



*Covid-19 Welsh Government  
financial interventions: Final analysis  
of administrative and beneficiary  
survey data*

May 2024



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*The ONS has advised on the production of this report but is not responsible for the views or statistics presented and has not validated the content.*

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# Summary

The Welsh Economy Research Unit at Cardiff Business School has been collaborating with the Development Bank of Wales and Welsh Government (Business Wales) to examine the impact of Covid-19 financial interventions in Wales. This is the fourth and final report in a long-term programme of research.

The research aimed to:

- Examine the impact of Covid-19 financial interventions for businesses from Welsh Government.
- Explore how the funds deployed in Wales worked together with UK-wide initiatives such as the Covid Job Retention (Furlough) Scheme to safeguard economic activity in Wales.
- Provide a gross level summary of outcomes from the selected interventions.
- Examine the effects of the Covid-19 outbreak on business activity and understand 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.
- Provide some counterfactual analysis, through a comparison of respondent outcomes with what occurred in terms of SME activity, sales and employment in the UK and Welsh economies.

The first report in the Economic Intelligence Wales series was published in December 2020 and contained initial administrative data analysis of ERF phases 1 and 2, CWBLS, and the Non-Domestic Rates Grants scheme.<sup>1</sup> The second and third Economic Intelligence Wales

reports contained administrative data analysis of later phases of the ERF, as well as an analysis of survey data derived from businesses and organisations who were beneficiaries of Welsh Government financial assistance<sup>2</sup>.

The first survey, Wave 1, targeted beneficiaries of financial assistance during 2020 and into early 2021. The survey was completed in the final quarter of 2021. The focus was on the beneficiaries of the COVID-19 ERF Phases 1 and 2 grant support schemes, CWBLS, and SUGS. The second survey, Wave 2, was undertaken during the period February to May 2022, and related to the beneficiaries of ERF phases 3-8 grant support schemes. Whilst there were differences in the characteristics of the Wave 1 and 2 survey respondents, and the nature of the interventions, some general conclusions can be drawn from the results of the first two surveys:

- The findings confirmed that the Welsh Government's assistance had been an important complement to UK Government schemes.
- Both surveys identified instances of Welsh Government financial support being used for more proactive and innovative activity.
- The surveys provided evidence of business need underlying applications for funding. Close to 60% of the respondents in Wave 1, and 44% of respondents in Wave 2, reported that all their employment was at risk at the time of their funding applications.
- The surveys also revealed the beginnings of sustained recovery among some of the beneficiaries. The Wave 1 survey found that over one third of respondents expected higher numbers to be employed over the subsequent financial year (increasing to 44% in Wave 2).

<sup>1</sup> [https://developmentbank.wales/sites/default/files/2022-09/EIW%20bespoke%20report%20on%20Covid-19%20interventions\\_ENG.pdf](https://developmentbank.wales/sites/default/files/2022-09/EIW%20bespoke%20report%20on%20Covid-19%20interventions_ENG.pdf)

<sup>2</sup> [https://developmentbank.wales/sites/default/files/2022-09/EIW%20Bespoke%20Report%202022%20Covid-19%20intervention\\_ENGLISH-v4.pdf](https://developmentbank.wales/sites/default/files/2022-09/EIW%20Bespoke%20Report%202022%20Covid-19%20intervention_ENGLISH-v4.pdf) and <https://developmentbank.wales/covid-19-welsh-government-financial-interventions-Jan-23>

# Summary

The aims of survey Waves 3 and 4 were to follow-up on respondents to Waves 1 and 2 respectively. Survey Wave 3 was undertaken

during September and October 2022 and Wave 4 was undertaken during April and May 2023.

## Wave 3 highlights

There were 762 respondents to the survey in Wave 1 that also responded in Wave 3. An estimated 64.2% of completes were firms known to have been micro firms, with 8.4% being SMEs<sup>3</sup>, and less than 1% in the large size cohort. The vast proportion of successful applicants were operating or mainly based in Wales.

Nearly 94% of the organisations reported that they were trading when answering the survey (comparable figures from Wave 1 and 2 were 95% and 97% respectively). Longitudinal analysis of the change in trading status from Wave 1 to Wave 3, indicated a 1.8 percentage point fall in the count of businesses currently trading, from 95.4% in Wave 1 to 93.6% in Wave 3.

Around 44% of respondents reported that they had adapted current services to meet clients/ beneficiaries' needs. Some 31.8% of respondents revealed they had developed new services or products. CWBLS respondents tended to have been more proactive in terms of response (i.e. adapting current services, new service or product developments, online marketing, e-commerce development and other ways in which the business has developed). Comparing the longitudinal data from Wave 1 and Wave 3 for new ways in which businesses had adapted to ongoing challenges, there was a 9.9 percentage point fall in the count of businesses adapting current services to meet clients/beneficiaries.

Increases in costs were revealed as the main challenge for businesses in the 12 months prior to the survey, with 94.4% in the survey

indicating they strongly, or tended to, agree. Supply chain issues were noted as a challenge by 71.6% of respondents, while 60.3% of respondents disclosed that retaining and recruiting staff had been an issue.

The total number of employees of respondent organisations increased from 8,341 at the time of the Wave 1 survey, to 8,554 at the time of Wave 3. 20.1% of all respondent beneficiaries reported that employment was higher at the time of the Wave 3 survey compared to when they completed the Wave 1 survey a year previously. The survey asked respondents to forecast employment prospects for the 12 months after the survey: 23.2% said they would have more employees (fewer than the Wave 1 result at 35.0%, and the Wave 2 result at 44.1%).

Respondent beneficiaries were most likely to indicate that key factors impacting turnover in the year to 31 March 2022, were continuing coronavirus (COVID-19) pressures (58.6%), other inflationary pressures (besides wages) (56.1%), and pressures due to wage inflation (29.9%).

There was a 34.0 percentage point fall in the count of businesses reporting the Coronavirus pandemic had impacted turnover between Wave 1 and Wave 3, and a 2.0 percentage point fall in businesses indicating that difficulties relating to EU transition had impacted turnover over the same period (albeit this latter impact coming from a much lower base in Wave 1 at 17.7%, as compared to 94.7% mentioning the Coronavirus pandemic in Wave 1).

<sup>3</sup> Excluding micro sized firms.

# Summary

This survey sought to examine how turnover changed compared to what respondents would normally have expected for their most recently completed financial year. Nearly a quarter (23.3%) of respondent beneficiaries said that their turnover had not been affected. A fifth of respondents (20.4%) said their turnover had increased by up to 20% compared to expectations, while a similar proportion (20.3%) noted their turnover had decreased by up to 20% compared to expectations. The longitudinal analysis revealed falls of 16.6 percentage points, and 21.4 percentage points, in the count of businesses from Wave 1 to Wave 3 who saw turnover decrease by 20-50% and over 50% respectively.

Over three-quarters of respondents (76.7%) reported that, taking into account all sources of income in their last complete financial year, they generated a profit or surplus. By beneficiary scheme, recipients of CWBLS were most likely to have reported a profit in their last complete financial year. The longitudinal comparison of the profit status of businesses in their last complete financial year revealed an encouraging 11.5 percentage point increase from Wave 1 to Wave 3 in the count of businesses indicating a profit.

## Wave 4 highlights

There were 737 respondents to the survey in Wave 2 that also responded in Wave 4. An estimated 75.0% of completions were firms known to have been micro (or nano) firms, with 23.4% small, 0.8% medium, and 0.8% large. The vast proportion of successful applicants were operating or mainly based in Wales (above 96%).

Nearly 95% of the organisations reported that they were trading when answering the survey (comparable figures from previous Waves 1, 2 and 3 were 95%, 97%, and 94% respectively). Just 0.7% of the businesses indicated they had temporarily stopped trading and 4.7% reported that they were permanently closed. Among those firms that were permanently closed 62% believed that the assistance provided had helped their businesses survive for 6 months or longer than would otherwise have been the case.

Increases in costs were revealed as the main challenge for businesses in the 12 months prior to the Wave 4 survey. Retaining and recruiting staff were noted as a challenge for 67.0% of respondent beneficiaries, while 66.3% experienced challenges in supply chain issues.

The total number of employees of respondent organisations increased from 9,536 at the time of the Wave 2 survey to 10,208 at the time of the Wave 4 survey. 16.9% of all respondent beneficiaries reported that employment was higher at the time of the Wave 4 survey compared to when they completed the Wave 2 survey. Longitudinal analysis of employee numbers (comparing businesses in Wave 2 and Wave 4) revealed a 5.4 percentage point fall in the count of businesses reporting more employees now than a year ago. Where staff numbers had decreased compared to the Wave 2 survey, the main reasons given were that their business had shrunk/ harder trading environment (55.5%); general recruitment/ retention issues in their industry (46.3%); and inflationary pressures other than wages (46.2%). The survey asked respondents to forecast employment prospects for the 12 months after the survey: 23.2% predicted they would have a higher number of employees in a year's time - fewer than the Wave 1 result at 35.0%, and the Wave 2 result at 44.1%, but the same proportion noted in Wave 3 of the survey.

# Summary

The longitudinal analysis comparing Wave 2 and Wave 4, indicated an 18.1 percentage point fall in the count of businesses reporting an expectation of higher employee numbers in one year's time, and a 13.3 percentage point increase in businesses predicting the same employee numbers in one year's time.

Respondents were most likely to indicate that key factors impacting turnover in the year to 31 March 2023, were other inflationary pressures (besides wages) (76.4%), pressures due to wage inflation (52.7%), and reduced/falling demand for goods or services (43.9%).

The Wave 4 survey examined how far turnover had changed compared to what respondents would normally have expected, in their most

recently completed financial year. One in five (20.1%) of respondent beneficiaries said that their turnover had not been affected. Nearly a quarter of respondents (23.6%) reported their turnover had increased by up to 20% compared to expectations, and a similar proportion (24.1%) noted their turnover had decreased by up to 20% compared to expectations.

Two-thirds of respondents (66.4%) reported that, taking into account all sources of income in their last complete financial year, they generated a profit or surplus. The longitudinal comparison of the profit status of businesses in their last complete financial year revealed a 5.1 percentage point increase from Wave 2 to Wave 4 in the count of businesses indicating a profit.

## Counterfactual considerations

A high-level consideration of the relative performance and progress of the ERF beneficiaries has to be contextualized on what happened to Welsh businesses as a whole between 2019Q4 (prior to the pandemic) and then the end of 2022Q3 in the case of the Wave 3 analysis, and then 2019Q4 to 2023Q2 in the case of the Wave 4 analysis.

The Wave 3 survey undertaken in September-October 2022 revealed that 94% of grant and loan beneficiaries were still trading (comparable figures from Wave 1 and was 95%). This was shown to be a slightly stronger survival rate than seen across Welsh businesses. For example, based on IDBR data, Welsh business deaths as a percentage of all active enterprises were around 10%-11% over the period 2020-2022 but with some sectoral variation.

The total number of employees of respondent organisations increased by 2.6%, but with a 2.9% increase in full-time employment. The maintenance of employment in the Wave 1 and 3 respondents was found to be encouraging in light of overall trends in Welsh and UK employment from the Labour Force Survey. Similar conclusions were made in respect of Wave 2 and 4 respondents.

The report found that in terms of changes in turnover of respondents, the Wave 3 findings mirrored quite closely what happened in a larger number of Welsh SMEs identified on the FAME database over the whole period 2019-20 to 2021-22. However, in terms of profitability the Wave 3 and 4 respondents appeared to have done better than an identified sample of Welsh SMEs from the FAME database over this period.

## Overall conclusions

The Welsh Government-led financial support interventions for businesses made available during the pandemic had important benefits for businesses across Wales in terms of safeguarding employment. In general, the support available was geographically widespread and benefited a range of business types and sizes. The research programme found that the support provided by Welsh Government, particularly through elements of the Economic Resilience Fund (ERF), had measurable effects in terms of safeguarding and supporting employment in some of Wales' worst affected industries.

This research programme has demonstrated that the overwhelming majority of recipient businesses believed that Welsh-led schemes were an important part of the overall business support available, and that these schemes worked well in addressing their individual business needs. It is also important to note that Welsh-led support schemes were highly successful at targeting Welsh-owned or (largely) Welsh-located businesses. The support schemes made available appeared to achieve greater impact than purely protecting existing employment. Many businesses that received support actually reported increased levels of employment following receipt of the funding.

One possible reason for the increased, or at the very least maintained, employment in some recipient businesses may be explained by their particular use of the funding made available. Whilst it is certainly true that a

significant proportion of funding was used to ensure recipient business liquidity during the pandemic, many businesses reported that they utilised the funding to innovate and with processes and products permanently changed as a result. There is also evidence that those specifically in receipt of loans (as opposed to grants) were even more innovative in adapting and investing for longer-term business benefit.

The scale and speed of the Welsh-led interventions that were introduced, particularly during the initial phases of the pandemic, clearly demonstrated that devolved Government can respond rapidly and effectively in economic management when necessary.

The approach taken during the pandemic has demonstrated that more proactive economic intervention can achieve significant and sustained economic benefit. The survey evidence shows employment declines did not match the severity of the declines in output reported by beneficiaries. Indeed, there is evidence of sustained recovery among the beneficiaries of Welsh Government funding.

Survey data has shown that Welsh-led assistance was an important complement to UK Government schemes, providing additional and more varied support than that offered under the UK-led Job Retention Scheme or SEISS, and worked in conjunction with other private and public sector funding to achieve employment and development outcomes.

## 1.1 Introduction and research aims

The Welsh Economy Research Unit at Cardiff Business School has been collaborating with the Development Bank of Wales and Welsh Government (Business Wales) to examine the impact of Covid-19 financial interventions for businesses in Wales. This is the fourth and final report in a long-term programme of research.

In early 2020 the Welsh Government reacted to the Covid-19 pandemic with a range of specific responses to support businesses in Wales, and to complement the support provided by the UK Government. Responding to the crisis-driven circumstances, and its immediate impact on businesses in Wales, the Welsh Government and its partners developed its initial business finance support packages within a four-to-five-month period during 2020. The Welsh Government's interventions continued beyond this initial response to support businesses through the various lockdowns and with some schemes targeting specific sectors (see Figure 1.1). The final scheme closed in February 2022.

The research has sought to evaluate the effectiveness of the Covid-19-related business finance packages in supporting businesses in Wales. The earlier stages of the research programme also aimed to help inform the design and implementation of the later support packages. In summary, the research aims have been to:

- Examine the impact of Covid-19 financial interventions for businesses from Welsh Government.
- Explore how the funds deployed in Wales have worked together with UK-wide initiatives such as the Covid Job Retention (Furlough) Scheme to safeguard economic activity in Wales.

- Provide a gross level summary of outcomes from the selected interventions.
- Examine the effects of the Covid-19 outbreak on business activity and to understand 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.
- Provide a counterfactual analysis, through a comparison of respondent outcomes with what occurred in terms of SME activity, sales and employment in the UK and Welsh economies; and by a comparison of numbers of respondents still trading with what has occurred in the population of Welsh SMEs.

The research has highlighted the difficulties of evaluating interventions. Distinguishing between the immediate impacts of the various support schemes has been particularly complex. Furthermore, separating out the range of different pressures on business finance during this period has added to the complexity. As noted in previous reports, there was some indication that the UK economy was moving towards a slowdown prior to the pandemic, and the emergence of greater detail on post-Brexit arrangements was also beginning to negatively impact business confidence. Similarly, it has also been challenging to consider the longer-term impacts of the support made available because of the pandemic, whilst also identifying the impacts of more recent UK and global economic forces such as inflationary pressures, the cost-of-living crisis, and wider geopolitical tensions and conflicts.



## 1.2 Summary of programme interventions

Five main Welsh-led business finance interventions have been considered as part of the research programme, these included: the Economic Resilience Fund (phases 1-8); the Covid-19 Wales Business Loan Scheme (CWBLS); the Covid-19 Non-domestic Rates Grants Scheme; the Non-domestic Rates Restrictions

Business Fund; and the Start-up Grant (SUG). Figure 1.1 contains a summary of each scheme, the period within which it was administered, and the support available to businesses. Further details on each of these schemes has been provided in the preceding three reports.<sup>4</sup>

**Figure 1.1**  
Summary of Welsh Led Covid-19 Business Finance Support Schemes



Scheme Title (Date operated)	Summary of Scheme and Support Package.
<b>Economic Resilience Fund (ERF)</b> (April 2020-February 2022)	<ul style="list-style-type: none"> <li>Phase 1 (April 2020): The Covid-19 Wales Business Loan Scheme delivered by Development Bank of Wales (loans between £5k and £250k at favorable interest rates), and a grant scheme.</li> <li>Phase 2 (June-July 2020): Eligible micro businesses up to £10k, SMEs up to £100k, and large businesses up to £690k support.</li> <li>Phase 3 – Business Development Grants (October-November 2020)</li> <li>Phase 3 – NDR Lockdown Fund (October-November 2020)</li> <li>ERF Phase 4 – Sector Specific Fund (January-February 2021)</li> <li>ERF Phase 5 –Sector Specific Fund (Phase 2) (March 2021)</li> <li>ERF Phase 6 (May-June 2021): Non-sector specific support package.</li> <li>ERF Phase 7 (July-August 2021): Further non-sector specific support.</li> <li>ERF Phase 8 – Christmas and New Year Restrictions (December 2021-February 2022).</li> </ul>
<b>Covid-19 Non-Domestic Rates (NDR) Grant Scheme</b> (April 2020 – June 2020)	A grant of £25,000 was made available to Retail Tourism and hospitality (RTH) businesses occupying properties with a rateable value of between £12,001 and £51,000. A £10,000 grant was also made available to businesses eligible for small business rates relief in Wales with a rateable value of £12,000 or less.
<b>NDR Restrictions Business Fund</b> (December 2020 - March 2021; extended further from March 2021)	Grants for (non-essential) RTH businesses to cover the period between December 2020 and March 2021 (subsequently extended). A specific £2,000 grant was made available to support businesses that were not included on the NDR register and that had a turnover of below £50k.
<b>Start-up Grant Scheme (SUGS)</b> (June 2020 – September 2020)	A £5m Start-up Grant scheme provided support to those who had established their businesses after the 31 March 2019, the cutoff point of the UK Government’s Self-employment Income Support Scheme to which they might otherwise have been eligible to apply, by providing a grant of £2,500.

<sup>4</sup> The three previous Economic Intelligence Wales Covid-19 reports are available at: <https://developmentbank.wales/other-services/economic-intelligence-wales>

## 1.3 Reporting to date and main findings from survey Waves 1 and 2

To meet the research aims, the series of Economic Intelligence Wales reports has included an analysis of administrative data relating to the schemes identified in Figure 1.1, as well as specific survey information derived from beneficiary firms and organisations.

The administrative data was sourced from the Business Accounts System (BAS) of Welsh Government, which contained information from the ERF applicant forms. Information was also available from the Development Bank of Wales and Welsh local authorities regarding the relevant interventions outlined in Figure 1.1.

Analysis of administrative data has been useful in developing an understanding of the scale and scope of interventions. For example, including the distribution of the grant and loan funds by firm size, sector, and location. In addition, this data has enabled some description of impacts in terms of jobs safeguarded by the interventions. The first report in the Economic Intelligence Wales series was published in December 2020 and contained initial administrative data analysis of ERF phases 1 and 2, CWBLS, and the Non-Domestic Rates grants.<sup>5</sup>

The second and third Economic Intelligence Wales reports contained administrative data analysis of later phases of the ERF, as well as an analysis of survey data (Waves 1 & 2) derived from businesses and organisations who were beneficiaries of Welsh Government financial assistance.<sup>6</sup> Each of the beneficiary surveys have been undertaken by Wavehill/ORS, with

the survey questions designed by a steering group that comprised of the Welsh Economy Research Unit, Development Bank of Wales, Welsh Government and Wavehill/ORS staff. Survey data has been critical in gaining more detailed information relating to beneficiary firm activity, and the impacts and outcomes of the interventions.

The first survey, Wave 1, targeted beneficiaries of financial assistance during 2020 and into early 2021. The survey was completed in the final quarter of 2021. The focus of this survey was on the beneficiaries of the COVID-19 ERF Phases 1 and 2 grant support schemes, CWBLS, and SUGS. The second survey, Wave 2, was undertaken during the period February to May 2022, and related to the beneficiaries of ERF phases 3-8 grant support schemes.

Each survey explored the key characteristics of the beneficiary firms, for example in terms of business size and sector, as well as their trading activities. Survey questions also related to other support that was being accessed by the businesses, such as the UK Government Furlough Scheme, or bank overdrafts. The surveys also sought to establish the extent of business need for support, and how these funds had been used within the businesses, as well as the extent to which employment had been safeguarded by the Welsh Government interventions. A full analysis of the findings from survey Waves 1 and 2 can be found in the previous reports, with summary selected comparative results in Figure 1.2.

<sup>5</sup> [https://developmentbank.wales/sites/default/files/2022-09/EIW%20bespoke%20report%20on%20Covid-19%20interventions\\_ENG.pdf](https://developmentbank.wales/sites/default/files/2022-09/EIW%20bespoke%20report%20on%20Covid-19%20interventions_ENG.pdf)

<sup>6</sup> [https://developmentbank.wales/sites/default/files/2022-09/EIW%20Bespoke%20Report%202022%20Covid-19%20intervention\\_ENGLISH-v4.pdf](https://developmentbank.wales/sites/default/files/2022-09/EIW%20Bespoke%20Report%202022%20Covid-19%20intervention_ENGLISH-v4.pdf) and <https://developmentbank.wales/covid-19-welsh-government-financial-interventions-Jan-23>

**Figure 1.2**  
Comparison of Wave 1 and 2 surveys, selected findings



Findings	Wave 2 (% respondents, n=1,669)	Wave 1 (% respondents, n=1,757)
Sectoral make-up; accommodation and food services	38%	7%
Exporting in last 12 months	5%	10%
Still trading	97%	95%
Developed new services/products through ERF support	46%	55%
ERF monies used to support innovation	11%	13%
Bank overdraft applications to support business	9%	5%
Received Job Furlough Scheme support	86%	77%
Welsh Government assistance safeguarded employment	92%	89%
Fairly/very satisfied with application process	87%	89%
All jobs at risk at time of application	44%	58%
Positive employment prospects next 12 months	44%	35%

Source: <https://developmentbank.wales/covid-19-welsh-government-financial-interventions-Jan-23> (p.4)

Whilst there are differences in the characteristics of the Wave 1 and 2 survey respondents, and the nature of the interventions, some general conclusions can be drawn from the results of the first two surveys:

- The survey findings confirmed that the Welsh Government’s assistance had been an important complement to UK Government schemes, particularly the job retention (furlough) scheme, in safeguarding employment. The majority of beneficiary firms were still trading at the time the surveys were completed.
- Both surveys identified instances of Welsh Government financial support being used for more proactive and innovative activity.

Some SMEs had seen processes and products permanently changed following the Covid-19 pandemic.

- The surveys provided evidence of business need underlying applications for funding. Close to 60% of the respondents in Wave 1, and 44% of respondents in Wave 2, reported that all their employment was at risk at the time of their funding applications.
- The surveys also revealed the beginnings of sustained recovery among some of the beneficiaries. The Wave 1 survey found that over one third of respondents expected higher numbers to be employed over the subsequent financial year (increasing to 44% in Wave 2).

## 1.4 Wave 3 and Wave 4 longitudinal research

Analysis of survey Waves 1 and 2 provided a valuable snapshot of the beneficiary firms and impacts relating to the use of Welsh Government funds. The aims of survey Waves 3 and 4 were to follow-up on those beneficiary organisations that had responded to Waves 1 and 2. Re-surveying these organisations provided for an updated snapshot of activity and impacts. However, more importantly, this approach facilitated a longitudinal analysis. The surveys provided essential data to track the activities of beneficiary organisations and, specifically, the ongoing impacts of the financial interventions.

Survey Wave 3 was undertaken during September and October 2022, and it involved a follow-up questionnaire with Wave 1 respondents. This survey aimed to track developments in responding firms that had been beneficiaries of ERF 1 and 2, CWBLS, and SUGS. Survey Wave 4 was undertaken during April and May 2023, and involved a follow-up questionnaire with Wave 2 respondent organisations that had been beneficiaries of ERF Phases 3-8.

The data derived from the four surveys was used to provide an analysis of the changes in responding beneficiaries. The change results provide important indicators of impacts and

expectations amongst survey respondents over time and, therefore, helping to determine the effectiveness of the financial interventions in supporting businesses and organisations in Wales during and beyond the Covid-19 period.

Some of the main themes explored through the analysis of the Wave 3 and 4 surveys were:

- The business trading status and change since the previous survey.
- New ways in which the business had adapted to challenges and changes since the previous survey.
- The main business challenges during the previous year and change since the prior survey.
- Employment status of respondent firm and change since previous survey.
- Expectations of employment for the subsequent year.
- Sales status of respondent.
- Key factors impacting business turnover and sales and change since the previous survey.
- The profit status and change since previous survey.

## 1.5 Structure of this report

The remainder of this report is structured as follows:

Section 2 focuses on the results from the Wave 3 longitudinal survey. This survey covers beneficiaries of the Start-up Grants, the Covid-19 Wales Business Loan Scheme, and the Economic Resilience Fund phases 1 and 2.

Section 3 focuses on the results from the Wave 4 longitudinal survey. This survey covers beneficiaries of the Economic Resilience Fund phases 3-8.

Section 4 provides some counterfactual and contextual analysis. This section considers

employment and sales outcomes; a comparison of respondent outcomes with what occurred in terms of SME sales and employment in the Welsh economy; and a comparison of numbers of respondents still trading with what has occurred in the wider population of Welsh SMEs.

