

STATES OF JERSEY

Corporate Services Scrutiny Panel Lime Grove House: Failure to Complete Transaction Sub-Panel

THURSDAY, 1st SEPTEMBER 2011

Panel:

Senator S.C. Ferguson (Chairman)
Deputy D.J. De Sousa of St. Helier
Deputy C.H. Egré of St. Peter

Witness:

Mr. G. Gothard (Chartered Surveyor)
Mr. J. Richardson (Acting Chief Executive)

Also Present:

Ms. K. Boydens (Scrutiny Officer)
Ms. S. McKee (Training Scrutiny Officer)

[11:31]

Senator S.C. Ferguson (Chairman):

It is much more fun in the other room; you can tell people to get in the middle. The tables are in a square with a hole in the middle. Now, you have not been to a scrutiny hearing before, have you?

Mr. G. Gothard:

I have not, no.

Senator S.C. Ferguson:

We do have a health warning there.

Mr. G. Gothard:

Okay, do you want me to read this?

Senator S.C. Ferguson:

Yes, please.

Mr. G. Gothard:

All right.

Senator S.C. Ferguson:

Super. Welcome to this meeting of the Corporate Services Sub-Panel looking into the Lime Grove House transactions. First of all, all the hearings are

transcribed and you will receive a copy of the transcribed hearing in order to correct any errors of fact. That should be with you in a couple of days.

Mr. G. Gothard:

No problem.

Senator S.C. Ferguson:

Now for the benefit of the ladies who are doing the transcripts, I wonder if you could say who you are and what your position is?

Mr. G. Gothard:

I am Guy Gothard, I am a chartered surveyor.

Mr. J. Richardson (Acting Chief Executive):

John Richardson, Acting Chief Executive, States of Jersey.

Deputy D.J. De Sousa of St. Helier:

Deputy Debbie De Sousa.

Deputy C.H. Egré of St. Peter:

Deputy Collin Egré.

Senator S.C. Ferguson:

Senator Sarah Ferguson, Chairman.

Ms. S. McKee (Training Scrutiny Officer):

Sammy McKee, Training Scrutiny Officer.

Ms. K. Boydens (Scrutiny Officer):

Kellie Boydens, Scrutiny Officer.

Senator S.C. Ferguson:

Now we have been asking everybody for their background and qualifications so I wonder if you would just like to give us a quick summary.

Mr. G. Gothard:

I am 46, I am a Fellow of the Royal Institution of Chartered Surveyors, I was born in Jersey, schooled in Jersey, when to Bristol Polytechnic, which is called something else now, and I worked in London for about 5 years before to Jersey. I was partner at Healey and Baker, which became Cushman and Wakefield and for the last 8 plus years I have been working for myself.

Senator S.C. Ferguson:

Super, thank you very much indeed. What was your involvement with the Lime Grove House?

Mr. G. Gothard:

I was employed to try to negotiate the conclusion of the deal in respect of Lime Grove; I was approached in April this year.

Senator S.C. Ferguson:

What were your terms of reference?

Mr. G. Gothard:

To negotiate and try and conclude a deal in respect of the purchase of Lime Grove House, as simple as that.

Senator S.C. Ferguson:

Yes. Now it has been said that you were not required to do any valuation work.

Mr. G. Gothard:

That is correct.

Senator S.C. Ferguson:

Was there any reason given for that?

Mr. G. Gothard:

Not that I recall that there was any reason given for that. I understand that the valuations had already been undertaken.

Senator S.C. Ferguson:

Right. You must have had a series of meetings with the Treasury Department?

Mr. G. Gothard:

Correct.

Senator S.C. Ferguson:

How many?

Mr. G. Gothard:

Probably 20. I could check, but probably up to 20 over the course of ...

Mr. J. Richardson:

I think that is about right.

Senator S.C. Ferguson:

They were always with Mr. Richardson?

Mr. G. Gothard:

No, they were mostly with Mick Heald and they were on occasion with John Richardson, and on occasion with John Refault. Apologies if I have got his pronunciation wrong.

Senator S.C. Ferguson:

Anyone else?

Mr. G. Gothard:

The first meeting that we held, my recollection Stephen - again, apologies for pronunciation - Izatt was there. I do not recall anyone else.

Senator S.C. Ferguson:

What was his function as part of the meeting?

Mr. G. Gothard:

He was present but my recollection is that he said very little. Questions were put to me, basically clarifying what my instructions were, which were to try to negotiate and conclude a deal with the vendor of Lime Grove House.

Senator S.C. Ferguson:

Were you aware at that time of the original offer?

Mr. G. Gothard:

I was given a file of correspondence, et cetera, to read to give myself a review of the history. I was made aware that an offer had been made a year previously, roughly, I think March 2010, at a price of £8.75 million subject to various conditions and that the price had been accepted by the vendor but the conditions had not so a deal had not been agreed but a price had been accepted by the vendor.

