



*Covid-19 Welsh Government
financial interventions:
An analysis of Welsh beneficiaries*

December 2020



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Andrew Henley, Nikos Kapitsinis, Max Munday, and Annette Roberts

Welsh Economy Research Unit, Cardiff Business School
mundaymc@cf.ac.uk

For further information or to submit feedback and research proposals please email: EconomicIntelligence@developmentbank.wales

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Economic Intelligence Wales Limited, Unit J Yale Business Village, Ellice Way, Wrexham, Wales, LL13 7YL, 11001584.

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Executive summary

Welsh Government response to Covid-19

This report is the first in a longer-term programme of work to investigate the effectiveness of business finance interventions through the Welsh Government's Economic Resilience Fund (ERF). Welsh Ministers decided upon a series of additional responses to assist businesses affected by Covid-19, and with these developed to complement UK-wide interventions such as the Job Retention Scheme. The ERF formed a key component of a public stimulus package of unprecedented proportions to support businesses in Wales. Timely intervention was critical, particularly given the problems facing businesses in Wales in the second and third quarters of 2020. It is important to recognise the speed of the Welsh interventions, with the funding schemes developed and delivered over a four to five month period during 2020.

Businesses based in Wales have so far received a total of over £3.1bn in grants from UK and Welsh Governments. In addition, firms have had access to specific loan funds, through the British Business Bank and Development Bank of Wales, with a total of over £1.8bn already lent to firms in Wales. Of these totals, **the ERF and associated measures including the Non-Domestic Rates scheme has accounted for close to £1bn in grants to businesses in Wales, and over £90m in loans.**

The ERF interventions investigated in this report include Phase 1 and 2 business grants administered by Welsh Government and the Covid-19 Wales Business Loan Scheme managed by the Development Bank of Wales. This report also considers the Non-Domestic Rates (NDR) grants administered by local authorities. Other schemes have more recently opened to firms in Wales for applications and these are not analysed in this initial report.

Initial findings - ERF Phase 1 and 2 Grants

The first 2 Phases of the ERF have provided over £200m of grants to support businesses in Wales.

In total these ERF business grants have directly supported almost 12,000 firms/organisations in Wales and 125,000 jobs (full-time plus part-time), representing around 10.5% of total employment in Wales.

Average funding awarded per successful SME application was around £15,620. On average, the amount approved for SMEs was just over 77% of the value of funds applied for by firms in Wales.

Almost 80% of recipient firms were micro businesses, and these firms received an average grant of almost £10,000. Small firms comprised 18% of supported firms with average funding of almost £31,000 per firm. Medium-sized firms accounted for almost 3% of recipient firms, with an average grant of almost £74,000. Large firms received an average grant of around £302,000.

The wider impacts of the support could be significant, with many thousands of further jobs supported indirectly in related businesses through supply-chain effects and wage spending effects.

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ERF supported a relatively high share of employment in local authority areas characterised by relatively lower gross value-added per head compared to the UK average, for example, Blaenau Gwent, Carmarthenshire, Conwy, Gwynedd, Anglesey, Merthyr Tydfil, RCT and Pembrokeshire. Then ERF interventions were particularly successful in supporting economic activity in parts of Wales suffering from persistent socio-economic disadvantage.

Industries with the higher take-up rates from the assistance included construction, food and drink service, retail, tourism, and the transport

sector. The Phase 1 and 2 assistance tended to support activity in more labour-intensive sectors of the contemporary Welsh economy, and with support focused on maintaining employment levels through the early parts of the crisis.

12,000

businesses supported

125,000

jobs supported

Covid-19 Wales Business Loan Scheme (CWBLS)

CWBLS, which closed at the end of July, supported 1,332 businesses, with committed funding of over £92m, representing an average of almost £69,000 per business assisted.

Over 16,000 jobs are estimated to be safeguarded by the scheme. On average around 12 jobs were safeguarded in each firm.

CWBLS helped to safeguard around 2.5% of SME manufacturing jobs in Wales, and assisted between 0.5% and 1.0% of Welsh SMEs in manufacturing. Similarly in construction, and in the wholesale etc. sectors, close to 2.5% of SME employment was safeguarded.

The industry distribution of the CWBLS funding is markedly different from other ERF interventions.

The average size of firm benefitting from CWBLS is different from other ERF interventions. This is most noticeably evidenced in the average size of loans, compared to the average size of grant offered during the Phase 1 and Phase 2 Covid-19 ERF interventions. For example, the average size of loan was typically more than four times greater than the grant assistance offered per SME firm, with this reflecting the very different purposes underlying the loan finance.

Bridgend had the largest number of jobs safeguarded per assisted firm, with close to 20 jobs per firm, while over 18 jobs were safeguarded th Port Talbot.

1,332

businesses supported

16,000

jobs safeguarded

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Non-Domestic Rates (NDR) grants

The NDR grant was based on premises as opposed to organisations or businesses such that it is not possible to equate the number of payments with the total of businesses that have been supported.

Just over 64,000 separate payments were made with firms and organisations receiving close to £770m of funds through this scheme.

Relatively large amounts of grant payments were received by businesses in connection with premises in rural local authority areas such as Gwynedd, Powys, Ceredigion and Pembrokeshire. These areas had proportionately more premises qualifying for the higher level of grant (i.e. the £25,000 grant for retail, leisure and hospitality businesses occupying properties with a rateable value of between £12,001 and £51,000). More urban local authorities tended to receive lower amounts per head of the population.

64,000

separate payments were made

£770m

worth of funds received

Conclusions

This report has highlighted the significance of ERF interventions, in particular to micro and smaller businesses in Wales, and those businesses worst affected by the pandemic. The analysis suggests that the wider impacts of the support could be significant, with many thousands of jobs supported indirectly in related firms through supply-chain effects and wage spending effects. Many businesses provided commentary in their applications on their wider impacts in Wales, referring to their supply-chain, training and community benefits.

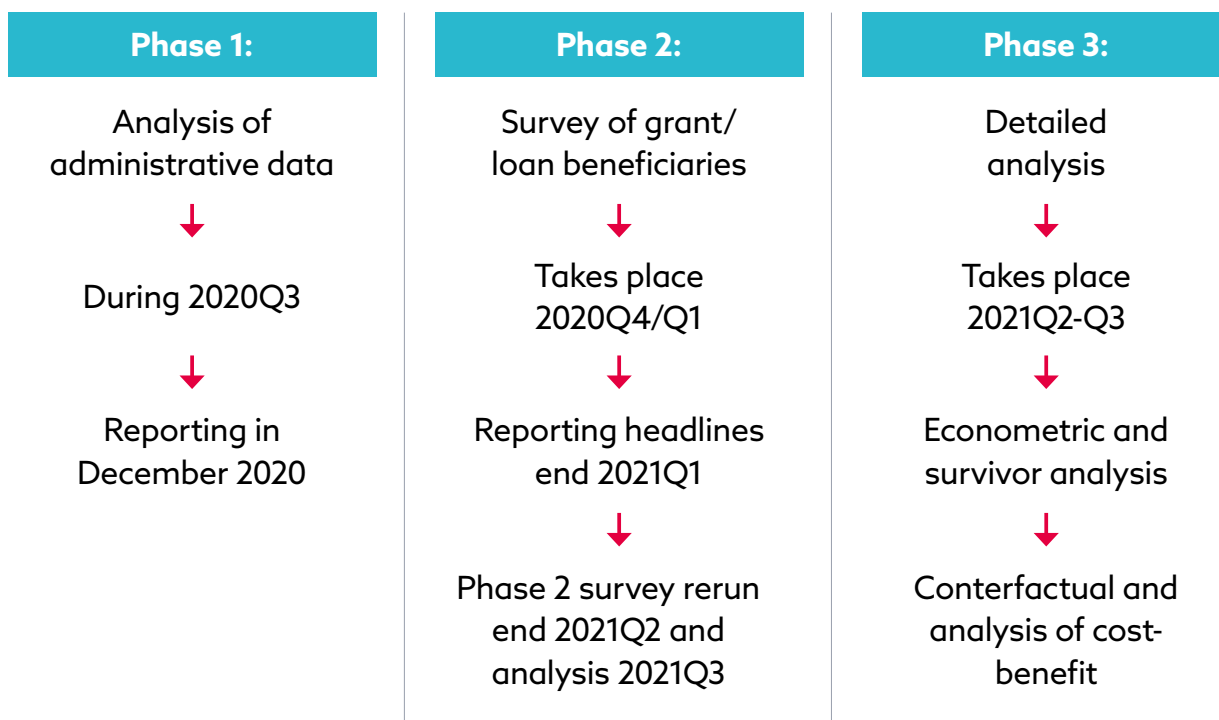
Many firms and organisations in Wales will have received support from different funding sources within and outside of the ERF. It is therefore difficult to precisely define the reach of ERF interventions, in terms of the total number of businesses and employments supported and safeguarded, or the separate impacts of this intervention from the other support schemes. Future research will seek further insights into the impacts of the ERF on firms in Wales, with the aim of informing future policy directions.

1.1 Objectives of the report

This is the first in a series of EIW bespoke reports, jointly commissioned by Economic Intelligence Wales, Development Bank of Wales, and Welsh Government to examine the impact of Covid-19 financial interventions in Wales. The Covid-19 crisis during 2020 has severely impacted businesses across the Welsh economy, with very few sectors immune to the problems resulting from the lockdown process and its economic aftermath. There have been a series of UK and Welsh Government led interventions to assist firms in Wales since March 2020. **This report provides an initial analysis of administrative data around selected interventions.**

This report forms the first of three elements of evaluative research (see Figure 1) which seeks to explore the effectiveness of government interventions to support firms whose prospects have been damaged as a result of the Covid-19 crisis. This analysis was largely undertaken during the third quarter of 2020 and is therefore very much an exploratory investigation including some provisional data that may be subject to revision. The economic effects of Covid-19 are still taking shape, and additional interventions were occurring even at the time of developing this analysis.

Figure 1.
Analysis of Covid-19 interventions in Wales



In summary the overall research programme, which will extend over a period of 18 months, seeks to:

- Examine the impact generated by interventions put in place, limited in this report to Economic Resilience Fund (Phase 1 and 2 Grants and Development Bank of Wales' Covid-19 Wales Business Loan Scheme) and Non-Domestic Rates grants.
- Explore how these funds employed in Wales worked together with UK-wide initiatives such as the Covid-19 Job Retention Scheme to safeguard economic activity in Wales.
- Provide a gross level summary of outcomes from the selected interventions.
- Provide a value for money assessment in relation to cost per job safeguarded by the interventions.
- Examine the effects of the Covid-19 outbreak on business activity and begin the process of understanding the impact of financial support in mitigating impacts.
- Examine the longer-term resilience of those firms and organisations that were successful in gaining either grant or loan support compared to the wider population of firms and organisations in the Welsh economy.
- Explore the counterfactual position by assessing a) what the likely scenario would have been if the support had not been available and b) how businesses provided with the financial support compare with an un-treated cohort demonstrating similar characteristics. It is noted here that the distribution of supported businesses is highly sectoral in its pattern, and so counterfactual samples from the same sector might be difficult to find in the context of the Covid-19 outbreak.

The evaluation of these interventions is not straightforward. In particular, when establishing the additionality of grant and loan support in the wake of Covid-19 it is difficult to separate out effects. For example, there is some evidence that the UK economy was moving into a recession prior to the Covid-19 outbreak, and that business confidence was already becoming fragile, in part because of ongoing uncertainty over the final characteristics of Brexit. This was noted in the Economic Intelligence Wales QR3 report, and evident in a number of confidence indicators.¹

Moreover, the Welsh economy had already seen some significant employment decisions being made by inward investors in 2019Q4, and into the 2020Q1. There was then every prospect that some larger inward investors in Wales would have reduced employment and output in 2020. Some of this was in relation to Brexit, but not all, and with some cases linked to the end of life cycle of selected products.

¹ <https://developmentbank.wales/sites/default/files/2020-04/EIW%20Quarterly%20report%20Q3%20ENG.pdf>

1.2 Research focus in this report

The focus of this report is on selected financial interventions employed during 2020.

The first is the COVID-19 Economic Resilience Fund (ERF) Phase 1 and 2 grant support from Welsh Government which allowed both firms and other organisations that faced problems resulting from the outbreak to gain financial assistance to deal with short term cash flow issues. This comprised a Micro-Business Fund, Small and medium-sized (SME)² Fund and Large Business Fund.

The second ERF intervention was the Welsh Government and Development Bank of Wales loan fund (Covid-19 Wales Business Loan Scheme) to support SMEs affected by Covid-19. Under this intervention firms were able to access loans of up

to £0.25m fixed at 2% with no interest and capital repayment required in the first year. The loans were provided based on business size in terms of sales, employment or profits.

Third, is Non-Domestic Rates grants. These provided a £25,000 grant for retail, leisure and hospitality businesses occupying properties with a rateable value of between £12,001 and £51,000; a £10,000 grant to all businesses eligible for small business rates relief (SBRR) in Wales with a rateable value of £12,000 or less; and a £10,000 grant to all ratepayers eligible for charitable relief and Community Amateur Sports Clubs (CASC) relief, operating in the retail, leisure and hospitality sectors occupying properties with a rateable value of £12,000 or less.

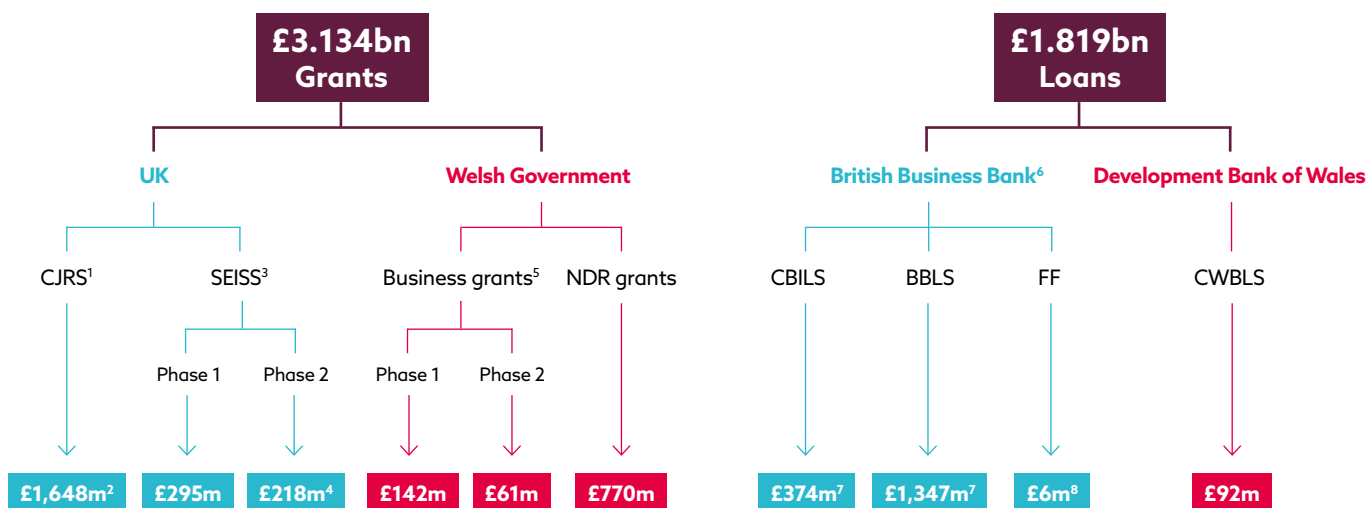
1.3 Financial support context

Figure 2 shows the value of claims for *selected* schemes available to support businesses in Wales impacted by the coronavirus pandemic. It should be noted that this is not a complete inventory of the support schemes, as new schemes have been announced during the preparation of this report. For example, additional support was announced in relation to the 'circuit-breaker' lockdown during October / November 2020, and these and other schemes are not included in Figure 2.

