

Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Cyfarwyddwr Cyffredinol - Director General



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair
Public Accounts Committee

2 September 2019

Dear Chair

I am responding to your letter of 08 July in which you requested further information following the Committee session on 24 June.

I will address each point in turn.

- *In addition to the Chief Executive, do any other Development Bank of Wales Senior Executives have other paid Directorships and if so, what process has been followed in seeking approval for these Directorships. Please could you provide details, if appropriate, of specific examples?*

In addition to the Chief Executive, there is one other Development Bank of Wales (DBW) Senior Executive who has a paid Directorship. David Staziker, DBW's Finance Director, receives an annual payment of £6,000 for the work he does as a Non-Executive Director at Pobl Group. This appointment was approved by DBW's Chief Executive and by the Welsh Government towards the end of 2017, and the payments came into effect in July 2018. This role will be disclosed in the DBW's Annual Report & Financial Statements for the year ended 31 March 2019.

Other members of the Senior Management also hold directorships, but these are unpaid.

In light of the Office of National Statistics no longer publishing a subnational breakdown of monthly redundancy figures, confirmation of whether the Welsh Government keeps a log on levels of redundancy (not unemployment which a separate data set) in Wales and whether levels have increased over the past 12 months.

The Welsh Government does not keep a log on levels of redundancy in Wales.

- *Confirmation of the last time the Welsh Government, at ministerial level, engaged with Ford Motor Company's US-based global management before the announcement to close the Bridgend Factory was made on 6 June 2019*

Whilst the First Minister, the Minister for Economy and Transport and senior officials had extensive contact with senior staff, empowered by Ford's global leadership, from Ford of Europe and Ford of Britain prior to the announcement, the last direct engagement with US management prior to the announcement on 06 June, was in June 2018 during the previous First Minister's visit to Washington.

- *The amount, type and purpose of Welsh Government financial support (whether direct or via Finance Wales or the Development Bank), that any of the companies named during the session (at RoP 289-291) had received prior to going into administration and confirmation of any outstanding debts (G M Jones, Cuddy group, Jistcourt, GRH Food Company).*

Details provided at **Annex 1**.

- *The Welsh Government's understanding on the structural arrangements for the Dawnus Group including whether the company in its entirety has gone into administration or whether it continues to operate its international companies, other Dawnus-related companies or companies that have re-emerged. Furthermore, clarification of why the Welsh Government considered it appropriate to advance loan funding to a company with overseas operations, which is within a large group of companies, if not all parts of that operation have been affected by the financial difficulties.*

The Welsh Government's understanding of the structural arrangements for UK-registered Dawnus-related companies is as follows:

- Dawnus Group Limited is the ultimate holding company for all businesses within the Dawnus Group and is the immediate parent of Dawnus Construction Holdings Limited, Dawnus Developments Limited and Dawnus International Limited.
- Dawnus Construction Holdings Limited is the immediate parent of Dawnus Southern Limited and Ashridge Construction Limited.
- Dawnus Developments Limited is the immediate parent of Churchfield Homes Limited, Construction Recyclate Management Limited (ceased trading at the end of 2017); Medrus Plant Hire Limited; Dawnus Limited; Quantum Geotechnical Services Limited; Dyffryn Court Management Limited and Legsun Limited.
- Dawnus International Limited is the immediate parent of Dawnus Sierra Leone Limited.

Each of these UK-registered Dawnus-related companies is in administration.

Although Dawnus International Limited is a UK-registered company, it is the immediate parent of the following companies, registered locally in Africa and established solely to obtain local permits for Dawnus to be able to operate in each country respectively: Dawnus Mauritius (the immediate parent of Dawnus Senegal), Dawnus Tanzania, Dawnus Guinea and Dawnus Liberia.

Whilst these businesses are technically still active, they are non-trading. They were not placed into administration with other businesses in the Dawnus Group as they are outside of the UK legal jurisdiction. Officials understand these companies are (and remain) dormant, as all international contracts were delivered through Dawnus International.

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. The Welsh Government facility was provided on commercial terms and secured on assets within the business. The loan supported the business cash flow position. The loan also safeguarded the in-excess of 700 jobs employed across the group with 430 of those based in Wales, with the vast majority of the balance based in the United Kingdom.

The loan was predicated on a credible turnaround plan for the business, validated by both external and internal due diligence. Assets were carved out of the business bank's existing security portfolio and provided to the Welsh Government as security for its investment on a 'pari passu' arrangement. Given the Welsh Government mirrored the investment, security and risk appetite of the business' commercial lender, taking into consideration the credible turn-around plan, and safeguarding of in excess of 700 jobs, it was considered appropriate to recommend advance loan funding to the business.

• *Any dialogue there was 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 in the context of projects in Powys.*

Welsh Government officials were first informed of the Dawnus Groups intention to place its businesses into administration following a board meeting held on the 13 March 2019. When officials became aware of the intention to place the Dawnus Group of businesses into administration, appropriate notification was provided across relevant government departments.

In relation to the school projects underway in Powys County Council under the 21st century capital schools programme, only one of these three projects had commenced, with two others still in the planning phase. The project that was partially completed - a 360 pupil English Medium school in Powys - had been awarded to the business in 2017.

Public sector bodies / local authorities have their own discrete compliance and due diligence scrutiny procedures for assessing risk when procuring services.

In relation to your final point, requesting additional information on the Wales Life Sciences Fund, and the role of the Development Bank of Wales, please find the information attached at **Annex 2**.

Please do not hesitate to contact me should you require any further information.

Yours sincerely



Andrew Slade
Director General
Economy, Skills and Natural Resources