Senator S.C. Ferguson:

Were you aware of any of the details of the ...

Mr. G. Gothard:

Conditions? The price was subject to ... or the offer was subject to the building being put in good repair and also subject to the electrical supply being brought up to standard. I am not an expert on electrical supplies so I could not give you detail but those were the 2 conditions of the original offer, I understand. But the offer that was made by me on behalf of my client, there was a further condition which included the matter of the basement security being agreed because, as I understand it, there is a block of flats next door to the building and the occupiers of the flats have rights of access over or through the basement underneath Lime Grove House. So that was an additional condition that was attached to the offer that I made when I became involved.

Senator S.C. Ferguson:

The offer you made was?

Mr. G. Gothard:

£8.25 million subject to the same conditions that were made the year previously but with this additional condition that these basement issues were sorted out. There was also a boundary issue but ...

Senator S.C. Ferguson:

What was the rationale of the offer being dropped?

Mr. G. Gothard:

My understanding is that there was not the ministerial support to go forward with the initial terms that were offered in ...

The Deputy of St. Peter:

Was there any reason given for that lack of ministerial support?

Mr. G. Gothard:

Was there any reason given? Yes, that the terms were not accepted by the vendor in total and that they wanted me to see whether I could renegotiate the price.

The Deputy of St. Peter:

Pre to you getting involved in the negotiation, you said you were given information to review before you started. What information were you given?

Mr. G. Gothard:

I was given a file of correspondence which basically contained some copies of letters between Property Holdings by memory and the vendor's agent. There were copies of valuations. I cannot recall too much.

The Deputy of St. Peter:

Can you recall what those valuations were?

Mr. G. Gothard:

No, but they will be in the file, I am sure.

The Deputy of St. Peter:

Do you think those valuations were important in your negotiations for the actual final figure?

Mr. G. Gothard:

I was not asked to consider valuations or give an opinion of value. I have never even been to the building; I have not been in the building so I would not give a value.

The Deputy of St. Peter:

So where does that put you professionally in negotiating with an agent for buying a building when you have not been to the building and you do not know its valuation?

Mr. G. Gothard:

If my client said to me, we have made an offer at a price of £10 but we would like to you to ... your instructions are to go back to that party and offer £9.50 then I do not quite understand why I need to give an opinion on value.

The Deputy of St. Peter:

So in effect, what is coming across to me, you appear to have been employed as a facilitator rather than a negotiator based on value and ...

Mr. G. Gothard:

My job was not to argue value, not at all. It was to negotiate a price.

Senator S.C. Ferguson:

So you never saw copies of the original business case or anything like that?

Mr. G. Gothard:

Copies of the original business case?

Senator S.C. Ferguson:

Yes, supporting the proposal. You were just given copies of valuations that ...

Mr. G. Gothard:

I cannot recall. I mean, this is a thick file and I cannot recall every detail of it but I am sure that file is still available if you asked the appropriate person to see a copy of it, then you will see. But as far as I am concerned, as I say, I was instructed to negotiate and try and conclude negotiations with the vendor and that I was told the history and that, as I said to you, previously a price was offered subject to conditions. The price was accepted but the conditions were not agreed and during our meetings we discussed what appropriate price to revert back to the vendor would be.

The Deputy of St. Peter:

Sorry, when you say "we discussed what the price would be", who were "we"?

Mr. G. Gothard:

Mick Heald, myself and John, and it was not a case of value, it was a case of what price did we feel that we could negotiate with the vendor that they would accept.

Senator S.C. Ferguson:

Surely as a negotiator you need to know what a fair price is based on the fair value of the property, or were you just employed as a facilitator?

Mr. G. Gothard:

A negotiator, facilitator, call it what you want. The terms that I negotiated were agreed, hence the terms were exchanged and lawyers were instructed.

Senator S.C. Ferguson:

Did you speak with Property Holdings at all? Did you have any contact with them?

Mr. G. Gothard:

No.

The Deputy of St. Peter:

Were you aware during early negotiations when the initial deal was being put together that there was an exclusivity agreement which protected the States during that period as negotiations took place. Was there any attempt to make a similar arrangement when you were dealing with negotiations?

Mr. G. Gothard:

We did ask for exclusivity.

The Deputy of St. Peter:

What was the reaction to that?

Mr. G. Gothard:

No, we will not give it to you.

The Deputy of St. Peter:

At any point during these negotiations, were you made aware of the sensitivity of the failure for the Lime Grove acquisition to go through?

Mr. G. Gothard:

It was made clear to me that it was important but it had to be acquired on the right terms, it was as simple as that.

Senator S.C. Ferguson:

At what stage were you aware that the previous offer was to be withdrawn?