The totals given in Figure 2 are indicative only, and subject to revision as some of the data was provisional at the time of writing. In addition, the available data for Wales relates to different time periods, with a number of the schemes in Figure 2 still ongoing, and with other funds now closed to applications, but with final data on value of claims still outstanding.

² Small and medium-sized enterprises (SMEs) include any business with fewer than 250 employees.

Figure 2.
Selected public sector interventions relating to firms in Wales - estimated value of claims



Notes:

1. The Coronavirus Job Retention Scheme (CJRS) was expected to close on 31st October but has now been extended to March 2021.
2. Estimated as of mid-October. Derived using % of employment furloughed in Wales as % of UK (approx.4%), UK figure as of 18th October is £41.4bn.
3. Phase 2 of the Self-Employment Income Support Scheme (SEISS) closed on 19th October. Phase 3 started on 1st November 2020 and will remain open for 3 months. The UK Government has announced a fourth grant that will run from February to April 2021.
4. Value of claims as of end September 2020.
5. The Phase 3 Business Development Grant opened for applications in the week commencing 26th October 2020. This will be analysed in a future report by EIW.
6. BBB coronavirus business interruption schemes have been extended until the end of January 2021. The BBB's Coronavirus Large Business Interruption Loan Scheme (CLBILS) is not included in Figure 2 due to lack of regional data, however as of October 2020, 623 loans worth £4.6bn had been approved across the UK.
7. Value of Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLS) loans to firms in Wales as of 4th October.
8. Value of Future Fund (FF) loans to firms in Wales as of 18th October.

The information in Figure 2 does, however, provide some useful context for the report, indicating the likely scale of various public sector interventions in Wales to support businesses. The largest single entry in Figure 2 relates to the payments made under the UK Government's Coronavirus Job Retention Scheme (CJRS, or furlough scheme). As of 18th October 2020, over £41bn of payments had been made across the UK under this scheme³, with an estimated over £1.6bn of payments made to Wales. This scheme has now been extended to March 2021.

The Self-Employment Income Support Scheme (SEISS) operated in 2 phases in the period to the middle of October 2020. The first was completed in July, and the second phase closed on 19th October. Further phases of this scheme have since been announced. In total the value of claims relating to Wales from these two UK government schemes (CJRS and SEISS phases 1 and 2) is so far estimated at almost £2.2bn. This figure will increase once the final value of claims information becomes available.⁴

In total over £3.1bn of grant support has been provided to businesses based in Wales either via UK or Welsh Governments and local authorities, through the schemes identified in Figure 2.

³ <https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics>

⁴ Note that this report does not include an analysis of Welsh Government Start-Up Grant data. This will be examined as part of subsequent EIW reporting.

In addition to this, businesses in Wales have also had access to specific loan funds, available through the Development Bank of Wales, and via the British Business Bank (BBB). These values are also subject to revision, and relate to various different time periods. The Covid-19 Wales Business Loan Scheme (CWBLS) was available through the Development Bank of Wales and

is analysed later in this report. This scheme completed in July 2020 and supplied loan facilities of £92m. In addition to this, business loans of over £1.7bn have been provided to businesses based in Wales through the BBB schemes. The largest of the BBB schemes in Figure 2 is the Bounce Back Loan Scheme (BBLs), which, up until the start of October, had lent over £1.3bn to firms in Wales.⁵

1.4. Why administrative data analysis?

The full evaluation of the impacts of these interventions will take some years. **But early and more descriptive analysis of administrative data** underlying selected elements of the Welsh Government and related stakeholder interventions is important for the following reasons:

- The Welsh economy emerged out of full national lockdown at the end of 2020Q2 and into 2020Q3. It is unlikely that extensive business surveys will yield much value over and above what is contained within the administrative data collected as part of the grant and loan applications in this initial period. Many firms are still seeking to recover, with limited information on likely longer-term impacts. Moreover, social distancing is expected to have major effects in some sectors long after the initial phases of lockdown have ended. Short-term descriptive analysis focused on the administrative data can provide an initial step in showing the coverage of different programmes of assistance, and who actually benefits directly from assistance.
- The ONS *Business Impact of Covid-19 Survey* data has been useful in providing rapid estimates of the impact of the crisis on businesses across the UK, as well as on take-up of various forms of support. However, the survey is limited in size and therefore not ideal for providing detailed analysis by size and sector within Wales.
- Much of the published data which will show Covid-19 effects in terms of business output, gross value added etc. is lagging on a timescale of up to two years. For example, an interesting source will eventually be analysis of firm level accounts over the period and changes in sales, employment, credit risk etc. and analysis of the type of firms that stayed in/went out of business over the period. However, the data for the Covid-19 period (financial years) will not become available until 2021-22. The administrative data in these circumstances provides information on the types of firms seeking help, with grant and loan application forms sometimes requesting information on how business circumstances have changed since the outbreak.
- The analysis of administrative data could help in developing appropriate methods, survey tools and research questions for later stages of the evaluation process.
- The early analysis of administrative data could hint at the types of analytical problems that may need to be overcome. For example, a large number of firms and organisations will have been 'treated' in some way, either by rates relief, furlough payments or preferential loans and grants. This gives rise to a series of problems. It might be difficult for SMEs to understand the effects of different interventions. An issue here is whether it is combined emergency measures that were effective or if individual measures were more effective than others.

⁵ <https://www.british-business-bank.co.uk/regional-analysis-of-coronavirus-loan-schemes-shows-continued-even-distribution-across-the-uk/>

1.5. Data availability

The administrative data for this report comes from three principle sources. Data relating to the Economic Resilience Funds Phase 1 and 2 came from the Business Accounts System (BAS) from Welsh Government. Data was collected from

applicant information forms, with the information available summarised in Figure 3 below. The application forms for large, and small and medium sized firms required more information than from micro-firms employing from 1-9 people.

Figure 3.
Summary of administrative data initially available to inform analysis⁶



| ERF Phase 1 and 2 Micro-firms | ERF Phase 1 and 2 SMEs and Large firms | Covid-19 Wales Business Loan Scheme | Non-Domestic Rates |
|---|---|---|---|
| Postcode, SIC, Company reg number | Gender, postcode, SIC, Company reg number | Name of firm, SIC, Unitary Authority, Company reg number and VAT number (where applicable) | Postcode |
| Employment supported | Employment supported and safeguarded | Date of investment | Eligibility for grants of different sizes |
| Sales | Sales | Investment amount | Property type and description |
| Selected balance sheet items | Selected balance sheet items | Jobs safeguarded | |
| Summary of C19 status i.e. shutdown, partial shutdown etc | Summary of C19 status i.e. shutdown, partial shutdown etc | Equal opportunities information | |
| Other Welsh based assistance received | Other Welsh based assistance received | Additional data on firm employment by FTE and sales, and gender and BAME characteristics also held. | |
| Grant/loan received | Grant/loan received | | |
| Phase 2 only: gender, BAME and disability information | Trading or registered office | | |
| | Free text field on how impacted | | |
| | Safeguarded staff and salaries | | |
| | Eligible fixed costs | | |
| | Drop down menu on how firm financed post Mar 2020 | | |
| | BAME and disability information | | |

⁶ It is noted that selected larger ERF applicants need to submit an Economic Contract following their grant application and this could be a useful source of information for later parts of the evaluation.

Data collated from some fields within the application forms are of better quality and more comprehensive than others. Some firm applicants appeared to have misunderstood the process of gaining an estimate of full time equivalent (FTE) employment. Perhaps more of an issue is that applicants self-filled information in respect of industry. This leads in the following analysis to a large number of grant recipients being classed as 'Other' whereas the description of activity in other parts of the application form would place selected of them possibly into one of the pre-defined industry categories on the forms. It is also important to recognise that the BAS data included a series of open text fields in respect of 'business situation' which are rich in details but problematic to systematically analyse.

Figure 3 also reveals some variation in the amount of initial data available to the research team from the different sources. For example, data from the local authorities relating to the Non-Domestic Rates fund was restricted to postcode, eligibility and property type. This means that the different broad schemes are examined separately in what follows but with this leading to challenges in terms of, for example, how far firms in receipt of Development Bank of Wales loans had also received grants under other Welsh Government schemes.

Notwithstanding variation in the amounts of administrative data from the different sources, it is used in this report to:

- Develop a series of tabulations allowing description of firm and organisational beneficiaries in terms of business size/sectors/geographies and to examine where there have been particularly strong/weak demands for grant and loan assistance.
- Provide an initial analysis of the number of employees which the grant and loan funding is helping to safeguard, although it is appreciated that other funds and interventions will be safeguarding identical activity.
- Explore gender and ethnicity characteristics of business owners in receipt of loans and grants.
- Examine the range of Welsh and UK Government led interventions which have benefitted Welsh firms and organisations through the initial period of the Covid-19 crisis.
- Examine the contents of any free text fields in terms of the impacts of Covid-19 on businesses.
- Provide estimates of how much of Wales' economic activity has been supported by interventions made by Welsh Government and Development Bank of Wales.
- Examine how far grant and loan support has been provided to industries in Wales characterised by relatively high or low productivity characteristics.
- Develop a series of conclusions and recommendations that inform later elements of the research programme.

2.1. Headlines

The total value of grants to Welsh businesses under ERF Phase 1 and 2 was over £200m with over 90% of these funds going to SMEs.

Under Phase 1 of the ERF some 6,926 SMEs⁷ received £124.6m of funding, after applying for £167.7m (i.e. a 74% approval rate), and 52 large firms received £17.4m, after applying for £22.4m (i.e. a 78% approval rate). The grants to SMEs are estimated to have supported 75,205 jobs (both full-time and part-time). Average funding per successful SME application was £17,990, and average funding per supported job in SMEs (both full-time and part-time) was £1,656. Average funding per safeguarded job (both full-time and part-time⁸) was £1,412.⁹

Grants to large firms under Phase 1 supported 21,319 jobs (both full-time and part-time). Average funding per successful large firm application was £334,000, and average funding per supported job (both full-time and part-time) was £814, with average funding per safeguarded job (both full time and part time) of £921.

Under Phase 2 of the ERF, 4,772 SMEs received £58.1m of funding, supporting a total of 22,236 jobs (both full-time and part-time). Average funding per SME was £12,167 (lower than the average of £17,990 in Phase 1), and an average funding per supported job (both full-time and part-time) was £2,611 (higher than the average of £1,656 in Phase 1). Average funding per safeguarded job (both full-time and part-time) was £1,612.

In addition, 14 large businesses received £2.6m of funding, supporting 5,692 jobs (both full-time and part-time). Average funding per large firm was £183,000 (lower than the average of £334,000 in Phase 1), and average funding per supported job (both full-time and part-time) was £450 (lower than the average of £814 in Phase 1), with an average funding per safeguarded job in large firms (both full-time and part-time) of £682.

2.2. Employment supported under Phase 1 and 2

Figure 4 reveals headline employment data relating to the Phase 1 & 2 schemes. For example, Phase 1 and 2 activity supported over 104,000 full-time jobs and just over 20,000 part-time jobs.

In total the two Phases combined supported an estimated 97,400 full-time and part-time jobs in SMEs, and 27,011 in large firms.

⁷ This includes micro-enterprises employing 1-9 people.

⁸ Based on firms (small, medium and large) which reported safeguarded employment.

⁹ Data on safeguarded employment was not available for micro firms which represented a large number of the businesses gaining support. For this reason much of the analysis of the industry and geographical distribution of activity supported by the grants is based on the total employment in the firms and with this reported by firms of all size classes.

Figure 4.
Headlines-Employment supported under Economic Resilience Fund (ERF) Phase 1 & 2



| | Covid-19 ERF Phase 1&2 (SMEs) | Covid-19 ERF Phase 1&2 (Large firms) | Total |
|--|-------------------------------|--------------------------------------|---------|
| Full-time | 80,839 | 23,605 | 104,444 |
| Part-time | 16,602 | 3,406 | 20,008 |
| Total employments (FT and PT) | 97,441 | 27,011 | 124,452 |
| Equivalent full-time | 89,140 | 25,308 | 114,448 |
| % of employment in Wales that was supported | 8.2% | 2.3% | 10.5% |
| % of employment in Welsh SMEs that was supported | 13.2% | n/a | n/a |

It is useful to compare the total employment supported by the ERF to total employment in Wales and total employment in Welsh SMEs, and with much of the assistance focused on SME support. For example, the Phase 1 and 2 funds are estimated to have supported some 10.5% of Welsh employment. The grants to SMEs supported an estimated to 13.2% of all Welsh SME employment.

Small and medium-sized businesses (i.e. not micro businesses employing 1-9) in their applications under Phase 1 and 2 provided estimates of the number of jobs safeguarded by the assistance. In the Phase 1 case the total jobs believed to be safeguarded was 54,399, and under Phase 2 it was 11,028.

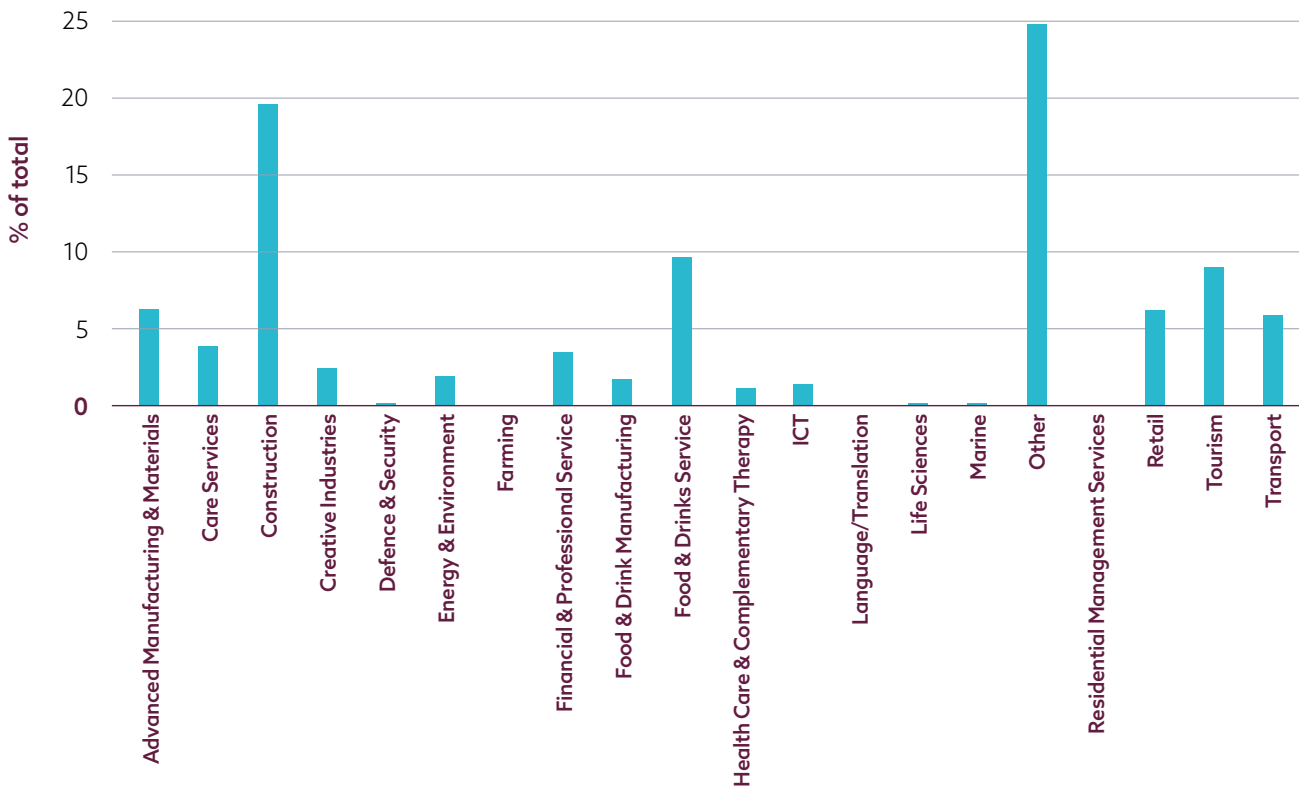
2.3. Which industries benefited under Phase 1 and 2?

