that Jonathan Geen declined the invitation to attend the committee's evidence session on the basis that he withdrew from the Board before any decisions were taken on the sale of the sites being considered as part of this inquiry.

18. Members sought clarity from the former RIFW Board members on the extent to which their actual roles differed from their initial expectations. The former RIFW Board members were unanimous in their response stating that the envisaged role was to invest in regeneration projects but it quickly became apparent that they were expected to sell land. The two external former RIFW Board members told the Committee that they would not have become involved with RIFW if they had known this prior to their appointments.¹⁰

19. Members were told by the former RIFW Board member, Councillor Christopher Holley:

“... when we were asked to join, it was on a regeneration basis, not on a land development or a land sale basis. That's what it was sold to me as—a regeneration-based board that was going to invest in projects throughout Wales to create jobs and regeneration.”¹¹

20. He added:

“...if we were asked to be a development company, I don't think I, personally, would've been involved in it. I knew about regeneration, but to sell land to develop greenfield and brownfield sites is not something that we were there for.”¹²

21. Former RIFW Board member, Richard Anning (Mr Anning), stated:

“It was not what I was led to believe. If I had been asked to be involved in a portfolio sale that meant bringing forward land potentially for development over a 12-year period outside the lifetime

⁹ AGW Report, paragraphs 2.18 – 2.20, July 2015

¹⁰ RoP, paragraphs 235 & 239, 12 October 2015

¹¹ RoP, paragraph 229, 12 October 2015

¹² RoP, paragraph 239, 12 October 2015

of the limited liability partnership, then I wouldn't have taken it forward."¹³

22. The former Chair of the RIFW Board, Ceri Breeze (Mr Breeze), stated that as a civil servant he was in a slightly different position to his colleagues:

"... I don't think I would have necessarily said 'no' because I'm always asked to help out with other Welsh Government issues. It's quite a standard thing. So, I would have—as we did—participated and we did the best we could with what we had."¹⁴

23. Members explored with Mr Breeze and to a lesser extent Richard Harries, who only joined the Board in July 2012, the potentially conflicting duties of simultaneously being a RIFW Board Member and a Welsh Government civil servant. Mr Breeze explained that his day-to-day work is geared to providing effective support for Ministers in delivering policies, programmes and legislation, and advising Ministers on making decisions. He added "...the fund was very, very different. I was required to put the best interests of the fund first."¹⁵

24. Mr Breeze said that in some respects his knowledge of the internal workings of the Welsh Government was helpful for his responsibilities as a Board member as he was able to provide information to colleagues to make sure the reputation of the Fund and key facts were clarified.¹⁶ In contrast, he felt that his role became extremely difficult when the Fund was suspended by the Minister in 2012:

"...in the interest of the fund, I had to say I didn't agree with the pause. I was looking for a way to be found to continue the fund in parallel with the value-for-money study. However, I must say, I wasn't party to the information that was to hand at that point in time. I know what goes on when these sorts of matters arise. I've done it myself. I wasn't party to all the information, and, quite appropriately wasn't party to that information, but, obviously, I had to give my views in terms of my role in representing the fund."¹⁷

¹³ RoP, paragraph 235, 12 October 2015

¹⁴ RoP, paragraph 244, 12 October 2015

¹⁵ RoP, paragraph 246, 12 October 2015

¹⁶ RoP, paragraph 247, 12 October 2015

¹⁷ RoP, paragraph 248, 12 October 2015

25. The Committee heard that the induction offered to the former RIFW Board members comprised practical information about RIFW, the JESSICA concept and the Nolan principles of public life. The Committee was surprised that the induction did not include information on the workings of the Welsh Government and its relation to arms-length bodies. Members also heard that there was a general misunderstanding that RIFW was an arm of the Government, which it was not.¹⁸

26. The Committee was told that the RIFW Board member's induction pack was designed by Mr Munday, with advice from the Welsh Government's Public Appointments Unit. On examination of the packs, witnesses stated that the responsibilities of the Board members and the external advisers was included within the induction packs. However, these responsibilities could have been set out more clearly.¹⁹

27. The Committee sought to establish the RIFW Board members' personal understanding of their duties to the RIFW LLP and to the Welsh Government/Welsh Ministers respectively. Mr Anning advised that he had requested that a condition be inserted into his letter of appointment, by the Minister, stating that he would be granted professional indemnity equivalent to Welsh Government employees.²⁰ The Welsh Government failed to provide this assurance to Mr Anning and the Committee was also made aware of uncertainty as to whether the indemnity applied to the two civil servants in their capacity as RIFW Board members. As a result, the RIFW Fund Manager took out a commercial professional indemnity insurance policy on behalf of all Board members in August 2011.²¹

28. Welsh Government oversight of RIFW between July 2011 and January 2012 was hampered by changes in officials and the reorganisation of departmental responsibilities in the months following the May 2011 Assembly election. RIFW had originally been established and overseen by the (then) Department for Economy and Transport, but in August 2011 official responsibility for the regeneration portfolio transferred to the Sustainable Futures Department. Officials who had been extensively involved in RIFW's creation and who were highly knowledgeable about its purpose and structure were no longer directly responsible for its oversight. In written evidence,

¹⁸ RoP, paragraphs 318 & 320, 12 October 2015

¹⁹ RoP, paragraphs 240, 242 & 244, 13 October 2015

²⁰ RoP, paragraph 331, 12 October 2015

²¹ AGW Report, paragraph 2.17, July 2015

regarding the arrangements for the transfer of departmental responsibility, Mr Evans stated:

“I am satisfied that the procedures we now have in place for the identification of corporate risks and their transfer between departments would have resulted in a far more streamlined transfer were it to happen today with much less scope for any ambiguity as to where senior responsibility lay.”²²

Appointment of Advisors to the RIFW Board

29. Following a competitive procurement process the Welsh Government appointed two private-sector companies, in December 2010, to manage the day-to-day business, and to support and advise the RIFW Board. Amber Infrastructure Ltd (Amber) was appointed as Fund Manager and joined the Limited Liability Partnership as a non-voting member. Lambert Smith Hampton Ltd (LSH) was appointed as Investment Manager.

30. During the procurement process, details of the assets to be transferred to RIFW, along with their existing use valuations, were disclosed to interested parties. The Committee was surprised that such commercially sensitive data was released given the potential to influence the realisable value at onward sale. This issue is discussed in further detail in Chapter 4.

31. The two companies worked as a consortium with LSH operating under sub-contract to Amber. Following their appointment an Amber employee and an LSH Director attended all meetings of the RIFW Board.

32. As LSH was the nominated sub-contractor of Amber within the consortium, Amber had a duty to manage and supervise LSH’s provision of Investment Manager Services to RIFW. As LSH also had a direct contractual relationship with RIFW, this created a complex arrangement whereby there was simultaneously a tripartite relationship between RIFW, Amber and LSH, and also a bi-lateral relationship between Amber (as principal) and LSH (as agent). This complexity created a degree of ambiguity and confusion between the parties, reflected in their differing portrayals of their respective responsibilities in their written submissions to the Committee.²³ The Auditor General’s letter of 6 October 2015 addresses this confusion.²⁴

²² PAC(4)-34-15 Paper 1, 8 December 2015

²³ PAC(4)-27-15 Paper 1, 13 October 2015 and PAC(4)-28-15 Paper 1, 20 October 2015

²⁴ PAC(4)-26-15 Paper 1, 12 October 2015

33. In evidence, Amber explained the complexity of these arrangements in that it had a contract with RIFW, which was essentially Welsh Government, and also with LSH, making it a tripartite agreement. As such LSH, had broadly the same duties to RIFW as Amber, although Amber accepted that it was the primary interface with RIFW and it was Amber's role to supervise LSH on a day to day basis.²⁵ LSH confirmed that they reported directly to Amber whose role was to report to the Board.²⁶

34. Given this ambiguity and confusion between the various parties, the Committee questioned whether the roles between Amber and LSH, as Amber's sub-contractor, were sufficiently distinct.²⁷ Amber confirmed that they provided administrative support for the RIFW Board including overseeing advice papers from LSH.²⁸

35. The Committee questioned Amber on why they responded to the Welsh Government's invitation to tender for the role of RIFW Fund Manager. Amber stated that due to their expertise in the public-private interface, infrastructure and other sources of investment, they were naturally interested in applying to work with RIFW.²⁹ Amber also had experience of working with similar initiatives in London and Scotland.

36. Members explored why Amber had elected to submit a consortium bid to the Welsh Government, with LSH, as its nominated sub-contractor for the RIFW Investment manager role and were told:

“Yes, the difference between this and the other funds was, right from the outset, this was going to be endowed with cash plus some land assets, obviously, and that was a distinction from the other funds set up under the JESSICA initiative in the UK. So, I think that the Welsh Government at the time sought two very different sorts of advice. They were seeking advice from an investment specialist, because the investment specialist, which was us, actually had certain discretionary powers about investing money into these new opportunities, and that was because of the EU requirements, and a property specialist, who was going to give advice certainly on the property aspects of new

²⁵ RoP, paragraph 286, 13 October 2015

²⁶ RoP, paragraph 15, 20 October 2015

²⁷ AGW Report, paragraph 2.26, July 2015

²⁸ RoP, paragraph 290, 13 October 2015

²⁹ RoP, paragraph 278, 13 October 2015

investments, but also in terms of the land assets that were being acquired as part of the initial assets of RIFW.”³⁰

37. Amber confirmed that it had not previously undertaken any work with LSH and had selected to work with them on RIFW because of their capacity and experience in the Welsh market.

38. All the LLP’s executive functions are undertaken by Amber and as such RIFW has no Chief Executive or Accounting Officer. RIFW falls within the Welsh Government’s accounting boundaries and its accounts are consolidated within those of the Welsh Government itself. Although the Welsh Government has guidance in place for its relationships with its sponsored bodies, similar guidance was not in existence for arms-length bodies until recently.

39. As well as being the nominated contact for enquiries in relation to potential regeneration investment projects, LSH was charged with seeking opportunities to enhance the value of the RIFW land and property portfolio through the planning process and to recommend disposals to give the best financial return for the Fund. In addition to contractual management fees, LSH was incentivised by a sliding scale of success fees, based on asset disposal proceeds above a baseline related to the “transfer value” of the sites from the Welsh Government to RIFW.³¹

Conclusions and Recommendations

The Committee is of the view that the concept of the Regeneration Investment Fund for Wales to support regeneration projects in Wales by recycling investment funds rather than simply dispensing grants is an innovative model and should have worked. However, we believe the RIFW Board lacked the operational capacity and expertise to fulfil the task it was set by the Welsh Government as Board members were appointed to oversee investment in regeneration projects not to dispose of significant property assets. Former RIFW Board members told us that had they been clearer on the role expected of them in practice, they would have declined to become members of the Board.

The Committee understands the reasons for establishing the Regeneration Investment Fund for Wales as an arms-length body. However, from the

³⁰ RoP, paragraph 282, 13 October 2015

³¹ AGW Report, paragraphs 2.26 -2.27, July 2015

evidence received, the Committee found there to be a lack of clarity amongst the RIFW Board members, the Fund Manager, the Investment Manager and the Welsh Government observer regarding their respective roles. This was a significant governance failing.

The Committee is satisfied that the Welsh Government has recognised this issue in light of the review undertaken by Gilbert Lloyd on the Governance Arrangements of RIFW.

We believe the entirely appropriate decision of Jonathan Geen to recuse himself from the Board because of his conflict of interest left the remaining RIFW Board members with insufficient capacity to provide robust oversight and challenge of the sale process.

The Committee recommends that the Welsh Government must demonstrate that it has made appropriate changes so that governance arrangements oversight and accountability are robust, clearly defined and understood by all parties involved, not only in relation to RIFW, but to all other activities the Welsh Government is undertaking.

The Committee recommends that should the Welsh Government establish future arms-length bodies, these bodies' functions and roles of Board Members must be clearly defined and understood by all concerned from the outset.

The Committee recommends that measures are put in place to ensure that Board Members have the appropriate expertise and capacity to fulfil their duties and receive adequate and appropriate induction training.

The Committee recommends that the Welsh Government should ensure that the capacity and capability of Boards is carefully addressed whenever members are absent or are unable to participate due to conflicts of interest.

The Committee recommends that the Welsh Government's internal accounting officer with responsibility for arms-length bodies is explicit, especially where officials are operating outside their usual line management arrangements.

