



28 October 2015

Public Accounts Committee  
National Assembly for Wales  
Senedd  
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**For the attention of Claire Griffiths  
Deputy Clerk**

Our Ref: JG231

Dear Sirs

**PUBLIC ACCOUNTS COMMITTEE – INQUIRY INTO RIFW**

Further to our attendance at the meeting of the Public Accounts Committee on 20 October 2015 and your email note dated 21 October 2015, please find below the responses to your questions.

**1. Check and confirm the dates LSH met with Planning Officials from City of Cardiff County and Monmouthshire County Council and submit any relevant correspondence.**

LSH attended a series of handover meetings with officials from Welsh Government commencing in August 2010. Following the appointment of the Investment Manager (LSH) in December 2010, it should be noted that a planning Director from LSH was fully engaged on all the assets and provided comprehensive planning advice and input to protect RIFW's interests.

A summary of the key activities and all meeting dates with the respective Councils relating to Lisvane and Monmouth is set out below. We attach at Appendix 1 various associated documents which will provide you with the detail requested.

**Lisvane**

The Lisvane RIFW asset formed part of a wider area of land at North East Cardiff which was being promoted by the North East Cardiff landowners with an informal agreement to share costs. The landowners, which included Welsh Government, were represented by RPS Planning Consultants as lead planning advisor. Following, the appointment of LSH as Investment Manager, much of the promotion of the asset was done on a joint basis, between RPS and LSH.

<b>DATE:</b>	<b>ACTIVITY:</b>
18 November 2010	LSH / RPS / North East Cardiff (NEC) Landowner meeting to progress representations by RPS to promote the asset as a candidate site in the LPD.  Deadline 'call for candidate sites' set by CCC as 7 January 2011.

6 January 2011	<p>LSH submitted candidate site submissions – for 3 parcels of land forming the RIFW Lisvane asset (Llwynypia, Maerdy and Church Farms).</p> <p>RPS submitted candidate site submission for the wider NEC Landowners inclusive of the RIFW land.</p> <p>LSH recommended individual site submissions for the RIFW land to protect the individual asset and mitigate the risk against the wider NEC landowner site failing to secure an allocation.</p>
17 January 2011	LSH confirm awaiting meeting with CCC / RPS to review LDP candidate site submissions.
January 2011 – May 2011	Council finalising registration and initial assessment of the candidate site submissions.
4 May 2011	LSH / RPS and Cardiff Council meeting – review of candidate site submissions. CCC announces consultation on Strategic Options for the LDP to be launched on 9 <sup>th</sup> May 2011 with Preferred Strategy expected October 2011.
10 June 2011	LSH and RPS independently submit representations to Cardiff LDP Consultation supporting high quality growth strategy.
14 December 2011	Cardiff Council delay LDP by 12 months on advice from Welsh Government.
15 December 2011	LSH / RPS / Cardiff Council meeting to discuss implications of 12 month delay to LDP.

### Monmouth

As with Lisvane, the Wonastow Road site in Monmouth had been promoted by Welsh Government prior to its transfer to the fund and was identified as a potential mixed use development site in emerging policy.

LSH maintained a dialogue with MCC throughout the Strategic Sites Studies consultation in order to address concerns around the deliverability of the site and issues raised by members of the public relating to the suitability of the site for development.

DATE:	ACTIVITY:
1 December 2010	LSH / MCC meeting to review LDP progress.
23 December 2010	LSH submit master plan / capacity drawings to MCC.
2 February 2011	LSH discussions with MCC regarding inclusion of asset in the LDP – MCC advise of concerns over flooding and highways.
3 February 2011	LSH formal response to MCC Strategic Sites Studies Consultation. LSH support continued identification of asset within the LDP.
10 March 2011	<p>LSH agree with MCC scope of further technical due diligence to support potential allocation.</p> <p>LSH / RIFW commission Highways, Ground Conditions, Flooding and Density Analysis reports to be submitted to MCC.</p>

June 2011	LSH submit feasibility studies to MCC. (Highways & Access, Flood Risk, Waste Management and Residential Capacity).
28 June 2011	LSH attend MCC Planning Committee to confirm content of deposit LDP for consultation - observation only meetings.
29 June 2011	LSH attend MCC Cabinet Meeting – observation only meeting.
1 July 2011	LSH attend MCC full Cabinet Meeting and present in support of allocation within the LDP.
26 July 2011	LSH meeting with MCC Head of Planning to assess whether any further technical support information needed to be provide comfort to LDP Inspector and assist Council in rebutting alternative site proposals.
17 November 2011	LSH submit representations to deposit LDP on behalf of RIFW supporting asset inclusion in LDP.
17 January 2012	LSH advised by LDP Lead Officer from MCC that LSH / RIFW has done enough from the Council's perspective in terms of evidence submissions.