Figure 5 reports on the industry distribution of employment supported by the ERF Phase 1 and 2 interventions. As is evident here, the industries with the higher take-up rates from the assistance included construction, food and drink service, retail, tourism, and the transport sector. There is also a large 'other' section which reflects the inability of many applicants to place their activity into the pre-selected application form categories. Therefore 'other' reflects a very wide mix of activity that could be classified in some cases to the other specified industries revealed in Figure 5 (on the next page).

Figure 5 reveals that the **Phase 1 and 2 assistance tended to support activity in some of the worst hit labour-intensive sectors of the economy**, and with this in keeping with an emergency pan-Wales response to protect jobs. In more capital-intensive sectors of the economy, such as energy and environment, and advanced manufacturing and materials, relatively less employment was supported. A corollary of Figure 5 is that both the Phase 1 and 2 interventions tended to support employment in relatively low productivity areas of the contemporary Welsh economy.

Figure 5.

Industry distribution of total employment supported under ERF Phase 1 and 2 (% of total)



Some further analysis was undertaken of the 'Other' category to investigate how far it represented activity in industries 'other' than those highlighted in Figure 5. There were some difficulties in undertaking this exercise, but further information was examined on 2,940 SMEs which had listed as 'Other' across the Phase 1 and Phase 2 funds. Examining these records showed that an estimated 63% were firms which might not be in the categories listed under Figure 5, and with these 1,865 firms representing a very large number of separate industry codes.

However, of the remaining 37% of firms (1,075 firms) close to 74% might have been classifiable to advanced manufacturing¹⁰, construction and financial & professional services.¹¹

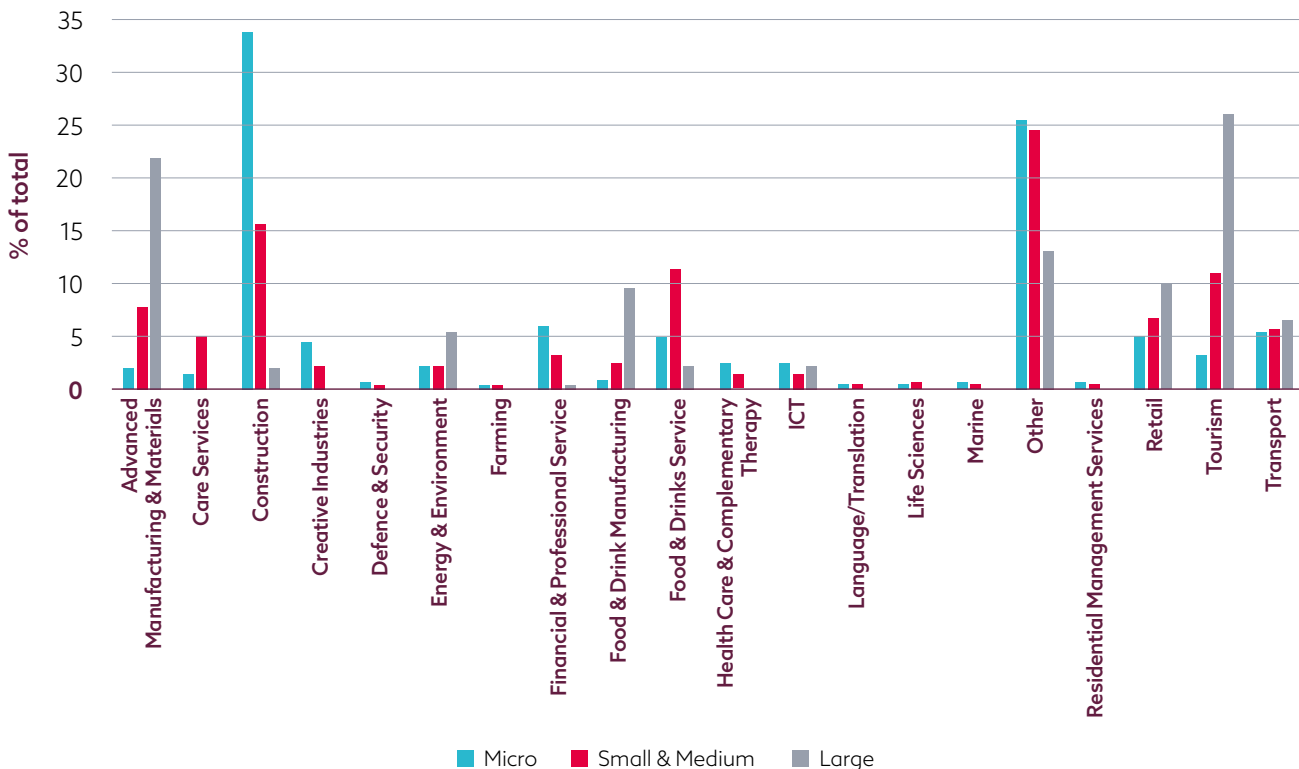
Figure 6 reveals the industry distribution of total employment according to whether businesses were large, small/medium or micro firms. For example, this reveals that in advanced manufacturing more employment was supported in large enterprises, but in construction more employment was supported in micro as opposed to small and medium sized firms.

¹⁰ It is noted that the sectors in Figure 6 such as advanced manufacturing represent a combination of standard industrial classifications (SIC) from within wider manufacturing and manufacturing services.

¹¹ An accurate reclassification of all the applicants being described as 'other' in terms of industry would be useful but was not possible in the timeframe of this initial report. This exercise would ideally require the name and address of applicants such that sector information can be checked from other sources such as Companies House data.

Figure 6.

Industry distribution of total employment supported under Phase 1 and 2 (% of total) by firm size



The industry breakdown of employment supported by the ERF allows some analysis of the potential wider employment impacts of the scheme. For example, supporting businesses and employment through the ERF will in many cases also support jobs in their supply chains. The later analysis in section 2.11 of this report provides some commentary on these issues from the open text fields on the ERF Phase 1 application forms. This reveals the potential significance of supply chain effects from ERF support. As part of a firm’s production process, inputs (including labour) are needed to generate outputs. The nature and source of the inputs will vary by sector, with this determining how tightly (or not) the firm is connected with others within the local economy, and hence its wider economic significance.

As also shown in section 2.11 below, businesses in Wales are vulnerable to breaks in supply chains, with firms reporting a lack of demand for orders from their customers. The nature of business impacts as a result of the pandemic are thus complex, and the standard assumptions underlying the analysis used to estimate the scale of supply chain multiplier impacts will be challenged when there are constraints on the availability of goods, services, and labour as inputs to ‘production’. With these problems noted, some guide as to the wider employment impacts can be obtained by an application of multipliers to the industries identified in Figure 5. The multipliers used here are average industry multipliers derived from the Input-Output (I-O) Tables for Wales. Some aggregation is required to enable the industries used in the I-O Tables to approximately match the sector definitions used on the BAS database.

Figure 4 showed that a total of almost 114,500 FTE jobs were supported by the ERF across the two Phases. Using the employment multipliers, this total is estimated to increase by over 60,000 to approximately 175,000 FTE jobs. The additional 60,000 jobs may be supported in supplier firms through the purchasing of goods and services in Wales, and through the wage spending of ERF funded employees, and the spending of employees in supply chain firms. For the reasons

described above, this estimate is tentative. There may be some limited double counting among the assisted firms i.e. assisted firms being in the supply chains of other assisted firms. However, this does suggest the scale of the potential wider importance of ERF to the economy of Wales at a critical time, and the potential additionality of economic effects over and above those achieved by other interventions occurring around the same time (see Figure 2).

2.4. Where was employment supported under Phase 1 and 2 interventions?

Figure 7 examines how far the total employment supported by the ERF interventions was distributed across Welsh local authority areas. In this case larger local authorities will have had a larger business enterprise population and therefore more applications under the Economic Resilience Fund Phases 1 and 2. To control for this Figure 7 also relates the total employment supported by the intervention to the total employment, and then SME employment, in each local authority area. The sectoral distribution of employment supported hints at the strength of demand for assistance but is also in part a reflection of the presence of more Covid-19 impacted sectors in a local economy.

Figure 7 reveals that the local authority area seeing the least jobs supported in SMEs was Merthyr Tydfil (1,663 jobs), and with the largest number being supported in Cardiff (14,464 jobs). However, once the different employment

size of local authorities is considered, then the percentage of total local authority employment supported by interventions to SMEs and large firms reaches a high of 16.5% in Gwynedd, and low of around 6.2% in Monmouth. In terms of the share of total SME employment supported, Figure 7 reveals a high of 21.4% in Blaenau Gwent, and a low of 8.1% in Powys.

While it is difficult to generalise too much from the information in Figure 7, it is interesting that many of the local authority areas that saw more of their total employment supported by the interventions are also those with relatively lower gross value-added per head compared to the UK average, for example, Blaenau Gwent, Carmarthenshire, Conwy, Gwynedd, Anglesey, Merthyr Tydfil RCT and Pembrokeshire. The impacts of the funding on different parts of the regional economy will be a key line of enquiry in later stages of the evaluation process.

Figure 7.

Local authority distribution of employment supported under ERF Phase 1 & 2



| Local Authority | Total employments supported SMEs (FT+PT) | Total employments supported Large (FT+PT) | Total FT and PT employment supported | % of LA employment that was supported | % of LA employment in SMEs that was supported by SME support |
|----------------------|--|---|--------------------------------------|---------------------------------------|--|
| Phase 1&2 | | | | | |
| Blaenau Gwent | 2,222 | 201 | 2,423 | 13.8 | 21.4 |
| Bridgend | 4,461 | 3,492 | 7,953 | 16.1 | 15.3 |
| Caerphilly | 4,818 | 2,789 | 7,607 | 14.3 | 13.8 |
| Cardiff | 14,464 | 3,086 | 17,550 | 9.0 | 14.9 |
| Carmarthenshire | 6,738 | 2,184 | 8,922 | 14.4 | 15.6 |
| Ceredigion | 1,969 | 0 | 1,969 | 6.9 | 9.0 |
| Conwy | 4,195 | 37 | 4,232 | 11.0 | 15.0 |
| Denbighshire | 2,679 | 433 | 3,112 | 8.9 | 10.4 |
| Flintshire | 4,456 | 493 | 4,949 | 6.6 | 11.8 |
| Gwynedd | 5,157 | 3,447 | 8,604 | 16.5 | 13.9 |
| Isle of Anglesey | 2,375 | 598 | 2,973 | 12.9 | 14.0 |
| Merthyr Tydfil | 1,663 | 879 | 2,542 | 14.0 | 16.1 |
| Monmouthshire | 2,388 | 0 | 2,388 | 6.2 | 8.4 |
| Neath PT | 3,408 | 0 | 3,408 | 8.2 | 13.7 |
| Newport | 4,696 | 1,346 | 6,042 | 8.4 | 13.5 |
| Pembrokeshire | 4,894 | 1,794 | 6,688 | 13.8 | 12.5 |
| Powys | 3,752 | 139 | 3,891 | 6.8 | 8.1 |
| Rhondda CT | 5,783 | 2,467 | 8,250 | 13.0 | 14.7 |
| Swansea | 7,691 | 1,555 | 9,246 | 9.8 | 14.6 |
| Torfaen | 2,552 | 346 | 2,898 | 9.9 | 13.9 |
| Vale of Glamorgan | 3,526 | 883 | 4,409 | 11.2 | 12.6 |
| Wrexham | 3,554 | 842 | 4,396 | 8.4 | 10.7 |
| Total | 97,441 | 27,011 | 124,452 | 10.5 | 13.2 |

Given that businesses were unable to claim Phase 2 support if they had been awarded Phase 1 funding, it is possible to conclude that in areas such as Blaenau Gwent and Merthyr Tydfil the Phase 1 and 2 interventions supported around

1 in 5 SME employments, and across Wales the combined effects of large and SME ERF grants generally supported between around 1 in 6 and 1 in 16 total employments.

2.5. What was the distribution of industry firms and funding under Phase 1 and 2 interventions?

Figure 8a provides information on the industry distribution of SMEs receiving assistance under Phase 1 and 2 ERF, together with the industry share of assistance, and the average amounts per firm received in each industry. This provides a very different picture from the analysis of the distribution of supported employment by industry examined earlier in this section. Some 30% of the firms supported were in construction, with a further 22% in financial and professional services, food services, retail and transport.

This reflection of demand for short-term assistance under the ERF Phase 1 and 2 funds was expected with the effects of the pandemic varying across the different sectors of economic activity, according to the degree of exposure of each sector to the lockdown policies. For instance, the earlier EIW QR1 report revealed that across the UK, companies in accommodation and food, as well as wholesale and retail were expected to be among the worst affected by the lockdown process. In Wales, the wholesale, retail, accommodation and

food sector had the highest SME employment in 2019. Moreover, the *ONS Business Impact of COVID-19 Survey* has suggested that one of the most Covid-19 affected industries has been accommodation and food services.¹²

This appears to be partly confirmed in Figure 8a where these sectors have shown strong demand for support.

Figure 8a also reveals that the distribution of approved SME funding is close to the distribution of firms supported. Of particular note here are the high average amounts of funding for firms in advanced manufacturing and tourism. While the average amount of funding approved per firm was £15,620, this was £32,667 in advanced manufacturing, and £24,722 in tourism. In the case of manufacturing, this could reflect that these are on average larger firms than others supported. In the case of tourism this may reflect the severity of Covid-19 impact on this sector. The average relationship between funds applied for and funds approved was 74.3%.

30%

of construction firms
were supported

74.3%

average of funds
applied for approved

¹² https://developmentbank.wales/sites/default/files/2020-09/EIW%20Quarterly%20report%20Q4%20ENG_v3%20FINAL.pdf

Figure 8a.

