

## Comments by Amanda Brewer

# Cynulliad Cenedlaethol Cymru The National Assembly for Wales Y Pwyllgor Cyfrifon Cyhoeddus The Public Accounts Committee

**Dydd Mawrth, 10 Gorffennaf 2012 Tuesday, 10 July 2012**

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

### **Aelodau'r pwyllgor yn bresennol Committee members in attendance**

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)

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Julie Morgan	Llafur Labour
Gwyn R. Price	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Lindsay Whittle	Plaid Cymru The Party of Wales

### **Eraill yn bresennol Others in attendance**

Gillian Body	Swyddfa Archwilio Cymru Wales Audit Office
Paul Dimblebee	Swyddfa Archwilio Cymru Wales Audit Office
Y Fonesig/Dame Gillian Morgan	Ysgrifennydd Parhaol, Llywodraeth Cymru Permanent Secretary, Welsh Government
James Price	Cyfarwyddwr Cyffredinol, Busnes, Menter, Technoleg a Gwyddoniaeth, Llywodraeth Cymru Director General, Business, Enterprise, Technology and Science, Welsh Government
David Richards	Cyfarwyddwr Llywodraethu, Llywodraeth Cymru Director of Governance, Welsh Government
Arwel Thomas	Dirprwy Gyfarwyddwr, yr Is-adran Llywodraethu Corfforaethol a Sicrwydd, Llywodraeth Cymru Deputy Director, Corporate Governance and Assurance Division, Welsh Government

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

Dan Collier  
Tom Jackson

Dirprwy Glerc Deputy Clerk  
Clerc Clerk

*Dechreuodd rhan gyhoeddus y cyfarfod am 9.56 a.m. The public part of the meeting began at 9.56 a.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions**

[1] **Darren Millar:** Given that we started our meeting in private session, we start the public part of our committee meeting with the fourth item on the agenda. There are no apologies, so we will move straight into the next item.

**Proses Gaffael Llywodraeth Cymru a'r Camau a Gymerwyd Ganddi i Waredu Hen Westy River Lodge, Llangollen: Tystiolaeth gan Lywodraeth Cymru The Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen: Evidence from the Welsh Government**

[2] **Darren Millar:** Members will remember that the Wales Audit Office published a report on the acquisition and disposal of the River Lodge Hotel on 14 June, and that the Public Accounts Committee, on 12 June, agreed to take evidence from a range of witnesses, including the Permanent Secretary. This inquiry will continue into the autumn term.

[3] I welcome to the table Dame Gillian Morgan, the Permanent Secretary, who has recently announced her intention to retire from the Welsh Government. I also welcome James Price, Director General, Business, Enterprise, Technology and Science, Arwel Thomas, Deputy Director, Corporate Governance and Assurance Division, and David Richards, the Director of Governance. We have quite a panel before us today, so, given that we have a lot of ground to cover this morning, we will try to keep our questions brief. We would appreciate it if you could keep your responses brief as well.

[4] The first question is to the Permanent Secretary. What was lacking in the governance arrangements that operated at the time that the acquisition of the River Lodge Hotel and the agreement for lease with Powys Fadog were permitted? What allowed that to happen in the first place?

[5] **Dame Gillian Morgan:** I will start, if I may, by saying a couple of things. First, my thanks go to the Wales Audit Office, because I requested this report. It is quite unusual for the PAC to consider a report that was requested. I requested it, because, of all the things that I have seen in the time that I have been in post, there has been more misinformation in the public domain about this issue than about anything else. I was therefore keen that we should have an objective report that put everything that happened into context. So, I very much thank the Wales Audit Office for doing that. Secondly, I should also say sorry, because this should not have happened and we should not be here. The third thing that I ought to say is that, as Members will be aware, we were in a potentially difficult situation, given that an industrial tribunal was running. However, Amanda withdrew from the industrial tribunal on Friday, so we are now in an easier position.

[REDACTED]



[REDACTED]

[6] What happened? A number of things happened in terms of governance. The first thing was that people did not recognise for some time that the standards and beliefs and the way that things worked in the old Welsh Development Agency, which was much more entrepreneurial in some ways, differed very much from what was needed within a governmental organisation. I think that people did not recognise in the transition for some time that those are two very different roles and that your use of public money in a Government has to be bound in much stricter ways than it would be if you sat in an external organisation.

**Amanda Brewer Comment:** I agree with the PS, but would add that WDA officers did not recognise the transition because they had no idea what was expected of them. In the absence of any leadership or guidance from senior officials in Cardiff, officers could only carry on as they had always done until told to do things differently. [REDACTED]

[7] The second thing that went wrong was that the due diligence process was not appropriate. If you go back through all the files, it becomes clear that almost an a priori decision was taken to buy the building to give to a particular organisation. Once you have fallen into the trap of believing that that is what you are doing, it is inexorable that you follow a set of ways that end up with what you have. At no point did people stop to say, „Hang on; we have looked at due diligence, but we need to check the options, so let’s reassess“. There were a number of opportunities for that re-assessment to happen, and there were also a number of warning signs in the organisation. The legal advice was absolutely crystal clear. We should not have entered into the lease in the way that we did. It was not until all those came together at a very senior level that we recognised that what had happened was not acceptable with the use of public money. When it came across my desk, looking with an external eye, it was absolutely clear that there was a whole series of things that could and should have been put in place—and which I believe are in place now—but which did not happen in this case.

**Amanda Brewer Comment:** The PS states that the due diligence process was not appropriate. This is incorrect. Proper due diligence was carried out prior to purchase and prior to entering into the Agreement for Lease in accordance with the guidance in force at the time of each transaction. The PS also states that a decision was taken to buy the building to **GIVE** to a particular organisation. This is absolutely untrue. To my knowledge at no time was there any suggestion that the WDA or WG would **GIVE** the building to Powys Fadog. It was made absolutely clear from the outset that the disposal or lease of the building would be a commercial transaction at market value or market rent.

[8] **Darren Millar:** You have suggested that there was a failure to recognise the difference in approach

that was required by former Welsh Development Agency officials when they shifted into Welsh Government. Was that poor planning on the Welsh Government's part?

[9] **Dame Gillian Morgan:** Consider the nature of the cultural change that was needed, the pace of change, and the length of time that it takes to produce cultural change. Most organisations talk about it being about a three-year journey from the time of a merger to beginning to put the cultures together to create a new environment. It is not a quick fix. You do not move from here to there and then suddenly become imbued with the values of the new organisation. You of course bring things with you. That takes around three years. We are still tightening up a lot of things, and we will continue to do so over the next couple of years.

**Amanda Brewer Comment:** Darren Millar asks whether the merger was poorly planned by WG. The answer to that is of course yes, because there was no planning at all. In the first 18 months or so post merger, the WDA was in chaos. In my department in particular despite repeated requests, there was no guidance from senior officials from the Infrastructure Department in Cardiff whose job it was to take care of such things in relation to changes in policies and procedures post merger. As a result, Regional officials at all levels, including me, continued to use the old WDA guidelines in the absence of anything else which made it extremely difficult to progress projects.

The response from the PS to this question is absolutely correct and in effect destroys her subsequent argument that North Wales' officials were not following correct policies and procedures. It is very easy to accuse someone of wrongdoing if you judge their actions against current policy, which may be diametrically opposite to that in place at the time decisions were made, which is the case here. In 2005 the purchase of River Lodge and a subsequent lease of part of the site to Powys Fadog was approved at the highest level of the Land Division of the WDA. In 2006/07 when the purchase of River Lodge actually took place, the Land Division team were still operating under the same policies and procedures in the absence of any guidance from senior management.

[10] **Darren Millar:** The simple things like the thresholds for financial decision making are fundamental to an organisation, are they not?

[11] **Dame Gillian Morgan:** I do not think that the issue here is about the threshold but about the attitude towards the use of public money. At the end of the day, public money is my tax pay and the money that you pay as taxes. If we would not spend the money personally in that way, we should not do it. If you sit in an external organisation, your attitude to the money is slightly different. I think that this is an attitudinal and cultural set of issues, rather than being about delegation limits. We have changed, and James can talk later about what he has done in his time at the Department for the Economy and Transport to change some of those things but I think that this is about attitude to public money and governance of public money, not about delegation limits.

**Amanda Brewer Comment:** A further admission by the PS that procedures and rules relevant now were not applicable at the time the decisions were taken. The River Lodge purchase and the other purchases I completed in the 2006/07 financial year were all acquired under the Land Development Guidelines (December 1998) which were still in force at the time. Land Division had to be even more commercially minded than the rest of the WDA because it was self-funded; in other words it was expected to "aim to fund all acquisitions, works and running costs from the proceeds of its income from land sales and fees". In order to do this, it had its own ring fenced trading account which still existed well into 2007. It did not use tax payers' money. It traded land to fulfil its objectives. In fact in one financial year alone I was solely responsible for making a £9m profit for the WDA.

[12] **Darren Millar:** Even the WDA itself, prior to its abolition, had set a ceiling on the price that it felt ought to be paid for the River Lodge Hotel. Given that the final price that was paid was 60%

higher than that—it was £1.6 million rather than the £1 million that was deemed to be appropriate—why did that not set alarm bells ringing within the department?

[13] **Dame Gillian Morgan:** The reason for that is twofold. First, it was at the height of the property and land boom, so the price was at the top of the market, while the WDA had made that decision sometime earlier.

**Amanda Brewer Comment:** The PS is correct with regard to the increase in value, but what she fails to explain is that the £1m approved in 2005 was for part of the site only, whereas £1.6m was for the whole of the site. She also does not explain that “alarm bells” did not ring in the department because the price paid was supported by an independent valuation from the District Valuer.

[14] **Darren Millar:** Was it the year before?

[15] **Dame Gillian Morgan:** Yes. The other thing that happened, which is not the case now, was that north Wales worked as a pretty self-contained unit. Once you had fallen into the trap of having a set of beliefs about how things would happen, that continued, as it stayed within the north Wales setting. That could not, and would not, happen now.

**Amanda Brewer Comment:** Once again this statement by the PS is totally untrue. She suggests that North Region worked as a self contained unit and the beliefs in how things would happen stayed in the North Wales setting. I have evidence in the form of email exchanges and Ministerial Briefings which demonstrate that this was clearly not the case. Indeed, Gareth Hall and [REDACTED] were aware of the circumstances surrounding the purchase of the building [REDACTED]  
[REDACTED]

[16] **Darren Millar:** Of course, the purchase price was agreed without a prior independent valuation. There was no due diligence check at all of Powys Fadog’s financial viability.

[17] **Dame Gillian Morgan:** Exactly.

**Amanda Brewer Comment:** [REDACTED]. I quote from the detailed Compliance Review Report carried out by Chris Munday: “*I conclude there has been no breach of compliance in either the acquisition of the freehold interest or the granting of the Agreement for Lease to Powys Fadog. In accordance with the DE&T Guidelines on the acquisition and disposal of property, as they relate to transactions by private treaty, the property values at each stage of the transaction have been verified by independent valuations which were provided by the District Valuer. The valuation for the acquisition was not obtained prior to the formal approval of the acquisition but it was provided prior to legal completion of the purchase. In my view this is a minor breach which does not undermine the valuation as evidence of market value.*”

The question is why did not the Wales Audit Office Report reflect the Compliance Review Report conclusions? After all, the author of the Compliance Review is an expert in the field and wrote the guidance with which officials in WG had to comply.

There was no due diligence check on Powys Fadog’s financial viability at the time of purchase as it

was not appropriate. River Lodge was purchased on the basis that it was a potential site for speculative residential development, therefore the main thrust of the due diligence carried out was centred on gathering sufficient information on residential development potential and related abnormal costs to provide the District Valuer with sufficient information to make an informed judgement on site value and to ensure that the Assembly was getting value for money as a speculative residential development site. I included the basic details of suggested lease terms to Powys Fadog in order to flag up the potential after use of the built part of the property as this had already been agreed by Land Division in the 2005 approval. I did not consider that this constituted a problem as I had not been instructed to discuss lease terms with Powys Fadog and in any event a potential lease to Powys Fadog would have had no impact whatsoever on the market value of the property at the time of purchase.

The normal procedure in such cases was for full financial due diligence to be carried out when the terms of the lease were agreed post purchase. Also it was possible that the Assembly Government and Powys Fadog would never be able to agree mutually acceptable lease terms in which case the site would be brought forward for development in due course anyway and the lease terms would be irrelevant.

[18] **Darren Millar:** Paragraph 1.24 of the report makes clear that the officials who were responsible for the project were not challenged in any way by more senior officials when a report was prepared that went to the Minister for sign-off. What was the problem there? That should not have been down to a cultural shift from the WDA to the Welsh Government. This was a fundamental issue that everyone ought to get right. When a report goes to a Minister, the Minister expects it to be right.

[19] **Dame Gillian Morgan:** Absolutely. In this case, the report was issued by someone who believed that they had the authority of senior staff and therefore did not deal with a conflict of interest in a way that I believe is appropriate. It is exactly what you are saying. Once it came across my desk, it was quite clear that the decision that we had reached was unsafe and that the money that we had spent did not offer value for money and was quite inappropriate. That is what I apologise for.

**Amanda Brewer Comment:** [REDACTED]

[REDACTED]  
[REDACTED]. **He did have that authority.** In fact the request to write the briefing came from the Minister's office in Cardiff. Officials in the Minister's office would have been fully aware that the briefing would need to address the conflict issue raised by Karen Sinclair yet were content to instruct the decision makers in North Region to respond rather than requesting the matter was dealt independently by more senior officials in Cardiff. The briefing provided by North Region was seen at all levels of management in DE&T including Director General Gareth Hall and Chief Operating Officer Sharon Linnard, both of whom were fully aware of the conflict of interest issue and both of whom could have questioned the content of the briefing if they considered it was incorrect or inappropriate.

[20] **Darren Millar:** I have a couple of Members who want to come in.

[21] **Aled Roberts:** Were the senior officials in the department present when that briefing was given to the Minister and did they not feel some discomfort regarding the circumstances that were outlined in the briefing?

[22] **Dame Gillian Morgan:** I cannot answer that. The briefing that was given was written by the individual who project-managed the purchase. It was handled and the final sign-off was given in north Wales. At the time this happened, the structure in the Department for the Economy and Transport gave an awful lot of authority to the senior managers in each of the regions. We do not have that regional structure now, for exactly that reason.

**Amanda Brewer Comment:** [REDACTED]. The individual who project managed the purchase, as the PS well knows, was me under the instruction [REDACTED]. I have **never** written a ministerial briefing in relation to River Lodge or Powys Fadog. If I had written such a briefing which included a section on my own behaviour, it would obviously have been a conflict of interest and in breach of the Civil Service Code and surely this would have been picked up by senior officials who were provided with copies of those briefings, including the PS herself. [REDACTED]

The structure of the department did give authority to the regions, but I must reiterate that senior officials outside North Wales were fully aware of the purchase, the reasons for the purchase and the perceived conflict of interest flagged up by Karen Sinclair. Gareth Hall and Sharon Linnard discussed that matter with [REDACTED] me in February 2007 and could have stopped the purchase going ahead if they had been at all concerned. Similarly they had the opportunity to question the contents of all the subsequent Ministerial Briefings in respect of the project. They chose not to. The answer to Aled Roberts' question is therefore senior officials in the department did not feel discomfort regarding the circumstances set out in the briefings because having looked at all the circumstances, they believed there was nothing wrong.

[23] **Aled Roberts:** Can you remind us of the structure above the regions in the Welsh Government at the time?

[24] **Dame Gillian Morgan:** Above the regions, there was a governance team, then a director general, and then a director who took responsibility for the regional directors.

[25] **Aled Roberts:** Were those briefings seen by those people in the management level above the regional level before they were presented to the Minister?

[26] **Dame Gillian Morgan:** I cannot answer that. We could track it. Do you know, Arwel?

**Amanda Brewer Comment:** I have copies of a number of the briefings sent to Ministers which shows the structure above the region in the Infrastructure department at the time of the purchase. This included [REDACTED], Sharon Linnard, Director of Operations and Director General Gareth Hall. All three are listed as receiving copies of the 2007 Ministerial Briefing on the purchase. Gareth Hall and Sharon Linnard received copies of all Ministerial Briefings thereafter and the PS herself received copies from 2009 onwards. The PS should have been able to answer this question. She chose not to.

[27] **Mr Thomas:** I do not know. We would have to track that

[28] **Darren Millar:** That would be helpful information.

[29] **Dame Gillian Morgan:** If people were signing for amounts within their delegated authorities, it would not necessarily be seen by somebody more senior. The issue, for me, is why, when we knew that there was a conflict in respect of the lease, we did not escalate it to my level, to the director of governance, or to internal audit. It was not until later that it came across our desks and we were able to act on that.

[REDACTED]

[30] **Aled Roberts:** Surely, when you say that those briefings were not seen, those people who were higher up the management chain would have been present when the Minister considered the briefing.

[31] **Dame Gillian Morgan:** Not necessarily. We can check the answer to that question, but that is not necessarily so.

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[32] **Jenny Rathbone:** I am struck by the wording in the briefing, which says

[33] „There has been absolutely no conflict of interest in the way your officials have dealt with this matter“.

[34] Even if the word „absolutely“ were not there, we would disagree with that, but how often are briefings so categorical when, clearly, the opposite is the case?

[35] **Dame Gillian Morgan:** I cannot answer how often. What I can say is that, of all the cases that I have looked at in four years, this is in a league of its own for the information and the way that that information was presented. I have never seen anything written that way or such a denial of the degree of conflict of interest. I can accept that Amanda Brewer believed that she had the approval of her senior managers but as soon as you looked at it externally and as soon as it came across my desk, it was obviously quite inappropriate.

**Amanda Brewer Comment:** If these briefings were so different from all the others that came across her desk, why didn't the PS do something about it before March 2010? I have evidence that she received copies of Ministerial Briefings and responses to letters on River Lodge from 2008 onwards,

[REDACTED]

The PS also states that I “believed” I had the authority of senior staff. This is nonsense. **I did have the authority of senior staff.** I was instructed by my line manager with the approval of his line

manager the Regional Director, to project manage the purchase, which I did. I also declared an interest on a number of occasions and this was considered each time by officials senior to me who accepted that there was no conflict. Had a conflict been identified, surely I would have been asked to stop my voluntary activities for Powys Fadog. In the circumstances, I was entitled to rely on the judgment of the senior managers to whom I had declared an interest.

[36] **Mike Hedges:** To come back to the WDA, which existed prior to this, surely it had its own rules. It was also spending public money. Although it was not a direct part of the Welsh Government at the time, it was wholly funded by public money, so it was a public sector organisation, whatever its terms. Surely it must itself have had rules on such things as due diligence checks and independent valuations. You would expect that in any organisation, let alone a public sector organisation. I am not convinced that it was because there was a change from the WDA to Welsh Government. Something is fundamentally wrong when two things that any organisation, public or private, would do were missed out. The question—and it is almost Aled’s question again, but asked in a different way—is why somebody higher up the food chain did not look at it and ask why those two things, an independent valuation and a due diligence check, had not been carried out. I would have thought that, as the bits of paper came through at different levels, someone would have said, „Hang about, where are these two things?“

[37] **Dame Gillian Morgan:** You are absolutely right, and the WDA rules were not followed either about the valuation or about due diligence. On the question of how and when very senior people get involved, you have to remember the scale and the number of transactions that go on. So, there is usually something that would put it onto the agenda of senior people to say that it was a problem. You only know that it is a problem if someone in the system says, „This doesn’t feel quite right“. Just reading papers does not necessarily give you that sense of what is going on.

**Amanda Brewer Comment:** [REDACTED]. This transaction like all others done at the time was subject to a specific approval process. As project manager, I submitted the project for approval to purchase as instructed. It was then verified for accuracy by an official from the Regional Finance team before it was recommended for approval [REDACTED] then checked for financial and other compliance [REDACTED] and finally approved by the Regional Director who had the delegated authority. If they believed due diligence had not been carried out properly any one of these people could have halted the approval process.

[38] We are in a completely different position now, in that we have far more checks and balances in the system, and far more encouragement of whistle blowing. Those sorts of things do not seem to have been there. My view is that people got into group-think mode. They decided that they wanted to do something really important for renewal in Llangollen and they had a vision of what it was going to be, and that vision drove across putting the appropriate due diligence checks in place. The points that you are making are exactly the points that arose when it came across my desk, which is why I stopped it. It was clearly not a safe set of judgments, and we should not have been in that position.

**Amanda Brewer Comment:** Once again the question is if the PS clearly spotted what she considered were an unsafe set of judgements as soon as the first briefing came across her desk in 2008, why did she not stop the project at that time, or at least question why Karen Sinclair kept writing to Ministers on the same subject despite the fact that she had been provided with proper responses to her complaints. After all, the PS was party to each briefing, including the June 2009 briefing on the Agreement for Lease which responded to all areas of concern including the conflict issue and legal advice.



[39] **Darren Millar:** With respect, Permanent Secretary, you seemed to suggest earlier that this would have been normal practice for the WDA before it came into the Welsh Government, and now you are saying that the WDA had procedures in place to overcome these sorts of problems. Were there other cases in the WDA before it became a part of the Government of decisions flowing in this sort of way?

[40] **Dame Gillian Morgan:** There are examples of other things that have gone on from old WDA days, where they had a set of rules but people interpreted them differently from the—I was going to say „rigidity“, but that is not fair—robustness with which we interpret

them in the Welsh Government. There was a cultural difference between the two in the use of public money

[41] **Darren Millar:** This is not a cultural difference, is it? You are now telling us that there were policies and procedures in place that were not followed.

[42] **Dame Gillian Morgan:** There was a cultural difference, for example with regard to conflicts of interest.

[43] **Darren Millar:** With respect, you referred to policies and procedures earlier. Which policies and procedures specifically did you have in mind?

[44] **Dame Gillian Morgan:** There was a different attitude to conflicts of interest within the WDA. They did not stick to the policy and procedure. There is a rule about the red-book valuation, but that was not carried out until the day after the lease was signed, so you have both things running in parallel. It is not either/or; it is both.

**Amanda Brewer Comment:** The PS has already acknowledged that WDA rules and policies were still being followed several years after the merger and these policies differed from those of WG in some cases. The Compliance Review Report by Chris Munday concludes that with regard to the conflict issue, I made the relevant declarations of interest in a timely manner in accordance with the rules of both organisations.

The PS then goes on to give an example of officials in North Region not following policies and procedures. Once again what she says is totally wrong. Although the guidance only required a formal written valuation, a full Red Book valuation was obtained in respect of the proposed lease in early June, several weeks before the Agreement was signed.

[45] **Julie Morgan:** You have partly covered what I was going to say, but is the fact that the WDA was described as „entrepreneurial“ used as an excuse for what it did?

[46] **Dame Gillian Morgan:** I think that we have to be very careful in this case about generalising based on a set of behaviours that was abnormal. The degree of conflict of interest that appears when you look at this externally would be very unusual. However, we have to be careful that we do not blame the whole of the WDA, which did lots of really good and remarkable things, but which had a different attitude and culture, for the actions of a particular individual who, for various reasons, did not follow the rules that were there because she wanted to make something happen for Llangollen.

**Amanda Brewer Comment:** [REDACTED]



[REDACTED]. It has already been independently verified that I followed the rules with regard to the purchase and there is no evidence of impropriety or wrongdoing. I had absolutely no involvement in the WG decision making process at any stage of the Project. It was not my decision to purchase the property or to grant Powys Fadog an Agreement for lease. It is therefore totally wrong to blame me for the repercussions of those decisions as well she knows.

[47] **Gwyn R. Price:** What happened to the proposal to dispose of part of the site, valued at £1 million in 2007, for residential development? Just to follow on, what is preventing the Welsh Government from cutting its losses and disposing of the site for residential development now?

[48] **Dame Gillian Morgan:** Do you want to talk about how sites are valued now, James, because I think that there is some confusion?

[49] **Mr Price:** If that is all right, I will come in on this one. I need to distance some of the comments that I will make from this case, though, because clearly the decision to buy the property for £1.6 million was a bad decision regardless. There is one point in the audit report that could be taken out of context, and it would be useful to explain that If a piece of land has a certain value for residential or maybe retail use and you want to buy it, you have to pay the cost for whichever possible use has the highest value, even if you decide to use it for something else. That stands to reason. You do not go into a Mercedes dealer and say, „I want to buy that car, but I am going to use it for transporting coal around Cardiff, so I will only pay the price of a van“. I need to take that point away from this, because clearly that is not what was going on here.

**Amanda Brewer Comment:** Is James Price trying to say that this parcel of land was not valued correctly by the District Valuer? If so he is completely wrong. In his Compliance Review Report, Chris Munday confirms that “ *his valuation [the District Valuer] does provide confirmation that the sum agreed for the purchase did not exceed the market value. The valuation meets all of the requirements of paragraph 7.0 of the internal guidelines.* “

[50] With regard to where we are now with the site and why we do not cut our losses and sell, there is a protocol in place in the public sector that says that if land is declared surplus to use against the policy environment of the time, which is currently economic renewal policy, as it was at the time this audit report was drawn up, the land has to be made available to other public sector players first. That is what has been happening for the last 12 months, basically. The local health board up there has expressed an interest in buying it. The value is somewhere

between £500,000 and £550,000, and if the consultation that the board is going through now decides that the right outcome would be to have local service provision there, it will buy it from us. The River Lodge buildings will be demolished immediately and a new building will be put up.

[51] I have looked at whether we could sell it immediately to the private sector. The issue from a public sector value-for-money perspective is that, if we sell it to the private sector, the private sector will up the price by a couple of hundred thousand pounds in two months“ time and sell it back to the public sector in the form of the local health board.

[52] **Gwyn R. Price:** You have to draw a line under it somewhere, or it will go on and on. Somebody

has to put a determined line under it and say, „There is the due date; we want action by that date“. You cannot carry on pouring money into this project.

[53] **Mr Price:** Agreed. We are not pouring any more money into it at all. However, I completely agree with your point. I have asked the local health board to buy an option on the site, which means that it would typically put in 10% or 15% of the value of the site. If, in six months, it has not bought it, we will dispose of it in the way that you suggest, and the health authority will not get that money back. It therefore has to be very serious about it if it signs the option, and all the evidence is that it is

[54] **Gwyn R. Price:** Are we saying that a date has now been set—of six months?

[55] **Mr Price:** I would need to get back to you in writing on that.

[56] **Darren Millar:** Are we not in danger here of making another mistake that will cost taxpayers dearly? The site is either worth £1 million, should it be disposed of for residential development, or it is not. You are now suggesting, James, that you are going to release this site for around £550,000 to the local health board. Given the huge gaffe that has taken place here if there is potential to realise more by disposing of the site to the private sector, or to anybody else that might be interested, should we not be pursuing that?

[57] **Mr Price:** The issue here is one of public sector rules. I can clearly see where you are coming from. There is a question as to the value that we could realise on the open market for residential use at the minute, and while I think that it is marginally higher than £500,000, I do not think that it is anywhere near £1 million.

[58] The rules that have been set down, and which I have to work to, currently say that if land is declared surplus, we have to—it is not a choice—make it available to other parts of the public sector. If land is not declared surplus, then we can simply maximise the value, which we do routinely. In quite a lot of property transactions, we will maximise the value when we sell land. This land has been declared surplus, therefore it needs to go back into the wider public sector arena.

[59] I guess that the wider point is that if the local health board were to go to the open market to buy land—which it will if it does not buy this land—then it will pay more money for it. So, the point is this: the public sector is not losing out. That is the argument behind the policy. It is not my policy—

[60] **Darren Millar:** The public sector does lose out if you can dispose of it for higher value elsewhere, does it not?

[61] **Dame Gillian Morgan:** We bought at the top of the market and we are selling at the bottom of the market. Our priority is to use public land for public services. That is a ministerial priority, which is what we are working to. Independent valuation now says that it

would actually only be worth between £500,000 and £600,000. That is the sort of amount of money involved.

[62] We have been through the process of inviting expressions of interest, and only one organisation was interested, namely Betsi Cadwaladr health board. It is in the process of consulting the public on

how to develop health services in that area. As it has expressed an interest and as the priority for Ministers is to use public land for public good, I think that it is quite appropriate to wait to see what comes out of that consultation.

[63] **Darren Millar:** When does that consultation end?

[64] **Dame Gillian Morgan:** The consultation will end in about six weeks.

[REDACTED]

[65] **Darren Millar:** Okay. Aled has the next questions.

[66] **Aled Roberts:** Is the health board's interest in the site dependent on any conditions, such as the construction of a footbridge over the River Dee?

[67] **Dame Gillian Morgan:** I cannot answer that in detail.

[68] **Aled Roberts:** Has any discussion taken place with the Welsh Government to fund that footbridge?

[69] **Mr Price:** Again, I do not believe so. I would like to provide a note on this issue, regarding the valuations and on what basis it is being done, and I will answer that question as well.

[70] **Darren Millar:** That would be helpful.

[71] **Mike Hedges:** You will probably tell me that I am wrong, but I always thought that the valuation of land depended on what it was designated for under the local development plan, or the unitary development plan. If it is worth £1 million for housing, does that mean that, under the local development plan, it has been designated for housing?

[72] **Mr Price:** Yes. Whatever is the most expensive use that you can legally put the land to will determine its value.

[73] **Mike Hedges:** We are talking at cross-purposes—I will try to explain myself more clearly. You could build almost anything, on any parcel of land—as long as the land is big enough—but it is what is actually in the local development plan, or the unitary development plan, that will state what is likely to be agreed and is possible. I might have a parcel of land, which might just be scrubland, and say, „I am going to charge you as if you were building a supermarket here“. However, if I had a piece of scrubland in Gower, you would not be able to build a supermarket on it—it would only be available as agricultural land. Therefore, if the land was designated as housing land, its value would be as housing land; if it was designated under local plans as land for a hospital, or for something else,

its value would be as designated.

[74] **Mr Thomas:** I will answer that. I will quote from the project itself when it was first created. The land is described there as „residential/mixed-use development“—those are the words that are used in the project itself.

[75] **Mike Hedges:** Is it in the unitary development plan, or the local development plan, as such?

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[76] **Mr Thomas:** It is described as the „business plan“.

[77] **Darren Millar:** That is their business plan—it is not necessarily what it has been allocated as within the local authority’s planning regime, is it?

[78] **Mr Thomas:** I would expect the words used there to be consistent with the local authority plan.

[79] **Darren Millar:** We will clarify that with the local authority. We will move on now; Jenny Rathbone has the next questions.

[80] **Jenny Rathbone:** I want to go back to what the Permanent Secretary said about needing someone in the system to say that something is going wrong in terms of the judgments made or the inaccurate information given by Ministers when the purchase was made. Clearly, inaccurate statements were made, but they were not picked up by senior management. Going forward to 2008, and the leasing arrangements for this new organisation, serious concerns were being expressed by Legal Services, from early in that year, stating that this had the potential to be unlawful state aid; yet, those voices were not being heard. I do not understand how Legal Services, which are there to ensure that the Government is acting within the law, seem to have been ignored. Could you explain how that could happen?

[81] **Dame Gillian Morgan:** When we do a transaction—if we are going to buy or sell something, or we are going to give aid to an organisation—there is always legal advice. Legal advice is about making a judgment on the balance of what Legal Services sees and hears about what it thinks the legality is. We do not always follow legal advice; sometimes, legal advice is rejected. What we would expect—this is a recurring conversation—is that, if you follow legal advice entirely, you may become so risk averse that you miss opportunities that would benefit the system. So, there is always a robust challenge between legal advice and policy makers. At the end of the day, policy makers and Ministers make decisions that are informed by legal advice. What we would expect, however, is to see a proper set of reasons for why you are not following legal advice. In fact, a set of reasons were given in the submission on why legal advice was not being followed.

[82] However, you then come back to the fact that the decisions were made in north Wales. The question that I asked was: why, when there were such significant concerns about this issue, were the legal concerns not escalated to a more senior level outside north Wales? I think that the answer is that, because the most senior people in north Wales were involved in agreeing the decision, Legal Services felt that it was an appropriate decision; it did not like it, but it felt that it was appropriate, at the end of the day, for the risk assessment to be made by senior managers. That goes on all of the time. There is a continuing debate about the fact that, if you only ever followed legal advice, you would be so risk-averse that you missed out on opportunity. On the other hand, if you always rejected legal advice, you would be too gung-ho and entrepreneurial. So, the issue is whether there is sufficient and appropriate challenge to legal advice.

[83] **Jenny Rathbone:** However, in this case, are you saying that the Government was just not aware of the potential for this to be an inappropriate lease, given that the legal advice was not given to the Minister until after the lease was signed? That seems to be arse over tip. I appreciate that legal advice is not always followed, otherwise we would never do anything, but in this case, the legal advice seems to have been very robust.