Please see attached at Appendix 2, the Investment Manager's Report on the Monmouth asset submitted as part of the RIFW board pack in July 2011, which further summarises our planning activity and outputs.

**2. Check and confirm when, if all interest shown from potential purchasers was communicated to the RIFW Board and specifically the interest shown from Legat Owen.**

The reporting process from LSH was, as previously stated, directly to Amber and not the Board. The Fund Management Agreement provided for the Board to be notified of decisions taken by the Fund Manager. The quarterly board reports / meetings were not a vehicle for reporting general interest in the assets.

Referring to the Legat Owen enquiry in relation to the North Wales assets on behalf of Conygar Investments, it should first be noted that no offer was received for these assets from this party. Secondly, on 28 March 2011 the RIFW Board had directed that a standalone due diligence report should be commissioned on the individual assets as a response to the offer received from GST Investments Ltd dated 4 March 2011 and due to incomplete knowledge of the asset Titles.

We attach a copy of the Morgan Cole "Report on Issues Affecting the RIFW Property Portfolio", which summarises the impairments and we would draw your attention to the particular issues relating to the North Wales assets. Appendix 3.

Legat Owen was the Managing Agent acting for Welsh Government prior to transfer of the North Wales assets into RIFW and for a short time following the transfer. Legat Owen was therefore fully aware of the all of the assets that had been / were intended to be transferred into the Fund.

On 8 April 2011, Legat Owen approached the LSH Manchester office requesting further details of the North Wales assets and advised that their client, Conygar Investments, would be interested in looking at all of the North Wales sites as a single portfolio.

Details of the North Wales assets were provided to Legat Owen by our Manchester office on 11 April 2011.

LSH further contacted Legat Owen on 13 April 2011 advising that information was still being correlated in respect of the individual sites and suggested that a meeting be arranged with them and Conygar Investments to discuss the potential sale of assets together with the funding opportunities RIFW could potentially offer in respect of Conygar's development projects.

LSH and Legat Owen exchanged emails regarding potential meeting dates but none were ever confirmed. The portfolio interest on behalf of Conygar was not raised further.

We attach email exchanges between LSH and Legat Owen that confirms this position. Appendix 4.

We also confirm that several discussions were taking place with other agents and principals at around the same time. We confirm that this information has previously been supplied to the Wales Audit Office.

### 3. Details of the meetings held with the proposed purchaser between February 2011 and March 2012.

The following meetings were held with Mr Langley Davies in the period up to Exchange of Contracts for the sale.

DATE:	ACTIVITY:
12.01.2011	LSH/LD – initial meeting to discuss the Imperial House/Courtyard properties.
26.01.2011	LSH/LD – provision of data sheets on all RIFW assets that were available to be sold.
21.02.2011	LSH/LD – asset clarification discussions on RIFW assets.
03.03.2011	LSH/LD – asset clarification discussions on RIFW assets.
04.03.2011	Written offer received from Barclays Wealth on behalf of GST Investments Ltd.
30.03.2011	LSH/LD – post 28.03.2011 Board Meeting discussion of overage terms.
16.05.2011	Amber/LSH/LD – price negotiation and introduction of phased payment proposal in return for overage on Lisvane.
22.06.2011	LSH/LD – revised GST proposal clarification and title/tenure/transfer clarification.
July 2011	Solicitors instructed.
04.08.2011	LSH/LD – revised Heads of Terms discussion and title issues.
26.09.2011	LSH/LD – title issues
11.11.2011	Amber/LSH/LD – Imperial House removal / contract timing / title and transfer time frame.
08.12.2011	Amber/Morgan Cole/LSH/LD – Discussion of outstanding points including security provisions and proposed exchange / completion dates.

The following meeting was held with Mr Langley Davies after Exchange of Contracts had taken place (18 February 2012):

DATE:	ACTIVITY:
22.02.2012	LSH/LD – meeting to discuss a potential instruction for LSH to act for Barclays Wealth in respect of 8 South Wales assets to provide continuity of planning consultancy advice and asset management.

