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Llywodraeth Cymru  
Welsh Government

Russell George MS  
Chair  
Economy, Infrastructure & Skills Committee

3 March 2021

Dear Russell,

We refer to your letter of 15 February, following-up on matters that arose during our appearance before the Committee on 3 February.

We are pleased to respond to the Committee's queries as follows:

### **Comparative support across the nations**

***Firstly the Committee looks forward to receiving the promised comparative table setting out the levels of support being offered to businesses across the different nations. The Committee has already recommended provision of this information in its scrutiny report on the Welsh Government's Draft Budget for 2021/2022. We appreciate the narrative for that table will need to reflect and explain a complex picture, with variations in eligibility criteria and thresholds. However it is important for Welsh businesses and the public to fully understand the basis for Welsh Government's confidence that it is offering a higher level of business support than in England, Scotland or Northern Ireland.***

***The Committee welcomes Welsh Government's ongoing monitoring and assessment of the cumulative effectiveness of the range of support packages, including the impact of Economic Resilience Fund eligibility criteria on smaller businesses. We also welcome a willingness to learn from initiatives elsewhere in the UK, such as Northern Ireland's latest Newly Self-Employed Support Scheme, when refining the Welsh support package. We look forward to the flagged further announcements to come on business support within the current financial year budget envelope***

We welcome the Committee's observation on wider UK support which always provides the opportunity for reflection. As part of considering the latest package of support pre financial year end, we have reviewed the range of support schemes in Wales against refreshed UK

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

wide intelligence both in terms of the quantum and package of support. This includes the Self Employed Support scheme in Northern Ireland (NI) and would note that in Wales we introduced in the summer of 2020 both the £5m Start Up support grant followed by close to £50m committed to the Local Authority delivered discretionary grants aimed at those smaller businesses that for example are new or are not registered to pay non-domestic rates.

A direct comparison across the home nations of the UK is challenging due to variations in the terms and conditions and periods for which various grant schemes cover. However for the period 20 December 2020 to the 1 March 2021 the comparison below is possible. At a headline level we would advise some caution in use of this table due to the following factors:

- Eligibility and level of schemes in wider UK are often both discretionary and at different levels for different periods. Either side of the committee rolling support in Scotland and NI were reduced.
- We clearly do not control schemes in other areas, as discussed at Committee England for example now has two support schemes in operation, a block grant and a rolling 42 day scheme without clarity on timeline – both are covered in table.

UK Home Nation Grant Comparator Table – 20 December 2020 – 1 March 2021

Please note this table is provided with the caveats that;

- Comparisons are based on known data at the point of drafting only and highly likely to change.
- Many of the schemes are discretionary so assumes eligibility and access and we are not sighted on approval or application rates.
- Statistics, eligibility, dates and rates changes regularly. For example NI have released 10 new schemes this year and have a total of 30 schemes now closed to new applicants but with data remaining online.

<b>Period 20<sup>th</sup> December to 1<sup>st</sup> March</b>	<b>Business property rateable value (RV) £15k and less</b>	<b>RV £15-£50k</b>	<b>RV £50-£500k (SME only)</b>
England (2 schemes)	£6,000	£9,000	£13,500
Northern Ireland Retail (to 5 <sup>th</sup> March)	£8000	£12,000	£16000
Northern Island Hospitality	£8000	£12000	£30000
Scotland retail	£10,000	£10,000	£15,000
Scotland Hospitality	£10,000	£10,000	£32,000
<b>Wales - All Business</b>	<b>£6,000 - £10,000</b>	<b>£10,000</b>	<b>£10,000</b>
ERF - Wales 60% or more negative turnover impact for HLT and supply chain only (10k business). Grant linked to employment and operating costs	£6,000 (4 emp.)	£15,000 (10 emp.)	£100,000 would require costs over the two month period – likely intervention of £35,000.
<b>Wales Max*</b>	<b>£16,000</b>	<b>£25,000</b>	<b>£110,000 / £45,000</b>

***\* Does not include the new £30m SME ERF sector fund in Wales for hospitality, leisure and tourism (HLT) and associated supply chain businesses which would see a 10 employee company receive up to an additional £15k in March.***

The table shows that when combined, the NDR linked grants and ERF grants in Wales mean that the value of the support package for the most affected group of businesses (HLT) exceeds that available in other parts of the UK and also in the majority particular for smaller business in the Non Essential Retail sector.