[84] **Dame Gillian Morgan:** I think that in this case, the legal advice should have been followed and as soon as I looked at it I could see that. The legal advice was categorical: this was an unsafe set of decisions and I will not defend something that was unsafe all of the way through from the beginning to the end. This is not acceptable and there should have been

enough alarm bells ringing in north Wales for people to say, „This does not feel safe; let us step back and reassess and look at where we are“. That did not happen. I think and hope that, given what we have put in place since then, if exactly that were to happen again, there are more systems and processes in place to ensure that anything about which there is a disagreement, is escalated. People who are not part of the decision can look at the situation more objectively and make those sorts of critiques, rather than those caught up in the decision to make something happen. Things would now be referred to a more senior level. However, this is indefensible—let us start from that position. We are not trying to defend this; we are trying to explain it, but that is different from defending it. You are absolutely right; this is a sorry story and we should not be in this position.

**Amanda Brewer Comment:** Why is this situation indefensible? The officials in North Wales were following the policies and procedures, custom and practise in place at the time. These may not have been fit for purpose like many of the other rules and guidelines, but there was nothing else available to make decisions against. [REDACTED]

The PS acknowledges that in the 2009 Ministerial briefings, North Wales officials gave a robust set of reasons for not following legal advice to the letter. In fact as far as I am aware, much of the advice was followed. It would also seem to be the case from email exchanges I have seen that the lawyers cleared all the briefings, albeit with reservations and a warning that it would be “prudent” to wait for certain information before sending those briefings to the Minister. I certainly do not agree that the legal advice was “crystal clear” and “categorical”. Had it been so, surely the central governance team would have prevented the briefings going forward? Similarly the senior officials in Cardiff who received copies of the briefings had every opportunity to ask serious questions if they were at all concerned. Nobody did.

The PS says that *“the legal advice should have been followed and as soon as I looked at it I could see*

*that*". However, the 2009 briefings were all copied to her and each contained a detailed section on legal advice, setting out the reasons why this advice was not being followed in full, so one must question why if the PS knew legal advice should have been followed in early 2009 and had serious concerns about it, did it take until March 2010 for her to take any action?

Once again North Wales officials are taking all the blame for inadequate policies and procedures and the incompetency of the centre.

[85] **Jenny Rathbone:** So, in this specific case, the legal advice was only shared with people in north Wales and not with the Minister's office. It seems to me that someone should have been knocking on the Minister's door and saying, „You had better look at this one“.

**Amanda Brewer Comment:** Powys Fadog and its supporters **were** knocking at the Minister's door asking him to look at this one! Complaints to officials in North Wales and Cardiff, various local politicians and the Minister were regularly being made by Powys Fadog and its supporters because of the slow and what they considered to be unfair decision making process which prevented the project from progressing in 2009. Powys Fadog itself was asking the Minister to investigate the behaviour of his officials, [REDACTED].

[86] **Dame Gillian Morgan:** It was shared with the team in north Wales, which made the decision; it was also shared with the central governance unit. However, if you believe that policy decisions are made by policy people, then remember that we have disagreement all of the time; why would you be alert to this one? We are alert to it because we are looking back and can see that what happened is dreadful. However, you are not alert to things at the time that they are happening. Why would you separate this from other things where you have that robust and appropriate set of discussions about the balance of risk? This was unsound from beginning to end and should not have happened.

**Amanda Brewer Comment:** The PS is totally wrong in saying that this project was unsound from beginning to end. Chris Munday's Compliance Review confirms that *“the WDA Land Division had a public policy, published on its website, to support the provision of property for social enterprise and community use.”* And goes on to say that *“I consider that the project, both at its inception in 2006 at the date of the property acquisition in 2007 can demonstrate alignment with the then prevailing policies on community assets.”* The report also confirms that the acquisition of the property was compliant, as was the granting of the Agreement for lease. North Region and officials at the most senior level in Cardiff, including the PS, seemed to have had no real issues with the project or the behaviour of officials connected to it until the project was suddenly stopped without warning or explanation in March 2010. The compliance review was ongoing for seven months. If the decision making process was unsound, surely it would have been obvious to the person conducting that review (who was not part of the North Wales team or one of the decision makers in Cardiff) and he would have drawn this to the attention of senior officials and the PS who would have halted the project at a much earlier time in 2009?

[87] **Aled Roberts:** Moving from north Wales to Cardiff, paragraphs 1.22 to 1.24 of the report talk of concerns about the accuracy of briefings to Welsh Ministers in Cardiff. Were the protocols that were in place in the Government the same throughout this period? When we move to 15 January 2010, a briefing is withdrawn from the Minister because it had not been cleared by Legal Services. So, were all of these other briefings, where concerns were raised regarding accuracy, cleared by Legal Services before they went to the Minister?

[88] **Dame Gillian Morgan:** Could you answer that, Arwel?

[89] **Mr Thomas:** I am not aware of the track of the particular briefings—which were written, ministerial briefings—in these particular instances.

[90] **Aled Roberts:** If you are not aware of the track, is the protocol that Legal Services always clears briefings?

[91] **Mr Thomas:** Yes.

[92] **Dame Gillian Morgan:** Yes.

[93] **Darren Millar:** So, would that have been down here in Cardiff and not exclusively bound up in north Wales?

[94] **Dame Gillian Morgan:** There are two components of Legal Services, and part of the issue here is that there are legal services that give advice on issues such as propriety and so on, but the lease, for example, was done by the commercial legal team, which deals with commercial property. At the time, they worked to the regional director. Therefore, once a decision had been taken, the people who did with the lease were not the same people who sit in Cardiff who give the other advice. So, you have some sort of breakdown there. However, we have tightened things up over this period of time. There have been a lot of governance

changes, and you are talking about one of them, and what it showed is that things that we have put in place subsequently—although not because of this—have begun to pick up this sort of problem. That was the first example of the system working properly, as you would want to see, because, without that advice, it was unsafe for it to go and be considered.

**Amanda Brewer Comment:** Once again the PS appears to be blaming North Region for wider problems such as a breakdown in communication in the legal department in Cardiff which should have been addressed before the merger. She also persists in applying current policies and procedures to past actions instead of judging those actions against the policies and procedures applicable at the time. Surely it is totally unfair to judge people's actions in hindsight?

[95] **Darren Millar:** I want to check something on the timeline. Obviously, the report specifically mentions that the local Assembly Member at that time, Karen Sinclair, had been corresponding with Ministers in Cardiff about her concerns about the River Lodge and the way things were tracking. Therefore, surely, the central units, as it were, would have been aware that there was a problem. Is that not enough of a flag for people to say, „Wait a minute, we need to get a grip on this“? If she was writing to the First Minister and the Business Minister at the time, senior officials down here, including, for example, the Permanent Secretary, should perhaps have been aware of the situation.

[96] **Dame Gillian Morgan:** You have to remember how systems and processes work. When something very detailed comes through, you ask the people with the expertise to respond. Normally, that is fine. In this case, you were asking for a response from the people who were at the heart of why we had a problem. Therefore, the responses that were going back were written by the people—not the individual, but her manager and the other manager—who were actually involved in having taken the decision to proceed with the River Lodge. Therefore, you ended up with something that did not trigger a response at a sufficiently senior level. The governance unit within the Department for the Economy and Transport has been fundamentally changed, and this is one of the reasons it has been changed—to make it much more objective and challenging when these things come through. However, you are dealing here with a historical set of things, where everyone assumed—and there was no reason to assume because no-one had looked at it objectively and reassessed it—that this was a sound decision. That was the first trigger of the new systems that we had put in place that said that this should not have happened.

**Amanda Brewer Comment:** The PS seems to be raising concerns that the central compliance unit and senior officials in Cardiff did not do their job properly. Why then is this not mentioned at all in the Compliance Review, Internal Audit or Wales Audit Office Report? Why does the PS only apportion blame to North Region?

[97] **Darren Millar:** So a serious concern is raised by an Assembly Member with a Minister or the First Minister and that is just bounced down to whoever is considered to be dealing with that particular issue, even if it is a very serious concern that is being flagged up.

[98] **Dame Gillian Morgan:** Such matters are sent to the most appropriate official at the most appropriate senior level to respond

[99] **Darren Millar:** So, that happens even if concerns are being raised about decisions at a local level.

[100] **Dame Gillian Morgan:** Again, it depends on the nature of the concerns, the way the letters are phrased, and what the particular concern is. Concerns were being raised, but there were also positive things coming through, so you had a mix of things sitting on ministerial desks.

[101] **Darren Millar:** You suggested earlier that this was all confined to north Wales, but it is becoming clear that it was not.

[102] **Dame Gillian Morgan:** No, I did not suggest that.

[103] **Darren Millar:** You are saying that these decisions were all made exclusively within north Wales, but you now seem to be suggesting that there was correspondence centrally, that different legal departments were involved—

[104] **Dame Gillian Morgan:** You are talking about what happened later on. There was a series of letters being raised, which I think I—



[105] **Darren Millar:** The earliest was in 2007, according to the report.

[106] **Dame Gillian Morgan:** Yes, which I did not see centrally at all. The first letters I saw were much later than that. However, at that time, it was being managed within the delegated authorities that sat within north Wales. You then have a central compliance unit, which is meant to challenge and raise issues. It did not do that as robustly as we would have liked, which is why we now have a different system.

**Amanda Brewer Comment:** The PS would not have seen the 2007 briefings as she was not in post at the time, but the list of people who did receive copies included Gareth Hall, Director General DE&T, Sharon Linnard Director of Operations DE&T and various officials in the Minister's office. If the central compliance unit failed in its duty, why were officials not disciplined?

[107] **Lindsay Whittle:** This sounds like a game of Monopoly without the rules, with respect, and that is extremely worrying from a public point of view. We have heard from the Chair's question that the Assembly Member first raised this in 2007. Are civil servants totally disregarding what local Members are saying? What action has been taken to ensure that, when elected Members raise serious issues about large sums of money such as this, it is brought to the attention of the Minister? It seems, from what the Chair has said, and what the report says, that these were brought to the attention of the Minister and the First Minister. Maybe we should be asking what they did. What did they do?

**Amanda Brewer Comment:** This is a question we would all like answering. Ministers approved of the project until it was brought to a halt without explanation in March 2010.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[108] **Darren Millar:** What systems are in place now?

[109] **Dame Gillian Morgan:** On the systems that are in place now, do you want to talk about within DET?

[110] **Mr Price:** Or BETS, as it is now. It is fundamentally different from what we had before. I have sat in this room on different occasions defending some of the changes that we have made because they have other consequences as well. So, to start, we no longer have a regional set-up as a department, so there is no regional autonomy in terms of defined geographic areas for managers or civil servants to do what they want to do. It is important to say that we have not centralised everything in Cardiff; what we have done is centralised different functions around different parts of Wales, but they are all on an all-Wales basis and within an all-Wales governance framework. That is the first thing that we have done.

[111] The second thing that we have done has been to introduce processes and systems so that no one person can sign anything off anymore. So, if you were looking at this type of activity, the biggest changes would be in something called the „property leadership team“. In essence, it is a peer review activity, where every single property transaction—and I mean every single property transaction, down to things like £25 for grazing rights at St Athan—is considered and thought through. On the back of that, on a weekly basis, a submission goes up to the Minister and, normally, it is routinely signed off because it has been thought through, and the Minister may refer things back to me. That is the second thing that we have done.

[112] If I can go all the way through to the other end of this, we were talking about what would happen if a letter came in complaining about things, which of course happens quite routinely. What happens now, as a matter of course, is that those letters are referred straight to me. I will look at them and I typically will not send them down to the person working in the area to which the complaints relate because I want to have a peer review to look at what is going on, even if that is only for presentational purposes. The big cultural thing that we have been stressing to people within what was originally DET, when I was first asked to go in, but more latterly BETS, is that people have to be beyond a suspicion of doing anything wrong. It is not simply that they cannot do anything wrong; they have to be beyond suspicion of doing anything wrong and that is the culture that we have tried to push through.

**Amanda Brewer Comment:**

And yet James Price is knowingly overseeing officials in his own department who are answering Freedom of Information requests from Powys Fadog, their supporters, concerned members of the public and AM's about their own behaviour in the knowledge that these requests have been made in the light of serious allegations of impropriety, malpractice and maladministration against those very officials. Each person who has answered an FOI about their own behaviour is in a serious conflict of interest situation.

[113] In terms of the legal question that you asked, about what would happen if Legal Services had a concern, ironically, I have an SF here—I will not show anyone what it is—and I understand that Legal Services have a concern about it and that Arwel may be speaking to

me later today about it. What will happen is that we will fight Legal Services quite hard within the department, but we will not put anything through about which Legal Services has said, „Under no circumstances should you do that.“ So, that is now part of the process and procedure and it would be ramped up to me. If I was being incorrect about it, it would go to Gill and I am convinced that that would happen in today's circumstances; it did not happen then.

[114] **Dame Gillian Morgan:** I am quite certain that the systems and processes would pick up the majority of things. It is very difficult where you have a group of people who get into group thinking. That is really hard, but with the systems and processes, if someone was going against legal advice, it would be on my desk and I would be looking at it on a regular basis. The other thing I think is important is that we have been much clearer about delegation documents and what people can do. That includes mandatory training and there are two bits of mandatory training that everybody is now expected to do if they are holding a budget. One is the Chartered Institute of Public Finance and Accountancy, National School of Government; I have done it and I have my little certificate. We also have governance training, which tries to express the issues around the management of public money, which people often forget. There is a guidance document that looks at this in a much more fun way. It talks about trolls and sea monsters, and it is a very effective training method because it talks about the practical things that go wrong. Nobody intended to be here today, but all the things that they did led us to this position.

[REDACTED]

[115] **Lindsay Whittle:** I am sorry, Chair, but I do not think that the question was fully answered. We understand now that, when Assembly Members write in, there is a procedure, but we are told that the Assembly Member in 2007 raised this with Ministers and with the First Minister. Did they contact you?

[116] **Dame Gillian Morgan:** No

[117] **Darren Millar:** Okay. I am conscious of the time. We will probably not get all of the evidence that we need today, as usual. Jenny, and then over to Aled.

[118] **Jenny Rathbone:** I just want to clarify that, up to and including June 2009, it was perfectly possible for £1.3 million of state aid to be provided to an organisation without a Minister having to agree it.

[119] **Dame Gillian Morgan:** It was not state aid; that was the definition, but it was quite possible for an individual to buy the building and the land for that sort of cost. There are two bits to this. That was caught up. In parallel, there were a number of things that we were doing as the Welsh Government about this organisation where our systems and processes worked perfectly well. This was an organisation that, at its best, had about £1,700 in the bank, but far less than that on many occasions. It applied to the Welsh European Funding Office and to other bits of the organisation for grants, and was turned down, because due diligence said that it was an organisation that had neither the track record nor the financial backing. So, what you have, in parallel, is a set of systems that were working fine and picking up the concerns and saying, „We cannot give public money for recurrent money to this organisation“. However, there was a little bit around the property and land that did not have the same sort of grip and control, which is what James has now talked about in terms of changing people’s ability to make that sort of decision about the one-off investment of buying a piece of land.

**Amanda Brewer Comment:**

she claims that Powys Fadog was not offered grant funding by any part of the Welsh Government. In fact the Regeneration Department under the control of James Price awarded an Environmental Improvement Grant of £249k to Powys Fadog and his team must therefore have carried out appropriate due diligence on the project. As far as I am aware, decisions by Regeneration at the time were subject to the same peer review exercise that James Price says has now been put in place for the whole of BETS. Furthermore, the Compliance Review report confirms that *“the region undertook due diligence in respect of Powys Fadog, which included a review of the company’s finances, its business plan for the future and the activities that it proposes to undertake in the property.”* before entering into the Agreement for Lease.

To finally answer the continuing assertion by the PS and James Price that Powys Fadog was not worthy of support by WG because its business plan was incapable of standing up to scrutiny, I would draw your attention to the fact that Clwyd Alyn commissioned Mazars, one of the largest accountancy companies in the UK, to carry out independent due diligence on Powys Fadog. Their report confirmed that the organisation and its business plan were acceptable and led to Clwyd Alyn Board approval to enter into a lease with Powys Fadog.

[120] **Jenny Rathbone:** What I am saying is that a lease was entered into that included a very significant slice of public subsidy, given the valuation of the land, without the Minister having to sign anything.

[121] **Dame Gillian Morgan:** At the time, that was possible and it could happen in north

Wales. The peer review process has now taken those decisions away from the local level and we have built in scrutiny. What happened here was that nobody stopped to think and look at it. As soon as you stopped and stepped back to look at it—my favourite expression is that if you lay in the bath reading it coolly - you would have looked at it and said that it did not feel right. Nobody did that. The systems and processes now would stop that, but it is important to say that the other things that we had when we were looking at grants worked very effectively. We said, „This is not an organisation that it is safe to give public money to“. The question that you should then ask me is: why did you not share the learning? The answer is that, when WEFO rejected that, the decision had been made and the lease had

already been signed without a proper valuation so it was too late in the day to put the two pieces of information together.

**Amanda Brewer Comment:** [REDACTED]. A valuation **was** carried out before the lease was signed. A peer review **was** undertaken by the Regeneration Department of DE&T before formally approving a grant. DE&T **did** say that this is an organisation that it is safe to give public money to on 9<sup>th</sup> October 2009, on which date Pol Wong received a formal grant offer.

[122] **Darren Millar:** May I just ask about the new peer review process that you have introduced, which sounds very reasonable and acceptable? If someone at Amanda Brewer's grade made these sorts of decisions again, who would peer review that decision?

**Amanda Brewer Comment:** I would like to reiterate that I did not make any decisions for WG in respect of this project.

[123] **Mr Price:** It is a group of people, not just one person. It is a group of people that is headed up by the current head of property. That goes up through the system to the director of delivery. It might be referred to me, or it might not, and it will then go to the Minister, who goes through every single one.

[124] **Darren Millar:** So, what sort of trigger requires it to go to you or the Minister?

[125] **Mr Price:** It will go to the Minister regardless of anything else; that just happens. That is a part of the process. You could say that that is going too far, but I have taken all delegations away from everybody, which actually includes me as well. So, unless I do all the paperwork properly, which I do not think is that onerous, until something goes through to the Minister and is initialled, we will not do anything. I am sorry; I have forgotten your specific question.

[126] **Darren Millar:** You have mentioned the property leadership team; it would be useful if you could provide us with the names of members or officers.

[127] **Mr Price:** I will add it to the other note.

[128] **Dame Gillian Morgan:** The important thing about it is that it is not from one part of Wales, because if you are working in communities, you get excited by community projects. At the heart of this, people wanted to do something good for Llangollen and, driven by that, they forgot about some of the other systems and processes. That is really important, at the end of the day.

[129] **Darren Millar:** I will bring in Aled with a brief question and then I will come to Julie.

[130] **Aled Roberts:** I want to return to when the local Assembly Members' concerns were being raised first of all. To whom did the Minister and the First Minister refer those concerns? Did you or any of the directors general have any direct contact with local Assembly Members regarding their concerns?

[131] **Dame Gillian Morgan:** My first contact with an Assembly Member after I had taken the decision to send in auditors and to stop decisions being taken about it. It was after my decision, which was based on looking at the paper, that this was an unsafe decision. That was my first contact. I had seen a copy of a letter that had been sent from the First

Minister, about four or five months before, but I did nothing based on that because it basically said, „This is okay“ and there was nothing in that that I felt that I needed to take on. It was later on that it came to my attention in a way that looked to me as if this was not sound. So, I had no involvement until after I had taken that decision.

**Amanda Brewer Comment:** The PS says she saw a letter from the First Minister which basically said that everything was OK. This is not true. The letter, which I do not believe from its content and style was written by North Region officials, contained the paragraph *“You raised concerns about the appropriateness of the use of an Assembly Government e-mail address. This is not a matter for Ministers but if there has been a breach of the employment regulations appropriate action will be taken”*. Surely this was sufficient to set the PS’s alarm bells ringing? If not the PS, who did the Minister ask to take the “appropriate action?”

[132] **Aled Roberts:** What about any of the directors?

[133] **Dame Gillian Morgan:** Do you remember, Arwel? Most of the involvement, which would have been with one director general, again, was after we triggered the compliance review and then the audit. So, at that point, we had conversations with one particular Assembly Member in north Wales, but that was after it had got into our minds as being really serious and we became not happy at all with what was going on.

**Amanda Brewer Comment:** This is not Pol Wong’s understanding of the situation. In an interview with Karen Sinclair, she told him that she had spoken to the PS about the Project and as a result the PS had stopped it. [REDACTED]

[134] **Jenny Rathbone:** We are still not clear about the letter that went from Karen Sinclair to the relevant Minister and the First Minister. Where was that referred? Which official was asked to look into it?

[135] **Mr Price:** I do not know.

[136] **Dame Gillian Morgan:** We know that, ultimately, the letter and the information that were given were written and agreed in north Wales. It would have been by a combination of officials, but we know that that it was where it was agreed and signed off.

[137] **Darren Millar:** You should be able to determine from the references on these letters who specifically—

[138] **Mr Price:** We can find that out.

[139] **Dame Gillian Morgan:** We will look

[140] **Darren Millar:** That would be useful. May I check something? You have suggested that you triggered a review of the decision before speaking to the Assembly Member. What triggered your making the decision to have this whole thing looked at in more detail?

[141] **Dame Gillian Morgan:** Concerns had been raised in the Department for the Economy and Transport, and it had commissioned a compliance review. The findings of the compliance review, which the WAO lays out clearly for us, said, „Oops, this is not something sound“ and Gareth Hall came to see me to say, „We have a problem here; this is not a safe decision“. I wanted it looked at independent of anybody in that part of the organisation, which is why I commissioned Arwel to do it. So, it was raised with me because of concerns at DG level in that part of the organisation. Once we got to that point, the system worked fine; it was up to that point that I cannot justify.

**Amanda Brewer Comment:** See separate paper “Perceived malpractice and wrongdoing in relation to the Compliance Review Report by Chris Munday, then Head of Property Funding” which sets out the anomalies in respect of the Compliance Review Report.

[142] **Julie Morgan:** How fairly do you think that Powys Fadog was treated by the Welsh Government in view of the fact that support was given to it by the Welsh Government at a certain stage? How do you feel about how Powys Fadog has come out of this?

[143] **Dame Gillian Morgan:** Although the lease was signed and we should not have signed it, we honoured it and the lease conditions had up until June 2011 to generate the money. Its problem was that it was dependent on 100% funding coming from the public purse and it had already been rejected by two different bits of the Welsh Government. It knew that it had been rejected by those two bits of the Welsh Government. So, I believe that, with an unsafe decision, it was treated perfectly fairly. It had until June 2011 to generate the money and was unable to deliver any of the lease requirements. It looked at, and we discussed with it, this alternative of having an association with the housing association. However, when we

came to look at the proposals—and the WAO report is clear about that—that was an even worse deal for us than the deal that we were currently in. Therefore, our best bet was to honour the lease contract, which we did, and it was unable to collect the resource that it needed.

**Amanda Brewer Comment:** Powys Fadog was not treated fairly. It was unable to deliver any of the lease requirements because WG deliberately prevented it from doing so by not communicating with the organisation and by deliberately running the Agreement for Lease out of time by protracting the disciplinary process and the options appraisal..

[144] **Julie Morgan:** Okay. Thank you.

[145] **Darren Millar:** There was, obviously, a decision to go ahead with this lease, but it was later deemed that this initiative—the project as a whole, as it were—did not fit policy priorities. Therefore, had policy priorities changed?

[146] **Dame Gillian Morgan:** Yes. If you remember, this was sitting around the time of the economic renewal programme, which was led by the Deputy First Minister at the time. That was a fundamentally different attitude to how we spent money; it mentioned sectors and the economic gain that we could get, and the sort of much looser investment in regeneration for the sake of regeneration was no longer part of the priority. Furthermore, at the time, people were looking at significantly reducing budgets, as you know; that is the reality—people have to be much more critical about where we put the money. The priority was to make jobs in the six areas that were part of the ERP.

[147] **Darren Millar:** So you are saying that, in terms of political priorities, the Ministers at that time were no longer with the project, as it were, and did not support the project.

[148] **Dame Gillian Morgan:** I do not believe that Ministers, at any time, either supported or did not support this. Ministers are completely blameless in this. This is about the failing of the civil service machine to give Ministers the information they need. Therefore, I do not believe that Ministers were either in favour or not in favour—they were taking the advice that they were given, and it is our advice that was biased and not appropriate for Ministers to rely on. Therefore, I believe that Ministers are quite blameless in all this.

**Amanda Brewer Comment:** [REDACTED]

[149] **Darren Millar:** But Ministers set the policy priorities.

[150] **Dame Gillian Morgan:** They set the policy priorities, which we then apply. The ERP was subject to a wide consultation, as you know, to try to look at how we use the declining amount of resources to get the biggest bang for Wales. The trouble for this project is that those priorities changed. However, when WEFO assessed it, the priorities had not changed; WEFO assessed it and refused to give it money because of simple due diligence. Therefore, you have the change in priorities, which made the longer term solution difficult, but, at the end of the day, this organisation did not have a track record, it did not have the management, which it recognised itself, nor did it have the ability to generate money, and it should have been ruled out of court for those reasons, not for any of the other things.

[151] **Mr Price:** The policy review that was done was done on the site as well; it was not done on the project. The question was: was the site fit for purpose within the new economic renewal policy? Personally, I do not believe that the project was fit for purpose in the policy environment that was operating before the ERP either.

[152] **Darren Millar:** Okay. Mohammad Asghar has the next questions.



[153] **Mohammad Asghar:** Thank you. I am listening carefully to this session. You have already gracefully accepted that rules were broken and that legal advice was sometimes not taken. You have just mentioned civil servants' advice to the Minister. At the same time, I believe that Assembly Members also showed concern about this whole scenario. Therefore, the ministerial code of conduct is there—with colleagues and civil servants. It means that there is a very thin b [REDACTED] here, so they have to go the right way rather than going to the

civil servants. You agree that rules were broken, but the fact is that there is something between civil servants and ministerial colleagues, in that concerns were totally ditched. Therefore, why did that happen and where does the buck stop? You have just mentioned, James, that there have been collective mistakes rather than mistakes made by one person. We need to know where the buck stops, and that person should come here to give us their evidence.

[154] **Dame Gillian Morgan:** That is simple—the buck stops with me. This was unacceptable behaviour, and we reached an unacceptable set of decisions, which is indefensible. As principal accounting officer, I felt those things, which is why I stopped the project and why we have reformed much of the governance that we have been doing. Therefore it is clear—the buck stops with me

[155] **Aled Roberts:** Did Ministers ever question the fact that it was the regional offices, regarding whom the concerns had been expressed, that were being asked to comment on the concerns? Did Ministers not stand back and say, „Actually, I want an objective assessment here from the civil service, not people who were involved in the project from the outset“?

[156] **Dame Gillian Morgan:** Ministers have the right to assume that the civil service shows a number of things: integrity, honesty, objectivity and impartiality. That is part of what the civil service code requires. Therefore, Ministers should assume and had the right to assume—because if we do not assume that people are behaving with these key things, then you get into very difficult relations—that there was integrity, honesty, objectivity and impartiality, but there was not.

**Amanda Brewer Comment:** Is the PS suggesting that every civil servant involved in this project was not complying with the civil service code? In that case, why were just my line manager and I disciplined? Surely everyone involved in the decision making process should have been investigated and punished? In fact the only person who was punished was the person who did not make any decisions at all.

[157] **Aled Roberts:** From my experience in local government—and the same could be said of local government officers, that there is the same expectation—you would never go to the same people who you had expressed concerns about for advice regarding the situation.

[158] **Dame Gillian Morgan:** No, it is not the same as local government.

[159] **Aled Roberts:** I know that it is not the same—

[160] **Dame Gillian Morgan:** The civil service code is a legally binding code and is a part of the civil values and is now a part of the Constitutional Reform and Governance Act 2010.

[161] **Aled Roberts:** However, there have been examples of rogue civil servants.

[162] **Dame Gillian Morgan:** Indeed.

[163] **Aled Roberts:** So, is it not natural to expect that someone who has not been tainted previously with a project would be asked for advice regarding the—

[164] **Dame Gillian Morgan:** We come back to the fact that there are very few rogue civil servants. There are very large numbers of correspondents and it is appropriate that people ask advice from the people who know about the business. The system should have alerted Ministers to this being something. Ministers would not have known that there were multiple letters coming in across the place. We, as civil servants, let Ministers down. We have to be very clear about this. This is a failure of civil servants and we should have expected better of our systems and processes. It is not one civil servant, but the processes that we had.

[165] **Darren Millar:** You said that Ministers would not have known; I regularly correspond with Ministers, but if there is a serious concern that I have to raise, I might speak to them privately as well. You may not be able to answer this question, but did such private conversations take place?

[166] **Dame Gillian Morgan:** I cannot answer that.

[REDACTED]

[167] **Darren Millar:** Okay. Thank you.

[168] **Jenny Rathbone:** Were the Ministers not aware that the queries that they were raising because of the Assembly Member's correspondence were just going back to the people in north Wales who were generating this project? They said that there was a problem, or that an Assembly Member had raised a problem, but was the Minister not aware that they were just being referred back to the north Wales team?

[169] **Dame Gillian Morgan:** You have quoted to me already that Ministers were given absolute assurance, which was signed off by more than one civil servant. Ministers have to trust the advice that is given to them. If the advice is unsound, it is very difficult for a Minister under such circumstances. That is why it is a systems and process issue for the civil service to deal with, rather than Ministers

[170] **Darren Millar:** Okay, I am afraid that the clock has beaten us. We have many more questions that we would have liked to have asked you this morning. We will enter into some correspondence with you, Dame Gillian, but thank you for your attendance today, and thank you, James, David and Arwel. We will return to this after the summer recess. The meeting is now closed.  
*Daeth y cyfarfod i ben am 10.58 a.m. The meeting ended at 10.58 a.m.*



I have set out below what I believe to be the facts, however, I do not have access to Welsh Government paper or electronic files to refresh my memory or extract evidence. I have used what little information I managed to obtain when I was given limited access to files etc. before my disciplinary hearing but unfortunately some of the documents were double sided and in some cases officials only copied one side.

**Proses Gaffael Llywodraeth Cymru a'r Camau a Gymerwyd Ganddi i  
Waredu Hen Westy River Lodge, Llangollen—Tystiolaeth gan Amanda  
Brewer**

**The Welsh Government's Acquisition and Action to Dispose of the Former  
River Lodge Hotel, Llangollen—Evidence from Amanda Brewer**

[1] **Darren Millar:** Mrs Brewer is the former Welsh Government civil servant who was involved in the purchase of the River Lodge Hotel, both as an employee of the Welsh Government and as a board member of Powys Fadog. We are very grateful that you have attended our meeting today, Amanda, and for the papers that you have sent to us, which have been circulated to Members. If you could introduce yourself for the record and make a few opening remarks, we will then get into some questions.

[2] **Ms Brewer:** First of all, I would like to thank you very much for the opportunity to come to speak to you here and to put my side of the story. I am Amanda Brewer, and I am the former senior housing delivery manager for the Welsh Assembly Government. I now work as a self-employed consultant helping social enterprises.

[3] **Darren Millar:** Thank you very much for that—short and sweet, just the way I like it given the time pressures that we are under. Obviously there is a lot of information in the Wales Audit Office report and indeed in the papers that you have provided us about the decision that was made within the WDA to go ahead and purchase the River Lodge Hotel. In your written evidence, you state that the WDA's ceiling price, which was £1 million in 2005, was only for part of the site, and not for the site as a whole. You also say that the £1.6 million that was finally agreed was for the whole of the site. What was the part of the site that you refer to in your evidence?

[4] **Ms Brewer:** That is absolutely correct. The land division board management team agreed a ceiling price of £1 million for the property originally. That was for the whole of the property. It became clear to David Pilkington that they could not agree a price for the whole property for that amount, so what he suggested was that the WDA at that time took the part of the site with the building on it and the eastern car park, which is beyond the settlement boundary, but which had some hope value. They would purchase that for £1 million, leaving the development site to the west, next to the existing housing, for the owner to sell for development separately.

[5] **Darren Millar:** And that is why there was a decision to pay a higher price in the end.

[6] **Ms Brewer:** Partly, yes. The second time around the £1.6 million was for the whole of the site, not just part of it, but between the two periods the market had exploded, and prices had gone up by more than 50%, so there was that dynamic as well—the market had risen substantially. Obviously, there was more land being purchased as well.

[7] **Lindsay Whittle:** Good afternoon. In your written evidence, you appear to have drawn a distinction between a purchase price being agreed for the hotel in December 2006 and the actual purchasing of the hotel that took place in March 2007, stating that by that time an independent valuation from a district valuer would have taken place. Was it normal practice within the Welsh Government to agree the price of a purchase and then only afterwards find out what it was independently valued at?

[8] **Ms Brewer:** No. The situation in this case, with this purchase, was no different. At the time, I was purchasing two or three other properties and used the same policies, procedures and guidelines as for this one. The land division of the WDA was slightly different from the rest of the WDA. In actual fact, it had different rules and guidelines. Under land division rules and guidelines, an independent valuation was not actually needed. What happened was that there was a peer review. Land division was divided into north and south, and the development director of north region would do a peer review of a valuation for the director of the south region, and vice versa, so there was always somebody checking a valuation.