Section 5 outlines the overall conclusions of the research project, including some of the main outcomes and impacts of the interventions; a consideration of whether Welsh government-led interventions worked well alongside UK schemes; and some suggested policy learning that might be derived from the Welsh Government response to the pandemic.

## 2.1 Introduction

This section of the report focuses on the results from the Wavehill/ORS survey of beneficiaries, Wave 3 longitudinal. The survey covers beneficiaries of Start-Up Grants (SUGS), Covid-19 Wales Business Loan Scheme (CWBLS), Economic Resilience Fund Phase 1 (ERF1) and Economic Resilience Fund Phase 2 (ERF 2).

There were 762 respondents to the survey in Wave 1 that also responded in Wave 3. Weighted survey findings are reported for the Wave 3 results (such that actual results are weighted to represent the underlying sample frame). All respondents that participated in Wave 1 (SUGS, CWBLS, ERF1-2) were invited to take part in Wave 3. The main weight was calculated to reflect the overall profile of

businesses that were eligible for Wave 1 that received one or more of those funding types. So use of this weight allows estimates/results that apply to the whole of that population.

Additionally, throughout this section, longitudinal results are presented examining changes between results from Wave 1 and Wave 3. Here, the analysis is unweighted as it was carried out on the same respondents/enterprises questioned in both Waves 1 and 3 of the survey and is reported in terms of percentage point changes between Wave 1 and Wave 3.

Wave 3 of the Wavehill/ORS survey was undertaken between 1 September 2022 and 19 October 2022.

## 2.2. Survey responses by scheme and sector

Figure 2.1 reveals the number of survey responses to the funding schemes they received. There was a total of 820 completes in respect of recipients of SUGS, CWBLS, ERF1 and ERF2. However, it is important to note that this does not equate with 820 individual businesses, as some respondents received grants under a few different

schemes. The total number of unique enterprises represented by the 820 completes was 762. An estimated 64.2% of completes were firms known to have been micro firms, with 8.4% being SMEs<sup>7</sup>, and 0.1% being large. Over a quarter (27.3%) of the responses were classified as unknown in terms of their business employee size.

**Figure 2.1**

Response frame Wave 3 longitudinal



Fund	Applications	Survey responses	Completion rate
SUGS	200	67	34%
CWBLS	381	118	31%
ERF1	500	282	56%
ERF2	801	353	44%
<b>Total</b>	<b>1,882</b>	<b>820</b>	<b>44%</b>

<sup>7</sup> Excluding micro sized firms.

Figure 2.2 shows the number of enterprises by broad industry sector. Nearly one half of

the enterprises surveyed (47.2%) were either in Financial and business services, or Other services.

**Figure 2.2**

Number of enterprises by Sector, Wave 3 beneficiary survey



Sector	Number of enterprises	%
Primary	9	1.2
Manufacturing	56	7.4
Utilities & waste management	9	1.2
Construction	104	13.7
Wholesale & retail	81	10.7
Transport	28	3.7
Accommodation & food services	60	7.9
Communication & ICT	53	7.0
Financial & business services	223	29.4
Other services	135	17.8
All	758	100.0

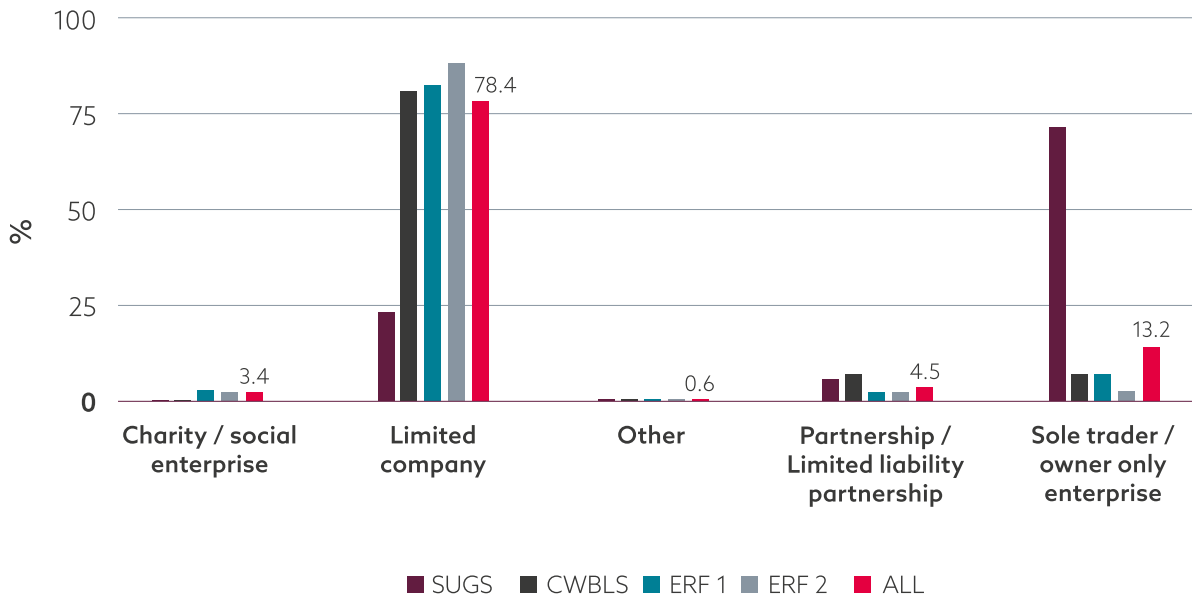
**Note 1:** Sector was unknown for 4 of the responses.

## 2.3. Organisation type of beneficiary, age and sector

Most respondent beneficiaries (78.4%) were limited companies, followed by sole trader or owner-only enterprises (13.2%), and partnership/limited liability partnership (4.5%). As shown in Figure 2.3, a further 3.4% were from charity or social enterprises. The distribution of respondents across funding schemes showed little variation except for large numbers of sole

traders or owner-only enterprises gaining SUGS (70.2%). Compared to other schemes, ERF2 had the highest proportion of successful applicants that were limited companies (89.9%) and the lowest percentage of both partnerships/limited liability partnerships (3.2%) and sole trader/owner only enterprises (also 3.2%).

**Figure 2.3**  
 Type of organisation by beneficiary scheme Wave 3 (n=752)



**Note 2:** An enterprise is included here in each of the funding streams it successfully accessed. Then a firm receiving ERF1 and ERF2 support, for example, would be included twice in the analysis.

**Note 3:** "All" includes SUGS, CWBLS, ERF1 and ERF2.

Although not shown in a separate figure, the vast proportion of successful applicants were operating or mainly based in Wales. In all cases across the schemes SUGS, CWBLS, ERF1 and ERF2 this was above 94%. Across all the schemes covered by the survey just 3.4% of respondent beneficiaries revealed that Wales was not their main base of operations.

Figure 2.4 reveals the classification of respondent beneficiaries by sector. The Financial and business services sector accounted for 29.4% of all organisations, with the percentage in this sector as high as 31.7% for recipients of ERF2. Figure 2.4 shows that the Other services

sector accounted for 17.8% of respondent beneficiaries, 7.4% were from Manufacturing, and 13.7% were from Construction.

There was some variation between funding schemes: for CWBLS respondent beneficiaries, there were slightly higher proportions of organisations from Manufacturing, Wholesale and retail, and Accommodation and food services. Just over two-fifths of CWBLS respondent beneficiaries (44.9%) were in one of these sectors. A relatively large proportion of SUGS respondent beneficiaries were in the Other services sector (35.9%).

**Figure 2.4**  
Main sector of survey respondent beneficiaries Wave 3 (n=758)

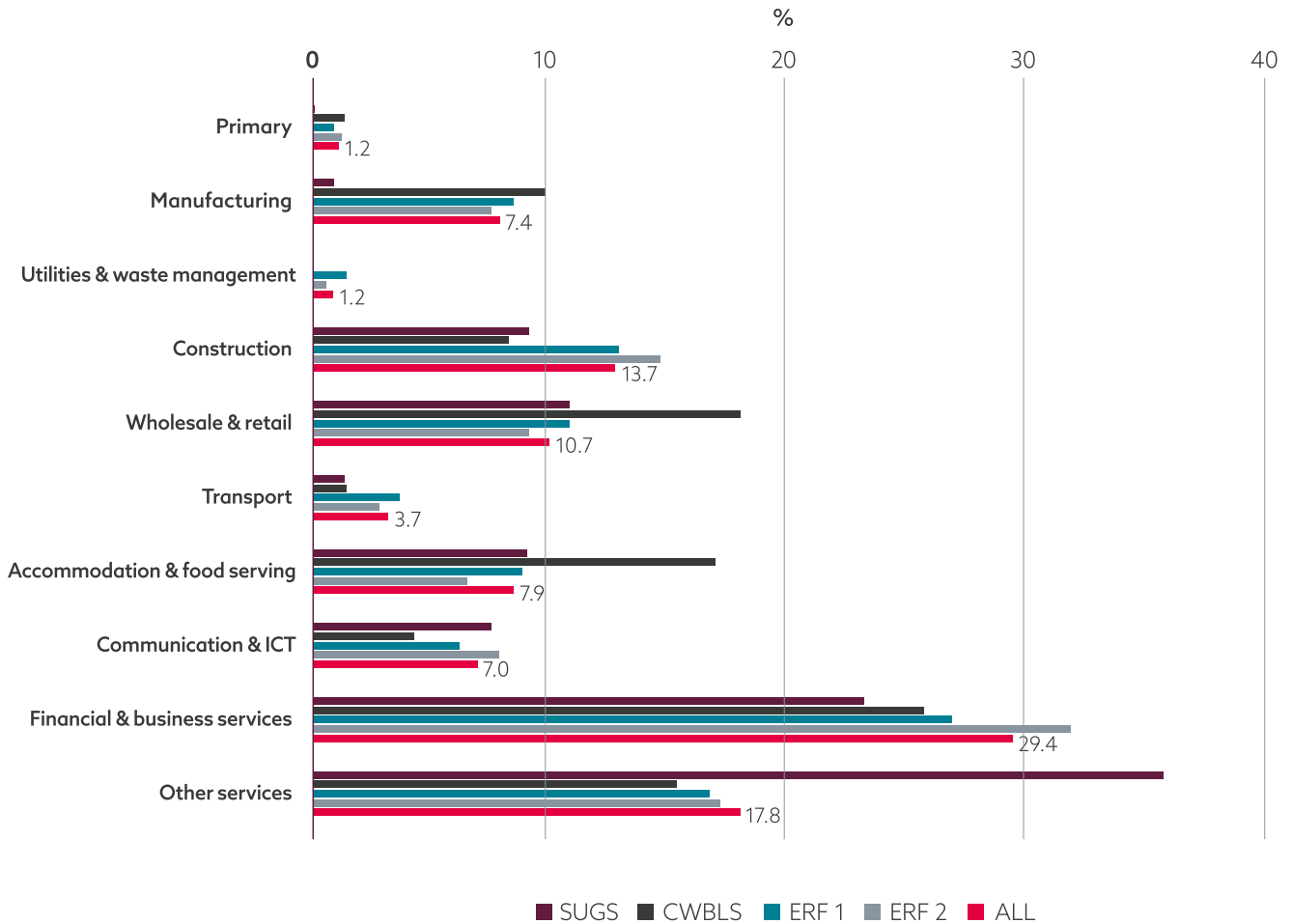
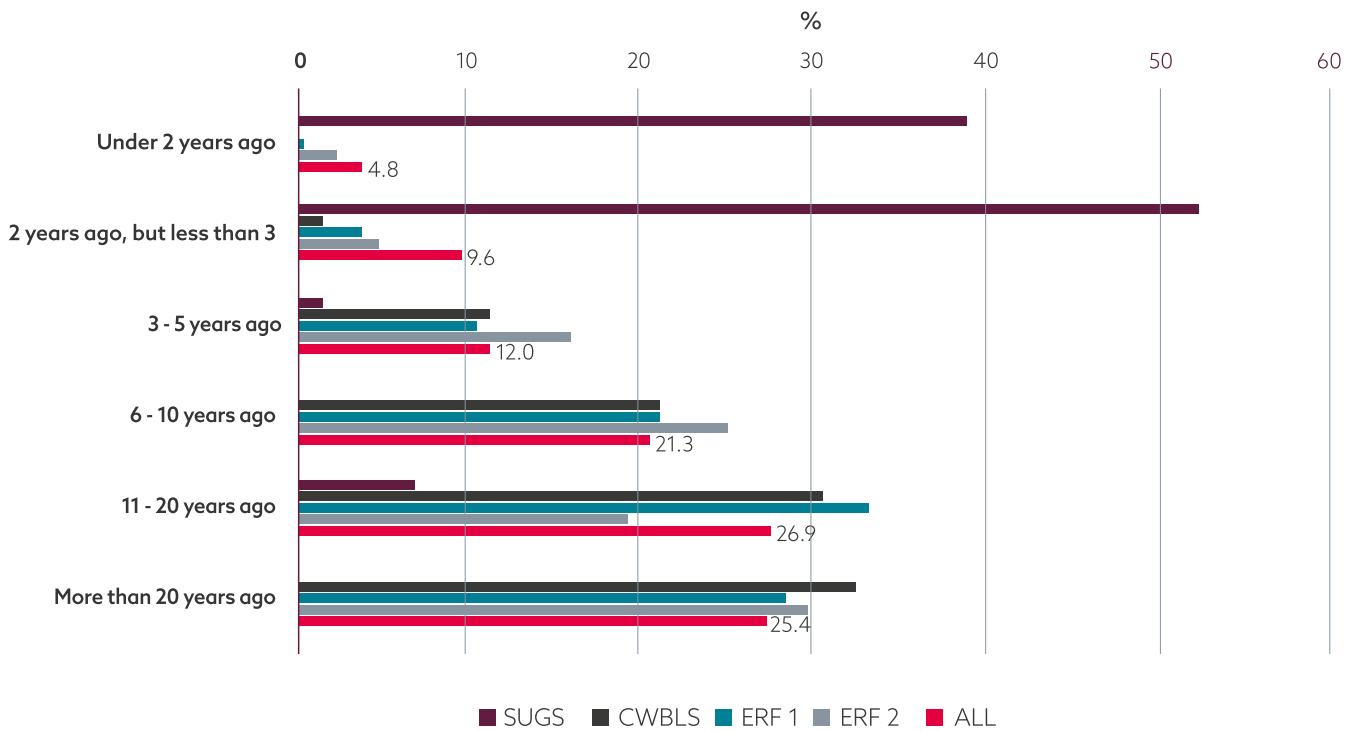


Figure 2.5 shows the age of the beneficiary organisations that responded to the survey. Less than 5% of respondent organisations were under two years old at the time of the survey, compared with 25.4% of the respondent

organisations that were over 20 years old. As would be expected, SUGS respondents were more likely to have been established 2 or less years ago, while CWBLS respondents were more likely to be older established organisations.



**Figure 2.5**  
Organisational age of survey respondent beneficiaries Wave 3 (n=757)



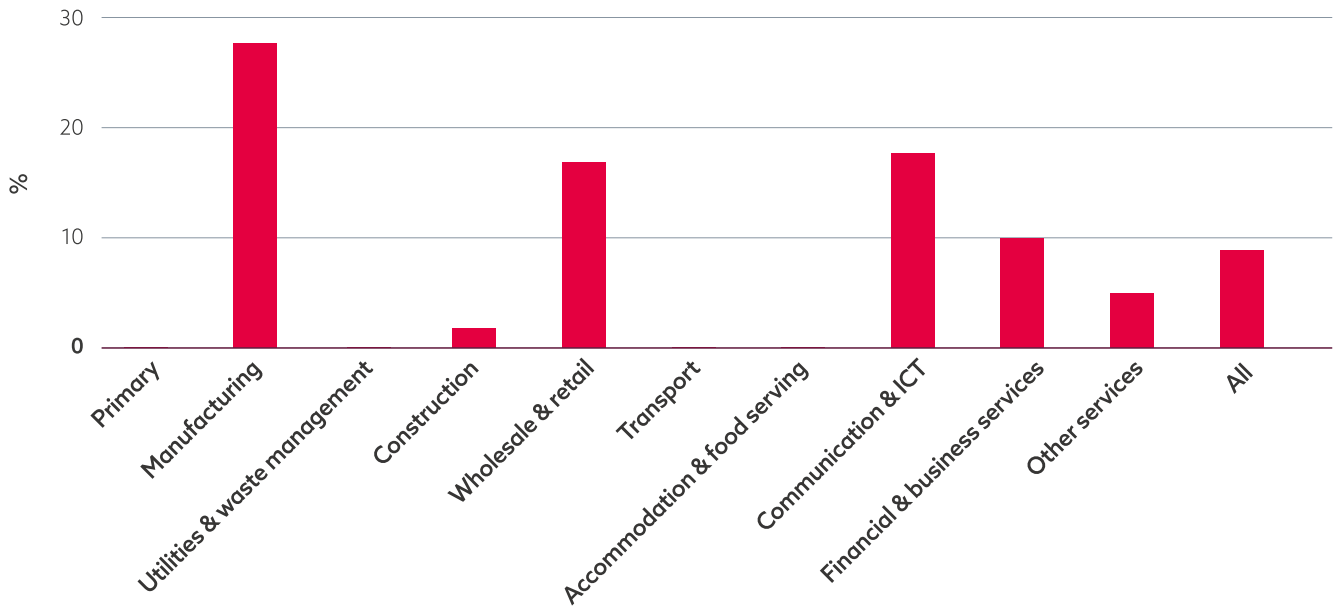
Supporting exporters was one of the objectives of the ERF schemes. Respondents were asked whether they had exported in the last 12 months. Over SUGS, CWBLS, ERF1 and ERF2, 9.1% of respondent beneficiaries had exported in the previous 12 months, with a high of 14.8% in the case of CWBLS respondent beneficiaries.

In the complete (non-longitudinal) Wave 1 survey 10% of responding organisations reported that they had exported goods or services in the 12

months preceding the survey. This percentage fell to 4.8% for the Wave 2 responding organisations. However, it should be noted that part of this difference is likely to be down to the industry structure of the respondent bases. Figure 2.6 shows that, by industry, it was organisations in Manufacturing, Communication and IT, and Wholesale and retail that were more likely to have exported in the last year.

**Figure 2.6**

*Average percentage of SUGS, CWBLS, ERF1-2 Wave 3 survey respondent beneficiaries exporting in previous 12 months, by industry (n=725)*



**Note 4:** Results by sector are unweighted.

## 2.4. Beneficiaries currently trading and then change since Wave 1

During the Covid-19 pandemic an important goal of the Welsh Government assistance was to support businesses to survive. As businesses that had ceased to trade, or were about to cease trading, may have been less likely to respond to the survey, results here may be overestimated. Nearly 94% of the organisations reported that they were trading when answering the survey (comparable figures from Wave 1 and 2 were 95% and 97% respectively).

Only 3.5% of the businesses indicated they had temporarily stopped trading and 2.7% reported that they were permanently closed. Among those

firms that were permanently closed some 64% believed that the assistance provided had helped their businesses survive for 6 months or longer than would otherwise have been the case.

The major reasons given by respondents for their enterprise permanently no longer trading included working capital issues, cash flow, and retirements. Figure 2.7 shows that the proportion of firms still trading at the time of the survey ranged between 82.2% for organisations that had received SUGS, and 95.8% for organisations that had received ERF1.

**Figure 2.7**

*Longitudinal analysis: Percentage point change in trading status from Wave 1 to Wave 3 whilst receiving SUGS, CWBLS, ERF 1-2 support (n=762)*



Longitudinal analysis of the change in trading status from Wave 1 to Wave 3, shown in Figure 2.8, indicated a 1.8 percentage point fall in the count of businesses currently trading, from 95.4% in Wave 1 to 93.6% in Wave 3. The change in the count of businesses currently trading was as high as -9.0 percentage points in the case of businesses that received SUGS (from 91.0% in Wave 1 to 82.1% in Wave 3), and as low as -0.7 of

a percentage point for recipients of ERF1 (97.5% in Wave 1, and 96.8% in Wave 3). The longitudinal analysis was unweighted as a comparison was being made with the same sample of businesses from Wave 1 and Wave 3. Consequently, there may be very slight differences in the results from the longitudinal when compared to the (weighted) overall Wave 3 analysis in this chapter.

**Figure 2.8**

Longitudinal analysis: Percentage point change in trading status from Wave 1 to Wave 3 whilst receiving SUGS, CWBLS, ERF 1-2 support (n=762)



Trading status	SUGS	CWBLS	ERF1	ERF2	ALL
No, not trading permanently closed	3	1.7	1.4	1.7	1.6
Not currently trading, however not permanently closed	6	0	-0.7	0	0.2
Yes, currently trading	-9	-1.7	-0.7	-1.7	-1.8
Total	0	0	0	0	0

Additional longitudinal analysis was carried out on two cohorts of businesses and their trading status: firstly, those receiving loans only (i.e. CWBLS and no grants SUGS, ERF1, or ERF2); and secondly businesses that received grants only. The number of businesses in the cohorts were 93 and 537 respectively. Longitudinal analysis of the

change in trading status from Wave 1 to Wave 3 indicated a 2.4 percentage point fall in the count of “grant only” businesses currently trading, from 94.2% in Wave 1 to 91.8% in Wave 3. There was no change in the comparative figure for “loan only” businesses, remaining at 97.8% currently trading from Wave 1 to Wave 3.

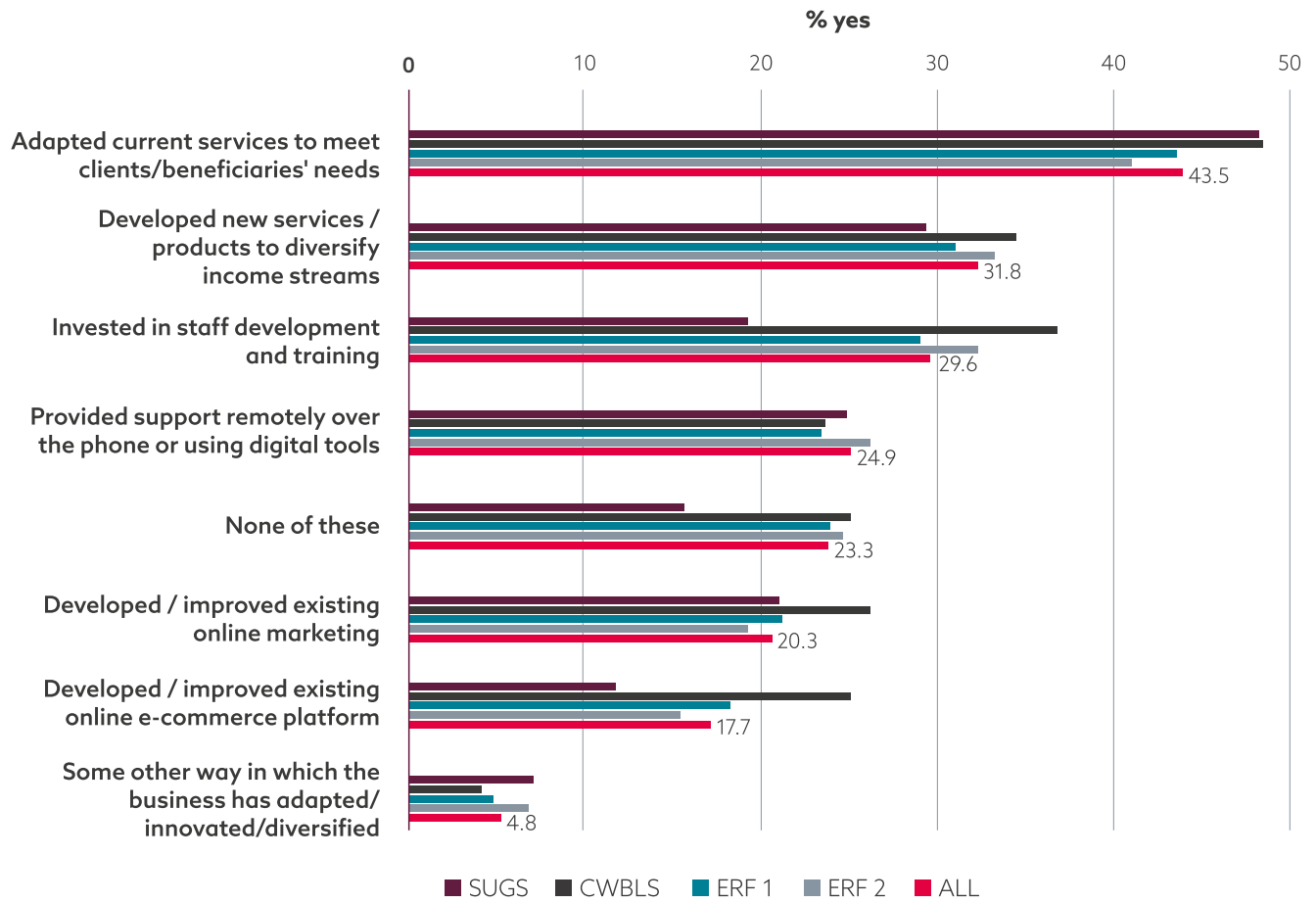
## 2.5 New ways in which beneficiaries adapted to challenges and change since Wave 1

This section aims to explain how organisations used Welsh Government support to mitigate the impact of the Covid-19 pandemic. Figure 2.9 reveals organizational responses to the pandemic and lockdown measures. Around 44% of all respondent beneficiaries reported that they had adapted current services to meet clients/beneficiaries’ needs. Some 31.8% of respondents revealed they had developed new services or products. Organisations also paid attention to the online context: 20.3% reported they developed or improved online marketing and 17.7% developed

or improved their e-commerce platform. Compared to others, CWBLS respondents tended to have been more proactive in terms of response (i.e. adapting current services, new service or product developments, online marketing, e-commerce development and other ways in which the business has developed). For example, while 29.6% of all respondents reported that they had invested in staff development and training, the comparative value for CWBLS respondent beneficiaries was 36.1%.