**4. Check what relationship was established with Mr Langley Davies and who from LSH acted for him and in what capacity and in what other projects (where he is a Director).**

The instructions referred to in the statement in the LSH report dated 15 December 2011 related to an office building called Q2 in Newport, which was owned by Hensol Properties Ltd, where Langley Davis is a Director

DATE:	ACTIVITY:
June 2007	Barclays Bank (client) Valuation for Loan Security purposes on Q2, Newport. Andrew Hughes (LSH, Cardiff) acted. Property owner Hensol Properties Ltd.
March 2009	Hensol Properties Ltd (client) – Valuation for equity re-allocation purposes on Q2, Newport. Andrew Hughes (LSH, Cardiff) acted.
April 2009	Letting Agency – Q2 Newport. Steve Matheson (LSH, Cardiff) acted.
April 2009	Rating Review – Q2 Newport. Robert Harlow (LSH, Swansea) acted.
Feb 2010	Barclays Bank (client) Valuation for Loan Security purposes on Q1 & Q2, Newport. Property owner Hensol Properties Ltd. Andrew Hughes (LSH, Cardiff) acted.

**5. Provide exchanges of email and other correspondence with the potential purchaser when the purchaser suggested that it would harm his interest and could prejudice portfolio transactions if he was forced to carry out a formal valuation.**

It is unfortunate that the statement contained in the Supplemental Transaction Report dated 15 December 2011 (as quoted at the PAC meeting of 20 October 2015) has been taken out of context. The reference to a valuation was in relation to the security that was required for the deferred payments for the portfolio over a 2 year period, where Amber had requested a regular valuation to maintain the LTV cover following the sale of any of the assets within the phased payment period. This was **not** being requested in relation the sale/purchase price of the portfolio.

At the time of writing the Supplemental Transaction Reports (December onwards), these proposed security provisions were subject to ongoing negotiation conducted by Amber primarily via Morgan Cole (RIFW's legal advisor) and Acuity (the Purchaser's legal advisor).

We understand that the purchaser responded on the basis that he did not wish to get the portfolio re-valued every time he sold off an asset as this would be a costly exercise and there was a possibility that any new valuation would be reported below the purchase price, which would then lead to a breach of the required 200% security provision.

The purchaser's position in this regard is confirmed in the email of the 10 January 2012 attached at Appendix 5, which notes the following:

*“A third party valuation of the portfolio in year 1 is likely to be below £22.19m and therefore if this value needs to be maintained, we cannot sell anything in the first year – neither party intended this. We also do not wish to commission costly valuations within one year of completion. The clause should focus on drops in the market - the best way to achieve this is our proposal. RIFW's risk is already well covered unless market now drops by 50% in 12 months. How likely is this? Every valuation is likely to be very expensive – minimum £10,000 and therefore very unwieldy for buyer to commission particularly in year 1.”*

We understand that Amber rejected this response and agreed a negotiated compromise, proposed by the purchaser, which allowed for 50% of the net sales receipts, upon the sale of any asset, to be paid directly to RIFW whilst there were deferred payments outstanding. The proposal enhanced RIFW's position over security against the outstanding monies and LSH confirmed its support for the arrangements.

These negotiations took place directly between Amber and the purchaser and the respective solicitors. LSH was asked to comment on the principle and, whilst we have confirmed that we supported these new arrangements, we do not have any direct email correspondence in respect of this negotiation.

It should also be noted that the purchaser did commission a pre-purchase Red Book Valuation from Savills in January 2012. We understand from the Auditor General for Wales' Report that the Valuation reported a value range for the portfolio at the date of acquisition of between £17.74m and £20.33m, which is below the purchase price of £21,747,000.

**6. Clarify when LSH commenced marketing of the Monmouth site for SWLDL.**

<b>DATE:</b>	<b>ACTIVITY:</b>
05.03.12	Terms of Engagement issued to Barclays Wealth
16.03.12	Terms of engagement signed and returned by Barclays Wealth and instructions confirmed.
30.05.12	Information sent out and expressions of interest requested.
20.07.12	Expressions of interest received.
16.10.12	Invitation to interested parties to submit formal offers.
30.11.12	Offer deadline.
04.01.13	Bids clarification letters issued.
14.03.13	Preferred bidder selected and draft HoTs issued.
02.09.14	Resolution to grant outline planning consent issued.
19.12.14	Outline planning consent released.
28.10.15	Conditional transaction still not completed.

This information has previously been provided in detail to the Wales Audit Office.

We trust that the above answers all the points raised and would ask that if you require any further clarification that you contact either Lee Mogridge or Jeremy Green directly.

Yours faithfully



**Jeremy C Green**  
**Director**

For and on behalf of  
**Lambert Smith Hampton**

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Encs.

Cc: Lee Mogridge – LSH