Department for Business & Trade

Evaluation of the Local Authority COVID-19 Business Support Grant Schemes

Final Report

Ipsos UK, Steer Economic Development, and George Barrett

Contents

Acronyms

Scheme	Description
ARG	Additional Restrictions Grants
BEIS	Department for Business, Energy, and Industrial Strategy
CJRS	Coronavirus Job Retention Fund
CSP	Christmas Support Payment
DBT	Department for Business and Trade
DLUHC	Department for Levelling Up, Housing and Communities
LADF	Local Authority Discretionary Grant Fund
LRSG	Local Restrictions Support Grant
NAO	National Audit Office
OHLG	Omicron Hospitality and Leisure Grant
RHLGF	Retail, Hospitality and Leisure Grant Fund
RSG	Restart Grants
SBGF	Small Business Grant Fund
SEISS	Self-Employment Income Support Scheme
SRS	Secure Research Service
VOA	Valuation Office Agency

Executive Summary

Ipsos UK, Steer Economic Development, and George Barrett were commissioned by the Department for Business, Energy, and Industrial Strategy[1] (BEIS) in December 2021 to undertake a process, impact, and economic evaluation of the Local Authority COVID-19 Business Support Grant Schemes. This report sets out the findings from the evaluation.

Local Authority Business Support Grant Schemes

The Local Authority COVID-19 Business Support Grants Schemes programme was first introduced in March 2020 to provide cashflow support to small businesses adversely affected by non-pharmaceutical interventions introduced to contain the outbreak of COVID-19. These measures were expected to have a significant impact on the cashflow of businesses with sectors reliant on social contact particularly exposed. This created a risk that many businesses would be unable to survive, resulting in substantial job losses and the emergence of problems of long-term unemployment if workers and areas adversely affected were unable to adapt. Eight grant schemes administered by local authorities - operating at different times between March 2020 and March 2022 - were introduced to support businesses with their non-wage costs and safeguard their survival.

Methodology and limitations

The evaluation was based on a mixed methods approach, combining evidence gathered from a telephone survey of firms awarded grants, analysis of administrative data, and depth research with a wide variety of local and national stakeholders (including 34 local authorities responsible for administering the schemes).

This evaluation also involved an assessment of the impacts of the grant schemes based on comparisons between firms awarded grants and firms that did not receive grants sharing similar pre-pandemic characteristics. It should be noted that owing to constraints created by the monitoring of the schemes, there are significant uncertainties regarding how far the findings of the study can be generalised to the population of firms awarded grants as well as the magnitude of the impacts associated with the schemes. As such, the findings of the impact evaluation should be interpreted as indicative of the possible scale of effects.

To what extent did Local Authority COVID-19 Business Support Grant Schemes reach all groups of small businesses experiencing disruption and risk of failure during the COVID-19 pandemic?

The Local Authority COVID-19 Business Support Grant Schemes programme was one of the largest interventions made to protect the economy against the adverse effects of the COVID-19 pandemic. It is estimated that 1.4m businesses benefitted from £23bn of financial support. This result is subject to uncertainty but indicates that the programme may have reached just over one quarter of businesses in England (27 percent) including a broadly equal number of registered and unregistered businesses.

The programme successfully reached the smallest businesses that were expected to face the most significant disruption caused by the COVID-19 pandemic. While the first cohort of grant schemes launched in March 2020 reached a broad mix of sectors (including some sectors that saw less significant economic shocks), later schemes were more focused on the industries that were most disrupted.

[1] Following machinery of government changes in February 2023, responsibility for the programmes transferred to the Department for Business and Trade.

However, delivery of the schemes also did not involve any material test of need, with a reliance on the eligibility criteria to target businesses facing financial distress. Analysis of the balance sheets of firms receiving grants suggested that only a quarter had financial reserves that would not have allowed them to absorb the costs associated with short-term disruptions in their ability to trade. Firms benefitting from the programme also made widespread use of parallel initiatives launched to support businesses during the COVID-19 pandemic.

There was no evidence of inequitable access to the programme. The share of women and minority ethnic led businesses receiving grants aligned with the ownership characteristics of the broader business population. The least deprived areas tended to receive lower levels of funding, though grant spending was largely evenly distributed across areas of different deprivation levels. However, the discretionary elements of the programme may have introduced some perceived inequities (though not discrimination) where neighbouring authorities pursued different approaches to allocating these funds.

To what extent did the programme prevent the failure of businesses experiencing disruption and risk of failure during the COVID-19 pandemic?

The Local Authority COVID-19 Business Support Grant Schemes programme was designed and established rapidly without an existing programme delivery template or much of the required data and payments infrastructure in place. Given the range of operational and resourcing challenges faced, the speed with which the programme was delivered (particularly the first cohort of schemes introduced with the first national lockdown) should be considered a significant achievement.

Analysis of branch closure rates amongst registered firms that did and did not receive Cohort Two grant funding indicated that the schemes may have reduced the likelihood of a branch closure by 35 percent by March 2022. This would imply that the schemes reduced the overall closure rate of branch sites from 8 percent to 5 percent. If this result can be applied across the overall programme, then it may have prevented the closure of 21,000 workplaces by the end of 2022. The impact of the programme on unregistered businesses - accounting for half of total spending - is uncertain owing to a lack of data.

To what extent did the grants support firms and the local economy to adapt to COVID-19 restrictions and/or re-open faster?

The survey of firms receiving grants indicated that grants were almost exclusively used for their intended purposes - with 85 percent reporting that grants were used to support normal on-going operating expenses and a further 20 percent reporting the grants helped fund adaptations made necessary by the pandemic. There was little evidence of firms using grants solely to reflate financial reserves or otherwise leaving resources undeployed.

There was a variety of evidence that the programme may have facilitated more rapid re-opening in some sectors. This was most apparent in the hospitality sector where businesses highlighted the role of grants in enabling them to (for example) replace stock that was discarded when closures were in force or to fund the cost of necessary adaptive measures (such as sanitisers, additional cleaning costs or installation of plastic screens). However, the findings of the evaluation did not indicate that firms awarded grants saw greater increases in turnover than equivalent firms that did not receive grants once the economy began to re-open.

To what extent did the grants safeguard jobs, protect incomes, and prevent rises in long-term unemployment?

It was estimated that the Local Authority COVID-19 Business Support Grant Schemes programme may have safeguarded around 300,000 direct jobs (assuming no reallocation of workers between branches) through enabling the survival businesses and safeguarded a further 100,000 jobs in firms that would have otherwise survived the pandemic.

It is estimated that the programme may also have helped between 111,000 and 430,000 workers avoid unemployment between 2020 and 2022. The impact of the programme began to decay

during 2022 as the economy emerged more fully from the COVID-19 pandemic (implying that a share of workers that would have otherwise been displaced would have taken up alternative employment opportunities by the end of 2022). However, the grants appear to have had a persistent effect in terms of maintaining employment and may have helped mitigate any 'scarring' effects caused by the pandemic.

Were the costs of the grants justified by its economic and social benefits?

The programme was effective in meeting its objectives of providing a rapid response to the cashflow issues caused by the introduction of restrictions to manage the COVID-19 pandemic, preventing a substantial number of business failures and/or branch closures. A significant programme of economic support was also likely needed to manage hazards that were largely unknown in March 2020 and maintain broader economic confidence.

However, the findings also indicate that a relatively high share of the businesses supported would have been likely to survive without cashflow support - implying that the outcomes associated with the programme could potentially have been achieved with lower levels of public spending. Several factors underpin this result:

- **Targeting:** The first cohort of grant schemes were launched with little targeting of businesses facing financial difficulties and only limited targeting of the sectors facing the most acute restrictions on trading activities. This was partly addressed in the design of later schemes through the specification of more tightly defined eligibility criteria.

- **Need:** Many businesses awarded grants were unlikely to face immediate financial difficulties, given their level of assets and reserves. While grants were almost uniformly used for the intended purposes of funding non-wage expenditure, it is likely that the programme mostly helped prevent these firms accumulating greater levels of liabilities and/or enabled them to delay re-opening until it was profitable to do so, rather than securing their short-term financial sustainability. The economy also proved more adaptable to COVID-19 restrictions than was originally anticipated by policy makers.

- **Parallel support programmes:** There was widespread take-up of parallel support programmes amongst firms receiving grants, including the CJRS, as well as important easements to insolvency regulations. The overall package is likely to have had an important protective effect, limiting the incremental impacts of the Local Authority COVID-19 Business Support Grant Schemes.

While there may have been mechanisms to deliver the programme on a more economical basis, opportunities to exploit these were arguably limited. Firstly, levels of 'day one preparedness' were relatively limited. Local authorities did not have the infrastructure in place to deliver an emergency economic response from the outset, and an initial emphasis on the creation of this infrastructure would have had significant adverse impacts on the speed of the response.

The design of later schemes improved targeting of resources at sectors most adversely affected. However, the introduction of tests of need that required analysis of financial statements to ensure resources only reached firms at the greatest risk of closure would have also created substantial additional resource requirements that arguably could not have been met given the parallel burdens on local authorities over the period (such as managing self-isolation payments). Finally, there may also be questions as to the political feasibility of introducing support schemes that only targeted businesses in financial distress given the circumstances (given the potential inequities that may have resulted from such an approach).

The risk of losses to the taxpayer due to irregular payments was acknowledged and accepted as the first schemes were launched. DBT estimates that £1.1bn (just under five percent) of payments were irregular (with 83 percent of this related to error rather than fraud). Ninety percent of these losses arose from Cohort One schemes and improvements to assurance requirements in later cohorts substantially reduced levels of irregular payments. £12.9m of these payments had been recovered by February 2022 (rising to £20.9m by May 2023). The rapid mobilisation of Cohort One grants schemes is also likely to have had the adverse consequence of comparatively high levels of

irregular payments, as the first cohort of schemes were largely launched without formal application and due diligence processes. These issues meant that the BEIS Accounting Officer sought a Ministerial Direction for the expenditure.

What lessons can be drawn for future emergency responses?

The evaluation of the programme highlights several lessons learned for future emergency responses:

- **Pre-pandemic preparedness:** Scheme design was undertaken rapidly. There was no existing infrastructure to deliver these grants, and poor emergency preparedness, which caused significant delivery issues given the expected pace of delivery. While it is difficult to anticipate future crises, preparedness for the future might involve improving the quality of underlying datasets, ensuring teams are adequately resourced, and putting in place flexible contracting arrangements that can be utilised in response to a range of situations.

- **Availability of data:** There was no 'test of need' applied to firms applying for grants. This relatively untargeted approach had significant implications for value for money. A more targeted approach would have reduced the cost of the scheme but would not have been feasible to deliver (at least, not to the same timescales) given the resource constraints of local authorities and a lack of suitable data available for firms to evidence their financial vulnerability. It would be worthwhile exploring what data or mechanisms could be put in place to facilitate a more targeted approach to assessing the financial vulnerability of firms for future emergency response planning.

- **Perceived inequities:** It became clear that the rapid design of targeted schemes resulted in a series of eligibility gaps, which created seemingly arbitrary eligibility outcomes. The discretionary schemes were offered to try to plug these gaps. However, by leaving the design of these schemes to the discretion of local authorities, a further arbitrary element was introduced (creating a 'postcode lottery' effect). In addition, a significant amount of additional work was required (and duplicated) across local authorities to design and deliver these schemes. Furthermore, issues with the guidance (gaps and a lack of clarity in some places) meant that even centrally designed schemes were delivered with varying interpretations across local authorities, leading to yet further 'postcode lottery' effects. A more coherent national approach to discretionary schemes, set up in partnership with local authorities, would have gone some way towards eliminating this effect.

- **Assurance:** Due to Ministerial prioritisation of the speed of set up, the application processes set up by local authorities were in general not, at the outset, fit for purpose – they did not provide sufficient evidence to provide an audit trail to facilitate reconciliation.

- **Monitoring and evaluation:** Almost no monitoring or evaluation mechanisms were initially put in place by either BEIS or local authorities. The main KPI monitoring that was undertaken was around the speed of delivery – the importance of which was already being impressed upon local authorities through other channels. Asking local authorities to monitor other factors could have helped to encourage greater consideration of, for example, irregular payments and equity. Some local authorities felt that the so-called 'league tables' penalised those who chose to place a greater emphasis on assurance. However, it should be noted that the quality of monitoring information improved substantially with the introduction of Cohort Two grants.

- **Learning:** There seems to have been few opportunities for local authorities to learn from one another that would likely have sped up this learning process. Formal or informal 'debrief' sessions, roundtables, or real-time evaluation activities could all have helped to disseminate some of these learnings and avoid this situation of hundreds of local authorities individually struggling, in parallel.

1.0 Introduction

Ipsos UK, Steer Economic Development, and George Barrett were commissioned by the Department for Business, Energy, and Industrial Strategy[2] (BEIS) in December 2021 to undertake a process, impact, and economic evaluation of the Local Authority COVID-19 Business Support Grant Schemes programme. This report sets out the findings from the evaluation.

1.1 Overview of the Local Authority COVID-19 Business Support Grant Schemes programme

The table below outlines the grant schemes within the scope of this evaluation. Cohort One schemes are defined as those developed and delivered in response to the first national lockdown and Cohort Two schemes cover those delivered in response to local restrictions and later national restrictions introduced in late 2020 and 2021.

Table 1.1: Local Authority COVID-19 Business Support Grant Schemes

Scheme	Description	Funding and eligibility	Number and value of grants awarded
Cohort One schemes			
Small Business Grant Fund (SBGF) and **Retail, Hospitality and Leisure Grant Fund** (RHLGF)	Launched in response to the first national lockdown and closed at the end of June 2020. The SBGF was intended to support small business to continue trading with the RHLGF targeted specifically at the sectors most at risk.	Up to £10,000 was available through the SBGF and £25,000 through the RHLGF. Eligibility criteria were based on the rateable value of premises (up to £15,000 for SBGF and £51,000 for RHLGF).	907,000 grants totalling £11.1bn
Local Authority Discretionary Grant Fund (LADF)	Launched to support businesses not covered by the SBGF or the RHLGF.	Grants under the LADF were capped at £25,000. Local authorities had discretion to set eligibility criteria (though firms had to be ineligible for SBGF or RHLGF).	93,000 grants totalling £560m
Cohort Two schemes			

[2] Following machinery of government changes in February 2023, responsibility for the programmes transferred to the Department for Business and Trade.

Local Restrictions Support Grant (LRSG), **Additional Restrictions Grants** (ARG) and **Christmas Support Payment** (CSP)	Further grant schemes were introduced to help businesses affected by tighter restrictions introduced at the local and national level between July 2020 and July 2021.	Local authorities were allowed some discretion in how these grants were allocated, though there was an expectation that they would be directed at sectors most affected by restrictions.	3.0m grants totalling £7.4bn
Restart Grants (RSG)	Restart Grants aimed to support businesses with costs attached to reopening. The scheme launched in April 2021 and closed in December 2021.	Restart Grants offered grants of up to £6,000 for non-essential retail premises and £18,000 for hospitality, accommodation, leisure, personal care, and gym businesses.	396,000 grants totalling £3.0bn
Omicron Hospitality and Leisure Grant (OHLG)	OHLG was introduced to support businesses most affected by the emergence of the Omicron variant. The scheme was launched in January 2022 and closed in March 2022.	OHLG offered grants of up to £6,000 to businesses offering in-person services from fixed rate-paying premises in the hospitality, leisure, and accommodation sectors.	134,600 grants totalling £456m.

Source: Ipsos UK review of publicly available documentation

1.2 Evaluation aims and objectives

The objectives of the evaluation, as set out in the Terms of Reference developed by BEIS, were to establish:

- How effectively the BEIS Local Authority COVID-19 Business Support Grants Schemes were implemented.
- How effectively the grants supported businesses during various stages of the pandemic.
- What lessons can be learned from the design and implementation of the scheme to inform similar schemes in the future.

Detailed evaluation questions were agreed as part of the scoping stage of the evaluation as described below. These are detailed in Section 2 of this report.

The scope of the evaluation includes all grant schemes funded between March 2020 and March 2022. This includes the third top-up of the Additional Restrictions Grant, and the Omicron Hospitality and Leisure Grant, which were funded in January 2022 in response to the behavioural impacts of the emergence of Omicron variant in November 2022. However, as the available data on business outcomes were mainly available only to March 2022, the evaluation does not provide a comprehensive quantitative assessment of the impacts of this additional funding.

1.3 Challenges and limitations

The findings set out in this report are subject to several limitations driven principally by the availability of monitoring information on businesses awarded grants. The absence of firm level data for Cohort One schemes, as well as limited data on the characteristics of firms awarded grants, has led to a variety of challenges in establishing the representativeness of the samples used to evaluate the programme. The results are potentially subject to a range of biases and caution should be exercised in drawing generalised inferences from the findings presented. These issues stem from:

- **Monitoring information for Cohort One schemes:** The Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF), and the Local Authority Discretionary Grant Fund (LADF) were launched in April 2020 at the outset of the COVID-19 and are collectively known as Cohort One grant funding schemes. Cohort One grant schemes were launched without a requirement for local authorities to share the details of individual businesses receiving grants with BEIS. Consequently, there were no centrally available records of the businesses benefitting from these schemes.

- **Establishing a sample of Cohort One beneficiaries:** A sample of firms benefitting from the first cohort of grant schemes was constructed by exploiting the eligibility rules for the SBGF and RHLGF. Eligibility for these schemes were partly determined by the rateable value of premises occupied by businesses. This made it possible to identify eligible and ineligible premises using the ratings lists published by the Valuation Office. However, it is important to highlight some weaknesses with the approach:

    - This process gave a list of 65,811 relevant addresses in the areas selected for detailed survey research but did not provide details of the businesses occupying those premises.[3] This issue was addressed by linking these records to lists maintained by business tele-numbering companies to obtain details of the name, Companies House Reference number, and contact details of the business. This process returned details of firms occupying 13,729 of these premises and Companies House Reference Numbers in 1,412 cases.

    - Businesses operating in the retail, hospitality, and leisure sectors were eligible for higher levels of grant support (via RHLGF) than those operating in other sectors. However, in the absence of details of the industrial activity of firms occupying premises, eligibility for RHLGF was inferred from the use class for the premises described in the VOA ratings list. This is likely to only approximate eligibility for RHLGF, and it is probable that some premises may have been incorrectly identified as eligible or ineligible. This issue is likely to weaken the strength of analyses based on comparing eligible and ineligible premises described above.

    - Local authorities also received funding to support businesses that were not eligible for SBGF or RHLGF via the LADF. There were no records of the businesses receiving grants through LADF and some that were ineligible for SBGF or RHLGF may have received grant support.

- **Availability of contact details:** Delivery of the survey was also made challenging by the availability of contact details for businesses receiving Cohort Two grants. While grant level data provided email addresses for most businesses receiving grants, this did not include telephone contact information. Telephone contact details were again obtained by linking records to business tele-numbering databases, which was undertaken for grants awarded by a random sample of 67 local authorities. A total of 50,495 grant records from an overall sample of 334,500 businesses were matched to a phone number (though not all of these records were sampled as part of the survey).

- **Self-reported data on receipt of grants:** The survey was used to determine whether firms received grants as part of Cohort One and Cohort Two schemes. Initial piloting of the survey indicated that businesses were not familiar with the names of each of scheme but were broadly able to indicate whether they received a grant at different points in time (facilitating broad discrimination between Cohort One and Cohort Two grants). However, it should be noted that reliance on self-reported data is likely to

[3] This included all premises with a retail, hospitality, or leisure use and a rateable value of up to £86,500 and other premises with a rateable value of up to £25,500.

introduce an unknown level of error owing to recall issues - both in terms of how far respondents accurately recalled when they received a grant and whether they received financial support from the local authority as opposed to other support programmes being delivered at the time (such as the Coronavirus Job Retention Scheme).

- **Representativeness:** The survey and data-linking exercises were based on samples of businesses receiving grants. There is limited data available on the characteristics of the population of businesses receiving grants. As such, it is not possible provide any meaningful assessment of the representativeness of the data gathered for this evaluation and the findings may be subject to a range of (unknown) non-response or other sample biases that could limit the generalisability of the findings of the evaluation to the population of businesses supported.

- **Estimates of total impact:** The absence of grant level data for Cohort One schemes also creates challenges in establishing how many businesses benefitted from the Local Authority COVID-19 Business Support Grant Schemes programme. An individual business could potentially (and legitimately) receive multiple grants across the Cohort One and Two schemes (as well as receive multiple grants from the same scheme if it had a presence in multiple local authority areas). An estimate of the total number of businesses benefitting from the programme has been constructed by combining different sources of evidence. However, this estimate is subject to considerable uncertainty and as it is used to generate estimates of the total impact of the programme, the findings should be considered indicative.

- **Unregistered businesses:** Evidence from unregistered businesses was captured through the survey of businesses. The results of the evaluation indicated that the effects of grants were too small to be detected based on the sample sizes gathered through the survey. However, unregistered businesses are not captured in the secondary sources of data held within the ONS Secure Research Service where it was possible to take advantage of substantially larger sample sizes. As such, findings in relation to the impacts of the programme on unregistered businesses are inconclusive.

1.3 Methodology

The evaluation adopted a mixed method approach as detailed below.

Evaluation plan

The study began with a scoping stage to refine the theoretical framework for the evaluation, finalise the key evaluation questions to be addressed, and agree the methodology. This process involved a review of programme documentation and monitoring information, and consultations with officials and local authorities involved in the design and the delivery of the programme.

This stage resulted in the development of a detailed theory of change for the programme (summarised in Section 2), associated evaluation questions, and a proposed approach to the process, impact, and economic evaluation. The approach was reviewed and signed off by the Evaluation Steering Group established by DBT to guide the study.

Data collection

The evaluation drew on a variety of strands of evidence:

- **Monitoring data analysis:** The evaluation was underpinned by an analysis of the available monitoring information. This comprised aggregated returns prepared by local authorities giving details of the number and value of grants awarded, and grant level data collected for Cohort Two schemes - comprising the Local Restrictions Support Grant (LRSG), the Additional Restrictions Grant (ARG), the Christmas Support Payment, the Restart Grant (RG), and the Omicron Hospitality and Leisure Grant (OHLG). Additional measures of programme performance were sourced from secondary sources, including a National Audit Office (NAO) investigation into the programme published in March 2023.

- **Depth interviews with local authorities and national stakeholders:** Depth telephone interviews with 34 local authorities and five national stakeholders (including officials from DBT, DLUHC, and industry bodies representing key sectors affected by the COVID-19 pandemic) were undertaken to obtain views on how effectively the programme was implemented, challenges encountered in delivery, and local impacts. The sample was chosen to provide broadly representative coverage of local authorities in terms of levels of spending and urban density. The sample was also selected to secure a mixture of local

authorities across England's regions (with one outlying authority selected purposively owing to its unique characteristics).

- **Survey of businesses:** A telephone survey of businesses that did and did not receive grants was undertaken to obtain evidence on the effectiveness of the implementation of the schemes and obtain quantitative evidence on their effects on financial health, levels of employment, and economic activity. The survey was predominantly undertaken using telephone methods with a small share of respondents completing the survey online. No telephone contact details were collected as part of monitoring of the programme and the sample was constructed by linking records of relevant premises and businesses in 67 local authorities to tele-numbering databases maintained by Sample Solutions. The survey collected observations from 3,206 businesses. Based on survey responses, 2,405 of these businesses received a grant at any stage, 693 did not receive a grant, and 108 were unsure whether they did or did not. Several challenges were encountered in implementing the survey which are detailed below. The response rate for the survey (adjusted for unusable contact details and ineligible respondents) was 18 percent.

- **Case studies:** The impact of the programme was explored in greater qualitative depth through five local case studies. Case studies were selected from the pool of 40 local authorities participating in the consultation exercise and collected additional qualitative evidence from local stakeholders with an external view on the implementation and impact of the schemes (e.g. Local Enterprise Partnerships or Chambers of Commerce) and interviews with 17 businesses benefitting from the programme. As the OHLG scheme could not be covered through the quantitative evaluation, the sample was skewed to OHLG grant beneficiaries to provide evidence on the importance of this support in providing relief following the emergence of the Omicron variant.

- **Analysis of secondary data sources:** Details of registered businesses receiving Cohort Two grants were linked to the Business Structure Database (BSD) and the Annual Survey of Hours and Earnings (ASHE) to support further assessment of the impacts of the grant schemes on employment levels, turnover, and business survival rates. DBT provided details of 3,486,986 grants awarded by local authorities. These records included the form of identification provided by the business, which could be linked to these datasets where a Companies House Reference Number (CRN) was provided. A valid CRN was provided in 679,137 cases, falling to 617,666 cases once duplicate records were removed. It was possible to match 535,867 of these grants to an enterprise in the Interdepartmental Business Register (a matching rate of 87 percent). Grants were matched to a Local Unit of a business where the address associated with the grant shared the Output Area of the Local Unit. This resulted in a sample of 130,414 branch sites operated by enterprises receiving grants. The sample was further refined to exclude Local Units for which there were no records prior to March 2020 (25,852 Local Units) and those that had ceased to exist by March 2020 (1,174 Local Units). The analyses below were based on a final sample of 103,388 Local Units.

Econometric analysis

Technical details are set out in the appendix, but the evaluation employed a variety of approaches to estimate the causal effects of the Local Authority COVID-19 Business Support Grant Scheme programme:

- **Survey evidence:** The survey collected data on changes in employment, turnover, operating costs, assets, and liabilities between March 2020 and March 2022 for 2,405 businesses that reported receiving grants and 693 businesses that did not. Comparisons between these two groups were used to provide a general assessment of the economic impacts of the Local Authority COVID-19 Business Support Grants Schemes across both Cohorts and covered both registered and unregistered businesses.

- **Administrative data:** A similar approach was used to analyse the longitudinal data obtained by linking records of grant recipients to the sources of administrative data described above. Propensity Score Matching and Coarsened Exact Matching approaches were used to identify a comparison group of businesses sharing equivalent characteristics to those receiving Cohort Two grants. Comparisons between the two groups using longitudinal panel models (fixed effects) were made to draw inferences on the programme's impacts on business survival, employment, and turnover. While this analysis took advantage of substantially larger sample sizes, it was limited to beneficiaries of Cohort Two schemes and did not cover unregistered businesses.

- **Eligibility criteria:** The SBGF and RHLGF were allocated based on the rateable value of the premises. This created an opportunity to compare businesses that were 'just eligible' for Cohort One grants to those that were 'just ineligible'. This was achieved by drawing on the sample constructed for the purposes of the survey (as described above) and linking records of firms occupying those premises to Companies House data, with a principal focus on exploring survival impacts. Regression Discontinuity Design methods were applied to estimate impacts on business survival rates.

- **Spatial analysis:** The analyses above only explored the direct effects of Local Authority COVID-19 Business Support Grant Schemes and did not account for possible spillovers arising from the preservation of businesses or how far any workers displaced may have been able take up employment opportunities elsewhere. A series of spatial analyses examining the relationship between the share of potentially eligible businesses awarded grants and overall employment and unemployment levels and numbers of workplaces within local authorities was undertaken to explore net local impacts. These were based on publicly available data on the outcomes of interest taken from the National Online Manpower Information System (NOMIS).

1.5 Structure of this report

The remainder of this report is structured as follows:

- **Section 2: Programme overview** - this section provides an analytical framework for the evaluation and sets out the key evaluation questions agreed with the Evaluation Steering Group.

- **Section 3: Economic context** - this section provides an analysis of the broader economic context in which the programme was delivered.

- **Section 4: Programme delivery** - this section sets out a brief analysis of the delivery of the programme, including an overview of the volume and value of grants awarded.

- **Section 5: Process evaluation** - this section provides an assessment of the efficiency and effectiveness of the processes adopted to deliver the Local Authority COVID-19 Business Support Grant Schemes programme.

- **Section 6: Impact evaluation** - this section examines the economic impacts of the support provided through the Local Authority COVID-19 Business Support Grant Schemes programme,.

- **Section 7: Economic evaluation** – this section provides an assessment of the value for money associated with the Local Authority COVID-19 Business Support Grant Schemes programme.

- **Section 8: Conclusions** – this section sets out the conclusions of the evaluation and highlights lessons for future emergency response programmes.

1.0 Programme Overview

This section provides an overview of the Local Authority COVID-19 Business Support Grant Schemes programme. It sets out the aims and objectives of the programme and provides an analytical framework for the evaluation and the key questions to be addressed. This section draws on a review of programme documentation and consultations with officials involved in the design and delivery of the Schemes and was agreed with DBT as part of the scoping of the evaluation.

2.1 Aims and Objectives

The overarching aims of the Local Authority COVID-19 Business Support Grants Schemes programme were not set out in a formal Business Case. However, there was a broad consensus amongst the stakeholders consulted that its objectives could be summarised as:

- To support viable businesses paying non-wage/property costs in the face of restrictions
- To support those businesses most adversely affected to reopen
- A wider objective to avoid scarring effects on young and lower skilled workforce.

2.2 Rationale

The introduction of economy wide, local, and other social distancing measures to manage the COVID-19 pandemic was expected to have a significant impact on the cashflow of businesses. Sectors reliant on social contact, including hospitality and entertainment, were expected to be particularly exposed to these risks. While businesses were supported with their wage costs through the Coronavirus Job Retention Scheme, most would also face a variety of non-wage obligations that they risked being unable to meet if they were unable to generate, or faced substantial reductions in, revenues during periods of restrictions.

This created a risk that many businesses would be unable to survive, resulting in substantial job losses and the emergence of problems of long-term unemployment if the workers and areas adversely affected were unable to adapt. Uncertainty regarding how long social distancing restrictions would be needed and their possible effects on incomes and the stability of trading partners was expected to have impacts on confidence amongst both businesses and consumers, further dampening demand. This gave a rationale for providing public support for the non-wage costs of businesses - particularly smaller businesses less able to support their cashflow with debt finance or from reserves - to give firms financial 'breathing space,' reduce the risk of business failures, and improve economic confidence.

2.3 Theory of change

The Local Authority COVID-19 Grant Schemes programme involved the delivery of a variety of grant schemes to protect otherwise viable businesses. The delivery of these grant schemes will have absorbed the following inputs:

- **Programme costs:** The direct financial costs of the programme stemmed primarily from grants awarded through the grant schemes. A total of £27bn was allocated to local authorities, with £23bn grant funding paid to businesses over the lifetime of the programme.
- **Local authorities:** Local authorities were the key delivery bodies involved in implementing the grant schemes and incurred a variety of administrative costs. The implementation of the grant funds came with ‘new burdens’ funding for local authorities to help counter some of the issues associated with

implementation (£148m in 2020/21 and £68m in 2021/22).[4] This funding could be used as the local authority saw fit and was in many cases used to bring in extra resource from within the local authority (typically from economic development and business support teams) or new resources where available.

- **Programme administration:** The Cities and Local Growth Unit (a BEIS and Department for Levelling Up, Housing and Communities joint unit) held initial responsibility for establishing the schemes. Responsibility for the programme was transferred to BEIS (now DBT) in Autumn 2021.

2.4 Activities

The delivery of the Local Authority COVID-19 Business Support Grant Schemes programme involved a variety of activities undertaken by BEIS and local authorities:

- **Development of guidance:** BEIS was responsible for developing and distributing guidance for local authorities to use when delivering grants to business in their local areas. These documents outlined the eligibility criteria and the broad conditions under which funding was to be made available.

- **Development of discretionary aspects:** Some grant schemes involved giving local authorities discretion to allocate resources to meet local priorities within the parameters set by BEIS. For the LADF, local authorities were required to develop and publish policies around the use of discretionary funding. More generally, local authorities maintained a degree of discretion in how they delivered schemes and the timing of eligibility checks.

- **Budget envelopes:** Grant funding for Cohort One schemes was allocated to local authorities based upon the number of eligible businesses located in their area. The costs of other schemes were also estimated according to the approach developed for each scheme.

- **Scheme promotion:** The schemes were announced nationally by the government, though BEIS and local authorities played a role in scheme promotion with the aim of stimulating applications from eligible firms. In some cases, local authorities took an active role in directly contacting eligible firms. This occurred more frequently as part of earlier schemes in which local authorities would often contact businesses by phone and email. Promotion of schemes on local authority websites was also common, as well as the use of distribution lists used to disseminate information to businesses.

- **Application process:** Cohort Two grant schemes required businesses to apply for grants. Businesses could apply online through their local authority website or offline and were required to provide supporting evidence to confirm their eligibility and pass security checks. The application process was not prescribed in guidance and local authorities had discretion in developing their own processes locally.

- **Eligibility checks:** Local authorities were responsible for assessing the eligibility of firms in line with BEIS guidance and any discretionary criteria developed. Eligibility assessments could be undertaken before or after payment was granted with the choice left to local authorities.

- **Disbursement of funding:** Local authorities were responsible for payment of grants to eligible businesses.

- **Due diligence:** Local authorities were also responsible for completing due diligence. The assurance process involved a BEIS audit of processes used to check eligibility by local authorities and the submission of data to BEIS for a sample of payments. Local authorities were also responsible for pursuing any losses from irregular payments identified. Amongst the risks identified were the potential for false misrepresentation in which actors could pose as an eligible business. Risks also included:

    - **Multiple claimants from a business:** More than one person receiving a grant for the same business.

    - **Firms that had ceased trading:** Receipt of a grant despite the firm no longer trading.

[4] National Audit Office (2023) Covid-19 business grant schemes

- **Requests for ministerial direction[5]:** Ministerial direction was sought before each of the three Cohort One grant schemes were implemented given uncertainties about the value for money of the proposals. At the time of the Cohort One schemes were developed it was not possible to construct a Business Case that demonstrated that funding would represent value for money to the standards expected by Managing Public Money. Risks highlighted included:

    - The extent to which funding might go to business that did not need it, either because they were still able to trade successfully or because they had access to the range of other HMG support schemes available that were sufficient for their needs.

    - The possibility that some businesses might not be able to obtain the funding required to remain trading or may have closed regardless of the pandemic.

    - Risks around the ability and capacity of local authorities to deliver the programme. It was noted that local authorities could encounter significant operational difficulties in administering the schemes efficiently at the required pace, possibly resulting in inequities across local authority boundaries.

2.5 Outputs

The principal output of the Local Authority COVID-19 Business Support Grant Schemes programme was the number of businesses benefitting from the various grant schemes (i.e. those receiving grants).

2.6 Outcomes

The Local Authority COVID-19 Business Support Grant Schemes programme could be expected to have produced a variety of outcomes, including immediate effects on balance sheets of supported businesses and follow-on effects on their behaviour.

- **Cashflow and balance sheet impacts:** In the very short term, grants will have given businesses greater liquidity and ability to meet short-term spending obligations. Value for money will be linked to:

    - **Speed:** The imposition of social distancing arrangements created a perceived need to act with urgency, with value for money partly linked to the speed with which grants were allocated.