### **Restrictions Business Fund coverage**

***We were told that the ‘maximum cohort’ of 67,000 businesses would be eligible for the additional £200m allocated in the latest round of the fund, but that ‘in all likelihood’ you expected the number of claimants to be lower, and that the expected surplus would be used ‘in the next steps’. Can you expand on the reasons why you expect a lower level of claims?***

The 67,000 (businesses) is based on an estimate of qualifying business properties as derived from the non-domestic rates (NDR) database across all sectors.

Previous NDR linked grant schemes have not been targeted specifically on NERHLT sectors. As such, an estimation of the number of qualifying NERHLT properties was made and thus the package is based on the maximum number potentially eligible. In addition and in response to lessons learnt from the first phase, for the Restrictions Business Fund, businesses were required to register their details with local authorities for the NDR linked grant – this meant the service also becomes demand led.

Also, supply chain companies were included in the estimates on the basis that they would have been materially impacted but not closed by alert level 4. Part of the criteria for receiving a grant involved declaring that the various restrictions imposed during December had generated a negative impact (40% or more reduction) in their turnover levels. Some businesses occupying eligible properties would not have been adversely affected to this extent, thus the level of claims was expected to be lower than the maximum number of properties.

It was not possible to assess the degree to which the actual level of demand would be lower than the maximum eligible number of properties in advance given the evolving nature and effect of the restrictions on particular types of businesses. We estimate the average level of support for each round of support (Dec- Jan and Feb-March) will fall close to 40k properties each round.

### **Restrictions Business Fund – Local Discretionary Grant**

***We discussed the policy imperative behind Welsh Government’s approach to business support, which aims to direct funding to save as many jobs as possible ‘in the round’. Discretionary funding for local authorities to plug any resulting gaps in support to some smaller businesses is welcome. However, Members are still aware of many businesses on the margins of eligibility, in particular sole traders and micro businesses who do not meet the PAYE, VAT, property or other criteria for the Restrictions Business Fund. Or whose businesses are classified in such a way that they have found it difficult to access support.***

***The Committee would welcome Welsh Government reviewing the discretionary guidance to local authorities, which based on Members’ case work would appear to***

***have become more restrictive. While audit and fraud prevention are important considerations, it would be helpful if the Minister could elaborate on how genuine that level of discretion is, and how risk-averse local authorities are being in exercising that discretion. Members also hope that all avenues are being explored for newer sole traders and micro businesses to provide evidence of their trading status and eligibility for discretionary funding to local authorities.***

Since the start of the pandemic, local authorities have worked tirelessly alongside the Welsh Government to deliver emergency support grants to businesses. Throughout, the guidance produced to support delivery of the various schemes has been co-developed alongside local authorities with invaluable input and co-ordination from the WLGA.

Aligned to its name, the Discretionary Grant is indeed aimed to be discretionary and local authorities have been supported throughout to interpret the principles of the guidance and apply their discretion in what are sometimes highly complex and quite contentious cases. The policy intent throughout has been to provide support wherever possible to legitimate and eligible businesses, using the discretionary fund to address gaps in wider support schemes such as the self-employment income support scheme (SEISS) and many of the examples to which the committee comments.

In cases where further information or evidence is needed to support an applicant's case, local authorities have been actively requesting and reviewing this to help inform their decision making processes. We also keep guidance and eligibility criteria under active review taking account of feedback from local authorities and stakeholder groups such as the FSB.

We of course continue to monitor and ensure provision for gaps in support, start-ups, taxi drivers, shared accommodation tenants and sole traders to name a few covered by the Discretionary Fund. The Committee is right to point out that finding a balance between competing factors is and continues to be a key consideration.

We are happy the Discretionary Fund is delivering its objective and note that it continues to evolve, for example in response to the taxi sector. That said as the pandemic evolves our package need to do the same and we also accept the need to review and update in response to new measures and issues raised by stakeholders and indeed the scrutiny process.

## **DBW CWBLS and CBILS**

***We discussed the long term challenges for the Development Bank of Wales in relation to debt consolidation and providing patient capital, and its role to help businesses stabilise in the longer-term. The Committee would welcome any further clarity the Minister can provide on the timescale for setting out future funding to the Development Bank for Covid-19 recovery.***

The existing Wales Flexible Investment Fund (Fund) managed by the Development Bank of Wales (DBW) has been extended. The Fund provides DBW with its most flexible form of funding, supporting a range of deal types, equity and debt and with no geographical restrictions.

