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[The Public Accounts Committee](#)

20/10/2015

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Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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Regeneration Investment Fund for Wales: Evidence Session 5

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

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

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Andrew R.T. Davies	Ceidwadwyr Cymreig (yn dirprwyo ar ran Mohammad Asghar) Welsh Conservatives (substitute for Mohammad Asghar)
Mike Hedges	Llafur Labour
Alun Ffred Jones	Plaid Cymru (yn dirprwyo ar ran Jocelyn Davies) The Party of Wales (substitute for Jocelyn Davies)
Sandy Mewies	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Jeremy Green	Lambert Smith Hampton Ltd
Alistair McQuaid	Swyddfa Archwilio Cymru Wales Audit Office
Lee Mogridge	Lambert Smith Hampton Ltd
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Mike Usher	Swyddfa Archwilio Cymru Wales Audit Office

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

Claire Griffiths	Dirprwy Glerc Deputy Clerk
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Fay Buckle	Clerc
	Clerc
Joanest Varney– Jackson	Uwch–gynghorydd Cyfreithiol Senior Legal Adviser

*Dechreuodd rhan gyhoeddus y cyfarfod am 09:19.
The public part of the meeting began at 09:19.*

Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. I will just make a few housekeeping notices. I remind everybody that the National Assembly for Wales is a bilingual institution and that Members and witnesses should feel free to contribute to today's proceedings in either English or Welsh as they see fit and, of course, there are headsets available for translation. These can also be used for sound amplification. If I could, I encourage everybody to switch off their mobile phones because these can interfere with the broadcasting equipment. In the event of a fire alarm, we should all follow the directions from the ushers.

[2] Members have already received guidance on changes to the rules for making oral declarations of interest, and a number of declarations were made at the start of this inquiry that I would refer everybody to. In addition to that, we have two substitutes for today's meeting. We have Andrew R.T. Davies here in place of Mohammad Asghar—Andrew's with us for the duration of this inquiry—and we have Alun Ffred Jones in place of Jocelyn Davies, who excluded herself from this inquiry under Standing Order 18.8.

09:20

Papurau i'w Nodi Papers to Note

[3] **Darren Millar:** Item 3: we've got a paper to note—minutes of the meetings held on 12 and 13 October. I'll take it that those are noted. We've also had a letter from James Price, which was distributed to members of the committee last week, on the management arrangements for the regeneration investment fund for Wales within Welsh Government. I will take it also that that is formally noted.

Cronfa Buddsoddi Cymru mewn Adfywio: Sesiwn Dystiolaeth 5

Regeneration Investment Fund for Wales: Evidence Session 5

[4] **Darren Millar:** Item 4, then, continuing with our inquiry into the regeneration investment fund for Wales—this is our fifth evidence session and I'm very pleased to be able to welcome to the table this morning Jeremy Green and Lee Mogridge, both of Lambert Smith Hampton. We're very grateful for you taking the time to be with us today, and we're also grateful for the written submissions that you've made to the committee. You'll appreciate that there's been quite a bit of public interest in this particular matter, and we're keen to get to the bottom of precisely what happened in respect of RIFW and its establishment, and of course the disposal of those public assets that are referred to in the auditor general's report.

[5] Perhaps just to open the questioning, can you tell us: what did you think of the arrangements in terms of the way that RIFW was established by the Welsh Government? Did you think that it was a good vehicle? Did you think that it had been established properly? What did you think about the composition of the board et cetera? I don't know who wants to lead on this. Lee.

[6] **Mr Mogridge:** On the set-up of RIFW, it was a very innovative concept, I thought, for the regeneration opportunity and the way markets were going. I think it was a very, very sound vehicle. The set-up itself, with the board—I think they had a decent level of expertise on the board. The concept was an investment vehicle, effectively a secondary bank, to lend into the marketplace. I think there was a distraction in terms of the ability to actually resource the funding in terms of having a land asset base that needed to be realised. But generally, I think the whole concept was a good one.

[7] **Darren Millar:** But you think that the introduction of an asset base rather than a cash investment upfront made the situation more complicated.

[8] **Mr Mogridge:** Well, it would have been a lot easier with cash.

[9] **Darren Millar:** Do you think that it was a mistake for them to transfer assets rather than cash into the fund?

[10] **Mr Mogridge:** I suppose really it was dependent on whether they had the cash, because these were large amounts of money.

[11] **Mr Green:** I don't think it's our position to say whether it was a mistake or not, but certainly the intention of the fund was to invest, or lend money, to support regeneration projects in Wales, so cash was required for that investment.

[12] **Darren Millar:** You've mentioned also that you felt that the board, in terms of the way it was composed, was the right board—it had the right expertise around the table. What was your understanding of the role of Chris Munday?

[13] **Mr Mogridge:** As far as I was concerned, and I think I speak for Jeremy as well, Chris was a Welsh Government representative. He was involved, obviously, in the original set-up of RIFW, and also, for the first nine months of its existence, he was involved in all of the board meetings, and as far as we were concerned, he was Welsh Government.

[14] **Darren Millar:** So, when you say he was the Welsh Government's representative: he spoke for the Welsh Government, he was the person who you went to for permission to do things and for feedback from the Welsh Government.

[15] **Mr Green:** No. Chris Munday was the one who set up the fund, who created the vehicle, and he led the procurement exercise, where we were appointed alongside Amber. But remember that our role here was to report to Amber. It was Amber's role to report to the board. So, we were not, in effect, in direct contact and liaison with Chris Munday. All of our communication was via Amber.

[16] **Darren Millar:** So, you had no direct communication with Chris Munday at all. You were present in the same meetings as him. I've seen e-mail chains from you, backwards and forwards.

[17] **Mr Green:** Yes. We were present in the same meeting, so, yes, of course we would have discussed matters with him in those meetings, but outside of those meetings, we won't have had any additional communication with him.

[18] **Darren Millar:** But in those meetings, you saw him very much as the Welsh Government's representative—yes?

[19] **Mr Green:** He was the—. Yes. Alongside the other board members who were Welsh Government representatives.

[20] **Darren Millar:** We took evidence from the board members themselves and they suggested that Chris Munday was akin to a non-executive director in terms of his relationship with the board. Would you agree with that sort of definition of his role?

[21] **Mr Green:** Yes. We've seen that he was referred to as a shadow director, and, yes, the board were the five members who have been referred to. Chris Munday certainly we saw as a slightly separate adviser to the board, representing Welsh Government.

[22] **Darren Millar:** And you saw the other two members of the board, you said, also as Welsh Government representatives.

[23] **Mr Green:** Yes.

[24] **Darren Millar:** Yes, so, the chair and the alternative member. Jenny, you wanted to come in on this, and you, Aled.

[25] **Jenny Rathbone:** Just to come in on the amount of money you thought was needing to be realised. There's also quite a considerable cash transfer, so why was—?

[26] **Mr Green:** Well, the fund itself was a £55 million fund and the imperative, or the intention was that that money was committed, invested, in regeneration projects in Wales. The intention, actually, was to do that in a timely manner and on the assumption that that was a successful exercise. The secondary intention, actually, was to then show that we had created a fund, a vehicle that worked, and we were then expecting to take this to the market to raise additional funds to turn it into a larger vehicle and to invest more money in Wales.

[27] **Jenny Rathbone:** Why were you in such a rush to dispose of these assets at the bottom of the market?

[28] **Mr Green:** We weren't necessarily in a rush. I think the point is that the fund was there to invest money; the fund was not there to sit on land assets.

[29] **Jenny Rathbone:** Well, it was invest money or invest or regenerate.

[30] **Mr Green:** Yes.

[31] **Jenny Rathbone:** You could've used the land to regenerate.

[32] **Mr Green:** No. We were clearly guided that the land was there to release cash. The land was not there for us to use for projects to regenerate.

[33] **Mr Mogridge:** If you actually went down that route, you know taking the fund as a development vehicle that was sitting on a load of land assets and cash, would it not have been just as opportune to actually develop out the land as a developer using the cash assets?

[34] **Jenny Rathbone:** It's perfectly possible. I'm asking you whether or not you considered that.

[35] **Mr Mogridge:** No. We were precluded from doing that. The investment management agreement, basically, as far as the land assets were concerned, allowed us to maximise the value, or requested we provided asset-specific business plans to maximise the value of the assets through active management and not through a property development process.

[36] **Jenny Rathbone:** But if it was your job to maximise the value, why did you sell these assets when the market was really low.

[37] **Mr Mogridge:** That's what we were asked to do.

[38] **Jenny Rathbone:** Sorry?

[39] **Mr Mogridge:** That's what we were asked to do.

[40] **Jenny Rathbone:** You were asked to sell the assets—

[41] **Mr Mogridge:** Yes.

[42] **Jenny Rathbone:** —at the lowest possible price.

[43] **Mr Mogridge:** It wasn't the lowest possible price. The price achieved was actually a very, very good price.

[44] **Jenny Rathbone:** Right, but at the time you were marketing these, the

property market was obviously in a very depressed state, because of what had happened with the bankers.

[45] **Mr Green:** Yes. But that was the point of the fund—that the banking sector, at the time, was not in a position to lend money on projects that needed to be developed within Wales. So, the intention of the RIFW fund was to plug that gap and to lend money for development projects in a poor market. So, the fact that we were in a poor market—there was nothing that we could do about that, but the fund had been created to plug that hole and to encourage development.

09:30

[46] **Jenny Rathbone:** So, you never thought it was necessary to give advice on the inadvisability of disposing of land at rock-bottom prices?

[47] **Mr Green:** The land was transferred into the fund, in effect as cash. There was £20 million-worth of land. We would have been equally criticised if we had sat on that and not invested that money in regeneration projects, because that was the primary purpose.

[48] **Jenny Rathbone:** With hindsight, though, the land was worth a hell of a lot more than what you got for it.

[49] **Mr Green:** It wasn't, though, that's—

[50] **Mr Mogridge:** Working with hindsight is a fantastic thing. I think what people are tending to forget in this instance is that, in 2008, there was a banking crash and the markets fell apart. There was no commercial funding available, because the banks shut up shop. If you actually look at share prices of house builders, between 60 per cent and 95 per cent of their share values fell away in 2008. The only real statistics for residential property development in Wales are the National House Building Council statistics on new house registrations. In 2007, there were something like 8,700 new houses being built in Wales, or registered to be built in Wales. In 2008, that dropped to 3,640. This trend continued in 2009 down to 2,800. Then, there was a little bit of recovery in 2010–11, when it got up to 3,500 or 4,000 new buildings—

[51] **Darren Millar:** We're well aware of the economic situation, Mr Mogridge.

[52] **Mr Mogridge:** But I'm just trying to set a context for—

[53] **Darren Millar:** We understand the context and the arguments that you've made in written submissions that you've given to us. I think the point is—. You've made reference to the investment management agreement. One part of that says that you should be identifying value-enhancement potential at a portfolio level, and through planning consents, seeking services, utilities, improvements, upgrades and highway improvements, liaising with local authority planning departments, and the submission of planning applications, the negotiation of section 106 agreements, and preparation of site information packs for marketing, and marketing and sale of the assets. Did you do any of this?