[9] **By the time we had got to the purchase in this case, land division had accepted a lot of the WDA rules and procedures, and it was a requirement to get a written valuation. It was not a requirement to get a formal, red-book valuation. What would normally happen in those circumstances is that you would discuss it with the valuer beforehand; before you actually went out and met a potential vendor, you would speak to the district valuer and give him all the information, and he would tell you what sort of value the property had, and then confirm that in writing as and when it was required. In this case, yes, the piece of paper should have been there before the formal approval went in. It was not, but three people approved that transaction. It was not me who made any decisions, and I want to reiterate that.**

[10] **In the whole of the process, I never made any decisions whatsoever for the Welsh Government. Everything that I have done has been scrutinised by people above me. That transaction was passed to three other people, who accepted the fact that the district valuer was extremely busy at the time, and the written valuation would come just after the paper had been approved, and, obviously, before the property was actually purchased. So, before the purchase was completed, everything was in order, absolutely, and approved.**

**The purchase of River Lodge was approved by the Land Division Management team in March 2006 for a figure of no more than £1m. An internal peer reviewed Control Valuation was required under Land Division Guidelines. (see page 1) A formal independent valuation was not required by Land Division at that time, however, it was common practise to discuss valuations and obtain comparable evidence from colleagues in the District Valuer's office and King Sturge who also provided valuation advice for WDA/WG.**

**The WDA merged with WG in April 2006 and although the Land Division Trading account remained, most of the Land Division Senior Management Team had retired or resigned and from then on Land Division was managed by the Regional Heads of Infrastructure and Land Division officials adopted the Infrastructure guidelines from that date on, adapting them to fit the requirements of the trading account.**

**It was normal practise in North Region at the time to obtain a verbal valuation from an independent valuer prior to commencing negotiation and to obtain a formal written valuation prior to approval. In the case of River Lodge, a formal written valuation was**

requested prior to the Permis approval being submitted, but the District Valuer failed to send that valuation before the approval was signed off. [REDACTED] and other senior officials were aware that the valuation had been requested but decided to approve the project on the basis that a written valuation would be placed on the file prior to purchase. The Compliance Review Report calls this “a minor breach which does not undermine the valuation as evidence of market value” (see page 2)

The Internal Guidelines require a formal valuation in accordance with the principles of the Red Book, not a full Red Book valuation which necessitates a far longer and more detailed report. The Compliance Review Report confirms that the valuation provided by the District Valuer “meets all the requirements of Paragraph 7.0 of the Internal Guidelines” (see page 3)

[11] **Lindsay Whittle:** So, three senior officials above you approved this.

[12] **Ms Brewer:** Yes.

[13] **Lindsay Whittle:** Thank you very much.

[14] **Jenny Rathbone:** Was this purchase with vacant possession?

[15] **Ms Brewer:** I think that it was vacant possession on the approved form—yes, it was supposed to be with vacant possession. However, I think that you are now referring to the fact that Mr Wong remained at the property. There was also another tenant in one of the houses there. The decision was taken that the people who were already at the property would stay there until proper tenancy agreements could be provided for them. This was not unusual—again, it was land division practice. Quite often, there would be quite a long period between the time you acquired the property and the time it was developed, and it was recognised that properties could be broken into and damaged. So, more often than not, if there was an existing tenant at the property, their tenancy would be formalised with the Welsh Government and they would be allowed to stop in the premises until such time as it was to be developed. I think that that was the thinking behind it on this occasion, and that decision was taken by my line manager, not me.

[16] **Jenny Rathbone:** Okay, but is it not most unusual to have people who are, in effect, creating a tenancy by continuing to be there without some sort of formal agreement that they will exit as soon as further plans for the building have been realised?

[17] **Ms Brewer:** Mr Wong did not have a formal tenancy agreement. Obviously, legal services’ advice was taken throughout this purchase, and their advice was that it was okay for Mr Wong to stay there without a formal tenancy agreement. He had a tenancy at will, which could have been converted to a formal tenancy at any time. So, they could have served vacant possession on him at any time and he would have had to have left.

Please note that the property management issues (existing tenancies, lease to Powys Fadog, surveys, repairs etc. were being dealt with by Property Manager [REDACTED] under the supervision of John Adshead before as well as after the transaction was completed. I was not permitted to make any decisions regarding these matters.

[18] **Jane Rathbone:** And the other individual was in a similar position.

[19] **Ms Brewer:** I believe that she actually had a tenancy agreement, but the owner

could have served notice—that is, she could have vacated.

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

[21] **Aled Roberts:** Are you able to identify—if not today, then subsequently—the two or three other transactions for which you have stated independent valuations had not been received by the time the Government proceeded? Also, can you recall when the guidance was changed? You said that the guidance, or the procedures, within the land division changed during this particular transaction. Perhaps you could confirm when that changed.

**Other transactions I was dealing with at the time included** [REDACTED].

[22] Finally, the three officials above you who approved this, can you identify them for us?

[23] **Ms Brewer:** Taking your points one at a time, the first thing is that, as I said, I was carrying out several other transactions at the same time. I could not tell you whether the bits of paper were there beforehand; it is quite possible that they were. What I can say is that I conducted myself in exactly the same way with each of these valuations. In other words, I talked to the valuer beforehand and the piece of paper came. It just happened that, with this particular property, it was around Christmas and the district valuer was very busy. So, all the pieces of paper were on file before the properties were purchased.

**To the best of my recollection all the properties I purchased in late 2006/early 2007 had formal written valuations on file before Permis approval was obtained. None would have had a full red book valuation report.**

[24] What was the second one? Sorry.

[25] **Aled Roberts:** When did the guidance change in the land division?

[26] **Ms Brewer:** It happened actually on the merger, because a lot of the senior people, including David Pilkington, retired. Although there was not a definite statement that the rules had changed, there was nobody to do a peer review. So, the only way we could get the value independently checked was to have an independent valuation done, because the people just were not in place. So, it was roundabout that time that it changed, and we got an independent valuation. I was asked to do that by my line manager, who was supervising me throughout this transaction—obviously, because of the issues with my involvement with Powys Fadog at that time. So, I was closely supervised throughout.

[27] **Aled Roberts:** What about the three officials above you?

2.15 p.m.

[28] **Ms Brewer:** The process used at the time was called PERMIS, which was an electronic approval system. The project manager who initiated the project put the proposal online. It then went to the finance department for financial due diligence; it just checked that it was in the business plan. It fitted with the compliance there. That might not have been a senior official, but it was another official from a different department within the organisation. It then went to my line manager, who recommended it. From my line manager, it went to the head of finance and compliance,

who then looked at the financial compliance of the transaction. Finally, it went to the regional director, who had the delegated authority to approve the transaction.

**The River Lodge Permis Approval form records the officials involved in the approval process. [REDACTED] were all superior to me. (see page 4)**

[29] **Darren Millar:** On the delegated authority, was there any change in the scheme of delegation between the WDA days and the Welsh Government days?

[30] **Ms Brewer:** It stayed exactly the same for a long period and, in fact, until I left, it was the same delegation. The limits of delegation might have changed, but it was mainly within the region of up to around, I think, £4 million or something like that.

[31] **Darren Millar:** But the processes and practices were exactly the same.

[32] **Ms Brewer:** The process was exactly the same, yes.

[33] **Darren Millar:** Okay. Lindsay, did you have any further questions on this?

[34] **Lindsay Whittle:** I am fine, thank you, Chair.

[35] **Aled Roberts:** May I just ask, on the three individuals or individual posts that you have identified, was there a change of personnel in those posts during this period?

[36] **Ms Brewer:** There were a lot of changes; I cannot remember exactly when, but my line manager changed three times. David Pilkington was my line manager when we were in the land division at the WDA; he retired in March 2006. My department then, which was the land division, was then taken over by the existing area development manager at the time. So, the two departments were joined together at merger. She then left a month or two later and John Adshead, the line manager who approved this, took over. So, there were a lot of changes. However, one thing that I would like to make clear that the land division operated in a different way from the rest of the WDA. It was the remnants of the old Land Authority for Wales. We were working under a ring-fenced budget and were expected to trade to get our money to deliver our policy objectives. We did not have grants from the Assembly. So, acquiring a property in a rising market to trade on was quite a common transaction.

[37] **Darren Millar:** So, there were lots of speculative transactions.

[38] **Ms Brewer:** Yes, absolutely.

[39] **Aled Roberts:** The head of finance and the regional director were the same people throughout the period, were they?

[40] **Ms Brewer:** Which period are you referring to?

[41] **Aled Roberts:** From when you first became involved to when the transaction was approved.

[42] **Ms Brewer:** The first approval in 2005 was done by the management board of the land division of the WDA in Cardiff. So, it was a central decision and would have been a completely different process. From March or from the merger, which was April 2006, those people, whose names I just quoted to you, were in place and involved throughout.



[43] **Darren Millar:** Okay. Thank you for that. Mike is next.

[44] **Mike Hedges:** In her evidence to the committee, the Welsh Government's Permanent Secretary stated that

[45] 'people got into group-think mode. They decided that they wanted to do something really important for renewal in Llangollen, and they had a vision of what it was going to be, and that vision drove across putting the appropriate due diligence checks in place.'

[46] Do you recognise that?

[47] **Ms Brewer:** No, I do not, actually. As I say, all of the proper due diligence for this type of purchase was put in place. I was not involved in any of the decisions post purchase for the Assembly Government. I was told that I was not allowed to do that and I never did. So, I did not necessarily know a lot of what was going on, nor was I involved in any of the decision making. However, I do not believe that there was a 'group-think mode' because I know that ministerial briefings had been sent to Cardiff centrally. I have also seen evidence from documents that I have managed to get hold of for my disciplinary hearing that this matter of the supposed or perceived conflict of interest was very widely discussed both in Cardiff and regionally, although I was not aware of it at the time.

[48] **Mike Hedges:** I do not know whether you heard Mr Wong's evidence earlier, but he thought it was a joint venture. I put the words 'joint venture' to him and he said that, 'yes', although he did not have any documentation. So, if what he was saying was the truth, it was a joint venture between the WDA and Mr Wong. Is that true?

[49] **Ms Brewer:** It was not a formal joint venture. As you know, a formal joint venture is documented formally by a legal document. This was more of a partnership approach and was, I think, as a result of the desire of the WDA, or then the Welsh Assembly Government, to deliver a community project at a time when the social enterprise strategy had come out and also when the Quirk review had been delivered.

[50] **Mike Hedges:** I do not know whether you heard it, but when I used the words 'joint venture' to describe what had been going on, Mr Wong felt happy with those. The next question I was going to ask you was where the documentation was for the joint venture. To clarify, you are now saying that there was no formal joint venture; you were in a partnership. Was there a formal partnership agreement?

[51] **Ms Brewer:** There was no formal agreement; that was the way that everybody was working. Everybody was working in a partnership manner. That was my understanding.

[52] **Mike Hedges:** Having dealt with the WDA over seven years, which I found incredibly difficult a lot of the time, one of the things I found the most difficult in dealing with the WDA was that everything was documented. If you had a joint venture, it all had to be signed, sealed and delivered, and, if it was a partnership, there had to be a partnership agreement. Every single part of those agreements was written down and signed. I am sure that other people who have dealt with the WDA also found it frustrating, but, certainly in south Wales, it tended to get everything down on bits of paper. So, what you are saying is that, in this case, there were verbal agreements and nothing formally put down.

[53] **Ms Brewer:** That was the way that people were working together. With respect, we were dealing with social enterprise, which did not have the experience or the ability to acquire the right legal advice or other advice. So, you have to have a few concessions in how you deal with it. I certainly got the impression that the WDA or the Welsh Assembly Government was dealing with Powys Fadog in partnership mode, trying to develop a project with it and helping it to do that.

[54] **Darren Millar:** It would be fair to say, would it not, that, in giving you permission to sit on the board, that was evidence of the partnership between the WDA and Powys Fadog?

[55] **Ms Brewer:** Yes.

[56] **Darren Millar:** One of the things that the Welsh Government said in evidence to the committee on this particular transaction was that it now had a property leadership team in place and that that would ensure that all transactions were properly peer-reviewed. It also said that, had that team been in place at the time when this transaction was made, this transaction would have been unlikely to have gone ahead under the new arrangements. Do you accept that? Do you think that it would have gone ahead under the new arrangements as they currently stand? You have mentioned that there was a peer review of the arrangements when you were involved.

[57] **Ms Brewer:** Absolutely no. What I can say to say is that, in 2005, the project was peer-reviewed in 2005 by the land division management team, which included the chief executive at that time, Nick Neal, who, I think, was a public lawyer, in fact, and so would have been well aware of issues. It was looked at by the senior management team, which would have included the finance director and the regional director of south Wales. So, it was thoroughly peer-reviewed and was put into the business plan, and it was approved under that. So, I can only assume that, had it been peer-reviewed again in 2006-07, when it came forward again, the conclusion would have been the same. I have no reason to think that it would not have been.

**What I should have said was yes, I believe it would have gone ahead under the new arrangements as they currently stand.**

[58] **Aled Roberts:** The Wales Audit Office report suggests that it was your understanding that the funds—we should remember that the WDA came into the Welsh Assembly Government in April 2006—needed to be spent on River Lodge by March 2007. Why did you understand that to be the case and was any pressure put on you as a unit in north Wales to hurry things along?

[59] **Ms Brewer:** At the time the merger happened, it was difficult for everybody. Nobody really knew what they were expected to do. We had not been told whether the rules and regulations had changed; we were just going forward in the way that we had always done. As you know, budgets are there and must be spent by the end of the financial year; otherwise, that has an impact on the budgets that you have in the next financial year.

[60] I was asked to look for potential projects because there was a lot of slippage in other parts of the former WDA. We were all asked to look for sites that might be suitable to come forward in that financial year on which we could spend our budget. River Lodge was one of several sites that were suggested; even more so, I think, because, from what I can remember, it was still in the business plan for that year. So, it would be an obvious thing to spend the money on. You always try to spend your budget on what is actually in the business plan. I believe, also, that my line manager had been approached

by the owner of River Lodge and asked whether the Assembly Government would be willing to buy it. So, that was another factor in that.

[61] **Aled Roberts:** When you say that you were being asked to bring projects along, who was doing the asking?

[62] **Ms Brewer:** My line manager. The head of finance also mentioned bringing projects forward. Obviously, the end of the financial year was March 2007, which is why, once you get to Christmas—property projects take a long time to complete; you cannot just go out and hand your money over the counter. There is a lot of legal work, and a lot of due diligence has to go into it.

[63] **Aled Roberts:** So, two of the three officials who were involved in the approval process.

[64] **Ms Brewer:** Yes.

[65] **Mohammad Asghar:** In her evidence, the Welsh Government's Permanent Secretary suggested that there was a cultural difference between existing Welsh Government staff and those entering from the WDA. Her words were:

[66] 'There was a different attitude to conflicts of interest within the WDA. They did not stick to the policy and procedure.'

[67] Do you believe that there were cultural differences between existing Welsh Government staff and those entering from the WDA?

[68] **Ms Brewer:** I do think that there were considerable differences, and probably in the land division more than anywhere, because we were expected to be entrepreneurial, as I think the Permanent Secretary mentioned, and to take risks. If you have a trading account, and you have to trade land and buildings to actually make money to fulfil your policy objectives, you have to take a certain amount of risk and you have to be entrepreneurial to a certain extent. However, with regard to the conflict of interest, I would say 'yes'; the WDA did have a different attitude towards that. It certainly had a different attitude towards people volunteering and to the extent of what you were allowed to do as a volunteer. I have volunteered for over 20 years. It was not something new for me to offer to help Powys Fadog. Under the WDA, I was one of the founder members of a community shop within my own community, which is one of the reasons, I think, that Powys Fadog felt that I could be of help to it. There were never any issues there that I should have applied for written permission to become a director of that organisation, which was a not-for-profit community organisation. The rules were not specific; certainly not in the Assembly Government. It is not recorded, but I had a discussion with the WDA human resources department and my line manager before I took the directorship, and I was told that the policy and procedure in relation to directorships did not seem to relate to voluntary directorships; it just seemed to relate to something for which, perhaps, you were getting a pecuniary advantage, or you were doing for yourself rather than as a volunteer. The WDA and the Assembly Government very strongly encouraged its officials to use their skills and expertise to help community organisations.

[69] **Mohammad Asghar:** Were you given any advice or guidance on transitioning into the culture and policies of the Welsh Government?

[70] **Ms Brewer:** Absolutely none whatsoever. The only thing that we were told was that it was going to be a merger, and that the reason for this merger was because the

Welsh Assembly Government wanted to become a little bit more like the WDA. As it turned out, it was completely the opposite. To be honest, anything that was good about the WDA seems to have been taken away, such as people's ability to do the things that they used to do.

2.30 p.m.

[71] The WDA was subsumed; there is no question about that. We became part of the Welsh Assembly Government, but we were not told what we were supposed to do. The Permanent Secretary is absolutely right, it took a good number of years and quite possibly there were still issues when I left. We still had not had proper property guidance, for instance, before I left. It would have been nice to have had that, because nobody likes to work in a vacuum. You have to work with the tools that you are given at the time, which is what we all try to do.

[72] **Mohammad Asghar:** Finally, how could this transition have been managed more effectively?

[73] **Ms Brewer:** That is a very good question. It would have helped if more thought had been given to how the transition was going to take place. I do not know, maybe it was better in Cardiff, but in north Wales we are a little bit out on a limb and, perhaps, the guidance did not get to us as quickly as it should have done, if there ever was any guidance. There should have been a lot of preparation and a lot more thought should have been given to the people on the ground trying to work. The IT systems did not work for a long time, so we had to use the old WDA tools—we had no choice. All those things should have been put in place so that the whole thing was working nicely and so that everybody knew what they were doing before the button was pressed.

[74] **Darren Millar:** Let me get this straight: no new rulebook, as it were, was handed to you on day one of the WDA being absorbed into the Welsh Government. Your attention was not drawn to different ways of working in the Welsh Government compared with the WDA.

[75] **Ms Brewer:** No, only very broadly.

[76] **Darren Millar:** Effectively, to reassure members of staff, the message was 'Everything continues as is'.

[77] **Ms Brewer:** Basically, yes. Things did not change, particularly in the property part of it. We never received changed guidelines.

[78] **Darren Millar:** Further to your response regarding your involvement on the board, you said that it was custom and practice for people to be appointed to community interest organisations from time to time in the then WDA and that that was actively encouraged. Yet, you had to check with your line manager and HR as to whether there was a problem with that. Why would you check if it was widely accepted that this was common practice?

[79] **Ms Brewer:** There were still policies and procedures in place about volunteering and directorships and it is good practice to check. As a civil servant and a WDA official, I would not want to break the rules. It was never my intention to do that. I never thought that I had done so. It was prudent to check, and my line manager asked me to do it as well, just to make sure that I was not put in a compromising position.

[80] **Darren Millar:** Were those rules changed frequently or from time to time? Was

that a prompt for you to check or was it more because your line manager said ‘Just confirm this with HR first’?

[81] **Ms Brewer:** It was more to confirm first. I was aware that there was a register of interests, and I had registered my voluntary activities on it. It was just to double check that things had not changed under the Welsh Assembly Government. I declared an interest on a number of occasions, as and when I was asked to do so and when it was appropriate. On each occasion, I must reiterate, I declared an interest, not a conflict of interest. As far as I was concerned, if there was a conflict, my line manager and those above me should have said ‘There’s a conflict here; you should step back’. I was never told that.

[82] **Jenny Rathbone:** So, what role did you have in the negotiations that took place in the run-up to a lease being granted?

[83] **Ms Brewer:** I had no role whatsoever. I was told to step back from the Welsh Assembly Government side of things, which I did. The negotiations were carried out by Pol Wong and the solicitor who was helping him. My role during that time was as a project manager. There were occasions when I had to ask or push people for information or to clarify things, so I got involved on behalf of Powys Fadog on occasions when I needed to do so as the project manager, but I did not negotiate.

[84] **Jenny Rathbone:** Who was on the Welsh Assembly Government side, if you were helping out with Powys Fadog?

[85] **Ms Brewer:** My line manager and his line manager, the regional director, had given—well, not given permission—they instructed me as the person they felt to be the most suitable to conduct the purchase. I had been instructed to buy the property. I was then instructed to step back as soon as the property purchase had been completed, and another officer took over the negotiations under the supervision of the same line manager.

[86] **Jenny Rathbone:** So, John Adshead and Ian Williams were the ones who told you to step back from the negotiations on the lease.

[87] **Ms Brewer:** At the time, it was John Adshead and Vanessa Griffiths, who was the regional director. The negotiation for the lease was taken over by Martin Williams under John Adshead’s supervision. I did not negotiate on behalf of the Welsh Assembly Government.

[88] **Jenny Rathbone:** So, as far as your management was concerned, there was no conflict of interest between your position on Powys Fadog and the project management, on behalf of the Welsh Government, of the Powys Fadog proposal?

[89] **Ms Brewer:** No, absolutely not. They did not indicate that there was a conflict of interest and they were perfectly aware of what I was doing. I discussed it with line managers; they were well aware of what I was doing at all times and I had the permission to do it.

[90] **Jenny Rathbone:** That view seems to have changed with the passing of history. One specific issue that was picked up in the compliance review was that you were using your Welsh Government e-mail address to pitch for money for resources on behalf of Powys Fadog. Did you not think that there was potentially a conflict of interest there? Clearly, you were badging yourself as coming from the Welsh Government, because of your e-mail address.

[91] **Ms Brewer:** It is something that I discussed at a very early stage with my line manager. My desire in all of this was to be completely open and transparent. I felt that by using my Welsh Government e-mail address it would be very easy for people to check that I was sticking to the rules and being open and transparent. He approved of that. It was something that—

[92] **Jenny Rathbone:** By ‘he’, do you mean Mr Adshead?

[93] **Ms Brewer:** Yes. It was quite common in the WDA to use your WDA e-mail address for voluntary activities. In actual fact, the rules did not say anything; all they said is that you should not use your Government e-mail address for personal use. We did not consider volunteering to be personal; it was separate from that. So, that was the reason for that. My line manager, John Adshead, and Ian Williams were aware that this is what I was doing. In actual fact, I think that Karen Sinclair brought it to the Minister’s attention in July 2009 that I had used an e-mail address for grant applications, and I would have thought that, bearing in mind that that letter was also subject to a ministerial briefing that went to the Permanent Secretary and everyone below her, if they had thought that there was a problem, they would have told me to stop immediately, because that was when the majority of grant applications were going in.

[94] **Jenny Rathbone:** So, as far as you were concerned, the fact that you were sending an e-mail from one Government department to another, putting forward the reasons why Powys Fadog ought to be considered for a grant, was completely normal in the eyes of your line managers?

[95] **Ms Brewer:** They accepted it. I made sure, before I sent any grant application out to an internal organisation, or even an external organisation, that they were fully aware that I was doing it in a voluntary capacity and not on behalf of the Welsh Assembly Government. I always put a disclaimer that said that on the bottom of the e-mail. Internally, in other departments, people were well aware that I was acting as a volunteer, and not for the Assembly Government. That was accepted by my line managers.

[96] **Jenny Rathbone:** How did you end up becoming company secretary for Powys Fadog? I understand that it was considered normal practice for members of the WDA to join a voluntary organisation to help its capacity building, but ending up as company secretary is putting yourself in the central role.

[97] **Ms Brewer:** That happened right from the outset. I was the only person on the board at the time who understood company law and probably who had the expertise to take over that role. Once you take on that role, because there is quite a lot of minute-taking and various other things involved, it is actually quite difficult to get someone else to take over from you. That was the reason, and nothing else. They simply wanted to use my voluntary expertise.

[98] **Jenny Rathbone:** On the confusion that appears to have been generated by the merger and the different cultures and ways of working, was that not something that you were able to raise in the regular performance appraisals that you no doubt have with your line managers?

[99] **Ms Brewer:** It was something that we raised frequently through line managers and beyond. It was a regular item on the agenda for the central leadership meetings. I know that my line manager raised it on numerous occasions because he had so many complaints from staff, because they did not know what they were supposed to do.



However, from what I can understand, it was never addressed.

[100] **Jenny Rathbone:** So, as far as you were concerned, the information that you were getting back was that you were conducting yourself entirely appropriately?

[101] **Ms Brewer:** Yes.

[102] **Mike Hedges:** With regard to e-mail, wherever I have worked, we have always taken the phrase 'private e-mail' to mean anything not relating to work, be it voluntary or anything else. When I was a councillor, I would never use my council e-mail address for college business because I was not allowed to. I was only allowed to use my personal e-mail address for that. I find it strange that you have a definition for something that is neither private nor work, but has some sort of intermediary status. I have never heard of that before.

[103] **Mr Brewer:** At the time, the rules on the use of e-mail actually allowed officials to send a certain amount of personal e-mails, so there was not an absolute ban, and you were not told that you could not use Welsh Assembly Government e-mail for personal use. There was some leeway to use your Assembly Government e-mail address. Although I cannot quote it exactly, I am sure that it said somewhere that you were allowed to send a handful of personal e-mails a week, and that was not considered to be excessive use. In actual fact, that is what I did. It was no more than a handful of e-mails a week.

[104] Another reason for using them was because I was frequently asked by colleagues dealing with the Powys Fadog project for information during working times. That was another reason for using e-mails, because I was asked and would have to store information relating to Powys Fadog on the Welsh Assembly Government drive to be able to provide that information. I was frequently asked for plans and that sort of thing, and they used the Assembly Government e-mail address to e-mail me to ask for information about Powys Fadog that I was providing to them as a volunteer, rather than as anything else.

[105] **Mike Hedges:** Was there not a bit of confusion between your two roles? You have just said that you were dealing with this in part as a Welsh Assembly Government employee, or a former WDA employee, but you were asked questions as someone who was involved with Powys Fadog, which was a private development, albeit a partnership. Was there not a need to split the two roles?

2.45 p.m.

[106] **Mr Brewer:** I think that I did that. I am satisfied that I managed to split the two roles satisfactorily. You have to remember that this was a partnership approach, and that was always the way in which it was done. If I was asked to give information, I would give that information. No-one was getting any benefit out of this. It was not a private business and I never received remuneration. I was doing it as a volunteer, as were all the other members of Powys Fadog board. It was a not-for-profit organisation, and we all felt that we were fulfilling Welsh Assembly Government policy at the time, which was promoting social enterprise in the third sector very heavily. In fact, with volunteering, I seem to remember the Permanent Secretary being on the internet all the time encouraging people to volunteer and to use their services. There were very much mixed messages. I certainly felt that I was doing what the Assembly Government was encouraging me to do, in helping my community. I did not feel that I was doing anything wrong.

[107] **Darren Millar:** The clock has almost beaten us now, but a couple of people want to come in.

[108] **Aled Roberts:** You made a distinction previously between registering your interest with regard to Powys Fadog and a conflict of interest. Did you, at any stage, declare a conflict of interest?

[109] **Ms Brewer:** Absolutely not. I never thought that I had a conflict of interest. I declared an interest.

[110] **Aled Roberts:** Okay. It is quite clear that, from early 2007, the local Assembly Member was raising issues with the then-Minister, Andrew Davies, and it is quite clear that Andrew Davies's advisers were having discussions with officials in 2007. Then, moving on a bit, we have in our papers confirmation that ministerial briefings were being prepared from 2008 onwards. Clearly, the Permanent Secretary would have had sight of those ministerial briefings, from what we are told. In 2007 or 2008, were you called in by any of your line managers for the potential for a conflict of interest to be put to you, and was your view of whether there was a conflict challenged at any time?

[111] **Ms Brewer:** There was one period—and I cannot remember exactly when, but it did come up in my employment tribunal evidence—during which my line manager said that he had given me an informal warning just not to become too involved in negotiations with Powys Fadog. I had sent a letter asking for information to clarify certain things, and he just said informally—and it was never even noted—‘Just make sure that nothing comes from you, and that it all comes from a solicitor’. That was the only time. He never said at that time that I had a conflict of interest, or that I should back off and not be involved in volunteering. That was the only discussion that we really had on that matter.

[112] **Aled Roberts:** When you say that it was informal, was it recorded anywhere?

[113] **Ms Brewer:** It was not recorded, no. He subsequently produced a file note, but had there been a file note at the time, he should have provided me with it and he did not. You mentioned, Jenny, the end-of-year appraisal, and it was never mentioned in any of my appraisals. In fact, I think that I probably got a commendation for acquiring River Lodge and other properties in that year. If my superiors felt that I was doing something wrong, I would have thought that it would have come out then, formally.

[114] **Aled Roberts:** You have presumably seen the evidence that the Permanent Secretary gave to the committee a short while ago. Do you have any comments on the fact that she says that she spotted a problem as soon as it came across her desk?

[115] **Ms Brewer:** She did not spot a problem as soon as it came across her desk, definitely not. I know that she was not Permanent Secretary when the property was purchased, but I had seen her name on ministerial briefings in 2008, and Karen Sinclair was regularly bringing up the conflict of interest issue. I know that, in one letter in July 2009, she brought up the fact that I was using my work e-mail to bid for funding. Surely that passed across the Permanent Secretary's desk, and on several occasions after that. So, she did not suddenly jump on it and say, ‘It has come across my desk; do something about it’. It was not until January 2010, a much later period, when something happened to change her mind.

[116] **Lindsay Whittle:** Are you the scapegoat here?

[117] **Ms Brewer:** Absolutely. Definitely. I feel that I have been bullied. I have done



my best to help my community for very many years, and I feel that I am definitely the scapegoat for the inadequacies and the malpractice of senior officials.

[118] **Lindsay Whittle:** Sorry to jump in, Chair.

[119] **Darren Millar:** That is okay.

[120] **Aled Roberts:** What is your view of the fact that you appear to have received a much harsher outcome in this saga than your line manager or other senior Welsh Government officials?

[121] **Ms Brewer:** My opinion is that they had to do that to stop the project. The only way in which they could stop Powys Fadog getting the funding to go ahead and fulfil its obligations in the agreement for lease was to suspend me. That was the only way in which to stop people asking questions. Even Ministers back away from getting involved if they are told that there is an internal investigation going on. I think that that is why the disciplinary process was so protracted. In the Welsh Government's own rules, it says that a disciplinary procedure should take, from start to finish, 10 days. Mine took nearly nine months.

[122] **Darren Millar:** Okay, I do not want to go into the disciplinary process. It is important that we steer away from that.

[123] **Mohammad Asghar:** My own sympathies are with you. You suggested that there were anomalies in the development of the Welsh Government's compliance review. Could you please highlight one or two of those?

[124] **Ms Brewer:** It mentions in a number of places that the sole reason for acquiring the River Lodge site was to give it to Powys Fadog. That was not actually the case. There were a number of reasons, and we have already discussed one of them, which was the requirement to spend budget in that financial year. Another reason was that the local authority had, for many years, drawn the WDA's attention to the fact that the property was an eyesore. It was one of those properties that was stuck, as the owner did not seem to be selling it. It was a typical land division acquisition. That is what land division did: took properties that were not moving, brought them forward into the system and sold them on. It was an eyesore and needed regeneration, so there was the regeneration requirement, as well. It was situated in the gateway to Llangollen. Obviously, there was also the community objective of Powys Fadog. So, far more than one objective was being fulfilled.

**I made a mistake here. The answer I gave to this question related to the Wales Audit office report, not the Compliance Review Report. In actual fact the Compliance Review Report confirmed there was more than one reason for acquiring the property – regeneration and community use. I provided documentary evidence of the anomalies in the Compliance Review Report prior to the hearing.**

[125] **Gwyn R. Price:** Obviously, before we finish today, you want to make us aware of your position. You stated in your written evidence that you did not write any ministerial briefings in relation to River Lodge or Powys Fadog. Were you involved in any way in the preparation of briefings for Ministers on the River Lodge Hotel project?

[126] **Ms Brewer:** Absolutely not. I did not even know that they were happening. I would not have been told. I was not involved in any of the briefings at all.

[127] **Gwyn R. Price:** Were you involved in the preparation of any briefings related to

the agreement of the lease with Powys Fadog?

[128] **Mr Brewer:** Absolutely not.

[129] **Gwyn R. Price:** That is very helpful, thank you.

[130] **Aled Roberts:** Again, I refer to the Permanent Secretary's evidence. She said that the briefing was written by the individual who project managed the purchase. Who do you understand that to be?

[131] **Ms Brewer:** I project managed the purchase. It is quite clear in the documentation that I project managed it, but I certainly did not write the brief. The brief was written by my line manager, John Adshead.

[132] **Mike Hedges:** I am not familiar with civil service briefings as such, but I am familiar with briefings in other organisations. Normally, they say 'written by' and 'approved by' on the bottom. Does the civil service follow the same procedure, so that it can be traced back? If that is the case, who wrote it and who approved it would be a matter of fact.