**Figure 2.9**

*New ways in which business has adapted to ongoing challenges Wave 3 (n=743)*



Comparing the longitudinal data from Wave 1 and Wave 3 for new ways in which businesses had adapted to ongoing challenges, there was a 9.9 percentage point fall in the count of businesses adapting current services to meet clients/beneficiaries needs. This was as high as -10.7 percentage points in the case of businesses receiving ERF2. There was also revealed to be

an -8.5 percentage point fall in the count of businesses that provided support remotely over the phone or using digital tools. Here, the fall was as high as -12.4% in the case of CWBLS. These two elements may have reported lower rates of adoption in Wave 3 as they were no longer 'new' ways in which the respondents were adapting to challenges, having been incorporated in Wave 1.

**Figure 2.10**

Longitudinal analysis: Percentage point change between Wave 1 and Wave 3 of new ways in which business has adapted to ongoing challenges (n=743)



Employment expectations changes	SUGS	CWBLS	ERF1	ERF2	ALL
Developed new services / products to diversify income streams	-6.9	0.6	1	-1	0.3
Developed / improved existing online e-commerce platform	6.7	-14	1.2	0.4	0.3
Developed / improved existing online marketing	-4.1	-4.6	3.8	-0.2	0.6
Adapted current services to meet clients/ beneficiaries' needs	1.5	-10.2	-10.1	-10.7	-9.9
Provided support remotely over the phone or using digital tools	-5.4	-12.4	-7.4	-9.6	-8.5
Some other way in which the business has adapted/innovated/diversified	4.9	-3.3	2.9	4.1	2.3
None of these	-13.6	4.7	-1.7	-0.2	-1

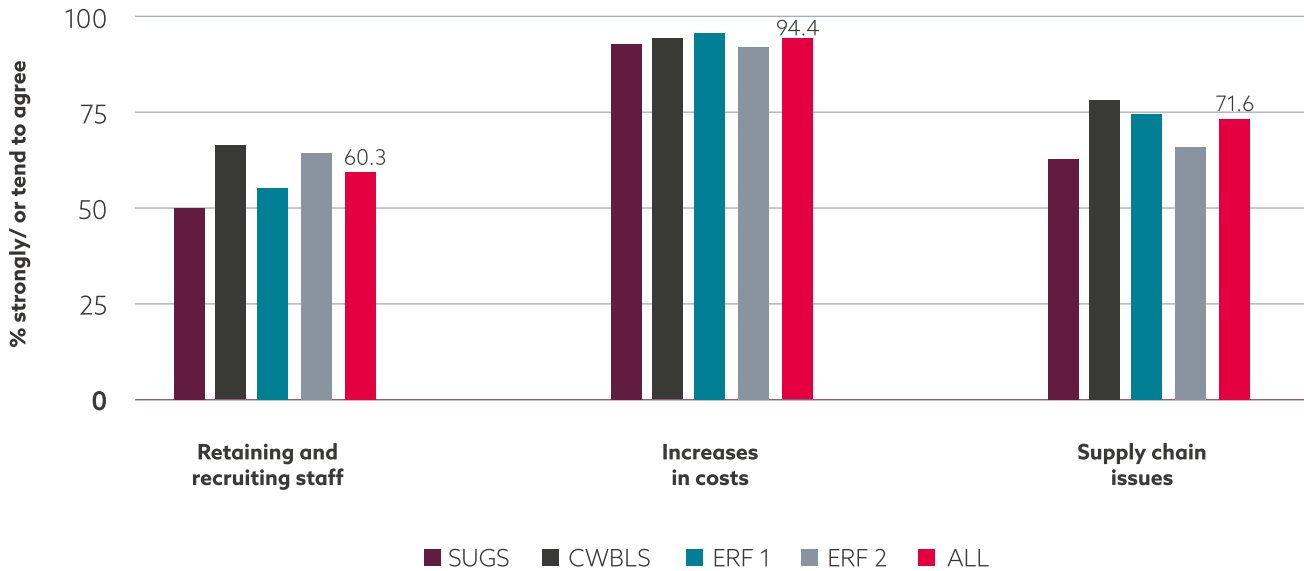
**Note 5:** The question asking whether businesses had invested in staff development and training was not included in Wave 1 of the survey.

## 2.6 Challenges facing beneficiaries during last year

Figure 2.11 shows that increases in costs were revealed as the main challenge for businesses in the previous 12 months, with 94.4% in the survey indicating they strongly, or tended to, agree. Supply chain issues were noted as a challenge by 71.6% of respondent beneficiaries, while 60.3% of respondents disclosed that retaining and

recruiting staff had been an issue. Recipients of CWBLS were most likely to indicate that they had experienced challenges with supply change issues (78.8%), and in retaining and recruiting staff (67.9%), whereas businesses that had received SUGS were least likely to report facing any of the three challenges questioned.

**Figure 2.11**  
Main challenges in the last 12 months Wave 3 (n=528)



## 2.7 Change in employment status and job expectations of respondent firm in Wave 3 and change since Wave 1

Figure 2.12 reveals that the total number of employees of respondent organisations increased from 8,341 at the time of the Wave 1 survey, to 8,554 at the time of the Wave 3 survey. The Figure also shows the distribution of employment between full-time, part-time, and

casual, indicating there were modest increases in full and part-time employee numbers between the two waves of survey. A total of 6,772 FTEs (including casuals) were reported at the time of Wave 1, with this number increasing to 6,890 at the time of Wave 3.

**Figure 2.12**

Employee numbers of Wave 1 respondents compared to employee numbers from Wave 3 (n=690)



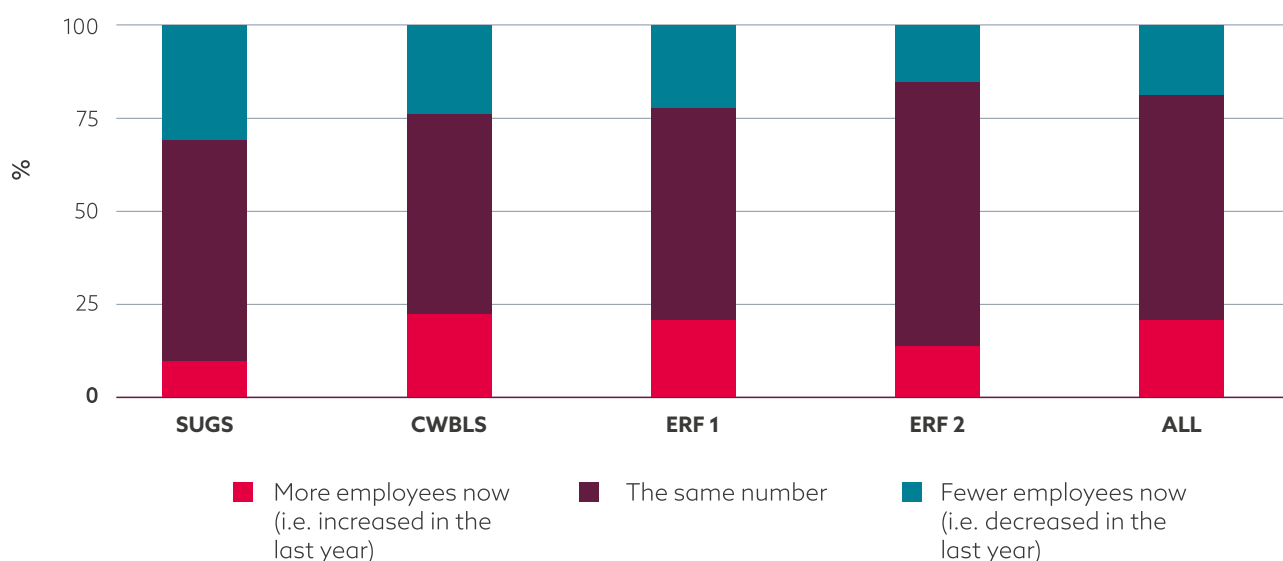
Employee types	On the payroll at time of Wave 1 survey	On the payroll at time of Wave 3 survey
Full time employees based in Wales	5,371	5,528
Part time employees based in Wales	1,631	1,692
Casual employees based in Wales	1,339	1,334
<b>Total employees</b>	<b>8,341</b>	<b>8,554</b>
Part time employees (full time equivalents (FTEs))	899	913
Casual employees (full time equivalents (FTEs))	502	449
<b>Total FTEs (including casuels)</b>	<b>6,772</b>	<b>6,890</b>
<b>Total FTEs (excluding casuels)</b>	<b>6,270</b>	<b>6,441</b>

Figure 2.13 shows that 20.1% of all respondent beneficiaries reported that employment was higher at the time of the Wave 3 survey compared to when they completed the Wave 1 survey a year previously. There is some variation across the SUGS, CWBLS, and ERF1-2 schemes. For example, in the case of CWBLS,

24.1% reported an increase in employment since a year ago, and 24.6% reported a decrease. SUGS recipients were more likely to report falling employment outcomes, with just 10.8% reporting an increase in employment in the last year and 27.2% a decrease.

**Figure 2.13**

*Employment status of respondent firm Wave 3 (n=673)*





Longitudinal analysis of expectations comparing businesses in Wave 1 and Wave 3, shown in Figure 2.14, reveals a 2.8 percentage point fall in the count of businesses reporting more employees now since the pandemic. There was some variation between the different funding

schemes, with an 8.8 percentage point fall in the case of CWBLS recipients reporting more employees now since the pandemic, while the comparative figure for SUGS recipients was a rise of 6.6 percentage points.

**Figure 2.14**

Longitudinal analysis: Percentage point change from Wave 1 to Wave 3 in employment status of respondents' enterprises (n=673)



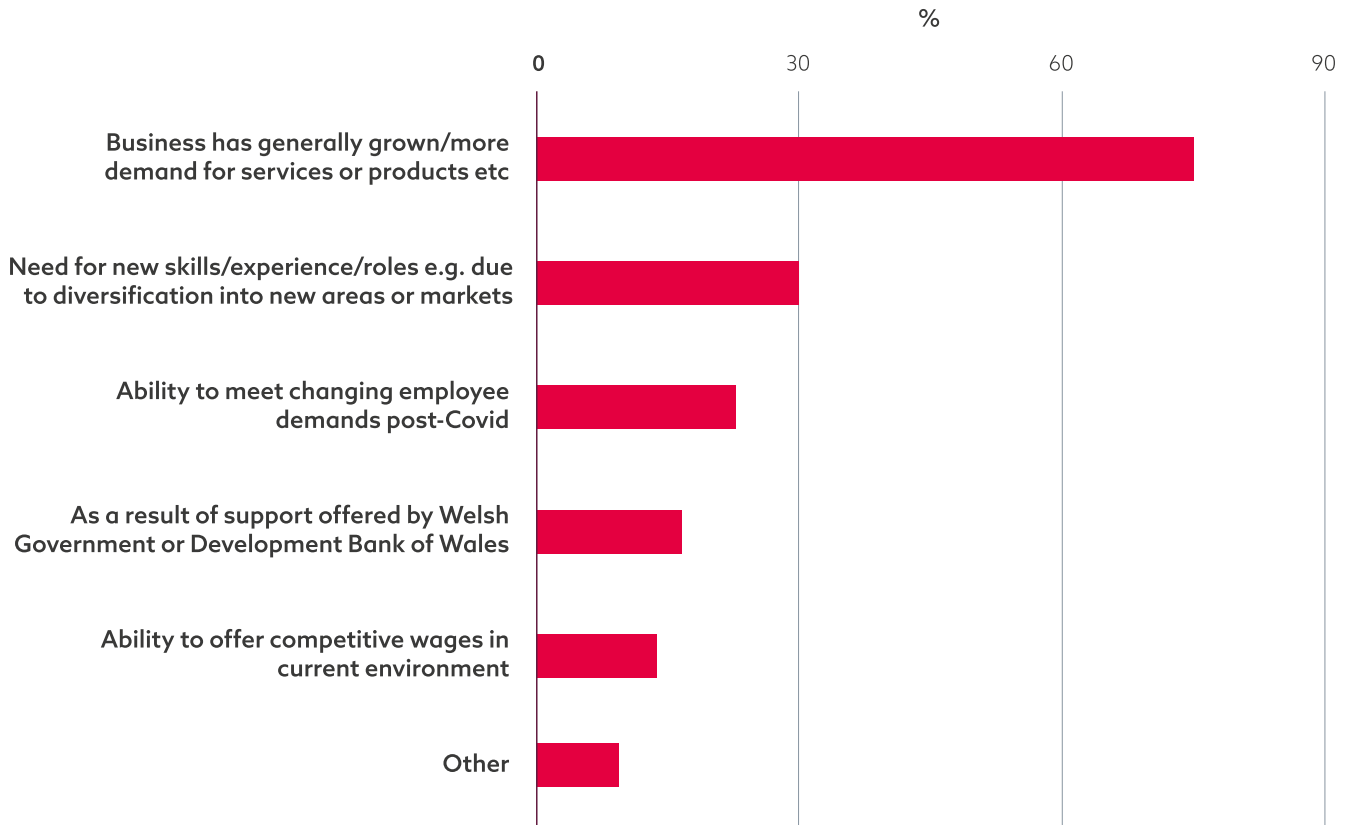
Employment changes	SUGS	CWBLS	ERF1	ERF2	ALL
More employees now (i.e. increased since pandemic)	6.6	-8.8	-3.4	-5.3	-2.8
The same number	-22.9	14.6	0.4	6.9	2.6
Fewer employees now (decreased since pandemic)	16.3	-5.8	3	-1.6	0.2

The longitudinal analysis, comparing businesses in Wave 1 and Wave 3, also highlighted that there was a 2.5 percentage point fall in the case of "grant only" recipients reporting more employees now since the pandemic (from 16.0% in Wave 1 to 13.5% in Wave 3), while the comparative figure for "loan only" recipients was a 6.5 percentage point fall (from 31.2% in Wave 1 to 24.7% in Wave 3).

Figure 2.15 reveals that, among the 117 respondents reporting increased employees since the previous year, 73.6% said that a reason for this was their business had generally grown/more demand for services or products. Some 30.4% indicated the need for new skills/experience/roles was a main reason for rising employee numbers, and 21.5% indicated the ability to meet changing employee demands post-Covid.

**Figure 2.15**

*Main reasons staff numbers had increased when compared to one year ago Wave 3 (n=117)*

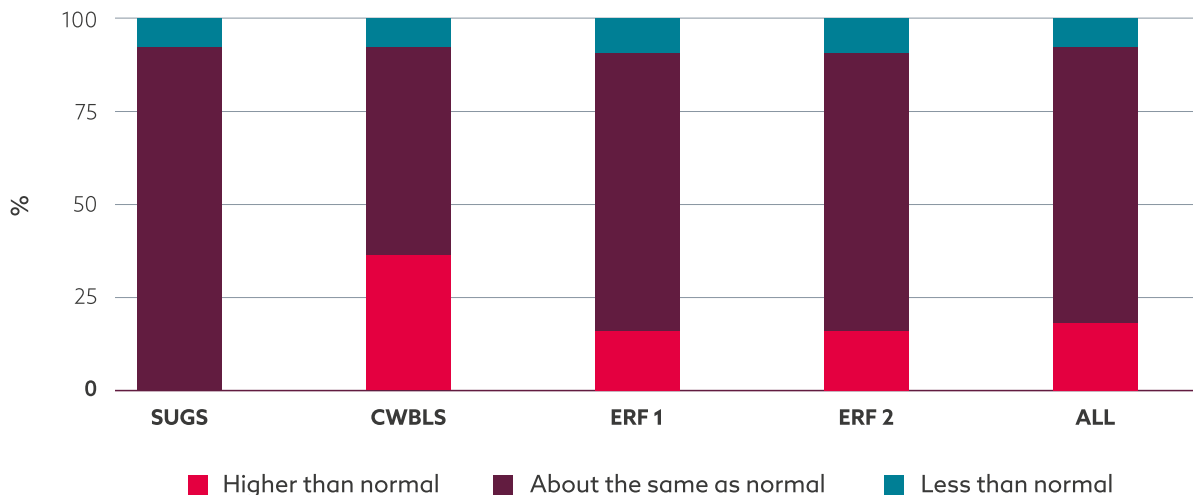


Where staff numbers had decreased compared to one year ago, the main reasons given were that their business had shrunk (39.3%); wage inflation pressures (35.3%); general recruitment issues in the industry (33.6%); and skills shortages (29.6%, n=108). Staff turnover, in the twelve months before the Wave 3 survey, was noted as higher than normal for 18.7% of all respondents.

Figure 2.16 shows that 71.4% of respondents believed staff turnover had been about the same as normal, while 9.9% indicated it had been less than normal. By funding stream, recipients of CWBLS were most likely to report a higher than normal staff turnover in the previous year, at 36.0%.

**Figure 2.16**

*Levels of staff turnover in the last twelve months Wave 3 (n=639)*



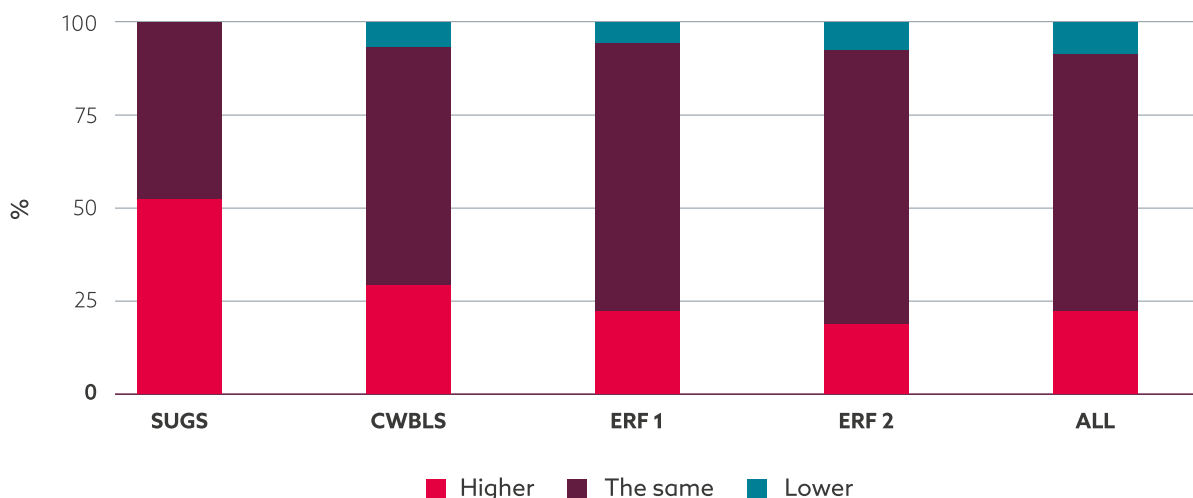
Around 14% of respondent beneficiaries reported unfilled vacancies that had existed for six months or more (n=690). Recipients of CWBLS (22.9%) and SUGS (20.6%) were most likely to reveal unfilled vacancies of six months or longer.

The survey asked respondents to forecast employment prospects for the 12 months after the survey: 23.2% said they would have more

employees (fewer than the Wave 1 result at 35.0%, and the Wave 2 result at 44.1%). Analysis of individual funding schemes shows that this value was highest at 51.4% for SUGS beneficiaries (see Figure 2.17). Some 7.4% of all respondent beneficiaries believed employment would be lower in 12 months' time (this was higher than the comparative figure in Wave 1 at 4.5%, and Wave 2 at 2.5%).

**Figure 2.17**

*Expectations of employee numbers in one year's time Wave 3 (n=691)*



The longitudinal analysis comparing Wave 1 and Wave 3, shown in Figure 2.18, indicates that there was a 12.9 percentage point fall in the count of businesses reporting an expectation of higher employee numbers in one year's time, and a 10.6 percentage point increase in businesses predicting the same employee numbers in one

year's time. By funding stream, there was a 23.2 percentage point fall in the count of businesses who had received CWBLS reporting an expectation of higher employment in one year's time. Contrastingly, the comparative figure for SUGS beneficiaries was a 14.0 percentage point increase.

**Figure 2.18**

Longitudinal analysis: Percentage point change in expectations of employee numbers in 12 months from Wave 1 to Wave 3 (n=691)



Employment expectations changes	SUGS	CWBLs	ERF1	ERF2	ALL
Higher	14.0	-23.2	-11.8	-13.5	-12.9
The same	-14.0	18.7	8.8	12.3	10.6
Lower	0.0	4.5	3.0	1.2	2.3

## 2.8 Analysis of beneficiary turnover and expectations

Figure 2.19 shows the percentage of respondent beneficiaries by turnover in their most recently completed financial year. Recipients of SUGS were more likely to report turnover in the lower

categories, with a quarter of these respondent beneficiaries in the "up to £10,000 category". Contrastingly, over a third of CWBLS beneficiaries (36.4%) indicated a turnover of more than £1m.

**Figure 2.19**

Turnover status of respondent beneficiaries in their most recently completed financial year Wave 3 (n=675)



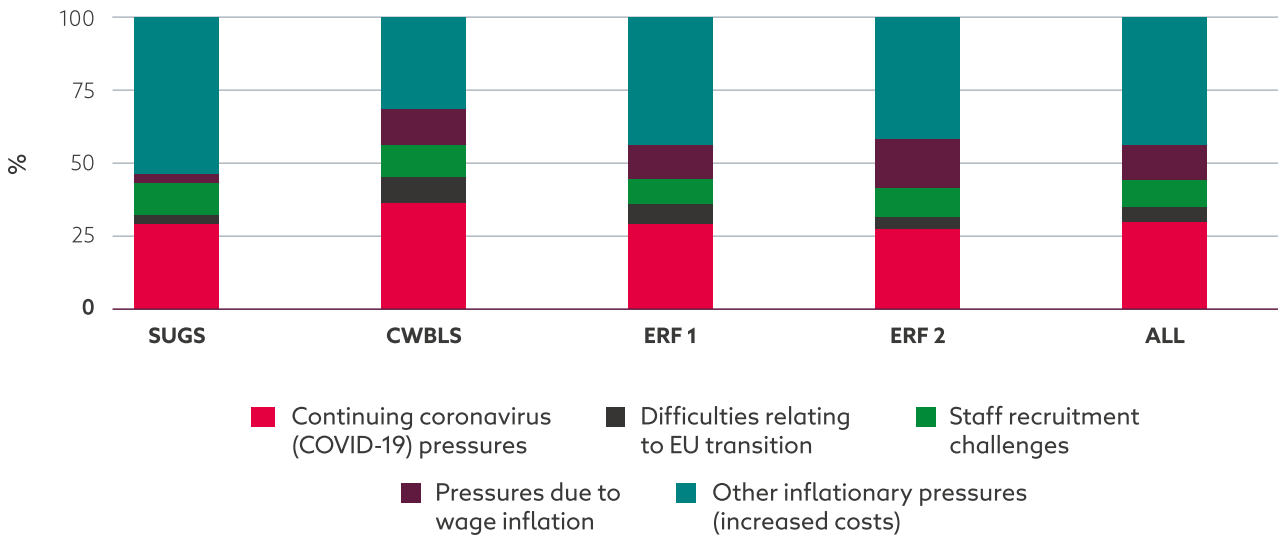
Turnover	SUGS	CWBLS	ERF1	ERF2	ALL
	%(n=55)	%(n=107)	%(n=260)	%(n=309)	%(n=675)
Up to £10,000	25.2	2.9	3	2.8	4.8
£10,001 to £25,000	28.8	4.2	0.7	4.8	4.9
£25,001 to £50,000	23.4	2	5.3	11.3	8.5
£50,001 to £75,000	12.6	6.6	6.2	13.1	8.6
£75,001 to £100,000	1.8	4.4	15	9.7	11.2
£100,001 to £150,000	1.8	9.3	14.4	10.4	11.3
£150,001 to £200,000	0	3.3	7	5.5	5.8
£200,001 to £250,000	0.9	1.3	5.6	2.4	3.9
£250,001 to £350,000	0	3.7	6.3	2.8	4.6
£350,001 to £500,000	1.8	8.9	8.8	4.1	7.1
£501,000 to £1m	3.6	17.1	12.9	9.1	11.1
£1.01m to £2.5m	0	14.3	8.9	11.6	9
£2.51m to £5m	0	12.2	2.7	6	4.6
£5.01m to £10m	0	9.9	1.5	4.1	3
More than £10m	0	0	1.6	2.2	1.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Respondent beneficiaries were most likely to indicate that key factors impacting turnover in the year to 31 March 2022, were continuing coronavirus (COVID-19) pressures (58.6%), other inflationary pressures (besides wages) (56.1%), and pressures due to wage inflation (29.9%). CWBLS respondents were most likely to reveal that pressures due to wage inflation had been a key impact on turnover in the year to 31 March 2022, with 69.1% reporting this.

Longitudinal analysis on the key factors impacting on business turnover was restricted as only two key factors were questioned in Wave 1 – these being the Coronavirus (COVID-19) pandemic, and End of the EU transition period. There was a 34.0 percentage point fall in the count of businesses reporting the Coronavirus pandemic had impacted turnover between Wave

1 and Wave 3, and a 2.0 percentage point fall in businesses indicating that difficulties relating to EU transition had impacted turnover over the same period (albeit this latter impact coming from a much lower base in Wave 1 at 17.7%, as compared to 94.7% mentioning the Coronavirus pandemic in Wave 1. When asked to pinpoint the factor that had the greatest impact on turnover over the 12 months to 31 March 2022, respondent beneficiaries were most likely to identify other inflationary pressures (increased costs) (42.6%). This percentage was as high as 53.5% for SUGS beneficiaries, and as low as 31.0% for businesses receiving CWBLS. A total of 29.6% of all respondent beneficiaries indicated that continuing coronavirus (COVID-19) pressures had the greatest impact on turnover since Wave 1.

