

**WRITTEN SUBMISSION MADE BY FINANCE
WALES TO THE FINANCE COMMITTEE OF
THE NATIONAL ASSEMBLY FOR WALES**

17 NOVEMBER 2015



As the newly appointed Chairman of Finance Wales I am delighted to provide the Finance Committee of the National Assembly for Wales with this Written Submission, ahead of the scheduled appearance by myself and my colleagues before the Committee on 25 November 2015.

CONTEXT

Finance Wales has worked constructively with all interested parties since the Minister for Economy, Science and Transport announced the Access to Finance Review process in January 2013. Engagement with this process by Finance Wales has included Stage 1 and Stage 2 of the Access to Finance Review led by Professor Dylan Jones-Evans, inquiries held by both the Finance Committee and Business and Enterprise Committee of the National Assembly for Wales, and most recently, the Feasibility Study into the Creation of a Development Bank for Wales (DBW).

The valuable and detailed work contained in these various reports is fully understood and embraced by Finance Wales. As an organisation Finance Wales remains excited by the potential of the DBW, as a bold and innovative response to the vital need to develop the micro-to-medium enterprise sector, itself a powerful engine of job and wealth creation in Welsh communities. We look forward to a clear commitment from Ministers that the DBW will be established.

Finance Wales has responded to the constructive recommendations made by the Finance Committee in their May 2014 report, central to which was the need to harness the acknowledged expertise, experience and financial resources of Finance Wales in establishing the DBW.

PROGRESS TO DATE

Since Finance Wales last appeared before the Finance Committee in March 2014, significant activity has been undertaken by Finance Wales in support of the micro-to-medium sized enterprise sector in Wales. Key performance metrics from this period are summarised in the table below:

Wales	Total (since March 2014 presentation to Finance Committee)
Investments	£67.2m
Private Sector Leverage	£72.4m
Jobs Created	4,122
Jobs Safeguarded	
New Enterprises Assisted	234
Help To Buy Wales (Value of Investments)	£77.3m

In responding to the recommendations of the Finance Committee, Finance Wales noted carefully the need to improve communication with the business community in Wales, and the need for enhanced transparency and scrutiny in respect of the activities of Finance Wales.

Examples of recent innovations introduced by Finance Wales to improve communication with the business community in Wales include:

- Bi-annual SME Steering group meetings (one in North and one in South Wales).
- Quarterly regional dinners gaining feedback from local intermediaries, first in Newtown in October 2014, subsequent dinners in Swansea, North East and North West Wales and Newport.
- First radio advertising campaign on Heart FM across North and Mid Wales generated a 150% increase in enquiries.
- Roll out of customer satisfaction surveys across the group.
- Improvements to the Finance Wales website include new ‘contact us’ section, FAQ, publishing annual accounts, interest rate information – resulting in a record 30,000 visits to the website in first half of 2015/16.

We have made significant improvements to our Annual Report and Financial Statements, making good use of case studies, fully up to date information on the organisation and its performance. Enhanced information is now published on the website quarterly in terms of Fund performance; a FAQ and interest rate key facts page are also now live.

NEXT STEPS

Following my appointment I have spent much time digesting the various reviews and reports as well as meeting staff and stakeholders in order to better understand how Finance Wales as an organisation needs to adapt to be able to respond effectively to the findings and recommendations of these reports. It should go without saying that a new Chief Executive is urgently required since Finance Wales have been under interim leadership (albeit effective) for almost a year. I am pleased to advise the Committee that the formal recruitment process for a new Chief Executive will commence this week. It will be a priority for the new Chief Executive to continue and accelerate the existing Finance Wales strategy and to prepare it for developments advised in due course to us by Ministers.

WHAT IS A DEVELOPMENT BANK FOR WALES?

We accept the concept that the DBW should be the focal point for investment finance and business support for the growth, development and success of micro-to-medium enterprises in Wales. It should deliver a broad range of Welsh Government priorities with a specific focus on economic development and the creation and safeguarding of jobs. Critical in achieving these goals will be the need to ‘fill the gap’ in terms of provision of finance and enhancing the financial knowledge and skills of businesses across Wales.

The greater part of any advanced market development bank is its ability to finance its target sectors fully and consistently over a sustained period of time.

Wales is fortunate in already having that engine within Finance Wales and can build on this comprehensive base to deliver debt, mezzanine and equity finance, either directly into Welsh enterprises or by mobilising third-party providers. Like Finance Wales, the DBW will need to work collaboratively with private sector finance providers with the aim of increasing the quantum of finance available.

Business support provided to Welsh businesses should include the broad range of advisory services including financial training and education, business planning, an effective Angel network, capacity building and risk evaluation.

There should be a focus on becoming the recognised leader in providing objective and comprehensive intelligence about the micro-to-medium enterprise sector in Wales, working in partnership with Welsh universities to develop a national centre of excellence.

Finance Wales believes that the DBW should be financially sustainable, particularly as EU structural funds are likely to be in their final rounds and the DBW will be unlikely to rely on these for any significant period of time. The DBW should therefore be focused on building up modest but regular surpluses, in order to avoid being a perennial burden on the Welsh taxpayer.

Finance Wales looks forward to playing a central role in ensuring the future success of the DBW. We await further clarity on the roadmap required to establish the DBW. In developing this roadmap it is the belief of Finance Wales that the crucial question of future funding of the DBW needs to be settled.

Finance Wales stands ready to support the transformation of its current base of activities into the DBW. Similarly we stand ready to offer advice on how this can be enacted in response to Ministerial approval being provided.

Gareth Bullock
Chairman, Finance Wales
17 November 2015