[133] **Ms Brewer:** Absolutely. You will see in your bundle of evidence that the name of the person who wrote that brief is on it. That name is John Adshead.

[134] **Darren Millar:** Thank you very much. I am afraid that the clock has beaten us. I thank you, Amanda Brewer, for your attendance today. We appreciate the written information and the oral evidence that you have brought to the table. As I said to Mr Wong earlier, you will be provided with a transcript of today's meeting. If there are any changes that need to be made from a factual accuracy point of view, please let us know, and we will make sure that they are made. Thank you. Diolch yn fawr iawn.

[Redacted]

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**From:** [Redacted]  
**Sent:** 26 August 2010 10:11  
**To:** Sinclair, Karen (Assembly Member)  
**Subject:** Update

Hi Karen

Just a quick update (I will give you a call later today), I have just received confirmation from the Head of Corporate Governance in WAG that he has received the report from the internal investigation. I have arranged to meet him tomorrow afternoon so that he can pass the report over to me and have initial discussions on the findings.

I will call later when I am back in the office, but thought you would want to know.

Regards

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[REDACTED]  
[REDACTED]  
[REDACTED]  
Sent: Fri, 21 Dec 2012 13:23  
Subject: River Lodge Report

Dear Auditor General,

I wish to ask a number of questions in relation to the Welsh Audit Office Report "Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen":

1. Your report states that the available evidence points to the price of £1.6 million, paid by the Welsh Government for the River Lodge, as being too much. I believe your own press release on 14 June 2012 stated that "*the available evidence suggests that the Welsh Government paid more than the property was worth.*" So my question to you is this.....what was the River Lodge worth? In the view of the WAO, what was the correct price that the Welsh Government should have paid in March 2007 for the River Lodge site and what evidence do you have to support this figure? Logic dictates that in order to state specifically what something wasn't worth, you would have to know exactly what it was worth.

2. "*The Welsh Government bought the former hotel in March 2007 for the sole purpose of facilitating the Powys Fadog community development initiative*", is a direct quote from your press release and mirrors what is headlined in the body of your report. Is this headline statement accurate? In his independent Compliance Review of the River Lodge Project (The River Lodge, Llangollen Project Review Report), Chris Munday (Head of Property Funding, Department of Economy and Transport) states ..... "This PerMis record shows that the Project Manager (Amanda Brewer) recommended the project because; This project will assist a sustainable social enterprise for the benefit of the local community. It will also lead to the significant improvement in appearance of a gateway site on one of the main tourist routes into Llangollen, a site which has constantly failed to be brought forward for redevelopment /improvement by the private sector. The site has an underlying value for housing development".....This clearly proves that Munday discovered at least 2 major reasons for buying River Lodge, and there was another and most important reason which was that Amanda Brewer was asked to buy as many sites as possible in late 2006 to address an end of year under spend (and what appears to have been forgotten or ignored by everyone, deliberately or not, is that if it wasn't for this under spend there would have been no money to buy River Lodge in the first place!) If there was no under spend as has been suggested by some sources, where on earth did the money come from to buy the River Lodge site? What evidence does the Welsh Audit Office have to justify the claim that the purchase of River Lodge was for the **SOLE** purpose of facilitating the Powys Fadog project?

3. What was the nature of your potential conflict of interest which prevented you from heading this investigation into the River Lodge acquisition?

4. On how many occasions has a WAO report been found to be inaccurate and if errors were discovered, have the WAO ever issued a public retraction (press and TV) together with relevant apologies to any individuals or organisations affected by those inaccuracies?

5. Gareth Hall in his evidence to the Public Accounts Committee on 8 October 2012 (with regard to the River Lodge enquiry) stated clearly that the Chris Munday Review (Compliance Review) into the River Lodge Hotel, Llangollen WAS NEVER FINISHED. This statement, if true, has huge ramifications as the “unfinished” Munday Report influenced the actions of the Permanent Secretary Gillian Morgan, the Internal Audit Review (Arwel Thomas), the [REDACTED] fact finding reports into [REDACTED] and Amanda Brewer, the Disciplinary Tribunals of [REDACTED] and Amanda Brewer, the River Lodge Options Appraisal, the [REDACTED] fact finding reports into [REDACTED] and Amanda Brewer and finally **The Welsh Audit Office Review of the River Lodge acquisition**. Any report which is influenced by or quotes from an earlier **unfinished** report must logically have its own content and conclusions deemed unsafe! If the Munday Report was unfinished it cannot be relied upon and the WAO report must therefore be fatally flawed and equally unsound in content and conclusion. [REDACTED] was present at the PAC meeting on the 8 Oct 2012 and heard Hall’s evidence (as did two other senior civil servants from Legal and Compliance!). What has he done about this obvious and serious anomaly? What have Legal and Compliance done about such an extraordinary admission!! *Why weren’t alarm bells ringing all over Cardiff Bay???* If Gareth Hall was correct then it has dire implications for a wide range of reports, conclusions to those reports, and actions taken as a result of those unsafe reports. If Hall was lying, why hasn’t he been disciplined? It is surely a breach of the Civil Service Code to deliberately mislead the PAC? Is it possible that Hall’s admission is related to the large body of evidence (which was presented to your officers whilst they were evidence gathering for your own report!) pointing to the Munday Report being illegally altered during [REDACTED] fact finding exercise in order to secure a disciplinary hearing for both Amanda Brewer and [REDACTED], and the subsequent dismissal of Amanda? (as requested by Karen Sinclair, former AM, and with Gillian Morgan’s assistance.)

6. The Permanent Secretary Gillian Morgan asked the WAO to produce this report on River Lodge. Amanda Brewer and Pol Wong gave 8 hours of evidence to your officers, but this appears to have been totally ignored. The report also seems to be nothing more than evidence provided by the Welsh Government to the WAO, which was then regurgitated back at them verbatim. So what in this case was the point of a report which told the Welsh Government exactly what evidence it already knew or had manufactured? This appears to be nothing more than a very expensive exercise in spin to deflect evidence of maladministration from senior civil servants in Cardiff. How much did the WAO Report into the River Lodge acquisition actually cost to produce?

7. I believe the *whole* of the draft report was made available to the Welsh Government for a period of weeks to allow them the option of commenting on inaccuracies but Amanda Brewer and Pol Wong were only afforded *small sections* of this draft to peruse for a few days. Regardless of policy or protocol, can the Welsh Audit Office claim to be truly impartial if they heavily discriminate between parties who have supplied evidence? Surely by allowing only the Welsh Government total access to the whole draft report for comment whilst other parties view was restricted, the WAO was openly biased toward the Welsh Government and gives the perception that the WAO was blatantly prejudiced.

I would appreciate a frank and transparent answer to each of the questions posed.

Yours Sincerely  
Arthur Brewer

[REDACTED]

14<sup>th</sup> January 2013

Darren Millar AM,  
National Assembly for Wales,  
Cardiff  
CF99 1NA

Dear Darren

**Re: River Lodge, Llangollen**

I write to you in your capacity as Chair of the Public Accounts Committee (PAC) and my Assembly Member as it is my hope that if you are unable to pursue these matters on my behalf in one role, you will be able to do so in the other.

I have in my possession copies of the documentary evidence provided to the PAC by Karen Sinclair AM and I would like to draw your attention to the two documents attached hereto in particular, as I doubt that either you or the other PAC members realise their significance.

The first is an email from [REDACTED] of the Wales Audit Office to [REDACTED] dated 26<sup>th</sup> August 2010. The email is short and I quote in full below:

*“ Hi Karen. Just a quick update, (I will give you a call later today) I have just received confirmation from the Head of Corporate Governance in WAG that he has received the report from the **internal investigation**. I have arranged to meet him tomorrow afternoon so that he can pass the report over to me and have initial discussions on the findings. I will call later when I am back in the office, but thought you would want to know. Regards, [REDACTED]*

The second is a letter from Ms Sinclair to Dame Gillian Morgan dated 28<sup>th</sup> October 2010, in paragraph four of which Ms Sinclair writes:

*“As a local representative I believe I am duty bound to pursue the legitimate concerns I have about this issue and to highlight the concerns that I now know are shared by your department following the **internal investigation** that has been conducted.”*

These two items of correspondence raise concerns of the utmost seriousness concerning the impartiality and independence of the Wales Audit Office and [REDACTED]

[REDACTED]

[REDACTED]

The email and letter both refer to “the internal investigation”. To my knowledge, there was only one internal investigation relating to River Lodge taking place at that time, namely [REDACTED] Fact Finding investigation into John Adshead and me.

The Welsh Government’s Disciplinary procedure (which closely follows the ACAS Code) very clearly states that all stages in the disciplinary process should be treated with the utmost confidentiality, particularly the initial investigation of disciplinary matters because until that investigation is concluded, no decision can be made on whether there is even a disciplinary case to answer. [REDACTED]

[REDACTED]

I have always suspected that the supposedly independent [REDACTED] Report was changed in the same way as the Munday report in order to secure my dismissal and I am now even more certain than ever that this happened and that both the Wales Audit Office and Karen Sinclair had some influence over the final Pirie report and the decision to have me dismissed. I therefore intend to submit a Freedom of Information request asking for all email correspondence between the WAO and [REDACTED] / Karen Sinclair and [REDACTED] and I respectfully suggest that as the Chair of the PAC, you request the same information. My request is almost certainly going to be refused, but I would hope that you could obtain any information held as ultimately the WAO is accountable to you as Chair of the PAC. It would appear that that the WAO has shown a total lack of probity and propriety in the way it has handled the original complaint by Karen Sinclair and the manner in which it has conducted its investigation into River Lodge and if you dig deep enough, I believe you will find further evidence to prove this.

The lack of respect for the Staff Code of Conduct, the Civil Service Code and the duty of care owed to an employee shown by Welsh Government, Wales Audit Office officials [REDACTED] is staggering and I would like you to investigate this matter further with a view to ensuring that appropriate action is taken, either as Chair of the PAC or as my Assembly Member. Rest assured this is not a matter I intend to let drop until I have the full facts and justice has been done.

Yours sincerely

Amanda Brewer

**Proses Gaffael Llywodraeth Cymru a'r Camau a Gymerwyd ganddi i Waredu Hen Westy River Lodge, Llangollen—Tystiolaeth gan Gyn-swyddog Cyfrifo  
The Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen—Evidence from Former Accounting Officer**

[1] **Darren Millar:** I welcome Mr Gareth Hall, the former Welsh Government's director general for economy and transport. We appreciate your attendance in our meeting to help us with our inquiry. In opening this part of this meeting, do you want to say a few introductory remarks to put on record who you are and a little bit more about yourself?

[2] **Mr Hall:** Prior to being the director general for the Department for Enterprise Innovation and Networks, subsequently the Department for the Economy and Transport, I was the chief executive of the Welsh Development Agency. I was appointed at the time of the announcement of the merger, so I was involved in the merger process and the subsequent integration in the Welsh Government. Prior to that, I had worked in a number of capacities, including as regional director, since I joined the WDA in 1991.

[3] **Darren Millar:** Thank you for that, because it is important to get the context right. Given that you were involved at the time that the WDA transferred into the Welsh Government, you would have been aware that there were differences, perhaps, in the approach that the Welsh Government would take when compared with the more commercial approach that the WDA may have taken in the past. Is that something that you were aware of early on in the beginning and did it require you to communicate anything to members of the team?

[4] **Mr Hall:** Yes, when the First Minister announced the merger, he was at pains to say a number of things. He said that it was a merger not a takeover, and that he wanted to harness the commercial approach with the policy making. He and Andrew Davies at the time were on public record as saying that they wanted the best of both worlds. They wanted a commercial approach, which, of course, has to be taken within the proper guidelines, rules and processes, but they also wanted to pick up the best practice from both organisations. That was not the exclusive domain of the Welsh Government or the WDA. Another point that was made at the time was that they wanted the responsiveness so that delegations that were in place with the Welsh Development Agency were taken on board wholesale from 1 April 2006. Another point was that there were concerns that the new organisation should not become Cardiff centric, so Ministers wanted to have strong regional offices in north, mid, south and west Wales.

[5] **On the transition arrangements, in the 18 months from the announcement of the merger to the merger date itself, the new organisation did not operate in shadow form. There was considerable communication about what was expected, the accountability to Ministers and what this meant. I went on a series of continuous roadshows with my senior management team over that 18-month period and following the merger process to explain what the new organisation would be about and how things would operate to engender, as has been described, that shift in culture. I think that everyone accepts that when a number of organisations come together, this does not happen overnight, which is what the Permanent Secretary was getting at in her evidence.**

**Amanda Brewer Comment:** I think we can all agree with this the last sentence: there were gaping holes in the way the merger was handled. In particular the lack of detailed guidance to officials "at the coal face" Many policies and procedures took over two years to be updated.

[6] **Darren Millar:** What difference would your communication have made to people such as Amanda Brewer who sat behind her desk, getting on with her job on a



day-to-day basis? What difference should Amanda have noticed?

[7] Mr Hall: It is an important point. In her evidence, Amanda said that all of the senior managers of the land division left before the merger date. In fact, the land division activities were stopped as a consequence of the merger. A number of its activities were then subsumed into the infrastructure department, of which she was part, as she explained. The reason for this is that the land division—and Amanda used her own words there—was very entrepreneurial. It had to be self-financing. In fact, it did its own sub-set of accounts in the WDA accounts.

[8] It carried out a number of activities, some of which, like compulsory purchase, had expertise that was carried into the new organisation. It also undertook land availability studies, but part of the process of making money was buying land speculatively and contesting planning policies and Government policy. One of the important things in the merger is that Welsh Government Ministers did not want a part of the new organisation to be carrying out activities that were contrary to their policies. So, that speculation and trading on account of a separate organisation did not follow through the merger.

**Amanda Brewer Comment:** To my knowledge the “ring fenced budget” was in existence for at least 12 months after the merger.

[9] Therefore, part of the communication was the integration of the residual activities of the land division with the more mainstream property development and regeneration, which Amanda described.

[10] Darren Millar: For people like Amanda, their day-to-day jobs would not have changed significantly; it would have just been a shift in approach elsewhere as far as they were concerned. Their day-to-day activities would have been exactly the same as they were in WDA days.

[11] Mr Hall: Yes, it was business as usual. We were very explicit in saying that as part of business as usual—policies, procedures and delegations, which were in place at the WDA—it was a wholesale shift across; there was no change.

**Amanda Brewer Comment:** Gareth Hall is admitting that WDA policies and procedures were still active long after the merger. This contradicts his earlier statement regarding the trading account not following through into the merger.

[12] Darren Millar: Okay. That is the important message I think we need to take in.

[13] Gwyn R. Price: As the director general with responsibility, were you made aware of the concerns being raised by Ministers? If so, how were you made aware and what action did you take?

[14] Mr Hall: Reference has been made to a letter that was received by the First Minister from Karen Sinclair. I did not see a copy of this letter. It went to their private offices and, as was the practice, it was then sent to the office that was dealing with the subject of the letter to draft a briefing back. I was a copy addressee, along with the Permanent Secretary, of the response. The two things I picked up on were the two categorical assurances that were in that briefing. One was that the purchase of the River Lodge site had been endorsed by the district valuer in line with the red-book rules. I subsequently came to understand that that was not the case. The second thing from the line manager was the categorical assurance that there was no conflict of interest on Amanda’s part. On the back of that, as a line manager who was used to empowering his

**staff who are very experienced and professional, I took those statements at face value.**

**Amanda Brewer Comment:** Gareth Hall is referring here to the letter from Karen Sinclair to Rhodri Morgan dated 29<sup>th</sup> July 2009 and the briefing that accompanied the response, but he was aware of these issues as far back a 2007 prior to the completion of the purchase. ( **page 44** of my documentary evidence) [REDACTED]

This letter also contained reference to my use of the Welsh Government email for voluntary work. Gareth Hall, the Minister and the plethora of high ranking civil servants copied into the letter and briefing were aware of this and all seem to have acknowledged that it was acceptable as not one of them instituted an investigation there and then or told me to stop using my email for voluntary activities.

There appears to be a great deal of confusion regarding the term “Red Book” valuation. The “Red Book” is the RICS Valuation – Professional Standards and its purpose is to provide users of valuation services with confidence that a valuation provided by an RICS qualified valuer has been undertaken in compliance with the highest professional standards. It also assures users that the valuation is independent, objective and consistent with internationally recognised standards set by the International Valuation Standards Council

The Red Book sets out procedural rules and guidance for valuers within the RICS Rules of Conduct. It also sets a framework for best practice in the execution and delivery of valuations for different purposes. There is a mandatory obligation placed on the individual valuer or firm registered for regulation by RICS to follow these standards and an effective sanction if there is a material breach.

Gareth Hall as a very experienced Chartered Surveyor should know that if the District Valuer had not used Red Book standards in valuing River Lodge, he would have been negligent. The Wales Audit Office should also be aware of this. The Red Book does not tell the valuer how to value an individual property, the instructions he has been provided with set the parameters.

In the case of River Lodge, the District Valuer was asked for an open market valuation but not a detailed report setting out how the Red Book standards were complied with, as this was not required under the Capital Project Guidelines in force at the time. The valuation obtained did comply with those guidelines, however, and this is confirmed by Chris Munday in his Compliance Review Report.

**[15] Gwyn R. Price: Did you see the briefings to the Ministers that were provided by your staff?**

**[16] Mr Hall: Yes. I would have seen those, as a copy addressee.**

**[17] Darren Millar: So, it was only as a copy addressee. You would not have seen and approved them before they were sent.**

**[18] Mr Hall: No. That was a matter for the regional director.**

**[19] Darren Millar: But you would have been copied in on these after they had been confirmed and shaped up by the regional director, and then they would have been forwarded.**

[20] Mr Hall: Yes. I would have received them when they went back to the relevant Minister.

[21] Darren Millar: There was a briefing scheduled for 15 January 2010 and a decision was made to withdraw that ministerial briefing. On what grounds was that briefing withdrawn?

[22] Mr Hall: That briefing was proposed to spell out to the Deputy First Minister the terms of a new lease agreement. From previous discussion, this was about the heads of terms of a proposal to change the terms of the agreement for lease to accommodate a new deal with the Pennaf Housing Group. At that time, it was brought to my attention that there were outstanding issues, which had been raised by the lawyers. This set alarm bells ringing with me because the concerns expressed by the lawyers were about value for money and other aspects around state aids—a number of issues. As the sub-accounting officer for the department, it was plain to me that there were value-for-money issues if that proposal were to go ahead, so that is when I alerted the Permanent Secretary as the additional accounting officer.

[23] Darren Millar: But concerns about the value-for-money side of things were being raised by the Assembly Member and others a long time before you say your briefing was drawn up, so why suddenly spring into action at this particular point?

[24] Mr Hall: I sprang into action before that, in June 2009. As I said, at the time of the acquisition, when Mrs Sinclair raised those concerns, I took the briefing at face value, because it was very explicit that it had been acquired with an independent, full and proper valuation by the district valuer. To me, that satisfied that the purchase was in order. The second thing was that under no circumstances was there any conflict of interest, so I accepted that. In 2009, there had been other initial legal concerns about the agreement for lease, and they were raised by the lawyer, Michael Clarke, with Sharon Linnard, who was director of operations in the next tier down from me, and who had responsibility for management of the regional directors. She said to me that the legal people had raised concerns over the nature of the acquisition, and, on the back of that, I initiated what was referred to in the Wales Audit Office report as the compliance report, which was undertaken by an independent expert in property—

[25] Darren Millar: That was Mr Munday.

[26] Mr Hall: Yes, Chris Munday. That was initiated by me.

[27] Aled Roberts: We asked the Permanent Secretary questions on this at the time and she was unable to confirm the position. Who actually prepared that 15 January 2010 briefing?

[28] Mr Hall: I would have to check, but I am pretty sure that it was John Adshead.

[REDACTED]

[29] Aled Roberts: Who in the department above John Adshead would have seen that briefing before the decision was taken to pull it?

[REDACTED]

[REDACTED]

[30] Mr Hall: Normal practice was that that briefing would have been discussed with—each office had a Government business officer who was responsible for Government business, and they also had access to the regional director, who should have been involved with it, and there was access to compliance advice as well, if that was needed.

[31] Aled Roberts: Was the Minister informed as to the background of why a decision had been taken to pull the briefing?

[32] Mr Hall: This is now—we are talking about the—

[33] Aled Roberts: This is the briefing on 15 January 2010.

[34] Mr Hall: The Pennaf briefing—I am pretty sure that he was. His office would have been told. In fact, it went to his office, and then it was withdrawn, so his office would have known about it.

[35] Aled Roberts: So, these issues were still a concern for you, and that is why it was pulled from the ministerial meeting, but did the Minister subsequently receive a copy of the full briefing?

**Amanda Brewer Comment:** Gareth Hall was a recipient of the 15<sup>th</sup> January 2010 email containing the Ministerial Briefing. The only person to express concern was [REDACTED] Gareth Hall and the Permanent Secretary did not express any concern whatsoever so must have been satisfied the contents of the briefing.

[36] Mr Hall: I do not think that there was another briefing after that. I am not aware of another briefing.

[37] Aled Roberts: So, there was no communication with the Minister by civil servants as to what the status of the Clwyd Alyn submission was.

[38] Mr Hall: The Minister’s office was told that it had been withdrawn because of this review that was being undertaken.

[39] Aled Roberts: What, that the briefing had been withdrawn?

[40] Mr Hall: Yes.

[41] Aled Roberts: I am asking, though: if the briefing had been withdrawn, was the Minister ever advised as to the status, as far as civil servants were concerned, of that

Clwyd Alyn submission—subsequently?

[42] Mr Hall: Yes, I think that he would have been. I would have to check the documentation. Sorry, it is just that you referred to the Clwyd Alyn submission; ‘submission’ is a technical word in that context, because briefings and submissions go to the Minister. Sorry for misunderstanding.

[43] Darren Millar: Just to get this right in the committee’s mind, when a briefing is drawn up by someone in your department for a Minister, it is signed off by regional directors—

[44] Mr Hall: It should be. It is signed off by the case officer. In this case, it would have been John Adshead. That should have been done in consultation with the regional director. That then gets sent to the Minister’s office. I would be copied in. Other people were copied in. In fact, I think that it was someone else who alerted us to the fact that issues had been raised by legal services.

**Amanda Brewer Comment:** [REDACTED]. I was not at any time involved in drafting any of the Ministerial Briefings or responding to letters or FOI requests relating to the project and I did not act for or represent Welsh Government in relation to River Lodge in any way post purchase.

[45] Darren Millar: Is that the usual sign-off procedure for any ministerial briefing?

[46] Mr Hall: Yes, that was the normal practice.

[47] Aled Roberts: You say that someone else alerted you to these concerns. Who was that someone else?

[48] Mr Hall: I think that it was someone from the Cabinet Secretariat.

[49] Aled Roberts: Can you identify the person?

[50] Mr Hall: I can check the files and send you a note.

**Amanda Brewer Comment:** Please refer to **Pages 45, 46, 47, 48, 49, 50** of my documentary evidence. The person referred to was [REDACTED] Principal Private Secretary to the First Minister.

[51] Darren Millar: Is the reason they would have been alerted to concerns because of their involvement as a result of correspondence with the local Assembly Member?

[52] Mr Hall: No. It was because they were aware of the concerns expressed by the legal department.

[53] Darren Millar: Would it not have been usual for those concerns to have been expressed to you first rather than to the Cabinet Secretariat, given that it was a transaction within your department?

[54] Mr Hall: I think that that is why so many people are copied in to these things. In that way, everyone has a look at it.

[55] Darren Millar: You would have been copied in on that at that time as well, would you not?

[56] Mr Hall: Yes.

[57] Darren Millar: However, you had to have your attention drawn to this by someone else, did you not?

[58] Mr Hall: No, this was drawn to my attention by two people, one of whom was Sharon Linnard, and we agreed to withdraw it. At the same time, the Cabinet office picked up on it because it had seen correspondence from legal services expressing concerns about the nature of the proposed transaction. That is why it was withdrawn. I agreed to its withdrawal.

**Amanda Brewer Comment:** I think what Gareth means here is yes, he did have to have it drawn to his attention by [REDACTED] and apparently Sharon Linnard as well, despite the fact the he was copied in to exactly the same briefing as they were.

[59] Darren Millar: Okay.

[60] Mr Hall: That is in the Wales Audit Office report.

[61] Jenny Rathbone: The local Assembly Member, Karen Sinclair, had been raising concerns about this project since the beginning of 2007, even prior to the actual purchase. Therefore, I wonder why it took you two and a half years to instigate a compliance review.

[62] Mr Hall: Yes, I think that, with the benefit of hindsight—as has been described by the Permanent Secretary—two issues arose in the office. As you know from the evidence that you have already heard, there seemed to be a huge commitment to making this project happen on the part of the people in the north Wales office, from Amanda right through the chain of command there. However, in their exuberance to make it happen, they did not comply with the rules that were very well established. I did not take any action on the briefing as a result of the letter. Mrs Sinclair's first letter precipitated a briefing. With hindsight, I should not just have accepted this, but how can you not? How could I not accept what my team—a very experienced and professional team—were saying about there being no conflict of interest and there being a proper evaluation of the fact that this transaction was totally above board and represented value for money?

**Amanda Brewer Comment:** Gareth Hall is making a sweeping statement about people in the North Wales Office not complying with the rules. Neither he nor anyone else has provided exact details of what rules were broken. As far as I am aware, the North Wales Officials who made the decisions were acting in accordance with their delegated authorities and within the policies and procedures extant at that time.

[63] Jenny Rathbone: However, leaving the conflict of interest to one side, why was a full options appraisal not made of this site to establish its best possible use for the people of Llangollen?

3.15 p.m.

[64] Mr Hall: I was not aware that a comprehensive appraisal had not been done until much later on. That came out in the Chris Munday compliance report. A couple of anomalies in the evidence have been raised. First, the Wales Audit Office report is very

explicit that this site was acquired with the sole intention of passing it on, through a transaction, to Powys Fadog for community purposes. However, I was very taken aback, in the evidence from Amanda Brewer, that she communicated this as a normal land division transaction, where they buy things speculatively and trade them on. There is an anomaly in that the business case originally proposed said that the acre of land to the side of the site would be used for residential development, which attributed £1 million of the value. So, when it comes to risk assessment, the risk would have been significantly reduced if that had been passed on for development for residential purposes, and that £1 million recouped. That was part of the original appraisal, but when it came to the agreement of the lease, that was not one of the terms.

**Amanda Brewer Comment:** I have already established that the Wales Audit Report is wrong when it states that the property was bought for only one purpose, to “pass it on” to Powys Fadog. The Compliance Review Report clearly identifies that the second purpose was “the visual enhancement of the approach to Llangollen”. (Page 30 of my documentary evidence)

[REDACTED]

The decision to lease the whole of the site to Powys Fadog was made by [REDACTED] and Ian Willams. I had no involvement in this decision whatsoever. **I can only repeat that once the purchase of River Lodge was completed in March 2007, I had no involvement in the project or in any decisions relating to the project on behalf of Welsh Government whatsoever.**

[65] Jenny Rathbone: It seems to have been a complete muddle, from beginning to end, starting with the fact that there were two people living on the site at the time of the purchase. Nobody seems to have thought that it was subject to vacant possession or, alternatively, that there was some sort of formal agreement in place with those individuals.

[66] Mr Hall: I think that you are very right to raise these things. In this transaction, the site was acquired with vacant possession. The lawyers, in their inquiries before contract, would have asked the vendor whether there were any occupiers of the site, legal or illegal. I have been involved with hundreds of property transactions during my career, and that is the first question that is asked. If you are going to buy the property with vacant possession, you make sure that there is no-one on the property—that can give you all the implications of people being there. If there are people there, and you accept it, you regularise those at the time of the transaction; you do not go ahead with the transaction and then sort it out later, because tenancies—

[67] Jenny Rathbone: That is my experience too. How is it that this was being done? How is it that that happened?

[68] Mr Hall: I cannot understand how that happened, when, on her own admission,

**the people involved were very experienced in property. That should not have happened. That is bread and butter for property people working in the Welsh Development Agency and Welsh Government.**

**Amanda Brewer Comment:** At the time of the PerMis approval in December 2006, the intention was to purchase with vacant possession. Pre contract enquiries did indeed identify residential tenancies and the matter was discussed at length between [REDACTED] and the commercial property lawyer dealing with the purchase. The conclusion reached was that the two tenants who occupied residential accommodation at either end of the building should be allowed to remain to deter break-ins and vandalism. One residence was occupied on an Assured Shorthold Tenancy and the other, occupied by Pol Wong, on a tenancy at will. The lawyer's advice was to issue Mr Wong with a simple licence to occupy in the form of a letter on completion to avoid any problems with his occupation in the future. Neither tenant had security of tenure and the lawyer was satisfied that vacant possession could be obtained within the development timeframe, therefore the fact that there were tenants in the building did not affect market value.

This was not an unusual management strategy for sites and properties to be brought forward for development over a long period, especially in areas where vandalism was prevalent. An example of this is the properties purchased under CPO on West Parade, Rhyl in 2006/07 where tenants were allowed to remain but the properties were purchased at vacant possession value.

In the case of River Lodge, it was not considered appropriate for me to deal with management issues pre or post purchase because of the potential Powys Fadog lease, therefore [REDACTED] was instructed by [REDACTED] to deal with the tenancies. I do not know whether he followed the lawyer's advice and wrote to Mr Wong granting him a licence to occupy.

**[69] Jenny Rathbone: Then, subsequent to that, the legal department was extremely unhappy about the signing of the lease with Powys Fadog, because it thought that it would amount to unlawful state aid. Yet, your department went ahead and signed this lease.**

**Amanda Brewer Comment:** I believe the state aid issues had been ironed out to the satisfaction of Legal Services by the time the lease was signed. There will be email evidence of this on record.

**[70] Mr Hall: Yes. I only found out after the regional director signed it off. That is why I initiated the compliance audit.**

**[71] Jenny Rathbone: This is with an organisation that is described in the compliance review as being in a very weak financial position, with negligible financial resources.**

**Amanda Brewer Comment:** Most start up businesses and particularly social enterprises are in a weak financial position and social enterprises in particular are usually totally grant reliant for start up costs. The level of support offered relies on the strength of the business plan. In the case of Powys Fadog, the business plan passed Welsh Government due diligence on a number of occasions (To qualify for Environmental Improvement Grant and again as part of the options appraisal initiated by Gareth Hall in April 2010). It was also considered to be sufficiently credible to satisfy the Clwyd Alyn Board following intense scrutiny by their Finance Director and independent accountants Mazars, one of the largest accountancy firms in Europe.



[72] Mr Hall: That is right. It should not have happened.

[73] Darren Millar: This was in your department.

[74] Mr Hall: Yes.

[75] Darren Millar: So, presumably, the policies, practices and procedures were—

[76] Mr Hall: They were not followed. The rules were there, but they were not properly followed.

[77] Darren Millar: Which specific rules were not followed? In terms of policies and procedures that Amanda and the regional director should have been aware of, which bits were not followed?

[78] Mr Hall: For example, in the land acquisition, it seems that they started off—if you remember, I told you that the land division was disbanded on 1 April, and this project was resurrected in the first year of the Welsh Government. For some reason, when it should not have happened, the land-authority approach was adopted, and then they realised that, when it came to getting it signed off, checking the rules and regulations that had been extant for a considerable period in the WDA, there should have been an independent valuation. So that is why they then went out, at that late stage, after it was negotiated—the normal practice was that you would have got the independent people to agree the price—to the district valuer.

**Amanda Brewer Comment:** The Independent Compliance Review has already established that the purchase was compliant and that no rules were broken and all policies and procedures were followed. (Page 30 of my documentary evidence )

[79] Darren Millar: However, a valuation was secured prior to completion.

[80] Mr Hall: No. It was secured prior to completion, but after seeing it, well after the event—because I was not aware of it—I was concerned on a number of fronts about the professionalism of that valuation. It was not a valuation. The district valuer said that he would send them a red-book valuation. Our rules said that you needed a formal red-book valuation. The second thing was that the residential element, to which £1 million was attributed, was against hope value for residential. Under our rules, you cannot rely on hope value; you would go to the local development plan to see if it was allocated in the plan, or, in the absence of that, you would get a written communication from the planning authority saying that it would be minded to allocate this for residential purposes as a density of X, Y and Z.

**Amanda Brewer Comment:** [REDACTED]

[REDACTED] Once again I repeat that The Independent Compliance Review by the person who wrote the guidelines confirms that the District Valuer's valuation was compliant and in accordance with the guidelines and with Red Book standards. It is nonsense for Gareth Hall to say that it was not a valuation. Is he accusing the District Valuer of negligence?