3. Welsh Government oversight of the RIFW Board

40. Robust Welsh Government oversight of RIFW’s activities between July 2011 and January 2012 was substantially hindered by changes in officials and the reorganisation of departmental responsibilities in the months following the May 2011 National Assembly election. The Welsh Government had chosen to appoint the RIFW Chair from a department other than the sponsoring department, but the August 2011 transfer of the sponsor responsibility for RIFW between departments meant that this mechanism for a degree of independent challenge and scrutiny was lost.³²

The Welsh Government “observer”

41. RIFW Board meetings were attended by a Mr Munday as an observer, who was copied into relevant documentation.

42. An independent review of RIFW’s governance arrangements commissioned by the Welsh Government (the “Gilbert Lloyd Report”) identified a lack of clarity in relation to RIFW’s accountability arrangements, and weaknesses in aspects of RIFW’s governance arrangements (notably in respect of the role of the Welsh Government “observer”) which had also been identified by the Wales Audit Office study team.³³

43. These weaknesses in the oversight of RIFW were admitted by Welsh Government to the Committee:

“...there were significant issues around the observer status of the official on that board. I think there were misunderstandings from both parties, really, of how the observer was reporting back to Welsh Government.”³⁴

44. Furthermore:

“Given that there was confusion about how the information was tracking back into Welsh Government at the time, and also some issues, potentially, around the handover from one department to another after a ministerial reshuffle, there was not sufficient information or robustness around our understanding of the activities,

³² AGW Report, paragraph 2.10, July 2015

³³ AGW Report, paragraphs 2.9, 2.28 – 2.35 and Box 6, July 2015

³⁴ RoP, paragraph 27, 12 October 2015

so that when the question was asked, we tended to rely on the response that was received.”³⁵

45. The Committee explored the arrangements for the observer to report back to Welsh Government. The Welsh Government explained that fundamental weakness was that the observer viewed his role on the RIFW Board was to manage the transfer of the assets from Welsh Government to RIFW and he was therefore only reporting back on that basis. Mr Evans said:

“He was not reporting back or didn’t feel—or hadn’t been instructed, in fairness, to report back on the basis of what the activities of the board were doing in terms of the sale.”³⁶

46. The Committee established that the Welsh Government observer was never given any terms of reference to clarify what Mr Munday’s accountability line should have looked like.³⁷

47. When challenged on his responsibilities, Mr Munday, said that he was clear that his role was to:

“...ensure continuity in terms of the establishment of the partnership and then to step back and to leave the protection of the interests to the board members.”³⁸

48. Mr Munday expanded on his understanding of the observer status:

“...initially, I saw my role in attending the board meetings as providing that continuity between the first nine months and the ongoing activity, so that there wasn’t a hiatus between the two. I think, in the six or so months that I attended such board meetings, I came to recognise that actually there was a wider role than that of an observer. There was no guidance within Welsh Government at the time about what the role of such an observer should be, but I was very clear in my own mind that ‘observer’ means the dictionary definition ‘to see and observe’, not ‘to actively participate’.”³⁹

49. Questioning the former RIFW Board members on their perceptions of the role of the Welsh Government observer at RIFW Board meetings, the

³⁵ RoP, paragraph 28, 12 October 2015

³⁶ RoP, paragraph 60, 12 October 2015

³⁷ RoP, paragraph 74, 12 October 2015

³⁸ RoP, paragraph 213, 13 October 2015

³⁹ RoP, paragraph 281, 8 December 2015

Committee sought to establish the extent to which they considered the involvement of the observer in RIFW’s affairs was either “passive” or “active”. Mr Anning said:

“The position with the observer was that he was an expert in having put the matter together, and as far as I was concerned, I considered him to be a shadow director, as it would have been had it been in a corporate sense, a company sense, because for the period up to and past that summer period in what would be 2011, he wasn’t just listening, he was giving advice—and sensible advice, because of his historic knowledge. As you have noted from some of the e-mails that I put forward in relation to overage et cetera, I was copying him in on it to be certain that, as far as I was aware, the Welsh Ministers were reasonably comfortable with the decisions that I was taking.”⁴⁰

50. The Committee sought to clarify the witnesses’ views on whether the observer was treated as a shadow member of the RIFW Board, including taking part in the discussions, not having a vote, but being kept in the loop on all of the discussions and present at Board meetings. In responding, Mr Anning told us that they had assumed that he was feeding information back to the Welsh Government and Ministers about the activities of the Board.⁴¹

51. Mr Anning confirmed that this was an accurate summary and he had assumed the observer was feeding back:

“It wasn’t my role to consider what he was or was not doing, because it is a different legal entity; it’s a limited liability partnership, which had its annual general meeting and its report to members, and that was the corporate, structured role of the limited liability partnership.”⁴²

52. Amber advised the Committee that they saw the Welsh Government effectively as their client, and the RIFW Board sat there to provide corporate governance.

“The Welsh Government owned RIFW. I think that we saw the Welsh Government effectively as our client, and the RIFW Board was sitting there for very good corporate governance reasons, but behind them sat the Welsh Government. I think, rightly or wrongly, because I heard

⁴⁰ RoP, paragraph 281, 12 October 2015

⁴¹ RoP, paragraph 286, 12 October 2015

⁴² RoP, paragraph 286, 12 October 2015

the earlier evidence, we saw the observer as effectively the representative of the Welsh Government, and therefore the client, if you like, for whom RIFW was implementing its activities.”⁴³

53. Amber worked closely with the Welsh Government observer⁴⁴ to the RIFW Board, seeking his advice and agreement when framing their draft recommendations to the Board on the portfolio sale and also in handling Jonathan Geen’s declared conflict of interest. The Committee identified that the Welsh Government observer’s engagement in these matters created the impression of tacit Welsh Government approval for the terms of the sale in the minds of both the RIFW Board members and their advisors.⁴⁵

54. In commenting on the role of the Welsh Government observer, Amber told the Committee:

“I think that we saw Welsh Government effectively as our client, and the RIFW board were sitting there for very good corporate governance reasons, but behind them sat the Welsh Government. I think, rightly or wrongly, because I heard the earlier evidence, we saw the observer as effectively the representative of the Welsh Government, and therefore the client, if you like, for whom RIFW was implementing its activities.”⁴⁶

55. LSH also defined the role of the Welsh Government observer as a Welsh Government representative, involved in the establishment of RIFW and involved in all Board meetings for the first nine months of its existence, adding that “As far as we were concerned, he was Welsh Government”.⁴⁷

56. The Committee pressed LSH on their understanding of the observer at Board meetings, to which they said:

“He participated in the meetings, but I don’t recall exactly what he did. We were there, in effect, as observers and advisers. When we attended the meetings, we were not there to make decisions. We were there to provide advice to the board and to respond to questions that

⁴³ RoP, paragraph 301, 13 October 2015

⁴⁴ Report Paragraph 41

⁴⁵ AGW Report, paragraph 2.9, July 2015

⁴⁶ RoP, paragraph 301, 13 October 2013

⁴⁷ RoP, paragraph 13, 20 October 2013

we were asked. In many ways, Chris Munday was there in a similar manner.”⁴⁸

57. LSH added that they:

“...looked to him as the person that had created the vehicle and therefore was best placed to understand the structure within which the vehicle was operating.”⁴⁹

58. In light of this evidence, the Committee questioned Mr Munday further, on the perception of his role:

“I can’t, obviously, speak for how people perceived my role, but my role was very clear. Having established the partnership, there was a significant issue about handover from the way it was running before December to post-December. I did attend the board meetings up until the July meeting only.

[...]

“my role there was not a formal role. Welsh Government representatives were members of the management board. I go back to the position I shared with you earlier: the role and purpose of that board is to be the Welsh Ministers’ representatives in making the decisions. I was not the sole representative. But, that’s not to say that I side-step any of my responsibilities; I do not. My responsibility was to ensure that the vehicle was properly constituted and that the governance structures were in place. Events have shown that there were weaknesses in that, which I accept, and that lessons need to be learned from that. But, in terms of approving anything, no, that was not my role, and it should have been clear to all members of the board that that was not my role.”⁵⁰

59. Mr Evans, said that it was:

“...a very loosely defined observer status, and this is one of the things that we’ve had to look at since then. We’ve actually issued new guidance about observer status within these boards, but at the time, Chris, I believe that there was no feeling that what was happening

⁴⁸ RoP, paragraph 81, 20 October 2015

⁴⁹ RoP, paragraph 94, 20 October 2015

⁵⁰ RoP, paragraph 63, 13 October 2015

was prejudicial to the long-term benefit of the Welsh Government asset, given the context of what was designed.”⁵¹

60. During further examination, Mr Munday confirmed that he sat at the table during RIFW Board meetings and commented on proceedings. He stated that he had a gradual realisation that there was a broader role than just providing continuity following the handover and on checking with line management, no general guidance was available.⁵²

61. The Committee Chair suggested that the RIFW board and the advisors saw the observer as a non-voting member, representing the Welsh Government and giving approval for their actions and decisions.

62. In response, Mr Munday confirmed that he had no power to give approvals and that guidance would have helped him, as well as the Board, to be clear about what could reasonably be expected of the person attending in the capacity of observer.⁵³

63. The Committee Chair suggested that Mr Munday should have demanded clarity regarding the observer status. In response, Mr Evans said that it was a corporate failure to not to establish with sufficient clarity what his role was:

“I think the organisation put Chris in an invidious position, where he was at RIFW to begin with to help with the transition, but there was insufficient guidance for him, there was insufficient guidance for the board itself. I think it’s one of those classic situations, which is regrettable, where the board were probably clear about what they thought Chris’s role was and Chris’s interpretation of what his role was different. I think that didn’t help matters at all, which is one of the reasons why we’ve had to address the understanding of what an observer’s role is on the board and the board’s understanding of what that is as well.”⁵⁴

64. Mr Evans went on to assert that clear guidance is now available for all Welsh Government external observers of any board or any organisation.⁵⁵

⁵¹ RoP, paragraph 167, 8 December 2015

⁵² RoP, paragraph 208, 8 December 2015

⁵³ RoP, paragraph 218, 8 December 2015

⁵⁴ RoP, paragraph 221, 8 December 2015

⁵⁵ RoP, paragraphs 227 – 230, 8 December 2015

Conclusions and Recommendations

The Committee received conflicting views on the role of the Welsh Government observer at the RIFW Board meetings. We believe that the role of the Welsh Government observer was ill-defined and poorly understood by all concerned, placing the observer at times in a difficult position.

The Committee concludes that Welsh Government oversight of RIFW was fatally flawed. There is evidence that oversight not only broke down but it was not designed to operate diagonally across departments and this is indicative of organisational cultural and behavioural problems.

The Committee recommends that the Welsh Government's extant guidance to its officials on attendance at external board meetings should be enhanced to include an explicit requirement for observers to provide a written report to their line managers on their activities and key decisions made.

The Committee acknowledges that clearer procedures have recently been put in place for transfer of portfolios between Welsh Government Departments and recommends that these procedures are reviewed in light of our inquiry and strengthened accordingly.

The Committee recommends that the transfer of business at both Ministerial and official level within the Welsh Government and between its Departments should be monitored by our successor Committee in the Fifth Assembly to look carefully for evidence that these changes have taken effect.

4. Asset selection and transfer to RIFW

65. At an early stage in planning the creation of RIFW, the Welsh Government opted to contribute a portfolio of its existing land and property assets alongside £9.4 million of Welsh Government cash and £25 million of WEFO⁵⁶/ERDF funding to create an initial £55 million Fund for investment. The assets that formed this portfolio were selected by Welsh Government officials and transferred to RIFW in March 2010 at an existing use valuation of £20.6 million, in order that these could then be marketed and sold by RIFW to generate working capital for the Fund.⁵⁷

66. The Welsh Government intended that the selected assets should be a mixed portfolio of more attractive and less attractive properties, which would be:

- attractive to the market, easily saleable and with clear legal title;
- without any third-party impediment to a sale; and
- capable of being sold within the timescale determined by RIFW's requirements for cash to invest in regeneration projects.⁵⁸

67. The Committee has heard repeatedly that the decision to sell RIFW's assets was influenced by the then economic climate and the public sector spending environment, which seemed to drive an imperative to sell the assets as quickly as possible to achieve the Welsh Government's regeneration policy objectives. James Price, the Welsh Government's Deputy Permanent Secretary Economy for the Skills and Natural Resources Group (Mr Price), told us that there was a mind-set within Welsh Government about a "fire sale" of all its assets, including discussions amongst officials about the possibility of a 50 per cent discount as being "completely acceptable from a policy perspective".⁵⁹

68. The potential for significant increase in value was not considered explicitly in the selection process, although it was recognised that several of the assets offered development opportunities and so would be particularly attractive to the property market. Including these assets in the portfolio gave RIFW the responsibility for balancing its immediate cash-flow needs for

⁵⁶ Wales European Funding Office. Responsible for providing and overseeing £25 million of EU ERDF grant funding to RIFW for regeneration purposes

⁵⁷ AGW Report, paragraphs 1.6 – 1.9, July 2015

⁵⁸ AGW Report, Paragraphs 3.1 – 3.5, July 2015

⁵⁹ RoP, paragraph 119, 13 October 2015

investment funding against continued ownership costs and any potential longer-term increases in value. As the RIFW Board members' legal duty was to the RIFW LLP rather than to the Welsh Ministers, this tension increased the inherent risk that the maximum potential sale returns might not be realised.⁶⁰

69. When advertising for the roles of RIFW Investment Manager and Fund Manager in February 2010, the Welsh Government circulated details of the land and property portfolio that was to be transferred to RIFW for disposal, together with each one's individual transfer values (including estimates of "hope value" for those sites that were considered to have future development potential). The information packs also included the Fund's requirement to dispose of enough of the assets to meet the match funding requirements for the WEFO/ERDF funds. The release of this information by the Welsh Government inherently weakened RIFW's negotiating position in relation to future property disposals.⁶¹ (Paragraph 30 refers).