**Figure 2.20**  
**Greatest impact on turnover in the 12 months to 31 March 2022 Wave 3 (n=423)**

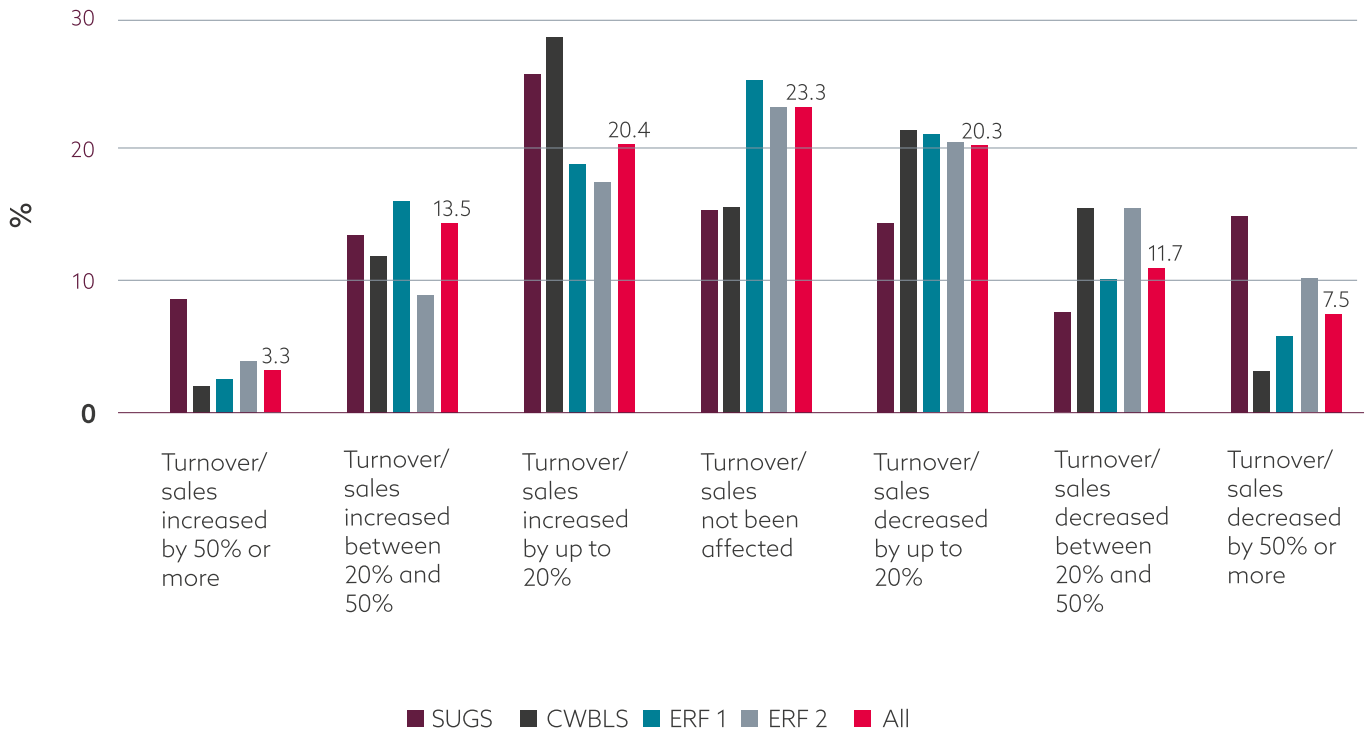


As only two possible impacts on turnover were questioned in Wave 1, there is no direct comparison between Wave 1 and Wave 3 possible. However, it can be noted that, in Wave 1, a total of 90.0% of all respondents believed that the Coronavirus (Covid-19) pandemic had the greatest impact on turnover in the 12 months up to 31 March 2021 (n=120). The comparative figure for difficulties relating to EU transition causing the greatest impact in Wave 1 was 10%.

This next part discusses how organisational performance, in terms of turnover, changed compared to what respondents would normally

have expected for the period, in their most recently completed financial year. Nearly a quarter (23.3%) of respondent beneficiaries said that their turnover had not been affected. A fifth of respondents (20.4%) said their turnover had increased by up to 20% compared to expectations, while a similar proportion (20.3%) noted their turnover had decreased by up to 20% compared to expectations. SUGS and CWBLS recipients were most likely to have responded that their turnover had increased by up to 20%, while ERF1 and ERF2 recipients were more likely to note that turnover had not been affected.

**Figure 2.21**  
 Respondents view on how turnover in most recently completed financial year compared to what they would normally have expected Wave 3 (n=642)



In the Wave 1 survey, respondents were asked how the coronavirus (COVID-19) pandemic affected their turnover compared to what they would normally have expected. Figure 2.22 compares those results to the Wave 3 findings for respondents' turnover against expectations

in their most recently completed financial year. This longitudinal analysis reveals falls of 16.6 percentage points, and 21.4 percentage points, in the count of businesses from Wave 1 to Wave 3 who saw turnover decrease by 20-50% and over 50% respectively.

**Figure 2.22**

Longitudinal analysis: Percentage point change in turnover category from Wave 1 to Wave 3 for businesses most recently completed financial year (n=642)



Change in turnover compared to what expected	SUGS	CWBLS	ERF1	ERF2	ALL
Turnover/sales increased by 50% or more	3	-1.6	0.3	1.8	0.9
Turnover/sales increased between 20% and 50%	9.9	10.7	12.1	4.2	8.8
Turnover/sales increased by up to 20%	21.8	10.3	14.5	7.6	10.9
Turnover/sales not been affected	16.7	14.5	15.2	17.1	16.7
Turnover/sales decreased by up to 20%	7.6	0.4	-2.8	5.6	0.7
Turnover/sales decreased between 20% and 50%	-16.8	0.2	-18.7	-19.5	-16.6
Turnover/sales decreased by 50% or more	-42.2	-34.4	-20.6	-16.8	-21.4

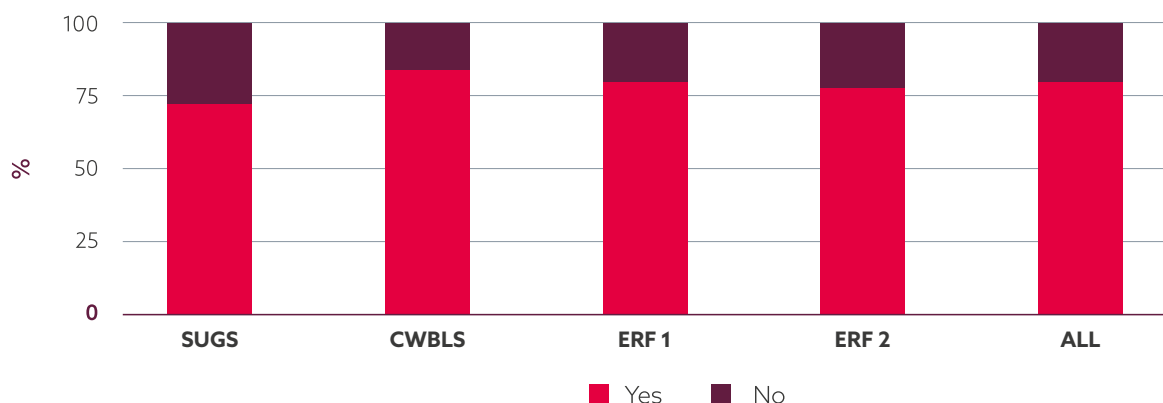
## 2.9 Profit performance of beneficiaries

Profit status of respondents in Wave 3 and change since Wave 1. Wave 3 survey responses by respondent beneficiaries, in terms of profits status, were relatively positive. Figure 2.23 shows that over three-quarters of respondents (76.7%) reported that, taking into account all sources of income in their last complete financial year,

they generated a profit or surplus. By beneficiary scheme, recipients of CWBLS were most likely to have reported a profit in their last complete financial year, with 81.1% responding positively, set against 73.6% in the case of SUGS respondent beneficiaries.

**Figure 2.23**

*Did respondent beneficiaries generate a profit or surplus in their last complete financial year? Wave 3 (n=715)*





A longitudinal comparison of the profit status of businesses in their last complete financial year reveals an encouraging 11.5 percentage point increase from Wave 1 to Wave 3 in the count of businesses indicating a profit. Figure 2.24 shows that this increase was as high as 15.5 percentage points for ERF1, and 15.0 percentage points for SUGS recipients.

The longitudinal analysis of the profit status of businesses in their last complete financial year also shows that there was a 10.8 percentage point increase from Wave 1 to Wave 3 in the count of "loan only" businesses indicating a profit. The comparative figure for "grant only" businesses was an increase of 10.4 percentage points.

**Figure 2.24**

Longitudinal analysis: Percentage point change in profit status from Wave 1 to Wave 3 in businesses last complete financial year (n=715)



Made a profit?	SUGS	CWBLs	ERF1	ERF2	ALL
No	-15	-12.4	-15.5	-8.8	-11.5
Yes	15	12.4	15.5	8.8	11.5

By industry sector in Wave 3, there was some variation in the proportion of respondents indicating their enterprise had made a profit or surplus in their last completed financial year. For example, in Wholesale and retail, Transport, and Communication and IT, more than 80% of the respondents made a profit.

In Manufacturing, Construction, and Other Services the comparative figure was just over 70% (it should be noted that the number of responses for businesses in the Primary sector and Utilities and waste was relatively few, at 9 and 7 respectively).

## 2.10 Respondent demographics Wave 3

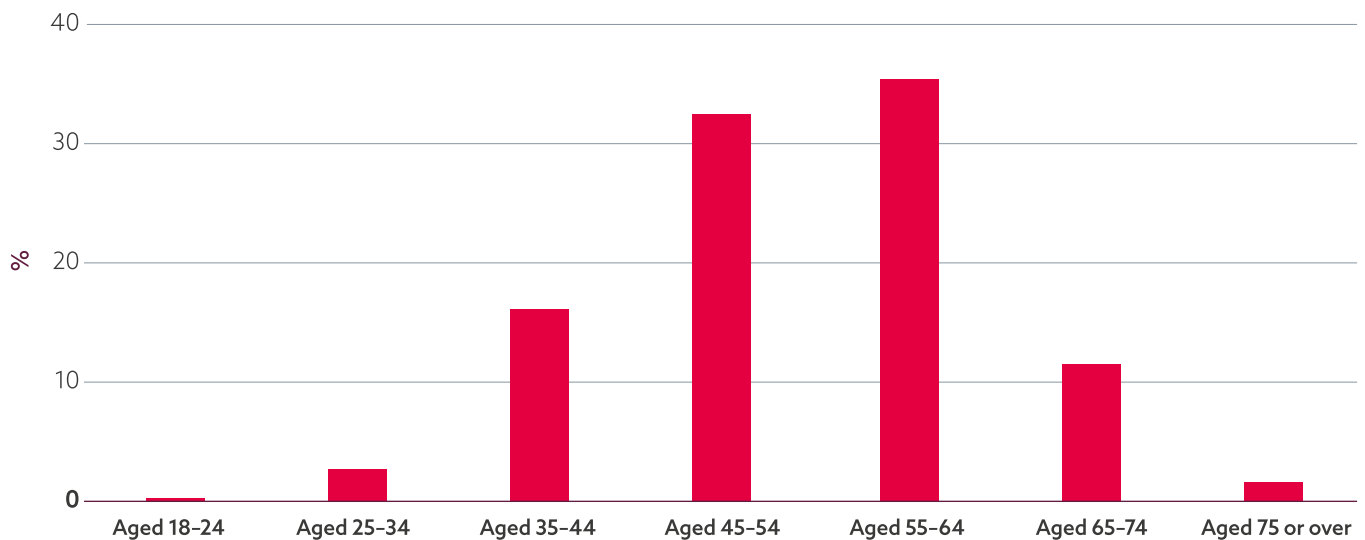
The survey also collected information about the individual respondents completing the survey. It is accepted that this might not represent owners of the enterprise. However, this still provides some insights into the nature of individual respondent beneficiaries. Over two-thirds of respondents (67.5%) were between 45 to 64 years of age; with Figure 2.25 showing around 16% of respondents were aged from 35 to 44 years, and 11.6% in the 65 to 74 years old category.

Other information from the Wave 3 survey revealed that:

- 76.9% of respondent beneficiaries were male; this ranged from 55.7% for the SUGS scheme to 80.7% for ERF1.

- The proportion of respondents that were from a Black, Asian, or Minority Ethnic background varied from 0.9% for CWBLS respondent beneficiaries to 6.4% in the case of ERF2 respondent beneficiaries (overall across all the schemes SUGS, CWBLS, ERF1, and ERF2, 3.5%).
- The proportion of respondents with a long-term health condition or disability varied between 8.8% for ERF1 respondent beneficiaries and 18.3% for SUGS respondent beneficiaries (all schemes SUGS, CWBLS, ERF1 and ERF2, 10.1%).

**Figure 2.25**  
Age of survey respondents (n=655)



## 3.1 Introduction

This section of the report focuses on the results from the Wavehill/ORS survey of beneficiaries, Wave 4 longitudinal. The survey covers beneficiaries of Economic Resilience Fund Phase 3 (ERF3) to Economic Resilience Phase 8 (ERF8). There were 737 respondents to the survey in Wave 2 that also responded in Wave 4. Weighted survey findings are reported for the Wave 4 results (such that actual results are weighted to represent the underlying sample frame). All respondents that participated in Wave 2 (ERF3-8) were invited to take part in Wave 4. The main weight was calculated to reflect the overall profile of businesses that were eligible for Wave 2 that

received one or more of those funding types. So use of this weight allows estimates/results that apply to the whole of that population.

Additionally, throughout this section, longitudinal results are presented examining changes between results from Wave 2 and Wave 4. Here, the analysis is unweighted as it was carried out on the same respondents/enterprises questioned in both Waves 2 and 4 of the survey and is reported in terms of percentage point changes between Wave 2 and Wave 4. Wave 4 of the Wavehill/ORS survey was undertaken between the 5 April 2023 and the 23 May 2023.

## 3.2 Survey responses by scheme and sector

Figure 3.1 summarises the completes from the fourth survey in relation to the number of successful applications under each scheme. There was a total of 1,385 completes in respect of recipients of ERF3 to ERF8. However, it is important to note that this does not equate with 1,385 individual businesses, as some respondents

received grants under different schemes. The total number of unique enterprises represented by the 1,385 completes was 737. An estimated 75.0% of completes were firms known to have been micro (or nano) firms, with 23.4% small, 0.8% medium, and 0.8% large.

**Figure 3.1**  
Response Frame Wave 4 Longitudinal



Fund	Applications	Survey responses	Completion rate
ERF3	661	250	38%
ERF4	1,105	434	39%
ERF5	283	111	39%
ERF6	710	287	40%
ERF7	292	110	38%
ERF8	517	193	37%
<b>Total</b>	<b>3,569</b>	<b>1,385</b>	<b>39%</b>

Figure 3.2 shows the number of enterprises by broad industry sector. Two-fifths of the

enterprises surveyed (39.7%) were in the Accommodation and food services sector.

## Figure 3.2

Number of enterprises to the Wave 4 beneficiary survey (unweighted)



Sector	Number of enterprises	%
Primary	3	0.4
Manufacturing	42	5.7
Utilities & waste management	2	0.3
Construction	12	1.6
Wholesale & retail	56	7.7
Transport	18	2.5
Accommodation & food services	290	39.7
Communication & ICT	21	2.9
Financial & business services	116	15.9
Other services	171	23.4
<b>Total</b>	<b>731</b>	<b>100</b>

**Note 1:** Sector was unknown for 6 of the responses.

## 3.3 Organisational type of beneficiary, age and sector

Most respondent beneficiaries (74.5%) were limited companies, followed by sole trader or owner-only enterprises (8.9%), and charity/social enterprise (7.5%). A further 5.5% were a partnership/limited liability partnership (4.5%).

The distribution of beneficiary respondents across funding schemes showed little variation except in the case of recipients of ERF3. Here, beneficiaries of the ERF3 fund were most likely to be a limited company (87.5%) but least likely to be any of the other types of organisations when compared with the funding streams ERF4 to ERF8.

Although not shown in a separate figure, the vast proportion of successful applicants were operating or mainly based in Wales. In all cases across the schemes ERF3 to ERF8 this was above 96%. Across all the schemes covered by the survey just 1.9% of respondent beneficiaries revealed that Wales was not their main base of operations.

Figure 3.3 reveals the classification of respondent beneficiaries by sector. The Accommodation and food services sector accounted for 39.7% of all organisations, with the range of respondents in this sector as high as 59% for recipients of ERF5 and ERF8, and as low as 19% for recipients of ERF3. Figure 3.3 shows that the Other services sector accounted for 23.4% of respondent beneficiaries, Financial and business services 15.9%, and construction just 1.6%. There was some variation between funding schemes: for ERF3 respondent beneficiaries, there were slightly higher proportions of organisations from Manufacturing, Wholesale and retail, and Financial and business services. Almost three-fifths of ERF5 and ERF8 recipients were in the Accommodation and food services sectors (59.1% and 58.9% respectively).

**Figure 3.3**  
Main sector of survey respondent beneficiaries Wave 4 (n=731)

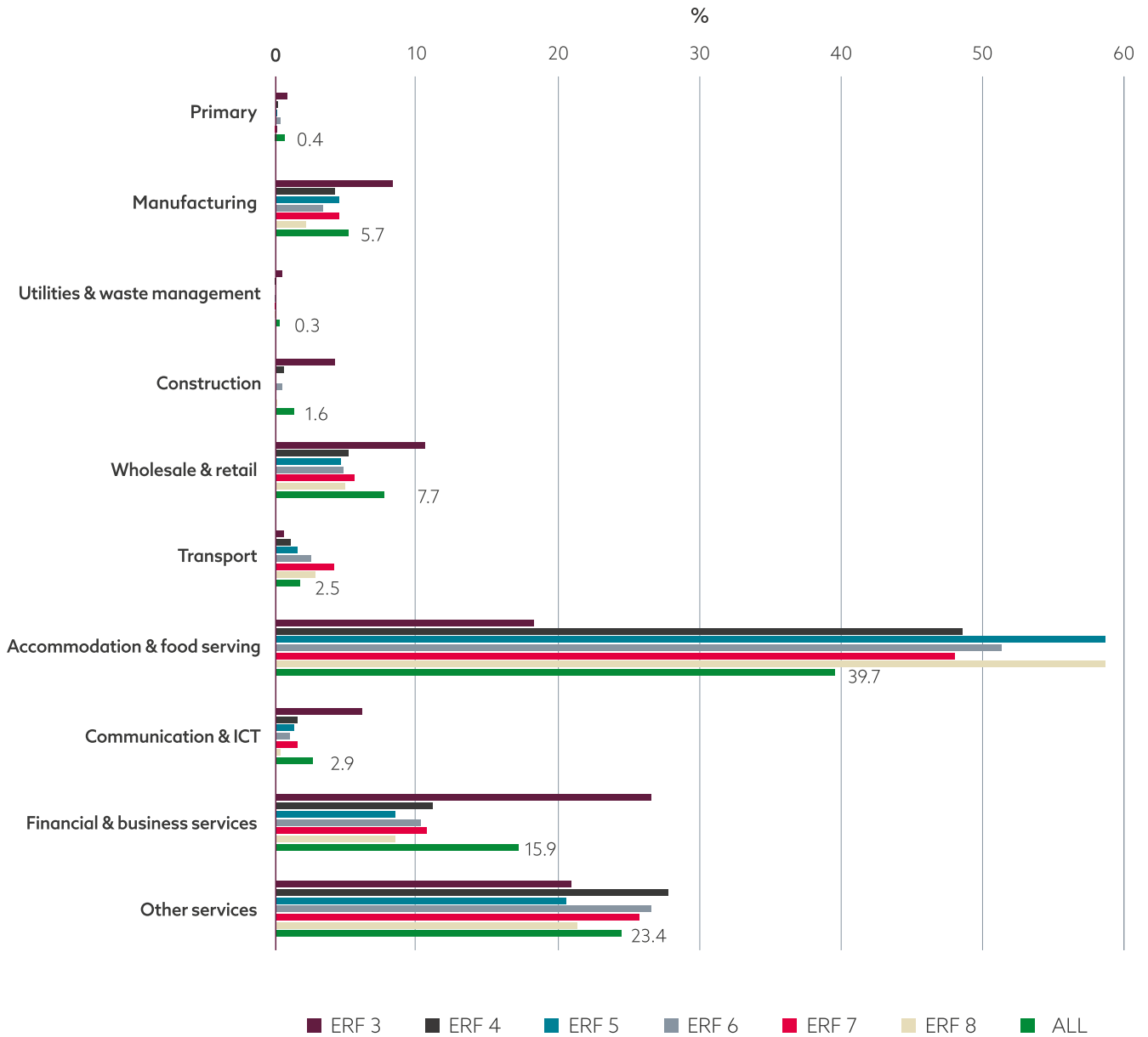
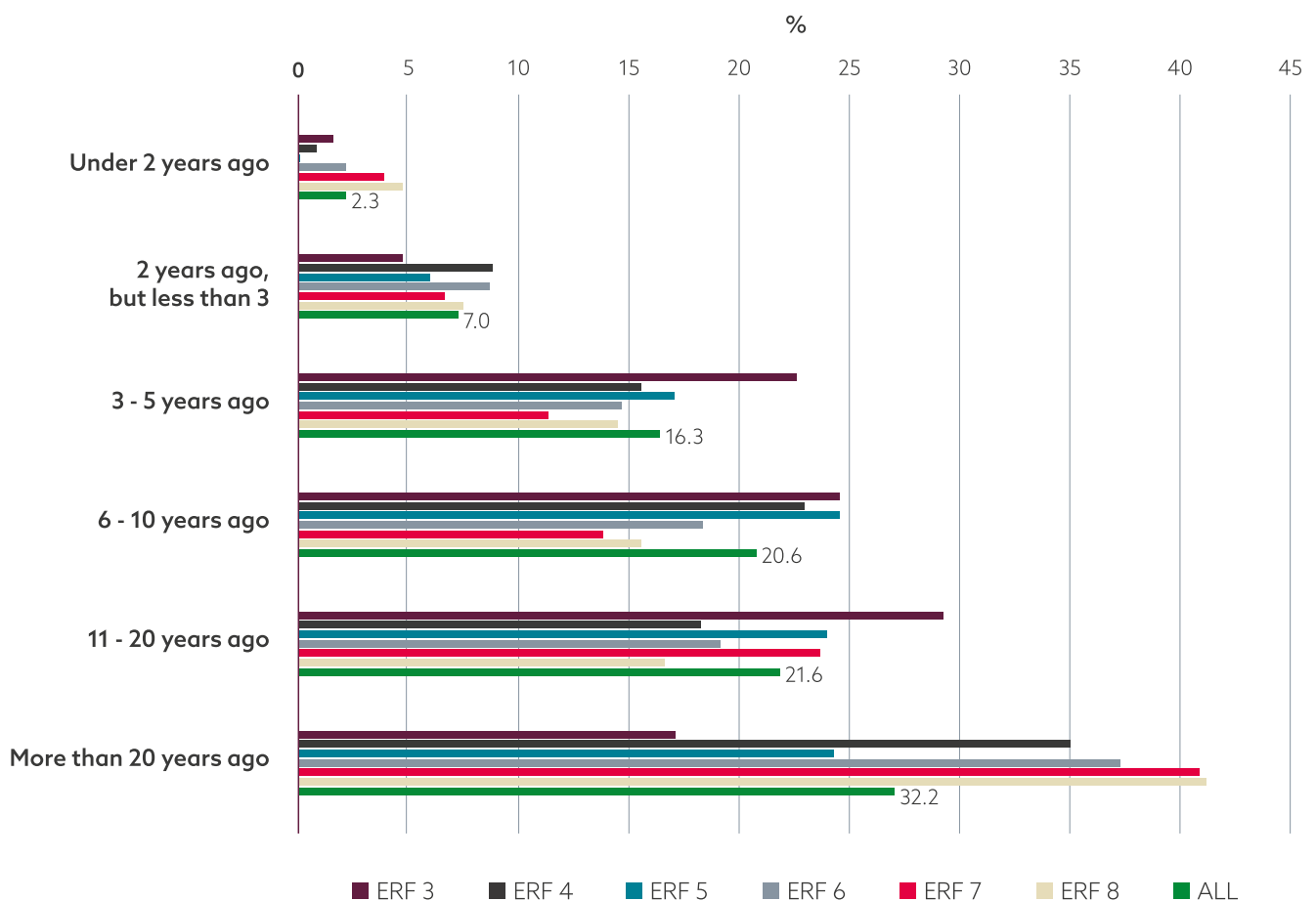


Figure 3.4 shows the age of the beneficiary organisations that responded to the survey. Just 2.3% of respondent organisations were under two years old at the time of the survey, compared with 32.2% of the respondent organisations that were over 20 years old. By individual funding schemes, ERF7 and ERF8

beneficiaries were more likely to be from the extremes of the age categories. ERF3 recipients had the largest proportion, compared to the other funding schemes, in all three age categories of 3-5 years old, 6-10 years old, and 11-20 years old.