Gareth Hall is also completely wrong with regard to hope value. Section 21A of the Government of Wales Act 1998 sets out the Welsh Government's powers of acquisition, which incorporate the powers of the former Land Authority for Wales. Basically under the Act all acquisitions are to be made on the basis of market value having regard to both development potential (hope value) and the compensation provisions associated with the Welsh Government's statutory powers of compulsory purchase (The Compensation Code) In

the case of River Lodge the potential for residential development was explored with the local authority in detail. I even went so far as to have a residential layout for the whole site prepared by the department's technical assistant which took into account all the development constraints.

[81] **Jenny Rathbone:** Going back to my earlier question, why was it that you were so unaware of your department in north Wales not following the rules that, according to you, should have been followed? Was it that £1.6 million is such a small sum of money that it was very insignificant business?

[82] **Mr Hall:** Yes. If I give you the context of the scenario in which I was working, my accountability was for an annual gross budget of £1.3 billion. That is the totality of it. To manage an organisation of 1,600 people, I think, at the time—it was not just economic development and the old WDA; I was responsible for transport, road construction, buses and trains, as well as international matters and tourism—you had to rely, as a manager, on your chain of command. You can see how many links there were in the chain. There was Amanda Brewer, who was a chartered surveyor with 30 years' experience—a senior grade 7 civil servant—who reported to [REDACTED] and then to a grade 5 senior civil servant, Vanessa Griffiths in the first instance, and then Ian Williams, who then reported to someone below me, namely the director of operations, Sharon Linnard. You can see where I was in the chain of command. I had to rely on the empowerment and professionalism of the staff, working within the rules and their delegations. They were working within the delegations, so by definition, I got to know by exception, but they were not applying the proper rules within those delegations.

[83] As a result of my instigating the compliance review, I made sure that all transactions—every property transaction under way and undertaken in the Welsh Government since the merger—were peer reviewed. The one satisfaction that I got from it was that there was no issue regarding any other property transaction in the Welsh Government, which amounted to many millions of pounds. It was good to hear from the evidence that the Permanent Secretary and James Price gave you that that process is now embedded in the systems and processes of the Department for Business, Enterprise, Technology and Science. My conclusion on that one is that it was not a systemic issue, but there was an issue about the conflict of interest and how line management within their delegations did not follow the set down and well-established rules and procedures.

[84] **Darren Millar:** On other transactions, we heard earlier from Amanda Brewer that there were a number of other transactions that she was dealing with at the time, which were regular features of her desk job as it were, and that she dealt with them all in exactly the same way in terms of how she would approach, informally, the district valuer and ask for some correspondence in order to confirm that the price being paid was an appropriate price prior to completion. You have just said that there was a peer review of all other transactions and that they were found to be okay and working perfectly well, as they ought to work.

**Amanda Brewer Comment:** I did deal with all acquisitions in the same way but the independent valuation would not necessarily always be provided by the District Valuer. I would also use retained valuers King Stuge and occasionally a specialist valuer for such things as party wall matters. Valuations were obtained prior to submitting the project for approval, but as they were usually only valid for six months, a further valuation would be obtained if there was more than six months between approval and completion.

[85] **Mr Hall:** Yes.

[86] **Darren Millar:** So, would there have been red-book valuations for all of those?

[87] **Mr Hall:** There would have been independent valuations in accordance with the Royal Institution of Chartered Surveyors red-book guidelines. That was the well-established practice.

[88] **Darren Millar:** Was that the finding of the compliance review?

[89] **Mr Hall:** It was carried out later on.

[90] **Darren Millar:** So this was the only transaction that did not have a red-book valuation prior to completion.

[91] **Mr Hall:** It did not have a red-book valuation; it made assumptions about the planning aspect of it—

[92] **Darren Millar:** That was not what I asked you; I asked whether this was the only property transaction that did not have a red-book valuation.

[93] **Mr Hall:** Yes, the report that I received from the group that I set up stated that the group was fully satisfied with the transactions and the valuations.

[94] **Darren Millar:** When you say that it was fully satisfied, does that mean that every other transaction had a red-book valuation?

[95] **Mr Hall:** I assume that they all had independent red-book valuations.

[96] **Darren Millar:** Okay. That is obviously at odds with what Amanda Brewer told us. There must be some way for us to correspond with you to confirm that information.

**Amanda Brewer Comment:** The District Valuer's Valuation of River Lodge was carried out in accordance with the DE&T Guidelines on the acquisition and disposal of land. It was independent and it verified that the price paid was market value. This confirmed in the Compliance Review. (Page 30 of my documentary evidence ) Other properties which would have had independent valuations at that time would be Land at Esgyryn, Llandudno Junction; Land on the North Side of Heol Esgob, St Asaph and the Former Clinic at Mancot.

[97] **Mr Hall:** Yes, there will be a report from that group.

[98] **Aled Roberts:** My question is on the compliance review, which I take it is the Chris Munday report. You just mentioned that you asked for that report and, yet, certainly in some of the information that we have received, it appears to have been commissioned by Sharon Linnard. Who commissioned the report?

[99] **Mr Hall:** I asked Sharon to do it, so she commissioned it.

[100] **Aled Roberts:** I now want to seek to establish when it was commissioned, because there seems to be conflicting evidence. At different stages we have been told that it was June 2009, then we were told it was July 2009 and, from what I understand, the employment tribunal suggests that it was September 2009.

[101] **Mr Hall:** I am pretty sure that it was June 2009, but I can check that. There will be an e-mail instruction.

[102] **Aled Roberts:** Okay. Considering that the ministerial briefing was withdrawn on

15 January 2010, I am quite anxious to establish when this compliance review report was received. We were told in some instances that the ‘finished product’ was received on 15 February 2010. We are then aware of further e-mail exchanges on 16 February 2010, in which Michael Clarke from legal services and John Adshead gave certain views. I also understand that, on 17 February, Chris Munday amended his report. Are all of these tracked changes available within the Government for us to see exactly what was changed during this whole process, given that there were ministerial briefings and so on at the time that were being withdrawn?

[103] Mr Hall: Your chronology is right. Chris Munday’s report was put in final draft form, but quite a lot of representations were made by Mike Clarke from legal services, which resulted in changes. A document was sent to Sharon Linnard and me. I had some concerns that it was not the finished article, because there were still outstanding matters regarding the legal aspects, but that is when it was taken over by the Permanent Secretary, who was commissioning the internal audit report at that time.

**Amanda Brewer Comment:** Gareth Hall says that there were a lot of representations from legal services but FOI requests have revealed very little traffic between 15<sup>th</sup> February and 26<sup>th</sup> February.

According to a FOI request answered by Gareth Hall’s own office manager, presumably once again under his instruction, the report was finalised and presented to Sharon Linnard on 26<sup>th</sup> February 2010. If the report was not finished, why did Chris Munday present it as such and tell the fact finder for the disciplinary process that it was? Why was it confirmed as finalised and completed under FOI and why was the Wales Audit Office told that it was finished?

[104] Aled Roberts: I am not clear who Grant Vernon is, but, on 24 May 2010, there is an e-mail from Rose Jones in the HR secretariat, to the fact-finder asking for the agreed version of the Chris Munday report. What do you understand by ‘agreed version’? Great play is made at the beginning of the fact that Chris Munday was, to all intents and purposes, independent—he was based in Treforest and had not been involved in any of the background to the matters relating to River Lodge. So, it seems to me quite strange that somebody who was picked out as being impartial and as not being involved in the process was being asked about an agreed report. Surely, if you are independent and you produce a report, there is only one version, not a number of versions, as the e-mail seems to suggest.

3.30 p.m.

[105] Mr Hall: He may have presented it as a final report, but there were outstanding issues on it. You mentioned Grant Vernon. I have a copy of the documents that Amanda gave you. If you look at the bottom of the one with ‘20’ on the bottom right-hand corner—you mentioned Rose, who was the HR person; I do not know Grant Vernon, but I can see that he is an addressee on there—

[REDACTED]

[106] Aled Roberts: Yes, in finance.

[107] Mr Hall: This e-mail to Rose is from my office manager Janine Boyer-Day and says that

[108] ‘Gareth has commented as follows:

[109] ‘For the avoidance of doubt Arwel’

[110] who was the head of internal audit,

[111] ‘also agreed to the release of the Chris Munday Report. This report was never finalised as it was a precursor to the Internal Audit exercise and this needs to be pointed out to Angela who should preface her discussions with Amanda and John accordingly.’

[112] Aled Roberts: So, why does a department commission a report that was never finalised? We have another e-mail from Arwel Thomas on 10 September in which he refers to the report as being under preparation by Chris Munday. That is almost 12 months from when it was commissioned in the first place.

[113] Mr Hall: Chris Munday was finalising his report. The priority was then given to the formal internal audit report by Arwel, commissioned by the Permanent Secretary, which was cognisant of the Chris Munday report. The one fed into the other. If you look at the Wales Audit Office report, you will see that it quite often makes reference to both of them. It says, ‘The Chris Munday report said so-and-so and then that was endorsed by the internal audit report.’

[REDACTED]

[114] Aled Roberts: So, how was Arwel Thomas saying, on 10 September 2010, that Chris Munday’s report was still under preparation when all the e-mail correspondence that we have—certainly Chris Munday appears in his e-mails to be of the view that his final report, even after it had been doing the rounds and being agreed or whatever, was issued on 26 April 2010?

[115] Mr Hall: I am not familiar with that e-mail, but all I can say is that the e-mail that I have referred to, which was written by my office on my instructions, says that

[116] ‘Arwel also agreed to the release of the Chris Munday Report.’

[117] Darren Millar: May I check something with you? The e-mail to which you are referring also says

[118] ‘This report was never finalised as it was a precursor to the Internal Audit exercise’.

[119] However, at the time that the Chris Munday report was commissioned, the internal audit exercise had not been commissioned by the Permanent Secretary. They were two completely separate things.

[120] Mr Hall: They were two separate things, but just as this was being completed, the instruction went out for Arwel to do the internal audit report.

**Amanda Brewer Comment:** Gareth Hall is contradicting himself. He has admitted that the Compliance Review was never finalised so how could it be “being completed” in March

2010?

[121] **Jenny Rathbone:** Why had it taken so long to do the compliance review, because he was commissioned to do it in July, according to the WAO report? He was asked to do this compliance review, which is not hugely complicated, in July, so why did it take him until the end of February to complete it?

[122] **Mr Hall:** I do not know the reason for that.

**Amanda Brewer Comment:** This does not make sense. Gareth Hall has told the committee that he instructed Sharon Linnard to commission the report. Surely he would have kept track of its progress?

[123] **Jenny Rathbone:** I go back to the concerns of the local Assembly Member that this matter was not being conducted in a matter that was compliant with Nolan or any of the other processes that ought to be applied by the Welsh Government.

[124] **Mr Hall:** I have to accept that it took longer than it should have.

[125] **Jenny Rathbone:** Then, when it was completed, it was buried.

[126] **Mr Hall:** It was not buried, because it very much informed the formal report commissioned by the Permanent Secretary. It was never buried, because it was part of the evidence considered by the Wales Audit Office and it is quoted at length in its report.

**Amanda Brewer Comment:** Is Gareth Hall saying that an **UNFINISHED** report which when finished could have come to totally different conclusions, was used to inform the formal Internal Audit Report and was used and quoted at length by the Wales Audit Office in their report? Surely this must make both the Internal Audit Report and the Wales Audit Office Report **completely unsound**?

[127] **Aled Roberts:** Were you party to any of the discussions between Mr Thomas and the Permanent Secretary on this? I am concerned that we have a report that appears to have been finalised in February 2010, we then have the Permanent Secretary commissioning an internal audit review the following month, when, clearly, Mr Munday's view was that he had completed his report in February. However, in an e-mail that we have, which is No. 26, Mr Thomas's explanation is that his own advice to the Permanent Secretary was derived from matters contained in Mr Munday's emerging report.

[128] **Mr Hall:** Yes.

[129] **Aled Roberts:** It was not emerging; as far as Mr Munday was concerned, it was his final report.

[130] **Mr Hall:** There are two things. Chris Munday thought that it was his final report, and both Arwel and I saw it as a final draft report, which was never formally concluded because it was then overtaken by events, namely the formally instigated internal audit report. However, once again, I repeat the point that it was not buried, but that it was informing that and was presented in all its detail to the Wales Audit Office.

**Amanda Brewer Comment:** An unfinished and incomplete report which is by definition unreliable was presented "in all its detail" to the Wales Audit Office who relied heavily on it in its investigations? Surely this means that the Wales Audit Office Report is also unreliable

and just plain wrong in places, which has already been evidenced on more than one occasion elsewhere.

[131] **Darren Millar:** However, it is fair to say that the author of a report determines whether it is completed, or not.

[132] **Mr Hall:** I asked Sharon Linnard, and it should have been for Sharon Linnard to accept the report.

[REDACTED]

[133] **Darren Millar:** Okay. We need to move on.

[134] **Mike Hedges:** At the time of the purchase of River Lodge, how clear was the Welsh Government's policy regarding the ability of its officials to hold management or board-level positions in external organisations, especially organisations funded by the Welsh Government?

**Amanda Brewer Comment:** The Welsh Government's policy at this time was both confusing and contradictory in relation to outside interests and volunteering. I followed the rules by declaring an interest on more than one occasion and it was incumbent on HR and line management to provide guidance as to whether they considered there was a conflict or not. They clearly did not consider there was a conflict as I was allowed to continue with my volunteering activities. I also sought and received permission for my voluntary work in accordance with WAG's Code of Conduct for Staff. This permission could have been withdrawn on each of the occasions I declared an interest. As far as I am aware, the guidance on outside interests and volunteering was significantly strengthened just after I was dismissed, which proves it was not fit for purpose at the time.

[135] **Mr Hall:** As you noted in your comments to the Chair, our paths have crossed in times past. I was a volunteer member of the board of governors of Swansea College, and I was actively encouraged in the WDA to do that; it was the policy. I got involved in things like helping the governors on business planning. In fact, we devised a new set of key performance indicators for the college. However, one thing was very certain: if there was any talk or any conversation about possible grants from the WDA, I got up and left the room. That was the policy that was pursued not just in the Welsh Government, but in the Welsh Development Agency. You were encouraged to use your professional skills and expertise in a voluntary capacity—umpteenth people are school governors, others help with the Scouts and with rugby clubs, among other things. However, the big difference was that if anything came across your desk in doing that voluntary work that impinged in any way on your professional work, you excused yourself and you had absolutely no more to do with it. This was sacrosanct. They were the rules, and the rules were no different in the WDA than those in the Welsh Government.

[136] **Mike Hedges:** Yes, that is absolutely right, Gareth. My memory is that, when the college was looking for a new site, even when there was a possibility that land may belong to the WDA, you always excused yourself in case some of the land in question was WDA land.

**Amanda Brewer Comment:** What has been forgotten is that I was **instructed by my line manager** to project manage the purchase of River Lodge. If I had said no, it is quite possible that I would have been disciplined for refusing a direct order for a line manager and my career would have been over. I could not win whatever path I chose to take.



[137] Mr Hall: That is right.

[138] Mike Hedges: Is that what you would expect everyone to do?

[139] Mr Hall: Yes. I would expect people to do that, because, as employees of both the WDA and the Welsh Government, they were reminded of this through their governance training. However, I also have to remind you that Amanda Brewer was a chartered surveyor with over 30 years' experience. Professional people—whether accountants, lawyers, or whatever—through their professional training are made aware that you do not get into situations where there is a conflict of interest.

**Amanda Brewer Comment:** The RICS Help Sheet which sets out the standards required to meet the RICS Code of Conduct defines the action required to avoid a conflict of interest as “declare any potential conflicts of interest, personal or professional, to all relevant parties” This I did and obtained approval to my actions from all parties therefore no breach of professional standards occurred.

[140] Mike Hedges: Thank you. The other thing I would like to ask about is e-mails sent on behalf of third parties—the difference between private, personal and some intermediary e-mails. Were there any rules that you could use e-mail only for business purposes related to your job, or, as Amanda Brewer just said, could you have a handful of private e-mails as long as you did not clog up the system?

[141] Mr Hall: The rules regarding the number of private e-mails you could use stipulated a handful. That means that it should be by exception. However, the spirit, and my understanding, along with that of most people I knew, was that you did not use the e-mail system for your own business—and I know of separate disciplinary action being taken because of that—particularly if you are using e-mail in connection with something with which you are involved privately or as a volunteer but using your knowledge and experience from your day job. That is an anathema. The point that has been raised here is that if you are working for the Welsh Government and you have a declared interest, you do not pursue that, period.

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[142] Mike Hedges: I do not know if you listened to the earlier evidence, but Mr Wong said that it was a joint venture and Amanda Brewer said that it was a partnership. What rules, if any, were there regarding a joint venture or partnership, however it was formed and however loosely? I would have thought that there would be some sort of written documentation to show what the Welsh Government/WDA's part was in it—a bit like you did with the developments with Swansea council, for example.

[143] Mr Hall: I think that Amanda admitted that joint ventures are legal agreements, as are partnerships. This was very much a lease transaction—an arm's-length transaction with a private voluntary body. It was not a partnership agreement.

**Amanda Brewer Comment:** By admitting that the lease to Powys Fadog was an arm's length transaction, Gareth Hall is confirming my assertion that the Wales Audit Office Report is fatally flawed because it states that River Lodge was purchased to GIVE to Powys Fadog.

[144] Darren Millar: However, do you accept that the WDA was trying to support the social enterprise to deliver a project?



[145] Mr Hall: I accept that the outcomes would have had community benefits; that was the main purpose of it. However, professionally, in documenting and negotiating the transaction to make that happen, you would be obliged to comply with the rules. In these rules, it was an arm's-length lease transaction that would have had to have the proper approvals, plus the commercial rents and all the other things that go with it.

**Amanda Brewer Comment:** This is absolutely correct. Powys Fadog was not given any concessions what so ever. There was no written "partnership agreement" but Welsh Government officials quite properly used a very supportive "partnership approach" in accordance with the Welsh Government's own Social Enterprise Strategy. [REDACTED]  
[REDACTED]  
[REDACTED] This approach continued until February 2010 when Welsh Government became much more confrontational.

[146] Mike Hedges: I am not trying to put words in your mouth, but, effectively, the WDA was purchasing a property to pass on to a third-party organisation, albeit a voluntary third-party organisation. It was going to make some money from the sale of the additional land alongside, and the other part of the site was going to be used by a local voluntary body for the benefit of the community.

[147] Mr Hall: I think that 90% of that is right. Unfortunately, the initial appraisal said that the acre of land to which they attributed £1 million was going to be sold off, but it transpired that the lease included that land in the transaction with Powys Fadog, which therefore increased the basis of the risk from £600,000 to £1.6 million. That is why concerns were raised about the robustness of the appraisal before the transaction and before entering into the lease agreement.

**Amanda Brewer Comment:** I cannot comment on the robustness of the appraisal before the lease agreement as I was not involved, but the appraisal at purchase fully complied with the guidance at the time. A full risk assessment was carried out using the electronic risk assessment tool then available on the Welsh Government intranet, at the same time as the PerMis approval form was completed. This assessment covered all the options, risks etc. Because the risk assessment was in electronic form only, there would not have been a copy on file. I therefore believe that Chris Munday did not take it into account in his compliance review and it was never considered in the subsequent disciplinary procedure, reviews or reports, including the WAO report. If it had been, I believe the conclusions regarding appraisal and value for money at purchase would have been different.

[148] Darren Millar: Before I bring Lindsay in, you have made it quite clear that the usual arrangements would entail the WDA supporting someone to involve themselves in an organisation that was for community benefit, such as a college or whatever else, and that there were policies and procedures that that individual would have to follow. Were there written policies and procedures in place in terms of when they should step out of a room, when they should step back in, and the items that they could and could not discuss? Did they extend to social enterprise boards?

**Amanda Brewer Comment:** [REDACTED]  
[REDACTED] is no, there were no written policies and procedures going into anything like this detail. The very confusing and contradictory guidance available at the time was scattered around several different policies and procedures and was extremely difficult to interpret. Even the regional HR officers were unable to give any detailed guidance. Officials and their line managers were left to make their own interpretation and hope that it was the correct one.

[149] Mr Hall: They extended to any organisation.

[150] Darren Millar: I just wanted to make sure that that was on record.

[151] Lindsay Whittle: In your evidence, on two occasions you refer to Amanda Brewer and—you waved your hand—two or three people above her. You went on to name them. You said that the command chain was Amanda Brewer and above her John Adshead, Vanessa Griffiths, replaced by an Ian Williams, then the director of operations, then, I assume, yourself. You must have all been aware of Amanda Brewer’s involvement in the Powys Fadog project. Why was she not advised to step back? She was the only one dismissed, although I notice that a line manager was given a final written warning and took early retirement shortly afterwards; I would be interested to know how old that person was and if any other payments were made to that person, but that is perhaps another issue.

[REDACTED]

[REDACTED]

[152] Darren Millar: Let us confine ourselves to the issue under discussion.

[153] Lindsay Whittle: It is important, because everyone seems to have known of Amanda Brewer’s involvement, but no advice was given to her. As a responsible employer, why was it not given?

**Amanda Brewer Comment:** I have evidence that the conflict issue was discussed on a number of occasions by compliance and legal services and Ian Williams says that he discussed the matter with Sharon Linnard on numerous occasions, (Pages 41&42 of my documentary evidence) yet none of them saw fit to advise my line manager of those discussions or to advise me. This shows a complete lack of duty of care by my employer.

[154] Mr Hall: The advice was there in the policies and procedures that were readily accessible. Regular briefings were given to people in the organisation about governance, both in the WDA and the Welsh Government. This was reinforced by her professional training and professional standards about conflicts of interest.

3.45 p.m.

[155] Darren Millar: Amanda asserted to us earlier that she had contacted the HR department to confirm the arrangements et cetera. It would be normal for the HR department to refer to a set of policies and procedures, would it not?

[156] **Mr Hall:** Yes. You see, it is one thing to register an interest and another to act upon it. I have not seen evidence of those two things going in tandem. You do not say, 'I've registered an interest' and then carry on getting involved. The principle that is always followed when you have any potential conflict is that you stand back from it and do not have anything to do with it.

**Amanda Brewer Comment:** You can stand back and get on with it if all parties involved agree that it is acceptable and the situation is constantly monitored. This was what happened in my case. As an example of what I mean, Mike Hedges declared an interest when he told the committee that he knew Gareth Hall very well and had worked with him both as a volunteer and professionally. The committee accepted this and Mr Hedges carried on as normal. He did not step back and have nothing to do with the interview with Gareth Hall, which could have been perceived to be a conflict in the current circumstances.

[157] **Aled Roberts:** Okay. That is the view that there was a call that was to be made by the officer concerned, but we have already discovered that, sometime between June and September 2009, you were so concerned, or Sharon Linnard was so concerned, that you instigated a compliance review. Yet, as senior managers, you still allowed Amanda Brewer to conduct negotiations—

**Amanda Brewer Comment:** I was not involved in negotiations with Clwyd Alyn on behalf of Welsh Government. The Regional Director's assurance was absolutely correct. I was, however, involved to a limited extent in the early discussions between Clwyd Alyn and Powys Fadog on a voluntary basis. These were private discussions between the two parties and the Welsh Government was not discussed and was not involved in any way whatsoever, so there could be no conflict of interest or even perceived conflict of interest relating to my involvement.

[158] **Mr Hall:** No, I did not. I was given a categorical assurance by the regional director—I can send you the e-mail—that there was no conflict of interest as regards Amanda Brewer. When a senior manager told me that in such categorical terms, I accepted it.

[159] **Aled Roberts:** Was there anything in the compliance review to indicate that Amanda Brewer was involved in the discussions with Clwyd Alyn housing?

[160] **Mr Hall:** I would have to check the detail of that. There were concerns, there were recommendations, and conclusions were drawn from that about issues around compliance.

**Amanda Brewer Comment:** There is no mention of the Clwyd Alyn proposal in the Compliance Review Report whatsoever; in fact it only covers from the purchase to the Agreement for Lease. It is silent on the period from June 2009 onwards. This begs the question as to why it took until 26<sup>th</sup> February 2010, some eight months later, to issue final the report.

[161] **Aled Roberts:** Were any directives given from the centre that Amanda Brewer was not to be involved in any discussions with Clwyd Alyn housing?

[162] **Mr Hall:** There were no instructions issued because of the categorical assurance from the regional director.

[163] **Darren Millar:** Let me get this right; at that time, you knew that Amanda Brewer was a member of the Powys Fadog board, yet you did not step in and say, ‘Wait a minute, let’s hold off and withdraw Amanda’, to ensure that it was completely above board and that there was no risk of a conflict of interest occurring in the future. You did not step in and say, ‘Hold off, let’s take Amanda out of the picture’.

[164] **Mr Hall:** I did not do that because of the categorical assurance from the manager.

[165] **Darren Millar:** You did not do that, even though you knew that it was a direct contravention of the policies and procedures that you referred to earlier, which are very clear about people not being involved and not touching work when they are members of a board.

[166] **Mr Hall:** I do not think that it was confirmed at that time. There were no findings. The disciplinary action on the conflict of interest came as a result of the recommendations of the audit report. It was then that a disciplinary process was set in place; I had to determine whether there was a case to answer, and when I was satisfied that there was, I had to stand back. There was quite a comprehensive process there. There was a fact-finding report. The fact-finding officer was not satisfied that she had the professional competence to answer some of the questions, so that is why I asked another independent property expert, Ed Bampton, to find some supplementary information. The disciplinary process was then set in train, which led to suspension and dismissal.

**Amanda Brewer Comment:** Firstly, the Audit Report was based on an unfinished compliance review according to Gareth Hall, so should not be considered to be reliable evidence. Secondly, the Fact Finder had been provided with all the technical expertise she needed in the form of [REDACTED] and was presumably satisfied with that, as she did not mention in her report that she felt she was not equipped to answer some of the technical questions raised. Once again it is Gareth Hall who decided that a finalised and published report needed to be supplemented, not the independent author of that report. Finally, [REDACTED] was most certainly NOT independent as he had been conducting and options appraisal on River Lodge for four months on behalf of Gareth Hall before he was asked to carry out a supplementary fact finding report for disciplinary purposes.

[167] **Darren Millar:** Forgive me, Mr Hall. You say that you were copied in on the correspondence from the First Minister to Karen Sinclair that gave assurances that there was no conflict of interest. However, in that letter it was made clear that Mrs Brewer was a director and the company secretary of Powys Fadog and that her involvement would be a direct contravention of the policies and procedures that you say were widely known throughout the organisation.

[168] **Mr Hall:** Yes. Chair, I made this point early in my evidence: I relied wholly on my management training about empowering people and trusting people—

[169] **Darren Millar:** I understand that—

[170] **Mr Hall:** The regional director told me categorically and unequivocally, so I accepted that on face value—

[171] **Darren Millar:** I understand that you wanted to delegate as much responsibility as possible down the line. I completely accept that. The difficulty I have is that you knew that this arrangement would be contrary to your policies and procedures. You clearly

knew that, because you have just indicated—

[172] Mr Hall: It is the point going back to the Swansea college example: you can be acting as a volunteer, giving advice to an organisation, provided that you do not overstep the mark and that that then contradicts or impinges upon your professional responsibility. I was assured that it did not impact on the latter.

[173] Aled Roberts: Given that you place so much reliance on that assurance, do you recall the nature of the assurance? Was it actually set out what Amanda Brewer's involvement was with the project? Was any detail given as to what her continued involvement was that would have then led you to ask further questions?

[174] Mr Hall: It was an unequivocal statement in an e-mail from the line manager.

[175] Aled Roberts: Did it not contain an explanation?

[176] Mr Hall: I cannot remember the full content of it, but I will be able to send you a copy of that.

[177] Aled Roberts: Following receipt of that e-mail, did you have any further discussion with the regional management as to what her continued involvement was, to perhaps reassure yourself, given that this was the subject of a compliance review?

[178] Mr Hall: No, not in print.

[179] Mike Hedges: I have no doubt in my mind that, at some stage, Amanda Brewer should have either come off the project or come off the board of Powys Fadog. I also believe that a line manager who knows about these things, and knows that someone is not making the right decision, needs to call that person in to say that they cannot be on both: if you are in Powys Fadog, you must have no further involvement with the project from the Welsh Government's side, or you have to leave Powys Fadog and work with us. You cannot be on both sides. The line manager was fully aware of it—no-one has doubted that; everybody in north Wales was fully aware of it. I remember you saying to me, Gareth, sometime ago in Swansea, that they do things differently in north Wales, when I asked about financial support for the new Liberty Stadium after the WDA had already given money to the Racecourse ground. Should someone have taken action at that stage?

[180] Mr Hall: I do not recall that conversation, Mr Hedges. I do not know whether I would have made such a sweeping remark. Quite a lot of people in north Wales comment about—

[181] Mike Hedges: I think it was a north Wales WDA—

[182] Darren Millar: Can we be brief? I am conscious of the time.

[183] Mr Hall: All I can say is that I do not think that it is a direct parallel because the money that went into the Racecourse ground was a town improvement grant to improve the existing elevation to the public highway, and the new Liberty Stadium was a new build, so we were not comparing like for like.

[184] Darren Millar: I am conscious that we need to draw the discussion back to River Lodge, and we have a few people who want to come in here. I am also conscious of the time. We have five minutes according to my watch—I am not going by the clock at the back—until the time at which we were expected to conclude the meeting. If we do not

conclude it by then, we will have to pause for a short break while we change tapes et cetera in order to allow us to continue, but I would like to see if we can get through this in the next five minutes.

[185] Gwyn R. Price: It concerns me that there were so many managers above Amanda Brewer who obviously knew what was going on. You took their advice that there was no conflict of interest. You were up there and they were in the middle as paid officers. At the end of the day, only one person has taken the rap for all of this, and that is Amanda Brewer. I believe that there were senior officers above Amanda Brewer who should have told her to get out of the scene and to walk away because, at the end of the day, there was a conflict of interest in their opinion. If not, why is one person taking the rap?

**Amanda Brewer Comment:** This is the heart of the problem. It is clear from the evidence presented that from the time River Lodge came back onto the market in 2006 until February 2010 ALL managers up to and including Gareth Hall were aware of and were happy with my voluntary activities with Powys Fadog, because of the nature of the project and the fact that Welsh Government had been adopting a partnership approach. (In fact Ian Williams [REDACTED] [REDACTED] were at times actively seeking to find funding on behalf of Powys Fadog) My managers did not believe that there was a conflict of interest because at no time after the completion of the purchase did I act in any way whatsoever on behalf of Welsh Government. I acted as a volunteer on behalf of Powys Fadog without exception.

[186] Mr Hall: Disciplinary action was taken with her immediate line manager and the other line manager.

[187] Gwyn R. Price: How many were sacked?

[188] Mr Hall: There was disciplinary action against the line manager, who had a final written warning, as Mr Whittle said, and against the regional director—this was part of a disciplinary matter with him as well. There was disciplinary action taken.

[189] Gwyn R. Price: But nobody lost their jobs apart from Amanda Brewer.

[190] Mr Hall: I can only instigate disciplinary action. There is a separate process for the outcome. All I can say is that disciplinary action was taken, but I cannot comment on the outcome of that disciplinary action.

[191] Lindsay Whittle: Where are we now? What a tangled web we seem to have weaved on this issue. The Welsh Government's options appraisal sought only to identify feasible options for the property. There was no assessment of the costs and benefits of any other options, from what I can see. Is there any reason for that?

[192] Mr Hall: Again, I was involved with the commissioning of that, but I moved on to a secondment in January 2011, when I think the options appraisal was still being carried out, so I cannot comment on the detail of that, sorry.

**Amanda Brewer Comment:** If this is true, then [REDACTED] was working on the options appraisal for more than 10 months but had not even attempted a value for money appraisal of the options during that time. This is further proof that the options appraisal was a sham and a further attempt by Welsh Government to run the Agreement for lease out of time so that they could legitimately withdraw from the project.

[193] Lindsay Whittle: We heard earlier that there is a parcel of land next to this River Lodge that could have been suitable for residential development, but there is no appraisal of whether that would have been included. The Welsh Government owns this

building and land now, so are we wasting more money, or not?

[194] Mr Hall: I think that there is an appraisal there. From what I understand—and I have not been a party to this for the past 18 months—the options appraisal looked at all the different potential uses, but then, if the Welsh Government was going to do anything, it had to be in line with the policies that were coming out of the economic renewal programme at the time. In fact, I met with Pol Wong and the chief executive of the Pennaf Housing Group, and we tried to get them involved in a social housing development on part of the site to help to create some of that value and erode some of that £500,000 shortfall. However, Powys Fadog was not interested in residential development on the site. That was one of the—

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[195] Lindsay Whittle: This might be regarded as a flippant remark, but I cannot say that I blame them, to be honest, from the evidence that I have heard so far.

[196] Darren Millar: We have two minutes left, so Oscar, could you be brief, and, Gareth, could you be very brief in your response, please?

[197] Mohammad Asghar: I think that the whole department has fallen into disrepute because of this, and you were the head of department, so the buck stops with you. Why did the Welsh Government not put in place the safeguards needed to protect its assets and avoid their falling into disrepair?