    - **Viability prior to COVID-19:** Grants awarded to firms that were not commercially viable prior to COVID-19 may have had only limited positive impacts if the businesses would have failed regardless of the pandemic. While financial support may have enabled them to survive longer than they may have otherwise done (sustaining jobs as well as consumer and supply chain spending for a period), this may have adverse impacts on creditors, as well as productivity, if the relevant resources could have been more efficiently deployed elsewhere in the economy.

    - **Need:** Grants awarded to businesses facing no risk of insolvency will also have reduced the value for money for the programme (as this group of firms faced no threat of failure). However, financial support may still have had some positive impacts by raising confidence and minimising the risk of other adverse consequences (e.g. by encouraging retention of staff).

- **Use of grant proceeds:** In principle, financial support was provided to aid firms with their non-wage costs. It is anticipated that grants could hypothetically have been used for three broad purposes:

    - **Meeting other short-term spending obligations:** Such as rent payments, other overheads, or payments to suppliers - potentially encouraging compliance with prevailing regulations in relation to closure and social distancing.

[5] BEIS (2020) Grant fund for small businesses: request for ministerial direction

- **Investment in adaptations:** To enable the business to reopen safely when legally allowed to do so (e.g. in ventilation systems) or switching to alternative business models allowing it to trade and earn revenues while social distancing restrictions were in place (e.g. on-line sales channels).

- **Protective measures:** Some businesses may have absorbed grants as a protective measure, with proceeds being held as cash to provide greater liquidity if they ran into difficulties.

- **Confidence:** The programme of support provided by the government was also expected to raise confidence in the stability of the economic system amongst businesses and consumers. This may have had beneficial effects extending beyond the specific businesses that received direct support, by altering perceptions of future economic risk and positively influencing spending and investment decisions that may have otherwise been deferred.

- **Safeguarding of jobs:** It can also be anticipated that firms' employment decisions will have been altered by the availability of grant funding. Even amongst those that would have been able to survive social distancing restrictions, the availability of protective support may have encouraged firms to retain workers that they otherwise would have made redundant to reduce their on-going operating costs and risk exposure.

2.7 Impacts

Finally, the grant schemes can be expected to have resulted in a variety of economic impacts, which have been grouped into short-term impacts (over the period during which social distancing restrictions applied), recovery benefits, and potential economic costs.

2.7.1 Short-term impacts

The grant schemes would be expected to have produced a variety of economic impacts in the short-term:

- **Safeguarding of productive capacity:** The protective support provided by the grants would be expected to have helped safeguard the productive capacity of the economy. This will be reflected in higher business survival rates, avoiding losses of physical, human, and intangible capital, or its erosion by redundancies or forced asset sales. While many firms may have eventually been replaced by new start-ups in a 'do-nothing' scenario, establishing these firms would have involved costs and taken time.

- **Avoidance of unemployment:** Enabling the survival of firms was also expected to reduce the unemployment impacts of social distancing restrictions. These impacts would be expected to arise from (a) promoting the survival of businesses that would have otherwise failed and (b) reductions in redundancies amongst firms that would have survived regardless (though as discussed below, the Coronavirus Job Retention Scheme will have been a key factor enabling firms to retain workers in a non-productive capacity). It is also important to note that there may have been other stabilising mechanisms that limited the net impact of the pandemic on unemployment – including the outmigration of non-UK nationals and the loss of older workers through early retirement, as well as more general increases in economic inactivity due to health conditions.

- **Avoidance of hysteresis problems:** It is unlikely that all areas would have been able to recover from the economic shock of the pandemic at the same rate. It is probable that some areas or groups of workers would find it more difficult to recover following a wave of business failures, producing long-term losses of productive capacity through increases in long-term unemployment.

- **Consumer spending:** Reductions in unemployment will also have helped preserve incomes and stabilise consumer demand. These demand side impacts are not typically considered significant under normal economic conditions as when the economy is operating at full resource utilisation when an increase in demand will place pressure on prices, causing others to reduce their consumption. However, as the economy was operating below full resource utilisation for a significant period, demand stimulus effects would arguably have encouraged more productive use of resources (including via reducing the volumes of workers furloughed).

2.7.2 Recovery impacts

In turn, the preservation of economic capacity would be expected to have produced the following impacts during the recovery phase following the easement and withdrawal of social distancing restrictions:

- **Re-opening:** By safeguarding economic capacity, the programme would be expected to have enabled more rapid re-opening of the economy by enabling it to accommodate greater demand and reducing the extent of inflationary pressures resulting from supply shortages.
- **Revenues and output:** In turn, this will have increased the total turnover of firms and encouraged them to expand their output, resulting in a short-term increase in GVA driven by consumer and supply chain spending.
- **Improved productivity:** These processes may also have helped increase productivity to higher levels than may have been observed in the absence of the programme by encouraging the redeployment of furloughed workers in a productive capacity (or encouraging more intensive use of resources).
- **Local economic vitality:** As a result of the above, grants may also have helped promote greater levels of local economic vitality and possible spill-overs benefits arising from this, including avoidance of longer term 'scarring' effects in the counterfactual scenario that large numbers of businesses were allowed to fail.

2.7.3 Possible economic costs

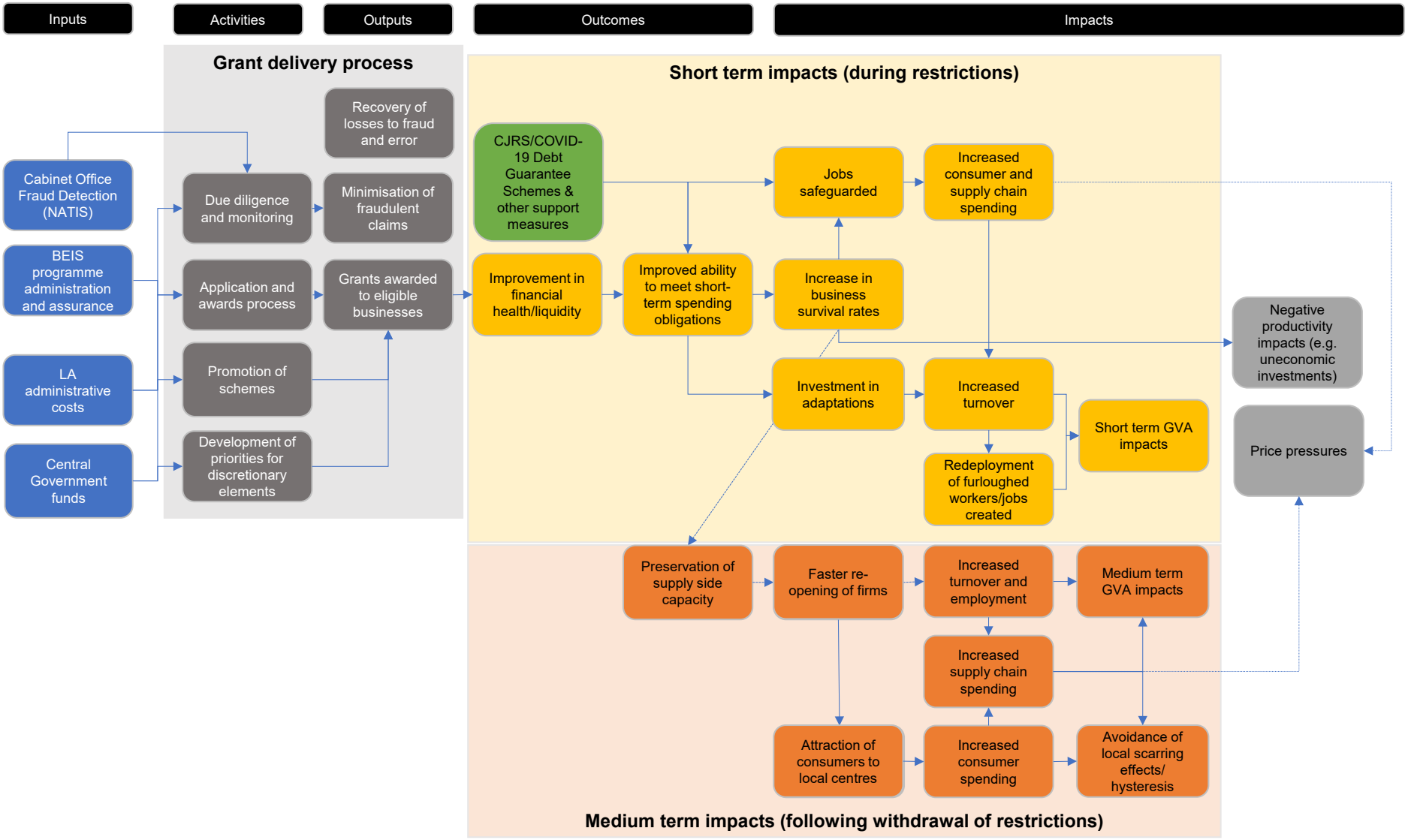
Finally, it is important to consider any risks of economic costs created by the programme:

- **Preventing or delaying the reallocation of resources:** Preserving economic capacity and ensuring the survival of businesses carries a risk that it prevents the clearing of the labour market during the recovery phase. Firms that were able to survive but were unable to reopen viably may have retained labour or other resources that could have otherwise been redeployed in a productive capacity by other firms. This would hold back the process of economic adjustment, potentially contributing to supply shortages and inflationary pressures. The extent of these economic costs will be linked to how far the relevant workers could have realistically been deployed in other sectors seeing expansions in demand. As highlighted in the following section, the labour market was tight when the second cohort of grants schemes were delivered, partly driven by rising economic inactivity rates. This will have exacerbated the costs of locking workers into non-viable enterprises relative to normal conditions.
- **Losses to creditors:** Creditors may also have experienced larger losses in cases where unviable businesses were kept open for longer periods.
- **Reduced cost of capital:** Grants provided businesses with funds at low/no cost, which may have made investments generating a low rate of return attractive, potentially having a negative impact on economic efficiency and productivity.

2.8 Logic model

A logic model summarising the discussion above is provided in Figure 2.1 overleaf.

Figure 2.1: Logic model



2.9 Parallel initiatives

Several significant schemes were also launched during the pandemic with similar aims of shielding the economy from the adverse effects of social distancing restrictions. In addition, local authorities were given various other responsibilities for delivery. Most notably, payments for self-isolation were managed at the local level and reportedly created significant pressures on local authority resources.

Table 2.1: Key parallel schemes

Scheme	Description
BBLS, CBILS, and CLBILS	The British Business Bank introduced the Bounce Back Loan Scheme (BBLS), the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS) in March and April 2020. The three schemes aimed to stimulate the supply of debt finance to firms that were (a) viable prior to the COVID-19 pandemic and (b) had been materially affected by social distancing restrictions. The schemes provided a guarantee on commercial lending to businesses in which some or all the default risk was transferred from lenders to the public sector. The BBLS scheme - being targeted at small companies - had the greatest potential to interact with the Local Authority COVID-19 Business Support Grants Schemes programme by providing an alternative source of liquidity support.
Coronavirus Job Retention Scheme	The CJRS scheme was launched in March 2020 and provided wage subsidies for workers that could not be employed in a productive capacity due to the COVID-19 pandemic. The scheme guaranteed up to 80 percent of worker's wages, up to £2,500 a month. The scheme was extended twice due to the need to extend non-pharmaceutical interventions, with employers expected to make larger contributions over time, and was withdrawn in September 2021. CJRS provided significant cashflow support to businesses affected by COVID-19 restrictions by funding wage costs.
Insolvency Regulations	The Corporate Insolvency and Governance Act (CIGA) 2020 introduced a variety of temporary measures to support businesses through the pandemic. These included the prohibition on winding-up petitions where unpaid debt was due to COVID-19, a suspension of serving statutory demands, and suspension of wrongful trading rules. These regulatory easements sought to reduce external and internal pressure on businesses to close during the pandemic. These temporary measures remained in place (with adjustments over time) until September 2021.
Other cashflow support measures	A variety of other cashflow support measures were introduced. These included the VAT Deferral Payment Scheme (which allowed businesses to defer VAT payments), and a variety of business rate reliefs. The Self-Employment Income Support Scheme (SEISS) also provided important cashflow support for self-employed workers, many of whom would be classed as unregistered businesses. Finally, sector specific support schemes (such as Eat Out to Help Out or the Culture Recovery Fund) may have also provided additional protection for sectors benefitting from the Local Authority COVID-19 Business Support Grant Schemes programme.

2.10 Key evaluation questions

The table below outlines the key evaluation questions agreed with DBT as part of scoping the evaluation of the Local Authority COVID-19 Business Support Grant Schemes programme.

Table 2.2: Key evaluation questions

#	Evaluation question	Sub questions
1	To what extent did Local Authority COVID-19 Business Support grants reach all groups of small businesses experiencing disruption and risk of failure during the COVID-19 pandemic?	How far were the strategic objectives and intended target group of the programme sufficiently clear? How was this reflected in discretionary aspects of the LA COVID-19 Business Support Schemes programme?
		To what extent were businesses receiving grants experiencing business and cashflow disruption due to the pandemic?
		To what extent did grants reach businesses that were at risk of short-term insolvency owing business disruption caused by the pandemic?
		How far did scheme eligibility rules allow all groups of small businesses facing COVID-19 linked insolvency risks to benefit from cashflow support?
		To what extent did LAs effectively engage all groups of potentially eligible businesses?
		Did the grants schemes evolve appropriately as economic restrictions changed at the local and national level?
2	To what extent did the programme prevent the failure of businesses experiencing disruption and risk of failure during the COVID-19 pandemic?	How far was grant funding made available sufficiently rapidly to businesses to mitigate the potential economic damage caused by the COVID-19 pandemic? What were the benefits and trade-offs of delivering at speed?
		To what extent was grant funding sufficient to prevent the businesses entering insolvency and/or failing?
		How was grant funding needed to promote the survival of businesses over and above other economic response programmes?
3	To what extent did the grants support firms and the local economy to adapt to COVID-19 restrictions and/or re-open faster?	What effects did the LA COVID-19 Grants Business Support Schemes programme have on the behaviour and confidence of businesses?

		To what extent did businesses use the proceeds of grants to make investments to adapt to the COVID-19 pandemic?
		How far were businesses supported by the LA COVID-19 Grants Business Support Schemes programme able to re-open more rapidly when COVID-19 restrictions were eased?
		How far did the programme stimulate additional economic activity amongst (a) businesses receiving grants, (b) the local economies in which they were located, c) the supply chains of businesses receiving grants?
4	To what extent did the grants safeguard jobs, protect incomes, and prevent rises in long-term unemployment?	How far did the LA COVID-19 Grants Programme prevent (a) job losses via the closure of businesses or (b) redundancies? At what wage level were jobs saved?
		To what degree did the LA COVID-19 Grants Programme programme prevent the emergence of long-term unemployment?
		How far did the protective effect of the programme vary across workers of different (a) occupations, (b) age groups, (c) genders, and (d) ethnic groups?
5	Were the costs of the grants justified by its economic and social benefits?	To what extent were the grants awarded the minimum needed to achieve the objectives of the programme?
		Was the programme delivered efficiently?
		Was the intervention cost-effective relative to alternative forms of government intervention (e.g. loan guarantees)?
		To what extent were businesses receiving LA COVID-19 grants commercially viable prior to the pandemic?
		What was the value of the economic and social benefits arising from the programme?
		Were there any unintended costs associated with the programme (in the form of losses to creditors, stimulus of uneconomic investments, or the preservation of unproductive businesses)?

3.0 Economic Context

This section provides a brief overview of the economic context in which the Local Authority COVID-19 Business Support Grants Scheme programme was delivered. The focus of this section is on how far the economic impacts of the pandemic compared with expectations and how far it produced differential adverse impacts across different types of area. The following analysis draws on a variety of statistics published by the Office for National Statistics (ONS), the Office for Budgetary Responsibility, the Insolvency Service and HMRC.

Key findings

- The adverse economic impacts of the emergence of COVID-19 and public health measures to contain its spread were less severe than was anticipated in April 2020. While economic recovery has taken longer than initially expected, this appears to be largely attributable to the need to maintain stringent public health measures following the emergence of the Alpha variant in late 2020 (and other unforeseen events, such as the energy supply shocks caused by the war in Ukraine).

- Substantial increases in unemployment did not materialise. The unemployment rate peaked at 5.2 percent of the economically active population in late 2020 and had fallen to historically low levels in mid-2022. Business death rates did not change significantly in 2020 and 2021 relative to prior years, while the number of insolvencies fell substantially during 2020 and 2021 relative to pre-COVID-19 rates (though rose once easements to insolvency regulations were withdrawn in 2022).

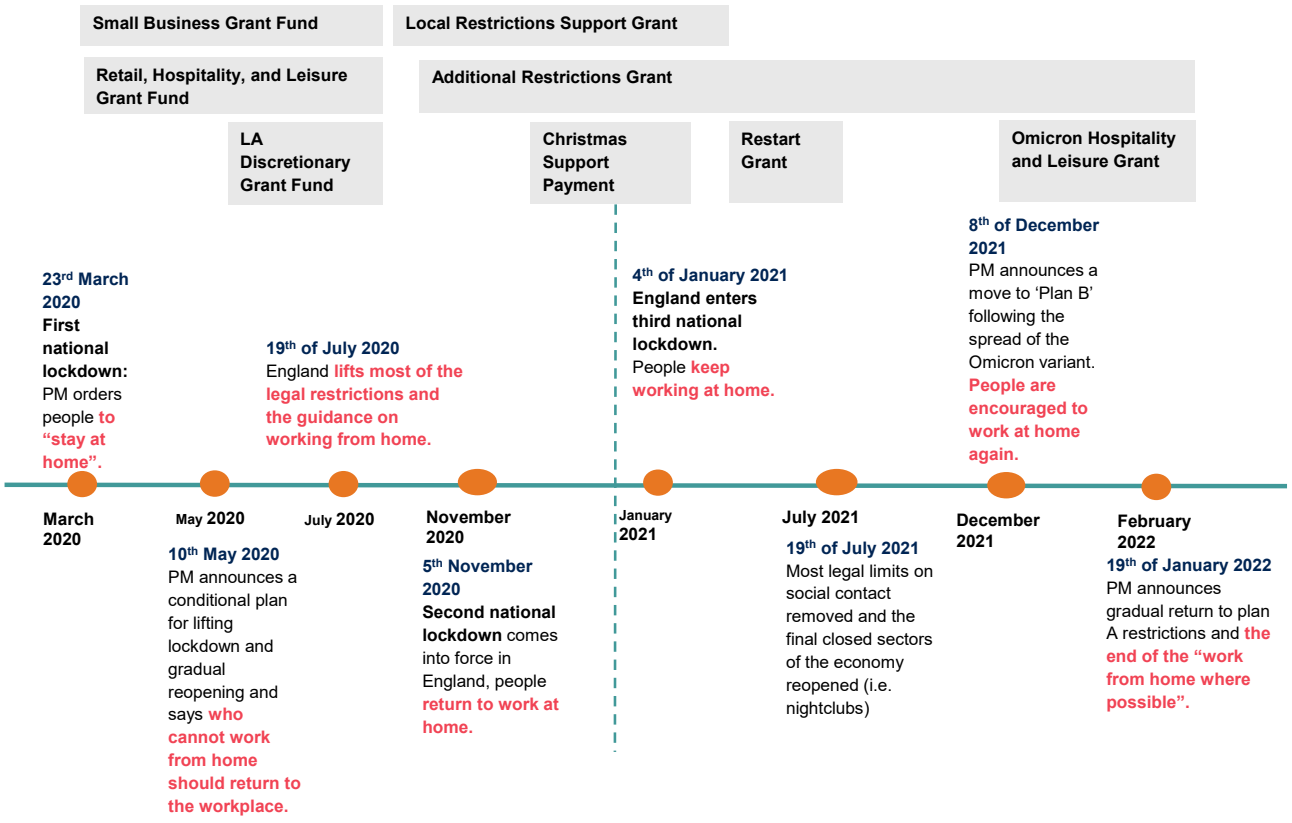
- The economic impacts of the pandemic were concentrated in sectors that experienced enforced closures - particularly the accommodation and food, transport, other services, and retail sectors. However, the scale of job losses did not vary significantly by either levels of deprivation or by the economic density of the area.

- It is probable that the package of economic support measures introduced by the government helped mitigate the adverse effects of the pandemic and limit its potential scarring effects. However, the GDP shock associated with public health measures consistently fell short of projections, indicating the economy proved more adaptable than policy makers expected at the outset. Protective measures may also have had some adverse impacts by sustaining commercially unviable businesses.

3.1 Timeline of events

The following figure provides an overview of the timings of the introduction and withdrawal of key non-pharmaceutical interventions between 2020 and 2022, and the timings associated with the introduction of the key grant schemes.

Figure 3.1: Timeline of the introduction of non-pharmaceutical interventions and the introduction of Local Authority COVID-19 Business Support Schemes



Source: Institute for Government, and HMG

3.1 Overall economic impact of the pandemic

The introduction of non-pharmaceutical interventions to contain the outbreak of COVID-19 in March 2020 included the enforced closure of major sectors of the economy (including hospitality, leisure, and non-essential retail), 'stay at home' orders requiring households to remain within their homes except for limited purposes, and stopping gatherings of more than two people in public.

While there were unprecedented levels of uncertainty, worst case scenario planning anticipated the possibility that these measures could have substantial adverse economic impacts and could lead to irreversible economic damage. As an example, the Office for Budget Responsibility's (OBR) 'Coronavirus reference scenario'[6] published on 14 April 2020 set out a scenario in which GDP would contract by 35 percent between April and June 2020, before recovering and returning to the growth path forecast as part of the March 2020 Economic and Fiscal Outlook in the third quarter of 2021. The contraction was also expected to have persistent impacts on unemployment rates, with the ILO unemployment rate expected to rise to 10 percent before falling gradually to 5.5 at the end of 2021.

As illustrated in the following figures, experiences in practice diverged from these projections:

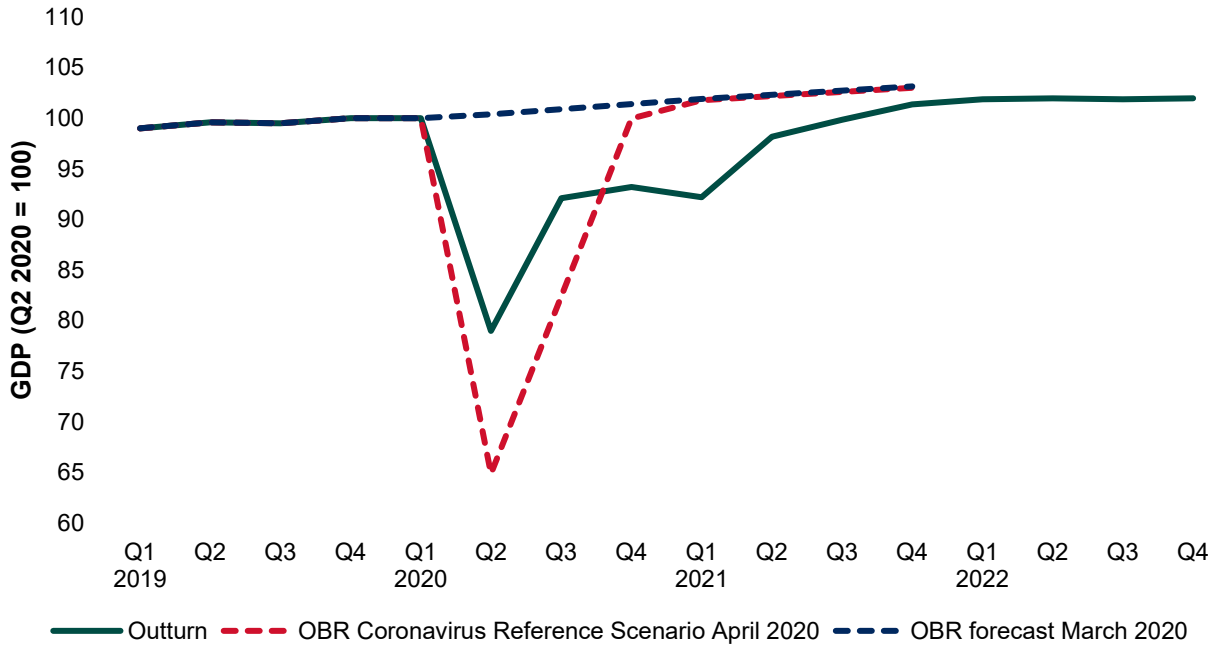
- **Resilience of the economy:** The economy proved more resilient to the introduction of lockdown measures than originally anticipated, partly enabled by extensive adoption of video-conferencing

[6] Based on the assumption of a three-month lockdown, while allowing for the impact of policy measures (such as the CJRS).

technology and other adaptive measures (such as moving to online sales models). While the economy saw a major contraction in GDP between April and June 2020, the scale of the reduction in output (at 21 percent) was around 40 percent smaller than anticipated. The adaptability of the economy was also illustrated in the first quarter of 2021, when lockdown restrictions were reintroduced on a national basis to contain a second wave. While the OBR's 'downside' scenario published in its November 2020 Economic and Fiscal Outlook projected a six percent fall in GDP in the event of lockdown restrictions being maintained through the winter period, the actual contraction was just over one percent.

- **Second and third waves:** However, the economy did not recover as rapidly as originally expected, with GDP recovering to pre-pandemic levels only in the third quarter of 2021. This was principally caused by the need to reintroduce public health controls in response to the emergence of the Alpha variant in late 2020 until mid-2021 (partly enabled by the rollout of the COVID-19 vaccination programme). It should be noted that the economy has faced inflationary headwinds since COVID-19 restrictions were withdrawn. These issues were driven partly by increases in energy prices and international supply disruptions, though it is beyond the scope of this study to consider how far the package of COVID-19 economic support (including monetary easing) may have exacerbated these issues.

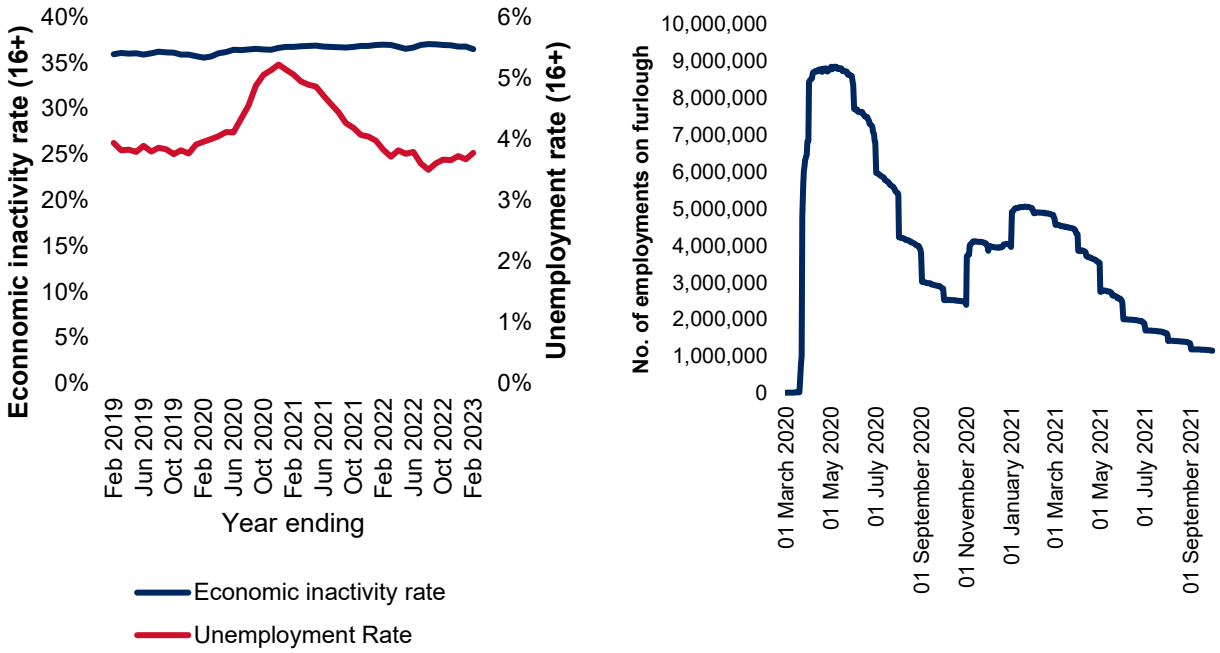
Figure 3.1: OBR GDP projections vs outturn, 2019 to 2022



Source: Office for Budget Responsibility (March 2020 and April 2020), and ONS GDP (quarter on quarter growth)

- **Resilience of the labour market:** Unemployment rates peaked at 5.2 percent in the final quarter of 2020 and fell to historically low levels (3.5 percent). As such, the adverse and persistent impacts on the labour market which was initially feared did not materialise. This is potentially partly attributable to the package of economic support measures put in place by the Government to shield the economy. As illustrated in the figures, just under nine million 'employments' were furloughed under the CJRS during between April and June 2020, with usage of the scheme thereafter strongly correlated with the strength of public health restrictions. The impact of the pandemic on unemployment may have also been softened by the apparent rise in the share of workers deemed to be 'economically inactive' (due to both early retirement as well as longer term health conditions). However, there were no material changes in the balance of full and part time workers over the period.

Figure 3.2: Unemployment rates, economic inactivity rates, and 'furloughed' employments, 2019 to 2022/3

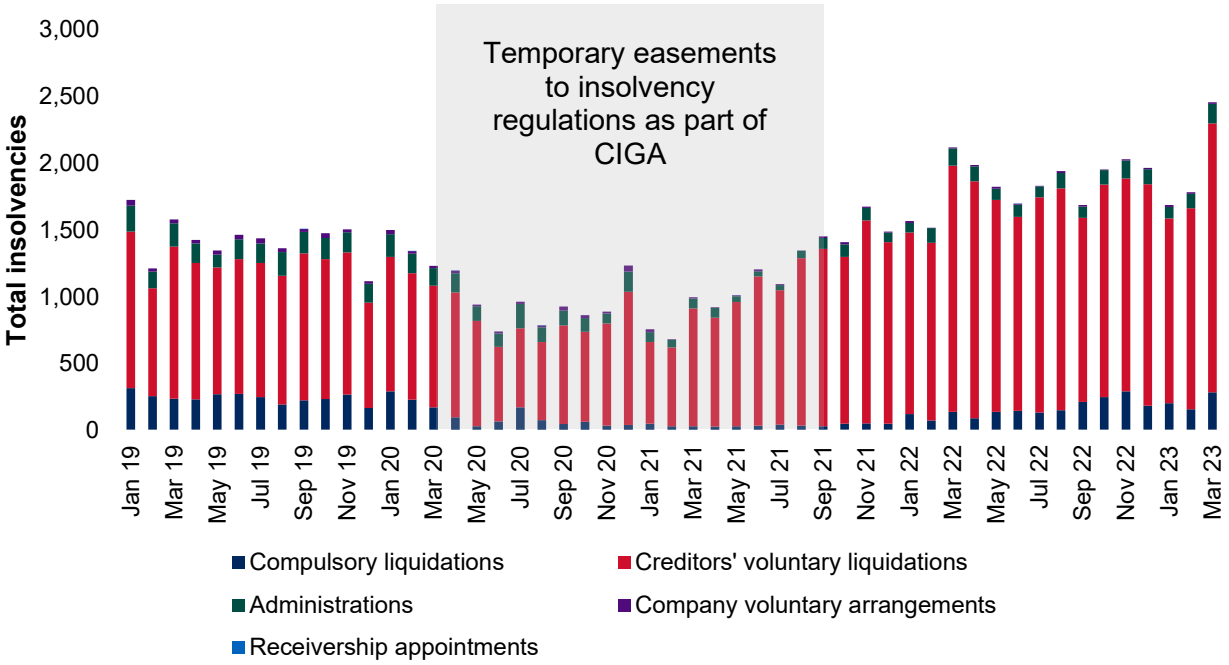


Source: Office for Budgetary Responsibility (March 2020 and April 2020), and ONS

3.2 Business survival

As illustrated in Figure 3.3, the number of businesses closing due to insolvency fell during the COVID-19 pandemic. The number of insolvencies fell by almost 25 percent between 2019 and 2020, and remained low until temporary easements to insolvency regulations were withdrawn in late 2021. Given the scale of the economic shock experienced in 2020, this indicates that the package of measures introduced to protect the business stock was effective in preventing a wave of business failures.

Figure 3.3: Total monthly company insolvencies, January 2019 to March 2023



Source: Insolvency Service (2023) Monthly Insolvency Statistics

The reduction in the volume of business failures could also imply that some firms continued to trade that would have otherwise failed under normal economic conditions, potentially acting as a drag on productivity. However, it should be noted that (based on ONS data) that the overall business death rate did not change markedly between 2019 and 2021, indicating that the reductions in the number of businesses closing due to insolvency was offset by businesses closing for other reasons.[7] Additionally, the number of unregistered businesses (self-employed individuals not captured in the figures above) is estimated to have fallen from 3.3m to 2.8m between 2019 and 2022.[8] The Annual Population Survey indicates this was principally caused by reductions in self-employment levels amongst those aged 25 and 49, though this effect was largely offset by increases in employment levels amongst this group.

3.3 Impacts by sector

As illustrated in Figure 3.4, while all sectors saw a contraction in output, the economic shock of the COVID-19 pandemic was concentrated in consumer facing services sectors that faced the most acute restrictions on their ability to trade. The accommodation and food services sector saw the most significant shock, with total output falling by 68 percent.