[54] **Mr Mogridge:** Yes, we did.

[55] **Darren Millar:** Did you? So, what discussions did you have about planning consents and getting services into these sites? I haven't seen any evidence of that.

[56] **Mr Mogridge:** We had a chartered town planner. The timescales of the transfer into the fund—. We were appointed on 14 December 2010—

[57] **Darren Millar:** It's just that in your summary—the reason I ask this is that, in your summary of the duties that you were charged to deliver on behalf of the fund, you don't refer at all to the fact that you were charged to identify value-enhancement potential. Why don't you? Is that something that was not emphasised as part of the agreement by the Welsh Government?

[58] **Mr Green:** The asset realisation plan and the asset-specific business plans that we prepared did identify opportunities within each asset. So, that exercise was undertaken. And alongside those plans, those written submissions to the board, we provided our own opinion as to the likely sale prices in the marketplace for those assets.

[59] **Darren Millar:** We know you gave a likely sale price; I'm asking what work you did to enhance the potential value of both the portfolio and individual sites, in accordance with the investment management agreement.

[60] **Mr Mogridge:** The first thing we did was—. We were presented with very scant information on each and every one of the sites, by the way of a

single sheet of A4 paper with a photograph and a brief description of it. We hadn't received the title documentation. We were looking at all of the sites individually for any planning context through our planner, who undertook quite a lot of work on that. And we made a recommendation to the RIFW board that they needed to get further insight into the actual legal titles so we could actually work with a bunch of assets that were workable, because, when we first inherited them, they were not. So, the background information we did was planning and legal, in conjunction with Morgan Cole solicitors, to understand exactly what was being sold. Planning development work is a long-term process. You know, it is a long-term process.

[61] **Darren Millar:** So, did the Welsh Government transfer the wrong assets to you?

[62] **Mr Mogridge:** It's not up to—. The assets were transferred—

[63] **Darren Millar:** You just said they were not workable assets. So, did they give you the wrong assets? These were supposed to be assets, we were told last week by Mr Munday, which had been shortlisted on the basis of their ability to realise cash very quickly.

[64] **Mr Green:** In our opinion, they were tradeable at the transfer values, so we were happy that we were able to realise the money that was required to then reinvest in regeneration projects. Remember that the transfer value for these assets was £20.65 million.

[65] **Darren Millar:** Yes, I'm aware of that. Aled, you wanted to come in.

[66] **Aled Roberts:** Rwyf eisiau gofyn y cwestiwn yn Gymraeg. **Aled Roberts:** I'm going to be asking my questions in Welsh.

[67] A gaf i ofyn, felly, a gawsoch chi unrhyw gyfarfodydd efo adrannau cynllunio cyngor sir Caerdydd neu gyngor sir Fynwy ynglŷn â safleoedd Llysfalen a Threfynwy? Can I ask you, therefore, did you have any meetings with planning departments in Cardiff county council or Monmouthshire County Council in terms of the sites in Lisvane and Monmouth?

[68] **Mr Mogridge:** I'm sorry, could you repeat the question?

[69] **Aled Roberts:** Ie. A gawsoch chi unrhyw gyfarfodydd efo adrannau cynllunio cyngor sir Caerdydd neu gyngor sir Fynwy ynglŷn â safleoedd Llysfalen a Threfynwy? **Aled Roberts:** Yes. Did you have any

chi unrhyw gyfarfodydd efo un ai meetings with either Cardiff council
cyngor dinas a sir Caerdydd neu or Monmouthshire County Council
gyngor sir Fynwy ynghylch safleoedd about the sites in Monmouth or
Trefynwy neu Lysfaen? Lisvane?

[70] **Mr Mogridge:** Yes, we did. Our planner—

[71] **Aled Roberts:** Faint? Faint o **Aled Roberts:** How many? How many
gyfarfodydd? meetings did you have?

[72] **Mr Mogridge:** I'm not sure how many meetings we had, but it was, I
would say, a fair number.

[73] **Aled Roberts:** A ydy'n bosibl i **Aled Roberts:** Would it be possible for
ni gael nodyn o faint, a phryd us to have a note of how many
gynhaliwyd y cyfarfodydd yna? meetings you had, and when you had
them?

[74] **Mr Mogridge:** I think I can come back to you on that, yes.

[75] **Aled Roberts:** Diolch. **Aled Roberts:** Thank you.

[76] **Darren Millar:** It would also be useful to receive a copy of any
correspondence that you had with the local authorities as well, promoting the
sites.

[77] **Aled Roberts:** A gaf i droi nôl **Aled Roberts:** Could I go back to the
at y berthynas rhyngoch chi a relationship between you and the
Llywodraeth Cymru? Rwy'n deall eich Welsh Government? I understand that
bod chi wedi dweud mai eich you said that your duty was to report
dyletswydd chi oedd adrodd nôl at back to Amber Infrastructure—I
Amber Infrastructure—rwy'n deall understand that. But, during their
hynny. Ond, yn ystod eu tystiolaeth evidence last week, Amber
wythnos diwethaf, fe ddywedodd Infrastructure said that they'd had
Amber Infrastructure eu bod nhw meetings with a Minister and with
wedi cynnal cyfarfodydd efo civil servants outwith the meetings of
Gweinidog ac efo gweision sifil y tu the RIFW board. Were you present in
allan i gyfarfodydd bwrdd RIFW. A any of those meetings?
oeddech chi'n bresennol yn unrhyw
un o'r cyfarfodydd yna?

[78] **Mr Green:** No, we were not involved in any of those meetings.

[79] **Darren Millar:** Okay, Aled? Mike Hedges.

[80] **Mike Hedges:** Can I go back to two points? One is the Mr Munday point. You said that Mr Munday attended like a non-executive director. He's down as being an observer. My understanding is that the difference between an observer and a non-executive director is that a non-executive director would express views, have opinions, take part in the discussion, whereas an observer, by definition, would just observe. What did Mr Munday do at those meetings?

[81] **Mr Green:** He participated in the meetings, but I don't recall exactly what he did. We were there, in effect, as observers and advisers. When we attended the meetings, we were not there to make decisions. We were there to provide advice to the board and to respond to questions that we were asked. In many ways, Chris Munday was there in a similar manner.

[82] **Mike Hedges:** No. You were there appointed as advisers on land values. The board were there appointed to make decisions. Mr Munday was there as an observer. My understanding of observers, by the definition of the word 'observe', is that they do not take part. You're saying he actually took part in those discussions, so he went beyond being an observer.

[83] **Mr Green:** No. Well—

[84] **Mr Mogridge:** He did speak at the meetings.

[85] **Mr Green:** Yes, he spoke at the meetings, for sure. He provided input when input was required.

[86] **Darren Millar:** You say 'provided input'. Did he provide opinion in terms of supporting or not supporting things that were put to the board?

[87] **Mr Green:** It was quite some time ago, so I'm just trying to think back to—

[88] **Darren Millar:** For example, did he support the portfolio sale as it was proposed? Did he give an opinion on that, or did he merely observe what was going on and inform?

[89] **Mr Green:** He certainly raised no objections to it, so—

[90] **Darren Millar:** ‘Did he give his support?’ I’m asking you, not whether he raised any objections. Did he give his support?

[91] **Mr Mogridge:** I honestly can’t recall.

[92] **Mr Green:** Yes, I honestly can’t recall. I’m tempted to say ‘yes’ because, as I say, I don’t recall any objections either. But I think that’s a question for him, not for us.

[93] **Darren Millar:** But you very much looked to him as the face of Welsh Government and for Welsh Government’s opinion on different matters.

[94] **Mr Green:** We looked to him as the person that had created the vehicle and therefore was best placed to understand the structure within which the vehicle was operating.

[95] **Mike Hedges:** Can I just go on to the land, which we are going on to now?

[96] **Darren Millar:** Yes. Go on.

[97] **Mike Hedges:** We talked about the land. When you had the valuation and that was passed over to you, do you think that it was just a book value, or do you think it was a commercial value?

[98] **Mr Mogridge:** The King Sturge valuation.

[99] **Mike Hedges:** No. You had the land, but when it was transferred over on a Welsh Government valuation, do you think it was a book valuation or a real valuation?

[100] **Mr Mogridge:** Well, the land was transferred into the RIFW before we were appointed. It was actually transferred at a market value, which was in line with the King Sturge valuation. It was a registered land transfer. So, as far as we were concerned, that was the market value and the book value.

[101] **Mike Hedges:** You were talking about the collapse in market prices of land. Now, correct me if I’m wrong, but we actually have a number of different land markets in Wales and, at the top end of the market, Lisvane

would count as being towards the top end of the market, as would Cowbridge, and as would Reynoldston in Swansea. These are areas where houses are very expensive and land is rarely made available. Wouldn't that be differently affected than the ordinary, dare I say it, Wimpey or Persimmon-type of development land?

[102] **Mr Mogridge:** It absolutely would, yes. You'll always get small pockets in prime areas that will retain value because there will always be a demand for that sort of land, but you'd be talking about serviced smaller sites. You wouldn't be talking about wholesale land. It's basic economics—supply and demand. You know, if somebody's bringing on a site of 568 acres into a marketplace, which would effectively facilitate one and a half year's countrywide supply, it's going to have a detrimental effect on the land value. So, you can't be specific in terms of what you're looking at with that. You've got to look at the individual site and you've got to look at the individual characteristics, and it is a very, very difficult thing to determine.

[103] **Mike Hedges:** But what would you estimate the land value per acre of land made available in Lisvane for building to be?

[104] **Mr Mogridge:** In 2011, we provided a report to the RIFW board. At that time, taking into account the market forces, circumstances and a number of variable factors—you know, you are crystal-ball gazing—we put on a site value of about £600,000 an acre net, which was after infrastructure. So, that would actually be money received by the landowner. That was in 2011. It probably hasn't varied greatly from that figure today.

[105] **Mike Hedges:** How would you compare that land value then against, say, Cowbridge or areas around Usk?

[106] **Mr Mogridge:** Cowbridge is probably on parity. Some of the better areas of Swansea will be on parity. Again, it comes down to individual land sites and how big they are. You can get a massive variation in land value.

[107] **Mike Hedges:** Yes, but—sorry to push this point—one is, I think, that a lot of people would like to know whether you'd be able to get land for £600,000 an acre on the Gower peninsula. The second point is that you talk about this valuation of £600,000. Do you know what land sold in that area for at any time between 2000 and 2015?

[108] **Mr Mogridge:** In Lisvane?

[109] **Mike Hedges:** In Lisvane.

[110] **Mr Mogridge:** Yes, we are aware of the land sales.

[111] **Mike Hedges:** Would you like to share it?

[112] **Mr Mogridge:** I've got one site, which is actually, at the moment, client privilege, so I can't say anything about it, but there are other sites—smaller sites—that have been reported at £1 million an acre. But, they are smaller sites and they are fully serviced, and it's not comparing apples with apples.

[113] **Mike Hedges:** This is my last point: if smaller sites sell better, wouldn't it have been better to parcel it up into smaller sites and sell over a period of time?