70. Amber was provided with information about the Welsh Government's intentions for RIFW in the invitation to tender documentation, the signed Investment Management Agreement, the JESSICA Business Plan prepared for WEFO, and in other Welsh Government briefing materials. Both Amber and LSH should therefore have been aware that RIFW was under no obligation to sell its entire asset portfolio by 2015, as long as £6 million could be raised from asset sales by that date in order to generate £15.4 million, the required level of WEFO/ERDF match funding.⁶²

71. In clarifying how much Welsh Government funding was required to go into the JESSICA project the Committee was told that the JESSICA contribution was £25 million and the contribution from Welsh Government was £15 million:

"We had £9 million cash, and so we had to put—just to match the JESSICA, which was the structural fund areas, £6 million, or more or less. We put additional, because we wanted to make it an all-Wales project."⁶³

⁶⁰ AGW Report, Paragraphs 3.6 – 3.7, July 2015

⁶¹ AGW Report, paragraphs 3.17 – 3.21, July 2015

⁶² AGW Report, paragraphs 1.5 – 1.11, 2.22, Box 5 on page 36 paragraphs 3.29 – 3.32, paragraphs 3.32 – 3.33, July 2015

⁶³ RoP, paragraph 92, 8 December 2015

72. The Welsh Government's conveyancing of the legal title for the asset portfolio transfer to RIFW did not include the usual searches and due diligence work normally undertaken by a buyer's solicitors. Initial work on the portfolio for RIFW by LSH identified unresolved legal issues on several of the sites. Therefore in March 2011, RIFW decided to commission its own legal due diligence on the assets to ensure that each could be made marketable and saleable.⁶⁴ However, these problems with title issues following transfer delayed the portfolio sale. As a result, RIFW was left holding undesirable assets which future buyers would have to resolve.⁶⁵ We expand on this in Chapter 6.

73. Importantly, the potential for significant increase in value was not considered explicitly in the selection process, although it was recognised that several of the assets offered development opportunities and so would be particularly attractive to the property market. Including these assets in the portfolio gave RIFW the responsibility for balancing its immediate cash-flow needs for investment funding against continued ownership costs and any potential longer-term increases in value.⁶⁶

74. The Welsh Government selected 18 assets, with an existing use "transfer value" of £20.6 million. It included £100,000 of land adjacent to Imperial Courtyard that could not be transferred because the Welsh Government did not own it.⁶⁷ Welsh Ministers approved the transfer on 10 February 2010, which were passed over to RIFW the following month.

75. The Welsh Government provided the transfer value to the RIFW Board but failed to inform it that King Sturge had identified a "hope value" for the portfolio of £26.4 million.⁶⁸ The District Valuer has assessed the market values of the 18 sites at that date as totalling £32.770 million. The values of the assets transferred to RIFW are set out in the Auditor General's Report.⁶⁹

Welsh Government Documentation and Record Retention

76. The ability of Assembly Members to scrutinise and hold the Welsh Government to account depends, in part, on complete and accurate record keeping by officials. The Committee was therefore deeply concerned to be

⁶⁴ AGW Report, paragraphs 3.10 – 3.13, July 2015

⁶⁵ AGW Report, paragraphs 3.10 – 3.13, July 2015

⁶⁶ AGW Report, paragraphs 3.6 – 3.7, July 2015

⁶⁷ AGW Report, Box 7, July 2015

⁶⁸ In March 2010, King Sturge valued the assets at between £20.65 million and £26.40 million

⁶⁹ AGW Report, paragraph 3.9, Box 7 & Appendix 3, July 2015

told that some key meetings within the Welsh Government had not been documented.

77. Written evidence from the Welsh Government confirmed that there were no minutes taken of several meetings, including a formal meeting with WEFO on 1 February 2011.⁷⁰ The Welsh Government sought to justify this by claiming that some of these were “not formal meetings”. However, given that these meetings were to discuss a multi-million pound transfer of public assets to RIFW, the Committee found the absence of a complete audit trail to be wholly unacceptable. The Welsh Government acknowledged to the Committee that this lack of formal record was a shortcoming and that robust minutes on such a fundamental issue should have been kept.

78. Mr Evans explained to the Committee that “there were deficiencies at the time” arising from the integration of the Welsh Development Agency (WDA) into the Welsh Government in 2006 and that “it took several years to make the way the WDA operated more appropriate to the type of systems that the Welsh Government would use”.⁷¹ The Welsh Government acknowledged that this process took longer than it would have liked. Mr Price explained that work had commenced from 2010, with a review of governance within the (then) Department for the Economy and Transport, which led to the introduction of new processes, procedures and guidance. The position now is that “no decisions should be taken without a record of the decision and a reason for the decision, as a minimum”.⁷²

79. Members were also surprised to learn that it is Welsh Government policy to delete electronic diary entries 12 months after the event. Members were concerned that such records are important in terms of documenting when civil servants meet, with whom and for what purpose. The Committee was unconvinced by the Welsh Government’s assurance that it now has a “central vault where any meetings that would lead to a decision being made are archived”.⁷³

80. Members pursued lines of questioning around the missing record relating to the formal meeting between Welsh Government and WEFO on 1 February 2011. The Welsh Government confirmed that WEFO had also been asked about this and had confirmed that it did not have a record of the meeting. The Committee found this highly unsatisfactory and contrary to

⁷⁰ PAC(4)-34-15 Paper 1, 8 December 2015

⁷¹ RoP, paragraph 39, 8 December 2015

⁷² RoP, paragraph 50, 8 December 2015

⁷³ RoP, paragraph 54, 8 December 2015

usual practice, given WEFO's own requirements for comprehensive record keeping.

Conclusions and Recommendations

The Committee was surprised that Welsh Government procurement processes allowed commercially sensitive information to be shared with interested parties and that the potential impact of this on onward sale values was not considered.

We consider that the Welsh Government could have sold the assets itself in a phased manner that best fitted the planning status of each asset and then given RIFW the funds directly to match its investment cash-flow needs. In our view, the Welsh Government should have considered this and other alternative means of funding RIFW instead of providing it with assets to sell. For example, consideration could have been given to the relevant local authorities in lieu of capital allowances and giving RIFW cash instead.

The Committee has serious concerns regarding the procedures and processes within the Welsh Government regarding record keeping and data retention.

In particular we are concerned that no minutes were kept of meetings to discuss key decisions regarding the sale of the RIFW assets. This lack of formal record is a serious shortcoming within Welsh Government administration. The Committee heard evidence to suggest that deficiencies in Welsh Government administrative procedures arose from the integration of the Welsh Development Agency into the Welsh Government in 2006 and that it took several years to make the way for more appropriate systems to be put in place. We do not believe this to be an acceptable defence for poor administrative and oversight practices; improvements should have been implemented more swiftly.

The Committee recommends that the Welsh Government's procurement processes are reviewed to prevent the unnecessary disclosure of commercially sensitive information to the marketplace.

The Committee recommends that the Welsh Government take action in relation to its remaining asset portfolio in order to ensure that it actually possesses clear legal ownership of each asset, has up to date valuations and a full understanding of how their potential for development can be best aligned with wider policy objectives.

We recommend the Welsh Government must, as a matter of urgency, address the weaknesses in its organisational culture that have given rise to deficiencies in the robustness of its record keeping processes.

5. The RIFW Board's approval of, and departure from, the Asset Realisation Plan

81. It was for the RIFW Board to decide and approve any changes in the Business Plan or the Asset Realisation Plan (ARP), but as a minimum, the fund manager had to present those plans for re-approval on an annual basis. It was not a decision for Ministers but for the RIFW Board.⁷⁴

82. The Committee questioned the former RIFW Board Members on the quality of the advice they had received when considering the Business Plan and ARP including the Board's intentions when approving these plans. The witnesses confirmed that the ARP was presented at a meeting of the RIFW Board on 31 January 2011 and agreed on 28 March 2011. The Committee were told by Mr Anning that the RIFW Board had the complete range of options and processes for the realisation of the assets over a controlled period:

“It is incorrect to say that at that meeting we agreed to the disposal of the assets as a portfolio. It was reported at that meeting that interest had been put forward by a party to acquire the entire portfolio. It is appropriate that the agents continued with those discussions because it was an expression of interest for the properties. Whether it was as a single property or as a group, the agents are under an obligation to report interest. They did so, and we supported them in pursuing those discussions.”⁷⁵

83. In reference to the meeting on 28 March 2015, the Committee heard that the RIFW Board had received a more detailed report on the discussions that had taken place. Mr Anning said:

“...noted those discussions and noted that, as far as it was concerned, it thought that the offer that had been put forward did not match the aspirations of the board, particularly in relation to measuring the risks associated with disposal of all the properties in one go against the uncertainty of separate disposals, and put it back with the agents for further negotiation. Then, you move forward to

⁷⁴ RoP, paragraph 110, 8 December 2015

⁷⁵ RoP, paragraphs 363-364, 12 October 2015

subsequent board meetings when the discussions of overages et cetera come forward.”⁷⁶

84. Mr Anning added that it was a gradual process while the agents continued discussions with other parties that might be interested in taking it forward including a separate expression of interest that had been received from the Rightacres Property Co Ltd (Rightacres):“There was no change of policy. The policy continued, with the board saying, ‘That’s the policy, but if you have another line of interest, you are to progress it’”.⁷⁷

85. The Committee questioned the former RIFW Board Members on their understanding of the extent of marketing activity undertaken by LSH prior to the decision to accept the offer from GST Investments (SWLD), and whether they considered this to have been sufficient to fully test the market without going to public auction.

86. Members also questioned how the portfolio sale had been presented to the RIFW Board by LSH and, specifically, the advantages of a portfolio sale as a means of disposing of valuable assets alongside assets that were not so valuable. Mr Breeze stated:

“We had a mixed bag of sites transferred to the fund. The board was mindful of what we were trying to do for the future, which was actually to generate cash—turn the assets into liquidity—in order to invest in regeneration projects. The advice we were receiving at the time was that there was a very poor market, a declining market, and that there was a risk that the land would be worth less in the future. Yes, there were some sites that were less attractive than others, and I think those are still in the portfolio that was sold.”⁷⁸

87. Amber explained that the ARP, which was originally designed to sell the assets over a period of time was overtaken by a recommendation that came through LSH to sell the portfolio in a single opportunity:

“... I think that it came as a surprise to us, and it came as a surprise to the board, that there was this opportunity. I think the board actually acted, in my view, quite properly, because I think we all

⁷⁶ RoP, paragraph 365, 12 October 2015

⁷⁷ RoP, paragraph 366, 12 October 2015

⁷⁸ RoP, paragraph 400, 12 October 2015

questioned that change of advice. We all questioned whether it was the right thing to be selling the assets in a single sale.”⁷⁹

88. Amber confirmed:

“...that decision was explicitly taken back within Welsh Government via the observer, in terms of, ‘Is this the right thing we all want to be doing?’”⁸⁰

89. Amber added that this decision was supported by some very clear advice from LSH.

90. When asked if the RIFW Board felt under pressure to sell the land, the Committee was told by Mr Breeze that “we were very mindful of the need to generate cash” to invest and that the decision to sell the land was not a “snap decision” adding:

“There was a lot of negotiation—some very, very tough negotiation. Deadlines were set by the prospective purchaser, which were broken on many, many occasions. I can remember one e-mail I sent saying, basically, ‘We’re not meeting that deadline. If they walk away, they walk away’. So, I don’t want to give the impression that this was, you know, suddenly a portfolio offer comes along and it’s snapped up. It was very, very detailed. I think, originally, there were differences in overage, and I know that there were differences in terms. That was a very, very detailed process.”⁸¹

91. During questioning Amber told the Committee:

“...we had an asset realisation plan, which was originally designed to sell these assets over time. That asset realisation plan was approved by the board and it was essentially a plan to sell the assets over a period of time—individually, effectively. That asset realisation plan was overtaken by a recommendation that came through LSH to sell the portfolio in a single opportunity, and I think that it came as a surprise to us, and it came as a surprise to the board, that there was this opportunity. I think the board actually acted, in my view, quite properly, because I think we all questioned that change of advice. We

⁷⁹ RoP, paragraph 305, 13 October 2015

⁸⁰ RoP, paragraph 306, 13 October 2015

⁸¹ RoP, paragraph 404, 12 October 2015

all questioned whether it was the right thing to be selling the assets in a single sale.

[...]

