

Giles Thorley  
Chief Executive Officer  
Development Bank of Wales

2 May 2024

Dear Giles,

Thank you for attending Committee on 24 April. Due to time constraints there were a number of questions we could not cover in the session.

### **Equity Investments**

Please can you provide some more detail on the Bank's processes around equity investments:

- What guidance is given to businesses in order for them to understand everything involved with an equity investment?
- Do you ever appoint the same Investor Director to sit on the boards of multiple companies that the Development Bank has invested in?
- What degree of control does the Development Bank have on the way an Investor Director operates and the decisions they take once appointed?

In order to reconcile information relayed to the Committee during the session with written evidence we have received, I would also be grateful if you could confirm how the remuneration of Investor Directors is agreed. Rhian Elston stated that "the remuneration is a discussion between the company and the investor director" and "they make the decision there around how much that individual should be paid". However, the Committee has received written evidence that suggests that the Development



Bank might play, or perhaps has in the past played, a role in determining the remuneration of Investor Directors.

## Complaints

In our session you explained that the Bank had 17,065 applications last year and received 11 complaints. I am interested to know if this is a usual level of complaints both for the Bank and financial lending industry more generally. Please could you let me know:

- How many complaints has the Development Bank received in each year over the last 5 years?
- Has the Development Bank undertaken any benchmarking against other comparable institutions on a usual level of complaints they might expect to receive? If so are the current complaints in line with the Bank's findings?

On a wider point, I would also be grateful to know whether the Bank has undertaken any work to understand how the Bank is viewed by businesses that have either been unsuccessful in securing funding from the Bank or have never applied to the Bank for support.

## The Development Bank of Wales annual accounts

I note press reports regarding losses of over £62 million stated in the Development Bank's accounts for 2022/23. In the reports a spokeswoman for the Bank has been quoted attributing these losses to "significant increases in the loss rates used to calculate the provisions charge" which has led to a 41% increase in the loss allowance and a "reduction in fair value of our investments."

In 2017 the Committee's predecessor recommended that Finance Wales, the Development Bank's predecessor, should "produce information alongside its annual accounts which would allow any interested member of the public to see whether the organisation has covered its costs in the preceding year." This recommendation was aimed at increasing transparency around Finance Wales's finances and to allow the average Welsh citizen to understand the current health of the Bank and its investments. It is worth noting that, back in 2017, Gareth Bullock acknowledged that "...technical accounting actually gets in the way of what I might call the ordinary, day-to-day understanding of what we do."

As you are aware, the Committee decided to hold a fuller Inquiry into the work of the Development Bank this year in place of our usual annual scrutiny session that would have considered the Bank's annual report for 2022-23. I would therefore like to take this opportunity to ask the following questions:

- Will the loss of over £62 million reported for the financial year 2022/23 have any impact on the Development Bank's ability to meet the aims and objectives set by the Welsh

Government, and will said losses decrease the amount of money available for the Bank to loan out going forward?

- Whilst I appreciate the Bank's explanation of its finances set out in the press article linked above, and I understand the world of finance is complex, I do not feel the Bank's response is one that the average Welsh citizen would easily understand. In line with the Fifth Senedd's Economy, Infrastructure and Skills Committee's recommendation, I would encourage the Development Bank to publish information alongside its annual accounts – in plain English and Welsh - that would allow any interested member of the public to see whether the organisation has covered its costs in the preceding year and to understand the practical effects of any losses or surpluses identified in the accounts.

The Committee also intends to hold an annual scrutiny session with the Bank as soon as possible after it has published its 2023/24 annual report.

I would welcome your response to the questions above by 16 May as this will help the Committee finalise its report for this inquiry in a timely manner.

Kind regards,



**Paul Davies MS**

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English