[114] **Mr Mogridge:** And who provides the infrastructure?

[115] **Mike Hedges:** Well, I would have thought that—. I'm not sure about this part of Lisvane, but Lisvane is part of an urban area. So, it won't be very short of infrastructure. It will have water, gas and electric fairly close to it, won't it?

09:45

[116] **Mr Mogridge:** There's 'fairly close' and there's actually the connectivity. There's also: do they have the capacity? What's the drainage capacity of Lisvane? Does anybody know, or has anybody looked at it, for 6,000 new dwellings?

[117] **Mike Hedges:** No, but I don't think—. It's not one of those areas, well, it is one of those areas—we have areas on the Gower peninsula where Welsh Water has said, until more work is done, further development will not be possible. I don't believe that's happened in Lisvane, has it?

[118] **Mr Mogridge:** Lisvane's been a candidate site for development since 2000–01. We're 15 years on and nothing's happened with it. You know, it hasn't even got an allocation in the local development plan at the moment. So, you know, the actual provision—. Trying to value that as an overall site, whether it's a single lot, and with a prudent lotting exercise, at the moment, is almost impossible.

[119] **Mr Green:** One of the best examples that I can think of is one that we actually mention in our response, which is a site at Filton Airfield, just outside Bristol, which British Aerospace sold recently, having achieved planning permission. A site approaching 300 acres was sold at £300,000 per acre, and that was because there continued to be significant expenditure required on infrastructure and the development was going to be phased over a long period of time. Now, individual sites would have been worth £1 million at Filton, and yet that was sold—

[120] **Darren Millar:** You're making arguments about the market at that time. The only actual piece of evidence that we've got in terms of valuation at or around the time of disposal was, of course, from Savills in their valuation report, which said, and I quote:

[121] 'Cardiff residential land values, particularly in the suburbs have recovered almost to pre crash levels in early 2007'.

[122] This was at the time of disposal:

[123] 'and in most cases were sold by tender with competitive bidding',

[124] which, of course, this particular site wasn't, was it?

[125] **Mr Mogridge:** Is there any further context around that?

[126] **Darren Millar:** Well, do you disagree—

[127] **Mr Mogridge:** What's the paragraph—

[128] **Darren Millar:** —with Savills' assertion that:

[129] Cardiff residential land values, particularly in the suburbs, had recovered to pre-crash levels?

[130] **Mr Mogridge:** I do disagree, actually, because Savills themselves actually—if I can find it and quote you the report—

[131] **Darren Millar:** I mean, the only way to have actually tested the value would've been to market the site, wouldn't it, which you didn't do?

[132] **Mr Green:** We had many discussions with developers in the market.

[133] **Darren Millar:** Can I just ask two questions, before I bring some of the Members in, because I think these are particularly interesting ones? In terms of the King Sturge valuation, you suggested that the King Sturge valuation was the market value of those sites and, of course, there were two elements of the valuation; there was a 'with hope' valuation also, wasn't there, that King Sturge attached to a number of the sites, which was quite different to the transfer value? Why did you emphasise to the board only the transfer value and give the impression, even though you knew that there was a hope value valuation given to a number of sites—? Why did you emphasise only the transfer value to the board in your discussions—

[134] **Mr Green:** The transfer value was the base value. That was the figure that was used to create the £55 million fund value. But, the hope value is not necessarily achievable in the market and, particularly—

[135] **Darren Millar:** You wouldn't have known, because you didn't market, did you? You didn't put it to the market. Mike.

[136] **Mike Hedges:** Could I come back to the questions that I raised earlier? You compared Filton with Lisvane. I've just done a quick check now on houses for sale: a four-bedroomed house in Filton—£375,000 to £445,000; a four-bedroomed house in Lisvane—£945,000 to £1.75 million. Do you recognise those sorts of numbers?

[137] **Mr Mogridge:** No.

[138] **Mike Hedges:** You don't.

[139] **Mr Mogridge:** No. We don't sell houses.

[140] **Mike Hedges:** Pardon?

[141] **Mr Mogridge:** We don't sell houses.

[142] **Mike Hedges:** No, but house prices are directly proportional to land value.

[143] **Mr Mogridge:** House prices will have a direct proportion to land value—the end-value price, if you're looking at residual valuation. I haven't

seen the two houses you're comparing. There could be a vast difference in the types of four bedroomed detached house. If they're both Persimmon standard boxes, would there be that much variation? I don't think there probably would.

[144] **Mike Hedges:** Okay. I will do further investigations.

[145] **Mr Mogridge:** Can I just come back to you—

[146] **Darren Millar:** Of course.

[147] **Mr Mogridge:** —about your point on the Savills report? This is Savills 'UK Residential Development Land', January 2012. I'll quote:

[148] 'Nationally, the rate of land value growth in 2011 was broadly flat, dipping into negative territory in the final quarter of 2011. Greenfield land values fell by -0.7% in Q4 2011, bringing annual growth to 2.5%. Urban land values saw comparable quarterly falls'—

[149] **Darren Millar:** That's the national picture, isn't it? I'm talking about the localised picture, in Cardiff, per the valuation report that they prepared for South Wales Land Developments immediately before the sale, okay, which you cannot dispute. You made mention also of the fact that flooding the market with lots of land would force a downward pressure on sites, and yet you recommended flooding the market, effectively, didn't you, by selling a portfolio of sites, rather than individual sites, as per the asset management realisation plan?

[150] **Mr Mogridge:** The asset management realisation plan—

[151] **Darren Millar:** Given what you've just said about flooding the market having a downward pressure on price, why did you pursue recommending this to the board?

[152] **Mr Mogridge:** There's a bit of a misremember about this asset management realisation plan, because, if you look at the individual asset-specific business plans, each and every one of them, with the exception of the site at Brackla, which was largely industrial, and Imperial House, which was a building, which actually was a negative income producing building, every single asset on that schedule we recommended was sold before the end of 2012, and that was approved by the RIFW board, on an individual

basis. Now, is selling them on a site-by-site basis or as a portfolio a better option for the board? Because, if it's sold on a site-by-site basis, there's quite a high risk that a number of those sites will fail, and, bearing in mind our knowledge of the legal issues relating to each and every one of those sites, our recommendation to sell a warts-and-all portfolio was, in my opinion, a good one, and it would remain a good one today.

[153] **Darren Millar:** So, have you recommended the same to South Wales Land Developments, then, that they sell as a portfolio? Of course you haven't. You've suggested carving the portfolio up into individual—

[154] **Mr Mogridge:** We haven't suggested anything to South Wales Land Developments. They're a property development company who will row their own boat. We're not instructed on all the sites, and we're providing advice on a number of the sites in south Wales where we have good knowledge.

[155] **Darren Millar:** You're giving completely different advice, aren't you? It's very different advice that you're giving to them. I'm going to bring Andrew R.T. Davies in and then Julie Morgan. Andrew.

[156] **Andrew R.T. Davies:** If I could just, before I go into my main question, seek clarification, or your opinion, on the Savills report; I do think that's really important. From a lay person's perspective, there's a clear quotation there for the report that was developed for the South Wales Land Developments company, which I'm sure they would have flagged up to their backers, their lenders as such, which clearly paints a very, very different picture from the Cardiff market to what the advice you were giving to RIFW to sell that property was. It's a very robust line that they use, and a very bright picture that they use. So, I'd be grateful for a further explanation of how your advice was so contrary—bearing in mind this report was produced in January 2012, so it's looking back at 2011. This isn't with hindsight, as you're saying the committee is doing at the moment; this is actually in real time that this report was put together.

[157] **Mr Mogridge:** Firstly, I haven't had the benefit of seeing the valuation report from Savills, produced by Savills, nor have I seen the Colliers report, and until recently—well, I haven't even seen the full district valuer's report, because all we've had is a redacted copy. Could I have a look at the complete context of the Savills report that you've got there, because it's quite—

[158] **Darren Millar:** Can't you ask your client?

[159] **Mr Mogridge:** Pardon?

[160] **Darren Millar:** Has your client not shared this with you?

[161] **Mr Mogridge:** We have not, no; I have not seen a copy of that report.

[162] **Darren Millar:** So, South Wales Land Developments, your client, which purchased this land, have not shared a copy of this.

[163] **Mr Mogridge:** No. They haven't.

[164] **Darren Millar:** You haven't asked for a copy of this from them to support you in your work in helping them market these sites and get better value for South Wales Land Developments?

[165] **Mr Mogridge:** No.

[166] **Darren Millar:** I find that very extraordinary.

[167] **Andrew R.T. Davies:** It's not my report to release, but, if it's releasable, I think that would be helpful to get further comment, as such, then.

[168] The other points I wanted a cover off: last week, in the evidence that the Government officials gave us, James Price in particular said that, from a policy perspective, it would be completely acceptable to lose value on some of these properties. In fact, they talked of a figure of about 50 per cent loss of value. And then Mr Munday goes on to say that, as the window was closing, we were losing it by every day—the opportunity to link the European money and the sale proceeds of these properties. Did you get a feeling that, as you were putting this deal together, there was a time imperative that was bearing down on you, rather than a realisation of the complete value of the properties you were dealing with, and that there was agreement that, if some value was lost, that was acceptable?

[169] **Mr Green:** 'No' is the answer. We weren't—. There was an imperative to sell the assets in a timely manner; we were not under any impression that this was a fire sale—that we had to sell at any cost. Our duty was to obtain value, and we believe we did that.

[170] **Andrew R.T. Davies:** But there's obtaining value in the circumstances

that your clients are expecting you to obtain that value, and there's obtaining the maximum value via looking at all avenues, exhausting those avenues and, ultimately, taking your time to deal with it. And the point I'm getting at is that some of the evidence we've received clearly shows that there was a mindset that was saying, 'Just get these deals done—get the deals done, get the assets out the door'.

[171] **Mr Green:** There was a mindset to sell the assets, as I say, in a timely manner, and our asset realisation plan, our budget, was to sell the majority of the sites in 2011, the remainder of the sites in 2012, and then the last two sites, which actually would have been Imperial and part of Brackla, in 2013 and 2014.

[172] **Andrew R.T. Davies:** So, you did have definitive timelines to get these properties—

[173] **Mr Green:** Yes, we did. We provided budgeting advice to the board, all of which the Wales Audit Office have seen, that identified a sales timeline, and the sale of the portfolio actually achieved that. It achieved it with much less risk and with a lot of the impairments, because don't forget that, as part of the exercise, once we actually started receiving detailed information on these assets, it was realised that a lot of them had defects in their title. So, one of the advantages of the portfolio sale was this infamous warts-and-all statement, where the purchaser was prepared to take on board the assets in their then current condition.

[174] **Andrew R.T. Davies:** So, it's fair to say you had been handed distressed assets, then, that needed quite a bit of tidying up, from what you're implying.

[175] **Mr Green:** Yes, it turns out that we had been handed assets that needed additional work to sort out the titles.

[176] **Andrew R.T. Davies:** And, from your point of view, it was the timeline that was more important—because you outlined 2011, 2012, 2013—the timeline was the important deliverable factor on your part, rather than the maximum realisation, albeit, within that timeline, you wanted to achieve the maximum value, but you had to get the assets away by the timeline that you were given.