“That’s one of the reasons why I think that decision was explicitly taken back within Welsh Government via the observer, in terms of, ‘Is this the right thing we all want to be doing?’ To be fair to the board and to Chris and everybody else, that recommendation was supported by some very clear advice from Lambert Smith Hampton, and, obviously, that decision was originally approved in principle in early 2011, although, ultimately, the sale itself didn’t take place until February 2012.”⁸²

92. The following table sets out the timeline for the agreement of the portfolio sale by the RIFW board:

Date	Action
April 2011	Board decision to progress with GST Investments’ office
June 2011	Board decision to proceed with sale agreed in principle but insufficient RIFW Board members present for a valid resolution
January 2012	Valid resolution by RIFW Board members to proceed with sale
February 2012	Contracts Exchanged

93. Amber also said that changes to the ARP required RIFW Board approval and that therefore, a portfolio sale also required Board approval:

“I think that anybody who’s acting in a fiduciary capacity, which, essentially, we all were, would want to ensure that the ultimate client—ultimately, the Welsh Government—was bought into that change of strategy.”⁸³

94. The Committee pursued the issue of whether it was Amber’s understanding that the Welsh Government was entirely comfortable with the portfolio sale, rather than offering the RIFW Board the opportunity and the discretion to maximise the assets as they saw fit. Amber said:

⁸² RoP, paragraphs 305–306, 13 October 2015

⁸³ RoP, paragraph 310, 13 October 2015

“Well, I’m afraid I would say that, yes, because I think the sale was clearly an important decision relating to a very large proportion of RIFW’s assets.”⁸⁴

95. The Committee questioned LSH on their role in advising RIFW on the changes to the ARP and why they did not suggest that the original plan to sell the sites individually should go ahead. The Committee was told the proposal to sell as a portfolio looked:

“...relatively attractive in terms of values—the values being in line with the market and the book values that we had. The proposal at the time didn’t have overage on anything other than the Monmouth site, and there were a couple of other anomalies, which we were basically requested by the board to investigate. So, there was no decision made in March to accept that offer. We were sent away to do some more work on it, to actually analyse it and to make some recommendations, which is exactly what we did.”⁸⁵

Conclusions and Recommendations

The Committee notes that originally, RIFW planned to dispose of its assets by selling them separately. However quite soon after this agreement the intention changed and an offer to purchase the whole portfolio was instead agreed by the RIFW Board. This significant departure from the approved Asset Realisation Plan drew the RIFW Board into an executive role in respect of the portfolio disposal, for which it had not been designed and for which its members lacked both capacity and expertise.

During our evidence gathering we questioned whether this change was conveyed either to Welsh Ministers or to Senior Civil Servants. We believe that this fundamental change in direction was a significant factor in whether the greatest value for money and benefit was achieved by RIFW and that it should therefore have involved Welsh Ministers.

We recommend that any material departure from a previously agreed plan by anyone acting on behalf of Welsh Ministers which has the potential to adversely impact on value for money must be reported to Welsh Ministers for their consideration.

⁸⁴ RoP, paragraph 312, 13 October 2015

⁸⁵ RoP, paragraph 382, 20 October 2015

6. The Portfolio Sale Process

96. In March 2011, an offer to purchase RIFW's entire asset portfolio was received by LSH from GST Investments Ltd (which subsequently funded the actual purchase by SWLD).

97. The portfolio sale of RIFW's assets to SWLD was conducted on the basis of a private treaty, without a competitive process and without proper marketing. A portfolio sale constituted an immediate departure from RIFW's previously approved disposal plan, which was for a phased disposal including sales on the open market.⁸⁶

Defects in Quality of Title Information

98. The sale process was protracted because many of the assets were not readily saleable, due to title issues and other impairments to sale. Morgan Cole, RIFW's legal advisors, along with the Welsh Government Legal Services and LSH, worked to resolve these prior to the sale. Sale completion of the Brackla site was delayed by twelve months to March 2013, whilst pre-conditions for the sale (relating to social housing provision on a neighbouring site) were met.⁸⁷

99. A report on the disposal transaction, prepared by Amber and LSH, was presented to the RIFW Board in May 2011 stating that the GST Investments offer should be accepted on a "warts and all" basis⁸⁸ and the inclusion of less desirable assets in the sale was cited as a key justification for a portfolio transaction. However, RIFW was ultimately left holding three assets deemed worthless by the purchaser.

100. Members raised concerns regarding the quality of the title information provided by the Welsh Government when the assets were transferred to RIFW. Mr Langley Davies (Mr Davies), a Director of South Wales Land Developments Limited, told that the Committee:

"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

⁸⁶ AGW Report, paragraphs 3.24 – 3.26, July 2015

⁸⁷ AGW Report, paragraphs 3.43 – 3.53, 3.96 – 3.97 & Box 7, July 2015

⁸⁸ AGW Report paragraphs 3.10 - 3.13, 3.95 & Box 10, July 2015

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."⁸⁹

101. The Committee raised concerns with the Welsh Government regarding the robustness of its internal processes in transferring the assets from the Government to RIFW and why there was no process of confirming what titles it owned. Members queried whether the Welsh Government's legal services had undertaken any checks, because, according to evidence provided by Mr Davies, it took an additional year for SWLD to get the sites into suitable order.⁹⁰

102. Mr Evans explained that there was a considerable amount of time taken in selecting the assets that were to be transferred as a portfolio to RIFW. This included work on checking the suitability of these assets for sale and balancing those assets that were more saleable with others that were not. This work did not involve actually looking at the specific title defects.⁹¹

103. Mr Evans also said that prior to handing the assets over to RIFW, the only work the Welsh Government had done, in relation to title defects, was to raise what those issues were rather than resolve them. Post asset transfer, RIFW engaged Morgan Cole to go through a process of due diligence around title related queries, who identified a number of issues deemed worthy of further investigation.⁹²

104. Members questioned the Welsh Government on the suitability of the assets given the title defects and the pressing need to draw in funds. Members challenged whether the processes within the Welsh Government were sufficiently robust, given that they should have identified the fact that these funds would not be realised from the assets being transferred within 12 months.⁹³

105. Mr Evans responded by explaining that it had inherited land from the Land Authority for Wales and the Welsh Development Agency, adding that registration, back then, had not been mandatory until the point of sale. He

⁸⁹ RoP, paragraph 44, 1 December 2015

⁹⁰ RoP, paragraph 62, 1 December 2015

⁹¹ RoP, paragraph 123, 8 December 2015

⁹² RoP, paragraph 124, 8 December 2015

⁹³ RoP, paragraph 130, 8 December 2015

confirmed that since then all Welsh Government assets of a commercial nature have gone through a process of proper registration:

“We could have done more diligence on the registration, but that would have taken up more time, or we could have put it in; it was a judgment call at the time, I think.”⁹⁴

The actions of the RIFW Board during the sale process

106. When deciding to accept the GST Investments [SWLD] portfolio offer, the RIFW Board’s evaluation of the proposed sale terms was materially affected by:

- A misconception regarding the £20.627 million value ascribed to the RIFW assets at the time of their transfer from the Welsh Government to RIFW – this was in fact based on “existing use” value, rather than their “market” value (i.e. including development potential);
- A misapprehension that disposal of the entire asset portfolio by 2015 was an ERDF match funding requirement;
- The absence of a full independent valuation prior to what was a private sale transaction;
- Misleading comparisons (provided to the Board by its advisors) between the purchaser’s offer and the transfer value, which took insufficient account of the development potential of many of the sites;
- A lack of proper marketing of the assets by LSH ; and
- Inconsistencies in LSH’s handling and reporting of interest from prospective purchasers to the RIFW Board.⁹⁵

107. We note that some of the above issues arose from the observer failing to alert the RIFW Board of information held by the Welsh Government and this was key to the RIFW Board’s decision-making regarding their acceptance of the SWLD offer. We are also concerned that the observer did not report back on the discussions and decisions of the RIFW Board to senior Welsh Government Officials or Ministers. However, we acknowledge the invidious position he was put in by senior management at Welsh Government.⁹⁶

108. When considering the merits of the GST Investments [SWLD] offer, the RIFW Board was also told by LSH that an expression of interest received from

⁹⁴ RoP, paragraph 131, 8 December 2015

⁹⁵ AGW Report, paragraphs 3.55, 3.29 – 3.34, 3.67 – 3.72, 3.56 – 3.63, 3.73–3.85, July 2015

⁹⁶ RoP, paragraph 221, 8 December 2015

Rightacres, suggesting a cash sale for £17.47 million plus overage on five sites was an “offer”, that allowed for a “market comparison” “in addition to LSH’s own valuation”. This statement was seriously misleading because it created the impression to the RIFW Board that:

- the formal offer from GST Investments [SWLD] and the expression of interest from Rightacres were of equivalent status;
- LSH’s opinion of the total potential receipts from disposal had the status of an independent professional valuation, which it did not; and
- Rightacres’ interest and LSH’s opinion of value provided a sufficient basis of comparison to provide assurance to the RIFW Board in relation to the adequacy of the GST Investments [SWLD] portfolio offer in order to proceed with sale negotiations.⁹⁷

109. In addition, the implications of significant changes to the GST Investments [SWLD] offer during sale negotiations were not clearly reported to the RIFW Board by its advisors, and no robust comparisons of the final sale terms with the ARP were undertaken.⁹⁸

110. The changes between the initial offer and the final sale terms are set out in Table 10 of the Auditor General’s Report. It shows that during the sale negotiations:

- Three assets deemed by the purchaser to be of little or no value were removed from the sale and instead left in RIFW’s ownership, negating one of the key benefits to RIFW of a “warts and all” portfolio sale; and
- The buyer negotiated a reduction in the sale price from a £23 million cash purchase down to £21.75 million, plus overage on the Lisvane and Monmouth sites, and also payment by three instalments over 24 months (with no provision for interest payments).⁹⁹

111. Throughout the Committee’s inquiry reference has been made by most witnesses to the economic climate within which RIFW was set up and operated. A consistent theme throughout the evidence is that the economic downturn at the time influenced the decision to sell RIFW’s assets as quickly as possible. Mr Price said:

⁹⁷ AGW Report, paragraphs 3.86 – 3.87, July 2015

⁹⁸ AGW Report, paragraphs 3.92 – 3.100, July 2015

⁹⁹ AGW Report, Table 10, July 2015

“...perhaps, the most important thing that hasn’t been said—and whilst I wasn’t involved in any of this, I do remember being sat around management board tables, discussing the financial position at the time. At the time the property was selected, we were in dire financial straits, and I remember discussions going on within the Welsh Government about a fire sale of all of our assets. That was seriously being considered at the time— putting the whole lot up in one block—and discussions about the fact that we might lose half of it being completely acceptable from a policy perspective, because there was such a need to get investment into the economy.”¹⁰⁰

112. Members pressed on this matter, asking Mr Price whether the sale of the land was undertaken in an emergency situation, who said:

“I am saying that there was an emergency view sort of pervading the organisation at the time this was done. I don’t think that massively influenced the individual decision, but I do think people need to just remember how bad it was at that time, and that was bound to have influenced people’s views as to whether this was something that we might have been able to move on ourselves in three years, or whether it might be best to try and move it on in a different way.”¹⁰¹

113. In attempting to clarify its position, Mr Price added:

“The point about the fire sales was conversations going on at official level within the then DE&T department. I’ve got no view that that was shared by Ministers, but Ministers and everyone were certainly aware of the dire financial situation at the time, and the view that if we were sat on £200 million that we couldn’t get invested in the economy, that might have been a big issue.”¹⁰²

114. Members acknowledged that the Welsh Government had invested funds during a time of economic decline and noted the Welsh Government’s mind-set regarding a potential “fire sale” of assets.

115. In responding, Mr Price explained, from a wider policy perspective, that its land assets are not used as a means to generate funds for the public sector adding that unless there is a market failure, the Government would not hold on to an asset to maximise the value of that asset for the purpose

¹⁰⁰ RoP, paragraph 119, 13 October 2015

¹⁰¹ RoP, paragraph 122, 13 October 2015

¹⁰² RoP, paragraph 142, 13 October 2015

of sale. The Welsh Government “would hold on to an asset for a policy purpose, which might be to bring forward development, or it might be to allow construction of a road or some other infrastructure piece, but we do not, ever, since the days of the Land Authority for Wales, hold on to land to maximise the value of the land.”¹⁰³

116. With regard to RIFW, Mr Price said:

“...the view at the time must have been that the policy was to get money into the economy and to regenerate schemes, and there wasn’t that much cash in Government at the time, and, hence, it used the asset for policy purposes, not to maximise the value of the asset.”¹⁰⁴

117. In written correspondence, the Welsh Government explained further the references made to a “fire sale” stating:

“...this was a reference to the wider context within which officials were operating at that time rather than referring to a policy adopted with regard to the Fund. James’ comments were I thought a helpful reminder of the broader economic context within which the Welsh Government decided to utilise land assets to take advantage of the Jessica funding model. That wider context served to underline the need for innovation and the need for urgent action.”¹⁰⁵

118. The Committee raised this matter with LSH asking whether they had felt there was a time pressure as they were putting the deal together. Members questioned whether rather than working on realising the complete value of the properties, instead there was an agreement that, if some value was lost, that was acceptable.¹⁰⁶ LSH stated:

“No’ is the answer. We weren’t—. There was an imperative to sell the assets in a timely manner; we were not under any impression that this was a fire sale—that we had to sell at any cost. Our duty was to obtain value, and we believe we did that.”¹⁰⁷

119. In clarifying this LSH added that the ARP intention was to sell the majority of the sites in 2011, the remainder of the sites in 2012, and then

¹⁰³ RoP, paragraph 94, 8 December 2015

¹⁰⁴ RoP, paragraph 95, 8 December 2015

¹⁰⁵ PAC(4)-29-15 PTN2, 3 November 2015

¹⁰⁶ RoP, paragraph 168, 20 October 2015

¹⁰⁷ RoP, paragraph 169, 20 October 2015

the last two sites, which would have been Imperial Courtyard and part of Brackla, in 2013 and 2014.

