

## **Public Accounts Committee Inquiry into the Regeneration Investment Fund for Wales**

### **Response to request for further comments from former Board members following Committee Session on 12 October 2015**

#### **Introduction**

1. At the Committee's meeting on 12 October 2015, the former Board Members agreed to review and send any comments on the market valuations undertaken by Savills (January 2012) and the District Valuer's report of July 2015. The following comments reflect the Chair's request for comments on material facts.

#### **District Valuer's report**

2. Unfortunately, despite its statement, the report is not RICS compliant. There are questions about special assumptions, statutory valuations and hope valuation which are not addressed in the body of the report.
3. The report makes reference to Case Law but the references are on the basis of statutory valuations, which is a slightly different basis as they all revolve around a single payment (i.e. no overage). More significantly, the report does not refer to the latest case on the subject. Case Law demonstrates that the residual method of valuation is fraught with risks and is the "*method of last resort*". The District Valuer states he has primarily used comparative method, which is true in respect of a number of valuations he undertook. However, in the relegation to Lisvane and Monmouth, the two most valuable sites in the portfolio, he has adopted the residual method. Despite with all the risks inherent to this method, he has been definitive in giving an opinion of value. Given the significant assumptions he has had to make, we would have expected, and reasonably expected, as a minimum, a qualified valuation rather than a specific figure.
4. Some aspects of the report raise concerns about its accuracy and credibility. Whilst on a confidential basis, the District Valuer receives returns for Stamp Duty Land Tax purposes, the majority of the information is registered at HM Land Registry and his number of comparable land transactions is limited. For example, the opinion of value for Bangor (Ref:10) is justified by seeking to argue the subsequent sale by South Wales Land was at less than market value. However, the report provided no evidence, merely assertions. In relation to Monmouth (Ref:15), we note in advice to the Board, Lambert Smith Hampton valued the site at £13.8 million and it sold this year for £12 million on a phased basis. The District Value's opinion is almost 50 per cent above the sale price achieved. The report also suggested the value could be even higher, which would represent nearly double the price achieved. It should also be noted the sale price actually achieved was in markedly better market conditions, which means the percentage variance is in fact much greater. Surprisingly, his report is silent on the transaction, which was completed before his report was finalised on

10th July 2015. It is reasonable to expect the valuation report to have included reference to such an event.

5. During the evidence session, Members asked, quite reasonably, how a conflict could be avoided when a specific individual was involved with both parties in a transaction. Towards the latter stages of the Value for Money study, we became aware that over and above valuing the Lisvane site for the Auditor General, the District Valuer had also accepted instructions from Cardiff City Council to act on its behalf in the Planning Inquiry on Lisvane. The two clients had diametrically opposed aims. The Auditor General needed to establish what the maximum amount which could be achieved for the public purse by the sale at Lisvane. Cardiff City Council on the other hand would wish to determine the lowest possible value as part of its Community Infrastructure Levy proposals. The possible conflict of interest was raised with the Wales Audit Office who provided us with assurance that the District Valuer had taken appropriate steps. We accepted this assurance and still do. Therefore, we would simply make the observation that the District Valuer himself led the work for the Auditor General but also appeared in person to put forward the Council's case in the Planning Inquiry.
6. We mentioned Appendix J of the District Valuer's report which has been redacted on the version published on the Committee's web site. Unfortunately, we are unable to access this and therefore are unable to offer comments on the detailed calculations behind the opinion of value.

## **Savills report**

7. The former Board members have not had sight of this report. During the session, reference was made to the Savills report which appeared to suggest the Committee Members had seen a copy. Our review of the transcript has been helpful to clarify the matter as has the subsequent email from the Clerk to the Committee Clerk, which confirmed the Committee has not had sight of this report. The Clerk also confirmed that Savills did give the Wales Audit Office their permission to publish their land valuation figures in Appendix 3 of their report and that we may wish to approach SWLD to obtain a copy of the Savills report.
8. We have decided not to approach SWLD for a copy of the report and would simply make the following observation in relation to the valuation of the assets in Monmouth. Our concern relates to the interest in, and market value of, single acre fully serviced plots which are immediately available for house builders to commence construction and, by inference, any direct comparison with Lisvane. Lisvane did not have Planning Consent, and to date, still does not have Consent. As such, the extent of the infrastructure requirements and other costs which are fundamental to the valuations was not known. One cannot compare the value of a single acre and such a large tract of land, which will probably take in excess of 10 years to develop.

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