Industry distribution of ERF Phase 1 & 2 funds (SMEs)



| Business Sector | Firms supported | Firms supported (% of total) | Approved Amount £m | Approved Amount (% of total) | Average amount of funding approved £ |
|----------------------------|-----------------|------------------------------|--------------------|------------------------------|--------------------------------------|
| Advanced Manufacturing | 260 | 2.2 | 8.49 | 4.6 | 32,667 |
| Care Services | 186 | 1.6 | 3.57 | 2.0 | 19,177 |
| Construction | 3,549 | 30.3 | 47.14 | 25.8 | 13,282 |
| Creative Industries | 567 | 4.8 | 6.81 | 3.7 | 12,003 |
| Defence & Security | 50 | 0.4 | 0.66 | 0.4 | 13,190 |
| Energy & Environment | 227 | 1.9 | 3.90 | 2.1 | 17,168 |
| Farming | 29 | 0.2 | 0.30 | 0.2 | 10,345 |
| Financial & Prof. Services | 710 | 6.1 | 9.24 | 5.1 | 13,014 |
| Food & Drink Manu. | 135 | 1.2 | 2.71 | 1.5 | 20,100 |
| Food & Drink Service | 674 | 5.8 | 12.80 | 7.0 | 18,996 |
| Health Care | 244 | 2.1 | 2.91 | 1.6 | 11,934 |
| ICT | 270 | 2.3 | 3.62 | 2.0 | 13,411 |
| Language/ Translation | 21 | 0.2 | 0.30 | 0.2 | 14,286 |
| Life Sciences | 35 | 0.3 | 0.66 | 0.4 | 19,000 |
| Marine | 42 | 0.4 | 0.72 | 0.4 | 17,238 |
| Other | 2,892 | 24.7 | 44.93 | 24.6 | 15,536 |
| Res. Management Services | 61 | 0.5 | 0.67 | 0.4 | 10,910 |
| Retail | 624 | 5.3 | 10.33 | 5.7 | 16,548 |
| Tourism | 532 | 4.5 | 13.15 | 7.2 | 24,722 |
| Transport | 589 | 5.0 | 9.79 | 5.4 | 16,624 |
| Total | 11,697 | 100 | 182.70 | 100 | 15,620 |

Figure 8b.

Industry distribution of ERF Phase 1 & 2 funds (Large firms)



| Business Sector | Firms supported | Firms supported (% of total) | Approved Amount £m | Approved Amount (% of total) | Ave amount of funding approved £ |
|----------------------------|-----------------|------------------------------|--------------------|------------------------------|----------------------------------|
| Advanced Manufacturing | 24 | 36.4 | 5.62 | 28.2 | 234,281 |
| Construction | 2 | 3.0 | 0.37 | 1.9 | 184,500 |
| Creative Industries | 1 | 1.5 | 0.45 | 2.2 | 447,000 |
| Energy & Environment | 5 | 7.6 | 1.46 | 7.3 | 292,200 |
| Financial & Prof. Services | 3 | 4.5 | 1.03 | 5.2 | 342,967 |
| Food & Drink Manu. | 5 | 7.6 | 1.71 | 8.6 | 342,600 |
| Food & Drink Service | 1 | 1.5 | 0.52 | 2.6 | 522,000 |
| ICT | 2 | 3.0 | 0.54 | 2.7 | 270,500 |
| Other | 7 | 10.6 | 2.46 | 12.3 | 350,714 |
| Retail | 3 | 4.5 | 0.75 | 3.8 | 251,333 |
| Tourism | 9 | 13.6 | 3.71 | 18.6 | 412,389 |
| Transport | 4 | 6.1 | 1.31 | 6.6 | 326,500 |
| Total | 66 | 100 | 19.93 | 100 | 301,987 |

The industry distribution of funding to large firms is examined separately here because selected of the assistance represented quite large sums to fewer firms, and with a smaller number of sectors represented by large firm grants. Immediately apparent in Figure 8b is

that over one quarter of funds went to advanced manufacturing, and with 19% of funds going to the tourism sector. In total 66 large firms were assisted under Phases 1 and 2 and with half of these in advanced manufacturing and tourism.

2.6. How were the Phase 1 and 2 Funds distributed across local authority areas?

Figure 9a reveals the distribution of funds under ERF Phase 1 and 2 to local authority areas, and SMEs within those same areas. Figure 9b repeats this analysis for large firms but note here that some local authorities had no large firms receiving assistance.

Figure 9a reveals that larger local authority areas tended to have larger numbers of applicants and then larger shares of approved funding. Note that consideration is given to local authority size

in Figure 10 below. Figure 9a shows that Cardiff and Swansea combined had around 23% of the SME beneficiaries and received around 23% of the approved funds to SMEs. The relationship between the percentage of firms supported by local authority and the percentage of funds remitted to local authority areas is quite close, and is reflected in limited variation in the average amount of funding approved per firm in most of local authority areas.

Figure 9a.

Distribution of Phase 1&2 ERF funds and firms by local authority (SMEs)



| Local Authority | Firms supported | Firms supported (% of total) | Approved Amount £m | Approved Amount (% of total) | Average amount of funding approved |
|-------------------|-----------------|------------------------------|--------------------|------------------------------|------------------------------------|
| Blaenau Gwent | 202 | 1.7 | 3.29 | 1.8 | 16,287 |
| Bridgend | 473 | 4.0 | 8.09 | 4.4 | 17,110 |
| Caerphilly | 500 | 4.3 | 8.33 | 4.6 | 16,654 |
| Cardiff | 1,717 | 14.7 | 26.92 | 14.7 | 15,677 |
| Carmarthenshire | 770 | 6.6 | 11.71 | 6.4 | 15,203 |
| Ceredigion | 294 | 2.5 | 4.38 | 2.4 | 14,911 |
| Conwy | 459 | 3.9 | 8.07 | 4.4 | 17,574 |
| Denbighshire | 354 | 3.0 | 5.16 | 2.8 | 14,571 |
| Flintshire | 481 | 4.1 | 8.08 | 4.4 | 16,800 |
| Gwynedd | 529 | 4.5 | 8.59 | 4.7 | 16,237 |
| Isle of Anglesey | 253 | 2.2 | 4.08 | 2.2 | 16,110 |
| Merthyr Tydfil | 185 | 1.6 | 2.83 | 1.6 | 15,316 |
| Monmouthshire | 392 | 3.4 | 5.13 | 2.8 | 13,078 |
| Neath PT | 425 | 3.6 | 6.81 | 3.7 | 16,027 |
| Newport | 551 | 4.7 | 8.66 | 4.7 | 15,724 |
| Pembrokeshire | 626 | 5.4 | 9.50 | 5.2 | 15,175 |
| Powys | 459 | 3.9 | 6.80 | 3.7 | 14,806 |
| RCT | 747 | 6.4 | 11.55 | 6.3 | 15,468 |
| Swansea | 986 | 8.4 | 15.41 | 8.4 | 15,633 |
| Torfaen | 228 | 1.9 | 4.36 | 2.4 | 19,108 |
| Vale of Glamorgan | 610 | 5.2 | 8.20 | 4.5 | 13,444 |
| Wrexham | 456 | 3.9 | 6.71 | 3.7 | 14,712 |
| Total | 11,697 | 100 | 182.70 | 100 | 15,620 |

Figure 9b reveals that in respect of large firms receiving ERF Phase 1 and Phase 2 support that around two-thirds of the funds approved

were destined for firms in Bridgend, Caerphilly, Cardiff, Carmarthenshire, Gwynedd and RCT.

Figure 9b.

Distribution of Phase 1&2 ERF funds and firms by local authority (large firms)



| Local Authority | Firms supported | Firms supported (% of total large firms) | Approved Amount £m | Approved Amount (% of total) | Average amount of funding approved |
|-------------------|-----------------|--|--------------------|------------------------------|------------------------------------|
| Blaenau Gwent | 2 | 3.0 | 0.20 | 1.0 | 100,500 |
| Bridgend | 5 | 7.6 | 1.70 | 8.5 | 339,200 |
| Caerphilly | 7 | 10.6 | 2.50 | 12.5 | 356,714 |
| Cardiff | 7 | 10.6 | 2.53 | 12.7 | 360,786 |
| Carmarthenshire | 5 | 7.6 | 2.02 | 10.1 | 403,200 |
| Conwy | 1 | 1.5 | 0.05 | 0.3 | 51,000 |
| Denbighshire | 2 | 3.0 | 0.43 | 2.2 | 214,250 |
| Flintshire | 1 | 1.5 | 0.49 | 2.5 | 493,000 |
| Gwynedd | 5 | 7.6 | 2.21 | 11.1 | 442,900 |
| Isle of Anglesey | 2 | 3.0 | 0.05 | 0.2 | 23,625 |
| Merthyr Tydfil | 3 | 4.5 | 0.58 | 2.9 | 193,333 |
| Newport | 3 | 4.5 | 0.90 | 4.5 | 300,300 |
| Pembrokeshire | 3 | 4.5 | 1.15 | 5.8 | 383,500 |
| Powys | 1 | 1.5 | 0.11 | 0.5 | 106,000 |
| RCT | 7 | 10.6 | 2.16 | 10.8 | 308,286 |
| Swansea | 4 | 6.1 | 0.80 | 4.0 | 201,000 |
| Torfaen | 2 | 3.0 | 0.35 | 1.8 | 176,000 |
| Vale of Glamorgan | 3 | 4.5 | 0.88 | 4.4 | 292,000 |
| Wrexham | 3 | 4.5 | 0.83 | 4.2 | 278,000 |
| Total | 66 | 100 | 19.93 | 100 | 301,987 |

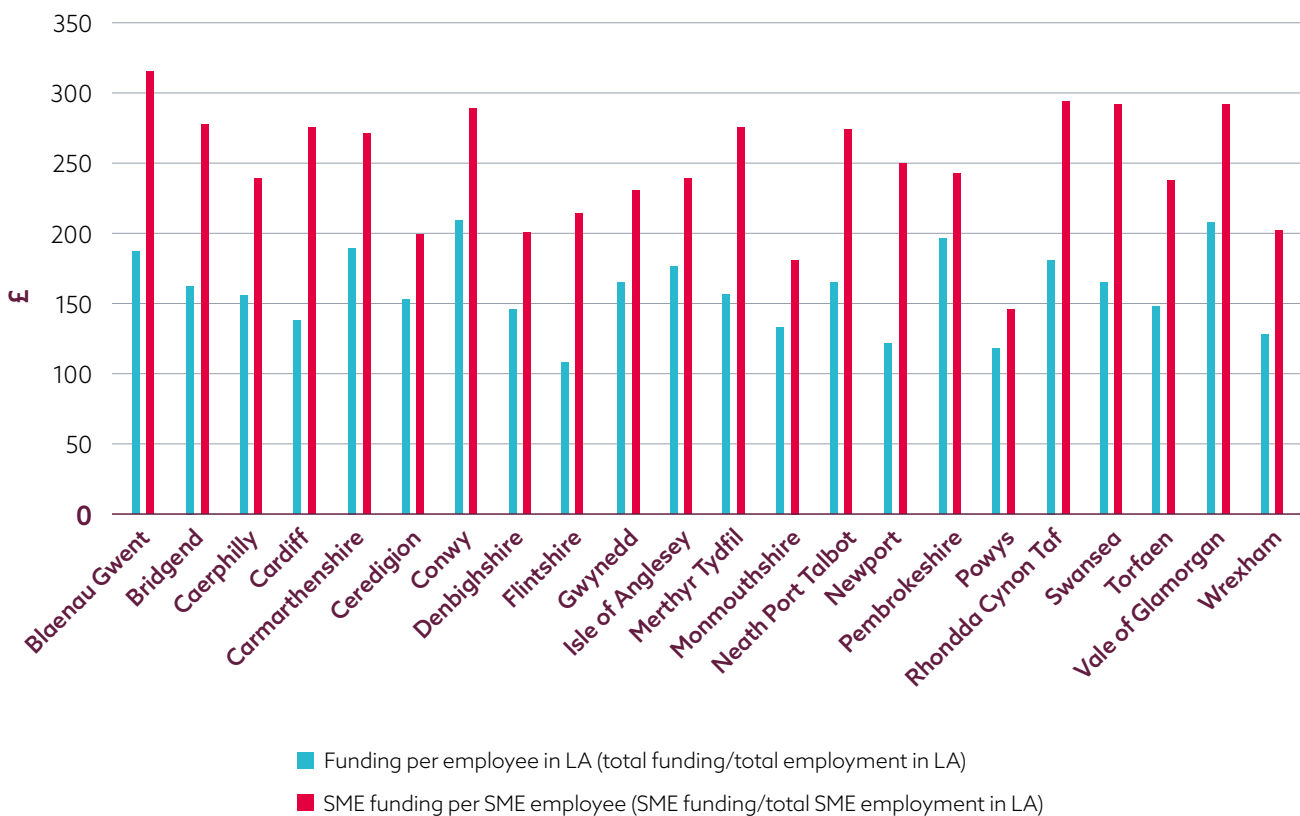
Note: Some totals and divisions subject to rounding.

Figure 10 allows for the different sizes of the local authority areas in terms of numbers of SMEs revealing the amount of Phase 1 and 2 SME funding approved per employee in SMEs in each local authority area. On this basis the assistance was a little over £300 per SME employee in Blaenau Gwent, and around £290 in Conwy, Swansea, RCT and Vale of Glamorgan and under £200 in Monmouthshire, and then less than £150 in Powys.

Figure 10 also provides information on the total (large and SME) funding per total employment in each local authority area. This reveals that in Conwy, and Vale of Glamorgan total Phase 1 and 2 ERF funding per employment was above £200. In only Powys and Flint was this figure below £120 per employment. In further analysis it will be useful to analyse data in more detail by industry and local area as this will confirm issues around how far, for example, support has been crucial for tourism businesses in specific parts of Wales.

Figure 10.

Phase 1 & 2 funding compared to Total and SME employment in local authority areas, £



2.7. How was the Phase 1 and 2 funding distributed by firm productivity characteristics?

Both the ERF Phase 1 and 2 application forms requested applicant details of sales and employment. Sales per full time employee (or full time equivalent), while not ideal, is one measure of productivity of the grant recipient firms. Here the focus is on SMEs rather than the 66 large firms receiving ERF support.

Figure 11 compares the average productivity of those businesses receiving assistance under the ERF Phase 1 and Phase 2 schemes. Unexpectedly, the ERF firms supported in the medium-sized firm category had lower average productivity levels than those in the small size-band. Once again this issue will be an interesting

line of enquiry in later parts of the evaluation, but is expected to connect to the sectoral make-up of the medium firm beneficiaries. For example, firms in sectors such as tourism, food services etc having lower average labour productivity and being strongly represented in the beneficiary base. The high productivity levels of micro firms in the database is particularly surprising, and it is noted that these figures across all size bands would be high compared to all-Wales labour productivity averages.

This might reveal an issue in how far SMEs in their application forms may have conflated jobs safeguarded with total employment, giving rise to small employment denominators.