[177] **Mr Green:** Yes, I believe that we would have been fairly criticised if we

were still owning the majority of those assets in 2014, and, as a consequence, had not been able to invest in regeneration projects in Wales, which was the principal purpose of the fund.

[178] **Andrew R.T. Davies:** Do you believe that the information that you were giving Amber was being transferred to the board in its entirety? We heard last week from Amber, for example, that some of the information they would put together, and there's some evidence in the paperwork that indicates that some of the information never reached the board in its entirety. Do you feel confident that you had that communication with the board, and that all the information and evidence that you were providing to them to make decisions was reaching the board?

[179] **Mr Green:** Yes, we were working alongside Amber, or Amber were working alongside us, whichever way you want to—

[180] **Andrew R.T. Davies:** Well, I appreciate that, but there's two things—working alongside, and your information going through.

[181] **Mr Green:** Yes.

10:00

[182] **Mr Mogridge:** Can I answer that question? The answer to the question is that the information that we provided to Amber was always discussed. Amber, once the initial business plan had been approved in the March 2014 meeting, weren't actually under any obligation to pass every facet of information through to the board. They were the fund manager; they were running the project. So, the information we provided to them—I believe everything that was of material consequence to the asset sales was passed on. If it wasn't, in their opinion, of material consequence, they were completely within their rights not to pass it on, but the extent of that I don't know. There's a lot of information passing hands here; it's not just the land sales, which this is all about; it's the fact that, at the time, there were 62 investment projects trying to be run on top of everything else. It would be impossible to actually relay everything that was going on.

[183] **Andrew R.T. Davies:** Yes, but, from the evidence we've seen, there's some important deficiencies in some of the information that was presented to the board and the final agreements that were finally put in place. Frankly, I'm a farmer, I've done land deals over my time; I don't think any of it's

rocket science and I don't take the point that it's able to provide this information. It's a critical part of the relationship that you, as the contracted experts in the field, and then the client, feel confident that the flow of information is giving them the true picture.

[184] **Mr Green:** We were happy that Amber—. We were happy in our own minds. It wasn't up to us to determine, but we were happy that Amber were reporting appropriately to the board. During the sale process, it was Amber that were negotiating the contract. It was Amber's job to negotiate the contract, and then to report. My understanding is that they then provided a final report to the board, which included a legal report from Morgan Cole, which identified to the board exactly what the terms of the sale were, and that was provided to enable the board to sign or authorise signature into contract.

[185] **Andrew R.T. Davies:** And one final point, if I may. I know Aled Roberts asked you this question about meetings that Amber identified last week with Ministers and civil servants, and I know you came back and said that you weren't participating in any of those meetings. But were you engaged in any other meetings with civil servants or Ministers outside of the RIFW chain of communication?

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

[187] **Mr Mogridge:** Well, that's not quite true. The only time we did have communication with civil servants is when we were trying to sort out the land assets, and we did have a number of—I think two—meetings, at the legal department of Welsh Government, just trying to understand what was being sold and what was being placed into the fund.

[188] **Andrew R.T. Davies:** That was to do with the title deeds specifically, and the queries that you'd identified in the portfolio.

[189] **Mr Mogridge:** Yes, it was all to do with the title deeds and the queries.

[190] **Andrew R.T. Davies:** And that was with officials, that was, then, within the legal department.

[191] **Mr Mogridge:** Yes, that was just with officials of Welsh Government.

[192] **Darren Millar:** Okay, thank you. Julie Morgan.

[193] **Julie Morgan:** Thank you. Before I go on to ask you about conflicts of interest, I just wanted to return to the Lisvane land. We were told last week that, in hindsight, the officials considered that Lisvane should not have been included in the portfolio. What is your view on that? And can I declare an interest as it is in my constituency of Cardiff North?

[194] **Mr Mogridge:** As said previously, what was placed into the fund wasn't our call. We basically dealt with what we were provided with, which is what happens a lot in our business. We were presented with a number of assets and our job was to maximise value and sell them.

[195] **Julie Morgan:** So, you don't have any views on that.

[196] **Mr Green:** I think what's important about Lisvane is that it has been in Welsh Government ownership for a large number of years—I think I've heard 20 years—with very little activity. It is now in the hands of a private sector developer, who is promoting it for development, and it's been sold under a profit share arrangement, such that, when the Lisvane land is allocated within the local development plan for residential use and is sold, then the Welsh Government will participate in the uplift in value.

[197] **Julie Morgan:** And what percentage would the Welsh Government gain from that?

[198] **Mr Mogridge:** Thirty per cent.

[199] **Julie Morgan:** Thirty per cent?

[200] **Mr Mogridge:** Yes.

[201] **Julie Morgan:** Right. And would you agree that you did underestimate the actual developable area in Lisvane?

[202] **Mr Mogridge:** No, the valuation appraisal that was put forward in our board report—. Basically, at the time we were looking, there was actually never a consortium in place, but there was a loosely held together bunch of individuals who were negotiating a 568 acre site in Lisvane. The Welsh Government were a party to that. When this was placed into RIFW, RIFW did not have to adhere to any of that procedure. The site itself was being promoted as a stand-alone site. The—. Sorry, I've lost my train of thought on

that.

[203] **Julie Morgan:** It's just that I thought you reported to the RIFW board that it was only 30 per cent or 25 per cent—

[204] **Mr Mogridge:** No, sorry, it was 25 per cent. We were looking at it as an overall. When you get a site of that magnitude, you'll get a land equalisation. You get land equalisation because the development density will be split over the entire site. We weren't sure what it was, so instead of actually saying, 'It's 25 per cent, 30 per cent or 50 per cent'—whatever that number may be—we suggested that they would receive a net figure per acre on development land and that the net figure per acre would be multiplied by the number of acres you actually get consent for. So, in terms of that document, it doesn't make any difference if it was 1 acre or 121 acres because you'll still get the £600,000 an acre on whatever the ultimate result was. So, we weren't trying to be clever in formulating a process and looking at a planning consent 10 years hence, because we don't know what that's going to be. So, we've looked at protecting Welsh Government—sorry, RIFW's value by an overage provision, which is standard practice.

[205] **Darren Millar:** That's not quite the question though, is it? The question is: why have your assumptions changed? So, in your most recent communication with the committee, you seem to be suggesting that around 50 per cent of that site is developable, in effect, versus your advice to the RIFW board in June 2011 that only 25 per cent of the site—

[206] **Mr Mogridge:** No, I just made that point: that is not right. The fact that we actually now have knowledge of what the planning applications are being submitted for, are now—. Back in 2011, we were making assumptions on the value and the assumptions on the land take, we could not accurately assess the land take, so, we put an overage provision into the calculation. We gave a land figure—

[207] **Darren Millar:** I understand that, but I think the point that's being made is that because of that much lower assumption back in June 2011, that could have had a significant impact had you used the 50 per cent figure at that time, particularly in view of the Rightacres proposal that was on the table, which was giving some overage on that site.

[208] **Julie Morgan:** Yes. It certainly could have influenced the board.

[209] **Mr Green:** The point here, also, is that the residential value, which is what we're all aiming for, and what we're talking about, is not actually achievable until the site has an allocation for residential use, and even today—three and a half years after the sale—it does not have residential use. Therefore, it does not have the value that we're all talking about and that we're all, frankly, hoping for because the Welsh Government will participate in the additional value that is generated.

[210] **Julie Morgan:** Thirty per cent.

[211] **Mr Mogridge:** I think, from a planning context as well, if this doesn't get an allocation in the local development plan and if there's a change of Government in May, and this hasn't been allocated and it hasn't had a planning consent granted on it—it might well do—you're stuck with a farm for 15 years.

[212] **Julie Morgan:** This land's been talked about for many years as being developable land, so I do think that the information you've given has led to assumptions that are not correct.

[213] **Mr Mogridge:** We tried to be realistic in our assumptions—there'd be no reason why we would be anything other than realistic. We've tried to protect the best interests and value for the RIFW, and I think we've actually done that. You know, from a development perspective, if you're looking at high percentage coverage as you're getting into joint-venture territory, where you're then meeting a cost for actually promoting the land, I know that this site in particular, to date, being run through the planning process, has ramped up nearly £1 million—worth of fees—planning fees and professional fees—to get it into a state of marketability, and that's without even starting on the infrastructure. So, there's a lot of cost implication in this that hasn't been realised. Was RIFW in a position to actually run that itself? It probably wasn't, but that wasn't our decision. Our decision—well, we didn't make it; we just gave advice. We don't make the decisions.

[214] **Julie Morgan:** Well, it just seems to me that you did give this report—you know, 30 acres, 25% of total ownership, £750,000 per acre gross value—and that is what the RIFW board received, and—.

[215] **Mr Mogridge:** The number is the important bit, which was pointed out to them. They are all professional people; they did understand that. The number is the important bit, per acre.

[216] **Julie Morgan:** Right.

[217] **Darren Millar:** But, obviously, your view may have influenced why they proceeded with the GST—you know, the South Wales Land Development proposal—as opposed to others that were being discussed at the time.

[218] **Mr Mogridge:** Our view was—. Quite honestly, at the time, that was our understanding and that was a bone fide assumption that we made.

[219] **Darren Millar:** Okay. Aled Roberts.

[220] **Aled Roberts:** A gaf i jest ofyn i chi pam nad aethoch chi ati'n weithredol i farchnata'r safleoedd yma felly? Rydych chi wedi dweud bod y datblygwr, erbyn hyn, yn marchnata'r safle yng Nghaerdydd, ond pam nad aethoch chi ati i farchnata?

Aled Roberts: May I just ask you why you didn't set out to actively market these sites, therefore? You have said that the developer, by now, is marketing the site in Cardiff, but why didn't you set out to actively market them?

[221] **Mr Mogridge:** The context of the timescale on this has got to be understood. We were instructed on 14 September 2010 to be the investment managers for RIFW. The first board meeting was on 28 January, and the second board meeting was on 28 March. That's quite a short time frame. Within that period, we were carrying out due diligence in terms of planning and legal on all of the sites, and at the point in time of the March board meeting, those assets were not ready for market, because of the impairments. One of the sites, we discovered, we didn't even own, and that's the extreme, but there were a number of title issues, a number of access issues, and we needed to put that into a state of marketability, and the timescale for that was undetermined.

[222] **Aled Roberts:** Os oedd yna resymau felly nad oeddech chi'n marchnata ar y farchnad agored—rwy'n meddwl bod Mr Green, yn ei dystiolaeth yn gynharach, wedi dweud eich bod chi wedi cyfathrebu efo datblygwyr—beth a wnaethoch chi yn union i gysylltu yn

Aled Roberts: If there were reasons, therefore, as to why you didn't market on the open market—I think that Mr Green, in his evidence earlier, stated that you had been in communication with developers—what did you do precisely to directly contact developers?

uniongyrchol efo datblygwyr?

