

Edwina Hart MBE CStJ AC / AM
Minister for Economy, Science and Transport

24 June 2015

Dear Edwina

Follow up scrutiny of Finance Wales/Development Bank of Wales

As you will be aware the on 13 May 2015 the Finance Committee held a follow up session with Professor Dylan Jones–Evans, Chair of Development Bank for Wales Task and Finish Group and Robert Lloyd Griffiths, Chair of Business Wales Strategic Board. This evidence session followed the publication of our report on [Finance Wales](#) in May 2014 and the [feasibility study into the creation of a development bank for Wales](#). Following this session I wrote to Kevin O’Leary, Interim Chief Executive of Finance Wales and Members considered Mr O’Leary’s [response](#) at our meeting on 17 June.

The Committee have a number of concerns with the changes taking place and I have outlined these below for your consideration in taking forward plans for Finance Wales and a development bank for Wales.

When we published our report we were reassured to find that Finance Wales was ‘well regarded across much of the business sector, as well as across the UK and further afield’. Overall, we concluded that ‘this was a positive inquiry which showed that, although not perfect, there is a lot to commend in the work of Finance Wales’.



The Committee notes a key recommendation from the Task and Finish Group's report:

"Potential efficiency gains from the DBW – the intention would be that the majority of funds would be outsourced which 'presents the opportunity for the Welsh Government to develop a more efficient and cost-effective organisation'. (paragraph 151)."

The response from Finance Wales queries that a development bank could make efficiency savings if some funds were managed externally. Finance Wales said:

"FW [Finance Wales] does not accept that awarding fund management contracts externally will deliver the efficiency savings ..."

The Committee would be grateful for clarification on the efficiency savings associated with external management of funds.

In addition, this outsourcing raises questions around the future of the staff employed by Finance Wales in investment and fund administration. We firmly believe that skills and knowledge of Finance Wales and its staff should be utilised to take forward the development bank model. In evidence to the Committee Professor Dylan Jones-Evans said:

"there are key individuals within Finance Wales, like I said, particularly on the risk management side and on the programme management side, who would have to be retained within that. So, in the end, what will have to happen, as happened when the Welsh Development Agency was merged into Welsh Government, I suppose, is that you'll have to look at what skillsets you need to move forward and what other skillsets are required to do that."

The Committee would like to see clarity over the evolution of Finance Wales into a development bank and how the current Finance Wales staff will be utilised and involved in this transition period. Clearly there are costs associated with this sort of change in terms of possible redundancies and staff morale etc and the Committee would like to see more detail on how these costs are being approached.



The Committee accepts that the proposal for a development bank is complex and that the detailed funding arrangements will need to be resolved at a later date. However, the Committee does not believe that sufficient analysis has been carried out on the options for funding a development bank, the risks associated with these options, and the how bank's funding and liabilities would relate to those of Welsh Government and would appreciate clarification on this.

Another of the Committee's recommendations referred to the scrutiny arrangements for Finance Wales, and we would like to stress that this recommendation in terms of scrutiny of organisations in receipt of public funds would apply to any changes to Finance Wales or the creation of a development bank for Wales, and we would wish to see the annual report and accounts presented to an Assembly Committee for scrutiny each year.

Overall, the Committee is concerned that during the inquiry we undertook into Finance Wales we were generally impressed and felt there was a great deal of good work being done by Finance Wales and as a Committee would wish to see steps being taken to ensure that the skills, knowledge and experience of this organisation are utilised and the good work is built on.

Yours sincerely,



Jocelyn Davies AM
Chair

cc:

William Graham AM, Chair, Enterprise and Business Committee
Kevin O'Leary, Interim Chief Executive, Finance Wales