Mr. G. Gothard:

Sorry, say that again, Sarah?

Senator S.C. Ferguson:

At what stage were you aware that the previous offer had been withdrawn?

Mr. G. Gothard:

I was not aware that there was ever ... as I said to you the original offer was never agreed. The price was accepted by the vendor but the conditions were not agreed. That was my understanding of it. What happened between the point that the offer was made and my involvement a year later, obviously I was not party to.

[11:45]

The Deputy of St. Peter:

You mentioned just now that at the meeting you had, it would appear that you were dictated the terms against which you should negotiate. Could you explain on that? In effect who was telling you what price you could offer?

Mr. G. Gothard:

Who was telling me what price for the offer? It was my client.

The Deputy of St. Peter:

Your client in this case being?

Mr. G. Gothard:

The contact for my client were John and Mick Heald.

Mr. N. Le Cornu:

Chairman, can I ask whether the media are permitted to take photographs?

Senator S.C. Ferguson:

You have not asked us.

Male Speaker:

Normally we do not need to ask.

Senator S.C. Ferguson:

Thank you, that is enough.

Male Speaker:

Hang on, are you saying we cannot take photos or are you saying we cannot take more, what are you saying?

Senator S.C. Ferguson:

I am just saying if you just stop now, please. We have said to everybody who has wanted to film, no, so it is rather unfair if ...

Male Speaker:

Can you tell me what authority that is so I can refer the matter to the Bailiff's office?

Senator S.C. Ferguson:

Yes, the Code of Conduct for the media. But we will get on with the hearing if you do not mind.

Mr. N. Le Cornu:

Are the *J.E.P. (Jersey Evening Post)* permitted to use the photographs they have taken?

Senator S.C. Ferguson:

Thank you, the matter is closed. Thank you. Now, let me get back to where I was. Just a minute, we were talking about the withdrawal of the first offer, I think, were we not?

Mr. G. Gothard:

Again, John just said to me the first offer ...

Mr. J. Richardson:

Can I just ask where this concept of first offer being withdrawn has come from?

Senator S.C. Ferguson:

Within the documentation that we have had from Buckleys. We are aware that in the documentation ...

Mr. G. Gothard:

There was a letter, one of the letters that went out subsequent to my ... the vendor came back and said who ... I cannot remember. There is letters, there

was a letter that said the original offer no longer stands and that - you are quite right - this was the revised offer. You are quite right.

Senator S.C. Ferguson:

You have also said there was no ministerial or political support for this, where did that come from?

Mr. G. Gothard:

All I was told was that there was not the political will to complete on the terms that were offered originally and obviously that came through the parties that were in the meetings, which I have already told you were Mick and John.

Deputy D.J. De Sousa:

Can I ask a couple of questions, please? You said originally that there were roughly around 20 meetings between yourself and certain members that you have named as Mick Heald, Mr. Richardson, John Refault and Stephen Izatt. Were all of those meetings minuted?

Mr. G. Gothard:

Certainly not by me. I cannot recall anyone taking any minutes. Stephen Izatt was only in one meeting from my recollection. John Richardson was in a few and John Refault was in a few but the majority were just Mick and myself.

Deputy D.J. De Sousa:

Okay. Are your terms of reference now finished with, obviously because of the fall through in the securing of Lime Grove?

Mr. G. Gothard:

Well, my involvement came to an end initially when terms were agreed with Drumcoyle(?), when they eventually did accept the £8.25 million, they accepted the conditions that were offered and heads of terms were exchanged and agreed, and once it went into the hands of the 15-day political process and lawyer's hands thereafter, my involvement was ... you know, that was it. As I said to you, my job was to negotiate, facilitate if you prefer to say, with the other party and that is what I did and let us say conclude a negotiation, conclude a deal, which I did, and that was my involvement finished. But then it passed the political process and went into legal hands and Mick Heald went on holiday some time, I cannot recall exactly, and he asked me whether I would basically receive ongoing information from the States legal department and to keep the transaction flowing because by that stage, there were rumours going around that somebody else had come in and was negotiating with the vendor, but it was brief, because ...

The Deputy of St. Peter:

When did you first receive that news, that there may be another person in the melting pot?

Mr. G. Gothard:

I cannot remember exactly the date, but Mick contacted me pretty much around the time that the 15-day period had expired or immediately afterwards

and said had I heard ... or they had heard a rumour, I do not know where the source was, but there was a rumour going around that another party had entered the discussions with the landlord.

The Deputy of St. Peter:

Did this concern you in any way?

Mr. G. Gothard:

Well, I get involved with agents all the time. There is always the risk that somebody else will enter into the picture, but often, in my experience, it can be anything as little as somebody has made a phone call and said: "Is Lime Grove [or is 5 The Willows or whatever it may be] still available?" to the other extent is an offer coming in, and sometimes agents can quite ... can state that: "We have had an expression of interest" and that can be anywhere in that.