**Figure 3.4**  
Organisation age of survey respondent beneficiaries Wave 4 (n=715)

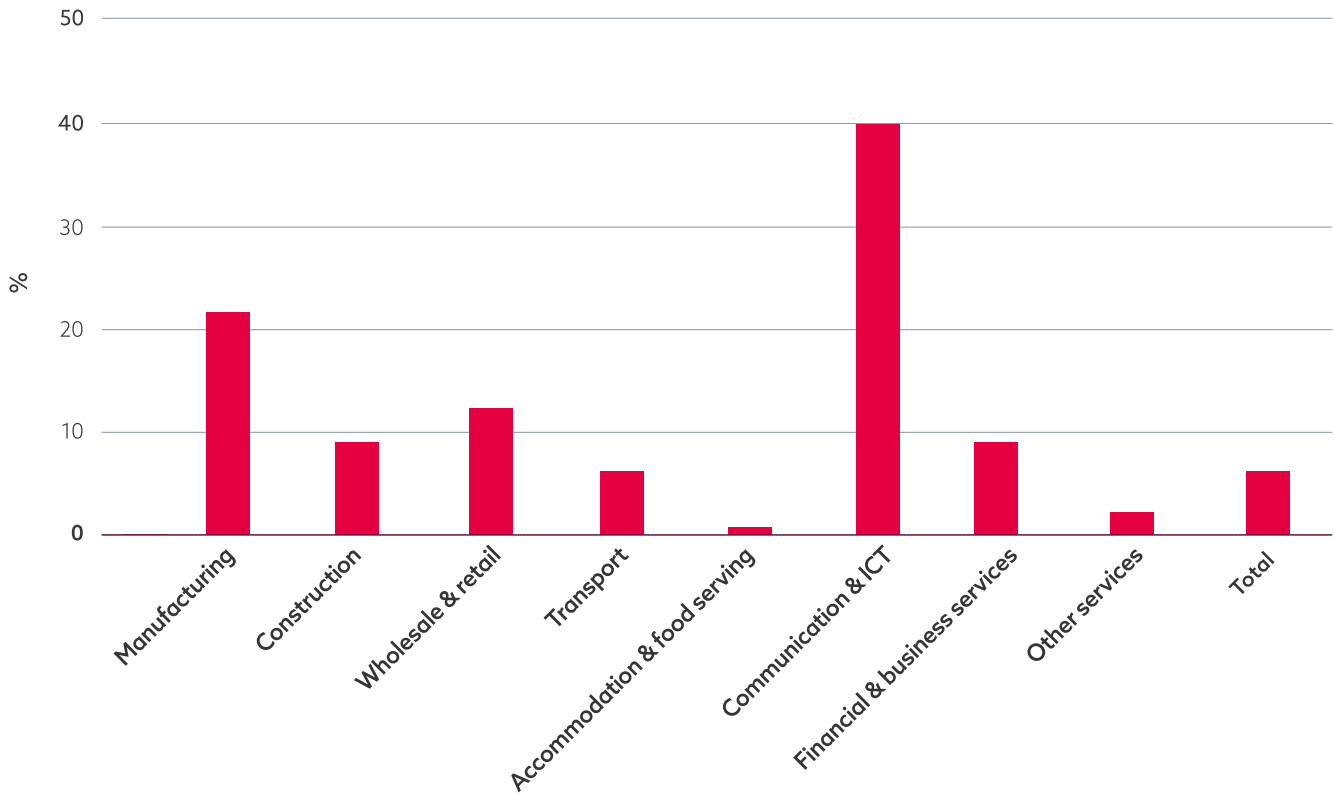


Supporting exporters was one of the objectives of the ERF schemes. Respondents were asked whether they had exported in the last 12 months. Over ERF3 to ERF8, 5.4% of respondent beneficiaries had exported in the previous 12 months, ranging from a high of 12.6% in the case of ERF3 respondent beneficiaries to a low of 0.7% for ERF8.

In the complete (non-longitudinal) Wave 1 survey 10.0% of responding organisations reported that they had exported goods or services in the 12 months preceding the survey. This percentage fell to 4.8% for the Wave 2 responding organisations and increased to 9.1% for Wave 3. However, it should be noted that part of this difference is likely to be down to the industry structure of the respondent bases.

**Figure 3.5**

*Average percentage of ERF3 to ERF8 survey respondent beneficiaries exporting in previous 12 months, by industry Wave 4 (n=685)*



**Note 4:** Results by sector are unweighted.

**Note 5:** The "Primary" and "Utilities and waste" sector categories have been removed as the sample size was so very small (n=2 and n=3 respectively).

## 3.4 Beneficiaries currently trading and change since Wave 2

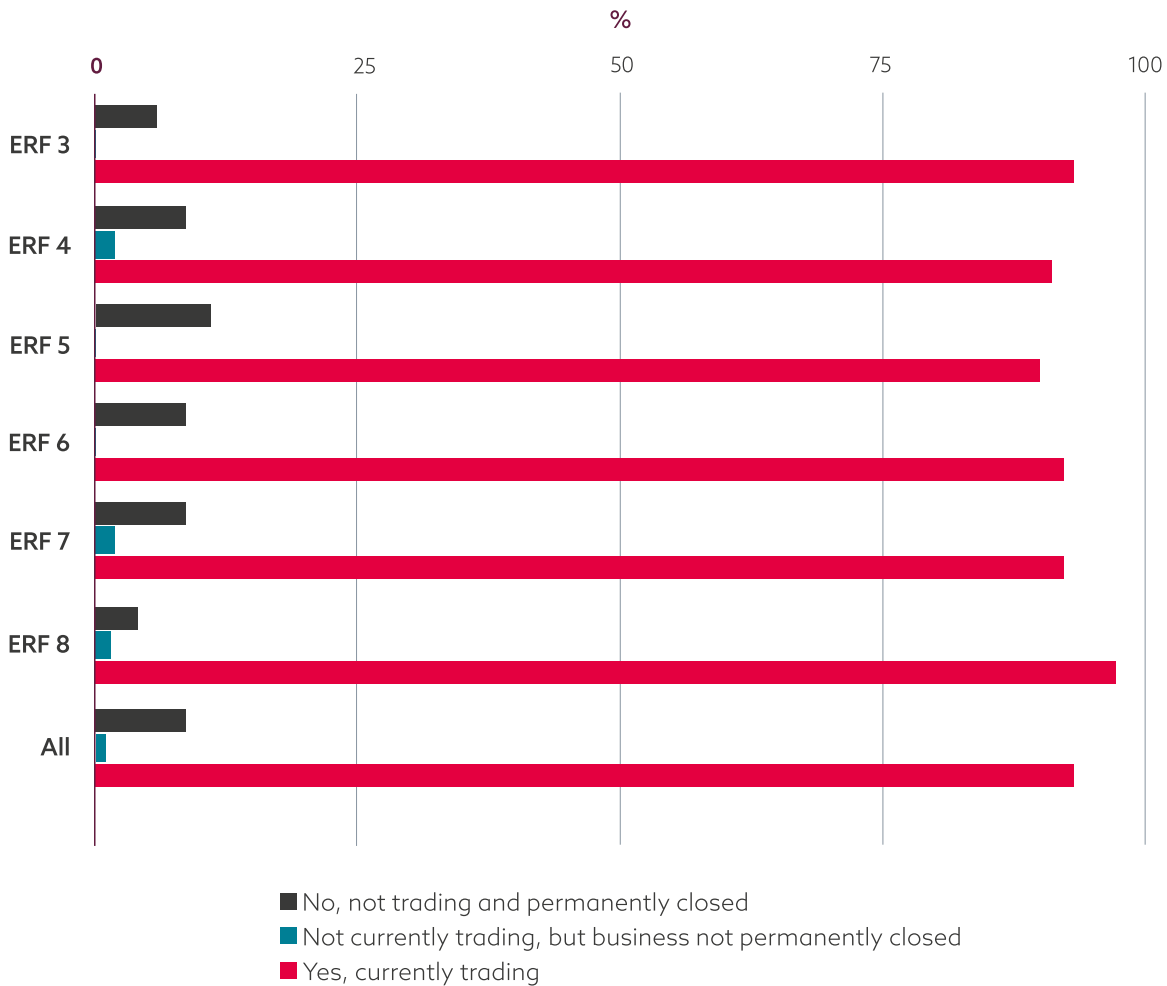
Nearly 95% of the organisations reported that they were trading when answering the survey (comparable figures from previous Waves 1, 2 and 3 were 95%, 97%, and 94% respectively). Just 0.7% of the businesses indicated they had temporarily stopped trading and 4.7% reported that they were permanently closed. Among those firms that were permanently closed 62% believed that the assistance provided had helped their businesses survive for 6 months or longer

than would otherwise have been the case (n=31). Among the reasons given by respondents for their enterprise permanently no longer trading were cash flow, and the extra pressure arising from the cost of living crisis. Figure 3.6 shows that the proportion of firms still trading at the time of the survey ranged between 93.1% for organisations that had received ERF5, and 96.5% for organisations that had received ERF8.



**Figure 3.6**

*Percentage of Wave 4 respondent beneficiaries by trading status whilst receiving ERF3-ERF8 support (n=736)*



Longitudinal analysis of the change in trading status from Wave 2 to Wave 4, shown in Figure 3.7, indicated a 1.9 percentage point fall in the count of businesses currently trading, from 96.5% in Wave 2 to 94.6% in Wave 4. The change in the count of businesses currently trading was as high as -3.6 percentage points in the case of businesses that received ERF7 (from 98.2% in Wave 2 to 94.6% in Wave 4), and as low

as -1.6 percentage points for recipients of ERF3 (96.0% in Wave 2, and 94.4% in Wave 4).

The longitudinal analysis was unweighted as a comparison was being made with the same sample of businesses from Wave 2 and Wave 4. Consequently, there may be very slight differences in the results from the longitudinal when compared to the (weighted) overall Wave 4 analysis in this chapter.

**Figure 3.7**

Longitudinal analysis: Percentage point change in trading status from Wave 2 to Wave 4 whilst receiving ERF 3-8 support (n=737)



Trading status	ERF3	ERF4	ERF5	ERF6	ERF7	ERF8	ALL
No, not trading permanently closed	1.6	2.3	3.6	2.8	3.6	2.6	1.8
Not currently trading, however not permanently closed	0	0.2	-0.9	0.7	0	0.5	0.1
Yes, currently trading	-1.6	-2.5	-2.7	-3.5	-3.6	-3.1	-1.9

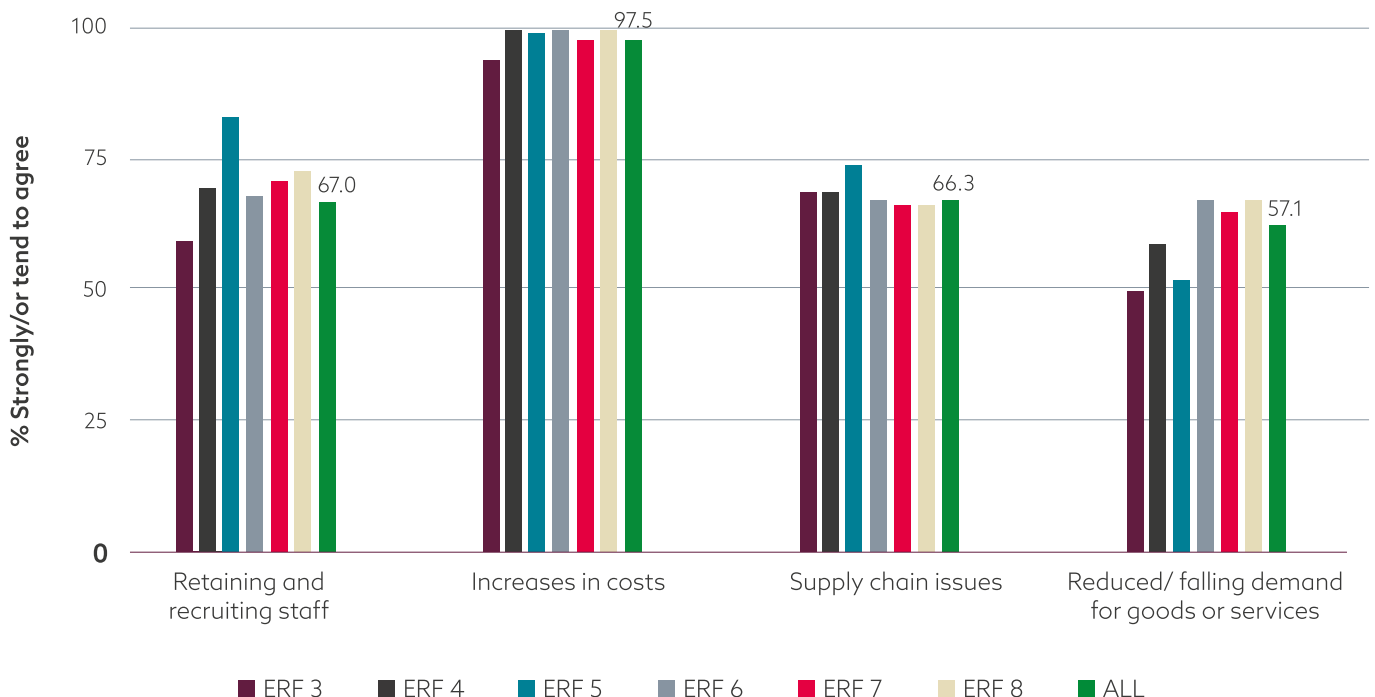
## 3.5 Challenges facing beneficiaries during the last year

Figure 3.8 shows that increases in costs were revealed as the main challenge for businesses in the previous 12 months, with 97.5% in the Wave 4 survey indicating they strongly, or tended to, agree. Retaining and recruiting staff were noted as a challenge for 67.0% of respondent beneficiaries, while 66.3% experienced challenges in supply chain issues. Recipients of ERF5 were most likely to indicate that they

had experienced challenges with retaining and recruiting staff (83.2%) and had the largest proportion of enterprises experiencing supply change issues (74.3%). Respondent beneficiaries of ERF3 were least likely to report challenges in retaining and recruiting staff (59.8%), and least likely to note reduced/falling demand for goods or services (49.6%).

**Figure 3.8**

Main challenges in the last 12 months Wave 4 (n=699)



## 3.6 Employment status, employment expectations and changes since Wave 2

Figure 3.9 reveals that the total number of full-time employees of respondent organisations decreased from 4,877 at the time of the Wave 2 survey, to 4,803 at the time of the Wave 4 survey. Part-time employee numbers had increased by 621 (or 20%) from Wave 2 to Wave

4, and casual employee numbers had risen by 125 (8.1%), partly reflecting the uncertain trading conditions prevailing at the time of the second survey. A total of 7,266 FTEs (including casuals) were reported at the time of Wave 2, with this number falling to 7,066 for Wave 4.

**Figure 3.9**

Employee numbers of Wave 2 respondents compared to employee numbers from Wave 4 (n=672)



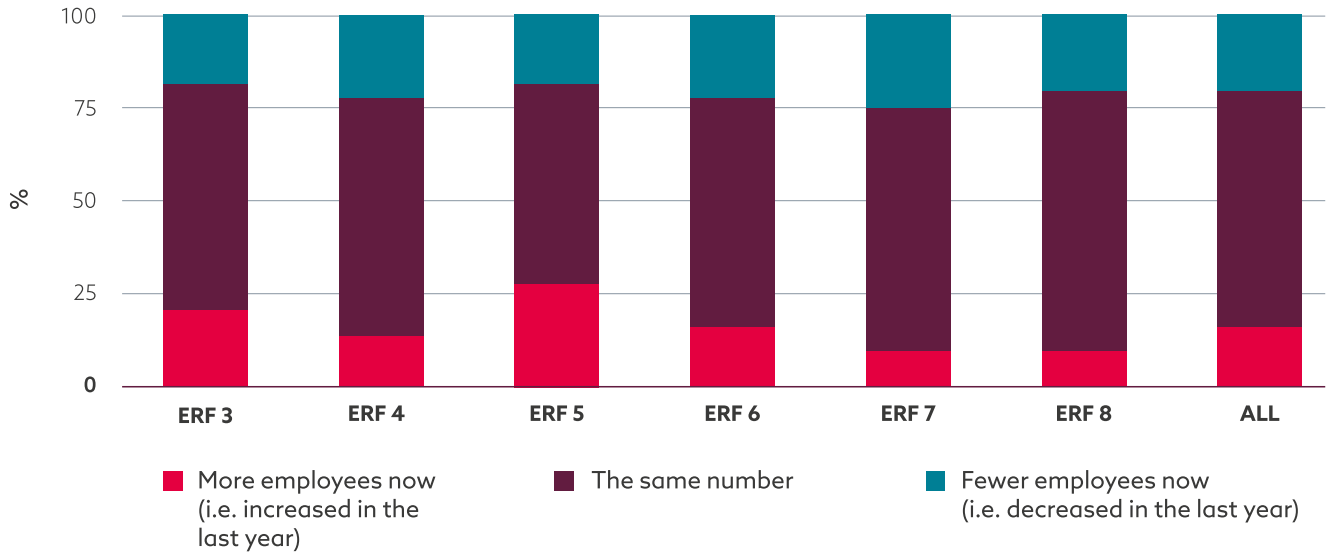
Employment	On the payroll at time of Wave 2 survey	On the payroll at time of Wave 4 survey
Full time employees based in Wales	4,877	4,803
Part time employees based in Wales	3,112	3,733
Casual employees based in Wales	1,547	1,672
<b>Total employees</b>	<b>9,536</b>	<b>10,208</b>
Part time employees (full time equivalents (FTEs))	1,781	1,655
Casual employees (full time equivalents (FTEs))	608	608
<b>Total FTEs (including casuals)</b>	<b>7,266</b>	<b>7,066</b>
<b>Total FTEs (excluding casuals)</b>	<b>6,658</b>	<b>6,458</b>

Figure 3.10 shows that 16.9% of all respondent beneficiaries reported that employment was higher at the time of the Wave 4 survey compared to when they completed the Wave 2 survey. There is some variation across the ERF3-8 schemes. In the case of ERF5 respondent beneficiaries, 26.7% reported an increase in

employment since a year ago, and 18.9% reported a decrease. ERF7 recipients were more likely to report falling employment outcomes, with just 11.3% reporting an increase in employment in the last year and 24.7% a decrease.

**Figure 3.10**

*Employment status of respondent beneficiaries, Wave 4 (n=679)*



Longitudinal analysis of employee numbers, shown in Figure 3.11, comparing businesses in Wave 2 and Wave 4, reveals a 5.4 percentage point fall in the count of businesses reporting more employees now than a year ago. There was some variation between the different

funding schemes, with a 17.4 percentage point fall in the case of ERF7 recipients reporting more employees now than a year ago, while the comparative figure for ERF3 recipients was a rise of 3.9 percentage points.

**Figure 3.11**

Longitudinal analysis: Percentage point change from Wave 2 to Wave 4 in employment status of respondents' enterprises (n=679)



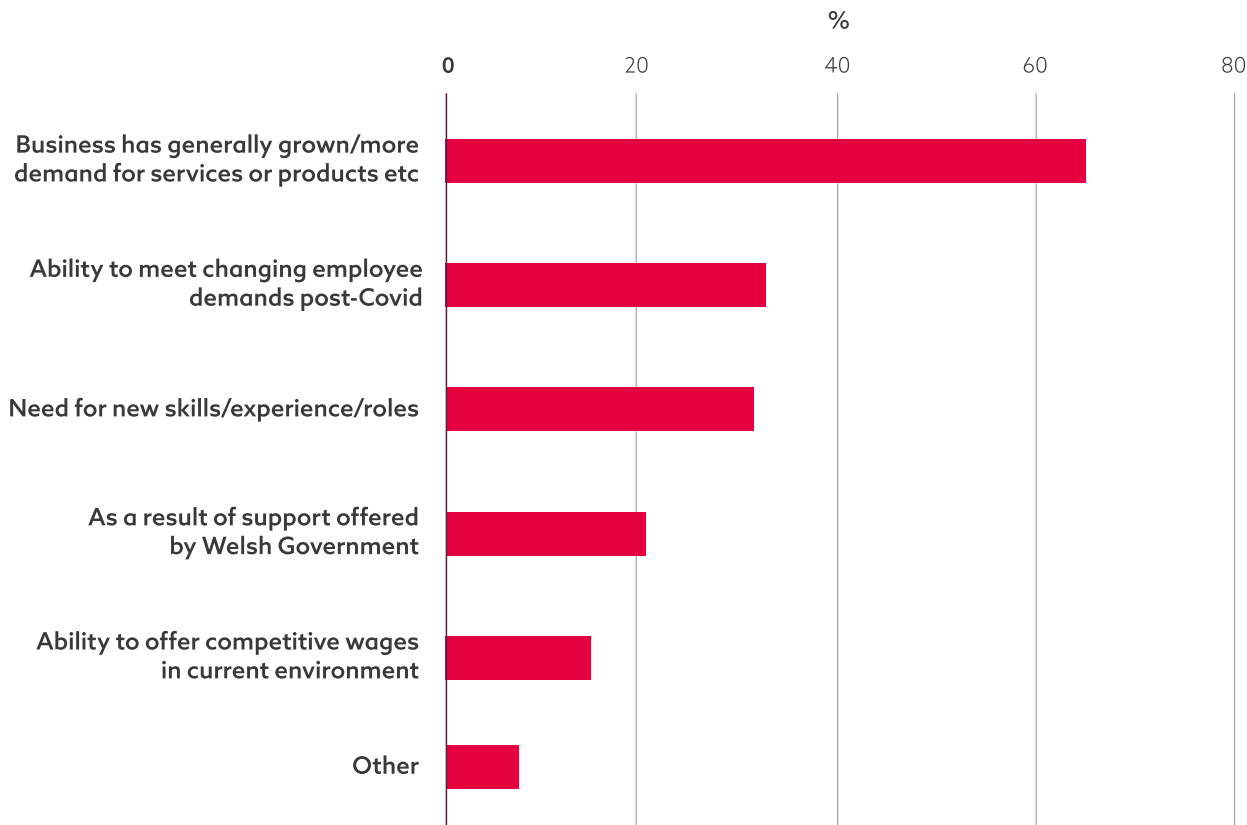
Employment changes	ERF3	ERF4	ERF5	ERF6	ERF7	ERF8	ALL
More employees now (i.e. increased in the last year)	3.9	-10.1	-6.6	-9.4	-17.4	-13.7	-5.4
The same number	16.8	32.7	12.9	33.4	44	32.6	29.7
Fewer employees now (i.e. decreased in the last year)	-20.7	-22.6	-6.3	-24	-26.6	-18.9	-24.3

Figure 3.12 reveals that, among the 117 respondents reporting increased employees since the previous year, 64.1% said that a reason for this was their business had generally grown/more demand for services or products. Some 31.7% revealed that the ability to meet changing

employee demands post-Covid (e.g. demand for more flexible/hybrid working, part-time working) was a main reason for rising employee numbers and 30.6% indicated the need for new skills/experience/roles (e.g. due to diversification into new areas or markets).

**Figure 3.12**

*Main reasons staff numbers had increased when compared to one year ago Wave 4 (n=117)*



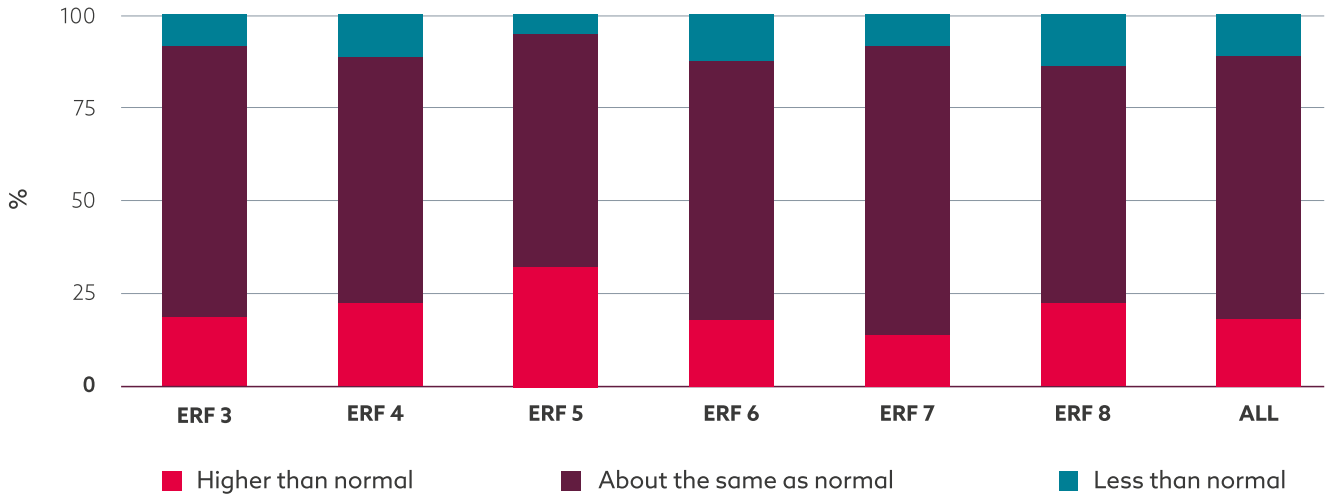
Where staff numbers had decreased compared to one year ago, the main reasons given were that their business had shrunk/harder trading environment (55.5%); general recruitment/retention issues in their industry (46.3%); and inflationary pressures other than wages (46.2%). (n=138).