[198] Mr Hall: The bread and butter of the Welsh Development Agency, its whole raison d'être, was buying land and developing factory sites. It would be food and drink to any project manager who acquired an asset to do a comprehensive survey of the site. For example, in a building of that era, you would be looking for asbestos, and water storage tanks, looking for legionnaire's disease. The request to the district valuer did not include the fact that the main sewage supply and water supply runs through that site, which could be an encumbrance on the residential development value. So, it was assumed, without confirming with the planners, that it would have planning consent, and it was encumbered by the fact that—and again, this is basic stuff for property professionals—that was not pursued. To answer your point in detail, the first thing you do as soon as you exchange contracts is get contractors in to drain off the water supply and board it up, and you have a security contract in place. That has happened with dozens of properties that have been acquired, as you will know at first hand, Mr Hedges. It is a reflex action in every other circumstance.

**Amanda Brewer Comment:** Gareth Hall is simply wrong about the pre purchase due diligence. It was all completed by me or the property manager before the property was purchased. Why would the property manager who was responsible for management issues such as these, including the security of the building, board it up or drain down the water? The reason the tenants were allowed to remain in occupation was to save such costly management and security measures and to stop the building from deteriorating further.

[199] Darren Millar: But it did not happen with this one.

[200] Mr Hall: It did not happen, and that was professionally wrong.

[201] Darren Millar: That is because there was an existing arrangement on site with



Mr Wong—

[202] Mr Hall: This site was acquired with vacant possession.

**Amanda Brewer Comment:** The site was acquired with tenants in occupation on short term tenancies which did not affect the value of the site on the basis of vacant possession.

[203] Darren Millar: However, there were discussions about allowing Mr Wong to maintain a tenancy on the site in order that he could, effectively, be a watchman.

[204] Mr Hall: A proper professional would have sorted that out and would not have agreed to the signing-off of the conveyance. If there were people on the site and they wanted vacant possession, they would have got them off. If they wanted the people to stay on the site, they would have put them into proper assured shorthold tenancies, which would have been signed on completion. That is run-of-the-mill property management.

**Amanda Brewer Comment:** This has already been dealt with above

[205] Mohammad Asghar: We heard from Amanda that there were a lot of anomalies in the Welsh Government compliance review. You were a part of that. We heard you saying that when you were in the college in Swansea, you were leaving the room and all the rest of it. We also heard from Mr Wong that a similar thing was happening when Amanda was director and company secretary of Powys Fadog. This is a procedure, so do not compare apples and oranges. Serious mistakes were made.

4.00 p.m.

[206] Mr Hall: No, I take you to task on that, because the principle was that if she had said that she no longer had any professional interest in this, as part of her day job, and her interest was only as a volunteer, she should not then go back to the office and use her e-mail to pester other staff in her professional day job capacity. That, to me, is a conflict of interest.

**Amanda Brewer Comment:** I think the boot was on the other foot here. In fact it was my colleagues who “pestered” me in my professional day job capacity for information about the project. I could not have distanced myself from the project if I wanted to as I was used as a go-between by both parties on numerous occasions.

[207] Darren Millar: Although, we have established that you knew that this was happening, from correspondence that was copied to you, and you did not intervene to stop it.

[208] Mr Hall: I did not know that it was happening.

[209] Darren Millar: You were copied into correspondence. You have confirmed that.

[210] Mr Hall: I did not know that it was happening, because I was given the assurance by the line managers that it was not.

[211] Darren Millar: But you knew that she was involved in the day job—

[212] Mr Hall: It was only subsequently, after the various reports that I knew that this was happening. If I had known it at the time, I would have stopped it.



[213] **Mohammad Asghar:** She was not pestering, Gareth. Think twice about what you just said. She was not pestering any Ministers and she was quite legitimately using her e-mails.

[214] **Mr Hall:** No. Sorry, but no.

[REDACTED]

[215] **Darren Millar:** You have made your views on this clear. Aled, would you like to ask a question? I will then bring the meeting to an end.

[216] **Aled Roberts:** Given the compliance review and the options appraisal, did the Welsh Government approach Betsi Cadwaladr University Local Health Board regarding the use of the site as a health centre?

[217] **Mr Hall:** That approach was made as part of the options appraisal, which was a recommendation of the internal audit review.

**Amanda Brewer Comment:** I would draw your attention to **Page 39** of my documentary evidence. Welsh Government Officials and Betsi Cadwaldr were exchanging emails before the options appraisal and over a month before I was suspended.

[218] **Darren Millar:** I now have to draw the meeting to a close. Thank you, Mr Hall and the other witnesses, for your attendance today and thank you, Members, for your cooperation in getting through that work. Diolch yn fawr iawn.

9.57 a.m.

**Proses Gaffael Llywodraeth Cymru a'r Camau a Gymerwyd ganddi i Waredu Hen Westy River Lodge, Llangollen—Tystiolaeth gan Lywodraeth Cymru The Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen—Evidence from the Welsh Government**

[127] **Darren Millar:** We will continue with the meeting. I welcome back James Price, director general of the Department for Business, Enterprise, Technology and Science, to the committee. I also welcome Jeff Collins to the table. We do not have a paper from the Welsh Government for today's meeting. We will go straight into questions, if that is okay with you two gents, unless you wanted to make any opening remarks?

[128] **Mr Price:** No, that is fine.

[129] **Darren Millar:** We have obviously taken quite a bit of evidence on this particular subject now. We went up to Llangollen to hear from some of those involved directly in the disposal process and we received evidence from both Amanda Brewer and Gareth Hall, who talked about the schemes of delegation that existed under the Welsh Development Agency, which then appeared to continue, even when the WDA became part of the Welsh Government. When you came before the committee some months ago, you indicated that the schemes of delegation had now changed and that individuals like Amanda would not be able to make those decisions any more in isolation. I think that you indicated that everything is now referred to you for sign-off as director general within the department. Can you tell us what the schemes of delegation are now, how the process has changed and how you arrived at the new scheme?

[130] **Mr Price:** 'What are delegations?' is the first question to answer, I guess. Delegations are formal pieces of permission that are delegated from Welsh Ministers to officials. Currently, there are no formal delegations in place within the BETS department, apart from European funding and funding of incredibly routine activities such as payments for farmers, which is just processing of routing grants. That does that mean that you do not need some form of delegation in place, because Ministers do not take financial decisions in the absence of advice from officials.

10.00 a.m.

[131] So, while there are no formal delegations in place in the same way that there were in the WDA, where officials signed off stuff, or where, in the Department for Enterprise, Innovation and Networks or the Department for the Economy and Transport, officials were

able to discharge finance without reference to Ministers on some occasions, we now have a set of processes in place. These are either formal delegations for areas that have them—European funding, common agricultural payments—or things that are a bit like delegations that say how we delegate to people to make recommendations to Ministers, if that makes sense. In the area at which you are looking—the property area—that is done through the property leadership team. If you were looking at the grants to business area, that is done through something called the investment panel, which is similar. They both take each project and peer-review it.

**Amanda Brewer Comment:** James Price seems to be saying here that the delegations in place in 2007 to 2010 were totally acceptable and used by everyone at the time.

[132] The number one question for all of these things is on value for money. Having gone through the paperwork over the weekend, that is one thing that has not necessarily featured that much in the evidence that people have given; it has been quite technical with regard to red-book valuations or non-red-book valuations. The first thing that is looked at is value for money. We then look at eligibility criteria, which are the second thing. If it does not offer value for money, you would not waste your time trying to find a way of doing a project anyway.

**Amanda Brewer Comment:** The Treasury Green Book defines value for money as optimising net social costs and benefits based on the interests of society as a whole, not just a purely economic/financial assessment. There is no evidence that throughout the internal investigation and external inquiry, Welsh Government or the Wales Audit Office has looked at the purchase in anything other than purely commercial terms or has carried out an assessment of the social benefits and the social return on investment in relation to the project.

The appraisal process adopted when the property was purchased fully complied with the internal guidance in force at the time. A full risk assessment was carried out using the electronic **Risk Assessment Tool** then available on the Welsh Government intranet, at the same time as the PerMis approval form was completed. This assessment covered all the options, risks etc. and has never been referred to or disclosed in any of the evidence I have seen relating to the River Lodge purchase. [REDACTED]

[133] Darren Millar: When did you introduce the changes?

**Amanda Brewer Comment:** HR Policies and Procedures were particularly contradictory and confusing at the date of merger, especially in relation to voluntary activities, outside interests and dealing with potential conflicts of interest etc. These rules were very quickly changed in 2010 during my disciplinary investigation.

[134] Mr Price: Those changes have been introduced gradually. With regard to no-one having formal ministerial delegations, that change has been a gradual process since I took on the role of acting director general under the previous Government. With regard to pulling the balance of delegations, it was done under this administration, so it would have been in May of last year. The property leadership team was established under the previous Government and before I was appointed. The investment panel would have been established shortly after May of last year. I do not have the exact date—I can get it if you want—but it was around the time of the election.

[135] Darren Millar: Does it not leave things open to being a little messy if something gradually develops rather than there being a new scheme of delegation from a specific date?

[136] Mr Price: I was going to say that this has been the case during the time I have been in post, but I do not think that we have ever been in a position where we have not had clear

delegations. That was, potentially, the position a long time ago, but certainly in the last three years, we have not been in a position where we have not had clear delegations We have evolved delegations in terms of being stricter. However, that has been done in a thought-through way. Potentially, on some of those things, we might loosen them up a bit to lead to quicker decision making. That will be communicated properly, and the model that I will use is the model that I saw working quite effectively in transport when I worked at that department. I adopted it, and it is just a series of notes that come out of the director's office, basically. They sit on people's desks and you build up a book of how you have to operate. It is just a series of desk instructions, and it is not difficult for people to understand.

**Amanda Brewer Comment:** Delegations were perfectly clear at the time of the merger, but that was just about the only thing that was clear. There were no up to date desk instructions relating to the merger.

[137] Darren Millar: Are you satisfied that the systems that are in place as regards delegation for property transactions are sufficiently robust to avoid the River Lodge Hotel scenario from occurring in future?

**Amanda Brewer Comment:** The assumption here is that the River Lodge transaction was wrong. As Chris Munday confirmed in his Compliance Review, the purchase was compliant and met policy objectives at the time it took place. Policies and procedures applicable in 2012 Cannot be retrospectively applied to a transaction in 2007 to justify an accusation that a transaction was wrong. That would be unfair and inequitable. Just because you could or would not do something now does not mean that it was not perfectly correct and acceptable to do it under the rules and guidelines in place in 2007.

[138] Mr Price: I do not think that you can ever have a set of systems and processes in place that can prevent anything from going wrong. I am, however, satisfied that we have done everything that we reasonably can to ensure that it would not happen again. There are two ways in which things go wrong in life, whether you are looking at operating a road safely, giving a grant to a business or anything else, frankly. You have systems and then you have people adhering to the systems; you need both to operate safely. I am content that we have systems in place. Our systems are, potentially, a bit too onerous. I am content that we have training in place so that people know the system. That does not mean that someone would not

try to get around the system. However, the fact that we have peer review for almost everything, and the fact that we do have not formal delegations in place so that everything goes on a submission folder, means that no one person can push through that type of decision.

[REDACTED]

[139] Darren Millar: You have, therefore, minimised the risk as best you can.

[140] Aled Roberts: Until when were these WDA-type delegations in place in the directorate?

[141] Mr Price: I do not know off the top of my head. It is in the paperwork that I have before me. I would have to get a note on that for you. However, the WDA-type delegations would have gone on property three years ago, probably.

[142] Mr Collins: In 2010.

[143] Mr Price: It may have been a bit before that, actually.

[144] Mr Collins: It was gone in 2010.

[145] Aled Roberts: Under the new delegations, then, would a transaction of this type require ministerial approval?

[146] Mr Price: Yes, it would.

[147] Aled Roberts: In that scenario, ministerial approval would be dependent on accurate briefings. Clearly, in this particular case, there were occasions when briefings were factually incorrect I see that you are nodding. So, what systems have been put in place to insure against that? In the current system, a Minister, in all innocence, based on incorrect information, could sign something off.

[REDACTED]

[148] Mr Price: Right. Well, there are two things—and I can smile wryly about this—the first being peer review, and the second being a number of checks and balances in the system. The reason I said that I could smile wryly is because I have been attempting to find someone to nicely shout at this morning, because they have stopped something going through the system that is actually really good and we need to do it, which proves, in a way, that the system is working. The downside of that is that it sometimes slows stuff up. However, you have the peer review in the group, so a submission could not just come without having the peer review in the first place. Then, as the submission goes through the system, checks and balances are in place, including those of the finance department, which looks at stuff and asks whether it represents value for money and whether it is legal.

**Amanda Brewer Comment:** James Price talks as if the peer review system he now has in place is new and had that system been in place in late 2006/2007 when the purchase of River Lodge was approved for the second time, it would have been stopped. [REDACTED]

██████████ until the merger in April 2006 when it was absorbed into the Welsh Government, the Land Division of the WDA had just such a peer review system with very similar checks and balances. ██████████ the proposed purchase of River Lodge was subject to an extensive Land Division peer review scrutiny before being approved in March 2006. The purchase later fell through, but was resurrected in exactly the same format in Autumn 2006 when the vendor approached ██████████, the only difference being that the peer review system was no longer in place and market values had increased by 50% in the intervening time.

[149] Lindsay Whittle: I just want to follow that up now, as it will save me asking a question later. Do you routinely see all briefings provided by your staff?

[150] Mr Price: Do I? No. I get copied into everything, but do I read them all? Honestly, no. Could I read them all? Probably, if I did nothing else. However, what I would see is anything that anyone had a problem with. Sorry, Jeff would first see it if anyone had a problem with something in his area, and he would have the opportunity—or the desire—to sort it out and work with the finance team, if it had raised the concern, to sort it out. If that could not be done, it would be raised with me, and I would then bring everyone together to try to sort it out.

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I do not think that something like the River Lodge thing would get through the stage 1 peer review. If it did, it would certainly not get past the finance team, at which point they would initially raise the matter with Jeff. You cannot push stuff through the system based on positional power—and, again, that is sometimes a frustration of mine. You would have to sort it out, prove value for money and prove legality.

**Amanda Brewer Comment:** You could not push stuff through the system by positional power in 2006/07 either. Whilst there was no peer review, there were financial checks and balances and the Regional business plan (which included the River Lodge purchase) was approved centrally.

[151] Lindsay Whittle: How robust and reliable are the briefings provided to Ministers? Clearly, whatever we in the opposition may think of them, Ministers of Government are extremely important people, and, in my opinion, their briefings should be absolutely first class.

[152] Mr Price: Yes, they have to be. That is the role of the civil service, and that is the point of the checks and balances that we have now put in place in the system, to try to ensure at all times that that advice is correct. The other thing that we have put in place, which is less relevant to the type of checks and balances that we are talking about now and more relevant to the quality of advice that Ministers get, is the Government business unit. That basically checks that things have a policy rationale, that gobbledygook is not being written down, and that things are consistent and coherent across a time period. Even that team would probably have stopped the River Lodge thing, but it is finance and compliance

that would have stopped rather, rather than policy, I think.

**Amanda Brewer Comment:** Is James Price admitting that none of this was North Region's fault because they were working quite legitimately within the system in place at the time, which also imposed governance, compliance and financial checks before the purchase was approved?

As far as I am aware, the Government Business unit checked all ministerial briefings on River Lodge and passed them; and central finance and compliance departments were also involved in the disposal proposals.

[153] Lindsay Whittle: Finally, is there a system for highlighting issues that could possibly be contentious and others that are almost day to day in nature and that no-one would notice?

[154] Mr Price: Absolutely. Again, this happens in a number of ways, and it is quite a number, so I will try to keep it to a minimum. Under the headline civil service stuff—and I am sure that you, as a committee, will be aware of this—you have the concept of novel or contentious, which means that, if you are trying to do something that has not been done before, is novel, or that might lead to contention, which we certainly had in this case, it should be flagged up. If that happens, there is another level of checks and balances outside the BETS portfolio that occurs within the Minister for finance's team. All that relies on someone flagging it up as something novel or contentious. If it is not flagged up as novel or contentious, that will not happen. I come back to the difference at the time when the Powys Fadog case went through. The checks and balances were not in place, so it was quite plausible for someone to be able to push something through the system without flagging it up. I do not think that that would happen now.

[REDACTED]

[155] Darren Millar: Before I bring Jenny in, I want to ask a question on the ministerial briefing side of things. If a Minister is provided with factually incorrect information, who carries the can for that, and what action is taken within your department to address that sort of problem?

[156] Mr Price: Ultimately, it is me—and when I say 'ultimately', I do not mean after I have exhausted a line of people in front of me.

[157] Darren Millar: So, you carry the can for the ministerial briefing.

[REDACTED]

[158] Mr Price: Yes, that is the point of being in charge, I guess. I will caveat that slightly in the sense that, under company law in the context of something far worse, such as corporate manslaughter or personal manslaughter, so if you were running something where you could damage or kill people, my responsibility would be to ensure that we had all



reasonable systems and processes in place and that we had trained all people to use those systems and processes and that, where people did not use those systems and processes, we brought people into line very clearly. That would be how a company would deal with it. A company chief executive would not be sacked simply because someone disobeyed a rule or procedure, but you could be prosecuted and/or sacked if you did not have the correct procedures in place or made sure that people followed them.

[159] Darren Millar: So, in short, you would follow a disciplinary procedure for whoever prepared the briefing, would you?

[160] Mr Price: It would depend on the level of severity. If it was the first time and someone had made a genuine error, we would just speak to them. Everyone makes errors all the time. If someone is doing something on purpose, that is a very different matter

[161] Darren Millar: Has there ever been such an occasion within the department?

[162] Mr Price: I think that I have come close to it, not in the BETS portfolio, but in other departments that I have worked in. When I say ‘not in the BETS portfolio’, I mean not in the time that I have been in my current role—that I am aware of.

[163] Darren Millar: Is the approach towards ministerial briefings consistent within each different department of the Welsh Government, given that you have worked in a couple? The reason I ask is that it is helpful information for our other grants management inquiry, where the accuracy of ministerial briefings has been questionable.

[164] Mr Price: The standard rules that we all work to are civil service rules. The only thing that I would say, as a civil servant, is that it is very easy for civil servants to hide behind the rules and give Ministers advice that they cannot do something.

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There is always a balance for me to push people to be quite creative and to take some risks.

[165] Darren Millar: But not to lie in briefings.

**Amanda Brewer Comment:** No one deliberately lied in the River Lodge briefings. Those involved (and that did **not** include me) were good and honourable people trying to do their best for the community of Llangollen, and genuinely believed that they were telling the truth in respect of the conflict of interest.

[166] Mr Price: No. The headline point that I would like to come back to again is that the first question that should have been asked was whether it was value for money. If it offered value for money, we should and would have found a way of doing it; if it did not offer value for money; we should not have done it in the first place.

**Amanda Brewer Comment:** Those involved in approving the project at the time (**not me as I was not a decision maker in the approvals process**) believed it was value for money and net social costs and benefits to the local community were optimised by the purchase.

[167] Darren Millar: We will come to some of those issues in a few moments.

[168] Jenny Rathbone: When did you take up your post in the acting capacity?

[169] Mr Price: It was about 18 months ago, so it would have been around February 2011, and then I was substantively appointed at the beginning of September 2011.

[170] Jenny Rathbone: Okay, so since February 2011, you have been operating with these checks and balances.

[171] Mr Price: Yes.

[172] Jenny Rathbone: So, is it clear that it would be impossible for someone to go ahead and sign a lease when the legal department—

**Amanda Brewer Comment:** This was not a lease it was a conditional Agreement for Lease with strict conditions to safeguard the Welsh Assembly Government's interests.

[173] Mr Price: Someone could do it, but they would be doing it outside the systems.

[174] Jenny Rathbone: Would they be sacked?

[175] Mr Price: I cannot guarantee that they would be sacked, but they would certainly be disciplined for that

[176] Jenny Rathbone: If the legal department was saying that something could be unlawful—

[177] Mr Price: Then they should not do it. There is a way through that. If the legal department said that we could not do it, we would have to meet the legal department and

agree one of two things. I would certainly be aware of this, or someone at Jeff's levels would be. We would either put a note on file saying that we were aware that the legal department had said that it was illegal or may be perceived to be illegal, but that we thought that the risk of challenge was worth taking and therefore we would do it, or we would work to find a way that the legal department was more content with.

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10.15 a.m.

[178] Jenny Rathbone: Okay. You also would not have people purchasing properties without having ensured that there was vacant possession, or some other mechanism in place for any tenants.

[179] Mr Price: We should certainly not have purchased a property with vacant possession and then left people in it, which affects its value. You can buy a property with someone in it, but that would have to be taken into account in the valuation.

**Amanda Brewer Comment:** At the time of the PerMis approval in December 2006, the intention was to purchase with vacant possession. Pre contract enquiries did indeed identify residential tenancies and the matter was discussed at length between ██████████ Property Manager ██████████ and the commercial property lawyer dealing with the purchase. The conclusion reached was that the two tenants who occupied residential accommodation at either end of the building should be allowed to remain to deter break-ins and vandalism. One residence was occupied on an Assured Shorthold Tenancy and the other, occupied by Pol Wong, on a tenancy at will. The lawyer's advice was to issue Mr Wong with a simple licence to occupy in the form of a letter on completion to avoid any problems with his occupation in the future. **Neither tenant had security of tenure and the lawyer was satisfied that vacant possession could be obtained within the development timeframe, therefore the fact that there were tenants in the building did not affect market value.**

This was not an unusual management strategy for sites and properties to be brought forward for development over a long period, especially in areas where vandalism was prevalent. An example of this is the properties purchased under CPO on West Parade, Rhyl in 2006/07 where tenants were allowed to remain but the properties were purchased at vacant possession value.

In the case of River Lodge, it was not considered appropriate for me to deal with management issues pre or post purchase because of the potential Powys Fadog lease, therefore **Property Manager Martin Williams was instructed by John Adshead to deal with the tenancies.** I do not know whether he followed the lawyer's advice and wrote to Mr Wong granting him a licence to occupy.

[180] Jenny Rathbone: You would have to have an assured tenancy.

[181] Mr Price: Yes.

[182] Darren Millar: We will touch on some of these other issues as we proceed with questions. You have a supplementary question, Oscar, and then I will move on to Aled's questions.

[183] Mohammad Asghar: I was surprised when you mentioned earlier that you do not look at every document, that they go to Jeff first and then to you. At what level of funding would

you have to read the document yourself? You cannot ignore every one. You have to start at a certain level of asset value.

[184] Mr Price: It is not done based on the level of funding, but on how contentious it is or the level of risk we are taking. So, we might quite happily give out £15 million of funding to a company to create jobs if it is a clear inward investment project. The audit trail is very easy and the only thing that is likely to happen is for the Government to get good publicity. Even in the worst case, if the company pulls out, we have processes and systems in place so that we have guarantees against the head office of the company, and we then pull the money back. I would not need to see that. However, if we were spending £150,000 on something far more contentious, where we would be taking a significant risk, and it may or may not be legal, I would need to be aware of it.

[185] Aled Roberts: I want to turn to the options appraisal, which was commissioned by the Permanent Secretary in April 2010. From my reading of the documentation that we have, it appears as though the options appraisal was conducted only in line with what were then the Government's economic development strategic objectives, which had changed in March that year. Is that the explanation for why the Powys Fadog scheme per se was not included in that options appraisal?

[186] Mr Price: I have obviously read and gone through all the papers, and I read the options appraisal again over the weekend, and it is difficult for me to say what was and was not done and why because the people who did it are not here anymore.

[REDACTED]

[187] Aled Roberts: I accept that they are not here, but is it common practice for an options appraisal not to appraise all options?

[188] Mr Price: It is not common practice to do an options appraisal after you have decided to do something already, really. If I were doing it, the first question that I would have

asked was whether it represented value for money I do not think that it is a problem to come at something halfway through and ask that question. We would obviously have had to deal with the situation quite sensitively if we were backing out of something that we had already committed to do, but, in my view, the question that should have been asked, more than whether it fitted with the policy of the day, was whether it represented value for money.

[REDACTED]

[REDACTED]

[REDACTED]

[189] Aled Roberts: Given that your overriding principle was value for money, what type of options appraisal does not include any assessment of the costs and benefits of any of the options?

[190] Mr Price: I do not know whether you want to come in, Jeff. That is kind of the conclusion that I came to All the other stuff is fairly relevant, but the bit that I would have liked to see in the options appraisal, the headline bit about whether it was value for money, is not in there. The answer to the question would have been the same: it is not value for money. If you look at the costs and then at the number of jobs that were going to be created, even if you were being as creative as you liked, I could not get this anywhere close to the value-for-money guidance that we work to on the panels. So, the outcome would have been the same, but the headline question that I personally would have put in there is whether it represented value for money or could it have been delivered in such a way as to make it value for money?

[REDACTED]

[REDACTED] policy is that any land that is declared surplus—and it looked as though the department was coming to that conclusion with regard to the Powys Fadog project—has to be offered to any public sector body.

**Amanda Brewer Comment:** What everyone seems to have forgotten here is that the options appraisal was started fourteen months before the Agreement for Lease with Powys Fadog expired. This was a binding legal agreement and at any time in those fourteen months, Powys Fadog could have obtained the money to fulfil the pre-conditions and the Welsh Government would have been obliged to enter into the lease. It was totally inappropriate to commission an options appraisal before there was certainty that the project would not be able to proceed.

[192] Mr Price: That is right.

[193] Aled Roberts: So, why bother with an options appraisal, if the easiest thing in the world would have been to declare it surplus and to await bids from the public sector?

[194] Mr Price: I do not know the full detail of the answer to that question but the headline view was that we needed to go through some kind of process, with an open mind, to explore whether the land genuinely was surplus land or not—against the policy of the day, because things had changed. That was why the appraisal process was done in that way. Could it have been dealt with in a different way? Yes, I think that it could have been. I have expressed how I think it could have been done in a different way, which was to ask whether

it was value for money or not. Ironically, not declaring it surplus would have allowed it to be dealt with far more quickly, because we could have just sold it. It is only when you declare it to be surplus that you cannot sell it.

[195] Darren Millar: Would you like to come in now, Mike?

[196] Mike Hedges: Now would be fine. Going back to the very beginning, I will outline what I do not understand. You had River Lodge and a gentleman who was running events there, while the property was being run by someone else

**Amanda Brewer Comment:** This is not correct. The same person was running the hotel and the events.

It could not make any money when it was being run as a hotel and a place where martial arts schemes were being run. How could anyone have ever thought that you could make money by just running martial arts schemes when the property was not making money before, which is why it was made available? It immediately fails the 'can it work?' test. Even if everything had gone right, and the property had been transferred and you had paid the money for it, it would still have failed that test.

**Amanda Brewer Comment:** The Powys Fadog project was a totally different proposition to the previous use of the premises. Powys Fadog had a credible business plan which passed Welsh Government due diligence on a number of occasions (To qualify for Environmental Improvement Grant and again as part of the options appraisal initiated by Gareth Hall in April 2010). It was also considered to be sufficiently strong to satisfy the Clwyd Alyn Board following intense scrutiny by their Finance Director and independent accountants Mazars, one of the largest accountancy firms in Europe. The conclusion can therefore be made that the project showed every indication of being viable and value for money.

[197] Mr Price: That is a very fair question and it reflects the conclusion that I have come to, having read all of this. That is why I said that the first question that should have been addressed was: does this represent value for money. In fairness to everyone who has gone before, the one thing that we have not talked about is the case officer who put this through, who was experienced and who knew that they were meant to act independently et cetera. In

my view, that person's judgment on this case, in terms of value for money, was not the correct one.

[REDACTED]

[198] Mike Hedges: This was not a marginal value-for-money judgment.

[199] Mr Price: No, I know that.

[200] Mike Hedges: That person got it wrong, but surely someone higher up in the chain should have picked that out. This was not a marginal question of whether it would be a good idea or not—yes or no. This was a case that, even if everything had gone right, still could not work.

[REDACTED]

[201] Mr Price: Jeff has more knowledge on this than me, so I will pass this on to him.

[202] Mr Collins: To introduce myself, I was appointed as the decision officer in the disciplinary cases that ran on from this. As a result, I have spent quite a while reviewing the files. I was also acting head of the infrastructure group from about 2010. The infrastructure group was then the transport, property and what is now next generation broadband group. My review of the files in this case showed that the anomaly between operational profit and the investment required demonstrated that it was never really going to stand on its own two feet. That led to concerns, or people started to wonder, that we were investing in a commercial organisation and, hence, engaging in state aid. Once that question was asked, a whole layer of intervention and governance said, ‘Hang on, you are investing money in something that is never going to make a profit, so is that state aid?’ Then, there was a more forensic analysis of the whole thing. So, I think that that was spotted quite a while ago, and it has probably led us here.

[REDACTED]

[203] Julie Morgan: I would first like to declare an interest, as my husband, the former First Minister, was in post at the time of these events. After an options appraisal, was a formal assessment of costs and benefits carried out?

[REDACTED]

[204] Mr Price: No. The paperwork that I have gone through does not indicate that there was. There are enough figures in the headline stuff to come to a headline conclusion, which is that it did not represent value for money. However, there was no value-for-money study, as far as I can see from all of the paperwork.

[REDACTED]

[REDACTED]



[205] Julie Morgan: So there was never a formal analysis—

[206] Mr Price: Not of the costs and benefits, no.

[207] Julie Morgan: So how was it possible to make a decision without any such formal analysis?

[208] Mr Price: The decision made itself, really, in the sense that Powys Fadog was not in a position to be able to complete on the lease that had been agreed. This is an important point. Having gone through the paperwork, if Powys Fadog could have completed on that lease with the conditions that were previously agreed, the Welsh Government would have entered into that lease. There was not a decision not to do the project—which, personally, I think that I would have taken—but there was a decision to adhere to the terms of the lease. Given that Powys Fadog could not adhere to the terms of the lease, the lease was not granted. That is one of the reasons why it has taken a very long time to deal with this. The terms and conditions of the option for lease did not expire until June last year. I am not defending it—

**Amanda Brewer Comment:** Powys Fadog was not able to fulfil the terms of the lease because the available evidence points towards the Welsh Government taking the decision to employ all the delaying tactics at their disposal to ensure that the Agreement expired before those terms could be fulfilled, whatever the cost to the Government, the individuals involved and the community. Total lack of meaningful communication with Powys Fadog left the organisation in limbo and unable as a result to pursue any external sources of funding.

[209] Julie Morgan: No, no; those are the facts.

[210] Mr Price: Yes, those are the facts of it. The decision not to pursue was lawful and correct, but taken on potentially strange grounds, because the value-for-money question was not asked.

██  
██  
██  
██

[211] Darren Millar: We understand that one of the reasons why such a significant sum was paid for the site was the prospect of potential residential housing on the site. Did that form part of an options appraisal for the site, conducted by the Government?

**Amanda Brewer Comment:** At the date of purchase it certainly did. I even went so far as to have a sketch layout of a potential residential development on the site drawn up to inform the valuation prior to purchase as the planning authority had indicated that residential use would potentially be acceptable and adjoining redevelopment sites had been sold for the same use.

[212] Mr Price: I believe that it was covered, in terms of the valuations et cetera, in the

options appraisal that was done. I am speaking from memory now. Certainly, the potential value of the residential aspects of the site drove the original valuation. To a certain extent, the answer is 'yes', in that it drove the valuation and was touched on in all of the projects.

[213] Aled Roberts: On your knowledge of the files, I thought that we had heard evidence in Llangollen that the solicitor had returned documentation to the Welsh Government but had been unable to obtain any response—that, basically, there was no communication from officials in the period leading up to—

[214] Mr Collins: I have read—

[215] Mr Price: It would be best to check that, but go on.

[216] Mr Collins: I have read the previous transcripts. This was the discussion that you had with Mr Wong. I have never seen that in the file, but I was not actually looking for it.

[217] Mr Price: We can check that if you would like us to.

[218] Darren Millar: It would be helpful if you could check that.

[219] Jenny Rathbone: How could the assessed value of the property be based on an assumption of residential development when there was no planning permission in place?

[220] Mr Price: I am less concerned about this than I am about all of the other aspects, which I think that I covered when I came here before. Having gone through this and spoken to three reasonably well-qualified, experienced and trustworthy surveyors, the conclusion that I have come to is that it was not an unreasonable thing to allow the value of a potential development within the boundary of the town to influence the valuation. I know that I am jumping around a bit here, but if you look at the valuation on the books now relating to the options agreement that we have entered into with the health board, which is £500,000 with the buildings still standing and £600,000 if the building is demolished, you will see that, luckily, it roughly tallies with what I said last time I was here, which was that it would be between £500,000 and £600,000. The valuation also says that that reduction in value is in line with the reduction in value of other similar residential sites in north Wales, and it specifies three examples that have fallen by that amount between that point, which was the height of the boom, and now.