[7] ONS (2022) Business demography, UK: 2021
[8] BEIS (2022) Business Population Estimates for the UK and Regions 2022

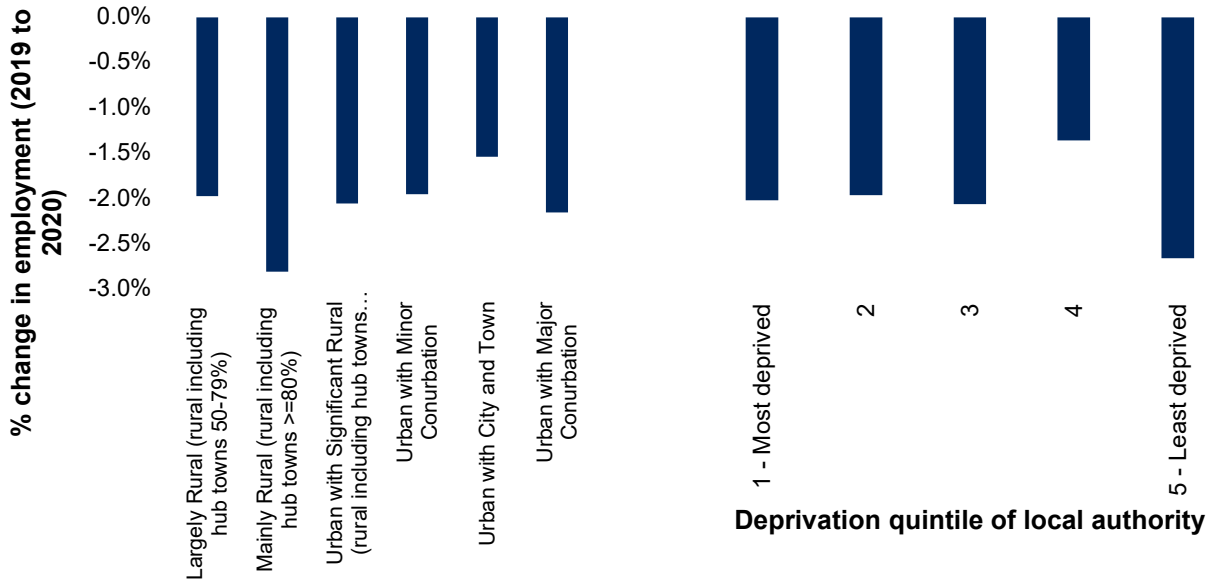
Figure 3.4: Peak to trough falls in sectoral GDP, January 2020 to November 2020

Source: Taken from Office for Budgetary Responsibility (2020) Economic and Fiscal Outlook November 2020, based on ONS data

3.4 Impacts by type of area

Although the economic impact of the COVID-19 pandemic was highly differentiated across sectors of the economy, evidence of variable effects across types of area - at least in terms of job losses - is more limited. The figures below show the percentage change in employment levels between 2019 and 2020 across areas of different levels of urban density and deprivation levels. Local authorities generally saw a 1.5 to 2.5 percentage fall in the number of jobs with limited variation across different types of area.

Figure 3.5: Percentage change in total employment by urban density and deprivation quintile, 2019 to 2020



Source: Business Register Employment Survey (BRES), retrieved from NOMIS. Defra/ONS Urban-rural classification. Deprivation quintile for local authorities calculated by taking the average rank of LSOAs using DLUHC (2019) English indices of deprivation 2019.

4.0 Distribution of funding

This section provides an overview of the delivery of the Local Authority COVID-19 Business Support Grant Schemes programme. It examines the outputs of the programme, both in terms of the number and value of grants distributed and the characteristics of businesses receiving support. The analysis is based principally on monitoring information compiled through the delivery of the programme, complemented where relevant with results of the survey of businesses described in the introductory section.

Key findings

- The Local Authority COVID-19 Business Support Grant Schemes programme was one of the largest interventions made to protect the economy against the adverse effects of the COVID-19 pandemic. A total of 4.5m grants were paid to businesses with a total value of £23bn. Just over half the total spend related to payments made through Cohort One launched in response to the first national lockdown.

- It is estimated that 1.4m businesses benefitted from the Local Authority COVID-19 Business Support Grant Schemes. This result is subject to uncertainty but indicates that the programme may have reached just over one quarter of businesses in England (27 percent). It is estimated that grants were awarded in a broadly equal number to registered and unregistered businesses.

- The schemes were mobilised rapidly reflecting the urgency of the situation. While funding was not distributed within the timescales implied by public announcements, almost 70 percent of Cohort One grants were paid within four weeks of funding being provided to local authorities and there was a high level of satisfaction amongst businesses in relation to the speed of payment.

- The Local Authority COVID-19 Business Support Grant Schemes programme successfully reached the smallest businesses that were expected to face the most significant disruption caused by the COVID-19 pandemic. While the first cohort of grant schemes launched in March 2020 reached a broad mix of sectors (including some sectors that saw less significant economic shocks), later schemes were more focused on the sectors that were most disrupted.

- There was no evidence of inequitable access to the programme. The share of women and minority ethnic led businesses receiving grants aligned with the ownership characteristics of the broader business population. The least deprived areas tended to receive lower levels of funding, though grant spending was largely evenly distributed across areas of different deprivation levels. However, the discretionary elements of the programme may have introduced some perceived inequities (though not discrimination) where neighbouring authorities pursued different approaches to allocating these funds.

- The risk of losses to the taxpayer due to irregular payments was acknowledged and accepted as the first schemes were launched. DBT estimates that £1.1bn of payments (just under five percent) were associated with irregular payments, with 83 percent of this related to error rather than fraud. Ninety percent of these losses arose from Cohort One schemes. £12.9m of these payments had been recovered by February 2022, rising to £20.9m by May 2023.

4.1 Number and value of grants awarded

A total of £23bn of grants were paid to businesses between April 2020 and March 2022 across the grant schemes. A total of 4.5m grants were paid to businesses over both Cohorts of the programme. This made the programme one of the most significant economic interventions during the COVID-19 pandemic (behind the Coronavirus Job Retention Scheme).[9]

[9] National Audit Office (2023) Covid-19 Business Grant Schemes.

Cohort One schemes launched in response to the first national lockdown accounted for just over half of the total spend through the programme. Average grant values were higher for Cohort One schemes than Cohort Two (£11,700 vs £3,100).

Table 4.1: Number and value of grants awarded

Scheme	Number of grant payments	Value of grant payments (£m)
Cohort One		
RHLGF & SBGF	906,689	11,116.8
LADF	93,073	562.9
Total	**999,762**	**11,679.7**
Cohort Two		
LSRG & CSP	2,246,828	5,327.7
ARG	751,610	2,068.1
RG	396,319	3,048.5
OHLG	134,565	465.2
Total	**3,529,322**	**10,900.5**
Cohort One and Cohort Two	**4,529,084**	**22,580.2**

Source: DBT (2023) Coronavirus grant funding: local authority payments to small and medium businesses

There is no official data on the number of individual businesses that benefitted from the programme and a single business may have benefitted both from multiple grants paid through the same scheme (e.g. if it operated premises in multiple local authorities) as well as from multiple schemes. Grant level data for Cohort Two and the results of the survey were combined to generate an approximate estimate:

- Grants were assigned to a business where they shared the identification number provided by the business (such as their Companies House Reference Number or Unique Taxpayer Reference). This indicated that individual businesses received an average of 3.1 Cohort Two grants. This gives an estimated 1.1m businesses that received a grant as part of Cohort Two (i.e. 3.5m divided by 3.1)

- The survey indicated that 26 percent of businesses awarded grants as part of Cohort One did not receive a grant as part of the Cohort Two schemes (on a self-reported basis). This would imply that an additional 300,000 business may have received grants as part of the first Cohort, bringing the total estimated number of businesses supported to 1.4m.

- This represents a significant share of the total business population in England (27 percent), which was estimated at 5.3m at the start of 2020.

- There are uncertainties with these estimates. The number of premises and businesses that received grants may be overstated as many records did not provide identification numbers (around 25 percent) and the average number of grants awarded per business may have been higher than

estimated above.[10] Businesses that provided different forms of identification for different grants will also be double counted in these results. As noted in the introduction, the representativeness of the survey is also unknown.

Finally, the form of identification provided by businesses was used to provide an estimate of the breakdown of registered and unregistered businesses supported by the programmes. Businesses providing their Companies House Reference Number or VAT registration number were assumed to be registered businesses, while businesses providing a National Insurance Number, Unique Taxpayer Reference or other forms of identification were assumed to be unregistered. This analysis indicated that Cohort Two grants were awarded in approximately equal shares to registered and unregistered businesses.

4.2 Speed of delivery

Cohort One grant schemes - the SBGF and the RHLGF - were mobilised rapidly. The final announcement of the schemes took place on 17th March 2020, guidance was published on 24th March 2020, and funding was provided to local authorities on 1st April 2020. As highlighted by the NAO investigation into the programme, grants were not delivered within timescales implied by public announcements (i.e. that all funding would be distributed by the end of April 2020).[11] However, almost 70 percent of the grants paid were distributed within four weeks of this date, and 91 percent by the end of May 2020.

Owing to their nature and variable start dates, it is more difficult to assess the speed with which Cohort Two schemes were delivered. Data from the OHLG scheme shows that grants were distributed at a slower rate than for Cohort One, although the need to deliver at speed was less acute at this stage of the pandemic.[12] Other Cohort Two schemes involved repeat payments for the duration over which non-pharmaceutical interventions were required. However, the survey of businesses did not suggest that there were any significant differences in the speed of payment across the two sets of schemes and indicated that there was a high level of satisfaction with the speed of payment.

[10] Assuming all such grants were awarded to businesses that received multiple grants would give a notional lower bound of 1.05m businesses supported.
[11] National Audit Office (2023) Covid-19 Business Support Grants
[12] DBT (2023) COVID-19 Business Grants schemes: insights

Figure 4.1: Reported time taken to receive payment following application and satisfaction with speed of payment

Source: Survey of businesses, Ipsos analysis. Base - firms reporting receiving a grant between March 2020 and December 2020 (n = 2,405)

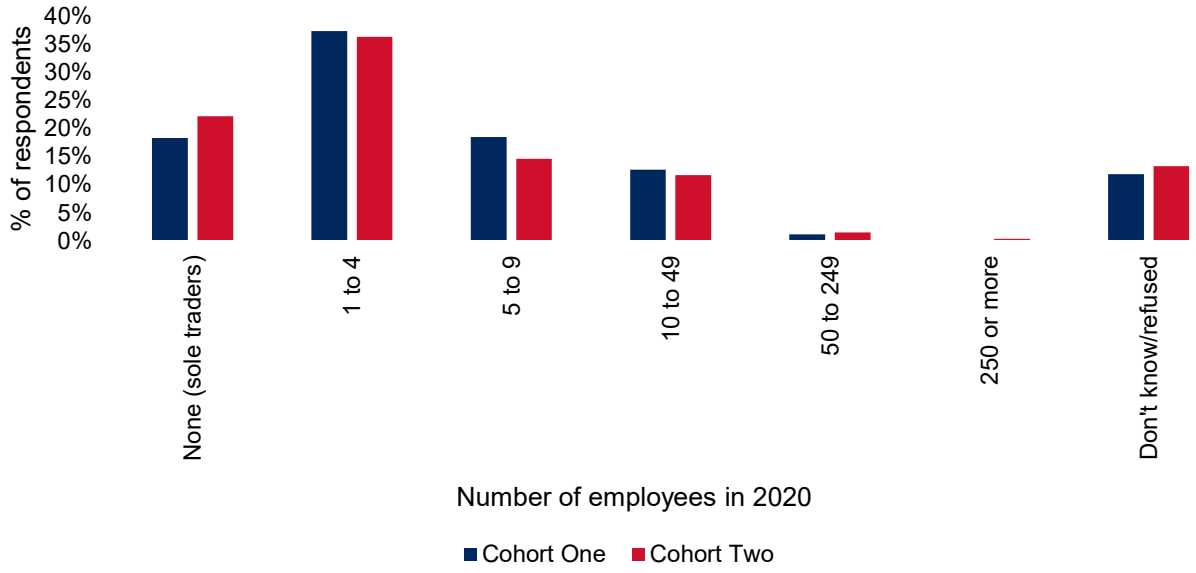
4.3 Sector and size profile of businesses awarded grants

The survey indicated that around 85 percent of grants were awarded to micro businesses with less than ten employees (with around 25 percent reaching business with no employees).[13] There were no differences in the size profile of firms awarded Cohort One and Cohort Two grants. This indicates that the grant schemes were largely successful in reaching the intended target group of smaller businesses.

Businesses without any employees were potentially underrepresented. This group represented around 76 percent of the business population in 2020, of which around two thirds were unregistered businesses.[14] This is likely related to eligibility requirements and the aim of the programme to support businesses with their non-wage costs. For example, businesses were required to occupy premises to qualify for the SBGF and RHLGF. Many unregistered businesses will not formally occupy business premises or interact directly with the public, may not have been subject to restrictions, and would have been eligible in many cases for income support via the SEISS.

[13] This broadly aligns with DBT analysis of monitoring information for Cohort Two grants as reported in DBT (2023) COVID-19 Business Grants schemes: insights
[14] BEIS (2020) Business population estimates 2020

Figure 4.2: Size distribution of firms awarded grants under Cohort One and Cohort Two

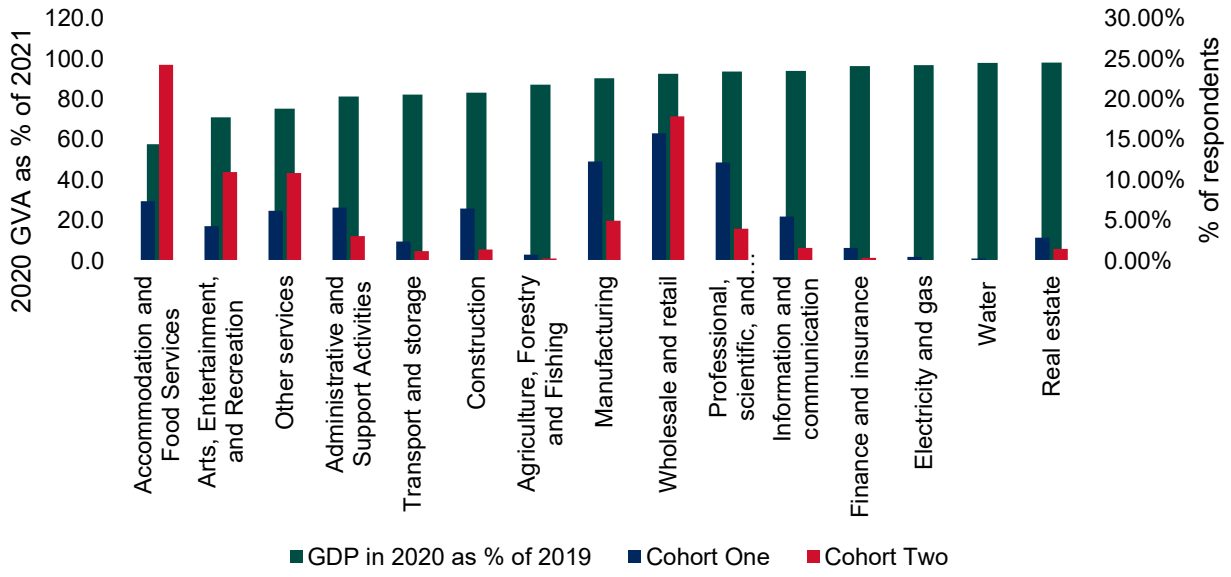


Source: Survey of businesses, Ipsos analysis. Base - firms reporting receiving a grant between March 2020 and December 2020

Figure 4.3 below provides the sector distribution of grants awarded through the schemes (alongside the strength of the economic shock experience by each sector during 2020), based on the findings from the survey. The findings indicate that Cohort One grants reached a broad mix of sectors, including those that exhibited greater resilience to measures introduced (such as the manufacturing and professional services sectors). Cohort Two grants were more targeted at those sectors seeing the most significant economic shocks in 2020 - particularly the accommodation and food services sector, which saw output drop to 57 percent of 2019 levels.

As highlighted in the Technical Annex, comparisons between the survey sample (restricted to those firms reporting that they received a grant through a Cohort Two scheme) and monitoring data associated with Cohort Two grants indicate that the accommodation and food sector may be underrepresented in the survey sample while 'other' sectors may be overrepresented. As the accommodation and food sector was the most acutely affected by the pandemic, grants may have been more targeted at affected sectors than suggested by Figure 4.2.

Figure 4.3: Sector distribution of firms awarded grants under Cohort One and Cohort Two



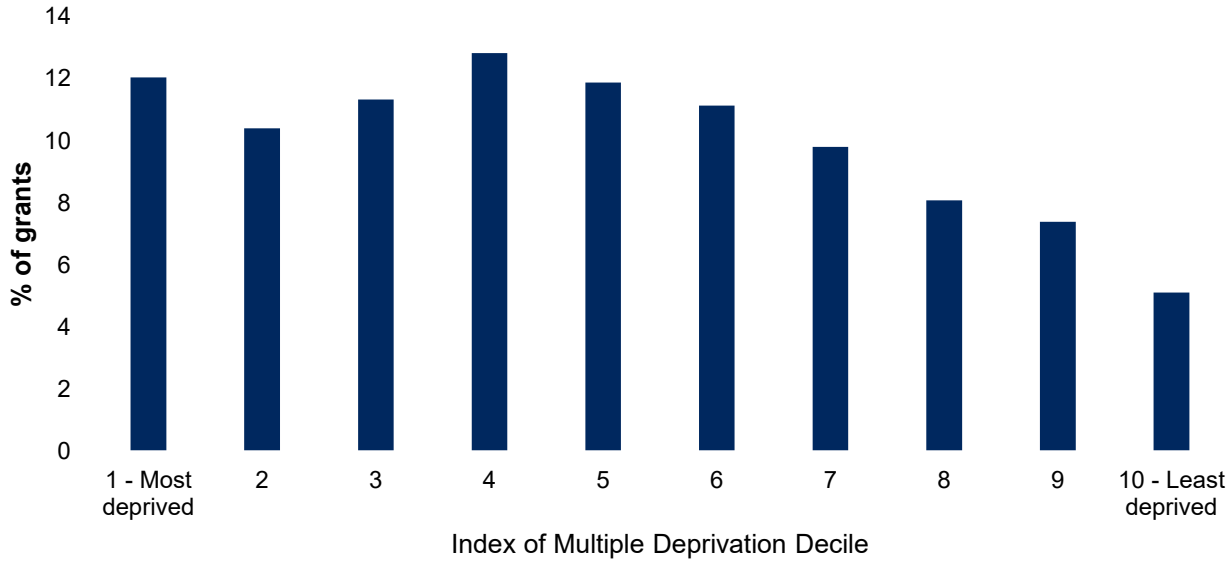
Source: Survey of businesses, Ipsos analysis. Base - firms reporting receiving a grant between March 2020 and December 2020, and ONS (2022) Nominal and Real GVA.

4.4 Spatial distribution of businesses awarded grants

Based on analysis of Cohort Two grants, areas characterised by higher levels of disadvantage attracted higher levels of grant funding. The following figure illustrates the percentage of grants awarded to businesses by Index of Multiple Deprivation Decile (established by linking the Lower Super Output Area (LSOA) of the business, as captured in DBT monitoring data, to the IMD). The least deprived areas tended to attract a lower share of funding, though grants were not highly concentrated in the most deprived areas and the least deprived areas tend to be more residential in character.

Grant spending was concentrated amongst businesses located in urban areas (around 75 percent of funding), though this likely reflects the higher density of businesses in these areas.

Table 4.2: Percentage of grants paid by Index of Multiple Deprivation Decile, Cohort Two



Source: DBT monitoring data, DLUHC (2019) Index of Multiple Deprivation

4.5 Broader equity considerations

The survey indicated that 27 percent of business receiving grants were majority led by women (i.e. owned or controlled by a single woman or mostly women) and 5 percent were minority ethnic led. This compares to estimates from the Longitudinal Small Business Survey of 16 to 21 percent and 4 to 5 percent respectively. As such, there were no indications that some groups faced issues of differential access to the support provided through the programme (at least in these broad terms).

However, it should be noted that interviews with local authorities highlighted that the discretionary elements of some schemes created some perceptions of unfairness amongst different groups. While these elements of scheme design were intended to help local authorities address locally specific issues, there were examples given of situations or sectors (such as taxi drivers and individuals working from home) to whom different LAs adopted different stances. While flexibility to make different interpretations was part of the objective of the discretionary schemes, these differences also caused confusion, frustration, and complaints from businesses – to whom the differences may have felt arbitrary and overly complex.

Using the business rates system to define eligibility for Cohort One schemes also reportedly led to eligibility gaps and issues of equity. For example, businesses that operated within another's premises under a sublet or service charge arrangement, or those that operated out of non-fixed premises (such as a shop within shared premises, an instructor working from a gym, or a market trader) were not eligible to receive grants – even though core elements of their business and the impact of the pandemic were in no other way different to businesses that rented their own premises. As discussed in Section 5, the discretionary elements of the programme were established to offset these risks.

4.6 Irregular payments

As highlighted in Section 2, the scope for irregular payments in the delivery of the programme was an acknowledged and accepted risk given the imperative to establish the programme quickly following the introduction of legal restrictions in March 2020. The NAO investigation into the

programme highlighted DBT estimates produced in October 2022 that suggested that the value of irregular payments totalled £1.1bn (just under five percent of the value of grants paid).[15]

The majority (90 percent) of losses were attributed to payments made through the Cohort One schemes. The best available data also indicated that 83 percent of these losses were due to error, such as payments made to ineligible businesses. Local authorities reported the recovery of £12.9m in irregular payments in February 2022 and had referred a further £6.0m to DBT to consider for referral to its recovery and litigation contractor. This had increased to £20.9m by May 2023.[16]

[15] BEIS (2022) Annual Report and Accounts 2021-22
[16] UK Parliament (2023) 11 May 2023 - Local authority administered COVID grants schemes - oral evidence

5.0 Process evaluation

This section sets out the findings of the process evaluation, which examines the effectiveness of delivery processes adopted in the design and delivery of the Local Authority COVID-19 Business Support Grant Schemes programme. This section draws principally on the programme of depth interviews completed with local authorities, wider stakeholders involved in the delivery of the programme, and businesses benefitting from the grants awarded.

Key findings

- The Local Authority COVID-19 Business Support Grant Schemes programme was designed and established rapidly without an existing programme delivery template or much of the required data and payments infrastructure in place. Given the range of operational and resourcing challenges faced, the speed with which the programme was delivered (particularly Cohort One schemes) should be considered a significant achievement.

- Local authorities, supported by centrally led public announcements, deployed all reasonable means at their disposal to promote the schemes. This enabled the programme to rapidly achieve widespread awareness and reach. No significant concerns were raised by external observers that local authorities had failed to engage hard to reach groups.

- The principal communication challenge resulted from difficulties faced by businesses in establishing their eligibility. This partly arose from a lag between public announcements and publication of guidance. However, the eligibility criteria were also refocused with successive schemes designed to target businesses facing the most significant restrictions more effectively and to include businesses that did not previously qualify. The evidence indicates that these efforts achieved this result, but also created issues of technical interpretation and ambiguity. Nevertheless, there was no evidence that any group of eligible businesses faced significant barriers to participating in the programme.

- However, the priority given to speed of delivery in the early stages of the COVID-19 pandemic resulted in inefficiencies that reduced value for money. Systems had to be established from scratch, resulting in the duplication of costs across over 300 delivery agents. In many cases, local authorities put in place inefficient manual systems (partly in the expectation that the pandemic would be relatively short-lived), resulting in later requirements for further investment in systems to manage later elements of the programme. Additionally, early schemes were often established without formal application and due diligence processes - supported by Ministerial Direction - likely contributing to the comparatively high rate of irregular payments experienced during Cohort One.

- Delivery of the schemes also did not involve any material test of need, with a reliance on the eligibility criteria to target businesses in need. The schemes successfully reached the smallest businesses that faced the most significant disruption caused by the COVID-19 pandemic. However, analysis of the balance sheets of firms suggested that only a quarter of those receiving grants had financial reserves that would not have allowed them to absorb the costs associated with short-term disruptions in their ability to trade. Firms benefitting from the schemes also made widespread use of parallel programmes launched to support businesses during the COVID-19 pandemic. The availability of this support may also have limited the need for further public subsidy through the Local Authority COVID-19 Business Support Grant Schemes programme.

5.1 Scheme design and set-up

5.1.1 Scheme design

Reflecting the perceived urgency of the situation, decisions regarding programme design were reportedly made very rapidly (over the course of a weekend according to one interviewee). The design was undertaken by HM Treasury with BEIS and DLUHC input, with a focus on supporting businesses in the affected sectors through grant funding:

- **Overall design principles:** The scheme was designed with a view to isolating the sectors and types of business most likely to be affected and providing these with universal coverage rather than attempting a business-by-business assessment of need. While a 'needs-based' scheme, targeting only businesses which could provide evidence of financial vulnerability could arguably have delivered better value for money, it would have inevitably been more labour-intensive and complex to deliver, resulting in more extensive timescales for support to reach businesses in need.

- **Delivery agents:** It is understood that several possible distribution mechanisms were considered, but local authorities were quickly selected to be the delivery agents of the programme. The advantage of using local authorities was their existing relationships with and knowledge of local businesses (though in practice, the quality of information available to local authorities was not as high as anticipated). In addition, other parts of central government were exceptionally busy at the time and substantial HMRC resources had been deployed to deliver CJRS.

- **Rateable value thresholds:** The business rates mechanism allowed eligibility to be linked to the rateable value of physical premises as part of the initial schemes, which was considered a reasonable proxy (or a starting point, at least) for the impact of enforced business closures on revenues. Linking eligibility to the rateable value of premises was also expected to reduce the complexity of programme implementation as this information was readily available from ratings lists.

- **Discretionary elements:** The LADF for Cohort One was introduced in May 2020 for businesses that had been ineligible for previous schemes. Local authorities were given flexibility in how they allocated this funding and reported using discretionary schemes to support businesses that were on the threshold of eligibility for centrally designed schemes, adjacent sectors that were indirectly affected by business closures (for example, suppliers to the hotel or restaurant industry), and businesses from targeted sectors that did not qualify for a centrally designed scheme because of the way their business premises were set up (examples provided below).

The speed with which the programme was conceived also meant that a formal Business Case (including an assessment of value for money) was not developed and specific objectives were not clearly defined. As flagged in the preceding sections, BEIS sought ministerial direction in relation to key threats to value for money in relation to both the potential for the programme to support businesses that did not need cashflow support during the COVID-19 pandemic and the scope for irregular payments. These risks were accepted at a political level in light of the anticipated severity of the adverse shock caused by COVID-19, its potential to produce irreversible economic damage, and the responsibility of the government to support small businesses.

Eligibility requirements for Cohort Two schemes became more complex because of their emphasis on better targeting those areas of the economy most acutely affected by the pandemic and the differing local requirements created by the Tier system of restrictions. Based on the analysis of the distribution of grants by sector set out in Section 4, these measures proved effective, although at the cost of procedural complexities, as discussed further below.

5.1.2 Funding and resources

Stakeholders reported that funding levels for the programme in terms of how much funding each local authority should receive were determined centrally. BEIS used centrally held (VOA) data to estimate the number of businesses in each local authority that would be eligible and used this to calculate the total amount of funding that each area would need (recognising that this could result in an underestimate or an overestimate). Local authorities were free to request additional funding, as required, if this initial allocation proved insufficient.

Resources available for LADGF was set at five percent of the combined total for SBGF and RHLGF (and where central allocations for SBGF and RHLGF were too great, this could be converted into LADGF within the five percent cap). Many local authorities reported that they had been given too little, while others reported having surplus funds. This asymmetry resulted from local authorities choosing different mechanisms, funding amounts, and eligibility criteria for use of their discretionary pots. As noted, the resultant variations meant businesses will likely have

observed different treatment of similar business types across administrative boundaries, that in some cases may have been in competition with one another.

Local authorities reported that distribution of the business grants represented a significant additional workstream, requiring resources for a range of different functions – including designing the application forms and processes, undertaking validation and fraud checks, processing payments and staffing phone lines. In most cases, it was the revenue (business rates) collection team that took responsibility for distributing non-discretionary funds. For discretionary funds, there was a more mixed approach to resourcing; however, the most common set-up reported was the use of economic development staff - utilising the existing relationships and knowledge of the business base of these personnel.

Although some funding was provided to contribute to the administration of these funds, the work was not necessarily within the skillsets of existing team members, and appropriately skilled individuals could not easily be hired within the timescales. Local authorities described bringing staff members in from a range of areas, some with relevant skills and some less well-suited. Examples were given of resourcing the distribution of grants by using revenue collection teams, economic development officers, or, in one case, furloughed librarians. Some others chose to hire temporary agency staff to fulfil the requirement. In addition, many interviewees described staff working longer days, cancelling holidays, and working over weekends to respond to the requirements.

5.1.3 Infrastructure

Local authorities were required to make a significant switch from collecting to distributing funds. The supporting infrastructure to facilitate a change of this scale - such as the relationships with BEIS, supporting data, software and tools that were needed - was not in place and few local authorities were equipped to set up a scheme like this rapidly and easily at the outset. As such, the rapid mobilisation of the programme in April 2020 should be seen as a significant achievement.

Due to the lack of any existing systems for grant distribution, processes and teams had to be set up from scratch, initially in a rather makeshift manner (with some exceptions). Additionally, as the programme was established on a general expectation that the pandemic response would be temporary, many interviewees highlighted that their initial set-up was not sophisticated, for example relying on manual processing, line-by-line reconciliation, and manual data cleaning. Over time, most LAs developed a more streamlined approach to delivery, including finessing their data handling processes, introducing more sophisticated assurance processes, and procuring software/tools dedicated to performing certain tasks.

These issues highlight some inefficiencies arising from the lack of preparedness to deliver an economic response to the COVID-19 pandemic and the decision to deliver the programme through local authorities. The programme involved over 300 delivery agents and the costs of establishing the necessary infrastructure were duplicated across these bodies. While there were no clear alternatives to using local authorities as delivery agents, the need to establish systems from scratch and the imperative to work at speed also resulted in the initial development of inefficient systems. This resulted in further costs as successive schemes were launched and the need to invest in better systems became apparent.

5.2 Communications and promotion

5.2.1 Initial announcements

At the inception of each new grant scheme, a decision was made within HMT – often at great speed - and then BEIS officials received limited notice before a public announcement (ranging from several days to one hour). BEIS then developed supporting guidance, which would be issued in the following weeks. Public announcements were effective in raising awareness of the schemes amongst businesses (see below). However, aside from a small advisory group, local authorities were not informed prior to the announcement. This - and the time lag between the announcement

and the publication of guidance - created operational challenges, particularly as authorities were forced to deal with enquiries from local businesses before knowing details of the scheme that had been announced.

5.2.2 Promotional activity

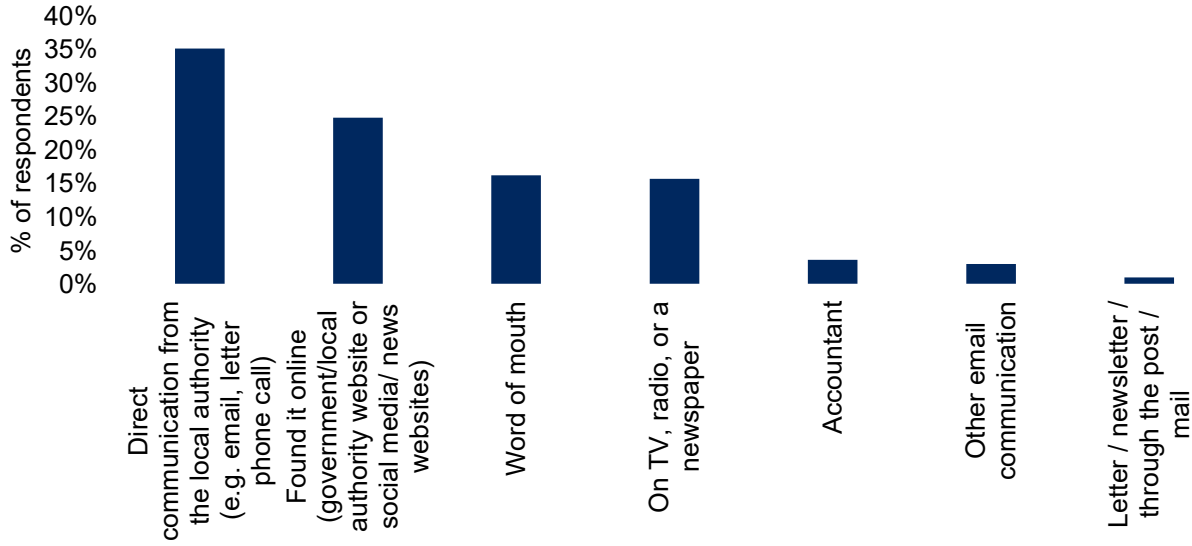
The evaluation evidence indicated that activities to promote the programme and raise awareness were effective. These activities likely contributed to the extensive reach of the programme across both registered and unregistered businesses, and its rapid mobilisation.

Local authorities deployed a range of methods to raise awareness of each scheme, including both direct engagement via letters to postal addresses, email, telephone, and indirect methods (social media, newsletters, and other outreach activities). External observers consulted as part of the case studies considered that, in all cases, the local authority had used all mechanisms available to them to raise awareness and were providing all the information they had at their disposal at the time to inform to the business community. In one area, it was reported that multiple stakeholders (the local authority, Chamber of Commerce, and the Federation of Small Businesses) all worked together to develop and share the same messaging about the scheme, to avoid confusion in the business community.

As illustrated in Figure 5.1, while businesses receiving grants most frequently became aware of the schemes via direct communication from the local authority, public announcements made centrally were also an important driver of awareness of the programme. Businesses consulted as part of the case studies often reported that they became aware of the grant schemes from the national media – for example, from announcements from the Prime Minister and Chancellor on the national news – about the types of support that would be available to businesses. As these announcements did not provide underlying detail around aspects such as the eligibility criteria, these drove the businesses to the local authority website to obtain more information.

No external observers consulted as part of case studies (or local authorities themselves) indicated communications regarding the programme had failed to reach hard to reach groups. Just three percent of those businesses surveyed that did not receive a grant reported that they were unaware of the schemes. One concern was raised by a small number of businesses and stakeholders that most information about the scheme and the application process was made available digitally, resulting in the possibility of exclusion of businesses that were run by individuals who were not technology savvy or lived in rural areas with poor internet connectivity. Local authorities universally reported that they provided some in person support (e.g. telephone helplines) for additional information. However, some businesses consulted reported these were hard to reach and that this support did not necessarily resolve issues around the online application process.

Figure 5.1: Mode of communication through which businesses first became aware of the Local Authority COVID-19 Business Support Grant Schemes



Source: Survey of businesses, Ipsos analysis. Base – firms reporting receiving a grant between March 2020 and December 2020 (n = 2,405)

5.2.3 Guidance

Following the announcement of each scheme, BEIS produced guidance to inform local authorities about how to interpret eligibility requirements and what was expected in terms of delivery. BEIS officials described the process of developing the guidance as extremely technical and time-consuming – requiring input from ministers, officials, and legal teams. In addition to guidance documents, BEIS also introduced a series of 'live streams' in which a BEIS official gave pre-scripted information about each scheme, followed by an extended period for (unmoderated) questions. The questions received at these sessions were then developed into Frequently Asked Questions documents.