Figure 11. Reported sales per employee of ERF supported firms and averages for all firms in Wales¹³



| | Phase 1 & 2 Funds |
|---|-------------------|
| Average productivity SMEs supported by ERF | 166 |
| Average Welsh micro firm productivity supported by ERF | 140 |
| Average Welsh small firm productivity, supported by ERF | 192 |
| Average Welsh medium-sized firm productivity supported by ERF | 147 |

Note: for information reported sales per employee in the 66 large firms supported under ERF was £503,000.

¹³ There are likely to be some issues in the estimation of labour productivity of beneficiaries. For example, there can be an issue of larger firm anomalies with the legal entity employing all the jobs being different to the entity that receives the grant or investment or that reports audited turnover figures. There are also problems here with the smallest firms which might report zero employment connected to a turnover figure, with this clearly meaning that the denominator of employment is artificially small. For these reasons future analysis of productivity characteristics of beneficiaries will need to look at 'productivity outliers' with some care.

Figure 12.

Distribution of ERF Phase 1 & 2 funds by productivity characteristics of recipient SMEs



| | Phase 1 & 2 Funds |
|--|-------------------|
| Average amount per firm in the 25% lower productivity | 16,079 |
| Amount for the firms in the 25% lower productivity (% of total) | 25.7% |
| Average amount per firm in the 25-50% productivity | 15,359 |
| Amount for the firms in the 25-50% productivity (% of total) | 24.5% |
| Average amount per firm in the 50-75% productivity | 15,523 |
| Amount for the firms in the 50-75% productivity (% of total) | 24.8% |
| Average amount per firm in the 25% upper productivity | 15,670 |
| Amount to the companies in the 25% upper productivity (% of total) | 25.0% |

Figure 12 shows the distribution of funding to firms of different productivity levels. The Figure reveals that the funding was quite evenly distributed. For example, firms which were in the lowest quartile of all firms in terms of sales per employee, received 25.7% of the funds, while firms in the highest quartile received 25% of the funds. In terms of the average amount of

funding per firm, those in the lower productivity quartiles received, on average, higher levels of funding - close to £16,100 per firm beneficiary.

Clearly some care is required in the interpretation of Figures 11 and 12 as productivity is compared with that of other beneficiaries rather than in terms of the average productivity levels of all Welsh businesses.

2.8. Distribution of funds by SME size band

There were marked differences in the distribution of the Phase 1 and 2 funding between firms in different size bands. This is revealed in Figure 13. This reveals that some 345 medium-sized firms were supported (2.9% of the total firms supported), and these firms received 12.5% of the total funding. Small sized firms made up 18.2% of the total beneficiary firms, but received 32.7% of the funds. Micro firms made up over 4 out of every 5 firms supported and received 45% of the funding available.

In respect of the findings in this section it is important to recognise that in similarity to the UK economy, micro firms are the largest SME group in Wales. An estimated 95.6% of Welsh SMEs were micro companies in 2019, 3.6% were small, and 0.8% were medium-sized.¹⁴ The contribution of micro firms to SME employment in Wales was 56% in 2019, with small firms accounting for 24% and medium-sized for 20% of employment.

¹⁴ Welsh Government data is published via the StatsWales platform. The source here is <https://gov.wales/sites/default/files/statistics-and-research/2019-12/size-analysis-active-businesses-2019-503.pdf>

Figure 13.
Distribution of ERF Phase 1 & 2 Funds by business size band



| | Phase 1 & 2 Funds |
|---|-------------------|
| Total amount (£, million) | 202.6 |
| Large firms | |
| Amount for large firms | 19.9 |
| Amount for large firms (% of total) | 9.8% |
| Number of large firms supported | 66 |
| Number of large firms supported (% of total) | 0.5% |
| Average amount per large firm | 301,897 |
| Medium sized firms | |
| Amount for medium-sized firms (£, million) | 25.4 |
| Amount for medium-sized firms (% of total) | 12.5% |
| Number of medium-sized firms supported | 345 |
| Number of medium-sized firms supported (% of total) | 2.9% |
| Average amount per medium-sized firm | 73,704 |
| Small firms | |
| Amount for small firms (£, million) | 66.4 |
| Amount for small firms (% of total) | 32.7% |
| Number of small firms supported | 2,152 |
| Number of small firms supported (% of total) | 18.2% |
| Average amount per small firm | 30,868 |
| Micro-firms | |
| Amount to micro companies (£, million) | 90.9 |
| Amount to micro companies (% of total) | 45% |
| Number of micro companies supported | 9,201 |
| Number of micro companies supported (% of total) | 78.4% |
| Average amount per micro firm | 9,879 |

2.9. Demographic information

There has been interest in the extent to which the economic problems caused by Covid-19 have had a disproportionate effect on businesses owned or managed by female entrepreneurs, and businesses run by those from BAME and disabled groups.

Some limited additional survey information was available on a sample of applicants from Phase 1 and Phase 2 to reveal the gender composition of SME applicants. Figure 14 reveals that an estimated 16% of SME owners applying under the Phase 1 scheme were female, increasing to 18% in Phase 2.

It is difficult to establish the gender composition of firm ownership in Wales, as many firms may have multiple owners or partners. The *ONS Annual Population Survey* provides information on self-employment in Wales by gender. The 2019 Survey reveals that 29% of self-employed employers in Wales were female, and 33% of non-employer sole-traders in Wales were female.¹⁵ This figure is broadly consistent with a Business Wales figure which states that ‘the

proportion of women owned businesses in Wales stands at 28%.¹⁶ The Small Business Survey also provides some information on ownership characteristics, finding for example that 14% of surveyed SME employers in Wales in 2019 were women-led, with a further 28% equally led, and 9% having women in minority ownership.¹⁷ The survey data for businesses without employees has slightly higher results, for example, with 21% of firms reporting that they were women-led in 2019.¹⁸ These data differences illustrate the challenge of identifying ownership by gender, and in contextualising the demographic data for ERF recipient firms.

Under Phase 2 successful applications from firms with male owners received slightly larger average amounts of funding i.e. £11,563 against £10,895 for female owned firms (in Phase 1 female-owned businesses received a higher amount i.e. £11,818 against £10,425 for male-owned). These types of differences will be important in the full evaluation of the schemes at a later date, with the potential to explore the types of businesses that were owned by female entrepreneurs.

Figure 14.
Distribution of ERF Phase 1 & 2 funds by owner gender



| | Number of owners | % of number of owners | Total amount received £m | Average amount received £ |
|----------------|------------------|-----------------------|--------------------------|---------------------------|
| Phase 1 | | | | |
| Male | 471 | 84.3 | 4.91 | 10,431 |
| Female | 88 | 15.7 | 1.04 | 11,850 |
| Phase 2 | | | | |
| Male | 245 | 82.3 | 2.83 | 11,563 |
| Female | 53 | 17.7 | 0.5 | 10,895 |

Ethnicity data was available for Phase 2 applicants only. In overall terms some 3.8% of

successful applicants who provided Ethnicity information had a BAME director.

¹⁵ Annual Population Survey data is available through Nomisweb, July 2019-June 2020.

¹⁶ <https://gov.wales/sites/default/files/publications/2020-01/supporting-entrepreneurial-women-wales-approach.pdf> (page 2)

¹⁷ <https://www.gov.uk/government/statistics/small-business-survey-2019-businesses-with-employees> (Table 22)

¹⁸ <https://www.gov.uk/government/statistics/small-business-survey-2019-businesses-with-no-employees>

There is also limited published data on ethnicity of business ownership in Wales. As with female business ownership, some questions are asked in the Small Business Survey. For example, in response to the question- 'how many, if any, of your directors or partners are in ethnic minority groups?' 97% of SME employer respondents in Wales in 2019 reported there were zero, with

the average for the UK of 89% (but with small percentages reporting they didn't know or they refused to specify).¹⁹ Across the UK it has been suggested that 5% of start-up owners are from ethnic minorities,²⁰ while the FSB reported that 4.1% of the self-employed in Wales in 2018 were non-white.²¹

Figure 15.
Firms owners and directors – BAME Phase 2



| | Firms | % of firms | Amount £m | % of amount | Average amount |
|---|-------|------------|-----------|-------------|----------------|
| Phase 2 Survey | | | | | |
| BAME owner | 10 | 4 | 0.13 | 5.0 | 13,000 |
| No BAME owner | 241 | 96 | 2.63 | 95.0 | 10,912 |
| BAME MD | 9 | 3.0 | 0.13 | 3.1 | 14,962 |
| No BAME MD | 284 | 97.0 | 4.21 | 96.9 | 14,848 |
| All Phase 2 firms with information on BAME | | | | | |
| BAME director | 128 | 3.8 | 1.79 | 4.4 | 13,990 |
| No BAME director | 3,182 | 96.2 | 39.7 | 95.6 | 12,487 |

2.10. Beneficiaries under Phase 1 and 2 receiving business support from other schemes

The application forms under both Phase 1 and 2 requested information on how far firms were receiving support under other schemes. Of the Phase 1 firms, just over 70% were not gaining support from the Job Retention Scheme, while

for Phase 2 firms, this figure was lower at around 60%. Under Phase 1, 89 firms had also received support under the Development Bank of Wales scheme (CWBLs), rising to 175 firms under Phase 2.

¹⁹ <https://www.gov.uk/government/statistics/small-business-survey-2019-businesses-with-employees> (Table 20)

²⁰ <https://www.forbes.com/sites/trevorclawson/2020/01/10/hitting-a-milestonelondons-bame-owned-businesses-account-for-almost-half-of-start-up-loan-funding/#32503935581e>

²¹ <https://www.fsb.org.uk/static/0c9d63a4-a600-4ab4-8144c59716b61d07/unlocking-opportunity.pdf>

Figure 16.

How far Phase 1 and 2 firms were receiving assistance from other sources



| Phase | Job Retention Scheme | | BBLs Loan Scheme | | Sick Pay Support | | CWBLs | | |
|----------------|----------------------|------------|---------------------|------------|---------------------|------------|---------------------|------------|------|
| | Number of companies | % of total | Number of companies | % of total | Number of companies | % of total | Number of companies | % of total | |
| Phase 1 | Supported | 2056 | 29.6 | 65 | 0.9 | 89 | 1.3 | 89 | 1.3 |
| | Not supported | 4870 | 70.4 | 6861 | 99.1 | 6837 | 98.7 | 6837 | 98.7 |
| Phase 2 | | | | | | | | | |
| Phase 2 | Supported | 1926 | 40.4 | 380 | 8.0 | 27 | 0.6 | 175 | 3.7 |
| | Not supported | 2845 | 59.6 | 4391 | 92.0 | 4744 | 99.4 | 4596 | 96.3 |

2.11 Open text fields on applicant forms

The BAS data provided on the ERF Phase 1 application forms included open text fields relating to the reasons why the firm was applying for the grant, and what wider benefits may result from the award. A review of the information in these two text fields reveals significant variation in the quantity and quality of information provided. In the case of micro firms, this information was not requested. However, for other recipients, some entries were fairly long and detailed, with others containing much shorter less specific information. In addition, there was considerable variety in the way firms in which described the same/similar 'events' or benefits.

The first open text field examined here relates to why the firm was applying for the grant. The application form asked firms to **'provide details of the Covid-19 related events/reasons since 1 March 2020 that have contributed to the >60% drop in turnover'**.

Figure 17 lists some potential themes that would be expected as a response. Some of these themes have been derived from an overview of a sample of responses. In addition, other expected 'events' have been added to the table to capture

potential reasons not recorded in the sample review and to explore a wider range of possible reasons for the application.

Given the purpose and time-period relating to this initial stage of the research programme, the methodology for populating Figure 17 is necessarily limited. Text searches within the specified section of the database were undertaken to count the number of occurrences of particular words or where particular words appeared together within a text entry. For example, a recurring theme noted within the sample initially analysed was a reduction in orders from customers/clients or customer closure. These have been summarised in Figure 17 as 'customer problems'. In this case the texts were searched for combinations including 'customers + closed', 'customers + reduced' 'orders + reduced' etc. The same methodology was applied to the other themes in Figure 17. This methodology, whilst useful for highlighting common themes, is not reliable enough to give specific 'values' due to the varying way in which events have been described. In addition, some applicants listed a number of different events.

Figure 17.

Covid-19 events affecting business prospects, selected themes, ERF Phase 1



| Theme | Prevalence |
|--|------------|
| Customer problems | H |
| Supplier problems | H |
| Social distancing requirements | H |
| PPE problems/costs | L |
| Physical shutdown | M |
| Inability to transport output to customers | L |
| Lack of digital skills | L |
| Loss of access to key personnel | L |
| Change in regulations | L |
| Staff illness/self-isolating | L |

Note: Information on the open text field was not available from the Phase 2 BAS data.

Figure 17 lists the expected themes relating to possible reasons for applications to the ERF Phase 1. The figure also includes an assessment of the prevalence of this theme amongst the responses to the question shown above. Due to the issues noted above, relating to a lack of 'accuracy' in assessing the importance of each theme using this methodology, the prevalence has been classified as high, medium, or low. The aim of this assessment is to provide an initial indicative overview of the main Covid-19 related events affecting applicants. Further research could be used to provide a more thorough review of responses, to help better understand these factors, and how they may vary by firm size, sector, gender of owner etc. These issues could also usefully be explored through the survey stage of this research programme.

Figure 17 shows that the majority of Covid-19 business events related to problems with customers/orders, issues relating to suppliers and social distancing requirements. Highest amongst these reasons were problems related to customers and a lack of/reduction in orders, with a number of applications being part of the supply chain to other firms within and outside Wales.

Some themes were found to be of low prevalence in the responses, such as PPE costs, loss of access to key personnel and lack of digital skills. These may not be considered as reasons by the applicant, or perhaps other reasons were considered more important. Furthermore, some of these reasons may not initially be considered as problematic when the firms were possibly focusing on survival, but may become more apparent over time as firms try to respond to the challenges of the new business environment. For example, a lack of digital skills was not found to be a key reason for the application to ERF. However a lack of such skills may limit firm prospects in the medium/longer term. These issues would best be explored through survey,²² and would help policy-makers to develop appropriate support to businesses moving forwards.

The other open text field examined in this report relates to the other benefits that would be achieved with the ERF support. On the application form, firms were asked to **'outline the wider economic benefits extending to other businesses, and jobs within those other businesses (e.g. local supply chain), which could also be saved with funding support and the potential to contribute to wider social and community benefits.'**

²² Covid-19 related questions were included in the latest Digital Maturity Survey for Wales and with findings being published in November 2020.

The same methodology was applied to the assessment of responses as in the other open text analysis above (Figure 17). One important additional caveat in this case, is that the question on the application form suggests the potential benefits that should be included, which may have guided applicants to focus on these issues of supply chain and community benefits. Notwithstanding, there was again variety in the responses, and variations in quality of information provided.

In light of the comments above, local supply chain was by far the highest mentioned theme in the responses. Related themes on supporting the economy or employment were of less prevalence, as were community benefits. One interesting finding related to training and apprenticeships. Further investigation

of a sample of firms stating this as a benefit revealed that these firms were commenting that they were involved in training and provided apprenticeships, and that the grant would help in a continuation of these activities.