Staff turnover, in the twelve months before the Wave 4 survey, was noted as higher than normal for 20.9% of all respondent beneficiaries

receiving ERF3-8. Figure 3.13 shows that 69.2% of respondents believed staff turnover had been about the same as normal, while 10.0% indicated it had been less than normal. By funding stream, recipients of ERF5 were most likely to report a higher than normal staff turnover in the previous year, at 30.9%, while the comparative figure for recipients of ERF7 was a relatively low 14.4%.

**Figure 3.13**

*Levels of staff turnover in the last twelve months Wave 4 (n=675)*



Vacancies that had existed for six months or more were reported by 15.6% of respondent beneficiaries (n=692). Recipients of ERF5 (24.4%) and ERF8 (17.4%) were most likely to reveal unfilled vacancies of six months or longer.

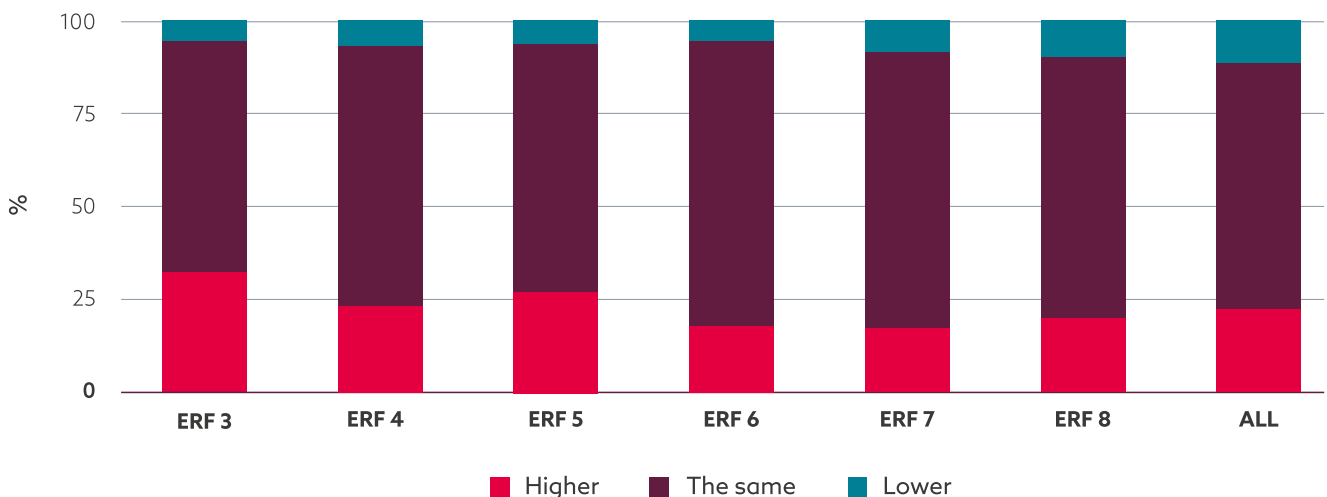
The Wave 4 survey asked respondents to forecast employment prospects for the 12 months after the survey: 23.2% predicted they would have a higher number of employees in a year's time - fewer than the Wave 1 result at 35.0%, and the Wave 2 result at 44.1%, but the

same proportion noted in Wave 3 of the survey. By funding scheme, respondent beneficiaries of ERF3 were most likely to expect a higher number of employees in the 12 months after the survey (32.5%).

Some 7.2% of all respondent beneficiaries believed the total number of employees on their payroll would be lower in 12 months' time - this was higher than the comparative figure in the Wave 1 survey at 4.5%, and Wave 2 at 2.5%, but slightly less than Wave 3 (7.4%).

**Figure 3.14**

*Expectations of employee numbers in one year's time Wave 4 (n=693)*



The longitudinal analysis comparing Wave 2 and Wave 4, shown in Figure 3.15, indicates there was an 18.1 percentage point fall in the count of businesses reporting an expectation of higher employee numbers in one year's time, and a 13.3 percentage point increase in businesses

predicting the same employee numbers in one year's time. There was some variation by funding stream, with a fall of 35.5 percentage points in the case of ERF5 beneficiaries, compared to a fall of 15.9 percentage points for ERF8 beneficiaries.

## Figure 3.15

Longitudinal analysis: Percentage point change in expectations of employee numbers in 12 months from Wave 2 to Wave 4 (n=693)



Employment expectations	ERF3	ERF4	ERF5	ERF6	ERF7	ERF8	ALL
Higher	-19.2	-21.8	-35.5	-18.2	-19.4	-15.9	-18.1
The same	14.5	15.6	29.6	14.3	16.5	11.5	13.3
Lower	4.7	6.2	5.9	3.9	3	4.4	4.8

## 3.7 Analysis of beneficiary turnover and expectations

Figure 3.16 shows the percentage of respondent beneficiaries by turnover in their most recently completed financial year. A quarter of all enterprises (25.4%) reported turnover of less than £100,000 while 14.5% indicated turnover of more than £1m. By funding scheme, 31.0% of ERF7 respondent beneficiaries noted turnover

of less than £100,000 with this compared to just 3.6% for ERF5. Recipients of ERF5 were more likely to report turnover in excess of £1m, with two-fifths (40.4%) in this category, while the comparative figure for ERF7 respondent beneficiaries was 5.7%.

**Figure 3.16**

Turnover status of respondent beneficiaries in their most recently completed financial year Wave 4 (n=659)



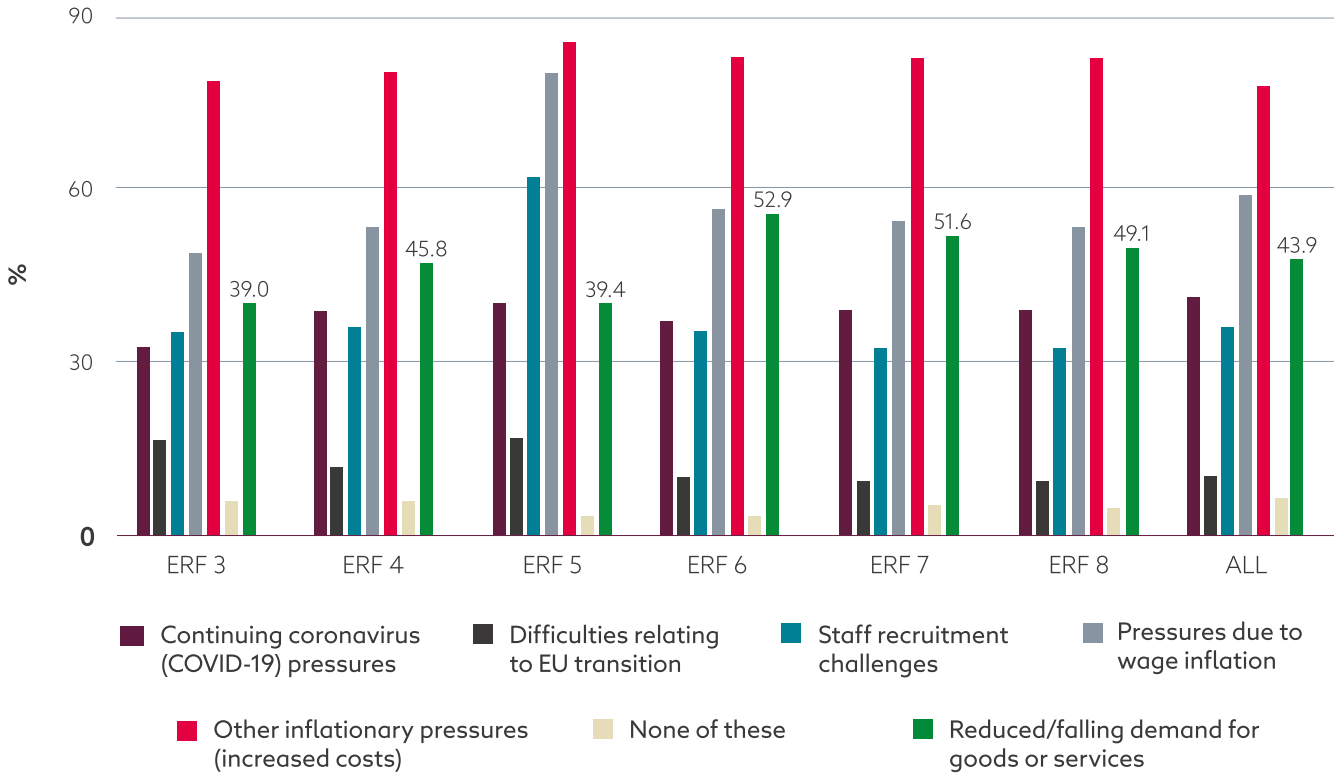
Turnover	ERF3	ERF4	ERF5	ERF6	ERF7	ERF8	ALL
	% (n=220)	% (n=381)	% (n=97)	% (n=257)	% (n=100)	% (n=182)	% (n=659)
Up to £10,000	1.6	4.1	1.4	5	4.2	3.7	3.5
£10,001 to £25,000	0.5	1.4	0	1.7	2	1.6	1.3
£25,001 to £50,000	4.8	3.2	0	0.4	3.5	1.8	3.4
£50,001 to £75,000	10.1	9.5	2.2	6.2	10.7	5.3	8.3
£75,001 to £100,000	7.4	7.7	0	9.6	10.7	12.6	8.9
£100,001 to £150,000	13.5	14.4	0	13.2	12.9	15.6	14.4
£150,001 to £200,000	7.4	7.2	3.9	11.7	16	11	9
£200,001 to £250,000	5.9	7.2	3.2	9.9	9.2	10.4	7.4
£250,001 to £350,000	7.6	9.6	3.7	11.3	12.3	7.9	8.2
£350,001 to £500,000	9.2	10.5	16.8	8.6	4.7	8.5	9.6
£501,000 to £1m	12.4	12	28.4	11.6	8.1	10.8	11.4
£1.01m to £2.5m	14.3	7.7	27	7.5	3.7	6.9	9
£2.51m to £5m	2.9	2.7	7.4	2.5	1	2.5	3
£5.01m to £10m	1	1.8	6.1	0.8	1	0.9	1.3
More than £10m	1.4	1	0	0	0	0.7	1.2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

The next part considers the main factors impacting business turnover and change since Wave 2. Figure 3.17 shows that respondent beneficiaries were most likely to indicate that key factors impacting turnover in the year to 31 March 2023, were Other inflationary pressures (besides wages) (76.4%), Pressures due to wage

inflation (52.7%), and reduced/falling demand for goods or services (43.9%). Respondent beneficiaries that received ERF5 were most likely to report Other inflationary pressures had been a key impact on turnover in the year to 31 March 2023.



**Figure 3.17**  
Impacts on business turnover in year to 31 March 2023 Wave 4 (n=697)

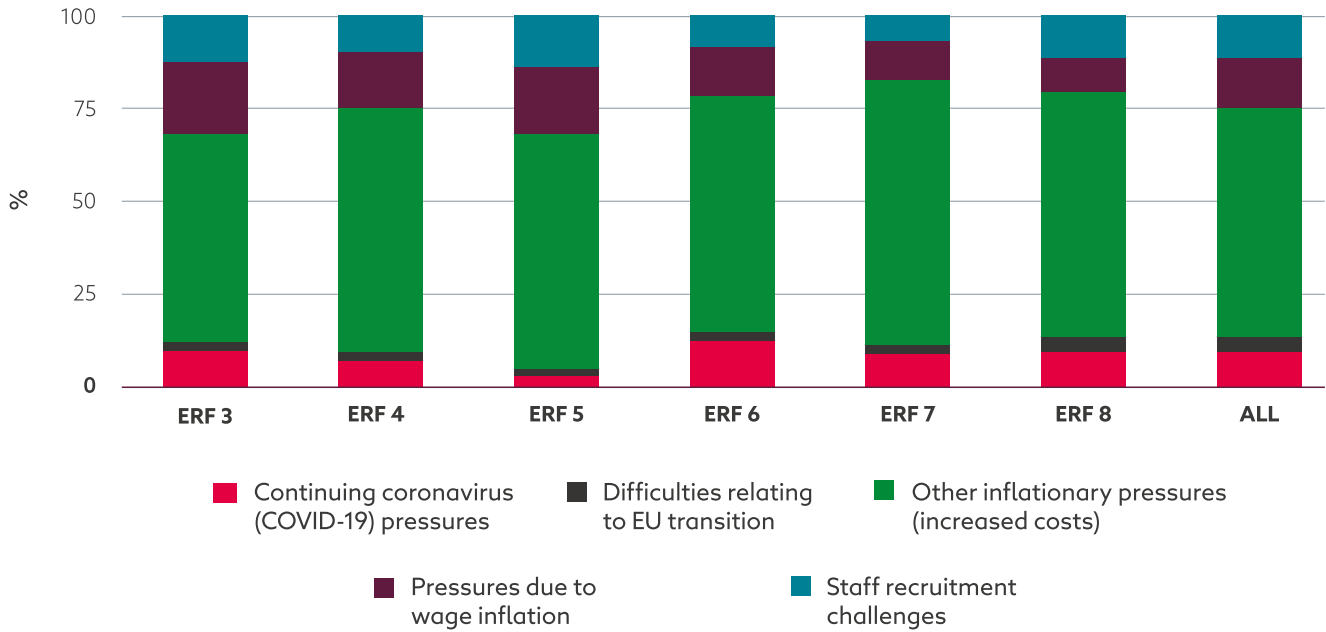


Longitudinal analysis on the key factors impacting on business turnover was restricted as only two key factors were questioned in Wave 2 – these being the Coronavirus (COVID-19) pandemic, and the End of the EU transition period. There was a 60.7 percentage point fall in the count of businesses reporting the Coronavirus pandemic had impacted turnover between Wave 2 and Wave 4, and a 1.8 percentage point increase in businesses indicating that difficulties relating to EU transition had impacted turnover over the same period.

Figure 3.18 shows that when asked what had the greatest impact on turnover over the 12 months to 31 March 2023, respondent beneficiaries were most likely to state Other inflationary pressures (besides wages) (63.5%), or Pressures due to wage inflation (13.9%). By funding scheme, the percentage for the former was as high as 77.7% for ERF7 respondent beneficiaries, and as low as 57.8% for businesses receiving ERF3. A total of 8.6% of all respondent beneficiaries indicated that continuing coronavirus (COVID-19) pressures had the greatest impact on turnover since Wave 2.

**Figure 3.18**

*Greatest impact on turnover in the 12 months to 31 March 2023 Wave 4 (n=482)*



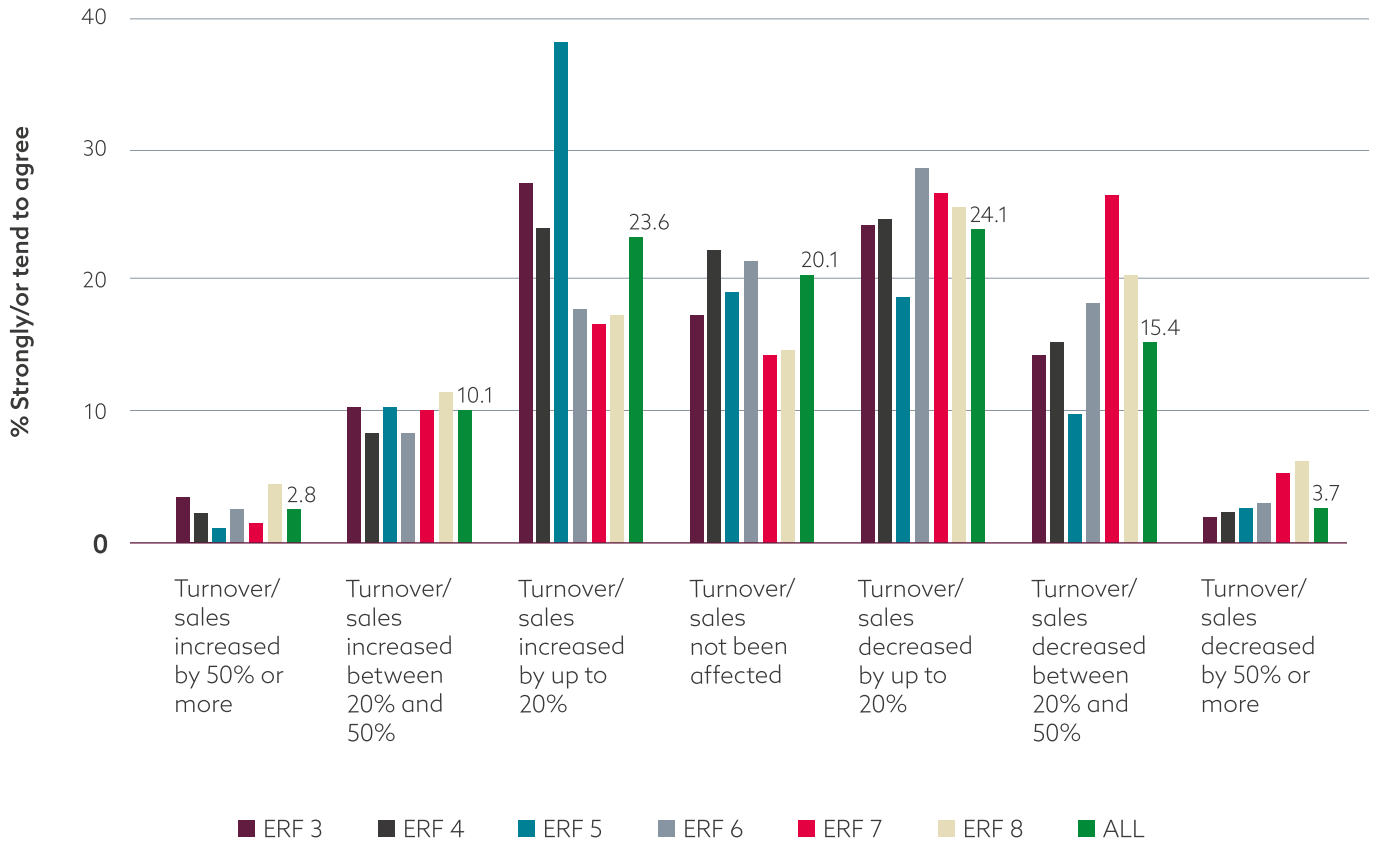
As only two possible impacts on turnover were questioned in Wave 2, there is no direct comparison between Wave 2 and Wave 4 possible. However, it can be noted that, in Wave 2, a total of 92.5% of all respondents believed that the Coronavirus (Covid-19) pandemic had the greatest impact on turnover in the 12 months up to 31 March 2022 (n=67). The comparative figure for difficulties relating to EU transition causing the greatest impact in Wave 2 was 7.5%.

This section now discusses how organisational performance, in terms of turnover, changed

compared to what respondents would normally have expected, in their most recently completed financial year. One in five (20.1%) of respondent beneficiaries said that their turnover had not been affected. Nearly a quarter of respondents (23.6%) reported their turnover had increased by up to 20% compared to expectations, and a similar proportion (24.1%) noted their turnover had decreased by up to 20% compared to expectations. ERF5 recipients were most likely (38.3%) to have responded that their turnover had increased by up to 20%, while ERF6 (28.3%) and ERF7 (26.4%) recipients were more likely to note that turnover had not been affected.

**Figure 3.19**

*Respondents view on how turnover in most recently completed financial year compared to what they would normally have expected Wave 4 (n=643)*



In both Wave 2 and Wave 4, survey respondents were asked how the coronavirus (COVID-19) pandemic affected their turnover compared to what they would normally have expected in their most recently completed financial year. Longitudinal analysis in Figure 3.20 shows that,

for all respondents ERF3 to ERF8 combined, there were falls of 18.3 percentage points, and 32.6 percentage points, in the count of businesses from Wave 2 to Wave 4 who experienced turnover decrease by 20-50% and over 50% respectively.

**Figure 3.20**

Longitudinal analysis: Percentage point change in turnover category for businesses most recently completed financial year (n=643)



Change in turnover compared to what expected	ERF3	ERF4	ERF5	ERF6	ERF7	ERF8	ALL
Turnover/sales increased by 50% or more	-2.3	-0.9	-3.9	-0.2	-0.8	0.0	-0.9
Turnover/sales increased between 20% and 50%	3.2	2.4	4.7	4.2	6.4	1.7	3.0
Turnover/sales increased by up to 20%	20.2	18.2	32.6	15.3	16.5	12.2	17.8
Turnover/sales not been affected	12.4	20.2	18.4	19.3	13.5	11.0	16.4
Turnover/sales decreased by up to 20%	7.8	19.3	15.5	24.2	22.9	18.6	14.7
Turnover/sales decreased between 20% and 50%	-19.0	-21.0	-29.9	-15.0	-0.8	-9.3	-18.3
Turnover/sales decreased by 50% or more	-22.2	-38.2	-37.4	-47.9	-57.7	-34.3	-32.6

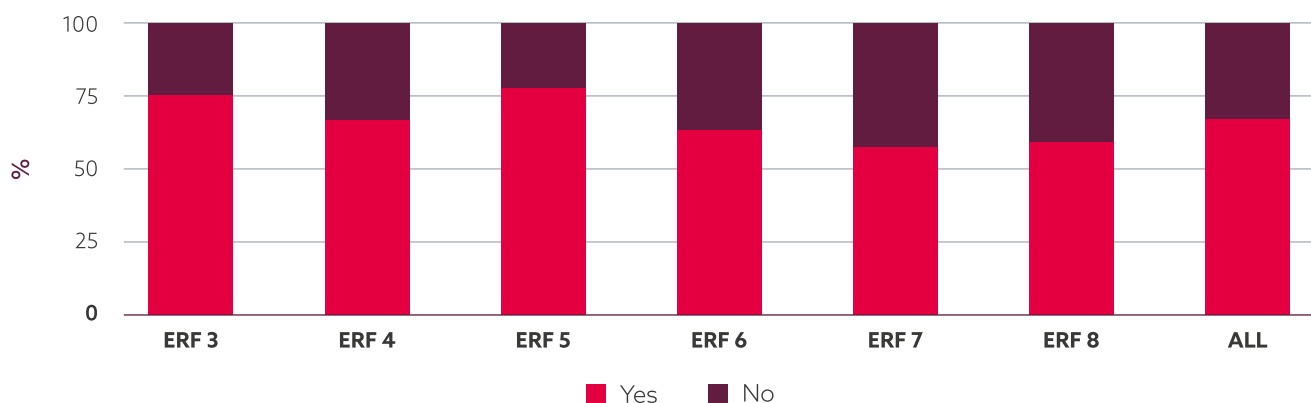
## 3.8 Profit performance of beneficiaries

Wave 4 survey responses by respondent beneficiaries, in terms of profits status, were relatively positive. Figure 3.21 shows that two-thirds of respondents (66.4%) reported that, taking into account all sources of income in their last complete financial year, they generated a profit or surplus. By beneficiary scheme,

recipients of ERF5 were most likely to have reported a profit in their last complete financial year, with 75.3% responding positively, while recipients of ERF7 were least likely to reveal a profit at 57.4%.

**Figure 3.21**

*Did respondent beneficiaries generate a profit or surplus in their last complete financial year? Wave 4 (n=691)*



A longitudinal comparison of the profit status of businesses in their last complete financial year reveals a 5.1 percentage point increase from Wave 2 to Wave 4 in the count of businesses indicating a profit. Figure 3.22 shows that this

increase was as high as 12.0 percentage points for ERF7, and 9.4 percentage points for ERF6 recipients, ranging to a low of a 0.4 percentage point increase for recipients of ERF8.

**Figure 3.22**

Longitudinal analysis: Percentage point change in profit status from Wave 2 to Wave 4 in businesses last complete financial year (n=691)



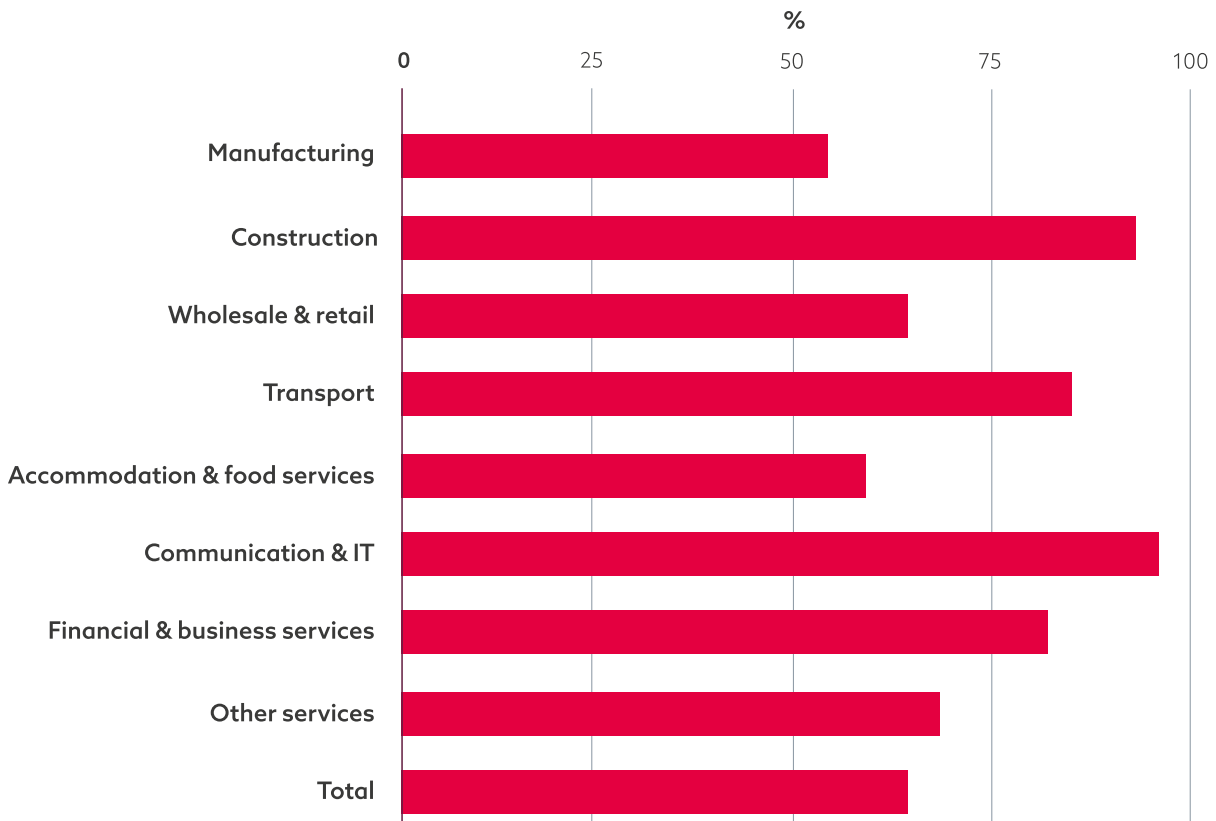
Made a profit?	ERF3	ERF4	ERF5	ERF6	ERF7	ERF8	ALL
No	-2.1	-6.4	-8.8	-9.4	-12.0	-0.4	-5.1
Yes	2.1	6.4	8.8	9.4	12.0	0.4	5.1
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

By industry sector in Wave 4, there was some variation in the proportion of respondents indicating their enterprise had made a profit or surplus in their last completed financial year. For example, in Communication and

IT, and Construction more than 90% of the respondents made a profit. In Manufacturing, and Accommodation and food services the comparative figures were 53.7% and 58.7% respectively.