[REDACTED]

[221] Gwyn R. Price: What is the latest position with regard to the local health board acquiring the River Lodge site?

10.30 a.m.

[222] Mr Price: Jeff might have to dig out the actual dates on this, because I do not want to mislead you, but, in headline terms, we have entered into an options agreement with the local health board to buy the site.

[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

It is not as good a news story as I would have liked to have told you, because the health board is viewed as part of the Welsh Government, in a way. That is

the reason for having the protocol in the first place—we should not look to maximise value in one part of Government and then cause a cost in another part of Government. That is the reason for the protocol about selling. If we had an options agreement with a private sector organisation, there would be a cost to that organisation if it did not go through with the options agreement. Through the options agreement, we have to sell the health board the site for £500,000 with the building on it, or for £600,000 with the building demolished—it will, most likely, be demolished anyway. Therefore, it is at no cost to the organisation. It has to exercise it by September 2013, and all the evidence is that it will exercise it. The rationale for not billing another part of the public sector for this comes from Government guidelines—it is not mine. I say that I am less happy because if we were going to bill the health board if it did not do it, it would be incentivised to complete. As it is, it is not incentivised to complete. If it does not purchase by that time, we will simply sell the site on the open market.

[223] Gwyn R. Price: I missed that date—by when do they have to exercise it?

[224] Mr Price: It is September 2013. The evidence is that it will do it much before then, and that it wants the site. However, there is due process to go through in terms of public consultation on where the health facility should be.

[225] Gwyn R. Price: So you have another year nearly. It can pull out at any time before then, and we would then be back to square one.

[226] Mr Price: We would not be back to square one, because we would immediately sell the site on the open market.

[227] Gwyn R. Price: For £500,000. However, you say that it will take up to a year again.

[228] Mr Price: Yes. That is not through anyone's doing; those are just the rules that exist. When I came here before, I said that I was not convinced that the timescales involved in the public sector land protocol were necessarily that good. However, that is the protocol, and I believe that it operates across the UK—it is not just a Wales thing.

[229] Gwyn R. Price: It would never happen in private industry, would it?

[230] Mr Price: No, but maybe it would. If X, Y, Z company had a subsidiary, which potentially might want to acquire that site, it would not make sense to dispose of that site at £600,000. The private sector would be bound to sell it back to us, with some cost added into it, even if it was only legal fees, so you would probably hold on to it. In the context of

a property portfolio that is currently worth about £200 million, which is what we currently hold on the ground, I would not say that a £500,000 site is neither here nor there, but we need to disaggregate the fact that we are holding land from the fact of whether the project was any good or not, and how we have dragged something on for such a long period of time. They are two different things.

[231] Gwyn R. Price: Yes, but we are holding on to £500,000 worth of land for which we paid, through the public fund, £1.6 million.

[232] Mr Price: Yes. There will be a lot of other land that we bought that has fallen in value and there will, equally, be land that we bought that has gone up in value.

[233] Gwyn R. Price: Not to this extent, I would respectfully suggest. Is there any more recent assessment of the total cost to the Welsh Government arising from its ownership of the River Lodge, including the latest evaluation?

**Amanda Brewer Comment:** The decrease in value of the site is purely due to the reduction in market value of residential development land. As James Price correctly confirms, all other residential development land in the portfolio will have suffered a similar reduction in value. The cost of managing the site is another issue. This is purely due to Welsh Government mismanagement, deliberate delaying tactics and inability to make a decision.

[234] Mr Price: The costs of ownership have been about £25,000 a year. That includes

business rates and services, plus any security costs—I have struggled to get that figure from the finances team. However, that will not have been anywhere near that figure; at present, security costs are not costing anything. When the building was potentially going to be used, there were higher security costs in trying to keep people out.

[235] Gwyn R. Price: The security costs would have come in if the officers had done what normal officers would do—boarded the place up and got a security firm to look after it in its entirety as a going concern. However, because it is virtually derelict now, the security costs very little.

[236] Mr Price: The view that we have come to is that the buildings were always of very poor quality. They probably would never really have been able to be utilised effectively. The best thing to have done with the buildings in the first place would have been to flatten them, which is indicated by the fact that the value of the land is higher with nothing on it.

[REDACTED]

[237] Gwyn R. Price: So, really, as Mike followed up, it was never a goer from day one. Thank you.

[REDACTED]

[238] Mike Hedges: To follow on from that, I assume that from now on you will not do anything to protect it because it is not an asset; it is a liability. In future, if you do buy buildings will you continue to follow what I have always known to be the public sector method: when you buy it, you secure it first and put security in, and then you get criticised in the press for spending all that money on securing it and putting security in? However, it does protect the building.

[239] Mr Price: You asked two questions there. On the first one, that we would not put any security on it, my biggest fear about this, as a responsible public servant—although it may be a strange thing to say in the PAC—over and above value for money is public safety. So, when you buy any land, the first thing that you have to ensure is public safety. If someone can break in, fall down a hole and kill themselves or whatever, that is the first thing that you have to guard against. Therefore, in some instances we have land where no-one can do any damage to anything, but we must have security on it because there might be mine shafts or goodness knows what else. There have been incidents in the past where people have died on our land.

[240] On the second issue, in terms of what we do with the site, that is based on whether there is a public safety issue and what the costs and benefits are of security versus no security. If, at the end of the day, you are only going to demolish something and there is no public safety issue, you would not put security on it. Typically, certainly in terms of residential stuff and transport, we try to let it because when there is someone in there it does not get broken into. Quite often we buy property because it has become derelict and therefore, by definition, you cannot let it. However, I absolutely take your point on board.

[REDACTED]

[241] Darren Millar: I have two Members who wish to come in now. I am very conscious of our time. Perhaps I could ask Members to be brief with their questions, and witnesses to be brief in their responses. I will now call on Aled, and then Jenny.

[242] Aled Roberts: I have to say that, as someone who lives five miles from the site, I do not accept that the building could only have been demolished in 2005. It may suit the Government to say that now. As far as your options agreement with Betsi Cadwaladr health board is concerned, are there any other conditions on it?

**Amanda Brewer Comment:** Aled Roberts has hit the nail on the head. It suits the Government to judge what happened between 2006 and 2009 using today's rules and policies, not the rules and policies that were actually in place at the time.

[243] Mr Price: No. I double-checked because I have seen stuff in the report about the potential for a bridge being required. There have been discussions about that, but that bridge being required does not affect the land value that has been offered. Therefore, if any bridge is required, that is a matter for the health authority, not us, and it does not affect the land value.

**Amanda Brewer Comment:** But have the health authority carried out a **value for money** assessment on the site before wasting public money by entering into an option agreement!?

[244] Aled Roberts: If a bridge is not built, will the health authority be required to provide a footpath to the site?

[245] Mr Price: That is a matter for the health authority. I honestly have no idea. I am not ducking the issue; it is a genuine answer. I would be interfering in someone else's portfolio if I—

[REDACTED]

[246] Aled Roberts: Again, it would be further expense to the Welsh taxpayer.

[247] Mr Price: The health authority would need to make a value-for-money decision on where it placed the health centre; so, that would be further value for money and further expenditure on a different project.

[248] Aled Roberts: Would you have any oversight of the health authority's options appraisal with regard to the other three sites that it currently owns in Llangollen?

[249] Mr Price: No.

[250] Jenny Rathbone: Pol Wong told us that he still has property stored in the building. Why, on your watch, has he not been asked to remove it or been charged for that?

[251] Mr Price: I need to look into that. I was not aware that that was the case. I saw that he said that, but I was not aware that that was the case. He was taken into the premises some six or nine months ago to remove stuff. So, I am guessing that the view is that if he has not asked for it back, it will go into a skip when the bulldozers come in. If he asks for it back, he can certainly have it back.

[252] Jenny Rathbone: Okay; but six or nine months ago you invited him to remove all his property.

[253] Mr Price: Yes. He was escorted on the site, which, at the time, led to some issues, I believe. I cannot remember what they were, but there were some issues.

[254] Darren Millar: Just before I go back to Mike to see whether he wants to follow up issues in terms of the protection of the assets, I have one final question on this. You indicated that you had valuations now that suggest that if the site were being made available on the open market, it would fetch between £500,000 and £600,000. However, you can only really test that by making it available on the open market, can you not?





[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[265] Mr Price: My understanding of all of this is that you declare an interest and it is then your responsibility to ensure that that does not turn into a conflict of interest. The safest way of doing that is to exclude yourself from any involvement with the project.

[REDACTED]

[REDACTED]

I do not understand how or why this was not viewed as a conflict of interest, but it obviously was not. I do not really want to talk about individuals, but I think that the case officer involved was unwise to assume that it was okay because no-one stopped her. She had a personal responsibility to herself, as much as anything else, to exclude herself would have sought an instruction from the organisation to do it, if I thought that that was what was required.

**Amanda Brewer Comment:** I can only repeat that I was the case officer for the purchase only under the supervision of my line manager. I was instructed by my line manager to acquire the building. My involvement with the project on behalf of Welsh Government ceased as soon as the purchase was completed in March 2007. I was not the case officer dealing with the management of River Lodge or the disposal to Powys Fadog.

[266] Mr Collins: The declaration of interest is a pro forma in the department. You do not actually declare a conflict of interest—it is a perception issue. You referred to recognising a conflict of interest; I think that was, looking back on it, the step that was missing. There was a declaration of interest. We get regular declarations of interest, but you normally sit with your line manager and go through it to see if it could constitute a conflict, and if there is that potential, you consider what mitigating steps could be put in place to avoid any conflict.

[267] Jenny Rathbone: Gareth Hall said that he asked the question and was told that there was no conflict of interest, but clearly that was inaccurate.

[REDACTED]

10.45 a.m.

[268] Mr Price: I am finding it difficult to answer these questions because I am trying not to criticise anyone who has done the job before me. In retrospect, that was the wrong thing to do. However, reading Gareth's evidence, he was correct in that there was the perception of a

very strong management team in north Wales. Some of those people were paid an awful lot of money. It was not just one person, but three senior managers, who were all at senior civil service level. Apparently, all of them thought that it was okay, and clearly it was not okay. I would hope, in the culture that we now have within the organisation, that that could not happen again—certainly not two people thinking it was okay, let alone three. One person might think so, but that would be an air of madness or wrongness coming over someone.

[269] Darren Millar: Given what Mr Hall knew to be the facts, that Amanda Brewer was on the board of this charity, that she was heavily involved and that she was managing this transaction, which had been disclosed as a declaration of interest and discussed at some length with her line managers, if that information appeared on your desk, what would you do?

[270] Mr Price: I have two points to make on that: I do not know that Gareth did know all of that—

[271] Darren Millar: That is what he seems to be suggesting—that he knew and had been copied in on letters that disclosed the lot—

[272] Mr Price: If that came to my desk, we would immediately look into it and that person would quickly not be dealing with that project.

[273] Darren Millar: It is easy to suggest that this is all about Amanda Brewer's judgment and her errors in the process, but it appears to me that there is a stream that travels further away from Amanda, which is also ultimately responsible for this mess.

[274] Mr Price: I think that Jeff wants to come in quickly, if that is okay. However, there are three points to make on this. I know that I keep saying this, but the number one question that was never really asked is the value-for-money one. If that had been asked routinely, none of this would have happened. The second issue is that the case officer acted incorrectly and should have known better.

[REDACTED]

The third issue is that I do not think it was down to an individual—just Gareth or just Ian Williams - because there was a culture in the organisation at that time that did not consider some of these things to be as important as we do now, because systems and processes at the level that they are at now were not in place then. They were sufficient to have stopped most people from doing it, but they were not sufficient in this instance. However, if the value-for-money question had been asked, none of it would have happened. I am trying to walk a fine line here.

[REDACTED]

[275] Darren Millar: I understand.

[276] Mr Price: Jeff knows a lot more than I do about the detail.

[277] Mr Collins: The registration of interest in this project is key, as is the mitigation and the recognition of a potential conflict. That, in my view, when I went through it, was key. This is not a comment on any individual, but what we must avoid is the mere registration of an interest being all that you ever do. There must be a management step after that. I thought

that a management step was introduced after that, which said that, post purchase, there should be no involvement so that there was a degree of mitigation. Looking back, with a bit stronger management, the management should have recognised the potential for conflict and there should have been more policing to ensure that individuals did not get themselves into a bit of a pickle.

[278] Aled Roberts: Having heard the evidence in Llangollen and here today, I am left with a distinct impression that there has been a fall guy here and that there is a degree of Teflon Cardiff, suggesting that there is a rogue element in north Wales. Surely, in any management system, it is not only up to the individual case officer to recognise conflict, and

to have management request that that case officer prepare briefings on what they knew to be a contentious issue is beyond comprehension.

**Amanda Brewer Comment:** I would like to nail the issue of ministerial briefings once and for all. I was not involved in the preparation of any ministerial briefings at all, even the first one in 2007, and I was never asked to provide information or contribute to any ministerial briefings.

In practical terms all I did was project manage the purchase under supervision. I then stepped aside and had no more dealings with River Lodge or Powys Fadog on behalf of the Welsh Government. In practise, the case officer from inception until I was suspended was [REDACTED] who was in full possession of all the facts and therefore did not need to consult me to draft the 2007 briefing on the purchase. After that date, I was not party to Welsh Government's conduct of the disposal negotiations other than through my role as a director of Powys Fadog.

[279] Mr Price: It is quite difficult for me to comment. It is stupid for me to comment on issues that I do not know that much about, but I cannot understand the conclusion that she is a scapegoat. I can understand the conclusion that it was not simply one individual, which, of course, is why the conclusion of the HR report, which we cannot get into now, was that her line manager also received a final written warning. I think that Gareth said in his evidence—and I do not know any more or less than that—that all he did was ask for this to be investigated. The outcome of that is the outcome of that. I am not suggesting that there was a problem with north Wales. I think that there was a general cultural issue across the organisation that these things were not seen to be as important as they are today. Some of this is a consequence of that.

[280] Darren Millar: Mike wants to come in and I will bring Lindsay in as well.

[281] Mike Hedges: Mr Wong was of the opinion that it was a joint venture with the Welsh Government, which was a reasonable thought for him to have because a fairly senior of the Welsh Government was placed on his board and was acting as company secretary, there were three layers of managers above her, none of whom thought it was wrong and none of whom stopped it. Had this been a worthwhile project and had actually worked, we probably would not be discussing it now, but it would still have been wrong.

[282] Lindsay Whittle: Her line manager received a warning just prior to a very convenient early retirement. That is why some of us think—I certainly do—that the official who was dismissed was the scapegoat. I have not got the evidence to give me any other indication at

the moment.

[283] Mr Price: I can understand why you are asking those questions, but I am genuinely struggling to answer them, because I have not been party to the detail of that HR stuff. We should not discuss it here anyway, because some of it is sort of personal incompetence. I just think that I am adding more vacuous comments if I talk about something that I do not know anything about.

[284] Darren Millar: Okay. We will move on to Gwyn and then we will have to leave it there.

[285] Gwyn R. Price: Amanda Brewer said in her statement that she thought that she was entitled to rely on the judgment of senior managers. Would you agree with that?

[286] Mr Price: I think that there is some element of senior management culpability, but Amanda herself was a senior individual. It is a slippery slope if you take the position that people can do anything they want as long as they can get away with it. I am not saying that that is what was happening here, but it is, potentially, the logical conclusion to that—‘I will do anything I want, so long as no-one stops me.’

[REDACTED]

[287] Gwyn R. Price: So, although she had declared an interest, which she quite clearly did, and the senior managers were on board, you believe that it was not right for the senior managers to have the same punishment as she did.

[288] Mr Price: I do not know what they saw. I assume that the HR process looked into all of that and was fair. I can assume nothing else. I would not be happy if this had happened; I would be speaking to the senior managers, personally.

[289] Darren Millar: We have to bring the session to a close. Thank you both for the

evidence. You will receive a copy of the transcript and, if there are any errors in there, feel free to let us know.

Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod  
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from the Meeting

[290] Darren Millar: I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

[291] I see that the committee is in agreement.

Derbyniwyd y cynnig. Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 10.53 a.m. The public part of the meeting ended at 10.53 a.m.

**Final Comment: It is worth noting that throughout his interview, James Price's mantra is "value for money". He mentions the words 25 times. He obviously hopes that if he mentions value for money enough, he will brainwash the PAC into believing that the purchase of River Lodge and its disposal to Powys Fadog did not represent value for money despite the fact that no evidence has been presented to the contrary.**

[Redacted] m>  
[Redacted]

Subject: Gareth Hall June 10  
Date: Thu, 10 Feb 2011 0:31

Hall, Gareth (DE&T - Director) to me, Jeffrey, PS  
show details Jun 10

Thank you for meeting Jeff Godfrey and myself along with [Redacted], [Redacted] and [Redacted] of Pennaf.

I agreed to forward you details of the relevant dates on which various actions Jeff and I outlined were instigated.

Legal concerns were relayed to Sharon Linnard's office, DE&T Director of Economic Development Group who covers the regional offices, in June 2009. This led to Chris Munday, a property specialist based in Treforest who had no previous knowledge of the project, being asked to look into the matter. He produced a preliminary report in early February of this year which led to me, as Additional Accounting Officer for DE&T, bringing it to the attention of Internal Audit and the Permanent Secretary as Principal Accounting Officer. Consequently on 5 March 2010 the Permanent Secretary instructed the Head of Corporate Governance to produce advice. That advice was provided on 8 April 2010 and led to the appointment of a fact finding investigation pursuant to relevant Assembly Government HR policies and the undertaking of an options appraisal for the site by [Redacted].

I look forward to receiving from [Redacted] a copy of the paper presented to and approved by the Pennaf Board. This information will be forwarded to [Redacted] for consideration as part of his options appraisal which will be completed end of July.

Gareth Hall

1





14 March 2011

[REDACTED] n

Dear Amanda

**Requests for Information – reference 4875**

I wrote to you on the 18 February 2011 following your request for information. In your request you asked for:

1. How many drafts/versions of the River Lodge Llangollen Project Review Report written by Chris Munday, Head of Property (Former Head of Funding), have there been?
2. What are the dates of each draft/version?
3. What is the date of the final report?

We have now had an opportunity to consider your request. Chris Munday started gathering evidence and undertaking research at the end of July 2009 and began collating his findings in October 2009, which took the form of four versions of an initial draft to develop both content and style, none of which was circulated for wider review. This work in progress was forwarded to Sharon Linnard in December 2009 who requested that his remit be widened to look at the role played by management. This called for more research over the period up to the beginning of February 2010. On 15 February a first version of a final draft was prepared by Chris and circulated for comments and evidence from HR, Compliance and Legal. Some of the comments and evidence from these parties, in so far as they related to fact were reflected by Chris in his final report dated 26 February 2010 issued to Sharon Linnard.

By this stage the Permanent Secretary, as Accounting Officer, had requested that an Internal Audit Review be undertaken. Therefore, the final report from Chris was utilised to inform this Internal Audit exercise which led to a number of recommendations and conclusions.

Any information released under the Freedom of Information Act 2000 or Environmental Information Regulations 2004 will be listed in the Assembly Government's Disclosure Log (at [www.information.wales.gov.uk](http://www.information.wales.gov.uk)).





If you believe that I have not followed the relevant laws, or you are unhappy with this response, you may request an internal review by writing to:

Peter Kennedy

[Redacted]

When dealing with any concerns, we will follow the principles set out in the Assembly Government's Code of Practice on Complaints which is available on the Internet at [www.wales.gov.uk](http://www.wales.gov.uk) or by post.

You also have the right to complain to the Information Commissioner. Normally, however, you should provide us with an opportunity to undertake an internal review before you complain to the Information Commissioner. The Information Commissioner can be contacted at:

[Redacted]

Also, if you think that there has been maladministration in dealing with your request then you may make a complaint to the Public Services Ombudsman for Wales who can be contacted at:

[Redacted]

Yours sincerely

[Redacted signature]

**Subject:** River lodge Llangollen

Sharon,

Following our meeting last month to review the first draft of my report I have discussed the additional questions you raised with [REDACTED] and amended the report accordingly. The attached revised draft shows the parts that have been changed or added highlighted in yellow for ease of reference.

The primary changes reflect including consideration of the role of the regional management in consenting to the involvement of Amanda Brewer in the Powis Fadog organisation. In particular I have looked at this issue in the context of the relevant HR policies and whether enough was done to avert any perception of impropriety, even though I concluded that no such impropriety occurred. In addition I have broadened my consideration of value for money.

If you are content with the revised draft then I would propose sharing the draft report initially with Michael Clarke and externally with The Auditor General's Office. Perhaps you would advise who should receive a copy of the final report. I have also discussed with [REDACTED] the potential for external release of the report. Geoff believes that as aspects of the report should be treated as "Staff in Confidence" and consequently any published version would need to have the references to individuals redacted rather than produce a separate edited form of report.

Regards

*Chris Munday*

[REDACTED]

[REDACTED] 8

[REDACTED] >

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** [REDACTED] 06  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** [REDACTED]

**Follow Up Flag:** Follow up  
**Flag Status:** Red

Thanks Sharon.

[REDACTED]

---

**Subject:** [REDACTED]  
**Importance:** High

Ian

May need to wait to tomorrow--Chris' report is of interest to both Mike Clarke and the Auditor General and I would not wish to send up an SF and then find queries from either or both of those particularly as, contrary to your advice to the Minister, LS advice suggests that it would be prudent to wait for the report to be concluded before proceeding with the transaction.

I'll follow with [REDACTED] when he's back at his desk this pm. I'm aware of the urgency.

Sharon

[REDACTED]

[REDACTED]

---

**Sent:** [REDACTED]  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** [REDACTED]

John,  
Thanks

Sharon [REDACTED] I propose that we send this up to the Minister for approval today. The internal review being conducted by Chris Munday is clearly referenced in the submission.

Ian

---

**From:** [REDACTED]  
**Sent:** 15 February 2010 09:06  
**To:** Williams, Ian (DE&T - IBW)  
**Cc:** Munday, Christopher (DE&T - Ops SE & Infra); [REDACTED]

email150210(2).jpg

6



[REDACTED]

Ian

Chris has confirmed that he sent his revised report on River Lodge to Sharon last Friday.

On Chris's advice I have amended the SF to include a section on the alternative options open to WAG to reinforce the benefits of the lease to Clwyd Alyn. I am content that the report is now in a form that you can recommend to the DFM.

<< File: SF-DFM-0025-10 - River Lodge, Llangollen.doc >>

To enable the lease to Clwyd Alyn to be completed in time to secure the EIG this f/y the SF needs to be submitted to the DFM as a matter of urgency



SF-DFM-0025-10 - River Lodge, ...

[REDACTED]

[REDACTED]

[REDACTED] re [REDACTED] ent [REDACTED] t

[REDACTED]

[REDACTED] 9 [REDACTED]

(7)

[Redacted]

From: [Redacted]  
Sent: [Redacted]  
To: [Redacted]  
Cc: [Redacted]  
Subject: [Redacted]

Follow Up Flag: Follow up  
Flag Status: Red

Attachments: SF-DFM-0025-10 - River Lodge Llangollen (cm revised).doc

Sharon,

As requested by [Redacted] I have amended the report in order that it now includes the key findings of my project review. These changes on pages 8 and 9 of the SF are highlighted as a comment. In view of the inclusion of this revision I would also suggest that the comments in paragraphs 14 and 15 of the legal advice might be amended.

Regards

*Chris Munday*

[Redacted]  
[Redacted]



SF-DFM-0025-10 -  
River Lodge L...

From: [Redacted]  
Sent: [Redacted]  
To: [Redacted] (F&T - Ops (E...))  
Cc: [Redacted]  
Subject: [Redacted]

Chris

[Redacted] not seen your report and I am going to be on jury service for the remainder of the week?

Kind Regards

[Redacted]

From: [Redacted]  
Sent: [Redacted]  
To: [Redacted]  
Cc: [Redacted]  
Subject: [Redacted]

Chris [Redacted]

Please see Mike Clarke's comments below with which both [Redacted] and I agree. Please amend the SF accordingly and send back to [Redacted], Mike and me at the same time to ensure as speedy clearance as possible.

Sharon

From: [REDACTED]  
Sent: [REDACTED]  
To: [REDACTED]  
Subject: [REDACTED]

Sharon I agree with this, the Minister should be made aware of the conclusions of the report (as they relate to the Submission).

From: [REDACTED]  
Sent: [REDACTED]  
To: [REDACTED]  
Subject: [REDACTED]

Sharon, [REDACTED] we have received a further draft SF on River Lodge for legal clearance. I am aware that some parts of the SF may have been amended following a conversation between Chris Munday and John Adshead, however the SF does not present to the Minister the definitive outcome of the review and conclusions drawn by DE&T's senior management on findings made by Chris. The SF states that:

*"The conclusions of the internal review conducted by a senior DE&T official are being considered by management. It is understood that the report has concluded that there were no substantive breaches of the Civil Service Code and that the official concerned has had no further involvement in the project. The Minister should be aware that this matter has been the subject of correspondence between Karen Sinclair and the First Minister".*

Whilst this is not strictly a legal issue for LS comment, it seems to me that Minister would wish to have a full "warts and all" assessment of the independent review within the SF before taking a decision on this project. Although I understand that Chris has not found any evidence of impropriety, there are I believe some issues over value for money. Even if it is a case of "we are where we are" and that there is little that can now be done to resolve these issues, it would probably be prudent to present all the facts to the Minister at the same time as asking him to make a decision. I appreciate that I have been asked to read the draft review, however can you confirm the target date for wider publication and whether you would agree that the salient points of the review (and the conclusions drawn by senior DE&T officials) should be included in the SF prior to SF being submitted to LS for clearance.

Mike

MICHAEL CLARKE

[REDACTED]  
[REDACTED]  
[REDACTED] H [REDACTED] T  
[REDACTED] uk  
[REDACTED]

9



SF-DFM-0025-10

on the part of Powys Fadog, then under the terms of the lease the property would revert to the Assembly Government.

The terms of the restrictive covenant referred to above have been further tightened to ensure that the property is used for strictly charitable and/or social enterprise and/or community based purposes only for the direct general benefit of the inhabitants of the Powys Fadog region. The memorandum and articles of association of Powys Fadog also ensure that any surpluses that may be generated over the lifetime of the project are utilised to further develop the activities of the organisation or to contribute to other bone fide social or charitable activities. Given the proposed level of public investment in this project, Legal Services have advised that there will be need to monitor "costs" (including drawings by Directors) to ensure that surpluses (that would otherwise be available for community purposes) are not siphoned away for other projects or eliminated altogether on the face of the profit and loss account. This will be the responsibility of the proposed Management Board which will include representation from Clwyd Alyn's Board.

An employee of the Assembly Government engaged in managing the Property Development Function of the North Wales Infrastructure Team is also a volunteer Director of Powys Fadog. The Minister should be aware that this matter has been the subject of correspondence between Karen Sinclair AM and the First Minister, which raised concerns as to the role of the employee in the project.

In view of the potential conflict of interest between the employees role in the property team and her voluntary role with Powys Fadog an internal review of the project from its inception to the current day has been undertaken with the primary task to ascertain whether all appropriate procedures and guidelines have been followed by both project officers and management. In addition the review included an assessment of the key terms of the original transaction to assess the drivers of the project and associated value for money.

The summary findings of this review were:

- The employee has complied with the requirements of the Code of Conduct for Staff to register declarations of interest in relation to outside interests. She has also complied with the ICT usage rules in relation to her use of the Assembly e mail system for personal matters.
- There was no undue interference by the employee in the project decision making, though in the interests of greater transparency it would have been advisable if she had not taken an active role in the lease negotiations on behalf of Powys Fadog.
- Similarly, in the interest of greater transparency, it would have been advisable for her not to have used her employment e mail in conjunction with either the lease negotiations or the application to WEFO.
- Assembly Staff are required to obtain the consent of a senior manager in relation to appointments to outside organisations, whether paid or voluntary. In this case

draftSFp2.jpg

10



SF-DFM-0025-10

the requisite consent was given to the employee but there is no record of the considerations taken into account in the management decision.

- There has been no compliance breach in the acquisition and letting of the property. In accordance with the DE&T Guidelines on the Acquisition and Disposal of Property as they relate to transactions by private treaty the property values have been verified by independent valuations.
- The net cost of the project does appear high relative to the outcomes and benefits targeted. A more robust value for money challenge should have been included in the initial project appraisal process.
- The level of protections in the lease and purchase option adequately ensure that the property can only be used in conjunction with its community and social enterprise purposes and that there are adequate and enforceable protections against opportunist profit-making.

To avoid any further potential conflict of interest, this person has had no involvement in the most recent negotiation of the lease with either Clwyd Alyn or Powys Fadog and has made a formal written declaration to this effect. All negotiations and appraisals have been carried out by the Asset Management Manager or the Head of Regional Infrastructure to ensure that there could be no suggestion that there had been any breach in the Civil Service Code of Conduct.

Whilst the project review has challenged the value for money of the original purchase the option appraisal described above has been based on the need to assess the best way to move forward with a disposal of the site having regard to current Ministerial priorities. In monetary terms the appraisal has also sought to identify the best option in terms of balance of risk and additional cost.

#### 6. Legal Advice

Legal Services expressed concern about aspects of this proposal in the previous MB (0617/09). With the inclusion of Clwyd Alyn (CA), the proposals have now substantially changed. Legal Services have considered the new proposals afresh. The summary of the legal advice is that the proposed grant to CA appears to be lawful state aid – subject to compliance with the conditions of the Welsh Property Development Grant Scheme. However, there are other relevant factors to consider:

- The proposals have not been the subject of an open and transparent bidding process, meaning that we cannot be sure that the process has complied with EU law or that the proposals represent market value or value for money;
- The proposals have been considered by the District Valuer who has confirmed that given the circumstances of the transaction, they represent market value;
- The basis of that valuation raises certain questions which could leave it vulnerable if challenged (see detailed legal advice in Doc 2). However, policy officials are satisfied that the valuation is robust and are satisfied that the proposals represent

Comment [m1]: This is my amendment to reflect the finding of my report.

email030210.jpg

14



[Redacted]

**From:** [Redacted]  
**Sent:** [Redacted]  
**To:** [Redacted]  
**Cc:** [Redacted]  
**Subject:** [Redacted]

**Follow Up Flag:** Follow up  
**Flag Status:** Red

As you are aware Sharon has asked Chris Munday to prepare a report on this case, an exercise in which you have cooperated fully.

Once the conclusions are to hand I will get back to you straight away.

Gareth

Gareth Hall  
Director General

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

From:

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

From:

[Redacted]  
[Redacted]

The Perm. Sec. is initiating an independent review of this case and the possible implications. Please cooperate fully with the review team.

Mr Wong should be advised that the project is being validated and you'll get back to him within the next week by which time the exercise should be completed.

Gareth

Gareth Hall  
Director General

[Redacted]  
[Redacted]  
[Redacted]

[Redacted]  
[Redacted]

[Redacted]  
[Redacted]

For info

As this is now in the hands of the Perm sec I will not contact Pol until I have clear instructions.

[Redacted]  
[Redacted] m]  
[Redacted]

Annwyl Ian

I am extremely worried about the situation concerning the state of play with the project. I have

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phoned you numerous times and left messages asking you to call me back and explained that it is urgent that I speak to you but for some reason you have not responded. As you know time is running out and we risk losing everything.

We are completely at a loss as to why there is a delay in getting the project signed off especially since we have been informed that the minister seems to be under the impression that it has been dealt with. This information came to us some weeks ago now.

Given that it is well known that time is a serious issue it seems incredible that there has been no progress and worse still no explanation, and even worse still a wall of silence on the matter.

Therefore please can you give me an update on the situation urgently.

If there is a problem then please inform us as to what it is so that we have chance to address it.

Diolch Pol Wong

This email was received from the INTERNET and scanned by the Government Secure Intranet anti-virus service supplied by Cable&Wireless in partnership with MessageLabs. (CCTM Certificate Number 2006/04/0007.) In case of problems, please call your organisation's IT Helpdesk. Communications via the GSi may be automatically logged, monitored and/or recorded for legal purposes.

Derbyniwyd y neges e-bost hon o'r RHYNGRWYD a chafodd ei sganio gan wasanaeth gwrthfeirysau Mewnwyd Ddiogel y Llywodraeth (GSI) a ddarparwyd gan Cable&Wireless mewn partneriaeth â MessageLabs. (Rhif Tystysgrif CCTM 2006/04/0007). Os oes gennych unrhyw broblemau, cysylltwch â Llinell Gymorth TG eich sefydliad.

Mae'n ddigon posibl y bydd unrhyw ohebiaeth drwy'r GSI yn cael ei logio, ei monitro a/neu ei chofnodi yn awtomatig am resymau cyfreithiol.