These responses provide an interesting insight into the wider benefits of the ERF Phase 1 support. Together with some of the themes noted in Figure 17, Figure 18 reveals the interconnections of these firms with others, such that if one part of a supply chain is affected, then other firms in either upstream or downstream activities will also be impacted. Further research and surveys could again be valuable here, in identifying where intervention may have the most significant effects, both on other firms and the wider community.

Figure 18.
Other benefits from Covid-19 support, selected themes, Phase 1



| Theme | Prevalence |
|--------------------------------------|------------|
| Local supply chain | H |
| Support economy | M |
| Support customers | M |
| Local employment | M |
| Community benefits/resources | M |
| Sustainability of business | L |
| Training/apprenticeships/re-training | M/H |
| Innovation/technology | L |

3.1. Headlines

The analysis here relates to the Covid-19 Wales Business Loan Scheme (CWBLS) completing at the end of July. Under this scheme some 1,332 businesses had taken advantage of the business loan provision, with £92m committed, and with this connected to a total estimated 16,058 jobs safeguarded. This equated to an average of just over £69,069 per firm assisted. On average in each businesses assisted by CWBLS, around 12 jobs were safeguarded. On average each safeguarded job was connected to £5,729 of loan funding. **However, it is critical to note that this was different from other Economic Resilience Funding in that these were loans and not grants.**²³

Moreover:

- The industry distribution of the CWBLS funding is markedly different from other ERF interventions.
- The average size of firm benefitting from CWBLS is different from other ERF interventions. This is most noticeably evidenced in the average size of loans, compared to the average size of grant offered during the Phase 1 and Phase 2 Covid-19 ERF interventions. For example, the average size of loan was typically more than four times greater than the grant assistance offered per firm, and this reflecting the very different purposes underlying the loan finance.

3.2. CWBLS funding by Welsh industry

The CWBLS funding had supported 1,332 businesses by the end of July 2020 (Figure 19). Around 11% of firms supported were in manufacturing, and with construction,

wholesale and retail, professional services and accommodation and food services together making up over 60% of the number of firms supported under CWBLS.

²³ A further research issue is whether some firms might have switched their financing needs into CWBLS and out of more expensive commercial borrowing.

Figure 19.
Industry distribution of CWBLS funding



| | Firms, % of total | Funding, % of total | Jobs safeguarded by CWBLS | Jobs safeguarded % of total | Jobs supported (FT+PT) | Jobs supported (FT+PT) % total |
|-----------------------------|-------------------|---------------------|---------------------------|-----------------------------|------------------------|--------------------------------|
| Primary | 1.8 | 1.9 | 140 | 0.9 | 315 | 1.7 |
| Manufacturing | 10.5 | 13.1 | 2,217 | 13.8 | 2,701 | 14.1 |
| Construction | 14.1 | 17.0 | 2,190 | 13.6 | 2,563 | 13.4 |
| Wholesale & Retail | 15.0 | 15.8 | 2,311 | 14.4 | 2,639 | 13.8 |
| Transport | 2.3 | 2.3 | 366 | 2.3 | 478 | 2.5 |
| Accomm/food | 14.3 | 13.3 | 2,994 | 18.6 | 3,272 | 17.1 |
| Publishing, ICT, Telecomms. | 3.2 | 2.8 | 411 | 2.6 | 649 | 3.4 |
| Finance & Ins. | 2.8 | 2.4 | 283 | 1.8 | 318 | 1.7 |
| Real estate | 2.4 | 2.2 | 169 | 1.1 | 201 | 1.1 |
| Professional services | 18.8 | 19.1 | 2,866 | 17.9 | 3,607 | 18.9 |
| Public admin | 0.1 | <0.1 | 3 | <0.1 | 3 | 0.02 |
| Education | 1.5 | 0.8 | 300 | 1.9 | 304 | 1.6 |
| Human health | 3.1 | 2.6 | 544 | 3.4 | 690 | 3.6 |
| Other services | 10.1 | 6.7 | 1,264 | 7.9 | 1,358 | 7.1 |
| Total | 100 | 100 | 16,058 | 100 | 19,098 | 100 |

Figure 19 also shows that while the CWBLS loans worked to safeguard just over 16,000 jobs, those businesses that received loan assistance actually employed close to 19,100 people.

In overall terms the share of the CWBLS funding by firms and funding is fairly even in that those sectors with the largest numbers of recipient firms also garnered most of the loan funding. For example, manufacturing made up 10.5% of the total firms receiving the funding, around 13% of the total funding, and 14% of the jobs safeguarded. There are some differences in the jobs safeguarded linked proportionately to

the loan funding but with this largely down to the different labour intensities in sectors. For example, accommodation and food services received 13.3% of the loan funding but accounted for 18.6% of the total jobs safeguarded. More capital-intensive construction accounted for 17% of the funding and 13.6% of the jobs safeguarded.

Figure 20 reveals the average funding per firm by industry. Here manufacturing and construction firms received over £80,000 on average in CWBLS loan funding. In general, services industries received lower levels of loan support.

Figure 20.
CWBLS average funding (£000s) per industry firm assisted

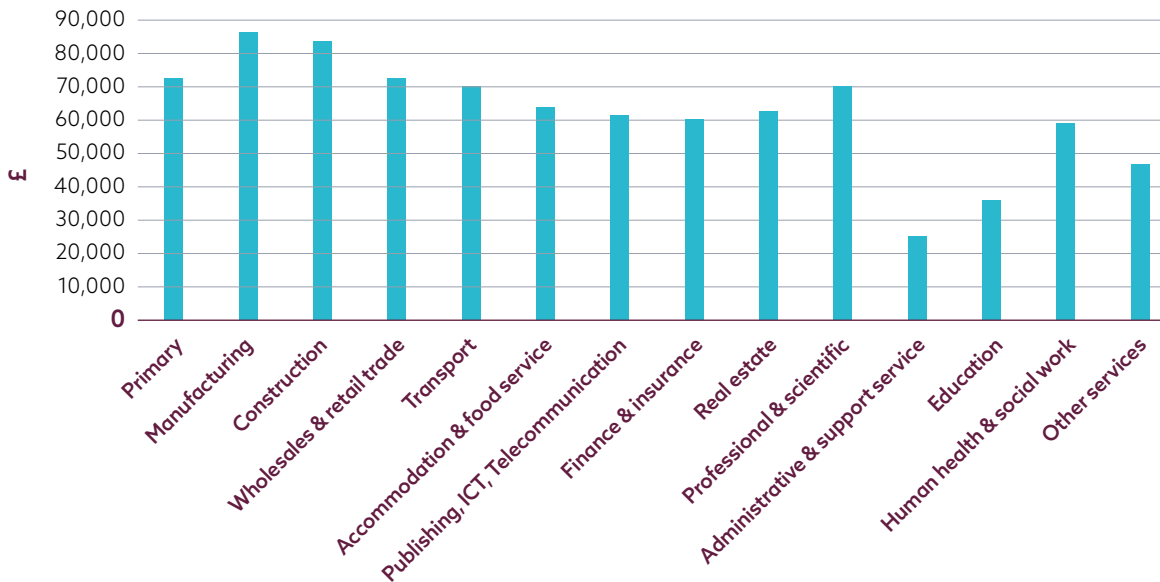
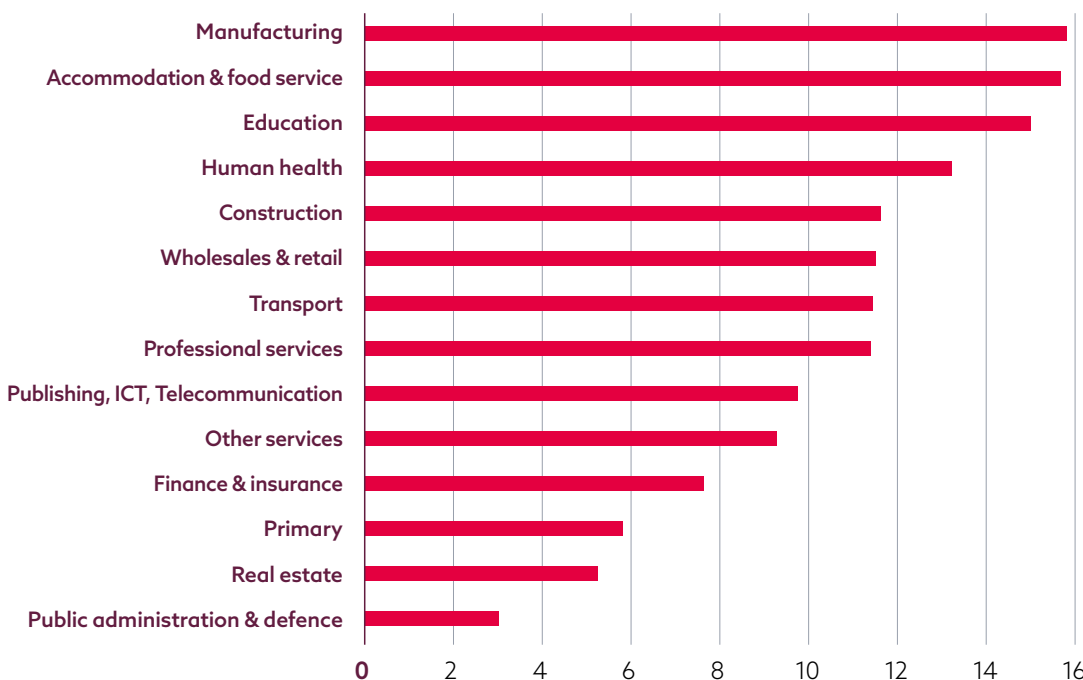


Figure 21 reveals large differences in the average number of jobs safeguarded by industry group. In the case of manufacturing, close to 16 jobs were

safeguarded per firm, falling to between five and eight in sectors such as real estate, finance and insurance.

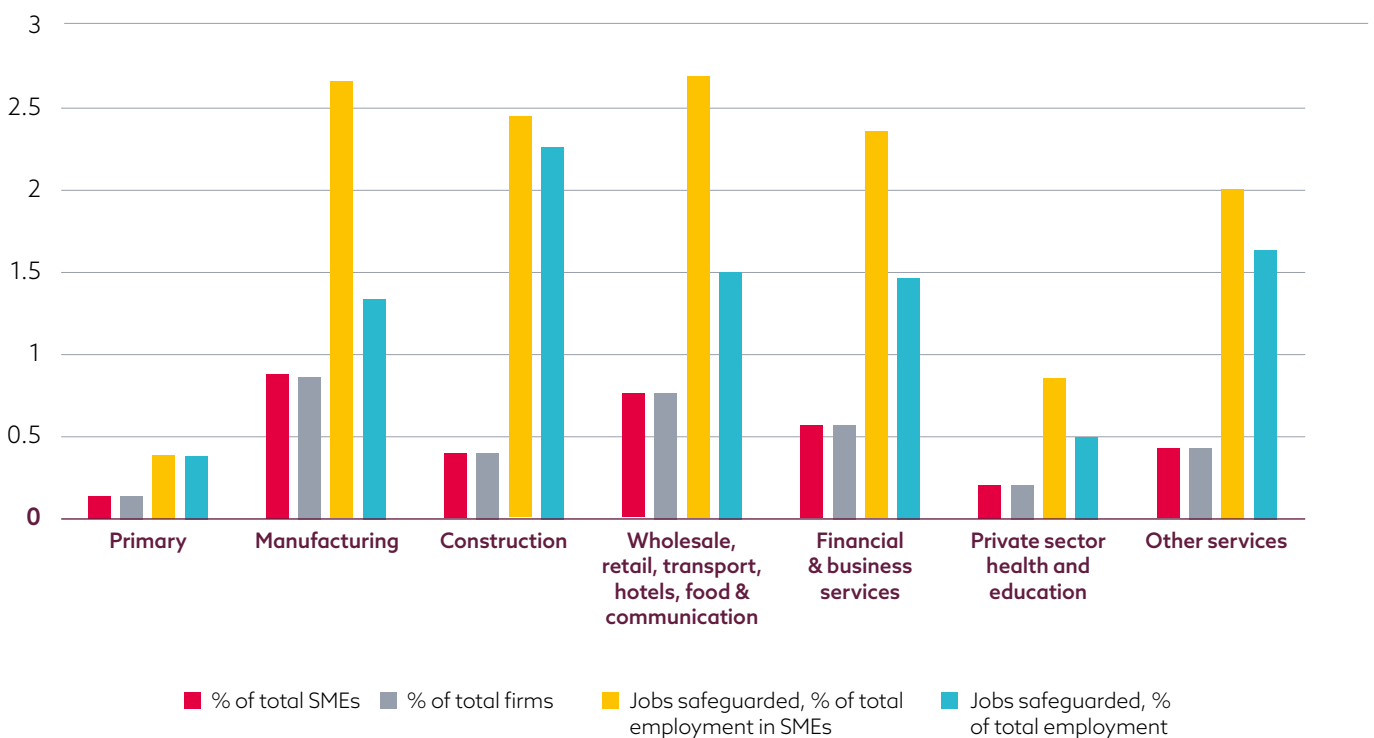
Figure 21.
CWBLS average jobs safeguarded by industry



In similarity to the analysis undertaken on the Covid-19 19 ERF Phase 1 and 2 grant schemes, it is useful to estimate how the loan assistance in terms of firms and employment compares to overall Welsh totals. Note also that much of the CWBLS loans were applied for by firms who had not been in receipt of either the Covid-19 19 ERF

Phase 1 or 2 assistance. Figure 22 reveals, in this respect, that CWBLS helped to safeguard over 2.5% of SME manufacturing jobs in Wales, and assisted between 0.5% and 1.0% of Welsh SMEs in manufacturing. Similarly in construction, and in the wholesale etc. sectors, close to 2.5% of SME employment was safeguarded.

Figure 22.
CWBL significance of funding in terms of total industry activity in Wales



3.3. CWBLS loan funding by local authority area

Figure 23 shows the local authority distribution of CWBLS funding. Firms in larger local authority areas such as Cardiff, Swansea and RCT received close to 30% of the overall CWBLS loan support.

Firms in Cardiff received 15.9% of the CWBLS funding with Cardiff accounting for around 16.4% of Welsh employment.