The Deputy of St. Peter:

Once you had been informed of that rumour, as you put it, what action did you then take with regard to meeting your clients?

Mr. G. Gothard:

As I say to you, the client came to me and said: "We have heard this. What do you think?" and I said: "Well, obviously I do not know, but I do not act for the vendors, so I do not know what is rumour or what is fact or anything else."

The Deputy of St. Peter:

Did the client offer you any further ability to negotiate based on the risk that may have occurred if there was somebody else ...?

Mr. G. Gothard:

Well, the negotiations were over, as far as I was concerned. It was a case of trying to bring the agreement to a conclusion, and all I did was - it is all I can do - phone up the agent acting for the vendor and ask whether these rumours were true.

The Deputy of St. Peter:

Yes, but what concern, if any, did you have of the fact you had not established an exclusivity agreement, which meant that your actual negotiations, your deal, had no real foundation without that exclusivity agreement?

Mr. G. Gothard:

We tried to get an exclusivity arrangement, but the vendor would not have it.

The Deputy of St. Peter:

Would that normally offer any warning shots about what may or may not be happening?

Mr. G. Gothard:

My experience is very rarely that you have an exclusivity. You do not normally ... once you have agreed a transaction with parties you rely on those

parties to stand by the deal that was agreed and not to go around negotiating with other parties.

The Deputy of St. Peter:

In the terms of the negotiation that you took part in, you initially indicated you were aware of the offer that was made of £8.75 million. The fact that you had been negotiating down, did that have any sort of relative thoughts against what the vendor might be thinking?

Mr. G. Gothard:

There is no doubt we discussed it in the initial meeting, that as I said to you, my instructions were that because there was not the political will to proceed on the terms that were previously offered that I was tasked with going to the Drumcoyle and seeking ...

The Deputy of St. Peter:

Now, the ...

Mr. G. Gothard:

Sorry, let me finish.

The Deputy of St. Peter:

Yes.

Mr. G. Gothard:

... terms and reducing the price, and obviously the fact that there is a risk attached to that, and that was discussed.

The Deputy of St. Peter:

You have mentioned twice, as I recall, over this review - this discussion - now political will. Who do you believe was leading that political will?

Mr. G. Gothard:

That is not for me to say.

Senator S.C. Ferguson:

I mean, if you presume ...

Mr. G. Gothard:

I took my instructions from John and Mick and I did them to the best of my ability, and the terms were accepted by the other party and the matter went into legal hands.

Senator S.C. Ferguson:

Were you aware of the importance of this property to the whole office strategy?

Mr. G. Gothard:

I was aware that it was their preferred option, but certainly other options had been considered, but I was not given ... no, I was not party to what those

other options were. It was always a case of Lime Grove was their preferred option, but on the right terms.

Deputy D.J. De Sousa:

You said that once the transaction was agreed at £8.2 million ...

Mr. G. Gothard:

£8.25 million.

Deputy D.J. De Sousa:

... £8.25 million that you then finished your work. What date was that?

Mr. G. Gothard:

Oh, I could not tell you off the top of my head.

Deputy D.J. De Sousa:

Roughly what month?

Mr. G. Gothard:

It was a while because ...

Mr. J. Richardson:

It would have been the end of June, I think, because the 15-day rule - which is 15 working days - I think expired on 19th or 20th July. We can check. I think you have got it in your pack. You have got a copy of the ministerial decision, so if you look at the ministerial decision, which was the first one, then that was the point at which the 15-day rule kicked in, and the second one, which is confirming it, you have got those 2 in your pack.

Senator S.C. Ferguson:

The ministerial decision I think was 26th or 27th June.

Mr. J. Richardson:

The first one, yes, and then the second one would have been somewhere around 20th July.

Senator S.C. Ferguson:

But given the importance of this particular property to the whole project, did you not, in your professional capacity, feel that perhaps there needed to be sort of either a slight sweetener or something to get the deal through more quickly?

Mr. G. Gothard:

How do you mean a sweetener?

Senator S.C. Ferguson:

Well, a little relaxation in the terms of ...

Deputy D.J. De Sousa:

Flexibility.

Senator S.C. Ferguson:

... of the costs, of the price offered.

The Deputy of St. Peter:

Conditions.

Senator S.C. Ferguson:

The conditions, whatever.

Mr. G. Gothard:

The negotiation was a straightforward negotiation, so far as I could see. I was instructed to offer £8.25 million, which I did, subject to conditions. The vendor was not happy and negotiated and eventually terms were agreed.