120. With regards to disposal timescales Members referred to the evidence provided by the RIFW Board, highlighting their mistaken impression that they had to dispose of the entire asset portfolio by December 2015. The Committee contrasted this with the reality that only £6 million of asset sales were required by that date in order to meet WEFOs match funding requirements for the JESSICA funds. The Committee questioned the Welsh Government on whether this crucial information had been communicated to the RIFW Board.

121. The Committee was told that the Welsh Government had provided a full copy of the WEFO funding agreement to both Amber and LSH, which stated that RIFW had until December 2015 to provide the full match funding. Furthermore, the RIFW Board's role should have been simply to approve the Business Plan and ARP, and for Amber and LSH then to ensure delivery of those approved plans. Mr Munday said:

“Where I think this departed from what was intended was that, within literally days of the board approving the asset disposal plan, the manager—that is to say, the asset manager and the fund manager—came up with a plan to dispose of the property, not in accordance with the approved asset management plan or asset realisation plan, but to sell it as a portfolio. Looking back, the correct process for the manager would have been not to ask the board to approve the sale of the portfolio, but to approve the variation to the asset realisation plan.”¹⁰⁸

122. Members challenged the Welsh Government on whether its observer had conveyed this fundamental change either to a Welsh Minister or to a more senior Welsh Government official. Mr Munday said:

“The portfolio sale proposal amounted to a total financial offer that was exactly the same as the current, or the then current, asset realisation plan. It did not offer a lesser amount. It offered also the board the opportunity to remove what I think the Wales Audit Office described as the distraction from the core activity of the sales processes, and that would allow them to focus solely on the investment. The structure was that it was for the board to decide and

¹⁰⁸ RoP, paragraph 101, 8 December 2015

approve any changes in the business plan or the asset realisation plan, but as a minimum, the fund manager had to present those plans for re-approval on an annual basis. It was not a decision—. Having set up RIFW, that was a decision for the board, not Ministers.”¹⁰⁹

123. Mr Evans added:

“...at the time Chris didn’t think that this was a poor offer, as it were. So, on that basis, he didn’t offer to tell anybody in the Government that this issue should be raised.”¹¹⁰

124. The Committee did not feel this was an adequate explanation given the additional risk that was brought into the process by changing the ARP. Members highlighted that Welsh Ministers had an understanding that they were passing on these assets, that disposal of these assets would occur in accordance with a Business Plan over a period of time, not as a single portfolio sale, and that this should have been conveyed to Ministers.

125. Regarding Members questions on the need to generate only £6 million in sales proceeds by December 2015, Mr Munday told the Committee that it was considered both by officials and in the reports to Welsh Ministers that this was an all-Wales fund and that from the very beginning, it could operate in non-assisted areas beyond WEFO funding.¹¹¹

126. LSH also told the Committee that it felt it would have been fairly criticised if RIFW was still in ownership of the majority of those assets in 2014, and, as a consequence, had not been able to invest in regeneration projects in Wales, which was the principal purpose of the fund.¹¹²

Conclusions

The speed of asset disposal to fund potential regeneration investments became more important than the maximisation of the potential sale proceeds, and as a result the opportunity for a portfolio sale appeared to the RIFW Board members to be an attractive option. However, the majority of the asset portfolio could have been retained by RIFW beyond the end of 2015 which would have generated far greater returns for the public purse.

¹⁰⁹ RoP, paragraph 110, 8 December 2015

¹¹⁰ RoP, paragraph 114, 8 December 2015

¹¹¹ RoP, paragraph 102, 8 December 2015

¹¹² RoP, paragraph 177, 20 October 2015

The departure from the ARP amounted to a fundamental change in direction and was a significant factor in whether value for money was secured by RIFW. It reinforces our view expressed in Chapter 5 that it should have been referred to Welsh Ministers for their consideration.

7. The Role of the Advisors in the Portfolio Sale Process

Amber's role in the portfolio sale to SWLD

127. The lead role for RIFW in the sale negotiations with SWLD was taken by Mr Leo Bedford of Amber, supported by LSH. Amber subsequently presented its recommendations to the RIFW Board regarding the terms of sale, including the overage arrangements. However, changes to the overage clauses in the final sale terms made following the Board's resolution in May 2011 were not formally reported to the Board.¹¹³

128. In November 2011, during the sale negotiations, LSH obtained a quotation to obtain a full independent valuation of the RIFW portfolio and passed this to Amber. However, the quotation was not taken forward by Amber and its existence was not communicated to the RIFW Board. The absence of an up to date independent valuation of public assets prior to a private sale represents a fundamental weakness in the sale process in terms of demonstrating value for money. It can also give rise to potential State Aid issues and, as explained at some length in his report, the Auditor General has not been persuaded by Queen's Counsel (QC) opinion that Amber has procured on this point.¹¹⁴

129. In its written submission to the Committee, Amber has sought to distance itself from the actions of LSH in respect of the portfolio sale, asserting that where it circulated papers to the RIFW Board these were "prepared by LSH which were then on-sent by [Amber] to RIFW". However, the Auditor General told us that his study team has copies of drafts of the Portfolio Transaction Report dated 21 April 2011 which include extensive tracked amendments by Amber to LSH's initial draft, prior to the final report's presentation to the RIFW Board.¹¹⁵

130. Members questioned Amber on the issue of information not being passed onto the RIFW Board including details of LSH's advice to obtain an independent valuation of the property. Amber explained:

"There are two points there. The first point, I think, is that the amendments to LSH's advice were really to test that advice and

¹¹³ AGW Report, paragraphs 3.92 – 3.99, July 2015

¹¹⁴ AGW Report, paragraphs 3.130 – 3.137, 3.70 and Box 13, July 2015

¹¹⁵ PAC(4)-26-15 Paper 1, 12 October 2015

ensure it was stronger, particularly early on. I think the auditor general referred to some— I think there’s a paper—is it 14 April or something like that—where we did encourage them to reinforce their advice, particularly because it was a change to the existing asset realisation plan.

[...]

“The point about the valuation not being passed on is actually a little bit of a red herring, because that point arose much, much later in the process. That arose in the context of some of the legal discussions around the terms of the legal contract, and that was actually a discussion not around the valuation of the assets per se, vis-à-vis the sale, it was more about whether or not we needed a provision in a legal contract to deal with some future valuation in the event that there were disputes over overage or some of the other legal terms in the contract.”¹¹⁶

131. With specific regard to the point that the recommendation to seek a further valuation was not conveyed to the RIFW Board, Amber told the Committee that the reason for this was because the RIFW Board:

“...had already approved the sale, delegated responsibility for transacting the sale—so, the terms of the sale had been approved.”¹¹⁷

132. Members commented on the complexities of the interactions between all the various parties involved and sought to establish whether, at any point, Amber felt that it should have acted differently or communicated in another way to prevent some of the issues that have arisen. Amber responded:

“When you go through the kind of process that we’ve been through the last three years—and I think we’ve submitted something like 10,000 different sheets of paper to the WAO through this—I think you always find a few things that you’d do a little bit differently if you had your time again. But, fundamentally, in terms of the question you’re asking around the land sale, no, I think that the advice was very clear, and, indeed, from having seen the submission LSH have made to this committee for when they appear next week, the thrust

¹¹⁶ RoP, paragraphs 319 – 320, 13 October 2015

¹¹⁷ RoP, paragraph 332, 13 October 2015

of LSH's view is that that advice remains valid and was good advice at the time."¹¹⁸

LSH's role in the portfolio sale to SWLD

133. On its appointment, LSH was tasked by the Welsh Government to develop an ARP for approval by the RIFW Board, containing asset-specific plans that were to be reviewed every six months. These plans were required to include proposals for enhancing the value of each asset including, where appropriate, their promotion by LSH through the planning process.¹¹⁹

134. The asset-specific plan developed by LSH for the Livvane site recommended an individual sale of the site to reflect hope value, and with overage provisions to secure additional returns subject to successful promotion through Cardiff Council's LDP process. LSH suggested a realisable value of £2.5 million to the RIFW Board for the Livvane site in the asset-specific plan.¹²⁰

135. Both LSH and Amber were provided with information about the Welsh Government's intentions for RIFW in the invitation to tender documentation, the signed Investment Management Agreement, the JESSICA Business Plan prepared for WEFO, and in other Welsh Government briefing materials.¹²¹ The Committee is therefore satisfied that both LSH and Amber should have been aware that RIFW was under no obligation to sell its entire asset portfolio by 2015, as long as £6 million could be raised from asset sales by that date in order to generate the required level of WEFO/ERDF match funding.¹²²

136. LSH has confirmed to us that it undertook no formal marketing of the RIFW portfolio prior to receipt of the "warts and all" offer for the portfolio of £23 million, with no overage, that was received from GST Investments [SWLD] on 4 March 2011.¹²³ The GST Investments offer letter stated that: "It has been widely reported that the value of the properties at that time [the transfer from the Welsh Government to RIFW] was circa £20 million".¹²⁴

137. In addition to the offer from GST Investments [SWLD], on 8 March 2011 LSH received an expression of interest in the RIFW portfolio from Rightacres,

¹¹⁸ RoP, paragraph 354, 13 October 2015

¹¹⁹ AGW Report, paragraph 2.27 and Box 5, July 2015

¹²⁰ AGW Report, paragraph 3.61, July 2015

¹²¹ AGW Report, paragraphs 1.5 – 1.11, 2.22, 3.29 – 3.32 & Box 5, July 2015

¹²² AGW Report, paragraphs 3.32 – 3.33, July 2015

¹²³ AGW Report, paragraphs 3.73 – 3.81, July 2015 and PAC(4)-28-15 Paper 1, 20 October 2015

¹²⁴ AGW Report, paragraph 3.40, July 2015

suggesting a cash sale for £17.47 million, plus overage on five sites (Lisvane, Monmouth, Rhoose, Pyle and Brackla).¹²⁵

138. The GST Investments [SWLD] offer and the Rightacres expression of interest were portrayed by LSH to the RIFW Board as having equivalent status – the terms “offer”, “bid” and “proposal” were used interchangeably for each of them in the LSH paper that recommended acceptance of the GST Investments offer.¹²⁶ Rightacres subsequently told the Wales Audit Office that it would have considered overage on all five sites for a longer period than five years if it had gone on to make a formal offer for the portfolio.¹²⁷

139. Although the original GST Investments [SWLD] offer was for the entire portfolio on a “warts and all” basis, which LSH cited as a significant factor in its recommendation to the RIFW Board to accept the offer, the final sale terms left RIFW still owning three undesirable assets.¹²⁸

140. The Committee questioned LSH on how Mr Davies of SWLD became aware of the asset portfolio, given that (i) LSH had undertaken no active marketing prior to receipt of the offer from GST Investments [SWLD] and (ii) he was not listed as a “prior marketing contact” in the papers provided by LSH to the RIFW Board. LSH told the Committee:

“...you’re absolutely right. South Wales Land Developments wasn’t a listed company; it didn’t exist. Langley Davies actually approached us originally because he owns the buildings next door to Imperial Park, Imperial Courtyard, and it was my understanding from him that he originally tried to buy the Imperial House and Imperial Courtyard buildings from King Sturge, who were Welsh Government’s appointed disposal agents, and had failed a year or so previously. He approached us on the basis of that and during the course of the conversations that we had with him, he was made aware of the portfolio.”¹²⁹

141. The Committee questioned LSH on the Auditor General’s finding that not all expressions of interest in the purchase of the portfolio were communicated to the RIFW Board. Members referred to a reference in the Auditor General’s report regarding an enquiry from Legat Owen in respect of

¹²⁵ AGW Report, paragraph 3.42, July 2015

¹²⁶ AGW Report, paragraphs 3.86 – 3.88, July 2015

¹²⁷ AGW Report, paragraph 3.90, July 2015

¹²⁸ AGW Report, Box 10, July 2015

¹²⁹ RoP, paragraph 226, 20 October 2015

the north Wales sites. The response from LSH at that time, when it was already progressing discussions with SWLD had been: "...it is a little premature at this stage as we still have to collate significant amounts of information". Members asked why LSH had neither explored this inquiry with Legat Owen nor communicated it to the RIFW Board and was told:

"Legat Owen. At the time, I think that was a response from our Manchester office that was dealing with the north Wales assets. I'm unaware that that wasn't communicated to the board, because the—. Well, Legat Owen were actually the managing agents for the north Wales assets for Welsh Government prior to their inclusion in the fund. The level of their interest—. I know they expressed interest in one of the sites or part of one of the sites for a nursing home for a client"¹³⁰

142. Members were concerned that, given that these were taxpayers' assets worth millions of pounds, the enquiry from Legat Owen should have been followed up. Members suggested that the offer had perhaps been dampened down by LSH's suggestion that: "...it's premature at this stage". The Committee therefore asked LSH for an explanation of why interests in the portfolio had not been communicated consistently to the RIFW Board and of LSH's process for communicating offers and interest to the Board.¹³¹ LSH responded that it had compiled a monthly report listing all interest received and had passed this to Amber.¹³²

143. However, a Committee Member challenged LSH on this, stating:

"Well, we've got copies of those monthly reports, of course, and so did the Wales Audit Office have copies, and it's quite clear that they say in their report: 'We have not found any record of the interest being reported to the RIFW Board'."¹³³

144. On this point, the former RIFW Board members stressed to us that at the time they were only able to accept the offers that had been presented to them.