The Fund, which has been investing since 2017, has been extended in value to £500m, enabling it to continue to invest for the next 10 years. £270m of supplementary core capital is being added to the Fund which, when placed alongside capital already invested in the Fund (£97m), re-invested capital from historic funds that are in their realisation phase

(£103m) and funds which will be re-cycled during the investment period itself (£30m) create the £500m total.

This funding will ensure that the DBW is able to continue investing over £60m per year into general business loans and equity through what we expect to be an extended period of economic recovery and adjustment.

The £500m Fund will continue to offer investments of between £25k and £10m with long term investment terms (15 years), to both SMEs and non-SMEs, with viable business propositions to ensure continued economic activity in Wales.

DBW expect the fund to make over 2,000 investments in over 1800 businesses – based on an average deal size of c.£250k. This will safeguard and/or create over 24,000 jobs. With private sector leverage of 1:1 the £500m investment will generate a total investment of £1bn in to the Welsh economy over the next decade.

Overall DBW expect the majority of funding to be deployed through 5-year loans. However the Fund is flexible and will support a broad range of needs including: micro-loans under £50k, working capital, 5-15 year loans, and equity at early, later and follow-on stages. We are facing high levels of uncertainty at this point in time and so a review at 12 – 18 months and a mid-term review in 2024/25 have been built into the offer at which point, approach targets and outputs will be revised as necessary to ensure they remain challenging but appropriate to the prevailing economic context.

A key challenge out of Covid will be consolidation and patient capital. The cost of finance is often confused with affordability. It is important to be able to provide funding over a sufficiently long term to make debt repayments affordable.

In the recent Patient Capital review by the UK Government, it was noted that ‘the lack of patient capital is a significant impediment to UK entrepreneurs’ success. It went on to say, ‘One major challenge for growing businesses aiming to reach scale is a lack of available “patient capital”. The Wales Flexible Investment Fund provides a ready source of long-term capital which will be even more crucial in the post Covid recovery phase.

## **Future support at different alert levels**

***We note the financial uncertainty after the end of this financial year, as outlined by the Deputy Minister, alongside the need for tapered business support to manage ongoing uncertainty. However the Committee would welcome more detail from the Minister if possible, to set out policy intentions about the kind of support different types of businesses should expect to be in place for each alert level of restrictions, pending the availability of the necessary.***

There remains an acute need for on-going emergency support for hospitality, leisure and tourism (HLT) businesses through February and March 2021 given the extension of Alert Level 4 restrictions to complement other UK Government and Welsh Government schemes. A further £30m phase of the Economic Resilience Fund Sector Specific Support (SSF) will provide emergency financial support in 2020-21 targeted specifically at small, medium and larger HLT business and related supply chain businesses has to cover costs falling into bills owing in February and March 2021.

A grant will be provided to eligible businesses based on £1,500 per job safeguarded or fixed operating costs for February and March (whichever is the lowest) with upper limit of grant determined under Covid-19 Temporary Framework (£690k cumulative support).

We also recognise the critical importance to business of the March 12<sup>th</sup> review. With the upcoming Easter Holidays officials are in advance development of a further top up to the Non Domestic rates grants with a particular focus on micro business in the HLT sector and larger retailers to design a package that aligns with any extension to alert level 4 restrictions or alert level 3.

## **Workplace safety**

***Concerns about adherence to workplace safety regulations were discussed with the Deputy Minister. The Committee welcomes the commitment to share correspondence between the First Minister and the Parliamentary Under-Secretary of State for Transport on the situation at the Driver and Vehicle Licensing Agency (DVLA) headquarters, and to be kept updated on any further developments.***

Please find attached 2 letters from the First Minister.

We were pleased to note that on 27 February, Public Health Wales (PHW) noted there had been no linked cases among call centre staff in the past 28 days. It will continue to monitor the situation.

PHW has been working with Swansea Council, Swansea Bay University Health Board and the Health and Safety Executive, and meeting regularly to help the DVLA with managing the workplace.

We adopt a Social Partnership approach in Wales and have the Health & Safety Forum too.

We received numerous concerns about inconsistencies with the standard of cleaning and hygiene measures, the quality of the ventilation and insufficient social distancing in stairwells and other high 'traffic' areas.

It is imperative that the UK Government and its agencies set the right example in the conduct of its operations and keep its workforce, local community and Wales safe.

Yours sincerely,



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