Senator S.C. Ferguson:

Do you often negotiate on the basis of the client gives you a price and you just go out and offer that price without any sort of considered professional consideration of that price? Do you not sometimes discuss ... did you not discuss the level of the price being offered?

Mr. G. Gothard:

Yes, we did, and we discussed the level, at what price did we think that the vendors may accept the price, whether it was ... we did not want to ... whether we should be going lower or higher, just trying to find the right price that we thought that the vendor would accept.

The Deputy of St. Peter:

Just to clarify, you used the term: "I was instructed to make the offer."

Senator S.C. Ferguson:

Yes.

The Deputy of St. Peter:

So you were instructed at £8.25 million by the team that you ... your clients, in effect?

Mr. G. Gothard:

Yes, I was instructed by my clients to offer £8.25 million.

The Deputy of St. Peter:

Were you concerned professionally about the valuations that had been offered by 3 separate valuers, that ...?

Mr. G. Gothard:

I was not given ... my instructions were not to argue, debate. In fact, I think the first thing I said in the first meeting was that I acknowledged that I was not being asked to give an opinion of value and I respected those parties that had made the valuations.

The Deputy of St. Peter:

Would it surprise you professionally though if you were told to buy an article that you were aware was worth £20 and that by offering £10, you might not get it?

Mr. G. Gothard:

I question my client's instructions, is that what you are saying? You are asking me whether I should be questioning my client's instructions?

[12:00]

The Deputy of St. Peter:

Whether you should be advising them.

Mr. G. Gothard:

I was asked to negotiate ...

The Deputy of St. Peter:

At a price.

Mr. G. Gothard:

... and conclude a deal, and the price that I was asked to offer or was instructed to offer to £8.25 million, subject to conditions. Eventually, terms were agreed, heads of terms were exchanged, legal lawyers were instructed. I did exactly what I was instructed to do. I do not see that I have to ... you know, as I say, I was not asked to value a property. I do not see that I need to value a property ...

The Deputy of St. Peter:

Please do not miss the point. I was not asking that you should be valuing a property; there were 3 valuations within the department already.

Mr. G. Gothard:

Are you saying that I should be questioning my clients as to why they are not doing something?

The Deputy of St. Peter:

Yes.

Mr. G. Gothard:

My instructions were direct. Unless it was something they were asking me which was ... illegal or wrong, then I would not question that. Valuation is a matter of opinion, ultimately, and £8.25 million or £8.5 million, I am sure if you had valuations, professional valuations done, they all would not come in exactly the same price. There would be ...

The Deputy of St. Peter:

From the information that we have, there were 3 valuations done and they were very closely matched together, so there was not a massive sway between the 3.

Mr. G. Gothard:

There is not a huge difference between £8.25 million and £8.75 million.

Senator S.C. Ferguson:

It is if you are the vendor.

Mr. G. Gothard:

Oh, of course, of course. Yes, of course.

Senator S.C. Ferguson:

Were you party to the ...

Mr. G. Gothard:

But the vendor did accept £8.25 million.

Senator S.C. Ferguson:

Were you party to the renegotiations ...

Mr. G. Gothard:

With the conditions attached, yes.

Senator S.C. Ferguson:

Were you party to the renegotiation strategy meeting in May?

Mr. G. Gothard:

The what, sorry?

Senator S.C. Ferguson:

When the Ministers met, were you part of that? They had a meeting to discuss a strategy.

Mr. G. Gothard:

Sorry, you will have to tell me which Ministers.

Senator S.C. Ferguson:

The Minister for Home Affairs, I believe the Minister for Treasury and their advisers.

Mr. G. Gothard:

That is Senator Le Marquand. No, never. I have told you who I met.

Senator S.C. Ferguson:

Yes. Normally, communications ... if you did not meet in the office, presumably there were telephonic communications?

Mr. G. Gothard:

All the meetings were held either at ... there were 3 places, Cyril Le Marquand House, my office and ... after the 15-day rule, there was a couple of meetings with States legal representatives in Morier House.

Senator S.C. Ferguson:

Yes, and did you have telephone instructions at all?

Mr. G. Gothard:

I had a telephone conversation with Mick Heald a few times, yes, mostly to say: "Can you meet?" or: "There is a rumour going around. Can we meet?" So as far as I recall, most of our detailed discussions were all had face-to-face.

Senator S.C. Ferguson:

Yes, and did you have any other telephone calls from anyone else about the project?

Mr. G. Gothard:

Not that I recall. As I said to you previously, the only people I have had contact with about this is the individuals I have already mentioned and the agent acting for Drumcoyle, and there was one meeting with Drumcoyle and the 3 beneficiaries of Drumcoyle at Cyril Le Marquand House when we had agreed - or they had accepted - the £8.25 million, but still had not accepted the conditions at that stage of the repair and the basement and electricity, and we thought it would ... you know, they would attempt to try and bring the transaction to a conclusion or the deal to a conclusion quicker. We thought it would be easier to have a face-to-face with Drumcoyle, which we did. But I cannot recall ever speaking to anyone else about ...