Figure 23.
CWBLS distribution by Welsh local authority area



| Region | Number of firms | Firms, % of total | Funding (£m) | Funding, % total | Jobs safeguarded | Jobs safeguarded % total |
|-------------------|-----------------|-------------------|--------------|------------------|------------------|--------------------------|
| Blaenau Gwent | 11 | 0.8 | 0.97 | 1.1 | 205 | 1.3 |
| Bridgend | 51 | 3.8 | 4.65 | 5.1 | 978 | 6.1 |
| Caerphilly | 63 | 4.7 | 4.09 | 4.4 | 990 | 6.2 |
| Cardiff | 202 | 15.2 | 14.6 | 15.9 | 2199 | 13.7 |
| Carmarthen | 101 | 7.6 | 7 | 7.6 | 1198 | 7.5 |
| Ceredigion | 32 | 2.4 | 2.02 | 2.2 | 253 | 1.6 |
| Conwy | 103 | 7.7 | 5.71 | 6.2 | 820 | 5.1 |
| Denbighshire | 47 | 3.5 | 3.06 | 3.3 | 472 | 2.9 |
| Flintshire | 46 | 3.5 | 3.86 | 4.2 | 578 | 3.6 |
| Gwynedd | 56 | 4.2 | 3.45 | 3.8 | 885 | 5.5 |
| Anglesey | 41 | 3.1 | 2.53 | 2.8 | 551 | 3.4 |
| Merthyr Tydfil | 19 | 1.4 | 1.22 | 1.3 | 208 | 1.3 |
| Monmouth | 41 | 3.1 | 2.5 | 2.7 | 414 | 2.6 |
| Neath PT | 41 | 3.1 | 3.23 | 3.5 | 758 | 4.7 |
| Newport | 49 | 3.7 | 3.75 | 4.1 | 673 | 4.2 |
| Pembroke | 80 | 6.0 | 5.47 | 5.9 | 915 | 5.7 |
| Powys | 53 | 4.0 | 3.18 | 3.5 | 367 | 2.3 |
| Rhondda CT | 66 | 5.0 | 6.03 | 6.6 | 924 | 5.8 |
| Swansea | 92 | 6.9 | 6.34 | 6.9 | 1439 | 9.0 |
| Torfaen | 31 | 2.3 | 2.22 | 2.4 | 506 | 3.2 |
| Vale of Glamorgan | 65 | 4.9 | 3.5 | 3.8 | 408 | 2.5 |
| Wrexham | 42 | 3.2 | 2.6 | 2.8 | 317 | 2.0 |
| Total | 1,332 | 100 | 92 | 100 | 16,058 | 100 |

Figure 24 reveals the average funding per loan assisted firm by local authority. There are marked differences here with this partly explained in terms of the different sectors receiving help in the individual local authorities. For Bridgend, Figure 24 shows that the average firm receiving loan assistance had just over £90,000, with

firms in RCT and Blaenau Gwent also receiving close to £90,000 on average. Firms in the Vale of Glamorgan and Conwy received the lowest amounts of average funding at around £55,000, well below the average values of funding received by firms in Bridgend, RCT and Blaenau Gwent.

Figure 24.
Average firm funding per CWBLS loan by local authority, £s

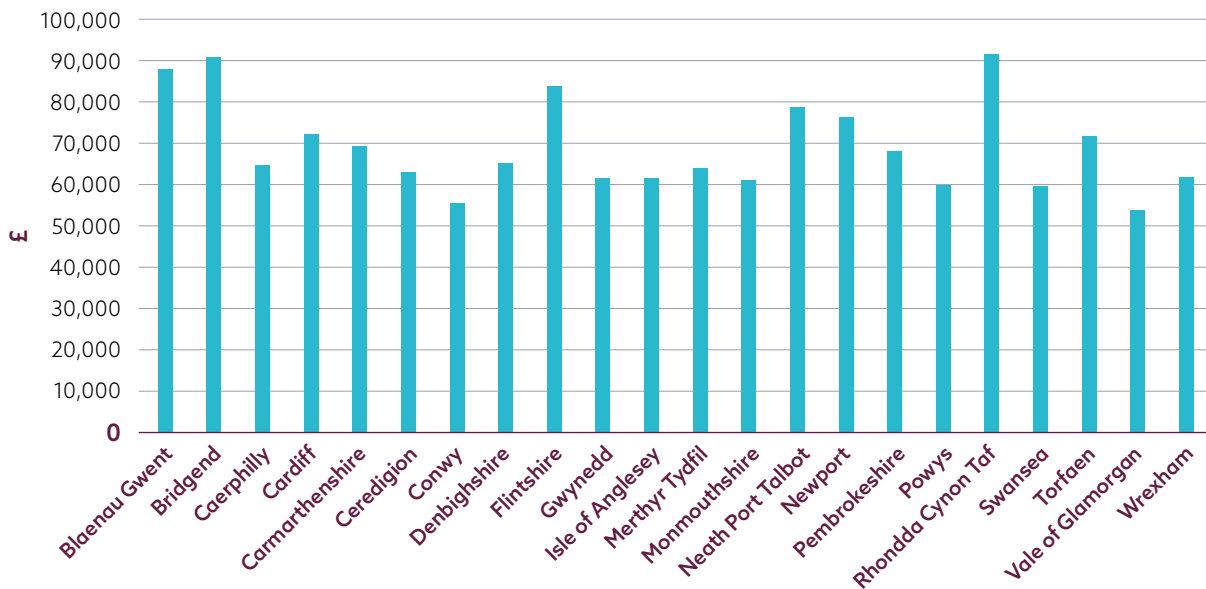


Figure 25.
CWBLS average employment per firm safeguarded by local authority

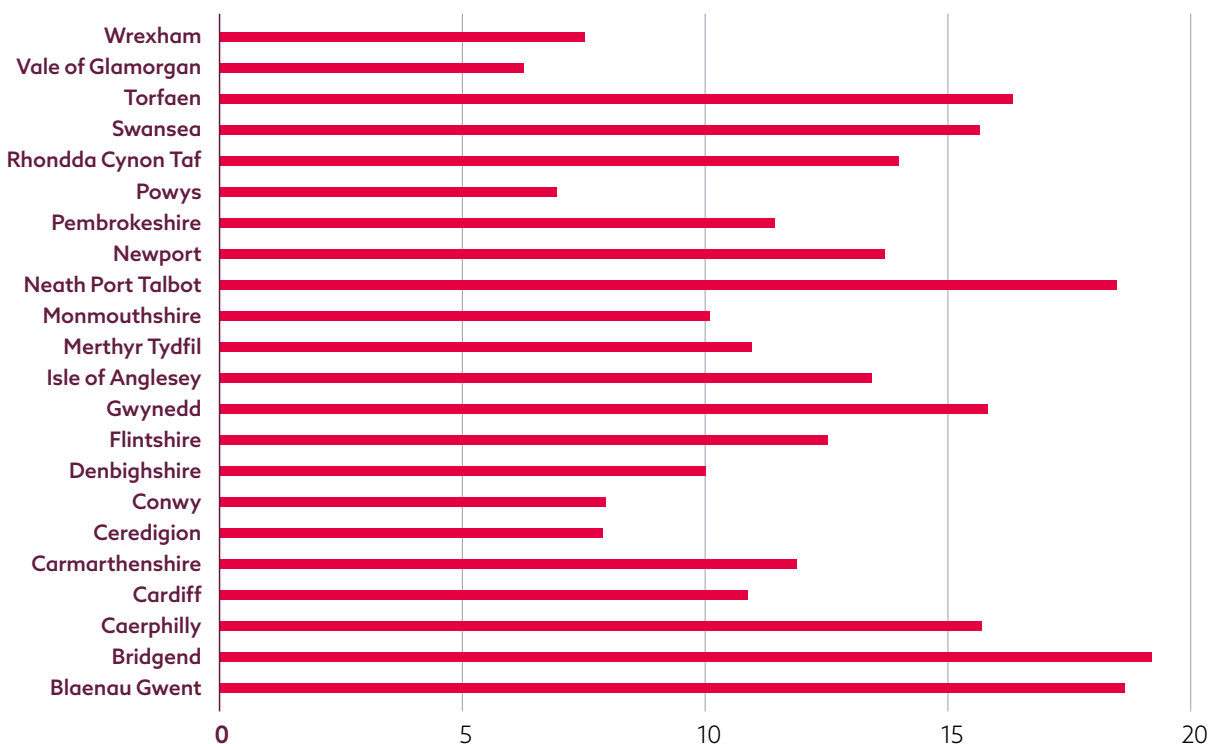
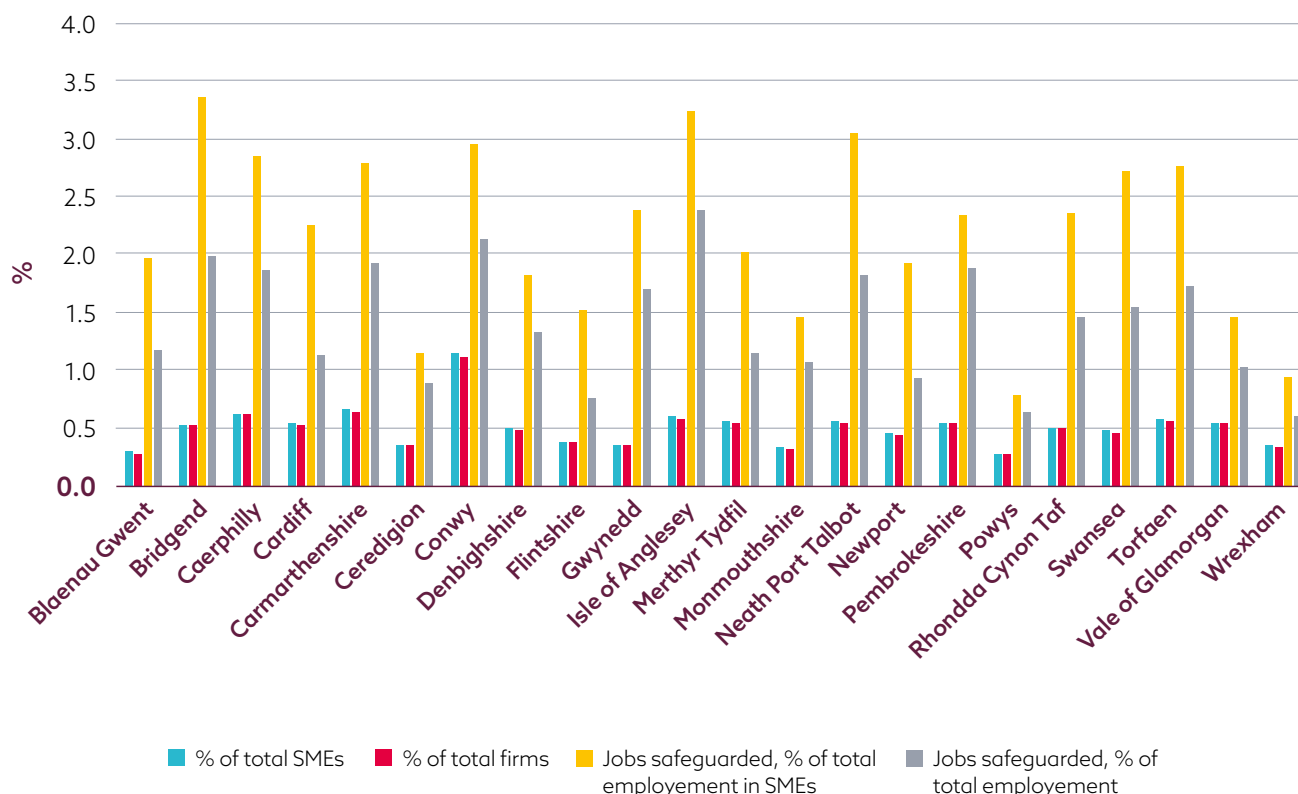


Figure 25 reveals that Bridgend also saw the largest number of jobs safeguarded per firm assisted by CWBLS with close to 20 jobs per firm. Blaenau Gwent and Neath Port Talbot also do well in terms of average jobs safeguarded per firm by local authority. In the Vale of Glamorgan and Powys close to just 6 jobs were safeguarded per assisted firm. Tentatively the analysis suggests that it has been more needy areas of the Welsh economy that saw higher levels of average funding per firm, and in terms of jobs safeguarded per firm by local authority area. Moreover, in terms of average jobs safeguarded per firm assisted, it is noticeable that more rural areas (i.e. Vale of Glamorgan, Ceredigion, Powys and Conwy) tend to have gained loan assistance in firms with less safeguarded employment.

Figure 26 explores the levels of loan assistance and associated jobs safeguarded with respect to the relative size of the local authority areas. This shows that in terms of jobs safeguarded as a percentage of total employment in each local authority area it is more needy parts of the region which have tended to gain more support. For example, jobs safeguarded in Bridgend, Caerphilly, Carmarthenshire, Conwy, Anglesey, Neath-Port Talbot and Torfaen (and Swansea) represented more than 2.5% of local authority in employment in SMEs. In Powys and Wrexham the same figure is below 1%.

Figure 26.
Local authority employment significance of CWBLS funding



3.4. Demographic information

Finally in this section the CWBLS data provided information with respect to the gender composition of firm owners and BAME characteristics. Figure 27 reveals that of the total firms supported, some 9.5% were in female only ownership, with 43.9% of mixed male and female

ownership. Some 8.4% of assisted firms were under BAME ownership. This suggests the CWBLS assisted rather less female owners of business than the Covid-19 Phase 1 ERF, but a similar proportion of firms owned by BAME entrepreneurs.

Figure 27.
CWBLS demographic information



| | Firms supported | % of total firms supported |
|-----------------------|-----------------|----------------------------|
| Male only ownership | 576 | 46.6 |
| Female only ownership | 118 | 9.5 |
| Mixed ownership | 542 | 43.9 |
| Firms supported | | % of total firms supported |
| BAME ownership | 48 | 8.4 |
| Non-BAME ownership | 518 | 91.6 |

Figure 28 provides demographic and Welsh language information in respect of CWBLS recipients. In terms of the age distribution of business owners, Figure 28 reveals that 51.4% were in the aged 45-65 age bracket. However the Figure also shows that a large number of younger entrepreneurs were assisted by CWBLS

with 5.3% of business owners aged less than 24 years. In this respect CWBLS has had the effect of introducing a large number of new entrepreneurs to the Development Bank of Wales. Moreover, the demographic data reveals that 5% of firm owners were disabled and 22% of business owners are able to speak Welsh.

Figure 28.
Age distribution, disability and Welsh language skills of owners of firms supported



| | % of owners |
|--|-------------|
| 0-24 years | 5.3% |
| 25-44 years | 34.3% |
| 45-65 | 51.4% |
| 65-74 years | 7.1% |
| +75 years | 1.9% |
| % firms supported whose owner was disabled | |
| Disability | 4.9% |
| % of firms that at least one of its owners can | |
| Understand Welsh | 32.1% |
| Speak Welsh | 22.2% |
| Read Welsh | 17.9% |
| Write Welsh | 15.3% |

4.1 Data available

As revealed in the opening section of this report the data available on the Non-Domestic Rates grants (main scheme ending at June 30th 2020) is more limited than that available for other interventions considered i.e. being limited to size of grant, location and type of premises. Here the

focus is on aggregate totals of funding by broad area. Note that the NDR grant was based on premises as opposed to organisations or firms such that it is not possible to equate the number of payments with the total of firms that have been supported.

4.2 Aggregate amounts by local authority area

Figure 29 reveals the amounts given to premises by local authority. Figure 29 reveals that just over 64,000 separate payments were made, with

firms and organisations receiving close to £770m of funds through this scheme.