[223] **Mr Mogridge:** We actually had quite a bit of direct development interest. When the RIFW contracts were tendered, quite a number of high-profile agents acting in the Cardiff marketplace and the south Wales marketplace were aware of the assets. There were agents from north Wales looking after the management on behalf of Welsh Government, which was transferred into the RIFW. You had Savills, who were undertaking the original valuations prior to transferring to RIFW, King Sturge, who provided all the valuation reports on the sites, and GVA and Knight Frank, who were also tendering for the contract work. So, the information was quite widely available in the marketplace. The transfers were all well documented, and Welsh Government had actually announced on a number of occasions. We were undertaking roadshows for the promotion of the investment side of the business, which is our primary function. During the roadshows—and we did one in north Wales, one in Swansea, and one in Cardiff—those were attended quite well by developers, investors and land promoters plus agents.

10:15

[224] So, the market exposure—for want of a better word—was actually quite good. We then had quite a few unsolicited approaches to see whether we would sell the land—I think that all of the national house builders spoke to us on one basis or another. We had quite a few land promotion companies looking at it. We had indicative proposals from both Rightacres and from South Wales Land Developments and we were actively involved in a number of conversations with quite a few parties.

[225] **Aled Roberts:** Sut y cafodd Mr Langley Davies, felly, o South Wales Land Developments wybod am y portffolio asedau yma, wrth gofio, wrth gwrs, nad oeddech chi wedi'i farchnata? Hefyd, nid wyf yn credu bod y cwmni arbennig yna wedi'i restru fel cyswllt marchnata ymlaen llaw mewn unrhyw bapurau.

Aled Roberts: How did Mr Langley Davies, therefore, from South Wales Land Developments become aware of this asset portfolio, bearing in mind, of course, that you hadn't marketed it? I also don't believe that that specific company had been listed as a marketing contact beforehand in any papers.

[226] **Mr Mogridge:** No, you're absolutely right. South Wales Land Developments wasn't a listed company; it didn't exist. Langley Davies actually approached us originally because he owns the buildings next door to

Imperial Park, Imperial Courtyard, and it was my understanding from him that he originally tried to buy the Imperial House and Imperial Courtyard buildings from King Sturge, who were Welsh Government's appointed disposal agents, and had failed a year or so previously. He approached us on the basis of that and during the course of the conversations that we had with him, he was made aware of the portfolio.

[227] **Aled Roberts:** Genny ch i? **Aled Roberts:** Was that by you?

[228] **Mr Mogridge:** Sorry?

[229] **Aled Roberts:** Genny ch i? **Aled Roberts:** Was that by you?

[230] **Mr Mogridge:** Yes, it was. Yes.

[231] **Darren Millar:** So, you made him aware of the portfolio.

[232] **Mr Mogridge:** Yes.

[233] **Darren Millar:** Okay. But you didn't make other people aware of the portfolio in quite the same way.

[234] **Mr Mogridge:** Yes, I did.

[235] **Darren Millar:** Can I just ask as a point of information? One of the things that is very clear in the auditor general's report is that not all of these other expressions of interest were communicated to the RIFW board. In fact, as a company, you were turning some people away, weren't you? I mean, there's a reference in the auditor general's report, paragraph 3.83, regarding an enquiry from Legat Owen in respect of the north Wales sites. The response from your company at that time, when you were already progressing in terms of the discussions with GST, or South Wales Land Developments as it's now known, was,

[236] 'it is a little premature at this stage as we still have to collate significant amounts of information'.

[237] So, you didn't even explore it with them, and, nor was it communicated to the board. Why not?

[238] **Mr Mogridge:** Legat Owen. At the time, I think that was a response

from our Manchester office that was dealing with the north Wales assets. I'm unaware that that wasn't communicated to the board, because the—. Well, Legat Owen were actually the managing agents for the north Wales assets for Welsh Government prior to their inclusion in the fund. The level of their interest—. I know they expressed interest in one of the sites or part of one of the sites for a nursing home for a client and they also had—. I've got the information here somewhere—

[239] **Darren Millar:** I've seen the list of organisations that you had discussions with. The question I'm asking is: why weren't these discussions always followed up? So, this Legat Owen enquiry; why wasn't that sufficiently followed up and why were these things not always and consistently communicated to the board? Why did you communicate some offers and not others, and some expressions of interest and not others?

[240] **Mr Mogridge:** I'd have to look at the timescales.

[241] **Darren Millar:** Was that because you had certain friends that you preferred to engage with?

[242] **Mr Green:** That was actually not the case. All—

[243] **Darren Millar:** But we just heard from Mr Mogridge—

[244] **Mr Green:** All interest was communicated to Amber.

[245] **Darren Millar:** Okay, but we've just heard from Mr Mogridge that Mr Langley Davies was, effectively, tapped on the shoulder and pointed in the direction of the portfolio, haven't we?

[246] **Mr Green:** A large number of meetings were taking place with potential interested parties.

[247] **Darren Millar:** But not all potential interested parties were tapped on the shoulder to express an interest, were they?

[248] **Mr Green:** All those interested parties were advised—

[249] **Darren Millar:** No, no. We've been—

[250] **Mr Green:** —of the availability of the—

[251] **Darren Millar:** No, wait a second. We were told that there were unsolicited enquiries—okay—by other interested parties. This one from Mr Langley Davies was not unsolicited, was it, Mr Mogridge, because you—?

[252] **Mr Mogridge:** It was—

[253] **Darren Millar:** Well, you've just confirmed to Aled Roberts that—

[254] **Mr Mogridge:** It was completely unsolicited. He approached us on the back of information he'd received on the asset that he'd been trying to buy previously, and he came in to see us about the asset he'd tried to buy previously. As a property entrepreneur, which he is, he enquired as to what else was being sold.

[255] **Darren Millar:** So, you didn't make him, therefore, aware—. I mean, in direct response to Aled Roberts's question, you said that you made him aware of all of the assets—

[256] **Mr Mogridge:** I just said that. I just said that he came in specifically about the Imperial House/Imperial Courtyard asset. He requested information on the balance of assets being sold by RIFW, and he was provided with exactly the same information as anybody else who enquired—

[257] **Darren Millar:** Apart from Legat Owen, of course, who you didn't provide any information to.

[258] **Mr Mogridge:** I never had any communication with Legat Owen.

[259] **Darren Millar:** Well, your organisation did, didn't it?

[260] **Mr Mogridge:** It did—

[261] **Darren Millar:** These are taxpayers' assets worth millions of pounds, and yet an enquiry from Legat Owen was not followed up.

[262] **Mr Mogridge:** Legat Owen offered £450,000 on part of the site for a nursing home, without planning and without access—

[263] **Darren Millar:** Fairways Care, as I understand it, offered that.

[264] **Mr Mogridge:** Yes.

[265] **Darren Millar:** But you didn't pursue this suggestion from Legat Owen that one of their clients was interested in the north Wales site. In fact, you dampened down the interest by saying 'It's premature at this stage'. Why—?

[266] **Mr Mogridge:** I will—

[267] **Darren Millar:** Why was that not communicated to the board?

[268] **Mr Mogridge:** I will check the dates on that.

[269] **Darren Millar:** Why were these things not being communicated consistently to the board? What was the process for communicating offers and interest to the board?

[270] **Mr Mogridge:** The process was a monthly report, which was passed on to Amber, listing all of the interest that we had received.

[271] **Darren Millar:** Well, we've got copies of those monthly reports, of course, and so did the Wales Audit Office have copies, and it's quite clear that they say in their report:

[272] 'We have not found any record of the interest being reported to the RIFW Board'.

[273] Was it a mistake?

[274] **Mr Mogridge:** I'm not sure. I will check.

[275] **Darren Millar:** Sandy Mewies.

[276] **Sandy Mewies:** Thank you, Chair. You yourself have covered many of the areas I wanted to ask about, but I wanted to move on, really, to the Monmouth site. You will be aware that South Wales Land Developments have sold part of that site already for £12 million, following an open market and competitive process with offers, seemingly, from five national house builders. Do you think that, perhaps, it could have been something that RIFW could have done for themselves with a similar result or do you think there's been a right time for each part of the process?

[277] **Mr Mogridge:** The Monmouth asset was certainly—. Of all the assets placed into the portfolio, it was probably the most likely to get a planning consent. There was a risk running the planning process with Monmouth because there was quite a lot of objection on the site and there was quite a high cost of actually promoting the site through the planning process. Could RIFW have done it? It possibly could have done. I think, in the ‘warts and all’ portfolio sale, Monmouth was probably the jewel in the crown of the assets that would assist in the sweetening of the disposal of the remainder of the assets, and, being covered with a 50 per cent overage on the development value, it wasn’t a bad deal for RIFW. You’re coming into joint-venture territory then, so the actual risk-to-reward ratio is actually quite high.

[278] **Mr Green:** I think also the main point for me is that, although Monmouth, as Lee has said, was actually one of the more certain assets in terms of achieving a planning allocation, it’s actually taken this long to achieve it; it’s taken this long to achieve the sale. Although contracts have been exchanged at £12 million, no money has yet been received and there is a phased payment schedule that’s been agreed, such that, if we were RIFW waiting for money to come in to invest in regeneration projects, we’d be short by quite a significant amount of money, because we’d still be waiting for those receipts to come in.

[279] **Sandy Mewies:** Thank you.

[280] **Darren Millar:** Okay. Alun Ffred.

<p>[281] Alun Ffred Jones: Byddaf yn gofyn yn Gymraeg. Fe gawsoch chi gynllun gwireddu asedau a oedd wedi cael ei roi gerbron y bwrdd, ac wedyn a gafodd ei gytuno ar ddechrau 2012, a oedd yn dweud y dylid gwaredu’r safleoedd yma yn unigol neu fesul lotiau. Pam felly ichi awgrymu i RIFW beidio â bwrw ymlaen â’r cynllun hwnnw?</p>	<p>Alun Ffred Jones: I will be asking my questions in Welsh. You had an asset realisation plan that was put before the board, and was then agreed at the start of 2012, and that plan said that these sites should be disposed of individually or in lots. Why, therefore, did you suggest to RIFW that it should not proceed with that plan?</p>
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[282] **Mr Mogridge:** We didn’t. The asset realisation plan was drafted and it was accepted in the March board meeting. The board papers that were submitted to the board, you’re absolutely right, made reference to individual asset sales. Those individual asset sales—the majority of them, with the

exception of two of the assets—were to be sold by the end of 2012. On 4 March, prior to the board meeting, we had an indicative proposal from South Wales Land Developments, or Barclays Wealth, as it was at the time, which we are duty-bound to report to the board, because we'd received it in writing. We pushed it on to Amber, and it was reported to the board at the same board meeting. The proposal looked relatively attractive in terms of values—the values being in line with the market and the book values that we had. The proposal at the time didn't have overage on anything other than the Monmouth site, and there were a couple of other anomalies, which we were basically requested by the board to investigate. So, there was no decision made in March to accept that offer. We were sent away to do some more work on it, to actually analyse it and to make some recommendations, which is exactly what we did.