Local authorities raised the following concerns in relation to the guidance:

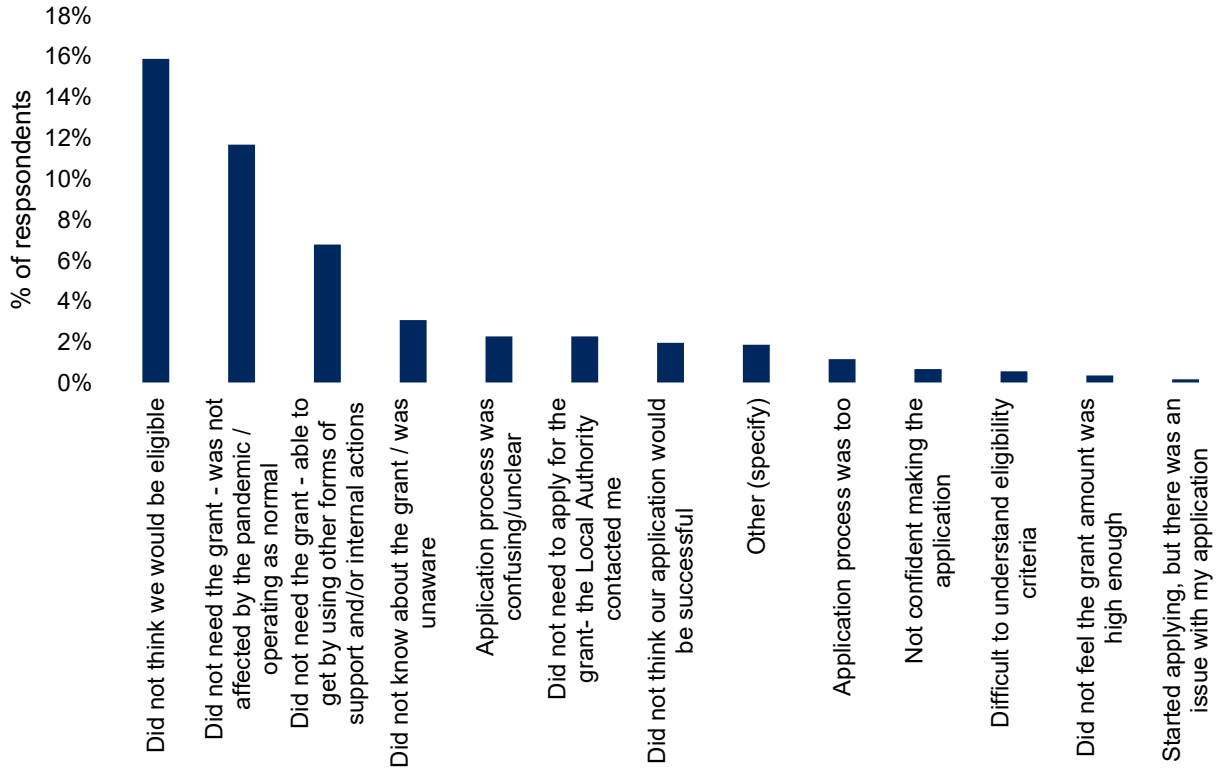
- It was considered by many to be complicated, technical, and hard to interpret. This meant that businesses and local authorities were unclear whether particular businesses were eligible to apply. Multiple interviewees referred to the complex guidance around pubs, and the terminology 'wet-led pubs' that most had not come across before. Some local authorities attempted to create their own 'layman's' version of guidance for issuing to businesses, as the BEIS original was not considered fit-for-purpose for general distribution.

- Some elements of the guidance were considered vague or ambiguous (one example given was around discussions with BEIS about whether kennels and catteries were included in the holiday accommodation category), which led to uncertainty around interpretation, a need for follow-ups with BEIS to clarify elements, and differing interpretations across the country. Some reported facing legal actions from businesses disputing the local authority's interpretation of the guidance.

- Due to the issues raised above, as well as ongoing learning as problems or ambiguities emerged, the guidance was frequently re-issued with updated terms. This was necessary owing to frequent changes and clarifications to public health measures in relation to which types of businesses were required to close (with BEIS receiving little notice of these changes). This caused difficulty and frustration for LAs, who needed to update their own processes and communications and, in some cases, reverse decisions (e.g. if a business was previously deemed ineligible), in line with each new set of guidance.

The survey of businesses did not indicate that difficulties understanding the eligibility criteria were a major barrier to participation (and indeed, the findings did not indicate the delivery of the programme created any significant barrier to participation as illustrated in Figure 5.2). However, depth interviews highlighted examples of issues created by some of the issues described above. One childcare provider (permitted to remain open by government legislation to provide childcare for essential workers) noted that as they were not closed, they were unsure if they qualified for a grant (though operating at a loss owing to the small number of children in the setting). The business could not get information about whether they were eligible from the local authority for weeks and speculated that this was because the local authority did not actually know if they were eligible.

Figure 5.2: Factors that discouraged applications or made it more difficult to apply



Source: Survey of businesses, Ipsos analysis. Base - all firms responding to the survey (n = 3,208)

5.3 Application and award process

5.3.1 Application process

The application process evolved with time. BEIS did not require applications for early non-discretionary grant payments, meaning that most local authorities made payments directly into business bank accounts where contact details and account details were on file, and there was no missing or contradictory information. The absence of a formal application process likely accelerated the early delivery of the programme. However, this also had the cost of weakening assurance processes and limiting the scope to evaluate the impacts of the programme robustly. While some local authorities decided to impose an application process from the outset, this did slow the distribution of funds.

As time progressed, BEIS guidance became increasingly stringent and local authorities typically introduced a formal application process collecting the following details:

- Basic details about businesses (such as their sector and the rateable value of their premises) to identify whether they were eligible to receive a grant.

- Contact details (such as a postal address, telephone number or email address) to invite businesses to apply for a grant (where applications were required).

- Bank details (such as an account number and account name) to make grant payments into a business' bank account.

Within BEIS, a change in emphasis occurred in April 2021 following a formal programme review instigated by the Director General. This review identified weaknesses in programme implementation, including inadequate resourcing within BEIS and insufficient requirements for audit trail and due diligence. It became clear that while the procedures that had been put in place initially served the purpose of emergency distribution of funding, the governance, engagement, and resources were not fit for purpose for a scheme of the size and duration that it had become. In line with changing BEIS assurance requirements, local authorities put in place application processes that required the submission of a range of supporting documents, such as bank statements, tenancy agreements, and proof of occupancy documents.

Businesses and stakeholders consulted reported that the application process for funding was straightforward, and no common challenges were identified. There were differences in the application process used in different LAs, in terms of what type of information was required as part of the process (for example bank statement, proof of business rate payment etc.) – but most businesses and stakeholders reported that the process was straightforward, and the information was easy to obtain.

5.3.2 Assessment and award

Once application forms and supporting evidence requirements had been set-up, local authorities needed to review these documents and make an assessment as to whether an application was (i) eligible, and (ii) genuine (that is, the application did not contain false or fraudulent claims). To establish these points, local authorities set up processes for reviewing applications as follows:

- Applications were triaged and thresholds of evidence applied – only businesses that were not already known to the assessment team needed further investigation.

- Documents were manually checked for signs of fraud or tampering – for example, bank statements were checked for tampering, and confirmed with banks where necessary.

- Internal 'de-duplication' checks were performed to guard against making duplicate payments to a single business (either through local authority error or because the business had made multiple applications).

- A key check was to confirm that the business was indeed still trading. Local authorities reported using a range of time-consuming methods, such as checking Google reviews, local newspapers, and Facebook activity to check for evidence that the business was still active. Some reported making physical visits to premises as part of fraud checking; and,

- Local authorities also spoke about using external providers such as Spotlight or Experian to provide fraud-checking and data validation services (which was actively encouraged by BEIS later in the programme, who provided access for all local authorities). Some consultees indicated that these services provided a useful additional layer of checking, but many also pointed out that these services are not comprehensive (many small businesses are not covered by these services) and did not eliminate the need for manual checking.

The principal objective of these assessment checks was to minimise rates of irregular payments. As illustrated in Section 4, the introduction of these checks appears to have reduced rates of irregular payments in Cohort Two schemes. However, the imperative given to speed of delivery appears to have resulted in comparatively high levels of irregular payments in Cohort One schemes. Following the BEIS programme review in April 2021, an ex-post validation process was

started for those grants that had already been issued. However, many local authorities had not collected sufficient supporting evidence for historic grant payments and struggled to ever catch up with the assurance regime. BEIS interviewees commented on issues around the timing of this assurance exercise, which should have begun as soon as the first cohort of grants had been distributed – but instead, BEIS resources were directed at setup and support for delivery of the second cohort, resulting in an enormous backlog of assurance and reconciliation work. The task of reconciling each payment from Cohort One was subcontracted to a team of 20 people and was reported to have taken one year to complete.

5.3.3 Need

The award process focused on establishing whether businesses were eligible to receive a grant. However, there was no explicit test of need for cashflow support as part of the application process. As indicated above, targeting was instead achieved through the eligibility criteria for the scheme, which increasingly aimed to focus resources on those businesses facing the most acute restrictions due to measures to contain the COVID-19 pandemic.

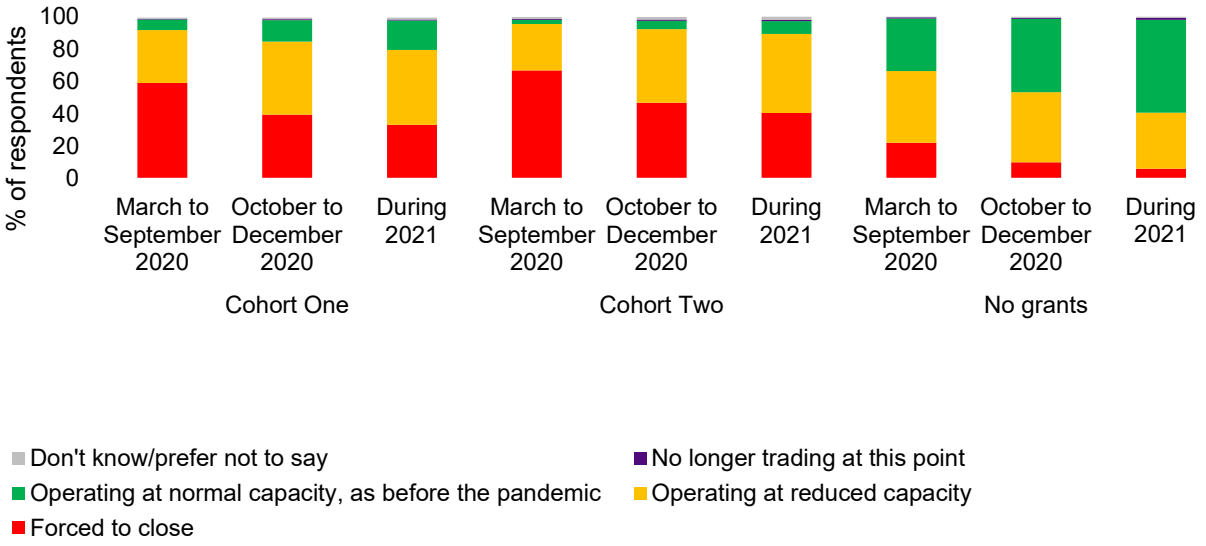
As highlighted in Section 4, these measures appeared effective in targeting resources at sectors facing the most significant shocks. The survey of businesses receiving grants provided a range of other evidence to support this assessment. Figure 5.3 illustrates the impact of social distancing restrictions on the business operations of firms awarded grants as part of Cohort One and Cohort Two. This shows:

- Grants were largely targeted at businesses facing operational disruption over the course of the pandemic. More than 60 percent of firms receiving grants were forced to close at some point during the first national lockdown, and the remainder were largely operating at reduced capacity.

- While the severity of restrictions eased over time, more than 80 percent of firms were still operating at reduced capacity during the first half of 2021. Grants awarded under Cohort Two schemes also appeared to reach businesses facing more severe levels of disruption over the course of the pandemic (providing further evidence that improvements in targeting were achieved between the first and second cohorts).

- Firms awarded grants also appeared to face substantially higher levels of disruption than those that did not receive grants.

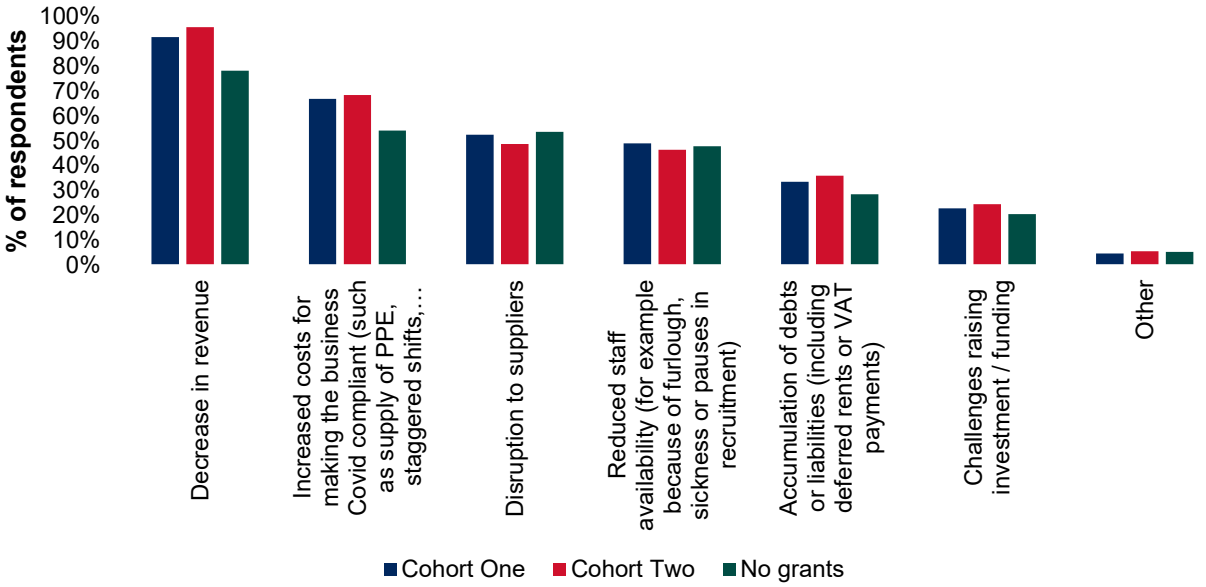
Figure 5.3: Business disruption during the COVID-19 pandemic, firms receiving grants from Cohort One and Cohort Two programmes



Source: Survey of businesses, Ipsos analysis. Base - all firms responding to the survey and able to report whether they received a grant (n = 3098)

As might be expected, widespread operational disruption contributed to decreased revenues. More than 90 percent of survey respondents awarded grants indicated that a decline in revenues negatively impacted the financial health of their business during the COVID-19 pandemic. Firms also faced several other frictions arising principally from the need to invest in adaptations to make the business compliant with COVID-19 regulations, as well as frictions caused by disruptions to supply chains and reduced staff availability. These challenges were also faced by firms that were not awarded grants, although disruptions to revenues were most widely reported by firms supported by the grant schemes.

Figure 5.4: Challenges negatively affecting financial health during the COVID-19 pandemic



Source: Survey of businesses, Ipsos analysis. Base - all firms responding to the survey (n = 3028)

However, there was less evidence that grants were highly targeted at businesses facing immediate financial distress. The survey was used to gather information on the profit and loss accounts and

balance sheets of firms awarded grants to explore their financial health as the pandemic began in March 2020. Table 5.1 overleaf provides an analysis of a variety of metrics of financial health for a subsample of 867 firms able to provide information for all financial variables of interest (income, expenditure, assets, and liabilities):

- **Depth of reserves:** Around 25 percent of firms receiving grants entered the pandemic with insufficient assets to cover three months of operating expenditure. These firms might be considered those least resilient to the economic impacts of non-pharmaceutical interventions introduced to manage the outbreak of COVID-19. However, on average, firms receiving grants held assets sufficient to cover 45 to 50 months of operating expenses at 2019/20 levels (i.e. before considering behavioural adaptations and funding available through other schemes). While these averages were skewed by some firms with significant depth of reserves, the median firm held assets sufficient to cover 7.1 to 8.5 months of operating expenditure at 2019/20 levels.

- **Commercial viability:** Around 17 percent of firms benefitting from the grants were operating at a loss, while 14 percent held liabilities that exceeded their assets. However, just 3 to 4 percent were both operating at a loss and held liabilities exceeding their assets (a combination that would lead to concerns regarding the short-term financial sustainability of the business).

These findings indicate that most firms supported through the programme were not facing immediate issues of financial distress in March 2020 and were likely to have had considerable resilience to issues of lost revenues caused by enforced closures and social distancing arrangements (given that other economic interventions - particularly the CJRS - would have allowed them to reduce their operating expenditures significantly). However, the risk that public funds were allocated to businesses that would have failed regardless of the COVID-19 pandemic appears relatively limited.

It should also be noted that achieving improved targeting would have involved feasibility issues (owing to the likely need to examine the balance sheets of individual firms, which would not have been available on an up-to-date basis). Additionally, providing support exclusively to firms with the weakest balance sheets would also have created perceptions of inequities and unfairness, creating challenging political, reputational, and feasibility issues.

Table 5.1: Metrics of financial health in March 2020 by size of firm, by Cohort of grant scheme (sample averages)

	Months of operating expenditure fundable from assets		% of businesses that would have been unable to fund 3 months of 2019 operating costs from assets		% with operating losses in 2019/20		% with liabilities exceeding assets		% loss making and liabilities exceeding assets	
Cohort	**One**	**Two**	**One**	**Two**	**One**	**Two**	**One**	**Two**	**One**	**Two**
Small	20.1	16.8	26.2%	28.7%	18.5%	21.3%	16.2%	18.5%	3.1%	5.6%
Micro / sole trader	50.0	58.2	24.9%	25.2%	15.2%	17.7%	13.3%	13.7%	3.1%	3.8%
Total	**44.7**	**50.5**	**24.7%**	**25.7%**	**15.9%**	**18.3%**	**13.7%**	**14.5%**	**3.0%**	**4.0%**

Source: Survey of businesses, Ipsos analysis. Base - firms reporting receiving a grant between March 2020 and December 2020. Figures for medium and large businesses have been excluded due to small sample sizes. Samples include all firms receiving a grant from a scheme launched under a particular cohort (i.e. regardless of whether they received a grant under the other Cohort).

Firms awarded grants also made widespread use of parallel programmes introduced to help businesses through the COVID-19 pandemic:

- The survey indicated that almost 60 percent of firms received assistance with their wage costs through the CJRS (or furlough scheme).
- More than 40 percent also obtained government backed loans. Given the size of firms involved, it is anticipated that the majority would have been eligible for the Bounce Back Loan Scheme (which allowed registered firms to borrow £25,000 at a rate of 2.5 percent over a term of six years, with repayments deferred for the first 12 months).
- Around 25 percent of businesses receiving grants also made use of other support programmes. This would include the Self-employment Income Support Scheme as well as other financial easements (such as deferral of VAT payments).
- Just over one fifth of firms made no use of wider support measures.

These findings indicate that most businesses were likely to have received other financial government support for their wage and non-wage operating expenditures during the COVID-19 pandemic. In many cases, there would likely be questions regarding the need for additional subsidies provided by the programme (especially given the findings on the financial health of firms benefitting from the programme at the start of the pandemic).

6.0 Impact evaluation

This section provides an assessment of the impacts of the Local Authority COVID-19 Business Support Grant Schemes programme using a mixed methods approach. This section presents the findings of a variety of analyses using evidence collected through the survey and wider sources of secondary data to estimate the effects of the programme on the financial health of businesses and their survival prospects, as well as its impacts in safeguarding employment and economic activity. These results are synthesised with descriptive and thematic analyses of survey results and case studies to provide insight into the underlying mechanisms through which these impacts arose.

A detailed technical overview of the underpinning quantitative analysis is provided in the Technical Annex. However, as highlighted in the introduction, owing to variable data availability across Cohorts, different approaches have been adopted to examine the effects of different aspects of the programme. The findings from these analyses have been synthesised to draw broad conclusions regarding the effectiveness of the programme. However, it is not possible to provide straightforward estimates of the impact of the programme overall.

Key findings

- Analysis of branch closure rates amongst registered firms that did and did not receive Cohort Two grant funding indicated that the programme reduced the likelihood of a branch closure by 35 percent by March 2022. This would imply that the programme reduced the overall closure rate of branch sites from 8 percent to 5 percent. If this result can be applied across the overall programme, then it may have prevented the closure of 21,000 workplaces by the end of 2022 and safeguarded around 300,000 direct jobs (assuming no reallocation of workers between branches).

- Average employment levels contracted amongst surviving firms awarded grants between 2020 and 2022 by 5 to 6 percent (equivalent to 0.9 jobs amongst registered businesses). However, analysis of administrative data indicated that this reduction would have been larger in the absence of the Cohort Two grant schemes. It was estimated that Cohort Two grants safeguarded an average of 0.15 jobs per surviving business receiving grants. Again, if this result applies across the programme, then it is estimated that the programme may have safeguarded a further 100,000 jobs in surviving firms.

- The protective effects of the programme were not significantly offset by adaptive mechanisms in the economy. Based on data at the local authority level, it is unclear how far - if any of – those whose jobs were safeguarded would have obtained alternative employment between 2020 and 2022. The impacts of the programme appeared to be most significant during 2021 when restrictions to manage COVID-19 were reintroduced at a national level.

- However, findings indicated that the benefits of the programme may have come with some costs to productivity. There were some indications that the programme may have encouraged businesses to keep open less productive operations - although these effects cannot be fully quantified.

- It should be noted that there are significant uncertainties regarding the magnitude of the impacts associated with the programme and the findings of the impact evaluation should be interpreted as indicative of the possible scale of effects. The impact of the programme on unregistered businesses - accounting for half of the spending on the programme - is also uncertain, beyond their effects visible in the performance of local economies.

6.1 Use of grants and perceived impacts

This section sets out findings in relation to how grants were used by businesses and their perceived impacts on their survival. These results draw principally from descriptive analysis of the survey and qualitative findings and should not be given a causal interpretation.

6.1.1 Use of grants

While the Local Authority COVID-19 Business Support Grants Schemes programme was notionally aimed at supporting businesses with their non-wage costs during the COVID-19 pandemic, no conditions were attached in relation to how they should be used. Nevertheless, the survey of firms indicated that grants were almost exclusively used for their intended purposes:

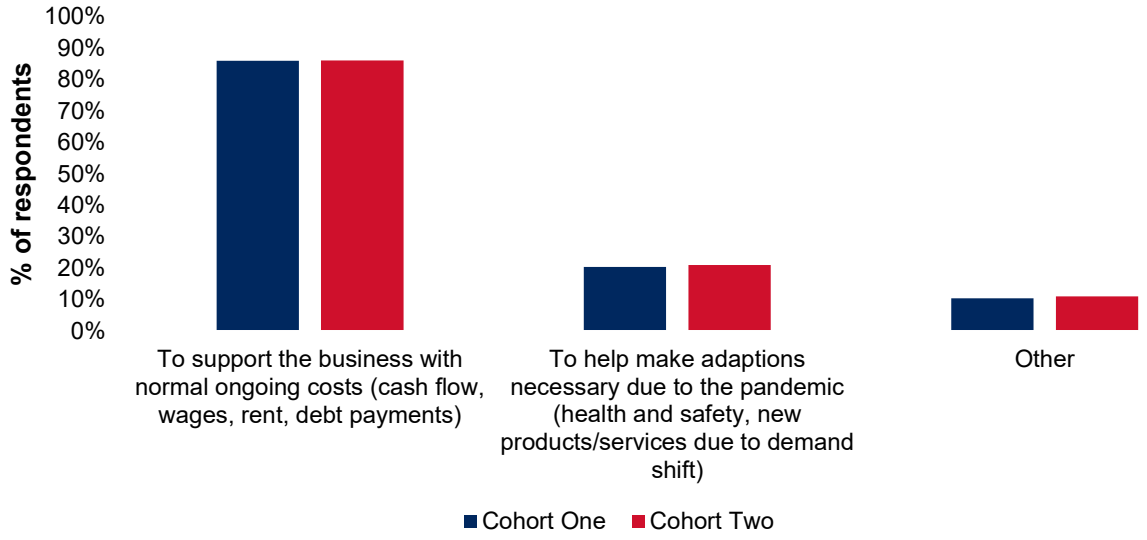
- Over 85 percent of survey respondents receiving a grant reported that the grant was used to support the business with normal on-going costs.
- Around 20 percent also indicated that the grants helped fund adaptations made necessary by the pandemic.
- There was little evidence of firms using grants to reflate financial reserves or otherwise leaving resources undeployed.

Businesses interviewed as part of the case studies indicated that grants were placed into the business account alongside savings and other funds received (for example, loans backed by the COVID-19 Loan Guarantee Schemes) and used for business related expenditure. The most frequently described expenses were:

- **Rent** - payments to landlords (although a small number of businesses described being afforded rent holidays or rent breaks).
- **Utility payments** - gas, electric and water payments were still required (as well as insurance).
- **Labour costs** - although most businesses reported using CJRS, businesses described using the grant payments to support paying staff, to either top up CJRS payments to full wages, as a bridging mechanism until the CJRS monies could be claimed, or during limited openings when the business did not or could not utilise the CJRS.
- **Support the cost of adjustments** - around half of the businesses interviewed reported using the funding to help with adaptative measures (such as sanitisers, additional cleaning costs, or plastic barriers).

The interviews suggested that hospitality businesses also used the grant payments to support the reopening of their businesses – for example, replacing stock that had to be discarded when venues were required to shut. One hospitality business also reported that the grant funding had been used to provide additional security at their premises, as it was unoccupied and had attracted break-ins during the first lockdown. There were only limited examples of grants not being used to fund operating costs (for example, a small number of businesses reported that, as they were required to be closed, they undertook some renovation of their properties).

Figure 6.1: Reported usage of grants



Source: Survey of businesses, Ipsos analysis. Base - firms reporting receiving a grant between March 2020 and December 2020 (n = 3,098).

6.1.2 Perceived impacts on business survival

Around half of firms receiving grants considered (being asked in 2022 with the benefit of hindsight throughout the pandemic) that the grants awarded had a material impact on the likelihood that they would have ceased trading (with little difference between firms that received Cohort One or Cohort Two grants). This aligned with evidence gathered from the programme of depth interviews, where just under half of the businesses interviewed stated that they would have ceased trading in the absence of the grants. External local stakeholders shared similar views, indicating a range of between 40 and 60 percent of businesses may have ceased trading in the absence of the support.

This self-reported evidence is likely to overstate the importance of grants. Detailed discussions with forty businesses exploring their expenditure and plans during COVID-19 restrictions indicated that:

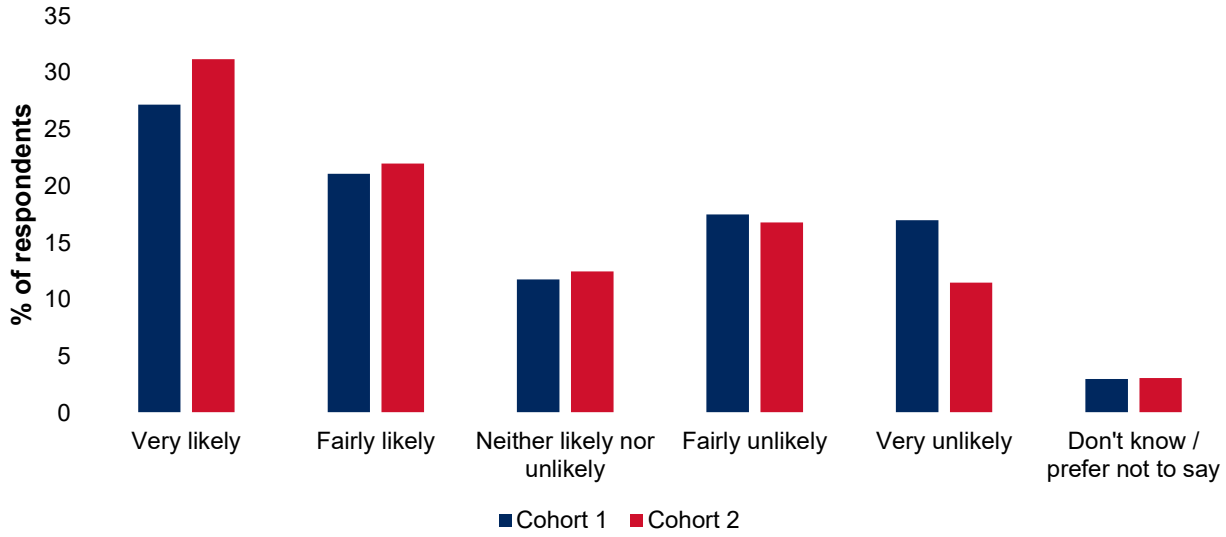
- **Speed of reopening:** The grants appeared to have had more of an effect on how quickly and what goods or services were offered when businesses reopened, rather than whether they survived. For example, some businesses that reported that they would have ceased trading in the absence of grant support had used funding for refurbishments and training (rather than operating costs), whereas another had used the funding to top up wages of existing staff. This suggests that the businesses would have been able to continue in some form without the grants, although different decisions may have been made.

- **Adaptive investments:** Based on the qualitative research, the more significant impact appeared to be on how the grants supported reopening. The grants helped businesses to adjust to social distancing requirements, increase cleaning frequency and fit new fixtures and fittings (for example screens) to support reopening. Additionally, in the hospitality sector, they helped with purchasing new stock to support reopening. Without the grants, businesses would have reopened later or with a reduced commercial offer.

- **Parallel schemes:** Businesses also found it difficult to isolate the impact of the grants from other government support schemes they had also accessed. Many businesses had also accessed the COVID-19 Loan Guarantee Schemes, and all businesses with employees had utilised the CJRS (consistent with the findings above).

However, there were two examples where businesses could provide a direct link between the grants and business survival. The first, a hospitality venue, had exhausted their reserves and would not have been able to pay their utility bills without the grants they received. A second, a childcare setting, having been required to stay open in the second lockdown, were incurring losses every week and had also exhausted their reserves. Large quarterly utility bills were due at the end of a month, and the grant had not been paid. The business had started to plan for closing, as they could not meet their obligations. However, the grant arrived shortly before the utility bills were due, and the setting was able to remain open.

Figure 6.2: Views on the likelihood firms would have permanently ceased trading without receiving grants



Source: Survey of businesses, Ipsos analysis. Base - firms reporting receiving a grant between March 2020 and December 2020 (n = 3,098)

6.2 Direct impacts on businesses receiving grants

As highlighted above, the perceptions of businesses are unlikely to give a reliable guide to the impacts of the programme on business survival or other outcomes of interest. This section sets out the findings of a variety of analyses that sought to estimate the quantitative impacts of the grants provided by comparing businesses that received grants to an appropriately selected sample of businesses that did not receive grants,

6.2.1 Methodology

The impacts of the Local Authority COVID-19 Business Support Grant Schemes programme have largely been inferred from comparisons between businesses receiving grants and other businesses that did not receive grants (to establish what may have occurred in the absence of the programme).

Identifying an appropriate comparison group involves some challenges as businesses that obtained grants are likely to differ from businesses that did not obtain this support, in ways that could lead to biased findings. For example, if businesses facing more acute financial difficulties were more likely to seek support during COVID-19, then comparisons between businesses obtaining grants and other businesses are likely to understate their impacts.

The universality of the programme created some challenges in addressing these issues. For example, there were no ineligible areas from which an appropriate comparison group could be drawn. The evaluation also collected a variety of data from different sources. These varied in

coverage of (a) cohorts of grant schemes, (b) registered and unregistered businesses, and (c) the outcomes it was possible to assess - owing to challenges associated with monitoring information collected for the programme.

Full details are set out in the Technical Annex, but three different strands of analysis were used to provide an assessment of the impacts of the programme. These are described in the following table - highlighting differences in approach, data sources, and coverage.

Table 6.1: Strands of analysis - direct impacts on businesses received grants

Strand of analysis	Data source	Coverage	Outcomes
1: Comparisons between businesses that received grants and a sample of businesses that did not drawn from the survey sample. Businesses were matched (using Propensity Score Matching) in terms of the financial health and size (employment, turnover, and expenditure) of the business, whether the business was forced to close at different stages of the pandemic, and whether the business operated in sectors most acutely affected by the pandemic. Impacts were estimated by applying difference-in-differences methods to the matched sample.	Survey of 2,405 businesses that reported receiving grants and 693 businesses that did not.	Cohort One and Cohort Two, Registered and Unregistered Businesses	Financial health, turnover, employment
2: Comparisons between businesses occupying premises that were 'just' eligible and ineligible for Cohort One grants. Estimates of impact were generated by applying Regression Discontinuity Design methods estimating how far survival rates increased at the rateable value thresholds for eligibility.	Records of failure and acute financial distress taken from Companies House for a sample of 1,412 eligible and ineligible premises generated from the survey sample.	Cohort One only (SBGF and RHLGF only), Registered Businesses Only.	Business survival
3: Comparisons between businesses that received grants and a sample of businesses that were not drawn from the population of businesses that did not receive grants. Businesses were matched (using Propensity Score and Coarsened Exact Matching) by accounting the performance of the business (in terms of turnover, employment, and turnover per worker) between 2016 and 2020, its broad sector, region, and the urban density of its location (based on the ONS-Defra	Monitoring information on recipients of Cohort Two grants linked to the Business Structure Database, giving annual records of employment, turnover, and survival for a sample of	Cohort Two only, Registered Businesses only.	Survival of Local Units (i.e. branch sites in the case of multi-site firms), employment, turnover, and turnover per worker

Urban/Rural classification). Estimates of impacts were generated by applying fixed effects models to the matched sample.	130,414 Local Units receiving grants.		

In most cases, the best available approach was to identify a sample of businesses that did not obtain grants that shared similar observable features (e.g. size, sector, historic growth trajectory) to those that did, using statistical methods. This helped ensure comparisons were only made between businesses that appeared to be similar prior to the pandemic. However, it is possible that participation in the programme was driven by unobservable features of the business or the priorities of the local authority (e.g. if the local authority was targeting needs based on criteria that were not captured in the data available).[17]

This issue was mitigated by using difference-in-difference methods or 'fixed effects' approaches. These methods involved comparing the relative trajectories of businesses that did and did not benefit from the programme, implicitly controlling for unobserved features of the businesses that do not change over time (such as structural features of the business that could determine its resilience to the pandemic – e.g. the underlying viability of its business model). However, caution is urged in the interpretation of findings below as this approach is unlikely to address all factors that could bias comparisons - including aspects of the business that may change over time - e.g. if businesses that did not receive grants were more likely to adopt new approaches to management due to the pandemic.