Senator S.C. Ferguson:

That was yourself and John Richardson?

Mr. G. Gothard:

Myself, John and Mick ... Peter Cameron, Michael Clapham, Richard Lock and the other gentleman, whose name I forget.

Mr. J. Richardson:

Yes, the other beneficiary. I cannot remember his name now.

Senator S.C. Ferguson:

Was Mr. Izzat present then?

Mr. G. Gothard:

No.

Senator S.C. Ferguson:

What was the final deal with regard to the dilapidations and the category A?

Mr. G. Gothard:

Well, it never got finalised. In the end, the principle was agreed and the heads of terms and it was to-ing and fro-ing between the parties as to the actual wording of the heads of terms. But Steve Aylwin was employed by my client to obviously give his opinion on the survey, condition of the building,

and he had been trying to agree what items of repair were ... had to be undertaken by the vendor.

The Deputy of St. Peter:

Just to clarify in my own mind, when you said that the terms and conditions were never finalised, can you just confirm that?

Mr. G. Gothard:

Can I just pick up ...?

The Deputy of St. Peter:

No, I would just like to get that information firstly.

Mr. G. Gothard:

Say that again, sorry?

The Deputy of St. Peter:

You just mentioned the fact that the terms were negotiated and never finalised. Is that confirmed now?

Mr. G. Gothard:

Well, when I was involved, my transaction, the head terms were exchanged, agreed and put into legal hands. Part of those terms were the vendor agreed to undertake all material repairs et cetera and it was for the 2 parties ... excuse me, professionals, Stephen Aylwin acting for my client, and an architect acting for the vendor, to agree those items of disrepair.

Mr. J. Richardson:

Can I just clarify? There were 2 specific areas, because it is very clear in the heads of terms that there were 2 defects with the building and they were defects which were minor defects, which are all listed in the comprehensive report that is there. What we wanted and what was agreed as part of the heads of terms is that there would be a technical meeting between our professional building surveyor and the vendor's architect to go through that long list and determine what were material defects which the vendor had agreed as part of the heads of terms that they would get the contractor to put right and then what would be subject to finalisation, and it is very clear in the heads of terms as to how that was set out.

Deputy D.J. De Sousa:

Can I just ask, you were originally brought on board in April of this year?

Mr. G. Gothard:

Yes.

Deputy D.J. De Sousa:

You finished roughly in June of this year. I suppose this is not for you, it is probably for Mr. Richardson: what were the terms of the contract in regards for payment for services? What was the cost to the States?

Mr. J. Richardson:

I have not got the costs with me today - I can get it for you - but we agreed an hourly rate. Was it hourly or daily rate?

Mr. G. Gothard:

Hourly rate.

Mr. J. Richardson:

An hourly rate was agreed and it was based on the number of hours of support that was provided to us. I can get you the costs if you want, but I have not got it with me.

Senator S.C. Ferguson:

Please. Thank you. I am sorry, I am just going back to this basic principle. Do you often undertake commissions where you just act as a negotiator without any input to the level at which you are negotiating? Is this is a normal practice?

Mr. G. Gothard:

Normal practice, I would much prefer it if the States or whoever came to me and said: "We are interested in buying a building, Guy. What do you think?" and then I would inspect it and give my opinion as to what I felt it was worth and discuss the best way forward to try and achieve the best price for my client, whether that be acquiring it or selling it. But in this case, there were valuations that had already been undertaken. Collin has already said that there were 3 valuations and it is not for me to question them. They are all people who I respect. As I said to you before, it is not a difficult task if I was told that I was instructed to revert to the other side at a price, and I did and it was not difficult.

Senator S.C. Ferguson:

Is this normal in your practice?

Mr. G. Gothard:

I said to you normally what happens is that I am involved from the very beginning. This is the first time I have been brought in at ... you know, the first time I have been involved in something like this, where I have not been involved since the beginning.

Senator S.C. Ferguson:

So in all your years of dealing with the States, have you ever been asked to act like this before?

Mr. G. Gothard:

I have done work for the States before, yes, but this is the first job of this nature that I have been asked to do, yes.

Senator S.C. Ferguson:

Where you were really sent out as the sort of point man?

Mr. J. Richardson:

I think, if I may, you have to just bear in mind that it was on the back of an offer letter, acceptance letter that had already been made.

Senator S.C. Ferguson:

Yes, but which had been withdrawn.

Mr. J. Richardson:

No, not at that time.

