

Responses from Welsh Government:

30 April 2019

Qu 1. When did the Welsh Government become aware that Dawnus was facing financial difficulty and what specific action did the Welsh Government take at this time?

- Officials became aware that the Dawnus Group was experiencing cash-flow difficulty at the end of November 2017 / start of December 2017. Officials worked with the company's business consultants to seek support from the open markets to rectify its financial position (based on a credible turn-around plan provided by the business). In January 2018 it was concluded that the markets could provide a solution for the business cash-flow difficulties. Officials concluded that a recommendation to the Minister for a Welsh Government intervention, in conjunction / partnership with the company's bank would be an appropriate and proportionate resolution to the company's difficulties. In March 2018 Welsh Government provided a £3.5m Commercial facility to Dawnus Group, as a match funding solution, with the company's bank providing an additional £3.5m support package.

Qu 2. Was any information passed to Welsh local authorities, particularly Powys, keeping them up to date with developments?

- No information on support provided through Welsh Government was provided to any client based organisations nor to wider public / supply chain.

The rationale for not providing information to wider organisations is fourfold:

1. Any release of information to client based organisations may negatively influence their decision making process when the company is tendering for potential new work, or impact timeliness of payments for existing work. This would in turn have the potential to negatively impact the short term business cash-flow and the longer term viability of the company to secure new work. Clearly producing the direct opposite result of the position Welsh Government was seeking to achieve.
2. The risk of wider organisations (particularly the supply chain), becoming aware of that Dawnus was experiencing difficulty may have resulted in suppliers demanding proforma / upfront payments for work undertaken on Dawnus projects. Again this would increase pressure on the business cash-flow having the opposite negative result for which the intervention was intended to resolve.
3. Should Welsh Government be identified as providing information that impacted on the company, (as per point 1 or 2),

this could leave Welsh Government exposed to legal proceeding for inadvertently negatively impacting the company's performance.

4. Support provided was made on a commercial / in confidence basis. Release of information by officials to any organisations outside of the Welsh Government may have been considered a breach of the "Civil Service Code of Conduct" and therefore potentially subject to disciplinary measures.

Qu. 3. For what reasons were the debentures (charge codes [042305790020](#) and [042305790019](#)) amended on 2 July 2018?

- Security was released on assets (afore referenced), to enable their sale. Part of the repayment mechanism agreed with the company and their bank included recovery of aged Work in Progress (WIP) and sale of secured assets facilitating part repayment of Welsh Government and the company's bank lending facilities

Qu. 4. What was the value of the property or undertaking that was released from the charges on 2 July 2018?

- £3,281,383.85. These funds were placed in to the Welsh Government / Company's Banks Escrow / proceeds account, and apportioned as part repayment to each of the lenders. (forming part of the £2m already repaid to Welsh Government).

Qu. 5. What value of property or undertaking remains under the charges?

- Officials are working with the administrator, the company's bank and specialist cost consultants to gain maximum value from outstanding securities, seeking to maximise the return for the Welsh public sector on outstanding sums due. Given the complexity of security values attributed to those seeking to either acquire assets held, their depreciation costs, or value of aged WIP that has potential to be recovered it is difficult to quantify the value of the outstanding sum that remains under charge.

8 April 2019

Thank you for your email. I will have to put your specific questions directly to the Welsh Government and will get back to you when I receive a reply.

However, the following information which I have already obtained may also be of interest to you i.e.

Details of the amount and type of financial support provided by the Welsh Government (including Finance Wales or the Development Bank) to Dawnus, and confirmation on the precise amount recovered by the Welsh Government and any amount yet to be recovered;

Information on the Welsh Government's relationship with Dawnus given its standing as one of the Welsh Government's 'anchor companies';

Details of any other Welsh construction businesses that have received financial support (grants and/or loans) from the Welsh Government (including Finance Wales or the Development Bank) over the last 5 years, totalling £1 million or above.

I have now received the following information from the Welsh Government. Both Finance Wales and the Development Bank will also be responding to me directly. I will pass on any response once I receive it.

The Welsh Government provided a £3.5m commercial facility to Dawnus. As of 26th March 2019, the Welsh Government has received £2,007,387 repaid. This leaves an outstanding balance of £1,492,613.

Dawnus held Anchor Company status. There was limited 'ad hoc' interaction with the business in terms of formal regular engagement with officials, until the time as a request for support was received. The business was offered the opportunity to attend all anchor company events organised by Welsh Government and to participate in feedback / calls for information on various topics, (again on an 'ad hoc' basis).

Over a number of years, Dawnus will have been awarded contracts by Welsh Government to deliver packages and programmes of construction works, (either directly by the Welsh Government or one of its agencies e.g. Trunk Road Agency). These works will have been procured through an open tender process following OJEU and other relevant procurement procedures. This will also apply to other public bodies pan Wales.

At present directly from the Welsh Government-, no Welsh construction businesses (as noted by SIC code) have been identified that have received financial support over the last 5 years, totalling £1 million or above.

I've checked with the Clerk to National Assembly's Public Accounts Committee (PAC) and they've advised that the Chair of PAC will be writing to the Welsh Government for further information on the support provided to Dawnus and that the Committee is likely to return to the example of Dawnus as part of its work considering Welsh Government business finance.