[283] **Alun Ffred Jones:** Ond roedd y **Alun Ffred Jones:** But the bid for the cynnig am y portffolio yn wahanol, portfolio was different, therefore, to felly, i'r cynllun roeddech chi eich the plan that you yourself had hunain wedi cynnig i'r bwrdd. proposed to the board.

[284] **Mr Mogridge:** Yes, the actual bid that was received, the offer that was received, was slightly different. In value terms, it was actually slightly enhanced—I think it was running at about 10 per cent more than the actual book values that we had in place—and we had a significant opportunity to benefit from overage from the sale. It also de-risked the portfolio. You've got to bear in mind that these assets were impaired—and a number of them quite significantly impaired—and the audit office themselves acknowledged and Welsh Government acknowledged that there was the possibility that they wouldn't actually achieve the values they were transferred in at, which would actually then leave RIFW and the match-funding issue short. So, we were looking at an opportunistic proposal in the depths of a very, very, very poor marketplace.

[285] **Alun Ffred Jones:** Rydych yn **Alun Ffred Jones:** You've talked a lot sôn tipyn am y *book value*, a bod y about the 'book value', and that this cynnig yma, mwy neu lai, yn debyg i'r bid was, more or less, the same as *book value*, ac eto rydych chi'n the book value, but you say that, dweud, pan dderbyniwyd y tir yma when this land was accepted by the gan y Llywodraeth, a chithau'n Government, and you started to look dechrau edrych arno fo, nid oedd yna at it, there was no information at all. ddim gwybodaeth. Rydych chi'n You've been very critical of the feirniadol iawn am y wybodaeth oedd information that was available about

ar gael ynglŷn â'r tiroedd yma, ond this land, but you seem to accept the
 eto rydych chi fel petaech chi'n valuation of the land without
 derbyn y prisiad ar y tir yn ddi- question.
 gwestiwn.

[286] **Mr Green:** No. The asset realisation plan provided an opinion of the achievable prices for the land, which adds up, actually, to £24.935 million. So, in the report that we submitted to the board in April 2011, we provided a schedule that identified the transfer value as £20.65 million, an ARP value, shall we call it, of £24.935 million, with a downside price also identified at £18.15 million. That is the price that reflected the potential issues and problems that were being identified, particularly with regard to Imperial House/Courtyard, where it was being discovered that there was significant capital expenditure required in order to—

10:30

[287] **Alun Ffred Jones:** Dof yn ôl at **Alun Ffred Jones:** I'll come back to
 brisiau'r tir. Pam na roddodd Lambert the land prices. Why didn't LSH give a
 Smith Hampton gopi o adroddiad copy of the King Sturge valuation
 prisio King Sturge i aelodau bwrdd y report to the RIFW board? That report
 gronfa? Roedd yr adroddiad hwnnw included hope-value estimates for
 yn cynnwys manylion gwerth five of the sites in the portfolio.
 gobeithiol pump o'r safleoedd yn y
 portffolio.

[288] **Mr Green:** It was not, in my opinion, relevant for the board to see that; that was a transaction that had occurred before we were appointed. It supported the transfer of the assets into the RIFW board, and we were instructed to provide an ARP, which is what we were doing, and it was the ARP figures that were being discussed with the board at the time. The King Sturge valuation at that time did not have relevance to those discussions.

[289] **Alun Ffred Jones:** Pam na **Alun Ffred Jones:** Why wasn't there an
 sicrhawyd prisiad annibynnol ar gyfer independent valuation given to the
 bwrdd y gronfa cyn gofyn iddyn nhw RIFW board before the independent
 gytuno i werthu'r asedau yn breifat, sale was agreed?
 heb brofi'r farchnad?

[290] **Mr Mogridge:** I don't know. We did obtain a quotation for an independent valuation to be undertaken, which was passed on to Amber.

[291] **Mr Green:** Yes, it was discussed that that would be obtained, but it wasn't our decision to do that.

[292] **Alun Ffred Jones:** Rydych wedi sôn cryn dipyn am yr asedau yma; rwy'n credu bod rhyw gyfeiriad at '*distressed assets*' a bod yna broblemau di-rif. A gaf i jest gyfeirio at un ohonyn nhw, sydd yn digwydd bod yn fy etholaeth i—fferm Goetra Uchaf, Bangor? Ac mae'r prisiadau sydd yn y gwahanol adroddiadau yma yn prisio Goetra Uchaf yn £1.5 miliwn, ond, wrth gwrs, mae rhai yn ei osod mor uchel â £3 miliwn. Felly, mi werthwyd o am tua £1.5 miliwn fel rhan o'r portffolio. Roedd o eisoes yn rhan o gynllun unedol Gwynedd, ac felly roedd o'n dir ar gyfer datblygu tai. Yn fuan iawn ar ôl i South Wales Land Developments gael y tir yna, fe werthwyd o am £2.5 miliwn, sy'n awgrymu i mi nad oeddech chi wedi prisio'r tir yna yn gywir o gwbl. Ond ar dir fel yna, a oedd eisoes o fewn cynllun unedol, pam nad oedd yna ddim *overage* arno fo?

Alun Ffred Jones: You've mentioned quite a lot about these assets; I think there is a reference to 'distressed assets' and that there are great problems. Could I just refer to one of them, which happens to be in my constituency—Goetra Uchaf farm, Bangor? And the valuations that are in the different reports here value Goetra Uchaf at £1.5 million, but, of course, some place it as high as £3 million. So, it was sold for about £1.5 million as part of the portfolio. It was already part of the unitary plan for Gwynedd, so it was development land for housing. Very soon after SWLD had that land, it was sold for £2.5 million, which suggests to me that you hadn't valued the land accurately at all. But on that kind of land, which was already within a unitary plan, why wasn't there any overage on that?

[293] **Mr Green:** The Bangor land—. The transfer value, as you say, was £1.5 million. The figure that we actually put on it as part of our ARP was £3 million. So, we had identified the potential for greater value, but it was sold as part of the portfolio. We did receive an offer of £2 million in July after we agreed terms for the portfolio sale. And you're right that the site was sold for £2.5 million. But in terms of whether or not that should include overage, I think we need to just consider—and we did consider at the time—that whether or not you include overage on land, there's a balance between the initial price that's achieved, which is a certain price, and the future price that might be achieved on overage. And we maximised, in our opinion, the initial price that was achieved for this portfolio by agreeing overage on two assets, which were Lisvane and Monmouth. We also received, as you know, an

indicative proposal from Rightacres, which did include overage on more assets, but was at a much reduced initial price.

[294] **Alun Ffred Jones:** Os caf i jest orffen, un feirniadaeth ar y cytundeb wnaethpwyd oedd nad oes *overage* ar ragor o safleoedd a phetaech chi wedi eu gwerthu nhw'n unigol, neu mewn lotiau, yna mi fyddech chi wedi gallu gwireddu gwell *deal* i'r cyhoedd. Ers y gwerthiant i South Wales Land, mae tri a hanner o'r safleoedd yma wedi'u gwerthu, ac maen nhw'n werth, mae'n debyg, tua £17 miliwn fel cyfanswm. Mae hynny'n awgrymu i mi bod y tir yma wedi'u werthu yn rhatach na'i werth. A fyddech yn cytuno neu'n anghytuno?

Alun Ffred Jones: If I can just finish, one criticism of the agreement that was made was that there is no overage on more sites, and that if you had sold them individually, or by lot, then you would have been able to realise a better deal for the public. Since the sale to South Wales Land, three and half of these sites have been sold, and they are worth, apparently, about £17 million in total. That suggests to me that this land has been sold more cheaply than its value. Would you agree or disagree?

[295] **Mr Mogridge:** I disagree with it. On the three and a half assets that have been sold, firstly, £17 million hasn't been received because the Monmouth site hasn't yet completed. So, there's £12 million pounds of moneys yet to come in to that calculation. And, in any event, half of that money from the Monmouth sale will go back to RIFW, not South Wales Land. On the balance of sites, they have made profit on them, but, in all reality, a property speculator wouldn't expect to buy a portfolio of sites that he had to still work on if he wasn't going to make a profit.

[296] **Alun Ffred Jones:** Diolch yn fawr.

Alun Ffred Jones: Thank you very much.

[297] **Darren Millar:** Can I just ask, in terms of the South Wales Land Development sale at the agreed price of £12 million, does that include any overage terms?

[298] **Mr Mogridge:** Sorry, the—

[299] **Darren Millar:** Is there any overage in addition to the £12 million?

[300] **Mr Mogridge:** No.

[301] **Darren Millar:** There's no overage, so that's a straight sale. Thank you. Julie, you wanted to come in on conflicts of interest.

[302] **Julie Morgan:** Conflict of interests, yes. Would you agree that you broke your own company's procedures, and the advice of other professional bodies, in having your same employee trying to deal with both the interests of RIFW and SWLD?

[303] **Mr Green:** We have quite clear conflict of interest procedures, yes, and those conflict of interest procedures were agreed with Amber at the outset of the creation of the fund.

[304] **Julie Morgan:** I thought that your procedures said that it couldn't be the same person dealing with both bodies.

[305] **Mr Green:** The procedures are that if there is a conflict of interest, or a potential for conflict of interest, then we create an information barrier by storing different information in different offices. So, in this particular case, you're talking about the South Wales Land instruction, and that was being handled out of the Cardiff office. I was identified as the person based in the London office who would be the conduit for information where it needed to be transferred or discussed between us and Amber.

[306] **Julie Morgan:** So, you're saying that it's not correct that the same person was dealing with RIFW and South Wales Land Development.

[307] **Mr Green:** The same person—. There was one particular issue, which was in connection with the Brackla land, where the contract on Brackla was a conditional contract. It was subject to the Linc Cymru planning application, under which they would have taken on the affordable housing commitment for the wider land. Therefore, it was of benefit to RIFW that (a) that the land sold, and (b) that it sold at the full value. The instruction that Amber gave to the planning consultant within LSH was to oversee that process and to report back progress on the Linc Cymru application.

[308] **Julie Morgan:** It does seem rather—how can I say—confusing. Really, to go back to the point, I understand you signed an agreement with SWLD on the day after the sale of 14 of the 15 sites in the portfolio. So, from that point, you were acting on both sides.

[309] **Mr Mogridge:** No. The deal was crystallised on contract exchange and completion. We signed a management agreement, so we continued to manage the land, in the same way as Legat Owen continued to manage the land when it was transferred into the fund, from Welsh Government into RIFW. We continued to manage the land after the sale had taken place. The fact was that RIFW had sold all of the assets, completed on all of the assets, but hadn't completed on the Brackla site because that was subject to this agreement with Linc, and there was a delay of 12 months from exchange to completion. The value was crystallised on the exchange date. The only detriment, really, or potential conflict, if you could argue that was a conflict, was that that site had not completed, which brings back into play the individual who was actually monitoring the planning, because both the interests of RIFW and South Wales Land were aligned in terms of the fact that South Wales Land could have stepped away from that contract to buy that land if the Linc deal hadn't completed, because, basically, the 30 per cent social housing commitment would then have transferred onto the RIFW land. So, it would actually have been detrimental to RIFW, and we did provide valuations at that time of, if that scenario had arisen, what impact it would have had on RIFW.