145. The Committee asked Amber if it had been satisfied with the advice that LSH had provided to it and to the RIFW Board. Amber responded:

¹³⁰ RoP, paragraph 238, 20 October 2015

¹³¹ RoP, paragraph 269, 20 October 2015

¹³² RoP, paragraph 270, 20 October 2015

¹³³ RoP, paragraphs 271- 272, 20 October 2015

“I don’t think we had any reason to question it at all; I think that we had a—. We had a—. As I mentioned earlier, I think we were initially surprised that they’d proposed a sale in a single transaction, but, on questioning that advice and putting them to the test around that advice, I think that they came out with a very credible and reasonable justification for doing so.”¹³⁴

146. The Committee also questioned LSH on their role in advising the RIFW Board on the changes to the ARP and if they thought they had made any mistakes in the advice they had given the RIFW Board and whether, with hindsight, they would have acted differently. LSH told us that the advice provided by LSH at the time was absolutely correct.¹³⁵ They added:

“We continue to believe that the advice we gave was correct. We believe that we achieved good value for the sale of these assets. If we were to do this again, the only thing we would do again would be to strive to prove that we had achieved best value, so that we didn’t have to actually sit here and answer these questions now.”¹³⁶

LSH’s conflicts of interest and relationships

147. In March 2011 LSH received an offer from GST Investments [SWLD], represented by Mr Langley Davies, for the entire RIFW asset portfolio. However, it was not until December 2011 that LSH informed Amber that: “We have acted for Langley Davies on other projects and do provide property advice to companies where Langley Davies is a Director”.¹³⁷ LSH also asserted at the time that “...we do not have any related party issues resulting from this transaction”.¹³⁸ Neither LSH nor Amber shared this information with the RIFW Board members.

148. The sale of 14 of the 15 sites to SWLD was completed on 2 March 2012. The following day, LSH signed an agreement to act for SWLD as managing agents in relation to the eight South Wales properties purchased from RIFW. Whilst such an arrangement is not unusual in the commercial property sector (as it aids continuity of knowledge when promoting sites through the planning process), at the time that LSH entered into this

¹³⁴ RoP, paragraph 350, 13 October 2015

¹³⁵ RoP, paragraph 454, 20 October 2015

¹³⁶ RoP, paragraph 455, 20 October 2015

¹³⁷ [RIFW Asset Portfolio Disposal Report, page 48](#), August 2013

¹³⁸ [RIFW Asset Portfolio Disposal Report, page 45](#), August 2013

agreement, the sale of the Brackla site had not been concluded (this did not take place until 1 March 2013).¹³⁹

149. RIFW retained an interest in all of the sites sold to SWLD as payment of the sale proceeds by instalments was secured against the values of those sites. RIFW also retained a specific interest in the Lisvane and Monmouth sites under the overage clauses agreed between RIFW and SWLD. Under those overage clauses, both parties share a common interest in increasing values but have opposing interests in relation to the amount of overage payable.¹⁴⁰

150. This meant that LSH were simultaneously acting for both the seller (RIFW) and the purchaser (SWLD) on both sides of the same transaction. The normal “Chinese wall” safeguards were not applied within the firm, as the same individual within LSH fulfilled both roles. This breached the terms of LSH’s Investment Management Agreement, the professional standards of the Royal Institute of Chartered Surveyors (RICS) and LSH’s own company policies on the management of conflicts of interest.¹⁴¹

151. Members questioned LSH on whether it would agree that it had breached the company’s own procedures and professional standards, in having their same employee dealing with the interests of both RIFW and SWLD.

152. LSH told the Committee that it has clear conflicts of interest procedures and that these were agreed with Amber at the outset of the creation of RIFW. It explained that where a conflict of interest occurs, or there is potential for conflict of interest, then an information barrier is created by storing different information in different offices.¹⁴²

153. The Committee highlighted that there was some confusion around conflicts of interest particularly given that LSH signed an agreement with SWLD on the day after the sale of 14 of the 15 sites in the portfolio. Members therefore wished to clarify at what point LSH was acting for both RIFW and SWLD.¹⁴³ LSH sought to explain that this was solely in a planning capacity which had no impact on the value of the land stating:

¹³⁹ AGW Report, Paragraph 3.102, July 2015

¹⁴⁰ [RIFW Asset Portfolio Disposal Report, page 40](#), August 2013

¹⁴¹ AGW Report, paragraphs 3.103 – 3.104, July 2015 and [RIFW Asset Portfolio Disposal Report, page 48](#), August 2013

¹⁴² RoP, paragraph 305, 20 October 2015

¹⁴³ RoP, paragraph 308, 20 October 2015

“We continued to manage the land after the sale had taken place. The fact was that RIFW had sold all of the assets, completed on all of the assets, but hadn’t completed on the Brackla site because that was subject to this agreement with Linc, and there was a delay of 12 months from exchange to completion. The value was crystallised on the exchange date. The only detriment, really, or potential conflict, if you could argue that was a conflict, was that that site had not completed, which brings back into play the individual who was actually monitoring the planning, because both the interests of RIFW and South Wales Land were aligned in terms of the fact that South Wales Land could have stepped away from that contract to buy that land if the Linc deal hadn’t completed, because, basically, the 30 per cent social housing commitment would then have transferred onto the RIFW land. So, it would actually have been detrimental to RIFW, and we did provide valuations at that time of, if that scenario had arisen, what impact it would have had on RIFW.”¹⁴⁴

154. LSH acknowledged that it could see that, in cases where you are acting for two parties, there is potentially a conflict of interest that could give rise to a problem, but in this instance it did not.¹⁴⁵ However, the Committee notes that the interests of RIFW and SWLD are not entirely aligned in relation to overage.

Conclusions and Recommendations

We recognise the difficult economic situation the RIFW Board was operating, but we have significant concerns that decisions were taken without proper analysis, which arose from the RIFW Board being poorly advised by:

- Amber, which led for RIFW on the sale negotiations and which was responsible for oversight of the actions of LSH; and
- Lambert Smith Hampton which provided advice to both Amber and the RIFW Board on the assets’ values and the merits of the SWLD offer.

The Board’s decision making was also hampered by the actions and inactions of the Welsh Government, whose observer (responsible for the creation of RIFW, the appointment of the RIFW Board members and advisors, and the selection and transfer of the asset portfolio to RIFW) was fully aware of the WEFO match funding requirements and also failed to alert the Board to significant information regarding the market value of the portfolio. Finally,

¹⁴⁴ RoP, paragraph 309, 20 October 2015

¹⁴⁵ RoP, paragraph 311, 20 October 2015

RIFW's legal advisors must take some responsibility for the very weak contractual overage clauses that RIFW entered into with SWLD.

Evidence to the Committee has highlighted that crucial information known to the Welsh Government, Amber and Lambert Smith Hampton was not shared with the RIFW Board members. We note that this included the "hope values" of sites within the portfolio, and that as a direct result the RIFW Board thought that the transfer values were the market values when, in reality, these were only the existing use values. Furthermore, the RIFW Board were not made aware that only £6 million of assets sales by 2015 were necessary to meet the WEFO match funding requirements. We note that the Board had been led to believe that the entire asset portfolio had to be sold by December 2015 and the imperative to sell RIFW's assets had been driven by this misapprehension.

In our view Lambert Smith Hampton should have informed the RIFW Board in March 2011 of its previous dealings with Langley Davies, as well as giving prior notice in March 2012 of their intention to act for SWLD in order to give the Board the opportunity to scrutinise Lambert Smith Hampton's arrangements in relation to conflict management.

In this regard, we note that evidence to the Committee has identified significant weaknesses in overage provisions with overage agreements applied to only two sites and for only a period of 5 years. We also note that the deductible expenses were too widely drawn.

The Committee are concerned at the Auditor General for Wales' finding that Lambert Smith Hampton had breached their own company's procedures and professional standards in having their same employee deal with the interests of both RIFW and SWLD simultaneously.

We recommend that the Welsh Government and RIFW should carefully consider whether any potential cause of action lies against Lambert Smith Hampton (and against Amber in respect of its oversight of Lambert Smith Hampton) regarding:

- the advice provided to the RIFW Board on the sale; and
- the contractual terms of appointment when acting for both SWLD and RIFW.

The Committee recommends that the Welsh Government should consider referring Lambert Smith Hampton to their professional body.

8. Overall Value for Money of the portfolio disposal to SWLD

155. The Welsh Government has acknowledged, in both its written submissions and in its oral evidence to the Committee, that it cannot demonstrate that value for money was achieved from the sale.¹⁴⁶

156. The Committee has heard evidence that the Transfer Value represented existing (mainly agricultural) use and that this provided the comparator basis for the sale price,¹⁴⁷ with the potential for subsequent increases in value being protected by overage on only two sites, Lisvane and Monmouth. The Committee has considered a range of documentary evidence that the assets were not properly marketed, that the sale was conducted by private treaty and that, contrary to the briefing provided to the RIFW Board by its advisers, there was only one actual offer for the portfolio. The Committee has also heard compelling oral evidence that the former RIFW Board members had genuinely believed that all of the assets needed to be sold and the proceeds invested by December 2015 in order to meet match-funding requirements.¹⁴⁸

157. A key factor in determining whether value for money has been achieved lies in which valuation of the land portfolio is referred to. The Auditor General's report findings were based in part on a valuation undertaken by the District Valuer, which has since been subject to criticism from a number of witnesses.¹⁴⁹

158. The Committee discussed whether overall value for money has been achieved with Amber who explained:

“...there is a question, which obviously the committee is looking at, as to whether the land was sold at full market value at the time, and the way in which it was sold. So, as of February 2012, was a proper price achieved for the sale of the land as a complete portfolio? And there is a separate but obviously related question, which is: would or should a different result have been obtained had a wholly different approach to selling the land been taken? I think that, from our point of view, we have worked extremely hard with Welsh Government and the Wales Audit Office and others to understand whether or not RIFW

¹⁴⁶ PAC(4)-26-15 Paper 3, 12 October 2015

¹⁴⁷ AGW Report, paragraph 3.56 – 3.63, July 2015

¹⁴⁸ AGW Report, paragraph 3.29 – 3.34, July 2015

¹⁴⁹ PAC(4)-27-15 Paper 1, 13 October 2015

has any legal recourse to anybody in terms of the first question in terms of the sale of the assets. To date, at least, the evidence doesn't support the view that RIFW was badly advised at that stage.

"We all recognise that there's obviously a range of ways in which the land could have been sold, and you can't close out the possibility that the land might have been sold for more had it been sold in lots, over a different time frame, and the rest of it.

"I think the issue that confronted the board at the time in making its decisions was, in a sense, in the name of RIFW—it was focused on regeneration. I think that goes back to your earlier question about what was really in the members' minds. They were focused on regeneration and stimulating the Welsh economy. So, I think that there was a lot of pressure back then to turn the portfolio into cash and get on with what was seen as being the primary objective of RIFW in terms of regeneration."¹⁵⁰

159. The Committee noted that the key justifications (at the time) for departing from the ARP, which favoured a phased disposal and for proceeding with the GST Investments [SWLD] offer for a portfolio sale, were that it would:

- enable a speedy sale allowing RIFW to focus on investments;
- provide cash for investment in regeneration projects in a shorter timescale than a phased disposal;
- generate a profit in excess of the assets value; and
- enable RIFW to dispose of undesirable assets "warts and all".

160. The Committee also noted that despite RIFW's stated intention to proceed with a portfolio sale in order to quickly realise funds for investment, the Board agreed to payment of the principal sale proceeds by interest-free instalments and to rely on overage (subject to payment provisions that would delay receipts) to capture future value increases.

Subsequent Asset Sales by SWLD

161. The Committee has listened carefully to the representations that it has received on the relative merits of the various professional valuers' opinions as to the market value of the RIFW asset portfolio. However, in the

¹⁵⁰ RoP, paragraphs 432 – 433, 13 October 2015

Committee's view, a better comparator for an overall assessment of whether value for money had been obtained by RIFW is the track record of subsequent asset sales by SWLD itself. These sales, unlike the portfolio sale, have been fully advertised in the property market, and several have been heavily contested between rival bidders which demonstrates their attractiveness to the property market. These sales values have also been impacted by a general uplift in land values in recent years.