**Figure 3.23**

*Percentage of enterprises in Wave 4 generating a profit or surplus in their last complete financial year, by sector (n=726)*



**Note 6:** By sector, unweighted results.

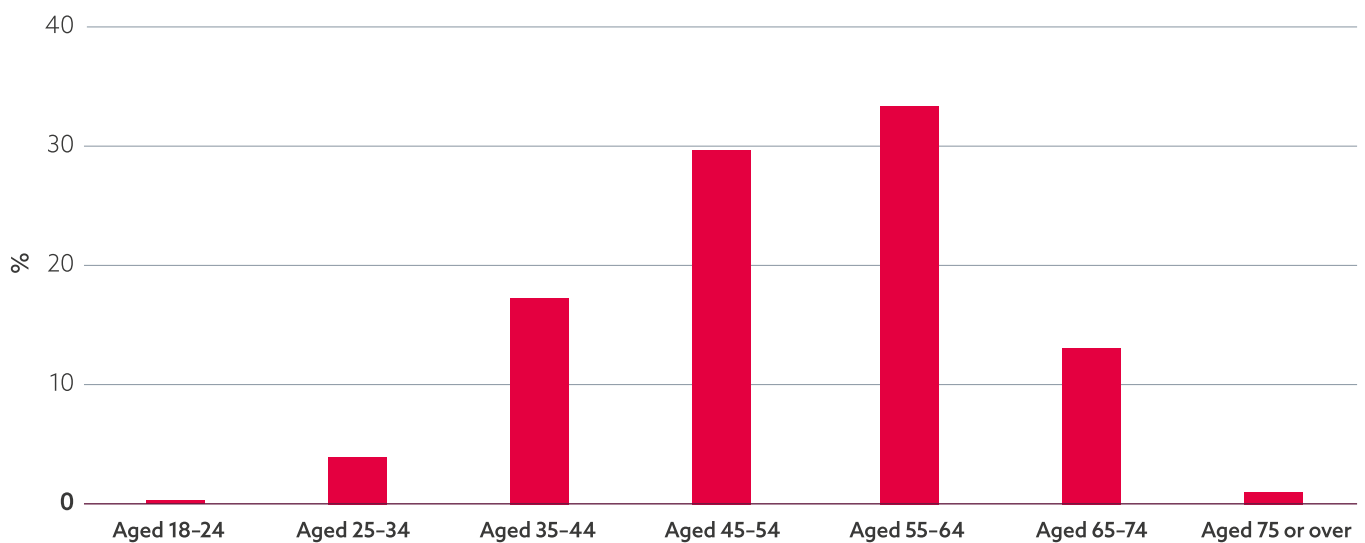
**Note 7:** The "Primary" and "Utilities and waste" sector categories have been removed as the sample size was very small (n=2 for both).

## 3.9 Respondent demographics Wave 4

The Wave 4 survey also collected information about individual respondents completing the survey. It is accepted that this might not represent owners of the enterprise. However, this still provides some insights into the nature

of individual respondent beneficiaries. Most respondents (80.6%) were between 35 and 64 years of age, with Figure 3.24 highlighting that 4.2% of respondents were aged under 35, and 15.2% of respondents aged over 65.

**Figure 3.24**  
Age of Wave 4 survey respondents (n=714)



Other information from the survey indicated that:

- 72.8% of respondent beneficiaries were male - with there being little variation across the ERF3-8 schemes.
- The proportion of respondents that were from a Black, Asian, or Minority Ethnic background varied between 1.9% for ERF7 respondent beneficiaries to 6.8% in the case of ERF5 respondent beneficiaries (overall across all schemes ERF 3-8, 6.3%).
- The proportion of respondents with a long-term health condition ranged from 2.1% (ERF5) to 11.4% (ERF3) across ERF schemes and with the overall average (ERF3-8) at 7.9%.

## 4.1 Introduction

The purpose of the different ERF interventions was to assist Welsh firms through the difficult operating conditions experienced during the Covid-19 crisis. Given the very large sums expended on both grant and loan assistance there is a question on whether the Welsh Government support actually made a difference for the SMEs concerned. Inevitably answering this question is extremely difficult. The following cites some of the issues in establishing the 'additionality' of the Welsh Government-led support in assisting Welsh SMEs.

First, there is an issue in developing a counterfactual scenario because so many businesses in the UK and Wales received support in the period after 2020Q2, and even those firms which were not beneficiaries of Welsh Government support might have received support from UK Government through, for example, the Job Retention Scheme. The Welsh Government support occurred over a fairly long interval beginning in 2020Q2 and stretching through to 2022Q2. It might also have been difficult for firms contacted in the Wave 3-4 surveys to remember the details of support received and to link support to business outcomes.

Second, the Wave 3-4 surveys can only pick up on selected business performance information, and firms having different financial year endings makes it difficult to link reported company financial performance in a given period to grants and loan assistance in a different period.

Third, there was a lot of 'noise' in the economic system at the time of the Wave 3 and Wave 4 surveys which could have affected business performance and made it difficult for respondents to outline the specific impacts linked to Welsh and UK Government Covid-19 interventions. Uppermost here was the economic spillover caused by the Ukraine War and then the interlinked Cost of Living crisis in the UK, and more generally an economic slowdown in the UK over the period.

Fourth, one working hypothesis is that the assistance provided gave beneficiary businesses a better chance of surviving through the crisis, and then helped them maintain or grow their employment, sales and profits. This has to be countered with the possibility that selected of the funding supporting innovation might have worked to decrease headline employment as new technology was introduced.

With these problems noted, this Section can only provide a relatively high-level overview on whether the performance of the beneficiary firms was in line with or better than might be expected when examining what occurred within the wider population of Welsh and UK businesses over the period in question, whilst realizing that many of the firms in this wider population were also beneficiaries of support.

At the outset we need to recall the timing of the various ERF supports together with the timings of the surveys of beneficiaries. Figure 4.1 provides a summary.



**Figure 4.1**  
Timing of Wave 1-4 surveys



Wave	Scheme Beneficiaries	Dates of survey
Wave 1	Beneficiaries receiving assistance April-July 2020 (ERF 1-2, CWBLS, SUGS)	Beneficiaries surveyed 2021Q4
Wave 2	Beneficiaries receiving assistance Oct 2020 to Feb 2022 (ERF 3-8)	Beneficiaries surveyed Feb-May 2022
Wave 3	Follow up with Wave 1 beneficiaries	Beneficiaries surveyed Sept-Oct 2022
Wave 4	Follow up with Wave 2 beneficiaries	Beneficiaries surveyed April-May 2023

Immediately apparent from Figure 4.1 is that a consideration of the relative performance and progress of the ERF beneficiaries has to be contextualized on what happened to Welsh businesses as a whole between 2019Q4 (prior to the pandemic) and then the end of 2022Q3 in the case of the Wave 3 analysis, and then 2019Q4 to 2023Q2 in the case of the Wave 4 analysis.

In what follows is a collation of some key elements from the Wave 3 and Wave 4 surveys which speak to SME progress and performance and then which might be related to published and other statistical data. In each case we seek to link the survey responses to the wider context.

## 4.2 Still trading?

The Wave 3 survey undertaken in September-October 2022 revealed that 94% of grant and loan beneficiaries were still trading (comparable figure for Wave 1 was 95%). The proportion of firms still trading at the time of the Wave 3 survey ranged 82.2% for businesses that had received SUGS, to 95.8% for organisations that had received ERF1.

Longitudinal analysis of the change in trading status from Wave 1-3 (i.e. Wave 1 was undertaken in the final quarter of 2021 and with Wave 3 occurring around one year later in September-October 2022), indicated a 1.8 percentage point fall in the count of businesses currently trading, from 95.4% in Wave 1 to 93.6% in Wave 3. The change in the count of businesses currently trading was as high as -9.0 percentage points in the case of SUGS (from 91.0% in Wave 1 to 82.1% in Wave 3), and as low as -0.7 of a percentage point for recipients of ERF1 (97.5% in Wave 1, and 96.8% in Wave 3).

Overall then it is estimated that for every 1,000 beneficiaries of ERF, CWBLS and SUGS assistance (April-July 2020), that between around 820-970 were still trading at the time of the Wave 3 survey, and with the average across all beneficiaries of an estimated 940.

This would seem to be a slightly stronger survival rate than seen across all Welsh businesses. For example, based on IDBR data, Welsh business deaths as a percentage of all active enterprises (see Figure 4.2) were around 10%-11% but with some sectoral variation (and similar magnitudes overall for the UK). Then of 1,000 firms active in Wales in 2020 it might be expected that their number might have reduced

by around 200 (even allowing that some short-term business births in the period which did not survive over a short period). It is noted that poorer figures for SUGS beneficiaries could be picking up on the very smallest businesses. However, for ERF 1-2 and CWBLS beneficiaries there is some indication that their survival over the period might have been slightly better than that seen in general population (noting that other businesses in the IDBR will of course have had assistance also).

In respect of the Wave 4 findings nearly 95% of the respondents reported that they were trading when answering the survey in April-May 2023 (comparable figure from previous Wave 2 in Feb-May 2022 was 97%). Recall that these were businesses that had received assistance between October 2020 to February 2022. Just 0.7% of the businesses indicated they had temporarily stopped trading and 4.7% reported that they were permanently closed.

The proportion of firms still trading at the time of the Wave 4 survey ranged between 93.1% for organisations that had received ERF5, and 96.5% for organisations that had received ERF8. The change in the count of businesses (between Wave 2 and 4) currently trading was as high as -3.6 percentage points in the case of businesses that received ERF7 (from 98.2% in Wave 2 to 94.6% in Wave 4), and as low as -1.6 percentage points for recipients of ERF3 (96.0% in Wave 2, and 94.4% in Wave 4).

Again reference to Figure 4.2 would seem to indicate that this was a stronger performance than for Wales overall over the 2020-2022 period.

# How did SME beneficiaries perform compared to other Welsh firms?

**Figure 4.2**

Deaths as a percentage of active enterprises in Wales & UK 2020-2022 (Source; IDBR)



Sector	Wales			UK		
	2020	2021	2022	2020	2021	2022
<b>Total</b>	<b>9.8</b>	<b>11.5</b>	<b>11.2</b>	<b>10.4</b>	<b>11.2</b>	<b>11.8</b>
Production	7.2	11.1	9.5	7.7	8.6	9.6
Construction	8.5	9.5	10.5	8.6	8.8	10.2
Motor Trades	6.3	5.9	7.3	7.1	6.8	8.8
Wholesale	6.1	6.6	8.2	7.4	7.5	10.9
Retail	12.1	10.4	11.9	10.7	10	12.8
Transport & storage	16.6	26.9	23.2	15.7	22.4	23.8
Accommodation & food	10.9	10.9	11.7	11.3	10.5	12.8
Information/ communication	10.4	13.5	11.7	12.9	15.5	13.6
Finance & insurance	11.8	12.4	8.1	9.2	8.7	8.5
Property	4.4	5.7	6.5	5.8	5.7	7.1
Professional, sci & technical	10.6	11.9	11.6	11.3	12.8	12.2
Business administration	11.7	15	11.6	14.2	14.8	12.6
Education	10.4	8.6	9	8.2	7.6	9.3
Health	6.4	6.3	5.6	7	6.9	7.3
Arts, entertainment	7.3	7.4	9.1	7.6	7.2	9.3

## 4.3 Employment changes

### Wave 1-Wave 3 Survey Employment Change

The total number of employees of respondent organisations increased from 8,341 at the time of the Wave 1 survey in 2021Q4, to 8,554 at the time of the Wave 3 survey in September to October 2022. This was a growth of 2.6% in all employment (including part time and casual workers), but with a 2.9% increase in full-time employment in the respondents from 5,371 to 5,528.

### What happened to Welsh employment over the Wave 1-Wave 3 time period: LFS data?

In the year to August to October 2022, and then in the year to November 2022 to January 2023, which is roughly equivalent to the period between the Wave 1 and 3 surveys, the Labour Force Survey indicated that total Welsh employment (aged 16 and over) fell by around 3.7% and 3.3% respectively (UK (not shown in Figure 4.3) 0.8% and 1.4% growth), and with this compared to the 2.6% increase in total employment in responding firms in Waves 1 and 3. Care is needed here because the total employment figure covering the respondents could be influenced markedly by individual changes in circumstances in just a few respondents. Notwithstanding the maintenance of employment in the Wave 1 and 3 respondents is encouraging compared to what happened to overall employment in the UK and Welsh economies.

### Wave 1-Wave 3 Firms reporting employment growth

20.1% of all respondent beneficiaries reported that employment was higher at the time of the Wave 3 survey (Sept-Oct 2022) compared to when they completed the Wave 1 survey (Oct-Dec 2021). In the case of CWBLS, 24.1% reported an increase in employment between Wave 1 and Wave 3. SUGS recipients were more likely to report falling employment outcomes, with just 10.8% reporting an increase in employment in the period between Wave 1-3. Longitudinal analysis of expectations comparing businesses in Wave 1 and Wave 3, revealed a 2.8 percentage point fall in the count of businesses reporting more employees in September-October 2022 since the pandemic.

It is difficult to reconcile the above material to published sources but the Longitudinal Small Business Survey Panel Report covering the period 2019-2022<sup>8</sup> showed that an estimated 20.6% of Welsh SMEs in 2022 had seen employment growth which is close to the figures coming from the Wave 3 beneficiary survey which showed 20.1% of beneficiaries seeing employment growth since the Wave 1 survey. The unavailability of 2023 data from LSBS means this comparison cannot be undertaken for changes between the Wave 2 and Wave 4 surveys.

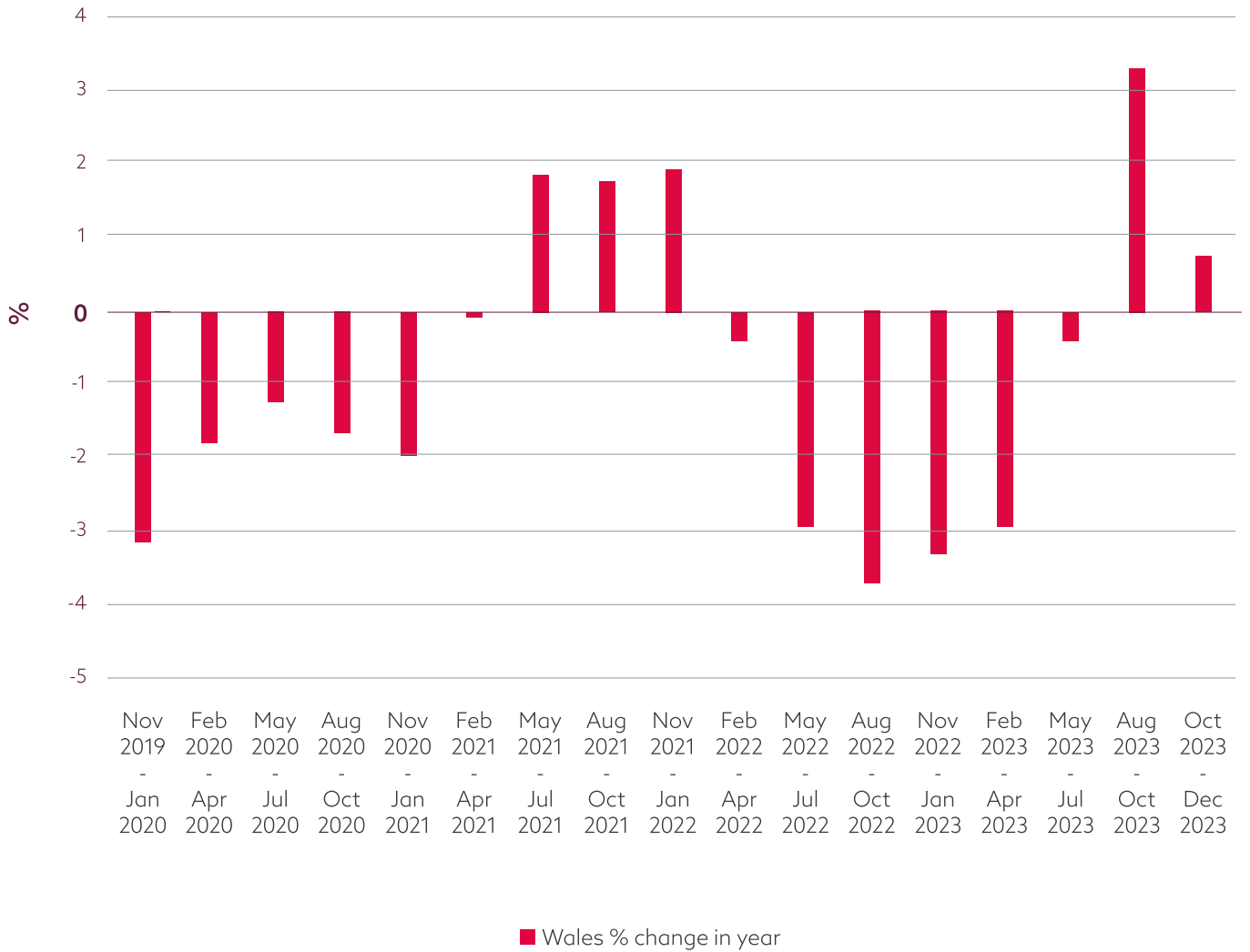
### Wave 2-Wave 4 Survey Employment Change

The total number of full-time employees of respondent organisations decreased from 4,877 at the time of the Wave 2 survey (Feb-May 2022), to 4,803 at the time of the Wave 4 survey (April-May 2023). This was a slight decline of 1.5%. Total employment in Wave 2 respondents was 9,536 at time of Wave 2 survey growing to 10,208 at Wave 4 (7% growth).

<sup>8</sup>See [https://assets.publishing.service.gov.uk/media/65043425dec5be00dc35f4f/Small\\_Business\\_Survey\\_2022\\_-\\_Panel\\_Report.pdf](https://assets.publishing.service.gov.uk/media/65043425dec5be00dc35f4f/Small_Business_Survey_2022_-_Panel_Report.pdf)

# How did SME beneficiaries perform compared to other Welsh firms?

**Figure 4.3**  
 Wales Total employment changes (all aged 16 and over, year to each quarter) from start of Covid-19 in 2019Q4 (LFS)



## What happened to Welsh employment in the period between the Wave 2 and 4 Surveys LFS data?

Reference to Figure 4.3 shows that in the year to Feb-April 2023 (roughly equivalent to the interval between Wave 2 and 4) Welsh employment fell by 3% (UK grew by 1.4%). Whether in terms of total or full-time employment the beneficiaries in the Wave 2 and 4 sample as a whole appear to have performed better than might have been

expected in reference to overall employment numbers. It is noted that some of the ERF 3-8 interventions were more focused on tourism-facing sectors where there is an indication that employment did grow strongly in the period. For example, in Accommodation and food services, Welsh employees grew 11% in 2021-2022, and in Transport and storage by close to 26% according to the Business Register and Employment Survey.

## 4.4 Sales performance of beneficiaries

It is difficult to marry the Wave 1-4 survey dates to financial reporting years because companies have different year ends. So the approach here was to gain some comparator data for what happened in a larger population of Welsh firms over the period (although we again have to accept that some of these firms also could have been beneficiaries of Welsh Government assistance). However, the data collected does provide some inference on the performance of Welsh SME businesses over the period and the variation of turnover performance. This analysis

is further complicated because many of our smallest firms do not produce sales and profit data in their reported accounts.

It was possible from the Bureau Van Dijk FAME database to draw down company reports for all Welsh SMEs. However, a large number did not report sales and profits data. Of those that did only a proportion had sales data for the FAME calendar years 2020-2022. Figure 4.4 reveals some statistics from the SME data collected from FAME.

# How did SME beneficiaries perform compared to other Welsh firms?

**Figure 4.4**

Sales growth performance of SMEs in Wales 2019-20/2021-22



Sales	19-20	20-21	21-22
<b>Count</b>	<b>1,474</b>	<b>1,533</b>	<b>1,627</b>
Median growth %	9.5	4.5	9.6
% positive/no sales growth	36.8	55.8	65.2
% negative sales growth	63.2	44.2	34.8
<b>Growth</b>			
over 50%	9.2	17.2	21.6
20-49.9	8.3	17.4	17
5-19.9	12.1	14.7	18.1
0-4.9	7.2	6.5	8.5
minus 0.1 to -4.9	7.1	6	6.3
minus 5 to -19.9	17.9	12.4	9.9
minus 20 to -49.9	19.3	11.7	9.8
over -50%	18.9	14.2	8.8

The 2019-20 data in Figure 4.4. speaks to changes between much of calendar 2019 to calendar 2020 i.e. for around 50% of the firms selected here their financial year ended in the final quarter of the year. Recall also as context surrounding Figure 4.4. that the Welsh index of production fell 9% in 2020, then growing by 3% in 2021 and 4.2% in 2022. The Welsh index of market services fell by 6.3% in 2020, before recovering with growth of 7% in 2021, and 3.1% in 2022. Then we expect much of the worst of the Covid-19 impacts to be affecting sales change figures for 2019-2020, but then with expected improvements in 2020-21 figures.

With this context noted Figure 4.4. reveals 2019-2020 was a poor year for the selected Welsh SMEs with just 37% seeing positive sales growth and with 38.2% of the SMEs here seeing sales reductions of over 50%. Median sales growth (median preferred here because the mean would reflect some large outlying sales growth figures for a small number of firms) for 2019-2020 was 9.5%.

The period 2020-21 sees some conflicting information in Figure 4.4 as median sales growth falls to 4.5% in the SMEs examined, while the

percentage of firms seeing sales fall by more than 20% fell to 35.9%, but also with strong changes in the proportion of firms seeing profit falls of over 20% from 38.2% in 2019-2020, to 25.9% in 2020-21, and then 18.6% in 2021-22.

A further perspective here is offered from the Longitudinal Small Business Survey 2019-2022 (see earlier). This showed that the percentage of Welsh SMEs seeing turnover growth was 40.5% in 2019, falling to just 9.5% in 2020, then increasing to 41.7% in 2021 and 68.4% in 2022.

### Wave 1-Wave 3

In the Wave 1 survey, respondents were asked how the coronavirus (COVID-19) pandemic affected their turnover compared to what they would normally have expected in their most recently completed financial year (here assumed 2020-2021, given the Wave 1 survey occurred in 2021Q4). The longitudinal analysis Wave 1 (2021Q4) to Wave 3 (Sept-Oct 2022) revealed falls of 16.6 percentage points, and 21.4 percentage points, in the count of businesses who saw turnover decrease by 20-50% and over 50% respectively.

Nearly a quarter (23.3%) of Wave 3 respondent beneficiaries said that their turnover had not been affected. A fifth of respondents (20.4%) said their turnover had increased by up to 20% compared to expectations, while a similar proportion (20.3%) noted their turnover had decreased by up to 20% compared to expectations.

The Wave 3 findings here would appear to mirror quite closely what happened in the SMEs considered in Figure 4.4 where the periods 2019-20 to 2021-22 saw larger number of these SMEs reporting positive sales growth, and with an increase in the proportion of firms that saw sales growth in excess of 20% i.e. up from 17.5% in 2019-20 to 34.6% in 2020-21 to 38.6% in 2021-22.

## Wave 2-Wave 4

Some 20.1% of Wave 4 beneficiaries said that their turnover had not been affected compared to their expectations for the last financial year (assumed to be 2022 here given the Wave 4 survey was completed in April-May 2023). Nearly a quarter of respondents (23.6%) reported their turnover had increased by up to 20% compared to expectations, and a similar proportion (24.1%) noted their turnover had decreased by up to 20% compared to expectations. ERF5 recipients were most likely (38.3%) to have responded that their turnover had increased by up to 20%, while ERF6 (28.3%) and ERF7 (26.4%) recipients more likely to note that turnover had not been affected.

These changes are broadly reflected in the Figure 4.4 information which shows a steady increase in the proportion of firms seeing sales growth between 2020-21 and 2021-22, and with an increase in this period in the proportion of SMEs where whose sales had grown by up to 20% i.e. 21.2% in 2020-21 to 26.6% in 2021-22.