As highlighted in Section 5, businesses also made widespread use of parallel support programmes regardless of whether they obtained grants. These schemes were available to both businesses that were awarded grants and the comparison group of businesses that did not receive grants. Comparisons between the two groups should, in principle, capture the incremental effect of the grants provided through the programme. However, there is a risk that firms obtaining grants were also more likely to seek cashflow support from other sources. For example, if take-up or the amounts received was linked to general performance. In this case, the findings below could partly conflate the effects of the grants with other schemes.

6.2.2 Impacts on business survival rates (analysis strand two and three)

A more systematic assessment of the effect of the programme on business survival rates was achieved by exploiting sources of administrative data:

- **Cohort One (analysis strand two):** A sample of 1,412 registered businesses occupying premises that were eligible or just ineligible for the SBGF and RHLGF was identified through the process of constructing the sample for the survey. Their CRNs were linked to Companies House records that identified whether the firm was in insolvency proceedings, administration, or liquidation (taken as a measure of failure or acute financial distress). Failure rates were persistently lower amongst businesses occupying premises eligible for the grants (2.7 percent versus 4.1 percent at the end of March 2022).[18]

  These differences were only statistically significant for the period between April 2021 to December 2021. This indicates that some businesses eligible for grants began to face more significant difficulties as broader economic support was withdrawn or that any positive effects of grants may have been temporary. Comparisons between those 'just eligible' and those 'just ineligible' (using Regression Discontinuity Design methods) did not indicate that the Cohort One grants had a statistically significant

[17] Though in practice, the value of funds distributed through discretionary funds was substantially lower than those distributed through non-discretionary mechanisms.

[18] Note that it is not possible to provide pre-COVID estimates of failure rates for the two groups of premises as details of past occupants are not readily available from publicly available sources.

effect on survival rates.[19] However, these analyses were driven by small sample sizes and as highlighted in Section 5, many local authorities used the LADF to support businesses that just missed out on funding (potentially reducing failure rates amongst the ineligible group). As such, firm conclusions cannot be drawn from this analysis.

- **Cohort Two:** As noted in Section 1, records of a sample of firms receiving grants as part of Cohort Two were linked to the Business Structure Database (BSD). The BSD includes a flag that identifies the closure of local units that was used to explore the impacts of the programme on survival rates of branch sites (which are not equivalent to the overall enterprise in the case of multi-plant firms).

  The impact of the programme was inferred by comparing closure rates amongst branch sites awarded grants to the matched comparison sample of businesses that did not receive grants described in Section 6.2.1. As illustrated in the second panel of Figure 6.3, the cumulative closure rate of branch sites receiving Cohort Two grants included in the analysis reached 4.0 percent amongst businesses awarded grants by the end of 2022 and 9.0 percent amongst branch sites operated by the matched comparison group.[20] Branch closure rates were higher than overall failure rates indicating that some firms that did not receive grants may partly responded by closing some parts of their operations.

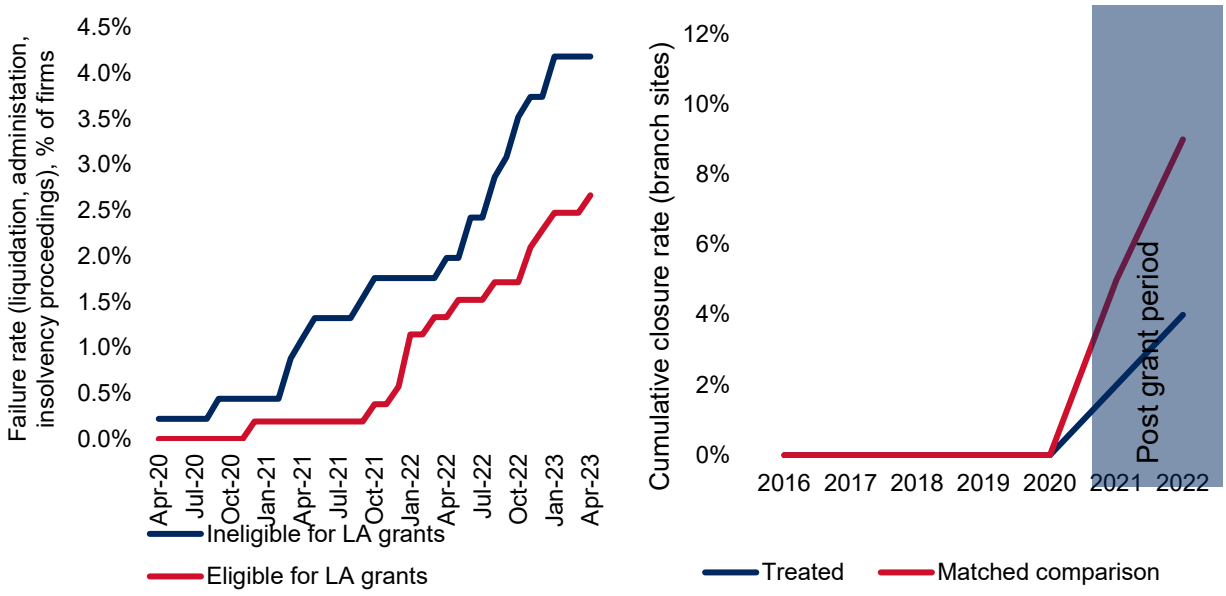
  Fixed effects regressions comparing closure rates amongst businesses receiving grants and businesses that did not indicated that the grants had a statistically significant effect in **reducing the probability of closure by 35 percent.** If this can be assumed to apply to all businesses receiving grants - this would imply that closure rates may have risen from 5.3 percent[21] to 8.2 percent in the absence of the Cohort Two schemes[22]. This can also be interpreted as implying that the **programme prevented the closure of around 3 percent of the branch sites that were awarded grants.**

  However, there are some questions as to how far the findings can be generalised in this way, as firms showing historic ongoing declines in performance prior to the pandemic were excluded from the analysis because adequate matches could not be found in the general business population.

It should be noted that these findings only apply to registered businesses and effects on unregistered businesses - estimated to account for half of the population of businesses awarded grants - is unknown. As these businesses are typically self-employed individuals, the effects of the grants amongst this group may have differed significantly.

[19] Full results are provided in Technical Annex, Section A.2.
[20] These results are taken from the samples matched with Coarsened Exact Matching.
[21] This is the failure rate across all Local Units receiving grants linked to the Business Structure Database, which was higher than the rate observed amongst matched businesses.
[22] I.e. 0.053 / (1 - 0.65) = 0.082

Figure 6.3: Cumulative failure rates - businesses occupying premises eligible and ineligible for Cohort One grants, and businesses receiving Cohort Two grants vs matched comparison group, 2020 to 2021



Source: Companies House and ONS (Business Structure Database), Ipsos analysis

Total number of workplaces and jobs safeguarded via branch survival

The findings have been used to provide an indicative estimate of the impact of the programme on employment in registered businesses:

- As set out in Section 4, it is estimated that 700,000 registered businesses benefitted from the Local Authority COVID-19 Business Support Grant Schemes programme. Based on findings in relation to Cohort Two grants, it is estimated that an additional 3 percent of these may have closed in the absence of the programme. As such, it is estimated that the programme **prevented the closure of some 21,000 workplaces by 2022.**[23] This will understate the effect of the programme as there is no comprehensive data on the number of premises operated by businesses awarded grants.

- Registered businesses awarded grants employed an average of 14.4 workers in 2019. Assuming those businesses avoiding closure had a similar profile to the overall population of businesses awarded grants, then it is estimated that these business survival impacts may have **safeguarded around 307,000 direct jobs.**[24]

These findings should be treated as indicative owing to substantial uncertainties regarding (a) the number of businesses that benefitted from the programme, (b) the degree to which the impacts of Cohort Two grants apply to beneficiaries of Cohort One schemes, and (c) the extent to which the estimated impacts of the programme can be generalised to the entire population of firms awarded Cohort Two grants. These findings also only relate to registered businesses - the survival rates of unregistered businesses were not available in the data used for the study.

[23] I.e. 700,000 x 0.03 = 21,000
[24] I.e. 21,000 x 14.4 = 307,000

6.2.3 Financial health of surviving business

Changes in income, expenditure, assets, and liabilities

Information on the financial health of businesses was only available from the survey (i.e. analysis strand 1). The following table illustrates how the income, expenditure, and balance sheets of firms awarded grants changed between the 2019/20 and 2021/22 financial years (based on a reduced sample of 867 firms responding to the survey that were able to provide comprehensive measures of these variables for these periods). The evidence gathered indicated that:

- Turnover in 2021/2022 was broadly in line with turnover in 2019/20, indicating revenues had recovered (in nominal terms) to pre-pandemic levels. However, firms appeared to have reduced their levels of annual expenditure.

- Firms appeared to have avoided accumulating significant additional liabilities over the period. However, the assets of firms had fallen by an average of 10 percent. While this is consistent with the reports from firms that many had used their financial reserves to mitigate the financial impact of the pandemic, changes in average assets were not statistically significant (and there were no changes in the median assets of companies).

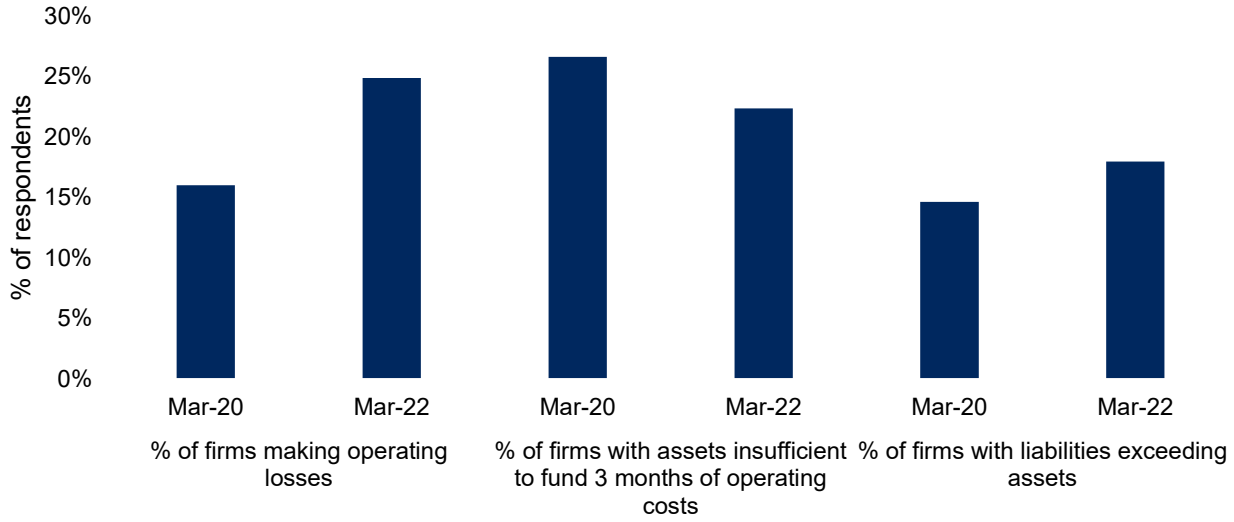
Table 6.2: Changes in average turnover, expenditure, assets, and liabilities - firms receiving Cohort One and/or Two grants

	March 2020	March 2022	Change
Mean changes			
Turnover	1,611,009	1,660,331	49,323
Expenditure***	1,415,595	1,252,831	-162,764
Assets	2,156,820	1,885,581	-271,239
Liabilities	1,066,107	1,078,356	12,249
Median change			
Turnover	200,000	170,725	-8,000
Expenditure	145,000	123,139	-5,000
Assets	100,000	106,014	0
Liabilities	25,000	34,000	0

Source: Ipsos analysis - base: firms receiving grants that reported a complete set of P&L and balance sheet measures. Median values are shown alongside mean values as sample averages were elevated by the presence of a small number of larger firms. The change column shows the median change, rather than the differences between the median values in March 2020 and March 2022. *** signifies that the change was significant at the 95 percent level of confidence.

The following figure provides further analysis in relation to markers of financial distress. Overall, the share of firms making operating losses increased from 15 percent to 25 percent between 2020 and 2022, while the share with liabilities exceeding assets also increased to a lesser degree. This could raise some concerns regarding the future sustainability of some firms supported through the programme after a period of challenging trading conditions.

Figure 6.4: Changes in markers of financial distress - firms receiving Cohort One and/or Cohort Two grants

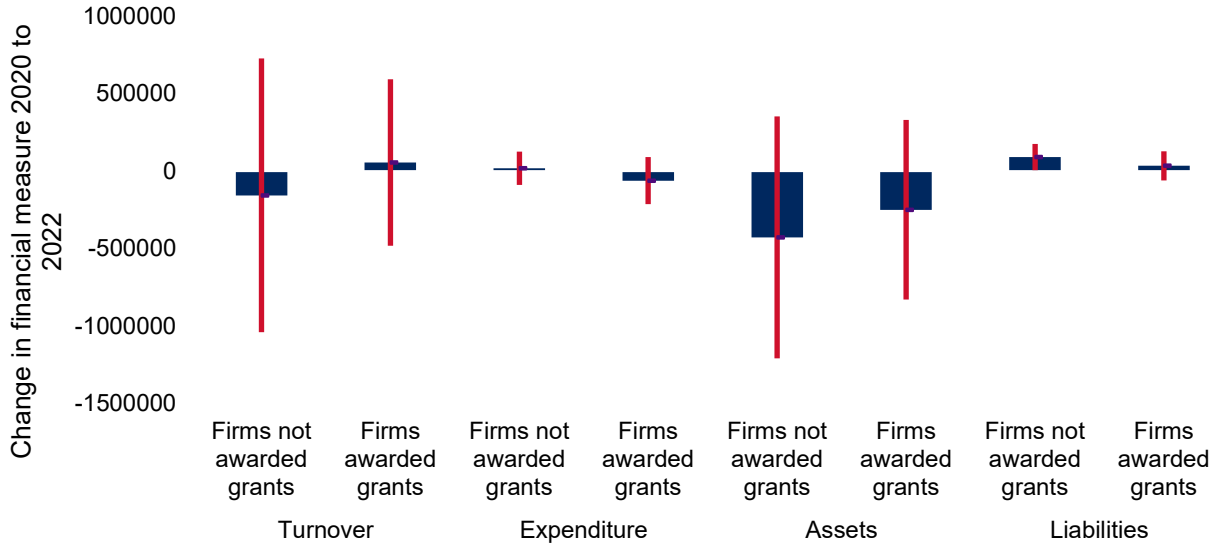


Source: Survey of businesses, Ipsos analysis - base: firms receiving grants that reported a complete set of P&L and balance sheet measures (n = 867)

Estimated impact on financial health (analysis strand one)

When compared to the matched sample of firms sharing similar pre-pandemic characteristics, there were no statistically significant differences in changes in the income, expenditure, assets, or liabilities of firms. These measures were characterised by high levels of variance (as illustrated by the error bars on the following chart), and it is possible that sample sizes were too small to detect any causal effects in improving the financial health of businesses benefitting from the Local Authority COVID-19 business support grants. The results of difference-in-difference analyses seeking to identify the causal effects of the grants also could not identify a statistically significant effect.

Figure 6.5: Changes in turnover, expenditure, assets, and liabilities - comparisons between firms awarded grants and matched sample of firms not awarded grants



Source: Survey of businesses, Ipsos analysis. Comparisons between matched sample of firms awarded grants and firms not awarded grants (matched on employment in 2020, whether operating in consumer facing services sectors, exposure to closures in March 2020, and levels of turnover, expenditure, asserts and liabilities in March 2020). 95 percent confidence intervals shown by red bars.

Estimated impact on turnover using administrative data (analysis strand three)

Analysis of changes in turnover based on administrative data obtained from the Business Structure Database (this analysis is limited to registered businesses receiving Cohort Two grants) indicated that businesses receiving grants saw contractions in revenues in 2022 and underperformed the matched comparison group of businesses that did not receive grants.

The results of the fixed effects regression analyses seeking to estimate the causal effect of the programme indicated that the grants reduced the annual turnover of businesses awarded grants by 8.3 percent between 2020 and 2022 (95 percent confidence interval of 7.8 to 8.9 percent). These findings should also be taken with substantial caution owing to the way that turnover is calculated for local units. While the Business Structure Database provides plant level data on employment, turnover is only provided at the level of the overall enterprise, and plant level estimates of turnover were derived based on each plant's share of total employment in the enterprise. This assumes that each plant is equally productive and is likely to have distorted the results by artificially inflating the turnover of surviving units, given the findings above that businesses that did not receive grants were likely to have closed the least productive parts of their operations.

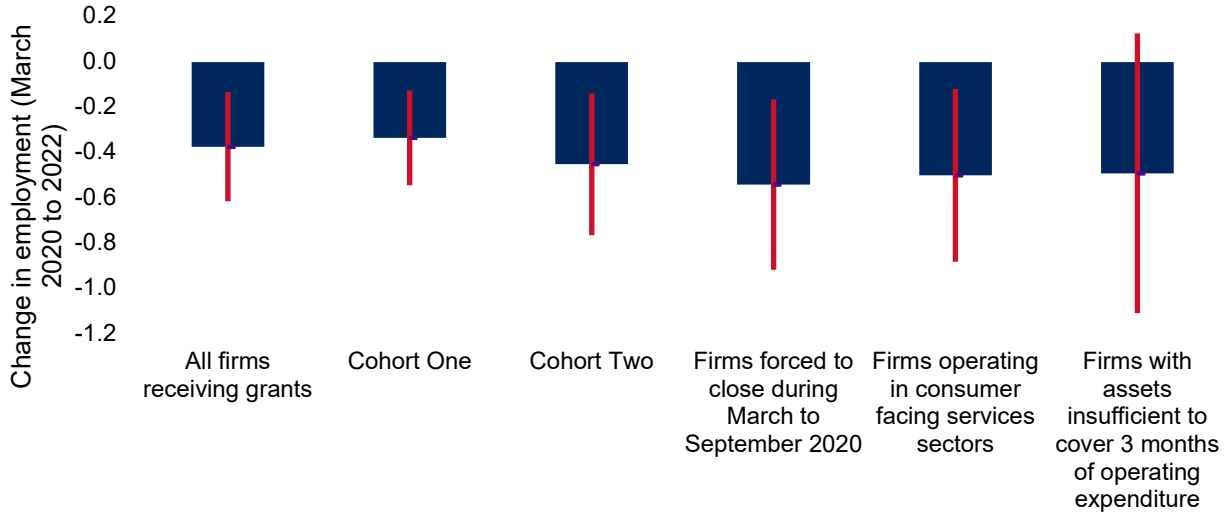
An additional set of analyses examining impacts on turnover at the level of the overall enterprise did not indicate that the grants had any effect on the overall turnover of businesses - suggesting these estimated effects are entirely an effect of the apportionment process. One potential explanation for this result is that the grants encouraged firms to preserve their least productive operations (as the closure of branch sites appeared to have little effect on aggregate turnover at the level of the overall enterprise).

6.2.4 Employment of surviving businesses

Changes in employment amongst firms receiving grants

Based on the survey evidence, (surviving) firms receiving grants saw their levels of employment fall from 8.1 workers to 7.7 workers between March 2020 and March 2022 (a five percent reduction in the number of workers employed). The reduction in the number of workers employed was statistically significant and did not vary materially across subgroups of firms (as illustrated in the following figure).

Figure 6.7: Changes in employment between March 2020 and March 2022, firms awarded Local Authority Business Support Grants



Source: Survey of businesses, Ipsos analysis. Base - firms receiving grants and providing observations of employment levels before and after the receipt of grants.

Estimated impacts on employment using survey data (analysis strand one)

Figure 6.8 compares the employment trajectories of firms that received grants to firms that did not receive grants (based on the survey evidence). Comparisons between firms that did and did not receive grants did not reveal any statistically significant differences between groups of firms. A set of difference-in-difference analyses seeking to estimate the impacts of the programme between March 2020 and March 2022 also did not find that the receipt of grants had a statistically significant effect on employment levels.

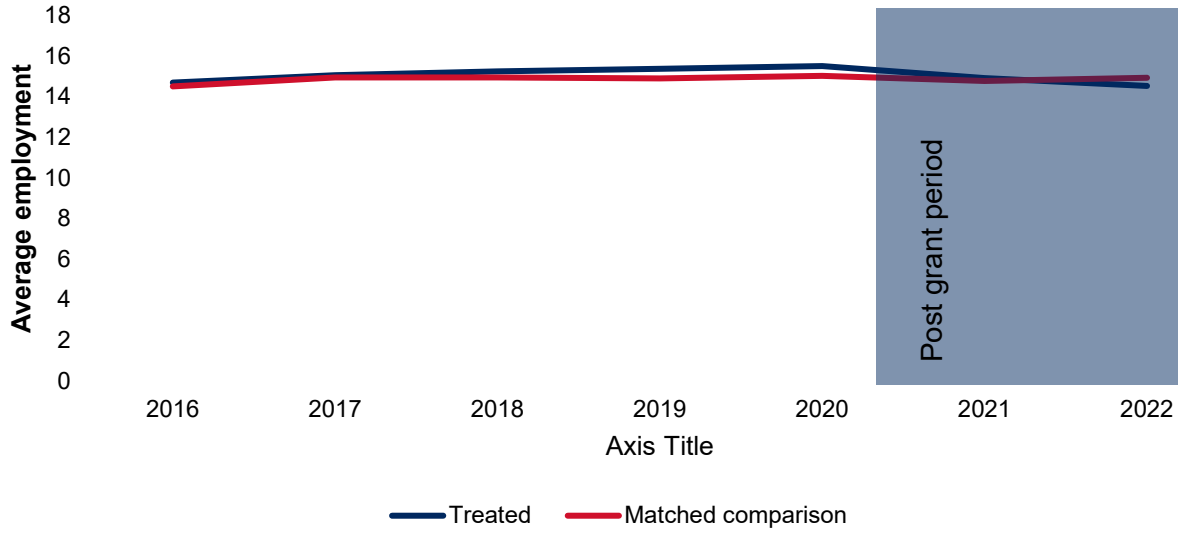
Figure 6.8: Changes in employment March 2020 to March 2022, comparisons between firms that did and did not receive grants

Source: Survey of businesses, Ipsos analysis. Base - all firms providing observations of employment levels before and after the receipt of grants.

Estimated impacts on employment using administrative data (analysis strand three)

It was possible to take advantage of substantially larger sample sizes via the Business Structure Database for (registered) firms awarded Cohort Two grants. Analysis of employment trajectories of surviving branch sites awarded grants showed similar patterns to the survey evidence. Average employment levels declining from 15.3 to 14.4 jobs per local unit between 2019 and 2022. This contrasted with the matched comparison group of (surviving) branch sites that did not receive grants which saw employment broadly stable over the period.

Figure 6.9: Average employment levels, registered businesses awarded Cohort Two grants and matched comparison group, 2016 to 2022



Source: Business Structure Database (ONS), Ipsos analysis.

As noted, these basic comparisons will be distorted by composition effects caused by the attrition of branch sites that were closed by both groups of businesses. Fixed effects regressions comparing the on-going employment performance of surviving branch sites that were and were not awarded grants indicated that Cohort Two grants had a **positive ongoing effect on employment levels of 1.0 percent (95 percent confidence interval of 0.8 to 1.3 percent)**. This effect was relatively small in absolute terms - the average employment of registered businesses was 15.3 in 2019, so the average number of jobs safeguarded per grant is estimated at 0.16 workers per surviving branch site receiving grants.

Total jobs safeguarded by surviving businesses

The findings have been used to provide an indicative estimate of the impact of the programme on surviving registered businesses:

- The grants also helped preserve an average of 0.15 jobs in businesses awarded grants that survived the period. Applying this result to the estimated number of businesses that survived to 2022 (662,500)[25] and excluding those whose failure was avoided as a result of the programme (21,000), it is estimated that the grants safeguarded a further 100,000 direct jobs.[26]

- It appears that these positive economic impacts have come at the expense of some productivity costs resulting from the preservation of less productive operations. However, these cannot be reliably quantified due to the absence of data on turnover at a plant level.

As with estimates above, these findings should be treated as indicative owing to substantial uncertainties regarding the number of businesses that benefitted from the programme and the degree to which the impacts of Cohort Two grants apply to beneficiaries of Cohort One schemes. Again, these findings also only relate to registered businesses. The effects of the programme on unregistered businesses could not be detected based on the survey findings, and the results of the evaluation are inconclusive in this respect.

6.3 Net local economic impacts

The analyses above only explore the direct effects of Local Authority COVID-19 Business Support Grant Schemes programme on businesses that received grants. These effects could potentially have been moderated by adaptive mechanisms in the economy (e.g. if those made unemployed took-up positions elsewhere in the economy or if surviving businesses claimed market share from local competitors). This section provides estimates of the net local economic impacts of the programme by providing estimates of the impact of the programme at the level of the local authority.

6.3.1 Methodology

The net effects of the programme were explored through a series of spatial analyses examining the relationship between:

- the cumulative number of grants awarded per workplace within each local authority over time, and,

- the number of workplaces and levels of employment, unemployment, and economic inactivity in each local authority (taken from the Interdepartmental Business Register, the Annual Business Survey, and the Annual Population Survey).

These analyses are intended to exploit variation across local authorities in terms of how far they were able to allocate funds to eligible workplaces. The underlying assumption is that the effects of the programme will have been larger in those areas where the local authority was able to distribute

[25] I.e. 700,000 x (1 - 0.053) = 662,500
[26] I.e. (662,500 - 21,000) x 0.15 = 100,000. Note figures have been rounded to the nearest 10,000.

grants to greater share of its business population. This will produce an unbiased estimate of the impacts of the programme if the number of grants awarded per workplace by the local authority in distributing funding is unlinked to the underlying economic prospects of the area.

This assumption is unlikely to hold in practice. In particular, the number of grants awarded will be linked to the severity of the adverse effects of the COVID-19 pandemic (as well as the effectiveness of the local authority in distributing grants). As such, it might be anticipated that local authorities facing more severe local impacts will have distributed greater volumes of grants and if so, the approach adopted will understate the protective effects of the programme. The following steps were taken to increase the robustness of the findings:

- As a robustness check, a second set of estimates of the impact of the programme were developed based on the number of grants per workplace eligible for Cohort One grants. This measure is less likely to be correlated with the severity of the local impacts of lockdown restrictions during the early stages of the pandemic. However, as later cohorts were increasingly targeted at sectors most acutely affected by restrictions on trading operations, this is only likely to partly mitigate the underlying issue (and numbers of eligible businesses for later schemes are not available).

- Local impacts were estimated using 'two-way' fixed effects models using quarterly data from 2016 to 2022. These models control for any unobserved differences between local authority areas that do not change over time that could bias findings. This would include structural aspects of the local economy that would determine their level of exposure to the COVID-19 pandemic (e.g. density of the local hospitality industry - which would have affected grant allocations for Cohort Two) or fixed institutional features of the local authority that may influence local growth prospects.

- The modelling also allowed for unobserved but time specific shocks affecting all areas. These were intended to capture the nationwide impact of the COVID-19 pandemic across the key outcomes of interest - with the models intended to capture the effect of grants awarded over and above these generalised shocks. It should be noted that this will not account for differential shocks produced by the regional tiering system in operation between July 2020 and December 2020.

- The models also allowed for unobserved trends at the local level. This will account for any long-term structural changes in the local economy that preceded the COVID-19 pandemic.

- Combined Authorities took responsibility for the delivery of some schemes (South Yorkshire, Greater Manchester, and Liverpool City Region). As these organisations operated at a different spatial scale and it was unknown how funding was distributed across the underlying local authority areas, these areas were excluded from the analysis.

However, it was not possible to control for all confounding factors owing to the universality of the programme across England and this could produce some distortions in the results and the findings should be considered indicative. Additionally, while the CJRS and other support schemes were available on a universal basis, it is possible that take-up of these schemes was positively or negatively correlated with take-up of the Local Authority COVID-19 Business Support Grant Schemes programme. If so, it is possible that some of the impacts outlined below may be attributable in part to the availability of these parallel schemes.

6.3.2 Results

The results of the analysis are set out in the table below. The coefficients associated with the two models cannot be directly compared as they are based on different business population bases. However, the implied total percentage effect is provided in parentheses below the coefficient, which can be compared across models. This is calculated by multiplying the exponent of the coefficient by the average number or value of grants awarded per workplace across local authority areas - as explained further in the Technical Annex). Statistically insignificant values are interpreted as no effect.

The findings indicate:

- **Jobs safeguarded:** Results based on the volumes of grants awarded per workplace indicated that the programme led to an increase in employment of 0.82 percent for each grant awarded per workplace on average between 2020 and 2021. This finding implied that employment would have been on average 1 percent lower in the absence of the programme. Aggregating this across the 315 local authority areas involved would imply that the programme safeguarded around 270,000 jobs. This is broadly in line with the estimated number of direct jobs safeguarded, suggesting that the programme did not lead to significant offsetting displacement effects (or local multiplier effects) by the end of 2021. However, these findings were not confirmed by analyses focusing on the number of grants awarded per workplace eligible for Cohort One grants - creating some questions regarding the robustness of this result.

- **Workplaces safeguarded:** The models also indicated that the programme safeguarded workplaces between 2020 and 2021. The average effect was estimated at 1.71 percent for each grant awarded per workplace between 2020 and 2021, equating to preventing the closure of 59,000 workplaces over the period (around nine percent of the registered businesses supported by the programme). The size of the effect is almost three times higher than estimated using firm level data (21,000). This could indicate that the programme had important local supply chain impacts - though equally there are also significant uncertainties in relation to the aggregate impacts inferred from firm level information. Again, these findings were not confirmed by analyses focusing on the number of grants per eligible workplace.

- **Unemployment:** The findings suggested that the programme led to a net reduction in unemployment at the local level between 2020 and 2022. It was estimated that each grant awarded per workplace led to an average reduction in the number of residents aged 16-64 classified as ILO unemployed (i.e. out of work, looking for work, and available to start work in the next four work) of 5.6 percent. Results based on the number of grants per workplace eligible for Cohort One grants suggested a larger effect of 9.5 percent per grant awarded. Using these results it was estimated that programme may have led to a net reduction in the number of unemployed individuals of between 110,000 and 430,000. Given the breadth of this range, it is not possible to draw firm conclusions as to how far those whose jobs were safeguarded would have otherwise found alternative employment between 2020 and 2022.

- **Inactivity:** The findings did not indicate that the programme had an effect on economic inactivity rates (positive or negative).

Table 6.3: Estimated impacts of the Local Authority COVID-19 Business Support Grants Schemes programme at the local authority level

Outcome (period covered in parentheses)	Model 1: Estimated effect (coefficient) per grant per eligible workplace	Model 2: Estimated effect (coefficient) per grant per workplace
Employment, 2020 to 2021	-0.0047 (No effect)	0.0082 ** (1.0%)
Number of workplaces	-0.0050 (No effect)	0.0171 *** (2.1%)
Number of ILO unemployed residents aged 16 to 64	-0.0950 *** (-27.1%)	-0.0556 *** (-7.1%)
Number of economically inactive residents aged 16 to 64	-0.0051 (No effect)	0.0103 (No effect)

Source: Business Structure Database (ONS), Ipsos analysis. ***, **, and * indicate if differences between samples are significant at the 99, 95 or 90 percent level of confidence.

Estimates of the aggregate outcomes of the programme were produced by multiplying the estimated effect of the programme by (a) the average number of cumulative grants awarded over the period of interest and (b) the number of local authorities in England (315), and (c) the mean value of the outcome across local authorities in the period of interest. Full details of these calculations are provided in the Technical Annex and are summarised in the following table.

Table 6.4: Estimates of aggregate effects on employment, unemployment, and the number of workplaces, 2020 to 2022

Outcome	Model 1: Estimated effect (coefficient) per grant per eligible workplace	Model 2: Estimated effect (coefficient) per grant per workplace
Jobs created or safeguarded (2020 to 2021)	0	270,148
Number of workplace closures avoided (2020 to 2021)	0	58,995
Reduction in ILO unemployed residents (2020 to 2022)	430,181	111,361

7.0 Conclusions

This section sets out the overall conclusions from the evaluation using the National Audit Office's 4E's framework for value for money assessment (i.e. economy, efficiency, effectiveness, and equity) as a guiding framework. This section synthesises the evidence from the process and impact evaluation to draw broader conclusions on the cost-effectiveness of the programme.

7.1 Economy

As highlighted below, the programme was effective in meeting its objectives of providing a rapid response to the cashflow issues caused by the introduction of restrictions to manage the COVID-19 pandemic, preventing a substantial number of business failures and/or branch closures. A significant programme of economic support was also likely needed to manage hazards that were largely unknown in March 2020 and maintain broader economic confidence.

However, the findings also indicate that a relatively high share of the businesses supported would have been likely to survive without cashflow support. As such, it is likely that the programme could have achieved its results at a lower level of public spending. Several factors underpin this result:

- **Uncertainty:** The programme was designed at the start of a period of considerable uncertainty in relation to the adverse economic impacts of the COVID-19 pandemic and how long they might last. The risk that public funds may be used to support businesses that were not at risk of failure was acknowledged before the programme was launched and was accepted considering the overriding need to manage the potentially catastrophic downside risks to the economy. In practice, the adverse economic impacts of the pandemic were less significant than originally anticipated, though this was largely unforeseeable in March 2020 (for example, the successful development and roll out of a COVID-19 vaccine within 18 months was considered highly unlikely at this time).

- **Targeting:** The first cohort of grant schemes were launched with little targeting of businesses facing financial difficulties and only limited targeting of the sectors facing the most acute restrictions on trading activities. This was partly addressed in the design of later schemes through the specification of more tightly defined eligibility criteria (which may have improved effectiveness, though the lack of monitoring data for Cohort One makes this difficult to assess). There are examples of comparable schemes launched in other nations that adopted stricter eligibility criteria from the outset. For example, France launched a scheme approved under the Temporary Framework for State aid in March 2020 providing direct grants for small businesses and self-employed individuals. Eligible businesses included only those that were closed by administrative decisions because of the COVID-19 outbreak and those that saw a 50 percent reduction in their monthly turnover relative to the preceding year (though there is no evidence available on the effectiveness of this scheme).

- **Need:** Evidence gathered through the survey also indicated that many businesses awarded grants were unlikely to face immediate financial difficulties, given their level of assets and reserves. While grants were almost uniformly used for the intended purposes of funding non-wage expenditure, it is likely that the programme mostly helped prevent these firms accumulating greater levels of liabilities and/or enabled them to delay re-opening until it was profitable to do so, rather than securing their short-term financial sustainability. In the event the economy also proved more adaptable to COVID-19 restrictions than was originally anticipated by policy makers. Greater targeting of firms in immediate financial distress could also have helped reduce overall levels of spending on the programme.