162. The following table,¹⁵¹ records the onward sale by South Wales Land Developments Limited of properties from within the portfolio purchased from RIFW. It shows that:

- SWLD has to date generated a gross profit of £11.1 million from the sale of seven of the sites purchased from RIFW for £6.2 million;
- part-sales of the Monmouth, Pyle and Brackla sites have generated a further gross profit for SWLD of £8.0 million (net of overage payable to RIFW in respect of the Monmouth part-disposal);
- one site (Imperial Park, Newport) has been transferred to an associated company; and
- six sites, including all of the Lisvane site, parts of the Monmouth and Pyle sites and most of the Brackla site, remain in the ownership of SWLD.

¹⁵¹ Correspondence from Langley Davies, Director of South Wales Land Developments Limited on sale prices of land (December 2015). Information correct as at 19 January 2016

Name of site	Purchase price from RIFW(£m) ¹⁵²	Onward Sale price (£m)	SWLD gross profit/loss (£m)	Date of onward sale by SLWD	Notes
A. SALES					
Mayhew Foods site, Aberdare	0.300	0.430	0.130	20 June 2012	
Goetra Uchaf Farm, Bangor	1.659	2.500	0.841	3 July 2012	
Wrexham industrial estate	0.390	0.420	0.030	6 June 2014	
Llandudno Junction	0.575	1.500	0.925	2 September 2014	
Upper House Farm, Rhoose	2.987	10.415	7.428	9 November 2015	
Llanfair PG, Anglesey	0.150	0.055	(0.095)	15 December 2014	
St Georges Road, Abergele	0.100	1.900	1.800	10 July 2015	
SUB-TOTAL	6.161	17.220	11.059		
B. PART-SALES					
Wonastow Road, Monmouth	1.114	12.000	5.886	Contracts exchanged on 4 October 2013	*2
Ty Draw Farm, Pyle	0.111	2.000	1.889	17 January 2014	*3
Brackla Industrial Estate, Bridgend	6.018	0.381	0.381	16 April 2014, 8 September 2015, 9 October 2015	*4
SUB-TOTAL	7.243	14.381	8.156		
Name of site	Purchase price (£m)	Sale price (£m)	SWLD gross profit/loss (£m)	Date of onward sale by SLWD	Notes
C. TRANSFERS					
Imperial Park, Newport	5.753	n/a	n/a	13 July 2012	*5
SUB-TOTAL	5.753	n/a	n/a		
D. RETAINED BY SWLD (as at 19 January 2015)					
Land at Lisvane, Cardiff	1.835	n/a	n/a		*6
Llantrisant	0.330	n/a	n/a		

¹⁵² This is the apportioned value of each site within the £21.747 million purchase price of the RIFW portfolio for calculation of Stamp Duty and VAT and does not necessarily represent the market value of the individual sites at the time of the sale

Business Park					
Towyn Way East, Towyn	0.171	n/a	n/a		
Pen y Bryn, St Asaph	0.254	n/a	n/a		
SUB-TOTAL	2.590	n/a	n/a		
TOTAL	21.747	31.601	19.215		

Notes:

1 Wonastow Road, Monmouth (part-sale): SWLD's gross profit shown here is after payment of overage due to RIFW, estimated to be £5 million. This sale of approximately 75% of the site, representing the residential portion, will be completed once the overage calculation (net of allowable cost deductions by SWLD) is agreed between SWLD and RIFW.

Approximately 25% of the site, allocated to employment uses, remains in SWLD's ownership.

2 Pyle: Approximately half of the site was sold on with the remainder retained by SWLD

3 Brackla: SWLD has sold-on 3 small parcels of land to neighbouring land owners and retains most of the site.

4 Imperial Park, Newport: this site was transferred on 13 July 2012 from SLWD to an associated company at a value of £1.75 million, but remains under the management of Mr Langley Davies.

5 Lisvane: Inclusion of the Lisvane site for residential development in the Local Development Plan for Cardiff which received planning approval in January 2016 has increased the value of the site. Under the sale terms agreed with SWLD, the Welsh Government should be entitled to a share of the value increase.

6 Part sites retained: In addition to the five sites retained by SWLD (listed at D above), SWLD also retains most of the Brackla site, approximately half of the Pyle site and approximately a quarter of the Monmouth site, by area.

163. Members raised concerns that overage agreements were not applied to more sites within the RIFW portfolio, for example, Rhoose which was sold by RIFW for under £3 million, with no overage on that site, and has recently been sold for almost £12.5 million. The Committee challenged the Welsh Government on whether this was considered to be a good value for money deal for the taxpayer. Mr Evans said:

“I think that, when the deal was done, effectively, with South Wales Land—. This isn't a criticism of the RIFW board itself; I think, in the context of the information and the advice they received, it's difficult to disagree with their decision. However, whether there should have been overage on other properties is a moot point, based—trying to think of what was happening at the time. We've had representations from the district valuer, we have had representations from some of the other valuers' reports as well, about whether overage should have been charged on a greater number of properties. And this is one of the areas that we're currently looking at: whether the advice that was

actually given to the RIFW board was strong enough on things like overage.”¹⁵³

164. Members also noted that the land was not actively marketed by LSH and was not placed in the open market to see what sort of overage terms could perhaps be negotiated with other potential purchasers. Members questioned the Welsh Government on whether it now regretted that all of this land was not put out onto the open market in order to determine what its actual value, with a proper market test, would have been.¹⁵⁴

165. Mr Evans explained:

“I try and put myself in the place of the board at the time with the advice that they were receiving. I think that they were looking at how to make maximum value within the concept of RIFW and the fact that, yes, they wanted to get ahead and start regenerating areas. As Mr Davies said, they did not have an exclusive agreement to negotiate with those, but they obviously felt, within the adviser community and the board, that the offer that they were being offered was suitable. Now, with the benefit of hindsight, looking back, and knowing what we do about the movement on the LDP, there are a number of variables in there that we don’t know if they’d have changed if Welsh Government would have retained that land. On the one side, Mr Davies and his cohort are very expert probably in negotiating with people over the purchase; however, one of their bigger skill sets, of course, is in ensuring that local development plans include the land that they wish and that the democratic process supports that.”¹⁵⁵

166. The Committee raised concerns that:

“...it was not appropriate to “play loose and fast” when it comes to public money and that these were significant assets that were held by the Welsh Government in terms of the land bank. It felt that the Welsh Government had been in a situation where it possessed expertise and knowledge about how to handle overage, for example—overage terms that would typically be applied to pieces of land like this, historically, by the land authority and the WDA.”¹⁵⁶

¹⁵³ RoP, paragraph 25, 8 December 2015

¹⁵⁴ RoP, paragraph 162, 8 December 2015

¹⁵⁵ RoP, paragraph 163, 8 December 2015

¹⁵⁶ RoP, paragraph 164, 8 December 2015

167. Members challenged why that advice was not given to RIFW, given that it was owning public assets, in order to support their negotiations with the potential purchaser of important and valuable land. Mr Evans told the Committee:

“...the advice given by Amber to the board did raise the issue of overage at the time. The dealings that went back and forth were primarily around the market price of the assets, but the thing that we’re actually looking around at the moment is to what extent the advice that they received around the overage provisions of those contracts was sufficient.”¹⁵⁷

168. Members queried whether there was additional support available to the RIFW Board to help it maximise the value of the land in terms of providing some guidance and expertise on overage clauses’. This may have ensured that everybody was aware that, within the short to medium to longer term, some of this land was going to fall within relevant Local Authorities Local Development Plans (LDPs) and be worth a lot more than its book value at some point. Members highlighted that the overage term of five years that was applied to some sites seemed incredibly short in terms of being able to realise any value for the taxpayer as a result of that.¹⁵⁸

169. Mr Munday explained that there was challenge from RIFW Board members around the terms of overage including a challenge from Board members to LSH to seek to negotiate further improvements in what was offered in terms of the overage. However, Mr Munday was not involved in the final agreement of the overage provisions.¹⁵⁹

Lisvane Site

170. Of specific interest to the Committee was the sale of a site at Lisvane, Cardiff. The Lisvane site, comprising 121 acres, featured amongst the Welsh Government’s final list considered for transfer to RIFW. In May – June 2009 the Welsh Government held it at a book value of £7.5 million. Prior to transfer, King Sturge valued the Lisvane site, as at October 2009, at £1.835 million in existing agricultural use and at £6.1 million with “hope value” (a premium reflecting the site’s potential for development). The Savills valuation report, conducted for SWLD as at January 2012, identified that land

¹⁵⁷ RoP, paragraph 165, 8 December 2015

¹⁵⁸ RoP, paragraph 166, 8 December 2015

¹⁵⁹ RoP. Paragraph 168, 8 December 2015

values in the Cardiff suburbs had by that time recovered to pre-crash levels.¹⁶⁰

171. At that time the Lisvane site had been a candidate site for development for many years, but had not been included within City of Cardiff Council's draft deposit LDP. In June 2009 the Welsh Government wrote to the Council setting out the Planning Inspector's objections to the deposit LDP, including deliverability concerns due to an over-reliance on brownfield sites for housing development.

172. In March 2010, shortly after the transfer date, City of Cardiff Council withdrew its draft LDP following criticism of its lack of greenfield housing development. This significantly increased the prospect of the Lisvane site being brought forward for residential use in a revised LDP. The Welsh Government wrote to the Planning Inspector in April 2010 informing the Inspector that the Minister would not intervene in the Inspector's decision and so the Minister would not overrule the Inspector's recommendation that the LDP should be withdrawn.

173. In March 2012, RIFW sold the 120-acre Lisvane site to SWLD as part of the portfolio transaction at its existing agricultural use valuation of £15,000 per acre. In October 2012, City of Cardiff Council published its preferred strategy for local development and included the Lisvane site. In September 2013 the Council agreed its deposit LDP for consultation, including residential development on the Lisvane site and SWLD submitted a speculative planning consent application for 1,200 homes. SWLD anticipate LDP adoption in early 2016 and expect planning consent to be linked to this.¹⁶¹

174. Savills (acting for SWLD) has estimated the gross value per developable acre of the Lisvane site at £2 million. Around 72 acres (60 per cent) of the site area is likely to be developable.¹⁶² Within its planning application, SWLD has proposed a development viability value per acre (which would normally be expected to be below the land's actual market value) at a rate that would value the Lisvane site at £39 million. The sale terms included overage triggered by LDP inclusion and planning consent within a specified period. RIFW is entitled to a share of the net value increase based upon a value

¹⁶⁰ PAC(4)-26-15 Paper 1, 12 October 2015

¹⁶¹ RoP, paragraph 148, 1 December 2015

¹⁶² AGW Report, Box 11, July 2015

baseline corresponding to the King Sturge existing use value of £1.835 million.

175. The Welsh Government maintained to us throughout our enquiry that it had been appropriate to include the Lisvane site within the portfolio of assets that it had transferred to RIFW, irrespective of the uncertainties surrounding the City of Cardiff Council LDP at the time.

176. Members asked what consideration had been given by the Welsh Government to other options for the Lisvane site, for example to develop it for affordable housing, possibly with a housing association on part of the site. Members highlighted that this decision had been taken at a time when Cardiff was the fastest-growing city in the UK, with a huge number of people on the housing waiting list. Members stated that it was absolutely clear that additional housing stock was desperately needed and that an LDP based only on brownfield sites could not provide sufficient housing stock for the LDP to be passed.¹⁶³

177. Mr Munday told us

“...at the time it was selected to be transferred into the partnership, there was no immediate prospect of residential consent being granted, because it had not been included in the LDP, despite representations to the contrary.”¹⁶⁴

178. Members asked the Welsh Government categorically whether, with hindsight, the Lisvane site should have been included in a portfolio sale. Mr Evans said:

“...as I’ve said, if we hadn’t put Lisvane in, we’d have had to put something else in of a similar nature. I think, at the time, there was quite a bit of ambiguity about to what extent—. There was probably less ambiguity about whether it would ever fall within an LDP; the bigger question was when, and when could that asset be realised. I think Mr Davies was quite helpful last week in saying that, in his estimation, it was likely to be closer to 10 years. A developer would have had to sit on that land and do all the activities that developers do in ensuring that it was included within the LDP. The fact that it’s been rather shorter than that, or is likely to be rather shorter than

¹⁶³ RoP, paragraphs 111 & 116, 13 October 2015

¹⁶⁴ RoP, paragraph 112, 13 October 2015

that, I think, is obviously to his benefit, but whether that was foreseeable at the time, I'm not sure."¹⁶⁵

179. Mr Munday told the Committee:

“Hindsight is a great educator and there’s no doubt, with the benefit of hindsight, we would not have included Lisvane.”¹⁶⁶

180. On 6 January 2016, approval was given by a Planning Inspector to the Cardiff LDP and it is anticipated that a final decision by the Local Authority will be made in the coming weeks.¹⁶⁷

Potential EU State Aid Concerns

181. We have sought to identify whether the sale transaction may have given rise to potential EU State aid concerns. We have noted that there are potential “red flags” for unlawful state aid, in that no proper marketing of the sites was undertaken and there was no pre-sale independent valuation. Had either one of these actions been carried out by RIFW, this would have mitigated the state aid risk completely, and it is therefore regrettable that this was not done.

