

Andrew Slade Director General – Economy, Skills and
Natural Resources Group Welsh Government

01 October 2019

Welsh Government Financial Support for Business

Dear Andrew,

Thank you for your letter of 2 September 2019 in response to the Public Accounts Committee's request for further information in respect of its work on Welsh Government Financial Support for Business.

We note from the correspondence that in March 2018, the Welsh Government provided a £3.5m commercial facility to Dawnus Group Limited as part of an overall £7m package, provided between the Welsh Government and the business' bank, in addition to shareholder contribution and funding support from a specialist property development funding firm.

Your letter states that the loan was predicated on a credible turnaround plan for the business, validated by both external and internal due diligence. In light of this, the Committee would like further detail on how the Welsh Government was keeping abreast of progress with the turnaround plan during the period between agreeing the loan and the company entering administration.

Our letter also sought clarification on the communication between Welsh Government departments and with other public bodies in respect of the provision of loan support. We specifically questioned whether there was any dialogue between Welsh Government departments in relation to Dawnus' viability in the



context of its involvement in other Welsh Government funded projects, notably the 21st Century schools programme projects in Powys. These questions arose from our concerns about communication between departments around the time of the loan being agreed and in the context of the earlier financial difficulties that gave rise to it (i.e. in March 2018). Your response focused on communication at the point of Dawnus entering administration. We would welcome further clarification to address our concerns.

In relation to Annex 1, the Committee was concerned about the Welsh Government's 2018–19 investment in GRH Food Company which, given it was so recent, raises a question about the associated due diligence arrangements and exactly which point in 2018–19 the payment was approved/made. We would welcome further details in these respects. We are also aware of media coverage which reported the Welsh Government as saying that it provided the company with a grant in 2017 to move to a new premises a year later. We assume that this may reflect the difference between the date of the original offer and associated due diligence and the actual payment, with your schedule reflecting payment dates, but would welcome confirmation of that.

We would welcome similar details and clarification in respect of Jistcourt, particularly if the financial support was approved relatively recently (since the start of 2018–19). It would also be helpful to confirm the extent to which the existing contracts and future work that the working capital was intended to support included publicly funded projects and what role that played in the Welsh Government's decision-making. Again, we would also welcome confirmation of any relevant communication between Welsh Government departments or with other public bodies about the support that was being provided in the context of any such projects.

In all the cases where the Welsh Government has identified an outstanding debt, it would be helpful to clarify the basis on which the debt is claimed. For example, whether the financial support provided was in the form of a loan, or repayable business finance that would have been expected to be repaid in due course and, if so, over what period. Or whether it was straight grant (non-repayable) support but where the claim for the debt is based on the grant terms and conditions.

With regard to Annex 2 and point 4 relating to the alleged conflict of interest, are



you able to confirm whether the Development Bank did anything more than accept a brief written assurance, for example by obtaining and reviewing any support documentary evidence.

The Committee will be reporting on the evidence it has received as part of this inquiry in due course and I look forward to receiving your response which will inform our final deliberations.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is written in a cursive style with a long horizontal flourish at the end of the name.

Nick Ramsay AM
Chair