Mr. G. Gothard:

No, not at that time. I recall one of the responses that the vendor made when I became involved was ... I cannot remember the exact words that were used, but it was effectively: "Who has instructed you to make this revised offer [or this offer]? You know, there was an offer made by your client a year earlier" and our response, my response to the vendor was: "Each letter that I sent out was approved by my client" said that that offer was no longer available and that this was the offer that was now being made.

Deputy D.J. De Sousa:

Did you have any flexibility at all, or was it just a rigid price?

Mr. G. Gothard:

Well, initially I went back and made an offer of £8.25 million, as instructed, subject to the conditions as previously made, but with the additional one about the basement, and they did not come back and say: "That is not accepted" they just basically said ... I think the initial response was sort of: "Who is your client? We have already received this previous offer" and I have lost track of where I am going now, I am sorry.

Deputy D.J. De Sousa:

That is okay. You must be quite confused.

Mr. G. Gothard:

Can you repeat what you said, sorry?

Deputy D.J. De Sousa:

Were you given any flexibility at all from your client?

Mr. G. Gothard:

Yes, yes. There was flexibility. We got nowhere ... the negotiations initially were very hard. Obviously the vendor, once it has been offered a price initially, it is very difficult to then accept a revised price. As I say, even though the conditions that were attached to that price, that original offer, were not agreed, the price was accepted by the vendor. So it was a difficult ... you know, the negotiation took a while, and eventually we conceded to the point about the electrical supply, because it was felt if we gave something back, then hopefully that would ... you know, we would make some progress, and as it happens, we did. That, I think, was the key to finalising the deal and they

did then accept the conditions and heads of terms within, exchanged and agreed.

Deputy D.J. De Sousa:

So you had no actual flexibility as to the £8.25 million ...

Mr. G. Gothard:

The price.

Deputy D.J. De Sousa:

... but you could, over putting the electrics in or whatever, negotiate?

Mr. G. Gothard:

There was flexibility. You know, in a negotiation, you have to feel where you are going to try and eventually come to an agreement and I guess the proof in the pudding is that terms were agreed, so a deal was ... you know, we got there eventually. But understandably, the vendor, having had this initial price that was offered a year earlier, was not happy about having to accept a revised figure.

The Deputy of St. Peter:

So as a consequence, did it surprise you that when a better offer went through that he snapped it up?

Mr. G. Gothard:

It was not a freehold offer, as far as I understand, it was a leasehold offer. I do not know the detail of that offer. I know that the party that came in - this is hearsay, it is not something I have seen proof of and I was not involved - but I understand that that same party made an offer some 2 years or so previous, but terms had not been agreed. So did it surprise me? Yes, quite frankly, that there was another party. It had been vacant for 10 years.

[12:15]

Again, I have not been involved in any of them, but I do know from speaking to other agents that there have been other parties in the past that have made inquiries about the property, I think even made offers et cetera, but terms were never agreed for whatever, whether it was because the vendor would not accept or the purchaser or the lessee; who knows? I have not been involved, but 10 years is a long time for a property to be empty.

Senator S.C. Ferguson:

Would it be fair to say that you said that originally when you had started talking to the vendor that they were fairly firm that they wanted the previous offer? Would it be fair to say that you only started getting movement from the vendors when they were told after 20th May, when apparently they were told that the original offer had been withdrawn?

Mr. G. Gothard:

Sorry, Sarah, can you say that again?

Senator S.C. Ferguson:

Sorry. No, we have been advised that the vendors were told on 20th May that the original offer of £8.75 million had been withdrawn.

Mr. G. Gothard:

Yes.

Senator S.C. Ferguson:

Was it after that that you started getting some movement from the vendors as to, yes, perhaps they would consider the £8.25 million?

Mr. G. Gothard:

I think ... I do not know obviously what their strategy was to try and negotiate the best price for themselves. I mean, I am not advising them, I am not involved in their thought process or anything else. But as I say, when I initially had a meeting after I received my instructions from my client, I met with Richard at Buckley & Co. and I said to him that my client had instructed me to negotiate an agreement with him for the purchase of Lime Grove and I would be making an offer on their behalf, which was put in writing, and they did not, in their correspondence back - which I am sure you will see - my recollection is they never said: "No, this is absolutely categorically not accepted" or anything like that. It was more or less saying: "Your client had previously made an offer at X, Y, Z. Look, here is all the correspondence. Why are you now doing this?" and then I had to go back and say: "Well, I am doing this because I am instructed to do it, and these are the terms that my client is now prepared to offer" and then they subsequently would come back and say: "Well, what about again repeating ..." I think they did on more than one occasion, more or less repeating the fact that an offer had been made a year earlier by my client on different terms. Then at that stage, we put it in writing that that offer was no longer on the table and this was the offer that was now on the table.

Senator S.C. Ferguson:

Yes. Do you find that happens often in commercial property deals?

Mr. G. Gothard:

What, that the price is renegotiated?