182. We have identified prima facie evidence of commercial advantage (i.e. a state aid) being conferred on SWLD by RIFW arising from the following:

- the weakness of the overage clauses (their five year duration, that they only operate on two of the sites, and the apparently wide-ranging nature of the allowable deductions);
- the decision to granting interest-free deferred payment terms to SWLD; and
- the subsequent SWLD asset sales, many of which are highly suggestive of a sale of public assets at below market value.

Welsh Government Corrective Actions

183. In looking to the future, Members questioned whether there are now within the Welsh Government, staff who are competent in dealing with land transactions and if there is continuous professional development for the future. Members noted that a series of weaknesses in the Welsh Governments overseeing of RIFW have been identified and queried whether

¹⁶⁵ RoP, paragraph 149, 8 December 2015

¹⁶⁶ RoP, paragraph 124, 13 October 2015

¹⁶⁷ [News Article, BBC Wales, 6 January 2016](#) [Accessed 7 January 2016]

the Welsh Government was now working to overcome those weaknesses to prevent similar issues arising again.¹⁶⁸

184. Mr Evans explained:

“I think there were weaknesses, as I’ve said, in the oversight and the accountability of our control of RIFW. I’m not sure if that actually made a difference in the end to the sale price, but there were weaknesses. Since then, at a corporate level, we have issued new guidance on several aspects, from board training, through to the way that departments actually handle the transfers of programmes, through to observer status of Welsh Government officials on arm’s-length bodies. So, I think we have tightened up quite considerably on what were weaknesses in those areas.”¹⁶⁹

185. On the expertise of Welsh Government officials, Mr Evans commented that the Welsh Government is not a developer of land, and it is unclear as to what extent there is expertise in that. However, as far as expertise of both the legal services and property services are concerned, Mr Evans highlighted that there are good CPD opportunities and staff employed as specialists, need to maintain their professional accreditation. He said:

“...because of the understanding we’ve gained through RIFW—. You have to learn from mistakes and we have made mistakes on this. I think the Wales Audit Office report was very helpful and it did highlight where the fundamental weaknesses in establishing whether there was sale at proper value took place. Would we countenance sale without a proper valuation, a contemporaneous valuation? In the normal order of things now, no we wouldn’t. The fact that we can’t prove whether the sale was under value or not is a concern to us as it’s a concern to the Auditor General.”¹⁷⁰

186. Moving forward, Mr Evans told the Committee:

“...if these types of situations were to have—through the processes of good accountability, through the process of good governance and through the processes of good observance at such committees, and

¹⁶⁸ RoP, paragraph 193, 8 December 2015

¹⁶⁹ RoP, paragraph 194, 8 December 2015

¹⁷⁰ RoP, paragraph 252, 8 December 2015

also learning about how to get best value and demonstrate best value, this wouldn't happen again.”¹⁷¹

Conclusions and Recommendations

Central to the Committee's inquiry into RIFW is the issue of whether overall value for money was achieved by the RIFW initiative. Throughout our deliberations we have considered the “trade-off” between the achievements of value for money against the wider strategic goals of the Welsh Government. We have also analysed whether the Welsh Government sufficiently considered the various options available to it for achieving its policy objectives and whether the risks involved were sufficiently assessed and mitigated.

Furthermore, we have sought to gauge an understanding of whether a portfolio sale of publicly owned development assets by private treaty, without proper marketing and unsupported by independent valuation to an offshore entity was appropriate for a sale of public assets and was likely to result in a good deal for the taxpayer.

The Committee notes that RIFW sold publicly owned assets by private treaty and without prior valuation at a price that reflected the assets' existing use, under sale terms that provide only limited protection to the public interest in their significant future development values, and via a negotiation process that left RIFW in possession of undesirable assets.

We also disregard the arguments put forward by various witnesses about the merits of competing valuation opinions, since South Wales Land Developments Limited has since sold on the sites within the open market and these sales provide compelling empirical evidence as to true market values.

The Committee notes that these subsequent sales by South Wales Land Developments Limited demonstrate convincingly that the sale did not represent good value for money for the taxpayer – it appears that tens of millions of pounds could and indeed should have been generated for investment in regeneration projects across Wales. We believe such a cavalier approach to the disposal of public assets is disturbing.

¹⁷¹ RoP, paragraph 253, 8 December 2015

In light of South Wales Land Developments Limited onward sales, we believe that the Welsh Government's contention that it is not possible to demonstrate that the sale was under value, is unconvincing and did not withstand our scrutiny. We note from our evidence the following:

- the Rhoose site was purchased from RIFW for less than £3 million, without overage, and sold on by SWLD for nearly £10.5 million;
- the Abergele site was purchased from RIFW for £0.1 million, without overage, and sold for £1.9m.
- Lisvane was / is the "jewel in the crown" and should have been disposed of via a properly marketed open and competitive sale process. We believe that it is incomprehensible that this was sold to SWLD at an agricultural land value of £1.835 million (even with overage) when its potential open market value for residential housing is at least £39 million.

In conclusion, the Committee does not believe that value for money was achieved.

The Committee's inquiry into RIFW has been both detailed and wide ranging and we have identified three recommendations of wider application to the conduct of Welsh Government business.

The Committee recommends that the Welsh Government should alert the UK Government to our view that the sale transaction should be referred to the EU for State Aid considerations. We note that it would be for the UK Government to decide whether to refer this or not, as neither we nor the Welsh Government are able to do so directly.

The Committee recommends that the Welsh Government should ensure that robust overage arrangements are considered whenever it disposes of public assets that possess future development potential.

The Committee recommends that the Welsh Government must strengthen monitoring and oversight arrangements of its arms-length bodies and in particular ensure that any concerns are swiftly identified and escalated internally.

To ensure clear and robust lines of accountability and management in the future, the Committee recommends that the Welsh Government

should designate a Senior Responsible Officer for each major programme or project that it undertakes, with clear reporting lines to Welsh Ministers

Annexe A

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at:

www.senedd.assembly.wales/mgCommitteeDetails.aspx?ID=230

Name	Organisation
<i>12 October 2015</i>	
Richard Baker	Welsh Government
Owen Evans	Welsh Government
John Howells	Welsh Government
Richard Anning	Former RIFW Board Member
Ceri Breeze	Former RIFW Board Member
Richard Harries	Former RIFW Board Member
Councillor Christopher Holley	Former RIFW Board Member
<i>13 October 2015</i>	
Gareth Morgan	Welsh Government
Christopher Munday	Welsh Government
James Price	Welsh Government
Leo Bedford	Amber Infrastructure Limited
Giles Frost	Amber Infrastructure Limited
<i>20 October 2015</i>	
Jeremy Green	Lambert Smith Hampton Limited
Lee Mogridge	Lambert Smith Hampton Limited
<i>1 December 2015</i>	
Langley Davies	South Wales Land Developments Limited

8 December 2015

Owen Evans

Welsh Government

John Howells

Welsh Government

Christopher Munday

Welsh Government

James Price

Welsh Government

Annexe B

RIFW – who’s who and outline of responsibilities

Individual/Organisation	Outline of Responsibilities
Amber See also: Bedford, Leo; Frost, Giles.	Amber Fund Management Limited. Appointed as RIFW’s fund manager in December 2010 with responsibility for managing RIFW’s day to day business and specific responsibilities in relation to conducting the Fund’s investment business. Also responsible for overseeing their sub-contractor, LSH.
Anning, Richard	External RIFW Board member from January 2011 to October 2013.
Baker, Richard	Acting Joint Head of Property Division, Welsh Government. Current RIFW Board member since October 2013.
Barclays Wealth (Guernsey) See also: GST Investments	Represented GST Investments and involved in sale negotiations for the purchaser, along with Langley Davies (SWLD). Communicated initial offer from GST Investments to LSH in March 2011.
Bedford, Leo See also: Amber; Frost, Giles	Amber Infrastructure Limited, RIFW Fund Manager. The lead Amber employee responsible for provision of the Fund Manager services to the RIFW Board, including oversight of the Investment Manager services provided by Lambert Smith Hampton (LSH).
Breeze, Ceri	Welsh Government RIFW Board member from March 2010 to October 2013. Acted as Chair from May 2011, initially as a substitute.
Colliers	Undertook a valuation of the asset portfolio sold by RIFW to SWLD, commissioned by RIFW in October 2013 and reported in February 2014.
Davies, Langley See also SWLD	Director of SWLD. Conducted sale negotiations for purchaser along with Barclays Wealth (Guernsey).
District Valuer	The District Valuer Services of the Valuation Office Agency, commissioned by the Auditor General to provide independent valuations and valuation

	advice in relation to the RIFW assets and the portfolio sale.
Evans, Owen	Deputy Permanent Secretary, Education and Public Services Group, Welsh Government. Holds the current Additional Accounting Officer responsibility for oversight of RIFW.
Frost, Giles See also: Amber; Bedford, Leo	Amber Infrastructure Limited / Amber Fund Managers Limited. The Director responsible for oversight of the Fund Manager services provided by his company to the RIFW Board, and a member of the Amber Investment Committee that appraises potential RIFW investment opportunities in regeneration projects on behalf of the RIFW Board.
Geen, Jonathan	External RIFW Board member from January 2011 to October 2013. Declared a potential (and subsequently actual) conflict of interest and withdrew from consideration of the sale to SWLD. Acted as SWLD legal representative during the sale.
Green, Jeremy See also: LSH; Mogridge, Lee	LSH Director - Group Capital Markets
GST Investments See also: Barclays Wealth (Guernsey)	Guernsey-based investment company under ownership of Sir Stanley Thomas OBE, managed through Barclays Wealth (Guernsey). Made initial cash offer for portfolio in March 2011 via Barclays Wealth (Guernsey). Provided funding to SWLD.
Harris, Richard	Welsh Government RIFW Board member from July 2012 (after sale completion of 14 of 15 assets and after contract exchange for the 15th) to June 2013.
Holley, Chris. Councillor	External RIFW Board Member from November 2010 to October 2013. City and County of Swansea Councillor and WLGA representative.
King Sturge	Provided valuations to the Welsh Government of the RIFW asset portfolio prior to transfer to RIFW (as at October 2009) that identified the assets' value in existing use as well as "with hope" value, reflecting the market value of assets with potential for development.

<p>LSH</p> <p>See also: Green, Jeremy; Mogridge, Lee</p>	<p>Lambert Smith Hampton. Appointed as Appointed as RIFW's investment manager in December 2010 Was a sub-contractor of Amber. Had responsibility for managing and marketing RIFW's land assets as well as for generating potential investment projects. Bought by Countrywide Group PLC in October 2013. Investment Management Agreement terminated by RIFW in April 2014.</p>
<p>Mogridge, Lee</p> <p>See also: Green, Jeremy: LSH</p>	<p>LSH. Regional Director - West Region</p>
<p>Morgan Cole (now Blake Morgan)</p>	<p>Appointed as RIFW's legal advisors in March 2011. Undertook work on title issues in relation to the assets prior to sale and acted as RIFW's legal advisors during the portfolio sale to SWLD.</p>
<p>Munday, Chris</p>	<p>Deputy Director, Business Solutions, Welsh Government. Acted as Welsh Government observer to the RIFW Board from March 2010 until June 2011. Had previously been lead official responsible for establishing RIFW, appointing Board members and selecting assets for transfer to RIFW.</p>
<p>Price, James</p>	<p>Deputy Permanent Secretary – Economy, Skills and Natural Resources Group, Welsh Government. Was formerly the Director General and Additional Accounting Officer of the Department that created RIFW.</p>
<p>Rightacres</p>	<p>Expressed initial interest in buying the RIFW asset portfolio to LSH in March 2011 but did not progress to a formal offer.</p>
<p>Savills</p>	<p>Provided SWLD with asset valuations in January 2012, prior to exchange of sale contracts.</p>
<p>SWLD</p> <p>See also: Davies, Langley</p>	<p>South Wales Land Developments Limited. Guernsey-based (now UK registered) company established for the purposes of buying the RIFW asset portfolio, funded by GST Investments. Langley Davies is director.</p>

Ministerial Responsibility for oversight of RIFW – a chronology

Dates	Name	Title
19/7/07 to 9/12/08	Leighton Andrews AM	Deputy Minister – Regeneration
9/12/08 to 5/5/11	Jocelyn Davies AM	Deputy Minister – Housing & Regeneration
5/5/11 to 20/3/13	Huw Lewis AM	Minister for Housing, Regeneration and Heritage
20/3/13 to date	Carl Sargeant AM	Minister for Housing & Regeneration (to September 2014) Minister for Natural Resources (since September 2014)

Welsh Government Departments with responsibility for RIFW

Dates	Welsh Government Department
January 2008 – August 2011	Department for Economy and Transport
August 2011 – October 2013	Sustainable Futures Department
October 2013 – July 2015	Housing and Regeneration Department
July 2015 – present	Housing, Regeneration and Heritage Department*

* Following this change in Welsh Government arrangements, Owen Evans, the Deputy Permanent Secretary for the Education and Public Services Group, became the Accounting Officer responsible for RIFW