14



Karen Sinclair  
*AM for Clwyd South*



Cynulliad National  
Cenedlaethol Assembly for  
Cymru Wales

[REDACTED]  
[REDACTED] it  
[REDACTED] A

08 MAR 2010

3<sup>rd</sup> March 2010

Dear Edwina and Jane,

I hope you will excuse me for writing to you both as I am unsure which Minister it would be best to approach in the first instance on this issue. I hope that as I explain the purpose of this letter you will understand the reason for my approaching you both.

As you will both be aware, for many years now I have been involved with local stakeholders in Llangollen exploring the possibilities for a new health centre in the town. Not only is the current practice surgery in need of serious upgrading, the community hospital is also beyond remediation on its present site.

Some four years ago our North Wales Economic Development office purchased The Woodlands Hotel, which sits on the Wrexham Road entrance to Llangollen, with a view to leasing the building to a local group called 'Powys Fadog'. This group have to date been unable to draw down funding for their planned use of the building and I am not surprised by this failure as the plans are of no value to the local area and have failed to gain any local support. Indeed I have been approached by many concerned residents as well as by a local County Councillor and Town Council, none of whom have welcomed the planned use

Having met with our local GP's recently we of the opinion that the Woodlands site is one of the last possible suitable sites within the town for a new health centre. In the past both the local GP's and Local Health Board had dismissed the possibility as purchasing such a site from a private owner would have been prohibitively expensive. However now that the site sits within the portfolio of the Welsh Assembly Government, it seems to me we now have an opportunity to use the location for a much needed new community health facility.

I would very much appreciate your thoughts on how to take forward this issue and explore the possibility of using the Woodlands facility for a local health centre in Llangollen. I look forward to your prompt reply.

Yours sincerely,

*Karen*

KAREN SINCLAIR, AM  
CLWYD SOUTH

[REDACTED] A

Email: [Karen.Sinclair@wales.gov.uk](mailto:Karen.Sinclair@wales.gov.uk)

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[REDACTED]

WELSH ASSEMBLY GOVERNMENT  
CATHAYS PARK  
CARDIFF CF10 3NQ

Telephone (Direct Line): 029-20-821659/3571

[REDACTED]

[REDACTED] ed [REDACTED] yd [REDACTED] )  
[REDACTED] S [REDACTED] DL  
[REDACTED] THAU [REDACTED] DL  
[REDACTED] S [REDACTED] DL

[REDACTED]

[REDACTED]

[REDACTED]

I write further to your letter dated 27<sup>th</sup> April 2010.

In your letter you ask whether a report that was commissioned by Sharon Linnard, written by Chris Munday, could be released for your consideration.

I understand from DE&T management that this piece of work is incomplete and as such, we are unable to release this information. I am also informed that due to the ongoing work of Internal Audit and the Fact Finding Officer, there are no further plans to complete the report at this stage

[REDACTED]

16

[Redacted]

Yours sincerely

[Redacted]

PP Peter Kennedy

cc: [Redacted]

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2

Munday, Christopher (DET- EDG - SE Infrastructure)

From: [Redacted]  
Sent: [Redacted]  
To: [Redacted]  
Subject: Riverlodge, Llangollen,

Attachments: River Lodge Report issued 26 Feb 2010.doc; Extract WDA Employee Handbook.doc

[Redacted]

As promised at our meeting on Friday morning I attach an extract from the WDA employee handbook which contains the whole of the section on private interests. For ease of your reference I have highlighted in yellow the paragraph that I regarded as the most relevant to the case in December 2005.

I have also checked that the copy of my report was indeed the final issued version. For absolute clarity I attach the version that my records show as being the report that I issued at 16:45 on Friday 26th February 2010 to [Redacted] and which was copied to [Redacted] and HR department. Subsequent to that date I have not issued any copies to any other persons since.

I would confirm handing to you my folder of copies of file extracts that I considered to be the key documents and correspondence in preparing my project review report. My [Redacted] will copy the Property Guidelines that we discussed and put in the post to you today, Monday. I would additionally confirm my agreement that there is no detailed note of our discussion placed on record.

If I can be of any further assistance please do contact me.

Regards

*Chris Munday*

[Redacted]

[Redacted]



River Lodge Report issued 26 F...    Extract WDA Employee Handbook..

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Munday, Christopher (DET- EDG - SE Infrastructure)

From: [Redacted]  
Sent: [Redacted]  
To: [Redacted]  
Subject: Riverlodge, Llangollen,

Attachments: River Lodge Report issued 26 Feb 2010.doc; Extract WDA Employee Handbook.doc

[Redacted]

As promised at our meeting on Friday morning I attach an extract from the WDA employee handbook which contains the whole of the section on private interests. For ease of your reference I have highlighted in yellow the paragraph that I regarded as the most relevant to the case in December 2005.

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I would confirm handing to you my folder of copies of file extracts that I considered to be the key documents and correspondence in preparing my project review report. My [Redacted] will copy the Property Guidelines that we discussed and put in the post to you today, Monday. I would additionally confirm my agreement that there is no detailed note of our discussion placed on record.

If I can be of any further assistance please do contact me.

Regards

Chris Munday

[Redacted]

[Redacted]



River Lodge Report issued 26 F...    Extract WDA Employee Handbook..

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Llywodraeth Cynulliad Cymru

From: [REDACTED]  
Sent: 24 May 2010 16:21  
To: [REDACTED]  
Cc: [REDACTED]  
Subject: River Lodge  
Sensitivity: Confidential

[REDACTED]

I am working with [REDACTED] and [REDACTED] on 2 cases related to River Lodge. Gareth Hall has agreed that the report on River Lodge, previously prepared by Chris Munday should be released to the 2 individuals concerned. I have copied this into [REDACTED] so that she can confirm that this is the case with Gareth Hall.

I now need the agreed version of the Chris Munday report so that I can redact it before issuing to the 2 individuals.

Could you please email me a copy of the report or point me in the direction of where I can get the agreed version of the report?

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

On leaving the Government Secure Intranet this email was certified virus free. Communications via the GSI may be automatically logged, monitored and/or recorded for legal purposes.  
Wrth adael Mewnwyd Ddiogel y Llywodraeth nid oedd unrhyw feirws yn gysylltiedig â'r neges hon. Mae'n ddigon posibl y bydd unrhyw ohebiaeth drwy'r GSI yn cael ei logio, ei monitro a/neu ei chofnodi yn awtomatig am resymau cyfreithiol.

Reply Forward

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FYI

----- Forwarded message -----

[REDACTED] <[REDACTED]>  
 [REDACTED]  
 [REDACTED]

[REDACTED] Amanda

Thank you for your request for information which we received on 28 April 2010. Due to the nature of the information being requested this has been logged as two separate requests, numbers ATISN 4205 & 4206, which will be dealt with by PPCS and DE&T respectively. You asked for:

## ATISN 4205:

1. A copy of my personnel file
8. Date that Nic Neal left WDA / Welsh Assembly Government.
9. Date David Plikington left WDA / WAG.
10. Date of the merger between WDA / WAG.
11. Date Karen Hirst took responsibility for WAG Land Division.
12. Date Vanessa Griffiths left WAG.
13. Date Karen Hirst left WAG.
14. Date John Adshead took on interim responsibility for Area Development, Land Division and Property following Karen Hirst's departure.
15. Date John Adshead was first appointed Head of Infrastructure.
18. Details of any action taken against Karen Sinclair for an aggressive phone call regarding the purchase of River Lodge and the subsequent disclosure of personal information (a photocopy of a ministerial briefing containing my name and reference to me being a director of Powys Fadog)
20. The allegations made against me are very broad and I should be obliged if you could provide me with specific details and examples.
21. Details and examples of personal data you believe should not be stored on the H drive.
22. Details and examples of the volume and content of personal emails during office hours.
23. Full details of who has made these allegations and the dates and form of these allegations.

## ATISN 4206:

2. Any emails or other correspondence mentioning my name, River Lodge / Woodlands Hotel or Powys Fadog in relation to the alleged misconduct.
3. Copies of any complaints or allegations of misconduct made against me or against the project (River Lodge / Powys Fadog) by third parties.
4. Copies of all emails or other correspondence to or from AM's, MP's, Ministers or members of the public containing my name or mentioning the project (River Lodge / Powys Fadog)
5. Copies of all correspondence, reports, emails and other documentation between Assembly Government officials relating to

(22)



allegations of conflict of interest.

6. Copies of all Ministerial Briefings and Ministerial Submissions mentioning the project (River Lodge / Powys Fadog), containing my name or reference to an Assembly Government Employee being a director of Powys Fadog or connected to Powys Fadog as a volunteer.

7. Copies of all ATC's, AIP's, PERMIS approvals and Disposal Authorities relating to River Lodge from the beginning of 2005 onwards with accompanying backing papers, including those papers approved by the Land Division of the WDA.

16. Email from Amanda Brewer to Gareth Hall re the behaviour of Karen Sinclair AM referring to a possible grievance procedure because of disclosure of personal data to third parties and naming Amanda Brewer (sent between February 2007 to the end of 2007).

17. Date of the meeting between Amanda Brewer and Gareth Hall which took place at my desk in the St Asaph office re the above and minutes of the conversation, if any.

19. A copy of the report on the purchase of River Lodge carried out by Chris Munday.

Please let me know if this is not an accurate description of the information you have requested.

We are actively considering these requests in turn, a number of which fall to be treated as a subject access request under the Data Protection Act 1998 with the balance covered by the Freedom of Information Act 2000. Apologies for the delay and we hope to be in a position to contact you further in the near future.

The request you sent contains personal data about you - for example, your name and address. We will only use this personal data in accordance with the Data Protection Act 1998 to deal with your request and any matters which arise as a result of it. We will keep your personal data and all other information relating to your request for three years from the date on which your request is finally closed. Your personal data will then be disposed of securely.

Any information released under the Freedom of Information Act 2000 or Environmental Information Regulations 2004 will be listed in the Assembly Government's Disclosure Log (at

[Redacted]

Kind regards

[Redacted signature block]

[Redacted text]

[Redacted text]

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----- Forwarded message -----

[Redacted] <[Redacted]@[Redacted].uk>  
Date: Fri, Sep 10, 2010 at 10:31 AM  
Subject: River Lodge  
To: [Redacted]@[Redacted].m

Dear Pol Wong

I refer to your email of 1 September 2010 sent to the Permanent Secretary in response to her letter dated 24 August 2010. The Permanent Secretary has asked me to deal with your latest comments in my capacity as Head of Corporate Governance, and on the basis that my internal audit advice gave rise to the investigation and the options appraisal which are now being undertaken. The Permanent Secretary will, of course, make a statement when those activities have been concluded.

I note your continuing reservations about process and meeting standards required by the Code of Conduct. I can only reiterate that the investigation and options appraisal which are now being undertaken were recommended by me explicitly for the purpose of providing assurance that proper procedures, and the standards required by the Code of Conduct, are being adhered to. Whilst I recognise that the time taken to undertake these detailed exercises are a cause of frustration to your organisation, the primary concern for both exercises is to ensure that the highest standards, in terms of propriety and value for money, are being adhered to in the public interest.

The options appraisal which is being undertaken by [Redacted] is intended to assist the future decision making in relation to the site. Those decisions are matters for the Department for Economy and Transport of which Gareth Hall is the Director General. Mr Hall is fully entitled to ensure that all relevant issues which he feels need to be addressed are considered as part of the options appraisal. His request for Mr Bampton to address matters relating to the agreement for lease and the Pennaf proposal (or any other matters) does not indicate any procedural irregularity. The purpose of the options appraisal is to assist Mr Hall and his Department in taking forward outstanding issues in relation to the future use and development of the site. This decision will be based on securing the best value for money from an asset owned by the Welsh Assembly Government, taking into account a range of relevant issues and considerations.

In preparing my advice to the Permanent Secretary I took full account of the report which was then under preparation by Mr Munday, together with files made available to me by the Legal Services Department. The actions taken following my advice reflect concerns about how the acquisition and proposals for disposal of the site have been handled, and the need to ensure that any further decisions on the site follow a full appraisal of the options available to the Welsh Assembly Government. Information has continued to be disclosed in accordance with the Welsh Assembly Government's obligation under Freedom of Information legislation.

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### Summary Findings

- At the time the project was initiated within the WDA, the requirements of that organisation for disclosure of outside interests and for the related matters to be dealt with by another employee were fully complied with.
- I have seen no evidence of actual impropriety or deliberate wrongdoing by Mrs Brewer in either the purchase of the property or in subsequent negotiations between the Assembly and Powys Fadog.

[REDACTED]

[REDACTED]

[REDACTED]

- I conclude there has been no breach of compliance in either the acquisition of the freehold interest or the granting of the Agreement for Lease to Powys Fadog. In accordance with the DE&T Guidelines on the acquisition and disposal of property, as they relate to transactions by private treaty, the property values at each stage of the transaction have been verified by independent valuations which were provided by the District Valuer. The valuation for the acquisition was not obtained prior to the formal approval of the acquisition but it was provided prior to legal completion of the purchase. In my view this is a minor breach which does not undermine the valuation as evidence of market value.
- The net cost of the project relative to the outcomes and benefits outlined in the project appraisal appears to be exceptionally high. The project appraisal recorded in the PerMis system, dated December 2006, does not include a robust analysis of delivery options or a value for money challenge but does make clear that one of the two main reasons for the purchase was to enable use by the Powys Fadog Company, the other being visual enhancement of the approach to Llangollen. I consider this to be a weak appraisal.



- [REDACTED]
- There was a two year lapse between the initial project appraisal being undertaken and the grant of the lease to Powys Fadog. A new, or at least a revised, project appraisal should have been undertaken prior to the grant of the Agreement for Lease. This could have re-assessed fit with the then prevailing policy aims and Ministerial priorities as well as re-assessing delivering options and value for money.
- Utilising a conditional Agreement for Lease does ensure that the lease will not be granted until Powys Fadog are able to produce evidence of funding. The level of protections built into the lease and purchase option are designed to ensure that the property can only be used in conjunction with the defined community and enterprise purpose. I consider the legal documentation contains adequate and enforceable protections against opportunist profit making.
- The lease documentation contains a restriction on use which in effect is personal to Powys Fadog. The risk of State Aid challenge could have been reduced if the restrictive user clause had been more generic in its definition of charitable and social enterprise purposes.
- The decision to proceed with completing the legal agreements with Powys Fadog was premature as there had been no agreed resolution of the various issues raised by Legal Services. Whilst the records show that Management made a risk based decision, and in a subsequent Ministerial Briefing did highlight the risk issues, it would have been prudent to at least seek agreement with Legal Services on the nature of the risk and strategies to manage and reduce that risk.
- I note that since the commencement of my report, Powys Fadog have failed in their bid for funding from WEFO but that a new proposal is now in front of the Assembly for a third party organisation to take a lease and sub-let to Powys Fadog. My report has not considered any aspect of this most recent proposal.

- [REDACTED]

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DOC5

From: [redacted] s [redacted] r [redacted] y [redacted] [redacted]  
[redacted] uk]  
[redacted] )  
[redacted] k [redacted], [redacted] E [redacted]

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[redacted] uk]  
[redacted] s [redacted] r [redacted] y [redacted] [redacted]  
[redacted] k [redacted], [redacted] E [redacted]

IN [redacted] N  
Importance: High

Andrew,  
Following our discussion last week the Minister has replied to the attached letter suggesting that the Health Board are best placed to look into Karen Sinclair's proposal.  
The problem is that the Minister has also requested an update on the woodlands Hotel and the proposed Health Centre in Llangollen by this Friday. Could you please provide me with information by the deadline? When we spoke last week you mentioned that the Hotel was unsuitable for a Health Centre. I forgot to ask at the time if there is any reason why the current building couldn't be demolished and the new Health Centre built on the site. We would like to be able to provide a positive brief to the Minister if that's possible. Happy to discuss. Thanks.

f>>  
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## STATEMENT BY THE PERMANENT SECRETARY

In reinforcing a statement on her behalf in an article in today's Western Mail, Gill Morgan, Permanent Secretary of the Welsh Assembly Government confirms that the internal audit review instigated in relation to the acquisition and subsequent proposals for the disposal of the River Lodge site in Llangollen was solely at her behest. This was initiated in her role as Principal Accounting Officer with legal responsibility for ensuring probity and value for money in the use of public funds. It was not due to or influenced by any political representations or correspondence.

3 September 2010

Statement by Amanda Brewer in relation to the meeting with Gareth Hall in March 2007

In February 2007 a section of a Ministerial Briefing (MB) was released by Karen Sinclair AM to residents of Bishop's Walk, a housing development adjoining River Lodge, together with misleading information regarding the use of the building by PF designed to set people against the project. The MB contained personal data including my name and my position as director and company secretary of Powys Fadog. I wrote to [REDACTED] and Vanessa Griffiths expressing my concern and the possibility of pursuing a formal grievance procedure as I considered Karen Sinclair's behaviour was unacceptable and a breach of protocol and the Data Protection Act. Jane copied this email to Andrew Davies's office and various other senior officials, including Sharon Linnard (SL) and Gareth Hall, (GH) and it my understanding that GH then took personal responsibility for the matter (see attached emails and attachments)

In her telephone conversation with VG [REDACTED] stated that she recalled [REDACTED], GH SL and me discussing the matter at length and that GH even spent some time specifically with me and JA discussing the issue on one of his visits to North Wales. I can definitely remember GH coming to my desk in St Asaph and sitting down with me to discuss the issue, apologising for what had happened and assuring me that my professional integrity was not in question. I also remember that I agreed not to take the matter up formally as a grievance providing the appropriate action was taken to ensure that Karen Sinclair was dealt with in an appropriate manner and committed no further breaches of protocol in respect of myself or any other WAG official. My colleague [REDACTED] can confirm this as he was sitting in the desk opposite when the meeting took place. JA was not party to this meeting and I was not included in any meeting between VG, GH, SL and JA regarding the incident, however, I do recall that GH came out of a meeting with VG and SL to discuss the above with me.

It is clear that GH and senior management were aware of the potential conflict of interest issue and my involvement with PF as a volunteer director and advisor several weeks before the completion of the purchase of River Lodge. They were also aware that Karen Sinclair had asked for an investigation. Surely if there had been any concern whatsoever that my association with Powys Fadog was, or had the potential to, bring WAG into disrepute, or I was putting myself into a perceived/potential conflict of interest situation, they could have stopped the purchase going ahead or removed me from the project immediately. Surely if senior management had concerns about my involvement and [REDACTED] judgement in the matter, the investigation occurring now should have happened three years ago and I should have been given clear instructions on what was or was not acceptable behaviour for a volunteer in such circumstances.

Amanda Brewer  
2<sup>nd</sup> November 2010



[Redacted]

[Redacted]: [Redacted]  
Sent: 22 January 2010 10:27  
To: [Redacted], [Redacted], [Redacted]  
Subject: FW: MB/DFM/0617/09 - River Lodge, Llangollen

See below - what do you want to do?

[Redacted]

[Redacted]

[Redacted]

From: [Redacted], [Redacted] [Redacted] [Redacted]  
Sent: 22 January 2010 09:51  
To: [Redacted]  
Cc: [Redacted]  
Subject: FW: MB/DFM/0617/09 - River Lodge, Llangollen

[Redacted]

See below - I think it might be best to withdraw the MB and submit an SF.

[Redacted]

**Christopher Warner**  
Senior Private Secretary to the Deputy First Minister / [Redacted] [Redacted] g  
[Redacted] y [Redacted] nt | [Redacted] th [Redacted] d [Redacted] J  
[Redacted] 738  
[Redacted] 98  
[Redacted] si.gov.uk

From: [Redacted], [Redacted] (t)  
Sent: 22 January 2010 09:26  
To: [Redacted]  
Cc: [Redacted]

[Redacted]

**Subject:** RE: MB/DFM/0617/09 - River Lodge, Llangollen

Thanks Jeff.

[Redacted] I think the DFM needs to be aware of Jeff's comments - this might affect the immediate clearance of the MB.

**PETER GREENING**

[Redacted]

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**From:** Godfrey, Jeffrey (LS)

**Sent:** 22 January 2010 09:18

**To:** Greening, Peter (DFMC - Cabinet Secretariat); [Redacted]

**Cc:** [Redacted]

**Subject:** RE: MB/DFM/0617/09 - River Lodge, Llangollen

Peter,

Legal Services did express concerns about the original proposals put forward in this matter: those concerns primarily relating to state aid issues, and issues surrounding the potential conflict of interest and the results of the investigation into that matter. The advice from LS was included in earlier advice put to the DFM on this matter. The advice from LS was risk based, flagging up the risks that might arise in relation to the matter. Our understanding is that - on the basis of that risk based approach - the Minister decided to proceed with those proposals.

LS have not been asked to advise on the revised proposals put forward in this MB, either from a public law or property law point of view. Commercial Legal Services have however been informed that instructions to proceed with the proposed transaction will shortly be forthcoming, and we will consider those when they are available. On the basis of the information contained in this MB, it appears that there remain risks relating to state aid and procurement compliance. It may be that there are possibilities for mitigating those risks, but those possibilities would need to be explored further with policy officials, and there are other issues that need clarification before further comprehensive public or property law advice can be provided.

It remains the case that the investigation into the potential conflict of interest has still not concluded. It would be prudent to wait for that report before proceeding with any proposal in relation to the development of this site.

Jeff Godfrey

[Redacted]

[Redacted] ov [Redacted]

[Redacted]

**From:** Greening, Peter (DFMC - Cabinet Secretariat)

**Sent:** 18 January 2010 08:33

**To:** Godfrey, Jeffrey (LS); [Redacted]

**Cc:** [Redacted]

**Subject:** FW: MB/DFM/0617/09 - River Lodge, Llangollen

Chris/Jeff: This has been under consideration for some time and it is helpful that we are now close to a resolution but given the potential financial implications for the Assembly Government I would appreciate Chris' advice on the risks involved - although this is an MB rather than an SF I think we have an interest in FP clearing this. As for the legal advice I have a worry about the wording in the second para of section 7 which says officials have "attempted to address LS concerns". It doesn't actually say that LS has cleared the proposed approach - Jeff: could you advise please. Finally, the contentious issue of one of the Directors being and Assembly Government employee appears to be addressed and [Redacted] may wish to note.

**PETER GREENING**

[Redacted] r  
[Redacted] t  
[Redacted]

**From:** [Redacted]

**Sent:** 15 January 2010 15:23

**To:** PS Deputy First Minister; PS First Minister; PS Minister for Heritage; PS Deputy Minister for Science Innovation & Skills; [Redacted]

[Redacted]

[REDACTED]

**Subject:** MB/DFM/0617/09 - River Lodge, Llangollen

**COMMERCIAL CONFIDENTIAL**

Please find attached completed brief. Apologies that the briefing is longer than the preferred 2 pages – this is felt necessary due the complexity of the matter. Hard copy to follow via IDS.

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]



**Perceived malpractice and wrongdoing in relation to the Compliance Review  
Report by Chris Munday, then Head of Property Funding**

This paper provides details of what I believe to be serious malpractice and wrongdoing by Welsh Government (WG) officials in relation to the disciplinary process in respect of [REDACTED] and myself. The matter under consideration is the anomalies surrounding the publication of the Chris Munday (CM) Project Review Report, referred to as the Compliance Review Report in the Wales Audit Office Report on River Lodge. I respectfully request that the Public Accounts Committee investigates this matter further and takes appropriate action against the senior civil servants involved, including the PS Dame Gilliam Morgan.

**Background**

1. The CM Report was commissioned by Sharon Linnard (SL), Executive Director of Operations and Economic Development, DE&T in either June, **(Page 1)** July 2009 **(Page 2)** or September 2009 (according to Chris Munday's witness statement for my Employment Tribunal) Fact Finder [REDACTED] (AP) stated in her Fact Finding Report prepared for my disciplinary hearing it was June 2009, so one must assume that this was the correct date as she was supposed to independently verify the facts.
2. On 12 Feb 2010 **(Pages 4 & 5)** CM clearly stated in an email to SL that he had found no impropriety in my involvement with Powys Fadog.
3. On 15 Feb 2010 **(Page 4)** SL confirmed to CM that she was content with his report. On the same afternoon, [REDACTED] (GS) Head of Compliance, emailed SL and CM **(Page 4)** to tell CM that his Report was excellent, and could be regarded as the finished product. Also on 15 Feb 2010, **(Pages 6 & 7)** there was an exchange of emails regarding a Ministerial Submission (SF) on River Lodge in which the CM Report was referenced. [REDACTED]

4. On the 16 Feb 2010, there was a further email exchange (**Pages 8 & 9**) regarding the SF on River Lodge in which Michael Clarke (MC), Legal Services, put forward his views, [REDACTED]  
[REDACTED]
5. On 17 Feb 2010, (**Page 8**) CM amended his Report to take into account the key findings of his project review. (**Pages 10 & 11**) He provided these findings to [REDACTED] in the form of tracked changes to the draft SF which [REDACTED] was preparing. Prior to emailing [REDACTED] with the extract from his draft Report, CM phoned [REDACTED] to assure him that the report had not found any significant breaches of policy or protocol and that I would be subject to only a very minor form of disciplinary action amounting to no more than “a rap across the knuckles”. ([REDACTED] confirmed this in his signed witness statement for my Employment Tribunal)
6. [REDACTED] He appeared to be anxious about the delay in approving the SF, (**Page 12**) so he emailed Gareth Hall (GH) with his concerns. GH replied (**Page 12**) that he would get back to [REDACTED] when the CM Report was to hand, however, he never did.
7. The CM Report was finalised and issued to SL on 26 Feb 2010 (**Page 2**) but the summary and conclusions (**Pages 30 – 37**) differed substantially from the key findings supplied by CM on 17 February, which were included in the draft ministerial submission of that date. (**Pages 10 & 11**)
8. On 4 March 2010, Pol Wong (PW) wrote to the Head of the North Wales Regional Office, Ian Williams (IW) complaining about lack of communication from WG and emphasising the urgency in progressing matters (**Pages 13 & 14**). IW sent an email to GH a few hours later telling GH that he would not contact PW without clear instructions as he was aware that the River Lodge Project was now in the hands of the Permanent Secretary (PS).

*The question to be answered here is when did the PS take over? It could have been any time between 17 Feb 2010 and 3 March 2010.*

9. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

10. On 3 March 2010, KS wrote to Ministers Edwina Hart AM and Jane Hutt AM asking for advice on putting a health centre on the River Lodge site **(Page 15)**. *(Note the allegation that the town council did not welcome the Powys Fadog Project, the opposite of which is true).* [REDACTED]  
[REDACTED]  
[REDACTED]

11. [REDACTED] and I were suspended on 14 April 2010. This came out of the blue, considering CM's phone call in February in which he told [REDACTED] that neither [REDACTED] nor I had anything to worry about.

12. At the first opportunity after our suspension, [REDACTED] and I asked for the CM Report as part of our defence but this request was denied. [REDACTED] made a further request in writing on 27 April 2010 and I made a similar request by email on 28 April 2010. [REDACTED] received a reply from Peter Kennedy (PK) Head of HR on 7 May 2010 **(Page 16 & 17)** in which he stated categorically that *it was his understanding that the CM Report was incomplete and that there were no further plans to complete the report "at this stage"*. On 25 May 2010 I also received an email from [REDACTED]  
[REDACTED], which confirmed categorically that the request for access to the CM Report had been treated as an FOI number ATISN 4206. **(Pages 22 & 23)** This is further confirmed in a letter to me from [REDACTED]  
[REDACTED], dated 28 May 2010 **(Pages 24 & 25)**

13. We know that as part of her Fact Finding Investigation, Fact Finder [REDACTED] interviewed CM on 14 May 2010. The contents of a heavily redacted email (**Page 18**) dated 17 May 2010 obtained under FOI mentions a meeting on Friday morning (14 May 2010) and it would appear from the contents that it was sent by CM to [REDACTED] as a result of her meeting with him. This email clearly shows that CM issued a version of his final report on Friday 26 February 2010. This version was sent to HR Department and four other people. (*Note that by way of this email CM himself confirmed that he issued a final report on 26 February 2010, **ten days** after PK has categorically confirmed that it was unfinished.*) This email is suspicious in its insistence on “absolute clarity” in respect of the time the report was issued, which is mentioned to the minute.
14. On 24 May 2010 RJ sent an email to [REDACTED] asking for the “agreed version” of the CM Report. (**Page 19**) Surely she should have just asked for the CM Report? There should only be one final report, not a number of versions. This email suggests that there was more than one version of the “final” report.
15. On 25 May 2010, a day later, [REDACTED] emailed [REDACTED] on behalf of GH who wanted it to be pointed out to Fact Finder [REDACTED] that *the CM Report was never finalised and she should preface her discussions with John and I accordingly.* (**Page 20**) The question is why?
16. Also on 25 May 2010 CM emailed [REDACTED] attaching a copy of his Report. For some reason he feels it necessary to confirm once again that he has not released a copy of his report to [REDACTED] and I before. (**Page 21**)
17. On 10 September 2010, Arwel Thomas (AT) , Head of Compliance and Internal Audit, sent an email to PW (**Pages 26 & 27**) in which he stated that in preparing his Internal Audit Review, he took full account of the report which was then “*under preparation*” by CM. (His work started on 5 March 2010). Later in the email, he confirms that at the time of preparing his Internal Audit Review, CM’s Report was still “*emerging*”.

18. On 14 March 2011, I received a response to a FOI request (**Pages 2 & 3**) asking for the date of the final CM report. It was confirmed in the response to the FOI (ATISN 4875) that the final report was issued to SL on 26 February 2010 and that the final report by CM was used to inform the Internal Audit Exercise.

**The facts are as follows:**

- CM stated that his **final report** was issued on 26 April 2010. This has been confirmed under FOI ATISN 4875
- The key findings of the report [redacted] and I were given in early June 2010 (supposedly issued 26 February 2010) differed substantially from what we expected having regard to CM's telephone conversation with [redacted] and the key findings CM included in the draft ministerial submission of 17 February 2010.
- Three very senior officials GH, AT and PK clearly maintain that the report was not finalised on 26<sup>th</sup> February 2010 and in GH's case, as of 25 May 2010, it was still unfinished.

**My observations:**

- [redacted] For example, [redacted] (on behalf of GH) stated on 25 May 2010 that the CM Report was never finalised, (**Page 20**) yet on 14 March 2011 she confirms under FOI that CM's final report was issued to SL on 26 February 2010. (**Pages 2 & 3**) These two statements are mutually exclusive so one of them cannot be true.
- [redacted]  
[redacted]  
[redacted].



- I wrote to CM on 4 February 2011 (**Pages 28 & 29**) asking him to explain why his report had been substantially changed, however, he did not respond, nor have I had any meaningful response to the same request made under FOI. [REDACTED]  
[REDACTED]

- According to the Information Commissioner, it is a criminal offence to deliberately destroy, alter or conceal a record to prevent disclosure of requested information. It would also be gross misconduct leading to immediate dismissal under the Civil Service Code of Conduct.

- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

- I raised these matters at each stage of the disciplinary process and each of the senior officials involved; Gareth Hall, (Deciding Officer) Jeff Collins (Decision Making Officer) and [REDACTED] (Appeal Officer), chose to ignore them.

- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Whilst the disciplinary process was ongoing, PF Directors were afraid to complain too vociferously about GH's behaviour because they were concerned that it might lead to harsher treatment for me. For example, PW did not carry out his threat to write to Sir Gus O'Donnell about the behaviour of GH and the PS because he was advised not to by [REDACTED] solicitor on the basis that it could make my situation worse. (Page 38)

## Conclusions

It is interesting to note that there seems to be at least two versions of the reasons behind most of the issues under consideration. For example, in his response to Mark Isherwood AM's questions in the Senedd on 3<sup>rd</sup> September 2010, Carwyn Jones responds to question 7 relating to "legal issues" as follows *"Concerns raised by Assembly Government Legal Department and Officials within the Department for the Economy and Transport about the handling of the acquisition and proposals for disposal of the site led to the internal audit report and the subsequent fact finding investigation and options appraisal."*

[REDACTED]

We know that KS claimed to PW in their meeting on 13<sup>th</sup> December 2010 that she telephoned the PS regarding the matter. We also know that she made representations to the WAO who in turn discussed the matter with the IAS and then the PS. Yet the PS issued a public statement (Page 40) confirming that the internal audit review was instigated in her role as Principal Accounting Officer *"It was not due or influenced by any political representations or*

*correspondence.*” This statement was released as an attachment to the email from AT to PW (Pages 26 & 27). [REDACTED]

It is clear that the Wales Audit Office was heavily involved with matters relating to River Lodge in early January 2010 and was advising WG in relation to it. [REDACTED]

Given all the information in my possession, I am convinced that until 17<sup>th</sup> February 2010 no one, including the PS, thought there was anything seriously wrong with the Powys Fadog project and my involvement in it otherwise they would have done something about it. Consequently, I believe that sometime between 17<sup>th</sup> February and 3rd March, something happened to trigger the sequence of events that followed. In the absence of any information from WG and despite asking for clarification under FOI, I have not been able to ascertain what this was, [REDACTED]

Author: Amanda Brewer

Date: 28<sup>th</sup> September 2012