

MINUTES

Date 30 May 2002
Time 2.00 – 3.00pm
Venue Committee Room 1, National Assembly for Wales, Cardiff Bay

Attendance

Members	Constituency
Chris Gwyther (Chair)	Carmarthen West and South Pembrokeshire
Alun Cairns	South Wales West
Chris Chapman	Cynon Valley
Mike German	South Wales East
John Griffiths	Newport East
Alison Halford	Delyn
Brian Hancock	Islwyn
Dafydd Wigley	Caernarfon
Phil Williams	South Wales East

Officials

Emyr Roberts Economic Policy Division

In Attendance

Colin Mitten	Chief Executive, Finance Wales
Eleanor Knight	Head of Operations, Finance Wales
Siân Lloyd Jones	Business Support Executive Director, Welsh Development Agency
Mike Davies	Loan Fund Manager, Finance Wales

Secretariat

John Grimes	Clerk
Julie Owen	Acting Deputy Clerk

Item 1: Chair's opening remarks.

1. Declarations of interest were made by Christine Gwyther whose partner has a small consultancy business and Dafydd Wigley who is a director of a company involved with Finance Wales.
2. Apologies were received from Ron Davies.

Item 2: Finance Wales

1. The Chair welcomed the representatives from Finance Wales. Mr Colin Mitten, assisted by Mr Mike Davies, gave a presentation on the work of the organisation and explained how it was established by the Welsh Assembly Government and the Welsh Development Agency. Finance Wales' aim was to assist Welsh businesses realise their potential. They did not offer grants but offered loans, equity investments and advice to assist businesses. To date they had assisted over 500 companies and created or safeguarded over 4,000 jobs.
2. Following the presentation the following points were raised in discussion:
3. Finance Wales said that they gained their client base through regional presentations and working closely with Business Connect and organisations like enterprise agencies. They also worked closely with the Federation of Small Businesses and were surprised and disappointed that they had been criticised by them.
4. Finance Wales attempted to target under represented groups and recognised that they had particular needs. However they could not force organisations to approach them and recognised that this was an area in which they had had limited success.
5. It was recognised that not all companies were able to network and that Finance Wales had to go to the company - hence their need to work closely with Business Connect, Enterprise Agencies etc. The large number of schemes available was confusing and much work was being done in an attempt to present a more coherent picture to businesses.
6. Working capital - Finance Wales is governed by ERDF rules. They want to put funding into a business and see that business going forward, they did not want their funding to be used to pay off debts. They aim for all the businesses they support to be able to pay back their loans and so create more capital to finance other companies.
7. Finance Wales said that their interest rates did, at first sight, look rather high being 5 to 6% over the normal bank rate. However their loans were often unsecured and should the company pay back the loan within the agreed timescale they become eligible for a 3 to 4% rebate.
8. Statistics for the number of failures had not been given. However Mr Mike Davies provided the following figures:-
 - on three year old funds (Small Loan Firm and Wales Innovation Fund) of £4.7m loaned provision had been raised against £600k

- The Wales Innovation Fund of £5m only £500k had provision raised against it.

9. Members made clear that they would expect failures in such ventures and would be more worried if none had occurred. It was suggested that failure figures should be displayed in promotional literature.

10. Finance Wales did not see themselves as a "lender of last resort". However they did not expect to be approached until all other avenues had been exhausted. A number of companies had obtained funding from other sources when it became known that Finance Wales was willing to fund the venture.

11. The criteria for eligibility could be found on the Finance Wales website and were essentially those laid down by Europe. There were no further criteria on top of these.

12. Finance Wales could offer loans in two areas where banks were unwilling to do so. For example:

- Unsupported loans where no assets were available as security, for example, banks would often lend between 50% to 70% on commercial property. Finance Wales would meet the shortfall.
- "not for profit" businesses.

13. Finance Wales recognised the need to withdraw from a company when their assistance was no longer required.

14. An organisation may use their available funds developing an idea and be unable to obtain more funding in order to manufacture and market the product, Finance Wales would attempt to look at ways of funding projects such as this.

15. The Chair thanked Mr Mitten and his colleagues for their presentation.

Committee Secretariat