

FIN(4)FW016
Finance Wales Inquiry
Response from Watts Gregory LLP

ACCESS TO FUNDING

Having acted on behalf of hundreds of SME's , I looked forward with eager anticipation to the access to funding report undertaken by Dylan Jones Evans (DJE). I have over the years read with interest DJE's column in the Western Mail, especially his insight into the strategy and methods adopted by other countries of similar size to Wales, to stimulate and grow their economies.

Macro economics is an interesting subject, which has occupied the minds of many an academic. However as a business owner and adviser, I'm more readily interested in how the "big picture" and theory gets translated into a practical and working solution for the end user, in this case your average welsh SME.

When the report was published I was totally bemused by the headline that Finance Wales was not fit for purpose, since mine and my clients dealing with Finance Wales have been mostly positive. However, in order to understand the conclusion, one must first understand the brief.

The introduction states," the second stage of this report will update the information on bank support and alternative sources of funding to SMEs in Wales. It will also, following a request by the EST Minister, examine the strategy undertaken by Finance Wales in terms of supporting SMEs in Wales, focusing specifically on the cost of borrowing. However, the main aim of this part of the review was to consider whether the current situation in Wales regarding access to funding was fit for purpose and, if not, what should the Welsh Government do about it".

My reading of this brief identifies two aspects:

- 1.The strategy undertaken by Finance Wales in terms of supporting SME's in Wales, focusing specifically on the cost of borrowing;
2. Consider whether the current situation in Wales regarding access to funding was fit for purpose, and if not, what should the Welsh Government do about it.

Therefore I remain bemused by the conclusion, since it appears to merge the two aspects - "Therefore, if the role of Finance Wales is to support economic development and the SME sector in Wales, the evidence suggests that it is currently not fit for purpose in achieving this aim."

Aside of the conclusion, there doesn't appear to be a logical step by step approach in establishing the way forward and the creation of The Development Bank for Wales. My overwhelming feeling is that DJE has it firmly in his mind that a Development Bank is the right strategy for Wales Plc, and has used some of the shortcomings that exist in the market place to

champion the strategy. The strategy may well be the right one, but I believe the report has been over critical of Finance Wales, when the real shortcomings lie with other aspects of the support system.

Finance Wales as a source of funding to SME's remains a great success. It has done what it says on the tin and bridged the funding gap between the private and public sector. It has repositioned itself away from its initial offering of "funder of last resort" into a much more commercial organisation, which is self funding and without the stigma normally attached to the public sector.

The skill set developed over the last 10 years or so has been utilised by other regions who readily see the benefits of what the organisation has to offer. In this case surely the brief ought to have been, Finance Wales has been a great success, but how can the organisation be improved.

I am sure if that same question had been posed to Finance Wales, they would have responded by saying, we could help more businesses and our job would be made easier, if we could lend at lower levels of interest. How that could be achieved and at what cost to the tax payer is another question, but I am sure it's a more logical step and less controversial than abolishing it and handing its operation over to another public body.

I accept that business owners find the myriad of support available to SME's in Wales confusing. I readily buy into the 5 Principles of Public Funding for SME's, so the notion of bringing all the support under one umbrella is logical. One could argue that scenario exists as all funding support is under the control of Welsh Government. In opting for a Development Bank or an alternative strategy, whichever way you look at it, public funding support will remain under the control of public bodies, so what will change when it comes to delivery?

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