- **Parallel support programmes:** There was widespread take-up of parallel support programmes amongst firms receiving grants, including the CJRS, as well as important easements to insolvency regulations. The overall package is likely to have had an important protective effect, limiting the incremental impacts of the Local Authority COVID-19 Business Support Grant Schemes.

- **Irregular payments:** The rapid mobilisation of Cohort One grants schemes is also likely to have had the adverse consequence of comparatively high levels of irregular payments, as the schemes were largely launched without formal application and due diligence processes. These issues meant that the BEIS

accounting office sought a Ministerial Direction for the expenditure. Levels of irregular payments were substantially reduced in later cohorts with the introduction of more stringent requirements in these areas.

- **Unviable businesses:** There was, however, no evidence that firms that were not commercially viable prior to COVID-19 were significant beneficiaries of public funding.

While there may have been mechanisms to deliver the programme on a more economical basis, opportunities to exploit these were arguably limited. Firstly, levels of 'day one preparedness' were relatively limited. Local authorities did not have the infrastructure in place to deliver an emergency economic response from the outset, and an initial emphasis on the creation of this infrastructure would have had significant adverse impacts on the speed of the response. The introduction of tests of need requiring analysis of financial statements would have also created substantial additional resource requirements that arguably could not have been met given the parallel burdens on local authorities over the period (such as managing self-isolation payments). Finally, there may also be questions as to the political feasibility of introducing support schemes that only targeted those in financial distress given the circumstances (given the potential inequities that may have resulted from such an approach).

7.2 Efficiency

There were mixed findings in relation to the efficiency of the programme:

- **Speed of mobilisation:** As highlighted, the Local Authority COVID-19 Business Support Grant Schemes programme were designed and established rapidly without an existing programme delivery template or much of the required data and payments infrastructure in place. Given the range of operational and resourcing challenges faced, the speed with which the programme was delivered (particularly Cohort One schemes) should be considered a significant achievement.

- **Duplication of costs:** The choice of using local authorities as the delivery agent for the programme meant that investments in establishing systems and infrastructure were duplicated across over 300 delivery agents. However, there are major questions as to what alternative delivery arrangements may have been feasible given the demands being placed on HMRC to deliver the CJRS, SEISS, and other COVID-19 support measures.

- **Pandemic scenario planning:** Inefficient manual systems were initially put in place on a temporary basis, partly on the expectation that the pandemic would be relatively short-lived. This resulted in further costs in terms of investing in more robust systems for later waves. Greater levels of pandemic preparedness could arguably have avoided these costs (and the investments would likely have had benefits in terms of responding to future crises).

7.3 Effectiveness

The programme was broadly effective in meeting its objectives. In addition to achieving its goals for rapid mobilisation, it delivered an important protective effect in terms of shielding small businesses from the adverse impacts of the COVID-19 pandemic:

- **Impacts on business survival:** A variety of evidence demonstrates that the grants prevented the closure of workplaces and businesses. While there is some uncertainty regarding the scale of this effect, it is estimated that between 21,000 and 59,000 workplaces may have avoided closure due to the programme by the end of March 2022. The grants may have also built further resilience to economic crises by enabling the survival of businesses through the economic challenges created by inflationary pressures caused in part by external energy supply challenges, though a longer-term study would be needed to assess these impacts.

- **Jobs safeguarded:** The programme safeguarded jobs both through enabling the survival of businesses and through protecting jobs in businesses that would have otherwise survived the adverse impacts of COVID-19. It is estimated that the programme protected 300,000 to 400,000 jobs by the end of March 2022 through these mechanisms.

- **Unemployment:** It is estimated that the programme helped between 111,000 and 430,000 workers avoid unemployment during 2021. The impact of the programme began to decay during 2022 as the

economy emerged more fully from the COVID-19 pandemic (implying that a share of workers that would have otherwise been displaced would have taken up paid employed opportunities). However, the grants have had a persistent effect in terms of maintaining employment and may have helped mitigate any future 'scarring' effects caused by the pandemic.

- **Net exchequer costs:** The impacts of the programme in reducing unemployment are likely to have reduced the total cost of the programme to the Exchequer by reducing welfare payments through Universal Credit. This will have had a positive effect on value for money, though the net effect is highly challenging to quantify due to the possibility that the grants encouraged businesses to retain workers using the CJRS rather than make them redundant (it was not possible to estimate the effect of the programme on the number of employments on furlough owing to changes in the way HMRC published take-up statistics in May 2020).

- **Unintended consequences:** Finally, the programme may have come with some economic costs. There was some evidence that the grants helped businesses maintain operations that were less productive.

A cost-benefit analysis of the programme is challenging owing to several key challenges. Firstly, the programme largely took the form of transfer payments and the resource costs of the programme (comprising the additional expenditures of businesses net of the costs avoided in restarting businesses that would have otherwise failed) are highly challenging to establish. Additionally, the overall impact of the programme on the productive capacity of the economy is also very difficult to estimate as it is unknown how many workers were retained in a productive capacity.

The findings broadly align with the findings of early parallel evaluations of universal support programmes. For example, the evaluation of the SEISS indicated that this income support scheme may have helped reduce failure rates amongst unregistered businesses from 4.5 to 5 percent to 2.3 percent during the pandemic. The early evaluation of the COVID-19 Loan Guarantee Schemes[27] also showed broadly comparable impacts on employment and turnover based on experience of businesses between 2020 and 2021. However, both evaluations highlight that relatively untargeted programmes have been associated with relatively high levels of deadweight and could potentially have attained greater value for money with stronger assessments of need.

7.4 Equity

There was no evidence of inequitable access to the programme.

- There was no evidence that any group of businesses faced significant barriers to participating in the programme.

- The share of women and minority ethnic led businesses receiving grants aligned with the ownership characteristics of the broader business population.

- The least deprived areas tended to receive lower levels of funding, though grant spending was largely evenly distributed across areas of different deprivation levels.

However, the discretionary elements of the programme may have introduced some perceived (and possibly actual) inequities where neighbouring authorities pursued different approaches to allocating these funds. Some of these issues related to the design of the eligibility criteria (that meant, for example, businesses sharing premises may not have been eligible for grant support). The discretionary aspects of the programme were designed to address these issues, but also led to further variation across local authority boundaries (created some perceptions of unfairness).

[27] British Business Bank (2022) Evaluation of BBLS, CBLS, and CLBILS: Year One report

7.5 Lessons learned

The evaluation of the programme highlights several lessons learned for future emergency responses:

- **Pre-pandemic preparedness:** Scheme design was undertaken rapidly. There was no existing infrastructure to deliver these grants, and poor emergency preparedness, which caused significant delivery issues given the expected pace of delivery. While it is difficult to anticipate future crises, preparedness for the future might involve improving infrastructure (e.g. documented grant administration and assurance processes and development of monitoring systems), the quality of underlying datasets, ensuring teams are adequately resourced and trained, and putting in place flexible contracting arrangements that can be utilised in response to a range of situations.

- **Availability of data:** There was no 'test of need' applied to firms applying for grants. This relatively untargeted approach had significant implications for value for money. A more targeted approach could have reduced the cost of the scheme.

  The underlying issues could have been corrected by requiring firms to submit management accounts providing information on pre- and post-pandemic balance sheet measures, turnover and other sources of income (e.g. from parallel schemes), and operating costs. This information could then have been used to determine the commercial viability of individual businesses prior to the pandemic, the impact of lockdown restrictions on financial health, and set grant levels – where appropriate – to the levels needed to offset losses of income and potentially reflate reserves. This approach was adopted in the delivery of the Culture Recovery Fund and could offer a suitable model for allocating resources in similar crises.

  This type of approach would not have been feasible to deliver (at least, not to the same timescales) given the resource constraints faced by local authorities. Building on findings from the COVID-19 Loan Guarantee Scheme process evaluation as well as evidence from this study, it would be worthwhile exploring what data or mechanisms could be put in place to facilitate a more streamlined approach using technology or automation.

  It is likely that any automated approach would need to draw on real-time information on the financial performance of firms that could only be provided by the banking sector given the lags associated with the publication of company accounts filed with Companies House. The government could consider the possibilities raised by open banking data arrangements and how far this could provide the real-time information needed to allocate resources efficiently and quickly in the event of future crises.

- **Perceived inequities:** It became clear that the rapid design of targeted schemes resulted in a series of eligibility gaps, which created seemingly arbitrary eligibility outcomes. The discretionary schemes were offered to try to plug these gaps. However, by leaving the design of these schemes to the discretion of local authorities, a further arbitrary element was introduced (creating a 'postcode lottery' effect). In addition, a significant amount of additional work was required (and duplicated) across local authorities to design and deliver these schemes. Furthermore, issues with the guidance (gaps and a lack of clarity in some places) meant that even centrally designed schemes were delivered with varying interpretations across local authorities, leading to yet further 'postcode lottery' effects. A more coherent national approach to discretionary schemes, set up in partnership with local authorities, would have gone some way towards eliminating this effect.

- **Assurance:** Due to Ministerial prioritisation of the speed of set up, the application processes set up by local authorities were in general not, at the outset, fit for purpose – they did not provide sufficient evidence to provide an audit trail to facilitate reconciliation.

- **Monitoring and evaluation:** Almost no monitoring or evaluation mechanisms were initially put in place by either BEIS or local authorities. The main KPI monitoring that was undertaken, from our understanding, was around the speed of delivery – the importance of which was already being impressed upon local authorities through other channels. Asking local authorities to monitor other factors could have helped to encourage greater consideration of, for example, irregular payments and equity. Some local authorities felt that the so-called 'league tables' penalised those who chose to place a greater emphasis on assurance. However, it should be noted that the quality of monitoring information improved substantially with the introduction of Cohort Two grants.

- **Learning:** There seems to have been few opportunities for local authorities to learn from one another that would likely have sped up this learning process. Formal or informal 'debrief' sessions, roundtables, or real-time evaluation activities could all have helped to disseminate some of these learnings and avoid this situation of hundreds of local authorities individually struggling, in parallel.

Appendix A: Econometric Analysis

This Annex sets out technical details of the econometric analysis underpinning the evaluation of the Local Authority COVID-19 Business Support Grant Schemes programme. The report sets out details of four strands of analysis exploring the impacts of the programme on business survival, employment, turnover, unemployment, and economic activity rates:

- Analysis of survey evidence captured from businesses awarded grants and a comparison group of firms that were not awarded grants (across Cohort One and Two of the programme) using a combination of Propensity Score Matching and Difference-in-Differences analysis.
- Analysis of business survival rates comparing a sample of businesses occupying premises that were eligible and ineligible for Cohort One grants using Regression Discontinuity Design methods.
- Analysis of administrative data on the performance of businesses awarded grants through Cohort Two schemes using fixed effects methods.
- Spatial analysis exploring the relationship between volumes of grants awarded and aggregate outcomes at the local authority level with the aim of establishing the net economic impacts of the programme (also using fixed effects methods).

This Annex begins with a general discussion of the challenges involved in providing robust estimates of the causal effects of the programme, before providing technical details of each approach in turn.

A.1 Analysis of survey evidence

The first group of analyses explored the impacts of using survey evidence collected through the evaluation from businesses that were and were not awarded grants.

A.1.1 Overview of approach

Businesses that obtained grants are likely to differ from businesses that did not obtain this support in ways that could lead to biased findings. For example, if businesses facing more acute financial difficulties were more likely to seek support during COVID-19, then comparisons between businesses obtaining grants and other businesses are likely to understate their impacts.

The universality of the programme created some challenges in addressing these issues as there were no ineligible areas from which an appropriate comparison group could be drawn. The best available approach was to identify a sample of businesses that did not obtain grants that shared similar observable features (e.g. size, sector, exposure to restrictions) to those that did, using statistical methods.

This helped ensure comparisons were only made between businesses that appeared to be similar prior to the pandemic. However, it is possible that participation in the programme was driven by unobservable features of the business or the priorities of the local authority (e.g. if the local authority was targeting needs based on criteria that were not captured in the data available). This issue was mitigated by using difference-in-difference methods. These methods involved comparing the relative trajectories of businesses that did and did not benefit from the programme and are robust to any unobserved features of the businesses that do not change over time. However, caution is urged in the interpretation of findings below as this approach is unlikely to address all factors that could bias comparisons.

As highlighted in Section 5 of the main report, businesses also made widespread use of parallel support schemes (regardless of whether they obtained grants). These schemes were available to both businesses that were awarded grants and the comparison group of businesses that did not receive grants. Comparisons between the two groups should, in principle, capture the incremental

effect of the grants provided through the programme. However, there is a risk that firms obtaining grants were also more likely to seek cashflow support from other sources (for example, if take-up or the amounts received was linked to general performance). In this case, the findings below could partly conflate the effects of the grants with other schemes.

A.1.2 Data

A telephone survey of businesses that did and did not receive grants was undertaken to obtain quantitative evidence of their effects on the financial health, levels of employment, and economic activity of recipients.

The survey was predominantly undertaken using telephone methods with a small share of respondents completing the survey online. No telephone contact details were collected as part of monitoring of the programme and the sample was constructed by linking records of relevant premises and businesses in 67 randomly selected local authorities to tele-numbering databases maintained by Sample Solutions.

The survey collected observations from 3,206 businesses. Based on survey responses, 2,405 of these businesses received a grant at any stage, 693 did not receive a grant, and 108 were unsure whether they did or did not (which were excluded from the following analyses). The response rate for the survey (adjusted for unusable contact details and ineligible respondents) was 18 percent.

Several challenges were encountered in implementing the survey:

- **Monitoring information for Cohort One schemes:** The Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF), and the Local Authority Discretionary Grant Fund (LADF) were launched in April 2020 at the outset of the COVID-19 pandemic and are collectively known as Cohort One grant funding schemes. Cohort One grant schemes were launched without a requirement for local authorities to share the details of individual businesses receiving grants with BEIS. Consequently, there were no centrally available records of the businesses benefitting from these schemes.

- **Establishing a sample of Cohort One beneficiaries:** A sample of firms benefitting from the first cohort of grant schemes was constructed by exploiting the eligibility rules for the SBGF and RHLGF. Eligibility for these schemes were partly determined by the rateable value of premises occupied by businesses. This made it possible to identify eligible and ineligible premises using the ratings lists published by the Valuation Office. This process gave a list of 65,811 relevant addresses in the areas selected for detailed survey research but did not provide details of the businesses occupying those premises. This issue was addressed by linking these records to lists maintained by Sample Solutions to obtain details of the name, Companies House Reference number, and contact details of the business. This process returned the details of firms occupying 13,729 of these premises.

- **Availability of contact details:** Delivery of the survey was also made challenging by the availability of contact details for businesses receiving Cohort Two grants. While grant level data provided email addresses for most businesses receiving grants, this also did not include telephone contact information. Telephone contact details were again obtained by linking records to business tele-numbering databases, with a total of 50,495 records matched to a phone number.

- **Self-reported data on receipt of grants:** The survey was used to determine whether firms received grants as part of Cohort One and Cohort Two. Initial piloting of the survey indicated that businesses were not familiar with the names of each of business support scheme but were broadly able to indicate whether they received a grant at different points in time (facilitating broad discrimination between Cohort One and Cohort Two grants). However, it should be noted that reliance on self-reported data is likely to introduce an unknown level of error owing to recall issues - both in terms of how far respondents accurately recalled when they received a grant and whether they received financial support from the local authority as opposed to other support programmes being delivered at the time.

- **Representativeness:** The following analysis is based on samples of businesses receiving grants. There is limited data available on the characteristics of the population of businesses receiving grants. DBT published some data on the sector and size profile of businesses supported through Cohort Two grant schemes (and comparisons to the survey sample are provided in Figure A.1):

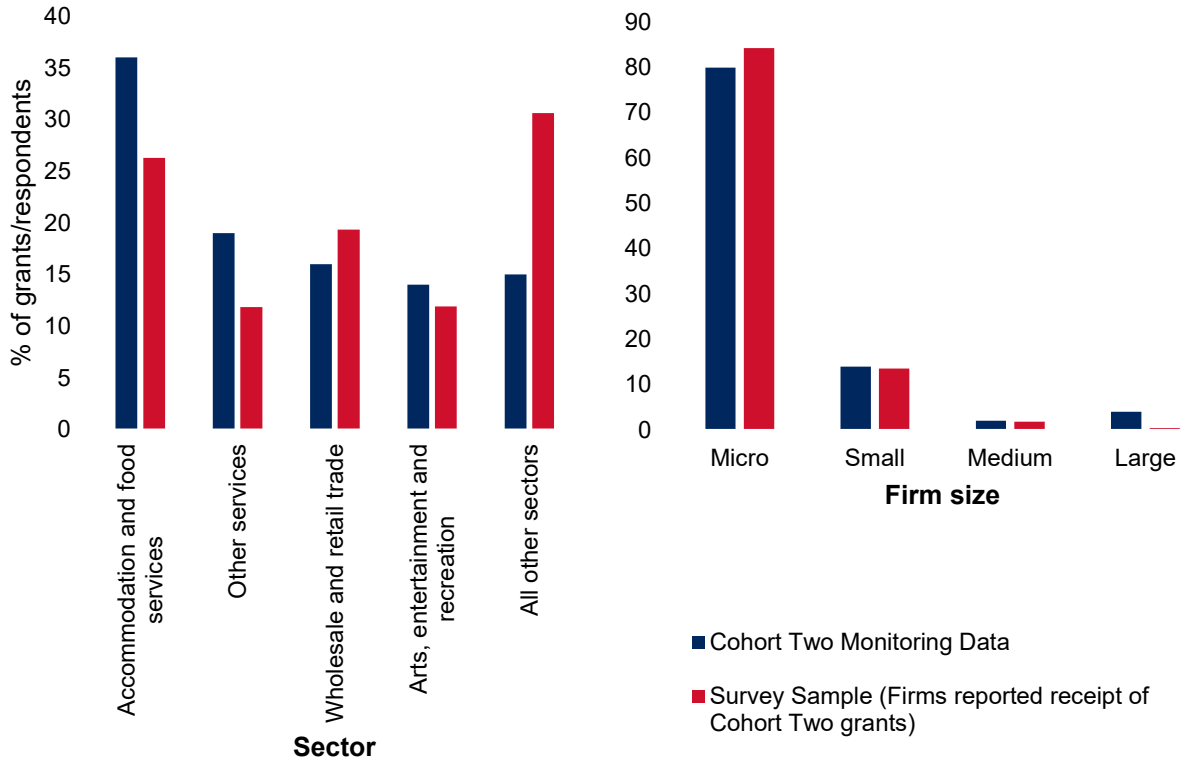
- Comparisons between the survey sample (restricted to those firms reporting that they received a grant through a Cohort Two scheme) indicate that the accommodation and food sector may be underrepresented in the sample while 'other' sectors may be overrepresented. As the accommodation and food sector was the most acutely affected by the pandemic, this may limit the external validity of the findings. It should be noted that monitoring information on sector was missing in more than 25 percent of cases, so these comparisons are not definitive.

- The size profile of the survey sample was broadly in line with the profile of firms receiving Cohort Two grants derived from monitoring information.

- The survey data gathered for this evaluation and the findings may also be subject to a range of (unknown) non-response or other sample biases that could limit the generalisability of the findings of the evaluation to the population of businesses supported.

- **Survival bias:** There may also be issues of survival bias present in the data as it was not possible to contact owners or managers whose businesses had failed since the start of the pandemic. This could lead to biased findings if the grants had a positive effect on survival rates, as the firms most acutely affected by the pandemic will have dropped out of the sample. Insolvency rates over the period were low in historic terms, however, and this possible source of bias may not be as significant as could be expected given the levels of economic disruption.

Figure A.1: Sector and size profile comparisons of Cohort Two grants awarded - survey sample (firms reporting receipt of Cohort Two grants) and DBT monitoring information



Source: Business Survey, Ipsos analysis (firms reporting receiving Cohort Two grants only) and DBT (2022) COVID-19 Business Grants schemes: insights. Note that the two panels have differing y axes.

A.1.3 Pre-pandemic characteristics of sampled firms that did and did not receive grants

A comparison between the pre-pandemic (i.e. baseline) characteristics of the sampled firms that did and did not receive grants is set out in Table A.1 (with the 2019/20 financial year or March 2020 taken as the point of reference). 2,123 of the 2,405 firms indicating that they received a grant

also reported that they received a grant during the period in which Cohort One was operating (i.e. between April and September 2020 - with the bulk of grants awarded by the end of April 2020). As such, these are largely considered the 'pre-treatment' characteristics of the firms concerned. The analysis shows:

- **Scale:** Sampled firms that received a grant tended to be smaller on average than sampled firms that did not receive a grant - reflected in their turnover, annual operating expenditure, and their employment levels. While balance sheet measures (assets and liabilities) showed similar patterns, there were large amounts of missing data, and these measures were characterised by high levels of variance (with no statistically significant differences between the two groups).

- **Markers of financial distress:** There were, however, no statistically significant differences between the two groups in terms of the share displaying markers of elevated financial distress (e.g. the share with assets with a value of less than 3 months of operating expenditure, with the value of liabilities exceeding assets, or operating at a loss). Based on these metrics, both groups would have been broadly equally able to withstand the adverse effects of the COVID-19 pandemic.

- **Exposure to forced closures:** However, firms reporting that they received grants were substantially less likely to be exposed to forced closures between March 2020 to September 2020 (the first national lockdown), October 2020 and December 2020 (when local and regional lockdowns were the dominant containment strategy), and in 2021 (the third national lockdown introduced in response to the Delta variant). This implies that firms awarded grants were likely to have experienced more significant adverse shocks to their cashflows, and comparisons between the two groups of firms would likely understate the impact of the grants on the outcomes of interest. Constraints on the length of the survey meant that it was not possible to collect additional information on the severity or duration of local restrictions between September and December 2020 (though the influence of the two national lockdowns are likely to be dominant).

- **Sector:** This is largely explained by sectoral differences between the two groups of firms. Surveyed firms reporting that they received grants were concentrated in consumer facing services sectors that were most acutely affected by lockdowns. Sampled firms in the comparison population were more likely to operate in production, construction, and other service industry that were able to continue to trade through social distancing restrictions.

This analysis highlights that - based on observed differences between the two groups of firms - comparisons would be likely to understate the protective impacts of grants. While both groups had similar levels of financial resilience going into the pandemic, firms awarded grants tended to operate in sectors that were more likely to face acute restrictions on their trading activity.

Table A.1: Metrics of financial health in March 2020 by size of firm, by Cohort of grant scheme (sample averages)

	Sampled firms awarded grants				**Sampled firms not awarded grants**				**Statistical significance of differences**
Variable	Mean	95% CI Lower	95% CI Upper	N	Mean	95% CI Lower	95% CI Upper	N	Sig.
Employment (Mar 2020)	8.03	6.32	9.68	2116	14.18	10.68	17.68	649	***
Turnover (£000s, 2019/20)	1264.48	750.75	1778.20	1756	4279.82	2423.12	6136.43	527	***
Expenditure (£000s, 2019/20)	1048.81	445.15	1652.46	1572	2815.69	1360.51	4270.86	488	**
Assets (£000s, Mar 2020)	1513.90	81.11	2946.68	1382	3998.38	1937.53	6059.22	441	*
Liabilities (£000s, Mar 2020)	1336.08	-231.25	2903.40	1354	2611.74	171.37	5050.98	417	
% operating at a loss in 2020/21	15.56%	13.74%	17.65%	1327	14.18%	11.17%	17.85%	423	
% with liabilities exceeding assets in Mar 2020	14.73%	12.77%	16.94%	1113	14.01%	10.77%	18.02%	357	
% with assets less than 3	27.09%	24.55%	29.77%	1115	25.75%	21.53%	30.47%	369	

months of operating expenditure									
% forced to close between Mar 2020 and Sep 2020	58.59%	56.60%	60.54%	2405	22.22%	19.28%	25.48%	693	***
% forced to close between Oct 2020 and Dec 2020	38.67%	36.74%	40.63%	2405	10.10%	8.06%	12.58%	693	***
% forced to close in 2021	33.14%	31.28%	35.05%	2405	6.20%	4.63%	8.27%	693	***
Production	8.15%	7.12%	9.31%	2405	17.03%	14.40%	20.02%	693	***
Consumer facing services	57.51%	55.52%	59.47%	2405	27.71%	24.49%	31.16%	693	***
Construction	3.12%	2.49%	3.89%	2405	7.65%	5.89%	9.88%	693	***
Other services	15.68%	14.28%	17.18%	2405	34.92%	31.45%	38.55%	693	***
Public services	8.48%	7.43%	9.66%	2405	7.94%	6.14%	10.20%	693	

A.1.4 Propensity score matching

A Propensity Score Matching exercise was undertaken to match the sample of firms receiving grants to firms that did not receive grants. The first stage of this process involved the implementation of a logistic regression model examining the relationship between the likelihood that a firm received a grant and its characteristics in terms of:

- **Pre-COVID-19 measures of financial health** - baseline values associated with the balance sheets and profit and loss accounts (assets, liabilities, and income) of businesses were included in the model to ensure that firms awarded grants were compared with other firms that entered the pandemic in a similar financial state. The inclusion of these measures implicitly controls for the depth of financial reserves in March 2020 and the ability of firms to sustain operating expenditures through restrictions. Owing to missing data, this reduced the sample sizes including in the models to 1,152 firms.

  However, as reported in Table A.2 the first stage logit model did not indicate that profit and loss account or balance sheet measures were a significant factor in determining whether a firm received a grant. This aligns with the broader findings of the evaluation (i.e. the grants programme was delivered on a universal basis with no test of need). A second and third model were developed that (a) replaced these measures with markers of elevated financial distress and (b) with financial variables excluded to maximise the number of observations available for the analysis (leading to the inclusion of 2,785 firms). These indicated that firms with reserves that would cover less than three months of operating costs was a significant determinant of the probability a firm received a grant (although this did not significantly increase the explanatory power of the model).

- **Forced closures** - the survey was used to establish whether firms were legally required to close during the first national lockdown, the tiering system, or during the second national lockdown. These factors were included in the model to ensure that firms awarded grants were compared with other firms that faced similar exogenous restrictions on their ability to trade (which would also be correlated with the probability that they were awarded grants). As noted above, this does not control for differences in the severity or duration of local restrictions (though these variations are not likely to be significant in the context of the duration of national restrictions).

- **Sector** - to control for differential effects of COVID-19 across different sectors of the economy. The economy was divided into five key sectors for the purposes of this analysis: consumer facing service sectors that saw the most acute restrictions on trading activities during the pandemic (including the retail, food and accommodation, arts, recreation and entertainment, and other services - i.e. SIC Section S which includes personal service activities), and transport sectors), production industries (primary industries and manufacturing), construction, and other service sectors (principally professional and financial services), and public services (public sector, education, and health).

The results of the first stage logit models are shown in Table A.2. Overall, the models explained 13 to 14 percent of the variation in the likelihood a business received a grant (which might be considered consistent with the universal nature of the programme in which most small businesses operating from physical premises were eligible for Cohort One grants).

Table A.2: Propensity Score Matching - 1st Stage Logit Model

	Model 1: Including financial variables		**Model 2: Using markers of financial distress**		**Model 3: Excluding financial variables**	
Variable	Coefficient	Standard Error	Coefficient	Standard Error	Coefficient	Standard Error
Employment in March 2020	-0.0030*	0.0016	-0.0034**	0.0015	-0.0017***	0.0006

Turnover (2019/20, £ms)	-0.0130	0.0086	-	-	-	-
Expenditure (2019/20, £ms)	0.0170	0.0107	-	-	-	-
Assets (2019/20, £ms)	-0.0062	0.0064	-	-	-	-
Liabilities (2019/20, £ms)	0.0042	0.0076	-	-	-	-
Liabilities exceed assets (1 = yes, 0 = no)	-	-	0.0286	0.1316	-	-
Reserves less than three months of operating costs (1 = yes, 0 = no)	-	-	0.2148**	0.1073	-	-
Operating at a loss (1 = yes, 0 = no)	-	-	-0.0739	0.1204	-	-
Closed during first national lockdown	0.3441***	0.1187	0.3560***	0.1182	0.4532***	0.0762
Closed during tiering system	0.0336	0.1712	0.0311	0.1705	0.1531	0.1061
Closed during second national lockdown	0.6489***	0.1900	0.6567***	0.1901	0.4188***	0.1112
Sector: Production	-0.6011***	0.1633	-0.5800***	0.1633	-0.3867***	0.1064
Sector: Construction	-0.5243**	0.2147	-0.5392**	0.2154	-0.4944***	0.1429
Sector: Consumer facing services	0.1334	0.1386	0.1487	0.1368	0.1850	0.0868
Sector: Other services	-0.5563***	0.1451	-0.5545***	0.1441	-0.4012***	0.0932
Constant	0.7098***	0.1263	0.6419***	0.1287	0.5406***	0.0794
Number of observations	1,152		1,152		2,765	
Pseudo R-squared	0.1422		0.1402		0.1260	

Source: Business Survey, Ipsos analysis. ***, **, and * indicate if an estimated coefficient is significant at the 99, 95 or 90 percent level of confidence.

A.1.5 Comparisons between unmatched and matched samples

The second stage of the Propensity Score Matching process matched firms where they shared similar estimated probabilities of receiving a grant. Firms awarded grants were matched to their two nearest statistical neighbours in the comparison group (with common support imposed - i.e.

members of the treatment group with estimated propensity scores outside the range of the comparison group excluded).

Table A.3: Pre-pandemic characteristics of sampled firms awarded grants and firms not awarded grants

	Original sample			**Model 1**			**Model 2**			**Model 3**		
Variable	Firms awarded grant	Firms not awarded grants	Sig,	Firms awarded grant	Firms not awarded grants	Sig,	Firms awarded grant	Firms not awarded grants	Sig,	Firms awarded grant	Firms not awarded grants	Sig,
Employment (Mar 2020)	8.03	14.18	***	8.46	7.79		7.94	8.52		7.30	7.00	
Turnover (£ms, 2019/20)	1.264	4.279	***	1.632	1.292		1.652	3.512	*	1.280	2.025	
Expenditure (£ms, 2019/20)	1.048	2.815	**	1.429	1,011		1.442	1.484		1.063	0.826	
Assets (£ms, Mar 2020)	1.513	3.998	*	2.187	1.153		2.232	2.821		1.537	2.036	
Liabilities (£ms, Mar 2020)	1.336	2.611		1,080	0.440		1.098	1.037		1.397	0.437	
% operating at a loss in 2020/21	15.56%	14.18%		15.91%	20.23%	**	16.26%	14.97%		15.73%	21.26%	***
% with liabilities exceeding assets in Mar 2020	14.73%	14.01%		14.50%	10.40%	**	13.44%	8.13%	***	14.71%	5.72%	***
% with assets less than 3	27.09%	25.75%		26.55%	20.82%	***	22.86%	20.78%		27.57%	25.11%	

months of operating expenditure												
% forced to close between Mar 2020 and Sep 2020	58.59%	22.22%	***	51.35%	51.58%		49.14%	51.47%		57.40%	57.85%	
% forced to close between Oct 2020 and Dec 2020	38.67%	10.10%	***	30.76%	36.26%	**	28.36%	30.13%		37.12%	37.85%	
% forced to close in 2021	33.14%	6.20%	***	26.31%	24.91%		23.10%	20.96%		31.49%	31.79%	
Production	8.15%	17.03%	***	8.53%	8.30%		8.92%	8.68%		8.51%	9.55%	
Consumer facing services	57.51%	27.71%	***	53.33%	56.78%		52.08%	55.62%		56.26%	54.47%	
Construction	3.12%	7.65%	***	3.86%	3.51%		4.03%	2.32%	**	3.07%	2.70%	
Other services	15.68%	34.92%	***	17.66%	18.07%		18.46%	18.95%		16.17%	15.89%	
Public services	8.48%	7.94%		10.06%	8.30%		9.66%	9.35%		8.74%	6.86%	
Mean bias				5.5			4.6			4.9		
Median bias				3.4			4.1			2.5		

Source: Business Survey, Ipsos analysis. ***, **, and * indicate if the differences between the two groups is significant at the 99, 95 or 90 percent level of confidence. Note that the table also provides comparisons for matching variables not included in the first stage logit model.

The performance of each model in terms of balancing the samples of firms awarded and not awarded grants was as follows:

- **Model 1:** Models including baseline financial information (turnover, expenditure, assets, and liabilities) were largely effective in balancing the two groups of firms in terms of their employment, financial scale, sector profile, and exposure to forced closures during the COVID-19 pandemic. However, those firms awarded grants included in the matched sample tended to be larger on average than the overall sample of firms awarded grants. The matched comparison group were also more likely to be operating at a loss prior to the pandemic, though tended to show stronger balance sheets (with deeper reserves and less likely to hold liabilities exceeding their assets). This could imply that this group may have been better able to weather the adverse effects of the pandemic (resulting in an understatement of impact in the estimates below).

- **Model 2:** Models including markers of financial distress achieved greater balance across most baseline characteristics. However, firms awarded grants included in the matched sample were less representative of the overall sample of firms awarded grants - with stronger balance sheets, a lower probability of operating in consumer facing service sectors and facing forced closures during the pandemic. As such, estimates of impact presented below using this matched sample may also understate the impacts of grants.

- **Model 3:** Models excluding financial variables both maximised sample sizes (enabling the inclusion of some 2,765 observations) and achieved a matched sample of firms awarded grants that was most representative of the overall sample of firms awarded grants. However, the matched comparison group was more likely to be operating at a loss but less likely to hold liabilities exceeding their assets (though the first stage logit models implied that these markers of financial distress were a not significant determinant of whether firms obtained support).

A.1.6 Difference-in-differences analysis

Estimates of the impacts of the programme were derived by applying a difference-in-differences approach (which is robust to unobserved differences between firms that do not change with time) to the three matched samples described above. This was implemented using the first-difference estimator as below:

$$\Delta y_i = \alpha + \beta T_i + u_i$$

This model explains the change in the outcomes between March 2020 and March 2022 for firm i (2019/20 to 2021/22 for accounting measures) - Δy_i - as a function of whether the firm received grant support over the period (T_i, a dummy variable taking the value of 1 if the firm received a Cohort One or Cohort Two grant and 0 otherwise). The coefficient β provides an estimate of the impact of the programme. This is analytically equivalent to other formulations of the difference-in-difference estimator.

The model was implemented using logarithmic transformations of the outcome variables and the coefficients presented in Table A.4 overleaf can be interpreted approximately as the percentage effects associated with the receipt of the grant. Regardless of the matching approach, the models did not indicate that the award of a grant had a significant effect on any of the outcomes of interest by March 2022. This would suggest that the grants had a limited effect on the financial health or economic activity of firms, or that their effects were temporary (and had decayed by March 2022), or that their effects were too small to be detected in these sample sizes.

