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Dear Mark

Llanelli Life Science and Well-being Village

As you are aware, the Wales Audit Office recently undertook a review of the Llanelli Life Science and Well-being Village project following concerns raised with us about its governance. The review sought assurance that the Council had sound governance and risk management arrangements in place, had complied with its own internal processes, and that it had ensured that public assets were protected. Our review was carried out under powers contained within section 17 of the Public Audit (Wales) Act 2004.

The Council entered an Exclusivity Agreement with Kent Neuro Science on 23 May 2016. This agreement did not require any significant checks or detailed process as it did not involve any financial liability for the Council. The agreement was for a 12-month period. As the Council decided to move forward to a competitive dialogue procurement process, the agreement was cancelled with the agreement of both parties on 7 February 2017.

Following EU procurement rules, the Council then launched a procurement process on 18 March 2017 with the publication of a prior information notice. The Council appointed a leading law firm, with significant procurement experience, to support the procurement process and provide legal advice.

Following assessing the responses to the prior information notice, the Council issued a pre-qualifying questionnaire (PQQ) on 10 July 2017. This resulted in one submission, led by Sterling Health Securities Holdings Limited, that met all the

PQQ requirements, including due diligence checks. The Council moved forward with a competitive dialogue process.

Advice provided to the Council indicated that if it had not continued with the procurement at this stage they could have been subject to challenge as the bid received met all the PQQ requirements.

As the competitive dialogue process continued, Sterling Health Securities Holdings Limited sought contributions from a range of other organisations listed in the original bid. Additionally, Sterling Health Securities Holdings Limited sought and received support from Swansea University.

At the point Sterling Health Securities Holdings Limited introduced Swansea University staff to the dialogue sessions, the Council halted activity while they sought legal advice. Swansea University were also acting as advisors to the Council as a stakeholder in the project and, as such, a clear conflict of interest existed. Consequent to the legal advice, several declarations of interest were sought, and an information protocol between the University and the Council was developed to ensure that those supporting the bid were not party to any information relating to the assessment of the bid. In any event, with a single bidder, no competitive advantage would have been gained had information breached the procedures put in place. However, these measures created a separation between those supporting the bid and those supporting the Council.

The competitive dialogue continued, and on 9 March 2018 the Council decided to offer a collaboration agreement to Sterling Health Securities Holdings Limited and Swansea University. This agreement did not include the transfer of any asset or money to either Sterling Health Securities Holdings Limited or Swansea University. The agreement gave the Council significant control and the ability to terminate the agreement in several ways should it need to.

Throughout the procurement process the Council took appropriate legal advice and framed contracts/agreements to mitigate risk and to protect the Council and public funds. The Council has not paid any money to either Sterling Health Securities or Swansea University as part of the collaboration agreement.

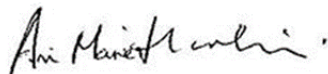
Decisions have been made by Executive Board and, where appropriate, by senior officers of the Council. The Council has operated within its constitution and scheme of delegation throughout the project timeline. Between decision points, Executive Board has received information updates and other less formal briefings.

Following the suspension of Swansea University staff with links to the Llanelli Life Science and Well-being Village, the Council considered it needed to take swift action to protect itself and the future of the project. Following legal advice, it invoked one of the termination clauses (clause 53) in the collaboration agreement with Sterling Health Securities Holdings Limited and Swansea University. The Council gave six months' notice of termination without liability.

The Council now intends to develop the project itself. The cessation of the collaboration agreement does not preclude it from working with Swansea University or any other parties previously involved in the project in the future.

As a result of our review, we have concluded that, to date, Carmarthenshire County Council has followed appropriate processes and effectively managed risk to protect public money in its activities relating to the Llanelli Life Science and Well-being Village. We will continue to monitor progress of this and other Swansea Bay City Deal projects.

Yours sincerely



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Engagement Director

cc. Huw Rees, Director
Jeremy Evans, Performance Audit Manager
Jason Garcia, Financial Audit Manager