[310] **Julie Morgan:** Would you agree that, to the public, it seems extraordinary that you can be acting on both sides in this sort of way?

[311] **Mr Mogridge:** I do. This was in a planning capacity. There was no effect on the value. There could not have been an effect on the value other than a positive value towards RIFW. Yes, I can absolutely see that, if you're acting for two parties, there is potentially a conflict of interest that could give rise to a problem, but in this instance—

[312] **Julie Morgan:** And could influence the price of the land.

[313] **Mr Mogridge:** No. The land sale had already happened. It was exchanged, so the contract price was set. So, this conflict of interest would have had no bearing at all—the only bearing would have been a positive bearing on RIFW, because if that Linc deal hadn't happened—. Basically, they'd taken out all of the social housing commitment from the remainder of the land and put it on a site-specific piece of land, which Welsh Government was giving to Linc. If that hadn't happened, any application made on the Brackla site would then have been subject to a social housing commitment of up to 30 per cent. So, that would have negated 30 per cent of the site in terms of land value, so there would be a decrease in value. So, if South Wales

Land had stepped away from that deal, RIFW would have actually taken Brackla back in-house, and we would have had to remarket it at a lower price.

[314] **Darren Millar:** Do you accept—sorry, Julie.

[315] **Julie Morgan:** Did you have any discussions with South Wales Land Developments before moving over to work for them—before these contracts were set up?

[316] **Mr Mogridge:** These were passed-on management contracts. They are quite small contracts.

[317] **Julie Morgan:** The issue isn't whether they're small or not, it's whether this was an ethical way to behave, really.

[318] **Mr Mogridge:** It's how the market works.

[319] **Darren Millar:** Well, you say it's how the market works, but it's against your own company's policy, isn't it? And it's against the Royal Institution of Chartered Surveyors professional standards as well. In addition to that, you say that your interests were aligned, but, of course, your interests weren't aligned in terms of the potential receipts in terms of overage, were they? As far as RIFW was concerned, it wants to maximise overage, but South Wales Land Developments wants to minimise overage payments. So, the interests, whilst they may have been aligned in terms of the total value of the land at Brackla going up, they certainly weren't in terms of the overage.

[320] **Mr Mogridge:** There was no overage on Brackla.

[321] **Darren Millar:** No, but there was overage on the other pieces of land where contracts had been exchanged in terms of South Wales Land Developments.

10:45

[322] **Mr Mogridge:** But we had no conflicts of interest in terms of—

[323] **Darren Millar:** You did have a conflict of interest because presumably you were advising South Wales Land Developments on how to minimise the impact of the overage clauses so that they could pay less to RIFW, and yet

advising RIFW, supposedly, that they should be maximising how much they could get back in overage.

[324] **Mr Mogridge:** How does land management influence an overage provision?

[325] **Darren Millar:** So, you were only acting in terms of land management.

[326] **Mr Mogridge:** Yes.

[327] **Darren Millar:** You weren't marketing that land for South Wales Land Developments.

[328] **Mr Mogridge:** No, not at the time. We took an instruction after the sale—

[329] **Darren Millar:** Were you at any time representing the interests of South Wales Land Developments in terms of trying to minimise overage whilst at the same time acting for RIFW?

[330] **Mr Mogridge:** Absolutely not.

[331] **Darren Millar:** Not at all.

[332] **Mr Mogridge:** Not at all.

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

[334] **Aled Roberts:** A gaf i fynd yn **Aled Roberts:** May I go back to March ôl at fis Mawrth 2011 achos mi 2011, because Mr Jonathan Geen, at wnaeth Mr Jonathan Geen, yr adeg that time, expressed a possible hynny, ddatgan achos posibl o conflict of interest. So, why didn't wrthdaro buddiannau? Pam na you do the same thing in relation to wnaethoch chi yr un peth ynglŷn â'ch your standing relationship with Mr perthynas eisoes efo Mr Langley Langley Davies? Davies?

[335] **Mr Mogridge:** In 2011, we had no relationship with Mr Langley Davies.

[336] **Aled Roberts:** In March 2011.

[337] **Mr Mogridge:** In March 2011, no.

[338] **Aled Roberts:** I symud ymlaen, felly, roeddech chi wedi llofnodi cytundeb efo Mr Langley Davies ar 3 Mawrth 2012, diwrnod ar ôl i'r tir yma gael ei drosglwyddo. Am ba hyd yr oeddech chi'n trafod y cytundeb yna efo Mr Langley Davies, felly, os ydych chi'n dweud nad oedd gennych berthynas ym mis Mawrth 2011? Pryd ddechreuwyd y trafodaethau ynglŷn â chi'n gweithredu ar ran Mr Langley Davies?

Aled Roberts: To move on, therefore, you signed an agreement with Mr Langley Davies on 3 March 2012, which is a day after this land was transferred. For what length of time did you discuss that agreement with Mr Langley Davies, if you say that you had no relationship in March 2011? When did those discussions begin about how you would operate on behalf of Mr Langley Davies?

[339] **Mr Mogridge:** That is a question I don't know the answer to, but I can check with our management people to find out.

[340] **Mr Green:** I think I can answer that. There was a letter that was written to the Wales Audit Office in March 2013, which identified that an initial meeting took place on 22 February 2012 between Langley Davies and two representatives from LSH. That was after the exchange of contracts.

[341] **Aled Roberts:** Pan wnaethoch chi drafod efo Mr Langley Davies y ffaith bod yna bortffolio ar gael, pa bryd oedd y cyfarfod hwnnw?

Aled Roberts: When you discussed with Mr Langley Davies the fact that a portfolio was available, what was the date of that meeting?

[342] **Mr Green:** Sorry, could you repeat that question?

[343] **Aled Roberts:** Mi wnaeth Mr Mogridge ddweud bod Mr Davies wedi dod ynglŷn ag un eiddo—Universal House, neu beth bynnag oedd o—a'i fod o wedi cynnig i Mr Langley Davies bryd hynny eich bod chi'n gweithredu portffolio ar ran RIFW. Pa bryd oedd y cyfarfod hwnnw?

Aled Roberts: Mr Mogridge said that Mr Davies had approached him about one property—Universal House or something similar—and that he proposed to Mr Langley Davies then that you would be operating a portfolio on behalf of RIFW. So, when did that meeting take place?

[344] **Mr Mogridge:** That would have been February or March 2011.

[345] **Aled Roberts:** Felly, rŷch chi'n dweud eich bod yn trafod— **Aled Roberts:** So, you're saying that you discussed—

[346] **Mr Green:** No. The meeting that I referred to was in February 2012.

[347] **Aled Roberts:** Rwy'n deall hynny, ond roedd y llythyr y gwnaethoch chi gyfeirio ato yn nodi mis Chwefror 2012, ond rydw i jest eisiau gwybod pryd roeddech chi'n trafod efo Mr Langley Davies, hyd yn oed os nad oedd pethau i lawr yn ysgrifenedig. Rydych chi newydd ddweud eich bod wedi cyfarfod â Mr Langley Davies ym mis Chwefror 2011, neu roedd Mr Mogridge wedi. **Aled Roberts:** I understand that, but the letter that you referred to mentioned February 2012, but I just want to know when you were discussing with Mr Langley Davies, even if nothing was down in writing. You just said that you did meet with Mr Langley Davies in February 2011 or Mr Mogridge did.

[348] **Mr Mogridge:** Yes, but that wasn't related to the management; that was related to the sale.

[349] **Aled Roberts:** Ie, ond mae yna berthynas, onid oes? Mae yna berthynas os ydych yn trafod efo rhywun yr ydych yn ei adnabod. **Aled Roberts:** Yes, but there was a relationship, wasn't there? There's a relationship if you discuss with someone whom you know.

[350] **Mr Mogridge:** I didn't know him, to start with, but the—

[351] **Aled Roberts:** Well, you knew him well enough to offer him a portfolio.

[352] **Mr Mogridge:** I responded to requests for information on a portfolio, as I would respond to anybody who made a request for information on a portfolio that we were likely to be selling. The relationship was on that basis, as with every other potential purchaser.

[353] **Aled Roberts:** Mae'n rhaid bod yna gyfarfodydd eithaf rheolaidd yn cymryd lle achos mae eich tystiolaeth ysgrifenedig chi'n dangos bod yna adroddiad yn cael ei baratoi ym mis Rhagfyr 2011. Ar dudalen 116 yn ein **Aled Roberts:** There must have been quite regular meetings taking place because your written evidence shows that a report was being prepared in December 2011. On page 116 in our pack, it states,

pecyn ni:

[354] 'These provisions have been subject to recent debate, with the purchaser suggesting that it would harm his interests and could prejudice the portfolio transaction if he is forced to carry out a formal valuation now or is in a position where the portfolio may be subject to a formal valuation within the next two years.

[355] 'A substitute arrangement has been proposed by the purchaser....

[356] 'LSH support the adoption of these new arrangements'.

[357] **Mr Green:** Sorry, I didn't follow where you were reading that from.

[358] **Aled Roberts:** Pack page 116.

[359] **Mr Green:** We haven't got that pack.

[360] **Aled Roberts:** Okay. It's your report—

[361] **Darren Millar:** It's your supplemental transaction report, 15 December.

[362] **Aled Roberts:** —your supplemental transaction report for RIFW assets dated 15 December 2011. Paragraph 3, 'SECURITY'.

[363] **Mr Green:** Yes, okay. Sorry, what was the—.

[364] **Aled Roberts:** I'm just saying that you were obviously having a great number of meetings, because you're stating that the provisions of the agreement had been subject to recent debate and the purchaser had suggested that it would

[365] 'harm his interests and could prejudice the portfolio transaction if he is forced to carry out a formal valuation now or is in a position where the portfolio may be subject to a formal valuation within the next two years.

[366] 'A substitute arrangement has been proposed by the purchaser....

[367] 'LSH support the adoption of these new arrangements.'

[368] **Darren Millar:** What was the rationale behind that?

[369] **Mr Green:** The majority of those meetings, actually, were taking place between Amber and the purchaser.

[370] **Aled Roberts:** Well, this is a joint report from yourselves and Amber.

[371] **Mr Green:** This is a joint—. Correct, yes. So, the security arrangements—. This was in order to secure the phased payment—so, the second and third payments that were made under the terms of the contract.

[372] **Aled Roberts:** Perhaps we could have a note of all the meetings that took place perhaps between February 2011 and March 2012.

[373] Have you also any comment on the following paragraph? 'Related Parties',

[374] 'we do not have any related party issues resulting from this transaction.

[375] 'We have acted for Langley Davies on other projects and do provide property advice to companies where Langley Davies is a Director.'

[376] **Mr Mogridge:** Yes we do act where he is a director, or we did act where he was a director on an office building, which was in a different property vehicle, but we—

[377] **Aled Roberts:** And how far back do those relationships go?

[378] **Mr Mogridge:** I would need to check that with agency colleagues.

[379] **Aled Roberts:** Okay.

[380] **Darren Millar:** Ffred.