Table A.4: Estimated impact of the Local Authority COVID-19 Business Support Grants programme on employment and metrics of financial health between 2020 and 2022 using survey data - Difference-in-Differences Regression Results

	Model 1: Including financial variables		**Model 2: Using markers of financial distress**		**Model 3: Excluding financial variables**	
Variable	Coefficient	Standard Error	Coefficient	Standard Error	Coefficient	Standard Error
Employment	0.008	0.029	0.015	0.033	0.016	0.047
Turnover	-0.032	0.089	-0.077	0.061	-0.063	0.129
Expenditure	-0.025	0.056	-0.077	0.061	0.449	0.327
Assets	0.230*	0.136	0.130	0.148	0.046	0.215
Liabilities	-0.258	0.335	-0.139	0.255	-0.214	0.493
Months of operating expenditure fundable from reserves	0.223*	0.112	-0.124	0.084	-0.096	0.181

Source: Business Survey, Ipsos analysis. ***, **, and * indicate if an estimated coefficient is significant at the 99, 95 or 90 percent level of confidence

A.2 Analysis of business survival rates (RDD analysis)

This section sets out technical findings from an analysis of business survival rates amongst businesses occupying premises that were eligible and ineligible for Cohort One schemes.

Eligibility for the Small Business Grant Fund (SBGF) and the Retail, Hospitality, and Leisure Grant Fund (RHLGF) were both partly based on the rateable value of the premises occupied by businesses. Firms were eligible for Cohort One grants if the rateable value of their premises was less than £15,000, or £51,000 if they operated in the retail, hospitality, or leisure sectors. While smaller and larger firms may have been expected to experience differential challenges during the COVID-19 pandemic, these differences might be considered effectively random in the immediate vicinity of these eligibility thresholds.

As such, comparing businesses that were ‘just eligible’ or ‘just ineligible’ could potentially provide robust estimates of the causal effects of the Local Authority COVID-19 Business Support Grant Schemes programme. This would not be the case if:

- There are other systematic (discontinuous) differences between businesses on either side of the eligibility threshold, implying that any differences in outcomes could be a product of both their eligibility for the grants programme and these systematic differences. The principal risk in this case relates to the Small Business Rate Relief which also allows small businesses to claim rates relief if the rateable value of their premises is less than £15,000. However, as the value of the relief tapers to £0 for premises with a rateable value of between £12,000 and £15,000, firms just below the eligibility threshold will face broadly similar business rates to those just above the eligibility threshold. The following section explores the other observable differences between the two groups.

- Firms can ‘manipulate’ their treatment status at the threshold of eligibility. This would capture a scenario where some firms that were just ineligible for the grants were able to obtain grants from schemes. As explained below, this assumption cannot be tested as there is no firm level data on the businesses awarded grants through the Cohort One schemes. It is understood, however, that some local authorities used the Local Authority Discretionary Grant Fund (LADF) to support firms that were just ineligible for SBGF or the RHLGF. This will not necessarily produce biased estimates of the effects of the two schemes but will understate the effects of the schemes relative to a ‘do-nothing’ counterfactual if grants awarded through LADF had a positive effect on business survival and performance.

A.2.1 Data

Implementation of this form of analysis requires access to (a) details of the rateable value of premises occupied by firms and (b) data on the outcomes of interest for the analysis:

Construction of samples of eligible and ineligible firms

The central challenge for this aspect of the analysis was establishing a suitable sample of eligible and ineligible firms. There is no central database that links the premises occupied by businesses to their rateable values (for purposes of business rates). The following steps were used to assemble a sample of eligible and ineligible firms:

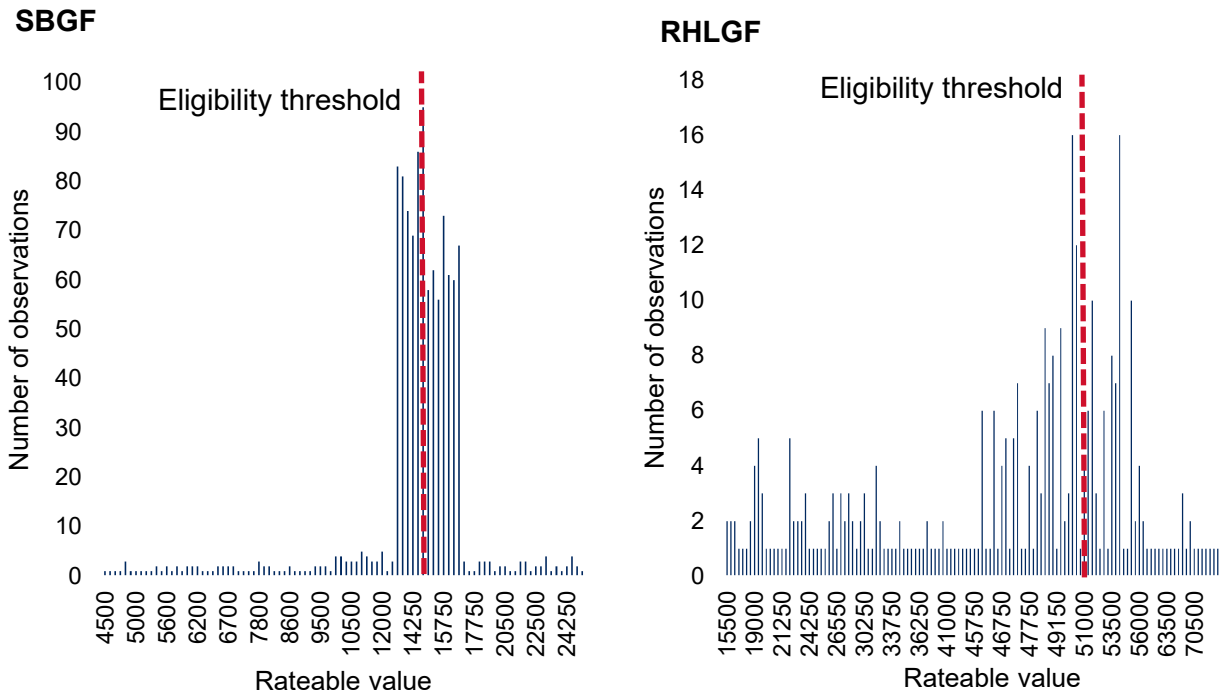
- **Address sample:** The starting point for the analysis was the sample of 65,810 premises constructed for the purposes of the survey described in the preceding section. This was derived from the ratings lists published by the Valuation Office Agency and comprised two sub-samples covering the SBGF and the RHLGF. The first sample included details of 36,503 premises with a rateable value between £4,500 and £25,500, with non-retail, hospitality or leisure uses (e.g. manufacturing units or offices). The second sample included details of 29,307 premises with a retail, hospitality, or leisure use with a rateable value of between £15,300 and £86,700. The samples were generated for the purposes of implementing the survey, and included some premises that were more distant from the eligibility thresholds (as discussed further below).

- **Sector allocations:** It should be noted that premises were assigned to sectors based on the use description provided by the VOA. This provided a detailed but non-standardised description of the use of each premises, that did not align with the Standard Industrial Classification (e.g. ‘Shop and Premises’). Premises were allocated to the retail, hospitality, and leisure sectors based on this description, and this may have resulted in the misidentification of some premises as eligible for the higher levels of support available through the RHLGF (or vice versa). This may lead to some additional uncertainty associated with the results, though may not introduce bias if the misidentification of firms was random (though this cannot be tested).

- **Business details:** Details of the businesses occupying premises were identified by matching the relevant addresses to business tele-numbering databases maintained by Sample Solutions. This provided the Companies House Reference number associated with 1,412 businesses in the sampling frame. Of these, 595 and 227 were identified as eligible for the SBGF and RHLGF respectively (and 486 and 104 were ineligible).

The distribution of firms identified by rateable value of the relevant premises for each programme are shown in the following charts. The sample featured dense clustering of observations around the eligibility threshold for the SBGF (as illustrated on the left-hand panel). However, this did not hold true for the sample of firms eligible and ineligible for RHLGF. To focus the analysis on firms that were eligible at the margins of the eligibility threshold, the sample was further refined to focus on those whose premises were within £1,000 of the relevant eligibility threshold. This reduced the sample to 683 firms, of which 353 were eligible and 330 were ineligible. 634 were identified as eligible or ineligible for the SBGF, with a further 49 eligible or ineligible (7.1 percent) for the RHLGF. Given the small numbers of observations available for the RHLGF, the two groups of firms were pooled for the following analyses.

Figure A.2: Distribution of sample by rateable value of premises



Source: Valuation Office Agency Rating Lists, Ipsos analysis

It is known that not all eligible firms obtained grants and some ineligible firms received grants. However, no information was available on the individual firms that received grants through Cohort One schemes. This has two implications. Firstly, the analysis was based on comparisons between eligible and ineligible businesses that did not allow for differential shares of the populations receiving grants (i.e. a 'sharp' design). This gives the 'intention to treat' estimate rather than the average treatment effect. Additionally, the RDD approach will only provide meaningful estimates of impact if there is a discontinuous fall in the probability that a firm received a grant as the rateable value of premises increases past the eligibility thresholds. As there is no data on the individual firms that received Cohort One grants, this assumption cannot be tested.

Outcomes

Data on business survival outcomes were obtained by linking the sample of 1,412 businesses to Companies House records identifying whether a firm had been dissolved or experienced an episode of acute financial distress (defined for the purposes of this exercise as entering insolvency proceedings, administration, liquidation, or voluntary arrangements) and the date at which this occurred. This exercise also provided details of the main sector in which the business operated.

A.2.2 Comparisons between eligible and ineligible firms

The low matching rate between the sampling frame and the business database raises some concerns regarding the representativeness of the samples constructed that would limit the extent to which any findings can be generalised across the population of eligible premises. As there are no business level records of firms awarded grants through Cohort One schemes, it is not possible to assess how far the resultant sample was representative of the overall population of eligible and ineligible firms.

The low matching rate also raises further possible concerns that differential matching rates across eligible and ineligible firms could produce systematic differences in the samples being compared (leading to biased findings). Again, this issue is challenging to assess in the absence of detailed

records describing the relevant populations. However, comparisons between the samples of eligible and ineligible firms did not highlight any statistically significant differences between groups in terms of the sector of the business as illustrated in the following table.

Table A.5: Sector distribution of businesses occupying premises eligible and ineligible for SBGF and RHLGF (firms within £1,000 of rateable value thresholds)

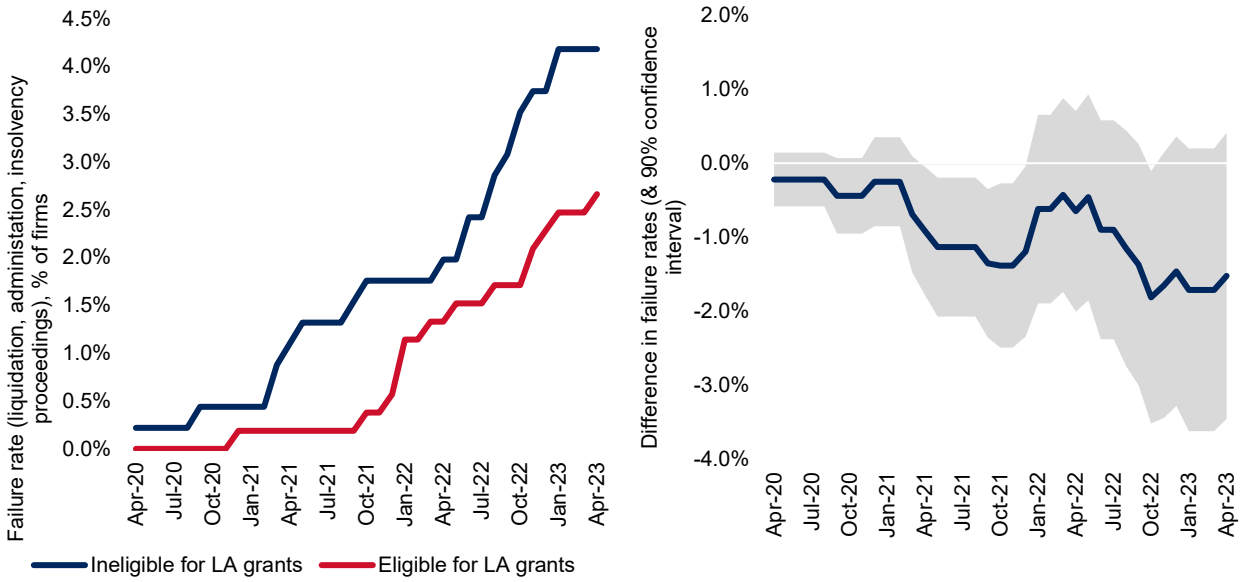
	Firms eligible for grants	**Firms ineligible for grants**		**Differences in sector shares**			
Sector	% of sample	N	% of sample	N	Diff. in %s	Lower bound (95% CI)	Upper bound (95% CI)
Accommodation and Food	3%	9	3%	12	-1%	-16%	14%
Construction	12%	39	10%	36	2%	-13%	16%
Manufacturing	16%	51	18%	61	-2%	-16%	12%
Other services	7%	22	7%	24	0%	-15%	15%
Professional and financial services	30%	97	26%	88	5%	-8%	18%
Public sector, education, and health	5%	17	7%	23	-1%	-16%	13%
Retail	20%	65	23%	80	-3%	-16%	10%
Transport and Storage	2%	7	3%	9	0%	-15%	15%
Utilities	1%	4	1%	3	0%	-15%	16%
Unknown	3%	10	2%	8	1%	-14%	16%

Source: Valuation Office Agency Ratings Lists, Companies House, Ipsos analysis. Based on sample 683 firms with premises with rateable values within £1,000 of the eligibility thresholds for SBGF and RHLGF.

A.2.3 Descriptive analysis of trends in business failure rates

The figures below illustrate trends in business failure rates across the whole sample of 1,412 eligible and ineligible businesses identified using the process described above. Failure rates were persistently lower amongst businesses occupying premises eligible for grants (2.7 percent versus 4.1 percent at the end of March 2022). These differences were only statistically significant for the period between April 2021 to December 2021. This indicates that some businesses eligible for grants began to face more significant difficulties as broader economic support was withdrawn (including easements to insolvency regulations) or that the effects of grants may have been temporary.

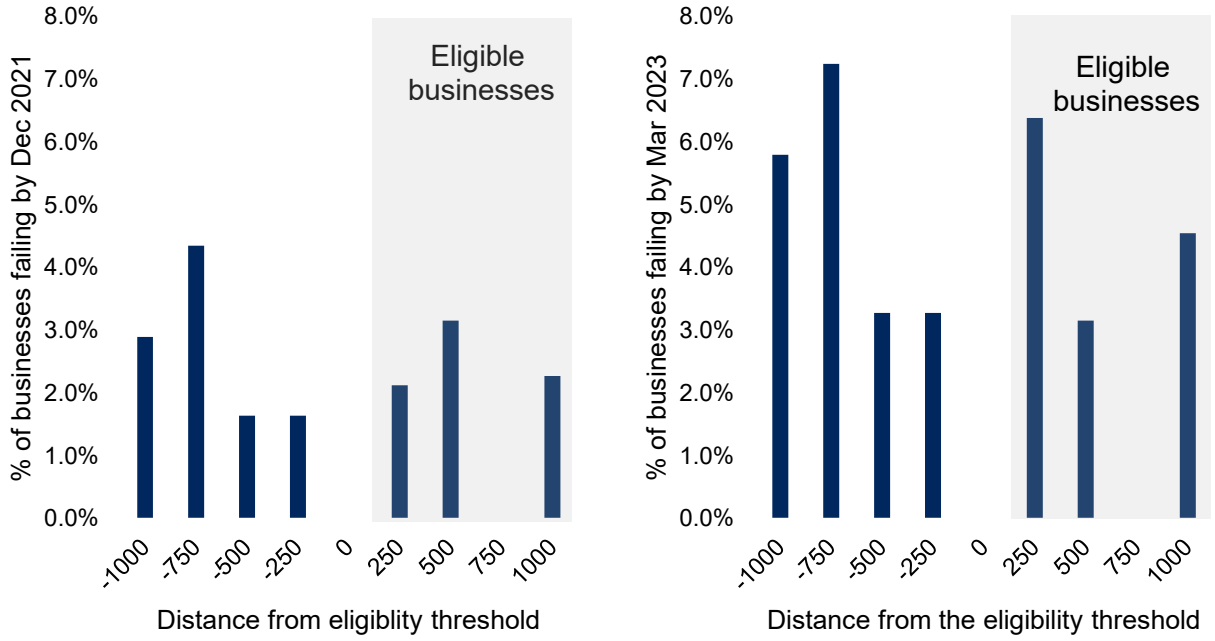
Figure A.3: Trends in business failure rates, businesses occupying premises eligible and ineligible for SBGF and RHLGF, 2020 to 2023



Source: Companies House, Ipsos analysis. 95% confidence interval in brackets.

Figure A.4 shows the failure rates of eligible and ineligible businesses by distance from the eligibility threshold by December 2021 and by March 2023. At the threshold of eligibility, there was no clear relationship between the probability of failure and the rateable value of premises.

Figure A.4: Failure rates of eligible and ineligible businesses, by distance from the rateable value thresholds (£)



Source: Companies House, Ipsos analysis. Distance from the eligibility threshold calculated as the absolute difference between the rateable value of the premises and the relevant rateable value threshold for eligibility for SBGF or RHLGF

A.2.4 Regression Discontinuity Design analysis

Regression Discontinuity Design methods were applied to assess the causal effects of the programme using a logistic regression model, using the difference between the rateable value of the premises and the eligibility threshold as the running variable for the analysis, as follows:

$$logit(p_i) = \alpha + \beta T_i + T_i \cdot (\gamma_1 RV + \gamma_2 RV^2 + \gamma_3 RV^3) + (1 - T_i) \cdot (\gamma_4 RV + \gamma_5 RV^2 + \gamma_6 RV^3) + u_i$$

In this model, p_i gives the probability that the firm fails or experiences acute financial distress at the date of interest, T_i is a binary indicator taking the value of 1 if the premises was eligible for SBGF or RHLGF and 0 otherwise, and RV is the difference between the rateable value of the premises and the eligibility threshold. The modelling allowed different functional forms on either side of the eligibility threshold (and was estimated with linear, quadratic, and cubic functional forms). The analysis was performed on the reduced sample of 683 firms with a rateable value within +/- £1,000 of the relevant eligibility thresholds.

As reported in the following table, these analyses did not indicate that the programme had a statistically significant effect on survival rates by December 2021. The results also indicated that the programme had a positive impact on failure rates by March 2023 (although these findings were weakly significant). Graphical analysis of the RDD modelling provided in the following figure highlights the uncertainties associated with the results, particularly in relation to the point at which the fitted curve intersects with the eligibility threshold (with modelled failure rates far exceeding observed failure rates close to the thresholds in non-linear models). However, based on these findings, it appears reasonable to rule out the possibility that Cohort One grants had a significant effect in reducing failure rates.

Table A.6: Regression Discontinuity Design - Estimated Coefficients

Functional form	Failure by December 2021	Failure by March 2023
Linear	1.286 (1.193)	1.533* (0.930)
Quadratic	3.102 (2.626)	5.175*** (1.918)
Cubic	2.128 (4.328)	6.035* (3.346)

Source: Companies House, Ipsos analysis. ***, **, and * indicate if an estimated coefficient is significant at the 99, 95 or 90 percent level of confidence. The table shows the estimated Beta coefficient associated with the estimated treatment effect, with other model coefficients not reported for brevity. Standard errors in parentheses.

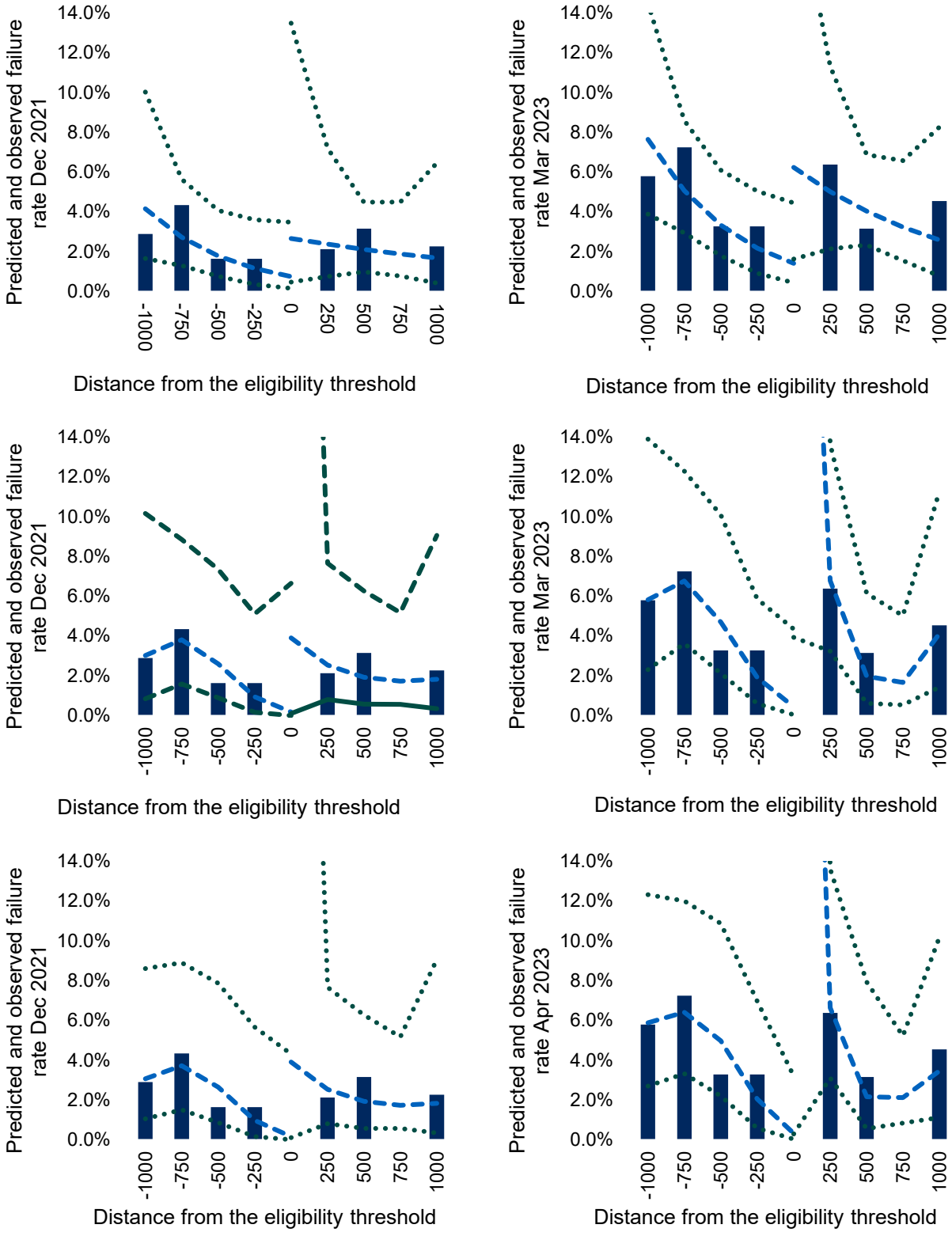
A crosscheck on the results above was undertaken by expanding the bandwidth of observations included to firms occupying premises with a rateable value of +/- £2,000 of the relevant eligibility thresholds (expanding the sample to 991 businesses). The results showed a similar pattern, with no statistically significant effects on failure rates by December 2021. Non-linear models showed positive effects on failure rates in March 2022 (again, driven by exponential growth in the modelled failure rate amongst eligible businesses very close to the eligibility threshold which is not considered plausible given observed failure rates).

Table A.7: Regression Discontinuity Design - Estimated Coefficients with expanded bandwidth of +/- £2,000 from rateable value thresholds

Functional form	Failure by December 2021	Failure by March 2023
Linear	0.853 (0.961)	0.793 (0.666)
Quadratic	1.410 (1.334)	1.760* (1.063)
Cubic	3.276 (4.328)	4.803*** (1.837)

Source: Companies House, Ipsos analysis. ***, **, and * indicate if an estimated coefficient is significant at the 99, 95 or 90 percent level of confidence. The table shows the estimated Beta coefficient associated with the estimated treatment effect, with other model coefficients not reported for brevity. Standard errors in parentheses.

Figure A.5: RDD results - modelled vs observed probability of failure by distance from the eligibility threshold (linear, quadratic, and cubic models)



Source: VOA Ratings Lists, Companies House, Ipsos analysis. 95 percent confidence intervals shown in dotted orange lines.

A.3 Analysis of administrative data (Cohort Two only)

The following set of analyses exploit the availability of firm level records of the businesses awarded grants funding in Cohort Two of the programme. It was feasible to link these records to administrative datasets via the ONS Secure Research Service, enabling considerably larger sample sizes to be assembled relative to the analyses described above. The analytical approach adopted for these analyses was broadly equivalent to that adopted for analysis of the survey findings, with firms awarded grants matched to an equivalent group of businesses that were not awarded grants to identify causal effects.

It should be noted that the following analyses do not account for the possible effects of Cohort One grants on business survival and growth, and only cover registered businesses.

A.3.1 Sample of firms awarded Cohort Two grants

DBT provided details of 3,486,986 Cohort 2 grants awarded by local authorities. 592,495 of these records were duplicates, giving a sample of 2,894,491 unique grants. These records included the form of identification provided by the business, which could be linked to these datasets where a Companies House Reference Number (CRN) was provided. A valid CRN was provided in 679,137 cases, falling to 617,666 cases once duplicate records of grants awarded were removed.

It was possible to match 535,867 of these grants to an enterprise in the Interdepartmental Business Register (a matching rate of 87 percent). Grants were matched to a Local Unit of a business where the postcode associated with the grant shared the Output Area of the Local Unit. This resulted in a sample of 130,414 Local Units operated by enterprises receiving at least one grant (i.e. many Local Units received multiple grants). The sample was further refined to exclude Local Units for which there were no records prior to March 2020 (25,852 Local Units) and those that had ceased to exist by March 2020 (1,174 Local Units). The analyses below were based on a final sample of 103,388 Local Units.

For the purposes of the following analysis, it was assumed that any Local Unit that was not linked to the grant data did not receive a grant through the Cohort Two schemes. However, this assumption may not hold for two reasons:

- **Comprehensiveness of the grant database:** As reported in the NAO report on the programme, a total of 3,325,397 grants were paid to businesses under Cohort 2 schemes. This implies that around 430,906 grants were paid to businesses that were not included in the data. As businesses were often awarded multiple grants and were awarded to both registered and unregistered businesses, it is unclear how many registered businesses receiving grants have not been identified because of this issue.

- **Unmatched registered businesses:** Additionally, some registered businesses awarded grants could not be matched to the Interdepartmental Business Register because a valid CRN was not recorded in the grants data. It is difficult to be precise regarding the number of unmatched cases as some grants were awarded to unregistered businesses. However, as described in the main report, it was estimated that approximately one half of grants were awarded to registered businesses. This would imply that around 1.4m Cohort Two grants were awarded to registered businesses, implying that valid CRNs were missing in 768,108 cases (53 percent of cases). Again, it is unclear how far this translates into volumes of enterprises as businesses typically received multiple grants (and some of these missing cases may have been accounted for by grants where valid CRNs were provided).

Given these issues, it is probable that some firms included in the comparison group for the analysis received grants through Cohort Two schemes. Consequently, the following findings may underestimate the impact of Cohort Two grants, although owing to the uncertainties regarding the share of grants awarded to unregistered businesses and the number of grants awarded per business, the significance of this issue is difficult to ascertain.

For future monitoring and evaluation of programmes providing support to small businesses it is recommended that (a) information is gathered on whether the business is registered or

unregistered and (b) collection of company identifiers for registered businesses is restricted to CRNs. This will help improve the precision of future impact evaluations and enable greater clarity in relation to the number of unmatched cases.

A.3.2 Allocation of grants to years

Grants awarded under Cohort Two schemes were awarded between September 2020 and March 2022. The Business Structure Database described below provides an annual snapshot of employment and turnover at the end of March. Grants were assigned to align with the BSD on the following basis:

- **Date:** In most cases, the date the grant was awarded was included in the grant data. Grants were assigned to 2021 if they were awarded between September 2020 and March 2021, and to 2022 if they were awarded between April 2021 and March 2022.

- **Programme:** Where a date was unavailable, grants were assigned to a year based on the programme under which they were awarded. Local Restriction Support Grants and the Christmas Support Payment grants were assigned to 2021. Restart Grants and the Omicron Hospitality and Leisure grants were assigned to 2022. Additional Restrictions Grants without a payment date (which were announced in October 2020 but continued through 2021/22) were excluded from the analysis as the programme straddled the two financial years (though this affected less than one percent of records).

For the purposes of the analysis, 2020 was considered the last 'pre-treatment' year (though some firms received grants in 2022 but not in 2021).

A.3.3 Business Structure Database

The final sample of firms was linked to the Business Structure Database (BSD) to construct a longitudinal dataset describing the performance of businesses awarded grants and to construct a sample of firms that were not awarded grants. The Business Structure Database is an annual snapshot (taken in March of each financial year) of the Interdepartmental Business Register providing annual records of the employment and turnover of all businesses registered for VAT or PAYE.

The database is updated based on a variety of sources that arrive with different lags. These sources include administrative data (e.g. VAT returns) and surveys undertaken by the Office for National Statistics (e.g. the Business Register Employment Survey). The data does not include a 'time stamp,' meaning that individual observations may be subject to recording lags. The database captures information at the level of the overall enterprise and its Local Units (including branch sites operated by the business - a business operating from a single site would have a single Local Unit).

The information from the BSD was used to construct annual data on the following outcome measures for each firm between 2016 and 2022:

- **Employment** - the number of workers employed by the Local Unit at the time of the snapshot (March in each year).

- **Turnover - Annual sales of the Local Unit.** Turnover is recorded at the level of the overall enterprise in the BSD, rather than at the level of the Local Unit. An estimate of turnover for each Local Unit was derived by apportioning turnover at the level of the enterprise based on each Local Unit's share of overall employment. This effectively assumes that productivity is uniform across Local Units. This will understate the turnover of more productive sites and overstate the turnover of less productive sites. Given the context for the study, this could produce distortionary results in the presence of differential closure rates of branch sites where the productivity of sites. If firms were more likely to close their least productive operations, turnover previously misallocated to these sites would be reallocated to surviving units. This would overstate turnover growth amongst surviving units. The scale of this effect is probed by considering the effects of the programme at the level of the overall enterprise.

- **Closure of branch sites -** the BSD includes a flag indicating the 'death' of Local Units that was used to identify branch closures. This indicator took the value of 0 in years prior to the closure of the branch site,

and 1 in years thereafter. It should be noted that some closed Local Units did not appear in subsequent editions of the BSD and disappeared from the panel. This should be borne in mind when considering the descriptive statistics provided below. For example, if firms employing greater numbers of workers than average were more likely to exit the panel, then reductions in the average number of workers employed will combine an employment effect (i.e. reductions in the number of workers employed by surviving units) and a 'failure' effect (i.e. reductions in the average number of workers employed caused by the closure of larger units). This issue is explored further by considering the effect of the grants at the level of the overall enterprise below by aggregating Local Units (and the grants received across Local Units).

- **Turnover per worker** - estimates of employment and turnover were combined to derive turnover per worker, which was used as a proxy measure of productivity for the purposes of the analysis. However, this measure should only be considered approximate as it does not account for changes in the usage of inputs by the firms concerned. For example, a firm may increase its turnover per worker by reducing the size of its workforce while increasing levels of outsourcing. In this case, the underling productivity of the firm may not change.

A.3.4 Comparison between firms awarded grants and the general business population

The table overleaf provides a comparison between firms awarded grants and the general business population (i.e. Local Units awarded and not awarded grants) in the years before the Cohort Two schemes were launched. The table illustrates several marked differences between firms that received Cohort Two grants and the wider business population:

- **Size and productivity:** Local Units awarded grants tended to employ greater numbers of workers (an average of 13 to 14 between 2016 to 2020, vs 8 to 11 for non-recipients). However, they generated lower levels of turnover than Local Units that did not receive grants (noting the issues described above in relation to the apportionment of turnover to Local Units). As such, Local Units benefitting from grants are also associated with lower productivity levels.

- **Growth trajectories:** The growth trajectories of Local Units that were and were not awarded grants also diverged significantly between 2016 and 2020. Those Local Units that were not awarded grants displayed steady employment and turnover growth over the period, while those awarded grants saw moderate decline. Both groups of firms saw no stable trends in productivity growth over the period.

- **Sector:** As might be anticipated given the targeting of Cohort Two schemes at industries most affected by restrictions on trading caused by the introduction of non-pharmaceutical interventions, Local Units benefitting from grants were substantially more concentrated in the non-tradable consumer services sectors than those that did not. These sectoral differences are likely to be a key explanatory factor for the divergent growth and productivity profiles of the two groups of businesses.

- **Geography:** There were no significant regional differences between the profile of Local Units supported through the schemes and the general business population. However, Local Units awarded grants were more likely to be clustered in smaller urban areas and substantially less likely to be located in sparse rural areas. Again, this likely reflects the focus on the programme on non-tradable consumer services, which tend to be clustered in towns.

These differences highlight the presence of systematic differences between firms awarded grants and the general business population that would likely lead to biased results if impacts were inferred from comparisons between the two groups. Lower levels of productivity and declining revenues are likely to be correlated with higher probabilities of future failure (and many types of consumer facing service industries - particularly retail - have faced longer term competitive threats from online operators). Comparisons between firms awarded grants and broader business population are therefore likely to understate the protective effects of the grants awarded.