Deputy D.J. De Sousa:

By the same client.

Mr. G. Gothard:

If you read the *Estates Gazette* and *Property Weekly* and any property journal that comes out, you will see that since 2007, there has been lots of renegotiation on prices that were terms that were agreed before completion, the credit crunch, you know, difficulty with borrowing money. So on the bigger picture, yes, Jersey there has been such little activity, to be quite honest. Has there been any? Well, I have not been involved in any, but then I have been

involved in very few transactions in the last few years because there has been very few big transactions of this size during the last 3 years.

Deputy D.J. De Sousa:

Are you aware that the States tentatively became involved in negotiations on Lime Grove as far back as 2007?

Mr. G. Gothard:

No, not 2007.

Deputy D.J. De Sousa:

You mentioned conditions that you bargained with and you wanted certain conditions in place in order to sign and complete the deal. Were those conditions put in place by yourself or by the client?

Mr. G. Gothard:

By the client.

Deputy D.J. De Sousa:

What stage did the basement car park become an issue, initially or later on?

Mr. G. Gothard:

I cannot remember. I think it was quite early on, but I think the States legal department had done a ...

Mr. J. Richardson:

If I can help, the basement car park was always part of the deal, and it might be something that we can discuss at a separate hearing, a separate meeting later on, but the requirement to change the layout of the basement become apparent and certainly necessary in order to accommodate the police requirements. It was when that was being looked at that it became apparent that the issue of rights of way had not been considered in the original offer, so the March 2010 offer. So that obviously became critical to make sure that for the police, for obvious security reasons, that we would be in a position of being able to segregate off certain areas of the car park for the police use and for other purposes, and that obviously became a requirement that we had to put that into the conditions in order to procure the building.

Deputy D.J. De Sousa:

Who raised that issue with you? Was it Home Affairs, the Deputy Chief of Police or ...?

Mr. J. Richardson:

No, the requirement for the car park and the use of the car park was part of the discussions with the police, obviously, because they have to agree what user requirements and security issues, and because there would be a change of use required, Mick Heald starting looking at requirements for that and then at that stage, it became apparent that there was rights of way and access rights through that car park. So Mick Heald picked that up, which had not been picked up previously, and obviously built that in, because it was crucial

to satisfy the police requirements we had to have that amendment to the rights of way included as part of the deal.

Deputy D.J. De Sousa:

So the police initially raised that issue with you when there was a problem with that?

Mr. J. Richardson:

No, no. The police raised the requirements for secure car parking and alternative use for the basement for certain purposes. It was as the project was then developed into a full state which we could fully understand the scale and scope of that project at Lime Grove, which Mick Heald did, that it became apparent that meeting the police requirements would require a change of use in that area, which it would have at any stage. At that time, he made appropriate inquiries, and in doing so, with both planning and with the Law Officers' Conveyancing Department, it became clear through a title search - which had not been done at that stage - that the right of way was there. So it was not until Mick Heald picked up the project and developed it into a full scope and got it to the correct state that it became apparent that there was a right of way issue, because the title search had never been done previously.

Senator S.C. Ferguson:

So the drop from £8.75 million to £8.25 million took no account of that? I mean, that was something that cropped up after you had fixed the £8.25 million?

Mr. J. Richardson:

No, that took place between Mick Heald - we are drifting maybe out of Mr. Gothard's scope here - being appointed to oversee and review the project and Mr. Gothard being appointed.

Senator S.C. Ferguson:

So what dates were those?

Mr. J. Richardson:

Oh, Mick Heald was appointed in January and you were appointed in April.

Deputy D.J. De Sousa:

Were you aware that Mr. Taylor, the Deputy Chief of Police, was involved in all of this from way back in March 2009 ... at any stage from that time ... and the Minister for Home Affairs came in some time early in 2010 into discussions? Surely the matter of secured access, storage of police vehicles would have come out long before in the discussions.

Mr. J. Richardson:

I think maybe we ought to talk about this this afternoon, but I am very happy to give you a very quick answer now.

Senator S.C. Ferguson:

No, no, I think we will just keep it to Mr. Gothard's involvement, if we can do that. Anything else?

Deputy D.J. De Sousa:

No.

The Deputy of St. Peter:

I am fine, thanks.

Senator S.C. Ferguson:

All right, I think that is it, unless there is anything you would like to say to sort of summarise what happened or summarise your position.

Mr. G. Gothard:

I think you have probably heard enough from me, but no, I cannot think of anything else to say.

Senator S.C. Ferguson:

Thank you very much indeed for your time.

Mr. G. Gothard:

No problem.

Senator S.C. Ferguson:

Thank you, John.

Mr. J. Richardson:

Thank you.

Deputy D.J. De Sousa:

Thank you.

[12:25]