Figure 29.
NDR Grants by Local Authority Area



| | Grant 1: 25k | | Grant 2: 10k | | TOTAL 1+ 2 NDR | |
|-------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | Number of payments made | Value of payments made (£m) | Number of payments made | Value of payments made (£m) | Number of payments made | Value of payments made (£m) |
| Isle of Anglesey | 179 | 4.47 | 1,750 | 17.50 | 1,929 | 21.97 |
| Gwynedd | 525 | 13.12 | 4,590 | 45.90 | 5,115 | 59.02 |
| Conwy | 461 | 11.53 | 2,865 | 28.39 | 3,326 | 39.91 |
| Denbighshire | 298 | 7.45 | 2,290 | 22.90 | 2,588 | 30.35 |
| Flintshire | 344 | 8.60 | 2,272 | 22.75 | 2,616 | 31.35 |
| Wrexham | 259 | 6.46 | 1,849 | 18.49 | 2,108 | 24.95 |
| Powys | 515 | 12.78 | 3,987 | 40.74 | 4,502 | 53.52 |
| Ceredigion | 320 | 8.00 | 2,032 | 20.32 | 2,352 | 28.32 |
| Pembrokeshire | 487 | 12.18 | 4,103 | 41.00 | 4,590 | 53.17 |
| Carmarthenshire | 418 | 10.45 | 3,573 | 35.73 | 3,991 | 46.18 |
| Swansea | 667 | 16.68 | 3,357 | 33.57 | 4,024 | 50.25 |
| Neath Port Talbot | 236 | 5.90 | 2,229 | 22.29 | 2,465 | 28.19 |
| Bridgend | 377 | 9.43 | 2,039 | 20.39 | 2,416 | 29.82 |
| Vale of Glamorgan | 343 | 8.56 | 1,715 | 17.15 | 2,058 | 25.70 |
| Cardiff | 1,171 | 29.28 | 3,859 | 38.58 | 5,030 | 67.86 |
| Rhondda Cynon Taf | 412 | 10.30 | 3,353 | 33.53 | 3,765 | 43.83 |
| Merthyr Tydfil | 159 | 3.97 | 901 | 8.99 | 1,060 | 12.95 |
| Caerphilly | 310 | 7.75 | 2,645 | 26.45 | 2,955 | 34.20 |
| Blaenau Gwent | 109 | 2.72 | 1,310 | 13.09 | 1,419 | 15.81 |
| Torfaen | 165 | 4.13 | 1,373 | 13.73 | 1,538 | 17.85 |
| Monmouthshire | 357 | 8.93 | 1,529 | 15.28 | 1,886 | 24.21 |
| Newport | 373 | 9.30 | 2,120 | 21.18 | 2,493 | 30.48 |
| Wales | 8,485 | £211.92 | 55,741 | £557.93 | 64,226 | £769.85 |

The distribution of the NDR grants is quite unlike that in the cases of the other interventions covered in this report. In particular, relatively large amounts of the NDR monies went to Powys (£53.5m and around 7% of the total) and Gwynedd (£59m and around 7.6% of the total). The largest local authority beneficiary was Cardiff which received close to £68m. Evidently the distribution reflects the presence of qualifying properties occupied by businesses and organisations, particularly in sectors servicing tourism demands.

Figure 30 reveals something of the relative distribution of the NDR grants, revealing the amounts received in each local authority per 1000 people in the local authority area. As above this reveals the relatively large amounts received in connection with premises in rural local authority areas such as Gwynedd, Powys, Ceredigion and Pembrokeshire with these areas having proportionately more premises qualifying for the higher level of grant. More urban local authorities tended to receive lower amounts per head of the population.

Figure 30.
NDR Grants - Amounts received per 1000 Population

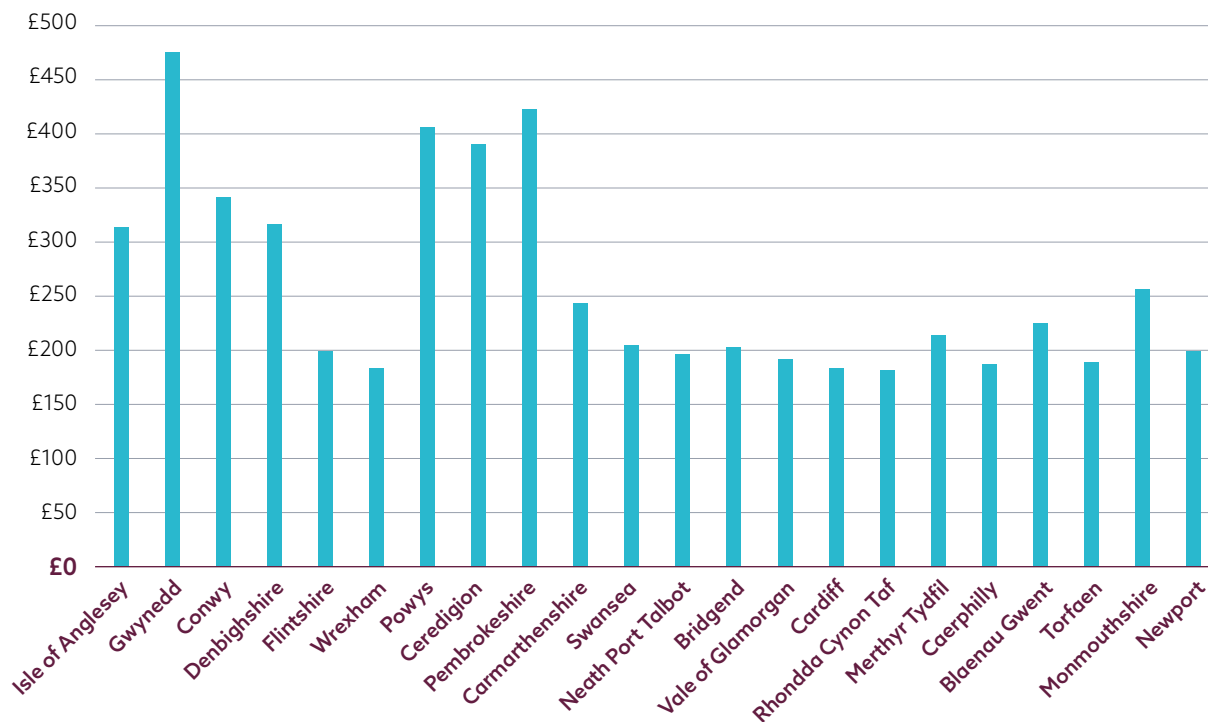


Figure 31 seeks to simplify the material in Figure 30 aggregating the data by the three Welsh Government regions. Once again here this reveals the relatively large amount of monies which have been received by organisations with premises

in Mid and South West Wales i.e. a little over half the NDR grants, and with a large number of organisations in Mid and South West Wales in receipt of the higher level of NDR grants.

Figure 31.
Recipients of NDR grants by Welsh Government regions



| | Grant 1: 25k | | Grant 2: 10k | | Total 1 & 2 NDR | |
|--------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|
| | Number of payments made | Value of payments made (£) | Number of payments made | Value of payments made (£) | Number of payments made | Value of payments made (£) |
| North Wales | 2066 | 51.6 | 15616 | 155.9 | 17682 | 207.5 |
| Mid-SW Wales | 2643 | 66.0 | 19281 | 193.6 | 21924 | 259.6 |
| SE Wales | 3776 | 94.3 | 20844 | 208.4 | 24620 | 302.7 |
| Wales | 8485 | 211.9 | 55741 | 557.9 | 64226 | 769.8 |
| % of totals | | | | | | |
| North Wales | 24.3 | 24.4 | 28.0 | 27.9 | 27.5 | 27.0 |
| Mid-SW Wales | 31.1 | 31.1 | 34.6 | 34.7 | 34.1 | 33.7 |
| SE Wales | 44.5 | 44.5 | 37.4 | 37.3 | 38.3 | 39.3 |

4.3. Recipients by Type of Premises

Within the local authority data on NDR grants there are a very large number of premises types and with some areas having incomplete data. However, to give a flavour of the types of premises that have been assisted Figure 32 seeks to aggregate premises types by the broad sector of recipient business for two example local authority areas. These are Conwy and

Merthyr Tydfil. For Conwy around one third of NDR funding was focused on tourism and accommodation premises, with a further 30% in wholesale and retail. For Merthyr with less tourism and leisure facing firms, far more of the premises assisted were in wholesale and retail, and services.

Figure 32.
Distribution of Business Rate Funding Conwy and Merthyr Tydfil (%)



| | Recipients £10k | Recipients £25k ²⁴ | Total recipients |
|-----------------------|-----------------|-------------------------------|------------------|
| Conwy | | | |
| Manufacturing | 0.3 | - | 0.3 |
| Wholesale and retail | 29.0 | 39.7 | 30.4 |
| Finance | 1.0 | - | 0.9 |
| Services | 23.2 | 21.8 | 23.0 |
| Tourism and accomm. | 32.4 | 36.6 | 32.9 |
| Others | 14.0 | 1.9 | 12.5 |
| Merthyr Tydfil | | | |
| Manufacturing | 0.3 | 38.3 | 0.4 |
| Wholesale and retail | 38.6 | 39.3 | 38.7 |
| Finance | 0.4 | - | 0.4 |
| Services | 47.5 | 34.5 | 45.6 |
| Tourism and accomm. | 12.9 | 23.8 | 14.5 |
| Others | 0.3 | 1.2 | 0.4 |

²⁴ Note that the larger £25,000 grants were generally not available for manufacturing and finance firms.

5.1 Headlines

This report forms the first stage of an ongoing research programme to investigate the effectiveness of public sector interventions to support businesses in Wales which have been impacted by the coronavirus pandemic. The scale and speed of the interventions have been unprecedented, with firms based in Wales receiving grants from UK and Welsh Governments. In addition, businesses in Wales have had access to specific loan funds, through the British Business Bank and Development Bank of Wales. It is important to recognise the speed of the Welsh interventions, with the funding schemes developed and delivered over a 4-5 month period during 2020.

The support provided by Welsh Government, particularly through elements of the Economic Resilience Fund has had measurable effects in terms of safeguarding and supporting employment in some of Wales' worst affected industries. Together the ERF Phase 1, 2 and CWBLS schemes have invested around £295m. In addition, £770m of payments have been made through the NDR Grants. It is important to note here that the fiscal tools available to Welsh Ministers are more limited than those available at UK Government level and the sums spent or invested are considerable in light of the size of the regional economy. Timely intervention was critical, particularly given the problems

facing businesses in Wales in the second and third quarters of 2020. The evidence from beneficiaries reveals that significant levels of Welsh employment were protected, with the Welsh-led interventions providing additional and more varied support than that offered under the UK-led Job Retention Scheme or SEISS.

This report has also revealed that Welsh Government and Development Bank of Wales led support, whether in terms of grant or loans, not only supported a wide range of industry activity, but also worked to support businesses in some of the more needy parts of the regional economy. Moreover, support has been focused on smaller and micro businesses which were less able to overcome the financial challenges of the Covid-19 crisis.

The analysis in this report also suggests that the wider impacts of the support could be significant, with many thousands of jobs supported indirectly in related firms through supply-chain effects and wage spending effects. Many firms provided commentary in their applications on their wider impacts in Wales, referred to their supply-chain, training and community benefits. Here there is the normal evaluation caveat that support offered might have assisted firms which would have coped with the poorer business conditions.

5.2 Initial recommendations

This report has identified a number of considerations with the data and analysis that need to be addressed in future stages of the research programme, as well as other useful potential areas for investigation that would further an understanding of the effectiveness of the interventions.

These are outlined below:

- Differences in the data captured through CWBLS and the other elements of the ERF will need to be addressed in future interventions as this will aid in the evaluation process. One example is the need for Welsh Government and its stakeholders to ensure a standardisation in how activities are linked to SIC codes. A key issue here is that applicants for grants and loans are often unsure of which industry groups they are actually in. As part of application processes beneficiaries might be given access to comprehensive look-up tables such that they can more efficiently self-code where their firms principle activities lay in terms of SIC.
- There is strong potential in future elements of the evaluation to track the progress of firms which have had assistance at various levels against untreated cohorts. This can be achieved using Companies House data and the Inter-Departmental Business Register.
- The next stage of the evaluation process is expected to include a survey of firms which have received assistance. Within this survey it will be important to **examine how different interventions worked in tandem to protect employment**. This will be challenging because new interventions are continuing to occur into the fourth quarter of 2020, instigated by both UK and Welsh Governments. This makes the process of disentangling effects more difficult and establishing additionality of individual interventions problematic.
- There could be real value in the next phase of the evaluation in **more detailed case evidence** of how firms have used assistance and what precisely has been safeguarded. In addition, particular sectors of interest could be identified for more detailed investigation of data already provided (including the free text information within ERF application forms).
- The analysis in this report has focused on successful applicants under the main ERF elements. There is also a challenge to explore those **applicants which were unsuccessful**, and to establish patterns in unsuccessful application by industry and geography.
- The analysis reveals the support of economic activity in labour intensive sectors which demonstrate lower levels of productivity and earnings. It was the core aim of interventions (UK and Wales-led) to keep people economically engaged through the Covid-19 crisis. In further analysis it will be important **to identify how far economic activity has been protected in more capital intensive high productivity firms that prior to the Covid-19 crisis traded internationally, and work will need to disentangle the complex issue of effects linked to BREXIT and those linked to the economic downturn**.

- Much of the analysis is based around jobs supported or safeguarded on the basis of where individuals work and not where they live. This is an important caveat in the analysis. Indeed, this might point to more of the final economic benefit being in poorer areas where workers commute from. There might be value in repeating some of the geographical analysis for travel to work areas or indeed groups of local authorities.
- Finally, there would be **real value in linking up to wider regional studies in other devolved regions to assess the role of interventions**, as this would encourage more learning of what has worked. Also, there is value in comparing responses under Covid-19 to those which have been enacted in response to other disasters and crises. We discuss this in more detail below.

5.3 Further comparative work

The unprecedented scale of the pandemic, and government interventions make comparisons to previous 'events' problematic. However, there may be some evidence on the effectiveness of business support/finance interventions from previous events, such as large-scale natural disasters, that may provide some guide as to the impacts of different government schemes.

An initial review found limited literature on specific business support/finance interventions, but with more published research relating to issues of firm resilience and survival in the aftermath of disasters.²⁵ Some of this research identified firm characteristics linked to survival, including, for example, sector, age, productivity, scale of business disruption, duration of closure, as well as, in some cases, use of external aid. Where use of external aid has been examined this has generally been limited because data collected has been in terms of just a simple yes/no on whether aid was received, or explores a simple count of external aid sources used.

In studies where the role of external aid was included, this was in some cases found not to significantly affect long-term business viability²⁶, and in others to negatively affect the probability of recovering.²⁷ In these cases, it was suggested that external aid in the form of loans had worked to increase indebtedness, and that heavy use of aid was made by those businesses which had suffered the most severe damage, and hence may be least likely to recover. This type of issue could also be explored further in the Welsh case, and it will be important to consider how far such indebtedness is funding working capital rather than investment, and then with the corollary of closely monitoring medium-term bad debt rates on loan supports.

Later phases of this research will explore any findings of relevance or useful lessons for Wales.

²⁵ See for example, Baskery, E. and Miranda, J. (2018) Taken by storm: business financing and survival in the aftermath of Hurricane Katrina. *Journal of Economic Geography* 18 (2018) pp. 1285-1313.

²⁶ See for example, Webb, G.R., Tierney, K.J. and Dahlhamer, J.M. (2002) Predicting long-term business recovery from disaster: a comparison of the Loma Prieta earthquake and Hurricane Andrew. *Environmental Hazards*, 4, 45-58.

²⁷ See for example Dahlhamer, J.M. & Tierney, K.J. (1998) Rebounding from disruptive events: Business recovery following the Northridge earthquake, *Sociological Spectrum*, 18:2, 121-141.



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