[381] **Alun Ffred Jones:** Just on the paragraph between those:

[382] 'A substitute arrangement has been proposed by the purchaser which includes an arrangement whereby 50% of the sale proceeds or the apportioned price... will be paid to RIFW on any sale.'

[383] Does that suggest that they were proposing an overage on all the

assets?

[384] **Mr Green:** No. What that was—that was in connection with, as I say, the security on the—. And this was an arrangement that was negotiated by Amber. The arrangement was that the assets were held as security against the future payments, and what was agreed, what this records, is that, if any of those assets were to be sold within that period, as a condition of that asset being released from the security, 50 per cent of those sale proceeds would actually be paid back to Welsh Government—sorry, RIFW.

[385] **Darren Millar:** Sorry, can I just pursue this paragraph in relation to a requirement for valuation and the potential harm to the interests of the purchaser? Do you have any explanation as to what those potential harms might be or the rationale behind these claims that harm might come to the purchaser and this threat not to proceed with the transaction if any valuation was taking place within two years of the sale? Why on earth would that be in there? It seems very odd.

[386] **Mr Green:** I must confess, I don't recall the reason.

[387] **Darren Millar:** Well, you jointly provided this paper.

[388] **Mr Green:** Yes, I did, which was in December 2011. I regret I don't recall the reasoning behind that statement.

[389] **Darren Millar:** You don't recall it at all. So, you didn't ask any questions of Amber or—. Was it your request to put that in? You drafted these reports, didn't you? Was that in your draft or Amber's draft—their redraft?

[390] **Mr Green:** Again, I don't want to speculate, so—

[391] **Darren Millar:** Have you got any—? Presumably, that was communicated to LSH by the purchaser. Have you got any correspondence around that? Any letters? Any e-mails?

[392] **Mr Mogridge:** Not necessarily, because Amber were having direct meetings with South Wales Land to actually sort out the security provisions over the assets, because of the phased payment agreement.

[393] **Darren Millar:** It's not so much about the security as this, 'I don't want

a valuation. If there's a valuation, I'm stepping away from the deal', which is effectively what—that's the threat that's being made, isn't it?

[394] **Mr Green:** As I said, I don't recall those discussions. The majority of the arrangements over security were handled by Amber. This is a record, primarily, of discussions that Amber had been undertaking with the purchaser.

[395] **Darren Millar:** Many people will assume that the reason the purchaser didn't want a valuation was because he was not paying the full price of the land.

[396] **Mr Mogridge:** But he did get a valuation.

[397] **Darren Millar:** Yes, but the point that's being made here is that you're supporting the adoption of an arrangement whereby there is no valuation. That's what it says at the bottom of that section. You support the adoption of the new arrangements, including, presumably, that there shouldn't be a valuation.

[398] **Mr Green:** Our support of the arrangements was the security and the payment of half of the proceeds on any sale in order to release that particular asset—

[399] **Darren Millar:** So, did you support this suggestion that there shouldn't be a valuation, then, because of the potential harm that it could do to the interests of the purchaser?

[400] **Mr Green:** As I've said, I don't recall the discussion that took place around that.

[401] **Darren Millar:** Okay, you don't recall. Looking back at it now, do you support—

[402] **Mr Green:** I'm not willing to speculate as to what we—

[403] **Darren Millar:** Okay, but you can provide us with any exchanges of e-mails and letters that you had about that particular paragraph in the report or about that particular issue, yes?

[404] **Mr Green:** We can do, yes.

[405] **Darren Millar:** Thank you. Jenny Rathbone wanted to come in.

[406] **Jenny Rathbone:** I just wanted to come back to the driving force behind selling off all these pieces of land, because the WAO say that both Amber and yourselves maintain that getting the ERDF match funding was the reason why you needed to sell all the assets. I wonder if you can just clarify what role that played in all this.

[407] **Mr Mogridge:** The ERDF money, the £25 million of ERDF money, had to be deployed by December 2015. To deploy it, we also had to match fund the cash element of it, which was about £15.4 million, by December 2015.

[408] **Jenny Rathbone:** Right. You already had £9.4 million. What was the—

[409] **Mr Mogridge:** No, it was £25 million; £25 million was the total.

[410] **Jenny Rathbone:** No, the match funding was £15 million.

[411] **Mr Mogridge:** We had £9.6 million.

[412] **Jenny Rathbone:** You had £9.5 million or £9.6 million. So, you needed a further £6 million to top that up.

[413] **Mr Mogridge:** No, we needed a further £15.4 million.

[414] **Jenny Rathbone:** But you already had £9.4 million cash.

[415] **Mr Mogridge:** It was £25 million that the ERDF put in.

[416] **Jenny Rathbone:** That's right. But the match funding was a total of £15 million or £16 million.

[417] **Mr Mogridge:** £15.4 million.

[418] **Jenny Rathbone:** £15.4 million. So, why was this used as an argument to dispose of all the land—you know, at the bottom of the market?

[419] **Mr Mogridge:** It wasn't an argument to dispose of all the land. The primary objective of the fund was investment in opportunities throughout Wales.

[420] **Jenny Rathbone:** I understand that, but the urgency to get the match funding for the ERDF JESSICA project—. It was a relatively small sum of money, compared with the size of the portfolio you were handling.

[421] **Mr Mogridge:** The intention of the fund was not—. It was not set up as a property development company. It was set up as a secondary bank.

[422] **Jenny Rathbone:** That's right. But why is it you were insisting you needed to dispose of all the assets, when all you needed was about £6 million?

[423] **Darren Millar:** Just in answering this, I mean, you're—. It was very, very clear in the information packs that were given by the Welsh Government that you needed £15.4 million of cash in total, which included the cash that had been transferred. So, it actually was just £6 million—not £15.4 million—that you needed to realise in order to match the ERDF funding.

[424] **Mr Green:** As far as we were concerned, RIFW was a £55 million business that was—

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[425] **Darren Millar:** I understand that, but you only needed to realise, within the time to access the ERDF funding, £6 million-worth of sales. Do you accept that?

[426] **Mr Green:** The intention of RIFW was to invest £55 million in regeneration projects in Wales.

[427] **Darren Millar:** I understand that. The point that's being made is—

[428] **Mr Green:** We could not invest £55 million in regeneration projects without releasing cash from the sale of those assets.

[429] **Darren Millar:** I understand that, but the impression we've been given is that there was this hiatus towards, 'We've got to sell; we've got to sell; we've got to get these assets off our hands in order to realise this cash in order to get the match funding for our ERDF cash to come forward'—

[430] **Mr Green:** As I said before, we were not—

[431] **Darren Millar:** —but, actually, you only needed 6 million quid’s-worth of cash, didn’t you?

[432] **Mr Mogridge:** We only needed £6 million-worth of cash to invest in convergence areas.

[433] **Darren Millar:** Well, why did you tell Jenny Rathbone that you needed more than that?

[434] **Mr Mogridge:** Because the—. Sorry—

[435] **Darren Millar:** A few moments ago.

[436] **Mr Mogridge:** It’s a misunderstanding. The money we needed to raise to match fund was for investment in the convergence areas. We had a pipeline of potentially 60-odd projects, a lot of which weren’t in the convergence areas, which we could use the cash from the land sales to facilitate. The objective of this whole thing was a regeneration fund.

[437] **Darren Millar:** I understand that. We know what the objective was. Were you overegging the argument to get these land assets sold too quickly? That’s the point that’s being made.

[438] **Mr Mogridge:** No, we weren’t.

[439] **Mr Green:** We don’t believe we were, Chair.

[440] **Darren Millar:** Okay. Aled, you’ve got a brief question.

<p>[441] Aled Roberts: Cwestiwn olaf: Aled Roberts: A final question: it was cadarnhawyd gan Lywodraeth Cymru confirmed by the Welsh Government wythnos diwethaf eu bod nhw’n dal i last week that they are still paying dalu’n fisol i Amber Infrastructure. monthly to Amber Infrastructure. I Rwyf jest eisiau gofyn: beth yw’r just want to ask: what’s the berthynas rhwng Lambert Smith relationship between Lambert Smith Hampton ar hyn o bryd â RIFW, Hampton at the moment, and RIFW, Amber Infrastructure a South Wales Amber Infrastructure and South Land? Wales Land?</p>
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[442] **Mr Green:** Our contract has been terminated.

[443] **Aled Roberts:** Can Amber? **Aled Roberts:** By Amber?

[444] **Mr Green:** Yes.

[445] **Darren Millar:** Okay. Just one final question: there has been a lot of reference to the need for a portfolio sale, one of the advantages of a portfolio sale being that it's a warts-and-all proposal and that it means that difficult pieces of land would be out of the door, as it were, as far as RIFW was concerned. But, of course, RIFW's been left with some lemons, hasn't it, because some of the pieces of land that were supposed to be part of the original deal were taken out. So, one of the big benefits of this approach with the portfolio sale has been severely undermined, hasn't it?

[446] **Mr Green:** I think that—. You refer to some of the assets being lemons. I think those ones that were taken out were rotten lemons, in as much that they were considered to be so far impaired that—

[447] **Darren Millar:** So, these were worse warts than the others, effectively?

[448] **Mr Green:** Yes, they were. They were—

[449] **Darren Millar:** So, it wasn't a warts and all; it was some warts and all, wasn't it?

[450] **Mr Green:** —ransom strips that no longer had a value as a ransom strip, because the land that they were ransoming was no longer within an LDP, and one of the sites was subject to, or was threatened to be subject to, a site of special scientific interest.

[451] **Darren Millar:** It seems to me that there were three arguments for a portfolio sale: we can sell quickly, we can get all the cash upfront, and it's a warts-and-all sale. And the reality is that it wasn't all warts and all, it was only some, and that not all cash was received upfront, but, of course, it was a quick disposal.

[452] **Mr Green:** The cash was received over a timeframe that we agreed with Amber that the fund could actually make use of that money. It was actually beneficial that the money was not held as cash from day one, but, under the terms of the agreement for the sale, we knew when the subsequent cash receipts would come in.

[453] **Darren Millar:** One final question, then: given what you now know, with hindsight, do you think you made any mistakes in the advice you gave the board? Were there things you would have done differently?

[454] **Mr Mogridge:** I think the advice we gave the board at the time was absolutely correct.

[455] **Mr Green:** We continue to believe that the advice we gave was correct. We believe that we achieved good value for the sale of these assets. If we were to do this again, the only thing we would do again would be to strive to prove that we had achieved best value, so that we didn't have to actually sit here and answer these questions now.

[456] **Darren Millar:** Okay. And on that note, Jeremy Green, Lee Mogridge, thank you very much for attending the committee today. We look forward to your liaison with the clerks in terms of the additional information that you agreed to provide. You'll receive a copy of the transcript from today's proceedings. You can check that for any factual inaccuracies and report that back to the clerk, and we'll have those amended. We're very grateful for your time; thank you very much indeed.

[457] **Mr Green:** Thank you.

[458] **Darren Millar:** We'll take item 5 as item 1 at our next meeting, and we'll close the meeting there. Thank you.

Daeth y cyfarfod i ben am 11:05.

The meeting ended at 11:05.