In both Wave 2 and Wave 4, survey respondents were asked how the coronavirus (COVID-19) pandemic affected their turnover compared to what they would normally have expected in their most recently completed financial year (assumed 2022). Longitudinal analysis showed that, for all respondents ERF3 to ERF8 combined, there were falls of 18.3 percentage points, and 32.6 percentage points, in the count of businesses from Wave 2 to Wave 4 who experienced turnover decrease by 20-50% and over 50% respectively.

Once again these types of reductions are also revealed in Figure 4.4. Between 2020-21 and 2021-22 the proportion of SMEs information seeing sales declines from -20 — -49.9% fell from 11.7% to 9.8%, and with the proportion seeing sales fall by over 50% falling from 14.2% to 8.8%. The figures would seem to suggest that those firms who succeeded in gaining ERF3-8 assistance might have done slightly better in terms of an improvement to their sales figures in the period.



## 4.5 Profits performance

For SME profit performance over the Covid-19 intervention period a similar process was adopted as for sales with the FAME database

examined for reported profit change figures over the period 2019-20 to 2021-22. Figure 4.5 summarises the findings here.

**Figure 4.5**  
Changes of profits in Welsh SMEs 2019/20 to 2021/22



Profit before tax	19-20	20-21	21-22
<b>Count</b>	<b>1,484.00</b>	<b>1,557.00</b>	<b>1,628.00</b>
Median profit growth %	-46.6	-35.1	-32.1
% positive/no profit growth	33.3	39	38
% negative profit growth	66.7	61	62
<b>Change</b>			
over 50%	22.2	27	23.8
20-49.9	4.2	6.1	7.1
5-19.9	4.5	4.1	4
0-4.9	2.4	1.8	3.1
minus 0.1 to -4.9	2.4	1.7	1.9
minus 5 to -19.9	6	4	6
minus 20 to -49.9	9.5	9.6	9.7
over -50%	48.8	45.7	44.4

Figure 4.5 gives testimony to the very tough trading conditions over the period. The median change in profits for close to 1,500 Welsh SMEs between 2019 and 2020 was -47%, and then with the change 2020 to 2021 -35.1%. The

percentage of SMEs in Figure 4.5 seeing negative profit growth was over 60% for the whole period, and with the proportion of firms seeing profit reductions in excess of 50% between 44% and 49% over the period 2019/20 to 2021/22

## Wave 1-Wave 3

Over three-quarters of Wave 3 respondents (76.7%) reported that, taking into account all sources of income in their last complete financial year (assumed here 2020-21), they generated a profit or surplus. CWBLS beneficiaries were most likely to have reported a profit in their last complete financial year, with 81.1% responding positively, set against 73.6% in the case of SUGS respondent beneficiaries. These sorts of numbers would appear to be in marked contrast to those in Figure 4.5 where just 39% of businesses reported growth in profits between 2020 and 2021.

The longitudinal comparison of the profit status of businesses in their last complete financial year (so assuming 2020-21 financial year to 2021-22 financial year) revealed an 11.5 percentage point increase from Wave 1 to Wave 3 in the count of businesses indicating a profit. The increase was as high as 15.5 percentage points for ERF1, and 15.0 percentage points for SUGS recipients and 12.4 percentage points for CWBLS. Once again this would seem to mark a stronger performance than that seen in Figure 4.5 where there was very little change in the proportions of SMEs reporting a profit.

## Wave 2-Wave 4

For Wave 4, 66.4% of Wave 4 respondents reported that, taking into account all sources of income in their last complete financial year (assumed 2021-22), they generated a profit or surplus. By beneficiary scheme, recipients of ERF5 were most likely to have reported a profit in their last complete financial year, with 75.3% responding positively, while recipients of ERF7 were least likely to reveal a profit at 57.4%. Again although there is a problem in comparing like with like this would also appear to be a stronger performance than that described in Figure 4.5.

The longitudinal comparison of the profit status of businesses in their last complete financial year revealed a 5.1 percentage point increase from Wave 2 to Wave 4 in the count of businesses indicating a profit. This increase was as high as 12.0 percentage points for ERF7, and 9.4 percentage points for ERF6 recipients, ranging to a low of a 0.4 percentage point increase for recipients of ERF8. Once again this would seem to represent a stronger performance than that suggested by the information in Figure 4.5.

## 4.6 Conclusion

This section of the report has a series of health warnings attached because of the problems in gaining a counterfactual but it is concluded cautiously that in terms of profitability and survival, the businesses assisted by the Welsh

Government interventions appear to have performed better than might be expected when compared to what occurred among SMEs and the wider labour market in Wales and the UK.

## 5.1 Impact of Welsh-led interventions

The Welsh-led business financial support interventions made available during the pandemic had important benefits for business across Wales in terms of safeguarding employment. In general, the support available was geographically widespread and benefited a range of business types and sizes. It had significant impact amongst Wales' SMEs and, in particular, micro businesses. Moreover, Wales-led interventions worked to support businesses in some of the most deprived parts of the regional economy, and were focused on smaller and micro businesses less able to overcome the financial challenges they faced.

This research programme has found that the support provided by Welsh Government, particularly through elements of the Economic Resilience Fund (ERF), had measurable effects in terms of safeguarding and supporting employment in some of Wales' worst affected industries. It is important to note, although ERF played a central part in the support available in Wales, other interventions were also significant. The Covid-19 Wales Business Loan Scheme (CWBLS), for example, helped to safeguard around 2.5% of SME manufacturing, construction, and wholesale jobs in Wales. (1)<sup>9</sup>

ERF 1 and 2 business grants 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. Almost 80% of recipient firms were micro businesses, whilst small firms comprised 18%, and medium-sized firms accounted for almost 3%. (1)

The majority of enterprises supported by the Non-Hospitality, Leisure and Tourism elements of the Phase 3 ERF were in the micro-size category (65.3%), receiving 31.6% of the total funding. Meanwhile, the majority of Hospitality, Leisure and Tourism enterprises supported by ERF Phase 3 were in the small-size category (48.9%), receiving 66.2% of the funding. In total, 8,308 FTE employees in Hospitality, Leisure and Tourism were supported by ERF phase 3 (0.79% of all FTEs in Wales), with FTEs in tourism accounting for 90% of these. (2)

ERF Phase 4 (SSF) supported 36,675 FTEs (3.5% of all FTEs in Wales), 48.2% of which were in the food and drink service sector, whilst 28.9% were in the tourism sector, and the remainder divided across a wide range of business sectors. Nearly four-fifths of enterprises supported by ERF Phase 4 (SSF) were in the micro-size category (79%), whilst small and medium-sized businesses accounted for 21%. (2)

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. (1) Analysis of ERF Phases 3-7 beneficiaries, for example, shows that support was well distributed across industries, places, organisations, and individual applicant ages. In addition, administrative data for the ERF 5-8 funds provides further evidence of the geographical coverage of the funds, including many socio-economically disadvantaged areas of Wales. (3)

<sup>9</sup> The references in this section relate back to earlier reports in this research series and to previous section in this report as follows: 1 = December 2020 report; 2 = April 2022 report; 3 = January 2023 report; and 4 = final report. Previous reports are available at: <https://developmentbank.wales/other-services/economic-intelligence-wales>.

## 5.2 Benefits of Welsh-led interventions

This research programme has demonstrated that the overwhelming majority of recipient businesses believed that Welsh-led schemes were an important part of the overall business support available, and that these schemes worked well in addressing their individual business needs. The survey of ERF Phases 3-7 recipients, for example, found that 91.9% of respondents agreed that Welsh Government assistance worked well in safeguarding employment. (3)

It is also important to note that Welsh-led support schemes were highly successful at targeting Welsh-owned or (largely) Welsh-located businesses. The vast proportion of successful applicants were operating or mainly based in Wales. (4) Consequently, evidence from beneficiaries revealed that high levels of Welsh employment were protected. In addition, the wider impacts of the support may have been significant, with many thousands of jobs supported indirectly in related firms through supply-chain effects and wage spending effects. (1)

Although the survey evidence informing this research programme demonstrated evidence of real business need underlying applications for Welsh Government funding, the support schemes made available appeared to achieve greater impact than purely protecting existing employment. Many business that received support actually reported increased levels of employment following receipt of the funding. (2)

The beneficiary survey of ERF 1, 2, CWBLS, and Start-Up Grants found that while 55% of respondents reported that employee numbers were the same, 22% reported that employee numbers had grown since the beginning of the pandemic. (2) Meanwhile, surveys of ERF Phases 3-7 recipients found that 30.4% had higher employment at time of survey (a 7.6% increase in total employees) when compared with March 2020. (3)

Overall, there was an increase in total employment between Wave 1 and 3 longitudinal analysis (6,270 to 6,441, excluding casuals), although there was some variation between respondents. There was a small fall in total FTE employment between Wave 2 and 4 longitudinal analysis (6,658 to 6,458, excluding casuals), and business respondents explained that the main reasons for this were harder trading environments, recruitment and retention issues in the industry, and inflationary pressures other than wages. (4)

One possible reason for the increased employment in some recipient businesses may be explained by their particular use of the funding made available. Whilst it is certainly true that a significant proportion of funding was used to ensure recipient business liquidity during the pandemic, many businesses reported that they utilised the funding to innovate, by providing new services, staff training, or by changing the way they operate. The survey evidence indicates instances of Welsh Government support being used for proactive and innovative activity and that some SMEs have seen processes and products permanently changed as a result. (2)

The survey of ERF Phases 3-7 recipients, in particular, found that 46% of respondents developed new services or products in response to the Covid-19 pandemic. While funding had been used in large measure to reinforce working capital, these respondents reported that they had used funding to engage in new service or product developments, staff training, online marketing, e-commerce platform development, support of remote working, and other adaptations. (3) For some businesses, this investment may be having a longer-term impact on profitability. A longitudinal comparison of the profit status of businesses in their last complete financial year reveals an 11.5 percentage point increase from Wave 1 to Wave 3 in the count of businesses indicating a profit. (4)

## 5.3 Lessons for future interventions

The scale and speed of the Welsh-led interventions that were introduced, particularly during the initial phases of the pandemic, clearly demonstrated that devolved Government can respond rapidly and effectively in economic management when necessary. The scale and speed of the interventions were unprecedented, with initial funding schemes developed and delivered over a 4-5 month period during 2020. (1) The fiscal tools available to Welsh Ministers are more limited than those available at UK Government level, and the sums spent or invested were considerable considering the size of the regional economy.

The approach taken during the pandemic has demonstrated that more proactive economic intervention can achieve significant and sustained economic benefit. The survey evidence shows employment declines did not match the severity of the declines in output reported by beneficiaries. Indeed, there is evidence of sustained recovery among the beneficiaries of Welsh Government funding. (2)

The survey of ERF Phases 3-7 recipients, in particular, found that 97% were still trading at the time of survey. (3) Although longitudinal analysis of the change in trading status from Wave 2 to Wave 4 does indicate a 1.9 percentage point fall in the count of businesses currently trading, a very high percentage of recipient business remained trading. Moreover, increases in costs, retaining and recruiting staff, supply chain issues, and reduced/falling demand for goods and services were shown to be the largest challenge to businesses in the 12 months prior to the Wave 4 survey rather than ongoing Covid impacts. (4)

Although there is evidence to show that recipient businesses, in general, used funding to innovate, there is also evidence that those specifically in receipt of loans (as opposed to grants) were even more innovative in adapting and investing for longer-term business benefit. Beneficiary survey of ERF 1, 2, CWBLS, and Start-Up Grants found that loan beneficiaries of the CWBLS scheme were most likely to report that they had adapted services. (2) As shown by the Wave 1 longitudinal data, 29.6% of all respondents reported that they had invested in staff development and training, adapting current services, new service or product developments, online marketing, e-commerce development. The comparative value for CWBLS respondent beneficiaries was 36.1%. These figures declined in the Wave 3 longitudinal analysis, but this may reflect a reduced need to make further adaptations. (4)

Although there was generally a wide geographical spread of businesses across Wales that received Wales-led support, there was some evidence of a disproportionate variation in the distribution of recipient businesses in some schemes when measured as the number of FTEs supported per 100,000 of the population. Although, for example, 14,400 FTE employees in non-hospitality leisure and tourism were supported by ERF phase 3, and the sector distribution of employees was quite widespread, the disproportionate geographical distribution across local authority areas has previously been noted in this research programme. (2)

## 5.4 Wales-led and wider support schemes

There is strong and consistent evidence derived from the data informing this research programme that Welsh-led business support interventions were an important component of the overall support available to business in Wales during the pandemic. Also the businesses assisted by the Welsh Government interventions appear to have performed better than might be expected when compared to what occurred among SMEs and the wider labour market in Wales and the UK. Moreover, some businesses reported that Welsh-led support provided a greater diversity of support and was, in some instances, more important to their particular business needs than wider UK schemes. Survey data has shown that Welsh-led assistance was an important complement to UK Government schemes (2), providing additional and more varied support than that offered under the UK-led Job Retention

Scheme or SEISS (1), and worked in conjunction with other private and public sector funding to achieve employment and development outcomes. (2)

The beneficiary survey of ERF 1, 2, CWBLS, and Start-Up Grants found that the majority of beneficiaries had received more than one type of support available. Moreover, this survey also found that around 86% of respondents agreed that the Welsh Government assistance received was as important as the UK Government job furlough schemes in safeguarding employment, with little variation between respondents from the different funding streams. (2) In addition, the survey of ERF Phases 3-7 recipients found that 89.5% agreed that Welsh Government assistance worked well in combination with other support. (3)

## 5.5 Recommendations

In addition to the above conclusions, there are a small number of recommendations that arise from the reports that have been developed around the different Welsh Government interventions to support businesses during the Covid-19 pandemic.

First, there was inevitably some difficulty in gaining survey responses from beneficiaries. Given the scale of public monies deployed in the form of ERF grants to firms there is possibly a need for beneficiaries, as a condition of funding, to provide in online forms more details of their progress following the grant spending. Unfortunately it is likely that some SMEs might not have been able to recall how monies were deployed, or the different impacts of different types of funding over the Covid-19 'period'.

Second, and with a strong measure of hindsight, there is a need for more consistency in data collection at the time applications for funding are made. This might help in developing some aspects of the counterfactual such that we have a better set of data on the position of firms in respect of sales, employment, profits prior to funding.

Third, it was noticeable in Waves 1 and 3 that SMEs in receipt of loans as opposed to grants funding appeared to invest more heavily in longer-term changes to their businesses, including training, marketing, and product or service development. It is important to note

here that this is not a comparison of like with like in terms of grant and then loan assistance, and with CWBLS loans more targeted on established firms. However, this finding could help inform future business investments in Wales during crisis scenarios, as well as more generally during normal economic conditions. Were such a crisis to occur in the future this balance between grant and loan funding needs to be considered carefully, not least in garnering innovation-led outcomes.

Fourth, one of the critical challenges in the research has been to understand what might have happened to the assisted firms had they not received the assistance provided. This report has attempted to shed some light on what happened to SMEs in the wider economy but with the problem remaining that so many of the firms in the wider population received assistance, and with this also an issue where Welsh firms are compared to those in local authorities in England where small businesses received around £27bn of local authority support.<sup>10</sup> This is an area where it is recommended that further work occurs.

Finally, much of this Economic Intelligence Wales project has focused on survey returns and the use of administrative data from scheme applicants. In understanding how firms used grants, and especially loans, to develop innovative responses to business challenges there is possibly a need for more qualitative case study work to inform how we respond to future crises.

<sup>10</sup> [COVID-19 Business Grants schemes: insights \(minor updates to data, May 2023\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/collections/covid-19-business-grants-schemes-insights)

# Appendix 1:

## Overview of Welsh Government financial support

Funding	Date Operated	Offer
Covid-19 Non-Domestic Rates (NDR) Grant Scheme	April 2020 – June 2020	<p>A grant of £25,000 was made available for <b>retail, leisure and hospitality businesses</b> occupying properties with a rateable value of between £12,001 and £51,000.</p> <p>A £10,000 grant was made available to all businesses eligible for small business rates relief (SBRR) in Wales with a rateable value of £12,000 or less.</p>
ERF Phase 1	April 2020	The first phase of the Economic Resilience Fund was made up of two main elements, a £92m Covid-19 Wales Business Loan Scheme delivered by Development Bank of Wales, and a £400m emergency pot.
Covid-19 Wales Business Loan Scheme	April 2020	The £92m Covid-19 Wales Business Loan Scheme was available for companies experiencing cash flow problems as a result of the pandemic and provides loans of between £5k and £250k at favourable interest rates. The fund was fully subscribed in the first week.
Start-Up Grants	June 2020 – September 2020	<p>The Welsh Government recognised that there was an identified need to support those who are self-employed but fall outside of the UK announced Self Employment Income Support Scheme (SEISS) because they only started trading during 2019. To address this need a £5m Start-Up Grant was launched to support up to 2,000 start-ups in Wales with a grant of £2,500 each. The scheme closed to new applications at 5pm on Friday 4th September.</p> <p>The Start-Up Grant provided a potential lifeline to those who established their business after the 31 March 2019, and help them to continue trading through the Covid-19 outbreak.</p>
ERF Phase 2	June 2020 – July 2020	<p><b>Micro businesses</b> were eligible for up to £10k support from phase 2 of the fund.</p> <p><b>SMEs</b> were eligible for up to £100k support from phase 2 of the fund where:</p> <ul style="list-style-type: none"> <li>• Confirmation was provided that funding from any other Welsh Government Covid-19 related non-repayable grant funding source was not being pursued</li> <li>• In excess of a 60% reduction in turnover since 1 March 2020 was experienced</li> <li>• Not eligible for business rate relief, or if business was eligible, the amount would be deducted from any allocation from this fund</li> <li>• Did not receive phase 1 ERF support</li> <li>• Operating address and employer Wales</li> <li>• A sustainable business plan existed to trade beyond the Covid-19 pandemic</li> <li>• Had explored other forms of funding before applying to the ERF</li> <li>• An undertaking provided that for as long as the Coronavirus Job Retention Scheme was in place, no future compulsory redundancies will be made.</li> </ul> <p><b>Large businesses</b> were eligible for up to £690k in compliance with temporary State Aid rules where.</p>



# Appendix 1:

## Overview of Welsh Government financial support

Funding	Date Operated	Offer
ERF Phase 3 – Business Development Grants	October 2020 – November 2020	<p>Phase 3 of the Economic Resilience Fund (ERF) made available almost £300m for businesses to help them deal with the economic challenges of Covid-19 and the UK's impending exit from the EU transition period.</p> <p>The ERF was open to businesses of all sizes and all sectors across Wales, including social enterprises and charities, subject to eligibility criteria being met, and included:</p> <ul style="list-style-type: none"> <li>• Business Development Grants: £100m to help businesses develop and secure the employment of their workforces through business development grants with some firms required to commit some of their own resources in return.</li> <li>• Tourism and Hospitality Support: £20m of the £100m Business Development Grants has been ring-fenced to support tourism and hospitality businesses facing particular constraints and challenges as we enter the winter months.</li> <li>• Lockdown Business Fund: £199.5m to support businesses that are affected by lockdown restrictions, including a discretionary grant element (further details listed below)</li> </ul> <p>ERF Business Development Grants opened for applications on 28th October and closed on 29th October due to the high volume of applications. The Lockdown Business Fund closed for registrations on the 20th of November.</p>
ERF Phase 3 – NDR Lockdown Fund	October 2020 – November 2020	<p>The third phase of ERF also included a Lockdown Business Fund which was delivered by local authorities. The fund provided the following to eligible businesses:</p> <p>Retail, leisure and hospitality businesses forced to close (as defined by the regulations) during the firebreak lockdown period occupying a property with a rateable value between £12,001 and £51,000 were eligible for a £5,000 payment.</p> <p>Every business eligible for Small Business Rates Relief occupying a property with a rateable value of £12,000 or less were eligible for a £1,000 payment.</p> <p>A discretionary enhanced £2,000 top-up grant was made available on an application basis for those businesses with a rateable value of £12,000 or less who were forced to close by the firebreak lockdown (as defined by the regulations).</p> <p>A further discretionary enhanced £1,000 grant was made available to businesses on the same basis where they had been materially affected by local lockdown restrictions prior to the start of the firebreak lockdown period.</p>
NDR Restrictions Business Fund	December 2020 – March 2021	<p>The Restrictions Business Fund non-domestic rates (NDR) and discretionary based grants for non-essential retail, hospitality, leisure and tourism (NERHLT) sectors provided payments to cover the period between the December and end of March 2021 for businesses affected by national restrictions.</p> <p>Businesses had to be on the non-domestic rates (NDR) rating list for their local authority on 1 September 2020.</p> <p>The extension provided support to retail, leisure and tourism business properties with rateable values of between £150k and £500k p.a. This will enable support to be provided to a cohort of medium sized firms that to date have not received support via the BRF grants schemes. These businesses will be required to register their details, as well as making a short on-line application to their respective local authority.</p> <p>To support businesses who were not registered on the NDR register and with a turnover below £50k, a further £30m phase of the Local Discretionary Fund was approved and provided a £2,000 grant via a second round application and payment.</p>

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## Overview of Welsh Government financial support

Funding	Date Operated	Offer
ERF Fund 4 (alternatively known as Sector Specific Fund / SSF)	January 2021 – February 2021	The £180m ERF Sector Specific Support (operating costs) package was targeted at hospitality, tourism and leisure businesses or supply chain companies who are materially impacted with a greater than 60% impact of turnover as a result of the restrictions. Eligible businesses had to be employing staff via PAYE, and either VAT registered or (exempt from VAT) with turnover above £85,000, or limited companies with turnover above £50,000.
ERF Fund 5  (also known as Sector Specific Fund – Phase 2)  £30m	March 2021	<p>A second phase of the ERF Sector Specific Fund (SSF) provided an additional £30m support to SME and large businesses to cover the period from 25th January 2021 to 31 March 2021. This is in addition to the original allocation provided under the first phase of SSF in December.</p> <p>The ERF SSSF phase 2 (operating cost) package was targeted at hospitality, tourism and leisure (HTL) businesses and supply chain companies who are materially impacted with a greater than 60% impact of turnover since the 25th January as a result of the restrictions. It is aimed at supporting the operating costs (excluding staff) of these businesses through the restriction period (25th January to 31 March 2021).</p> <p>Businesses who accessed the first phase of SSF could also apply for this fund.</p>
NDR Restrictions Business Fund – extension  £150m	March 2021 – (in delivery)	The Restrictions Business Fund non-domestic rates (NDR) linked grants and discretionary based grants for non-essential retail, hospitality, leisure and tourism (NERHLT) sectors was extended to provide payments to businesses affected by national restrictions.
ERF Fund 6  £66m	May-June 2021	<p>On the 11th May 2021 up to £68.5m of support was announced for businesses still affected by coronavirus restrictions. Through the ERF eligible businesses can apply for up to £25k to help meet ongoing costs for the period 1st May to 30th June.</p> <p>The scheme was delivered by the Welsh Government for businesses with an annual turnover of above £85k. Local authorities will deliver the scheme for businesses with an annual turnover below £85k.</p> <p>Applications opened on 24th May and the application window remained open until 14th June at 5pm for the Welsh Government element.</p>
ERF Fund 7	July-August 2021	<p>On the 30th June 2021 a further £10m emergency package of support was announced to cover the operating costs for July and August 2021 of businesses required to remain closed and who remain severely impacted as a result of the continuation of the restrictions. Eligible businesses could apply for up to £25k in the hospitality, leisure and tourism sectors and their supply chains who continue to be severely impacted by restrictions.</p> <p>The package provided grants to businesses that remained closed or continued to be materially affected by Covid-19 alert level 2 and the transition to alert level one restrictions. The funding has supported businesses such as restaurants, cafés, pubs, nightclubs, events and conference venues, and other leisure businesses, as well as their supply chains.</p> <p>The emergency funding package was targeted at businesses including:</p> <ul style="list-style-type: none"> <li>• Nightclubs, ice rinks and late entertainment venues that remained closed.</li> <li>• Events and conference venues ineligible for the Cultural Recovery Fund (CRF) and that were significantly limited in their ability to trade.</li> <li>• Supply chain businesses who relied on affected hospitality, night-time or conference businesses for more than 60% of their revenue that were significantly materially impacted.</li> </ul> <p>The scheme was delivered by the Welsh Government for businesses with an annual turnover of above £85k. Local authorities delivered the scheme for businesses with an annual turnover below £85k.</p>

# Appendix 1:

## Overview of Welsh Government financial support

Funding	Date Operated	Offer
ERF Fund 8 Christmas and New Year Restrictions £120m	December 2021 - February 2022	<p>Businesses in Wales impacted by the rapid spread of the Omicron virus may be eligible for emergency financial support under a new £120m Welsh Government support package.</p> <p>Under the latest package, non-essential retail, hospitality, leisure and tourism business impacted by restrictions and who pay non-domestic rates (NDR) will be entitled to a payment of up to £6,000 depending on their rateable value. In order to receive their payments businesses must register their details through a quick and easy online process.</p> <p>The application window for ERF will open the week commencing 17th January 2022, for two weeks, with payments starting to reach businesses within days.</p> <p>Local authorities will also administer a discretionary Emergency Business Fund for business and sole traders who do not pay rates. The fund will provide £500 to sole trader and freelancers and £2,000 to businesses employing people in the impacted sectors. Applications will open on local authority websites during the week commencing 17th January, and will remain open until 5pm on the 14th February.</p> <p>The £120m package is designed to support businesses impacted by the spread of Omicron through the period from 13th December to the 14th February. This timeframe is linked to the expected impact of Omicron on Welsh businesses. It is not based on the expectation that restrictions will continue into mid-February.</p>

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