Table A.8: Pre-pandemic characteristics of Local Units awarded grants and not awarded grants

	Local Units Awarded Grants			Local Units Not Awarded Grants			Statistical significance of differences
Variable	Mean	95% CI Lower	95% CI Upper	Mean	95% CI Lower	95% CI Upper	Sig.
Employment							
Mar 2016	14.39	14.10	14.67	9.37	8.46	10.28	**
Mar 2017	14.08	13.81	14.35	8.63	8.12	9.14	**
Mar 2018	13.61	13.36	13.87	8.33	8.24	8.43	**
Mar 2019	13.14	12.91	13.37	10.72	5.94	15.49	
Mar 2020	12.68	12.47	12.89	10.65	5.91	15.39	
Turnover (£000)							
Mar 2016	1284.97	1259.37	1310.57	1965.30	1939.70	2004.45	***
Mar 2017	1269.70	1244.41	1294.99	1714.75	1689.46	1748.91	***
Mar 2018	1233.20	1208.63	1257.77	1806.15	1781.58	1842.13	***
Mar 2019	1180.07	1156.56	1203.58	2382.55	2359.04	2430.01	***
Mar 2020	1132.72	1110.16	1155.28	3571.61	3549.05	3642.76	***
Turnover per worker (£000)							
Mar 2016	96.95	95.02	98.88	153.89	151.96	156.96	***
Mar 2017	97.38	95.44	99.32	148.57	146.63	151.53	***
Mar 2018	98.87	96.90	100.84	156.94	154.97	160.07	***

Mar 2019	96.28	94.36	98.20	174.78	172.86	178.26	***
Mar 2020	95.52	93.62	97.42	166.72	164.82	170.04	***
Sector							
Consumer Facing Services %	77.4%	77.2%	77.6%	32.7%	32.7%	32.7%	***
Production %	6.5%	6.4%	6.6%	20.7%	20.6%	20.7%	***
Other Services %	12.4%	12.2%	12.6%	38.0%	37.9%	38.0%	***
Public Services %	3.7%	3.6%	3.8%	7.6%	7.6%	7.7%	***
Urban density							
Urban Major Conurbation %	33.1%	32.8%	33.4%	33.7%	33.6%	33.7%	
Urban Minor Conurbation %	1.4%	1.4%	1.5%	2.2%	2.2%	2.2%	*
Urban City or Town %	47.1%	46.8%	47.3%	34.1%	34.1%	34.1%	***
Urban City or Town Sparse	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	
Rural Town Fringe	6.9%	6.8%	7.1%	6.2%	6.2%	6.2%	**
Rural Town Fringe Sparse	0.8%	0.7%	0.8%	0.5%	0.5%	0.5%	*
Rural Village	5.0%	4.9%	5.2%	5.7%	5.7%	5.7%	*

Rural Village Sparse	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	*
Rural Hamlet Isolated	4.6%	4.5%	4.8%	5.3%	5.3%	5.4%	
Rural Hamlet Isolated Sparse	0.3%	0.3%	0.4%	8.5%	8.4%	8.6%	***
Region							
London	17.8%	17.6%	18.0%	19.3%	19.2%	19.3%	
North East	4.7%	4.6%	4.8%	2.7%	2.6%	2.7%	
North West	9.8%	9.7%	10.0%	10.1%	10.0%	10.1%	
Yorkshire and Humber	9.3%	9.1%	9.4%	6.8%	6.7%	6.8%	
East Midlands	6.3%	6.2%	6.5%	6.4%	6.4%	6.5%	
West Midlands	9.8%	9.6%	10.0%	8.0%	8.0%	8.0%	
East of England	10.5%	10.3%	10.7%	9.4%	9.4%	9.5%	
South East	19.2%	19.0%	19.4%	14.4%	14.4%	14.5%	
South West	12.5%	12.3%	12.7%	8.0%	8.0%	8.1%	

Source: Business Survey, Ipsos analysis. ***, **, and * indicate if the differences between the two groups is significant at the 99, 95 or 90 percent level of confidence

A.3.5 Statistical matching

In light of the differences observed above, a Propensity Score Matching exercise was undertaken to match the sample of Local Units identified as receiving grants to other Local Units from the general business population that shared similar characteristics prior to and including March 2020. The first stage of this process involved the implementation of a logistic regression model examining the relationship between the likelihood that a firm received a grant and its characteristics in terms of:

- **Historic performance** - in terms of employment, turnover, and turnover per worker - to ensure that comparisons were made between firms showing similar growth trajectories and productivity performance prior to COVID-19. As the BSD provides a narrower range of information on the characteristics of businesses relative to the data gathered through the survey (e.g. information on balance sheets and profit and loss accounts were not available), this may be less effective in controlling for differences in the underlying financial health and survival prospects of firms awarded grants and the comparison groups. However, as highlighted above, financial health did not appear to be a significant determinant of whether firms obtained grants (consistent with the findings of the process evaluation). As such, the omission of these variables may not be as significant as it may have been had the programme involved greater levels of targeting of businesses facing financial difficulties.

- **Sector** - to control for differential effects of COVID-19 across different sectors of the economy. The economy was divided into four key sectors for the purposes of this analysis: consumer facing service sectors that saw the most acute restrictions on trading activities during the pandemic (including the retail, food and accommodation, other services, and transport sectors), production industries (primary industries, manufacturing, and construction), other service sectors (principally professional and financial services), and public services (public sector, education, and health).

- **Urban density** - to capture any differential effects of the COVID-19 pandemic across urban and rural areas (e.g. case rates tended to be higher in urban areas, resulting in a higher likelihood of restrictions during the Tiering system). The Output Area associated with each Local Unit was linked to Defra's Urban/Rural classification describing eight levels of urban density (from major conurbations to rural hamlets/isolated areas).

- **Region** - Finally, controls were also included to ensure the samples were balanced in terms of their regional profile. These were included to capture any asymmetric shocks across regions caused by COVID-19 (e.g. relative severity of public health restrictions between July and December 2020).

The analysis included 1,920,258 Local Units. The results of the first stage model are shown in the following table. The findings did not indicate that employment in Local Units was linked to the likelihood that firms were awarded grants, though firms that were awarded grants tended to operate at lower levels of turnover and implied levels of productivity.

Table A.9: Propensity Score Matching - 1st Stage Logit Model

	Model 1: Including financial variables	
Variable	Coefficient	Standard Error
Employment (2016)	0.0001	0.0001
Employment (2017)	0.0000	0.0001
Employment (2018)	0.0000	0.0001
Employment (2019)	-0.0001	0.0001
Employment (2020)	0.0003***	0.0001
Turnover (2016) – per £m	-1.82***	0.5450

Turnover (2017) – per £m	1.72***	0.4590
Turnover (2018) – per £m	-0.626	0.5030
Turnover (2019) – per £m	0.00887	0.6590
Turnover (2020) – per £m	-1.27**	0.6110
Turnover per worker (2016) – £000 per worker	-0.241***	0.0189
Turnover per worker (2017) – £000 per worker	-0.0757***	0.0183
Turnover per worker (2018) – £000 per worker	0.0061	0.0049
Turnover per worker (2019) – £000 per worker	-0.0467***	0.0166
Turnover per worker (2020) – £000 per worker	-0.0482	0.0148
Sector - Consumer Facing Services	4.3491***	0.0080
Sector - Production	3.5217***	0.0095
Sector - Other Services	3.5071***	0.0087
Urban Minor Conurbation	-0.4127***	0.0159
Urban City or Town	0.0129**	0.0054
Urban City or Town Sparse	-0.0403	0.0342
Rural Town Fringe	-0.0867***	0.0083
Rural Town Fringe Sparse	0.0299	0.0212
Rural Village	-0.1067***	0.0091
Rural Village Sparse	-0.1031***	0.0277
Rural Hamlet Isolated	-0.0989***	0.0092
Rural Hamlet Isolated Sparse	-0.1831***	0.0280
North East	0.5012***	0.0101
North West	0.2712***	0.0072
Yorkshire and Humber	0.4542***	0.0080
East Midlands	0.3160***	0.0094
West Midlands	0.3921***	0.0076
East of England	0.3606***	0.0080
South East	0.4497***	0.0072

South West	0.5084***	0.0081
Constant	-5.9394***	0.0086

Source: Business Structure Database (ONS), Ipsos analysis. ***, **, and * indicate if an estimated coefficient is significant at the 99, 95 or 90 percent level of confidence.

The second stage of the Propensity Score Matching process matched firms where they shared similar estimated probabilities of receiving a grant. A one-to-one matching algorithm was adopted where firms awarded grants were matched to their nearest statistical neighbours in the comparison group (without replacement - i.e. potential comparison firms could only form one match with a firm awarded grants). A total of 72,770 firms awarded grants were matched to 66,166 comparison firms using this algorithm.

The effectiveness of this process in identifying a sample of firms sharing similar pre-COVID-19 characteristics is illustrated in the following table:

- **Internal validity:** The matching process removed statistically significant differences in the employment and turnover per worker of firms awarded grants and the comparison sample between 2016 and 2019 (firms awarded grants appeared to be significantly less productive than firms in the wider business population). However, while the matching reduced differences in turnover between 2016 and 2019, they remained statistically significant in the matched sample (and as discussed below, this sample also failed parallel trends tests to check the plausibility of the assumptions underpinning the validity of the difference-in-differences approach). The process also largely removed other significant differences between the two groups in terms of their sector and regional profile, and the urban density of the area in which they were located.

- **External validity:** The matched sample was also not representative of the population of firms awarded grants. The matching algorithm could not obtain good matches for Local Units following a declining growth trajectory and this group of firms were dropped from the matched sample. As such, the degree to which the findings of any analyses derived from this sample may be limited to firms displaying growth prior to COVID-19 (and may provide a poor guide to their effects on businesses that may have entered the pandemic in a weaker state).

Given concerns in relation to internal validity, an additional Coarsened Exact Matching (CEM) process was used to further refine the matched sample resulting from PSM process. The basic principle of CEM is to coarsen each variable included in the matching process through recoding in a way that substantively similar values are grouped. Sturge's rule was used as the default binning method for the coarsening for all variables that required it. Following the coarsening a set of strata are produced each with the same values of the variables included (X). Units in strata that contain at least one treated and one control unit are retained whilst units in the remaining strata are removed from the sample. The matching algorithm below then assigns weights to the remaining observations:

$$w_i = \begin{cases} 1, & i \in T^s \\ \frac{m_C}{m_T}\frac{m_T^s}{m_C^s} & i \in C^s \end{cases}$$

The treated units in stratum s are denoted by T^s where m_T^s equals the number of treated units in the stratum). Similarly for the control the control units C^s, where m_C^s equals the number of control units in the stratum.

The refined matched sample comprised 71,857 Local Units that were awarded grants and 65,384 Local Units were not. This additional step was effective in removing the remaining statistically significant differences in the turnover of firms awarded grants and the comparison group that were remaining following PSM. Table A.10 below illustrates the remaining differences in means, none of

which were statistically significant. A total of 72,770 firms awarded grants were matched to 66,166 comparison firms after PSM, which was further refined to 71,857 firms awarded grants and 65,384 comparison firms after CEM. However, it is important to note that this refined sample also shared similar issues of external validity as highlighted above.

Table A.10: Statistical Matching Results - Unmatched and Matched Samples

	Unmatched sample		**Matched sample (PSM)**			**Matched sample (PSM + CEM)**	
Variable	Firms awarded grants	Comparison Group	Firms Awarded Grants	Comparison Group	Bias reduction (%)	Firms awarded grants	Comparison Group
Employment (2016)	14.39	9.37	14.62	14.22	91.90	14.70	14.50
Employment (2017)	14.08	8.63	14.98	14.73	95.41	15.05	14.95
Employment (2018)	13.61	8.33	15.17	14.66	90.33	15.24	14.95
Employment (2019)	13.14	10.72	15.28	14.68	75.18 (*)	15.36	14.90
Employment (2020)	12.68	10.65	15.43	14.73	65.53 (*)	15.50	15.02
Turnover (2016) – per £m	1284.97	1965.30	1299.29	1750.15	33.73 (***)	1301.25	1350.57
Turnover (2017) – per £m	1269.70	1714.75	1360.71	1620.93	41.53 (***)	1373.12	1446.70
Turnover (2018) – per £m	1233.20	1806.15	1402.00	1693.59	49.11 (**)	1425.02	1484.55
Turnover (2019) – per £m	1180.07	2382.55	1418.36	2076.84	45.24 (***)	1450.86	1509.07
Turnover (2020) – per £m	1132.72	3571.61	1460.25	2871.86	42.12 (***)	1504.91	1572.33
Turnover per worker (2016) – £000 per worker	96.95	153.89	97.39	101.18	93.34	97.88	98.15
Turnover per worker (2017) – £000 per worker	97.38	148.57	100.46	103.33	94.39	100.96	101.26
Turnover per worker (2018) – £000 per worker	98.87	156.94	104.50	107.64	94.59	105.02	102.26

Turnover per worker (2019) – £000 per worker	96.28	174.78	104.62	108.59	94.94	105.14	106.42
Turnover per worker (2020) – £000 per worker	95.52	166.72	107.75	112.55	93.25 (*)	108.29	106.93
Sector - Consumer Facing Services %	0.77	0.33	0.76	0.74	95.90	0.77	0.75
Sector - Production %	0.06	0.21	0.07	0.08	94.36	0.07	0.07
Sector - Other Services %	0.12	0.38	0.13	0.14	97.70	0.13	0.13
Sector - Public Services %	0.04	0.08	0.04	0.04	88.76	0.04	0.04
Urban Major Conurbation %	0.33	0.34	0.31	0.25	-998.84 (***)	0.31	0.27
Urban Minor Conurbation %	0.01	0.02	0.01	0.01	95.37	0.01	0.01
Urban City or Town %	0.47	0.34	0.48	0.48	97.81	0.48	0.46
Urban City or Town Sparse	0.00	0.00	0.00	0.00	56.16	0.00	0.00
Rural Town Fringe	0.07	0.06	0.07	0.07	88.92	0.07	0.08
Rural Town Fringe Sparse	0.01	0.00	0.01	0.01	96.38	0.01	0.01
Rural Village	0.05	0.06	0.05	0.05	89.71	0.05	0.06
Rural Village Sparse	0.00	0.01	0.00	0.00	79.15	0.00	0.00
Rural Hamlet Isolated	0.05	0.05	0.05	0.05	85.03	0.05	0.05
Rural Hamlet Isolated Sparse	0.04	0.08	0.04	0.04	94.11	0.04	0.04
London	0.18	0.19	0.16	0.13	-77.29 (**)	0.16	0.16
North East	0.05	0.03	0.05	0.05	96.27	0.05	0.05
North West	0.10	0.10	0.10	0.10	-44.19	0.10	0.10
Yorkshire and Humber	0.09	0.07	0.09	0.09	96.25	0.09	0.09
East Midlands	0.06	0.06	0.06	0.06	-4.18	0.06	0.06

West Midlands	0.10	0.08	0.10	0.10	86.74	0.10	0.10
East of England	0.10	0.09	0.11	0.10	66.04	0.11	0.11
South East	0.19	0.14	0.20	0.19	93.54	0.20	0.19
South West	0.12	0.08	0.13	0.14	86.97	0.13	0.13

Source: Business Structure Database (ONS), Ipsos analysis. ***, **, and * indicate if differences between samples are significant at the 99, 95 or 90 percent level of confidence

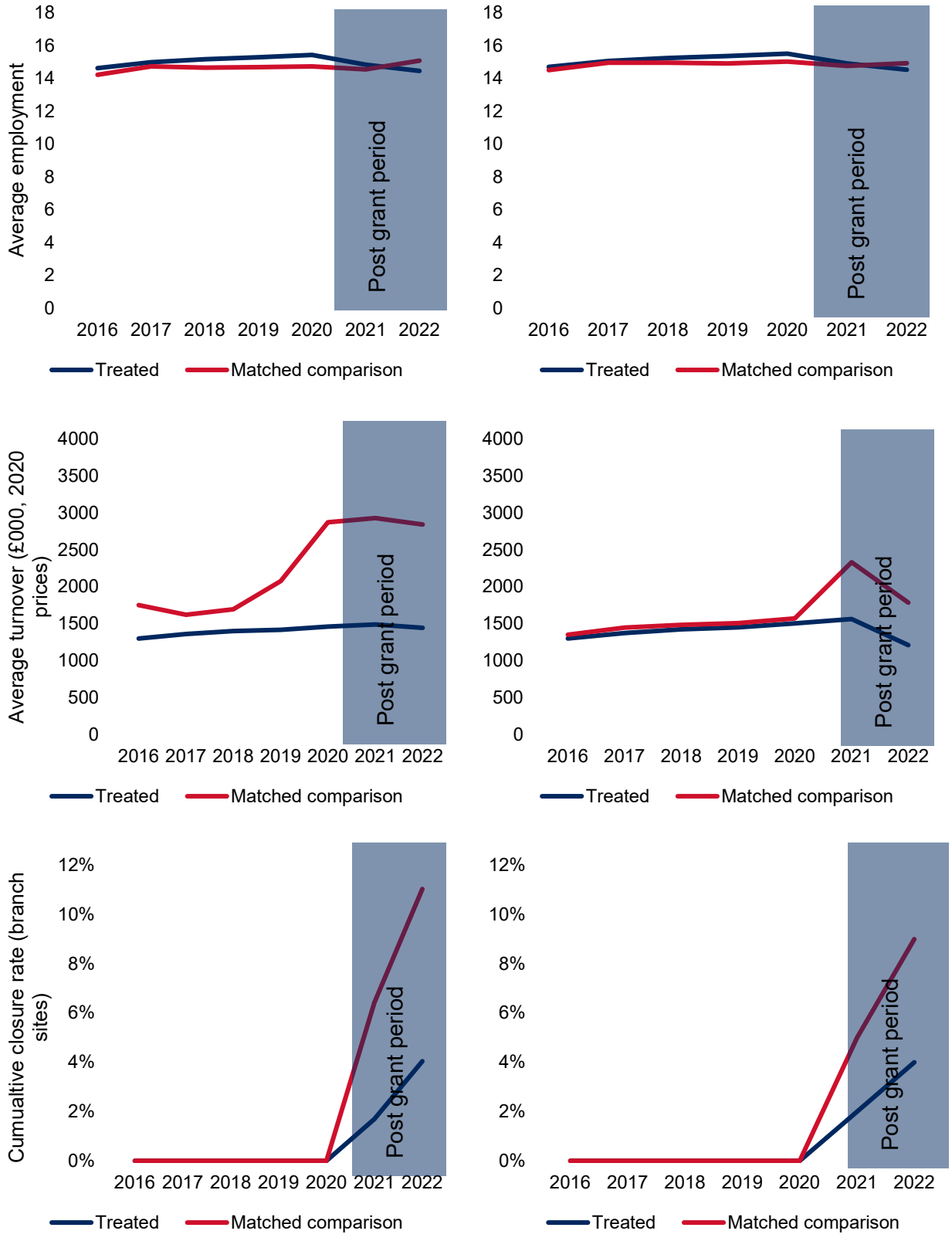
A.3.6 Parallel trends

The validity of estimates of impacts derived from difference-in-differences or fixed effects models depends on the degree to which the parallel trends assumption holds (i.e. that Local Units not awarded grants would have followed similar trends to those awarded grants in the absence of the programme). This cannot be established directly, but evidence in support of the assumption can be obtained by testing for the presence of differential trends before the programme.

Figure A.6 provides descriptive comparisons of changes in the average employment, turnover, and failure rate between 2016 and 2022 for firms awarded grants and the two matched comparison sample (PSM on the left and CEM on the right). The analysis shows:

- The pre-2020 growth trajectories of the two groups of firms matched using PSM methods were clearly divergent (most obviously in relation to turnover growth).
- The extent of these divergences was substantially reduced in the samples of Local Units matched using CEM methods.
- Pre-2020 survival rates were identical across the two groups for both samples by construction (i.e. only firms that were active in March 2020 have been included in the analysis).

Figure A.6: Average employment, turnover, and closure rates - firms awarded grants vs matched comparison sample (PSM in left panel and CEM in right panel), 2016 to 2022



Source: Business Structure Database (ONS), Ipsos analysis.

A formal test was also performed using the two matched samples using the 'event study' specification below. This tests for pre and post-trend effects - with coefficients that are not significantly different from zero considered to provide support for the parallel-trend assumption:

$$y_{it} = \alpha + \beta_1 L_3.T_i + \beta_2 L_2.T_i + \beta_3 L_1.T_i + \beta_4 F_1.T_i + \beta_5 F_2.T_i + \alpha^i + \alpha^t + u_{it}$$

In this model, performance of firm i in period t (y_{it}) is estimated as a function of the treatment indicator (T_i) and interactions with each period pre and post grants being awarded. Variables L3 to L1 are indicators for three through to one period lags. Conversely, variables F1 and F2 are indicators for one- and two-years post 2020 respectively. The coefficients β_1 through to β_3 are of interest in respect to parallel trends and significant coefficients here would imply that the assumption does not hold. The results in the table below outline the results of these test for both the PSM and CEM samples.

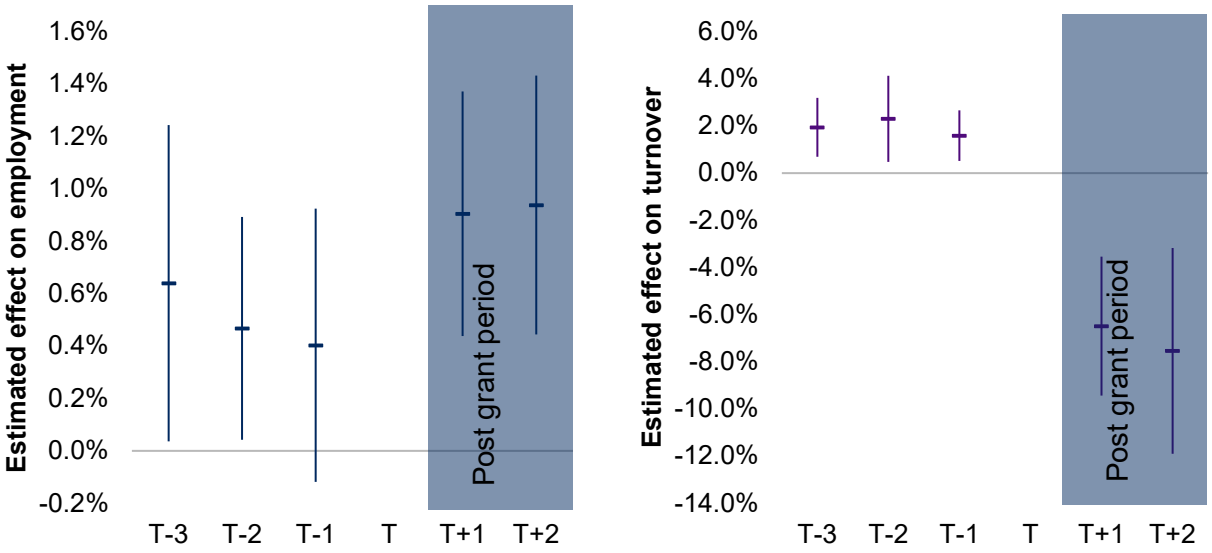
Table A.11: Regression test results for pre-treatment effects, PSM and CEM samples

	Matched sample (PSM)			**Matched sample (PSM + CEM)**		
Period	Employment	Turnover	Turnover per worker	Employment	Turnover	Turnover per worker
T-3	0.0064*	0.0194***	0.0262**	0.0032	0.0097	0.0131
T-2	0.0047**	0.0230***	0.0202*	0.0026	0.0128	0.0112
T-1	0.0040	0.0159**	0.0173*	0.0031	0.0106	0.0115
T+1	0.0095***	-0.0678***	-0.0956***	0.0087***	-0.0624***	-0.0884***
T+2	0.0098***	-0.0792***	-0.0988***	0.0092***	-0.0739***	-0.0907***
Constant	0.1943***	0.2194***	0.1549***	0.1754***	0.2846**	0.1873*

Source: Business Structure Database (ONS), Ipsos analysis. ***, **, and * indicate if differences between samples are significant at the 99, 95 or 90 percent level of confidence.

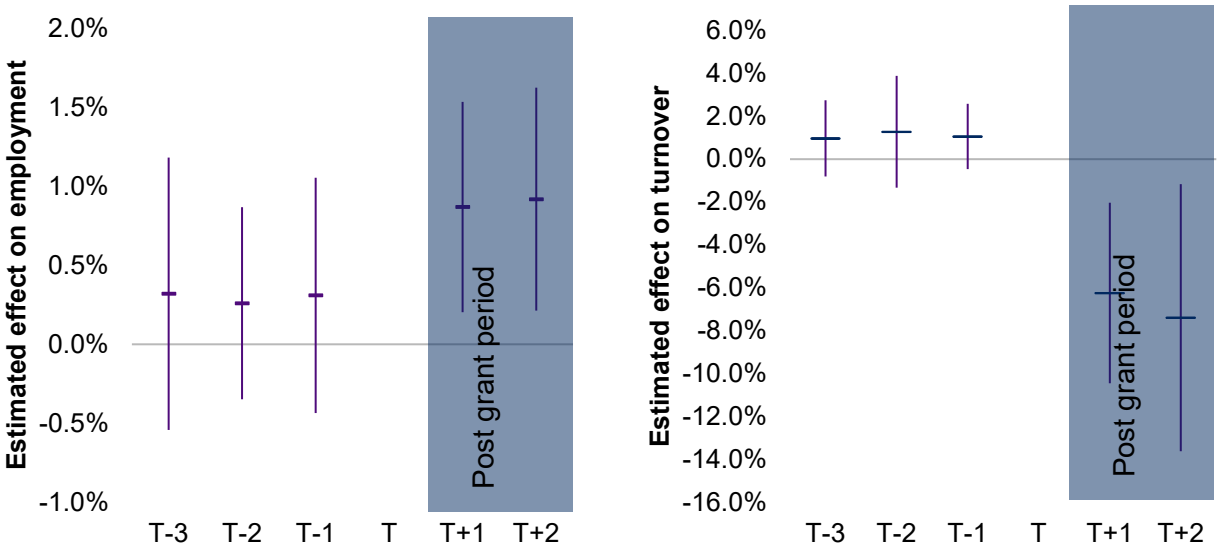
The figures overleaf show the estimated results to display pre- and post-treatment effects more clearly. These highlight that CEM matched samples remove differences in pre-treatment trends and would be considered more robust than the comparisons based on the samples matched with PSM alone.

Figure A.7: Regression test for pre-treatment effects using PSM matched samples



Source: Business Structure Database (ONS), Ipsos analysis.

Figure A.8: Regression test for pre-treatment effects using CEM matched samples



Source: Business Structure Database (ONS), Ipsos analysis.

A.3.7 Econometric analysis

Estimates of the causal effects of the programme were estimated by applying the following econometric model to the matched sample:

$$y_{it} = \alpha + \beta T_{it} + \alpha^i + \alpha^t + \gamma \cdot t \cdot X_{i,t=2019} + u_{it}$$

This model seeks to estimate the impacts of the programme on the performance of firm i in period t (y_{it}) - in terms of employment, turnover, turnover per worker, and probability of closure as a function of whether the firm had received a Cohort Two grants by the end of period t (T_{it}). The parameter β provides estimates of the effects of the grants on the outcomes of interest.

The model also seeks to control for unobserved features of Local Units that do not change over time (α^i) and unobserved but time specific shocks affecting all firms (α^t), such as the introduction and withdrawal of COVID-19 restrictions. As a robustness check, further controls were added to allow for unobserved trends at the local authority and sector level ($t \cdot X_{i,t=2019}$). The models were applied to both the PSM and CEM matched samples to test the robustness of findings to the selection of controls.

The results of the analysis are set out in the following table. The outcome variables were given a logarithmic transformation, and the resulting coefficients can be interpreted as the approximate percentage effect of Cohort Two grants on the outcomes of interest:

- The findings indicate that grants had a positive ongoing effect on the employment of surviving firms of 0.9 to 1 percent by March 2022. The findings were robust to the choice of control sample.

- However, this was also accompanied by a reduction in the turnover of surviving firms of between 7.5 and 8.5 percent and a reduction in turnover per worker of 8.9 to 9.5 percent. These findings were also robust to the choice of control sample. As highlighted above, it is possible that these results have been distorted by the process adopted to apportion turnover to Local Units (an issue explored further below).

- The effects of Cohort Two grants on the probability of survival was estimated using a Conditional Logistic Regression model and the exponent of the estimated coefficients (0.65) can be interpreted as the impact of grants on the odds of failure (i.e. a reduction in the probability of failure of 35 percent). The findings also did not vary across the two sets of comparison samples.

- This can be applied to the observed failure rate across all Local Units awarded grants (5.3 percent) to estimate the failure rate that would have obtained in the absence of the programme (estimated at 5.3 divided by 0.65 = 8.2 percent). This implies that closure rates may have been around 3 percent higher in the absence of Cohort Two grant schemes. This generalisation of the result to the overall population of Local Units is associated with some caveats owing to the exclusion of those Local Units on a trajectory of decline from samples used to generate these findings.

All findings were robust to the inclusion of unobserved trends at the sector and local authority level.

Table A.12 Regression test results for pre-treatment effects, PSM and CEM samples

	Fixed effects	Time specific shocks	Sector and local trends	PSM sample only	CEM sample
Period	Employment	Turnover	Turnover per worker	Employment	Turnover
Employment (% effect)	Yes	Yes	No	0.0095***	0.0091***
	Yes	Yes	Yes	0.0092***	0.0087***
Turnover (% effect)	Yes	Yes	No	-0.0847***	-0.0745***
	Yes	Yes	Yes	-0.0758***	-0.0713***
Turnover per worker (% effect)	Yes	Yes	No	-0.0926***	-0.0917***
	Yes	Yes	Yes	-0.0951***	-0.0885***

Source: Business Structure Database (ONS), Ipsos analysis. ***, **, and * indicate if differences between samples are significant at the 99, 95 or 90 percent level of confidence.

A.3.8 Enterprise level findings

The results described above in relation to turnover may be impacted by the apportioning process as turnover data is only available at the enterprise level in the BSD. To check these findings, the analysis above was repeated with Local Units aggregated to the enterprise level (with the treatment variable defined in terms of the cumulative number of grants awarded).

Propensity Score Matching was again used to balance firms awarded grants with firms that were not awarded grants using a similar approach although location characteristics were omitted as many firms operated from multiple locations. The application of statistical matching was largely successful in removing statistically significant differences in the characteristics of enterprises awarded grants and those not awarded grants.

Table A.13 Enterprise level PSM matched and unmatched samples

	Unmatched sample		**Matched sample (PSM)**		
Variable	Firms awarded grants	Comparison Group	Firms Awarded Grants	Comparison Group	Bias reduction (%)
Employment (2016)	67.63	49.66	66.28	60.98	70.50
Employment (2017)	66.18	45.74	64.85	59.66	74.61
Employment (2018)	63.97	44.15	62.69	57.67	74.69
Employment (2019)	61.76	56.82	60.52	55.68	2.03 (*)
Employment (2020)	59.60	56.45	58.40	53.73	-48.28 (*)

Turnover (2016) £000s	6039.36	10416.09	5918.57	6687.99	82.42
Turnover (2017) £000s	5967.59	9088.18	5848.24	6608.51	75.64 (*)
Turnover (2018) £000s	5796.04	9572.60	5680.12	6418.53	80.45
Turnover (2019) £000s	5546.33	12627.52	5435.40	6142.00	90.02
Turnover (2020) £000s	5323.78	18929.53	5217.31	5895.56	95.01
Turnover per worker (2016) £000s	101.80	156.97	99.76	108.74	83.73
Turnover per worker (2017) £000s	102.25	151.54	100.20	109.22	81.70
Turnover per worker (2018) £000s	103.81	160.08	101.74	110.89	83.73
Turnover per worker (2019) £000s	101.09	178.28	99.07	107.99	88.45
Turnover per worker (2020) £000s	100.30	170.05	98.29	107.14	87.32
Sector - Consumer Facing Services %	0.80	0.32	0.79	0.77	95.83
Sector - Production %	0.05	0.19	0.06	0.08	85.71
Sector - Other Services %	0.10	0.40	0.10	0.10	99.00
Sector - Public Services %	0.04	0.08	0.04	0.05	75.11

Source: Business Structure Database (ONS), Ipsos analysis. ***, **, and * indicate if differences between samples are significant at the 99, 95 or 90 percent level of confidence.

Following the matching process, regression models were estimated using the specification set out in the preceding section to explore the impact of grants awarded on turnover and turnover per worker. The result of this analysis is presented in the table below and did not indicate that grants had a significant impact on turnover at the overall enterprise level. This indicates that the negative effects of the programme on Local Unit turnover may be an artefact of the apportionment process rather than a real effect of the grant.

Table A.14 Estimated impact of Cohort Two grants on turnover at the enterprise level

	Fixed effects	Time specific shocks	Sector and local trends	Coefficient
Turnover (% effect)	Yes	No	No	-0.0035
	Yes	Yes	No	-0.0027
	Yes	Yes	Yes	-0.0031
Turnover per worker (% effect)	Yes	No	No	-0.0173
	Yes	Yes	No	-0.0142
	Yes	Yes	Yes	-0.0119

Source: Business Structure Database (ONS), Ipsos analysis. ***, **, and * indicate if differences between samples are significant at the 99, 95 or 90 percent level of confidence.

A.3.9 Aggregation of impacts

The results presented here can be used to generate an estimate total impact of Cohort Two grants on the number of workplaces and jobs safeguarded through branch survival.

Total number of workplaces and jobs safeguarded via branch survival

The findings have been used to provide an indicative estimate of the impact of the programme on registered businesses:

- Using the estimated 700,000 registered businesses that benefitted from the Local Authority COVID-19 Business Support Grant Schemes, it was estimated that an additional 3 percent of these may have closed in the absence of the programme. As such, it is estimated that the programme prevented the closure of some 21,000 workplaces by 2022 (i.e. 700,000 x 0.03).

- Registered businesses awarded grants employed an average of 14.4 workers in 2019. Assuming those businesses avoiding closure had a similar profile to the overall population of businesses awarded grants, then it is estimated that these business survival impacts may have safeguarded around 307,000 direct jobs.

These findings should be treated with caution owing to substantial uncertainties regarding the number of businesses that benefitted from the programme, the degree to which the impacts of Cohort Two grants apply to beneficiaries of Cohort One schemes, and the extent to which the findings can be generalised to the wider population of firms awarded Cohort Two grants). These findings also only relate to registered businesses - the survival rates of unregistered businesses were not available in the data used for the study.

Total direct impacts on surviving businesses

The results indicated that Cohort Two grants had a positive ongoing effect on employment levels of 0.9 percent using the most robust model (with a range between 0.9 and 1 percent across all models). This effect was relatively small in absolute terms - the average employment of registered businesses was 15.3 in 2019, so the average number of jobs safeguarded per grant is estimated at 0.14 workers per surviving branch site receiving grants.

Using these results, an indicative estimate of the impact of the programme on surviving registered businesses was calculated:

- The grants helped preserve an average of 0.14 jobs in Local Units awarded grants that survived the period. Applying this result to the estimated number of Local Units that survived to 2022 (662,500[28]) and excluding those whose failure was avoided as a result of the programme (21,000), it is estimated that the grants safeguarded a further 90,000 direct jobs.

- It appears that these positive economic impacts have come at the expense of some productivity costs resulting from the preservation of less productive operations. However, these cannot be reliably quantified due to the absence of data on turnover at a plant level.

As with estimates above, these findings should be treated as indicative owing to substantial uncertainties regarding the number of businesses that benefitted from the programme and the degree to which the impacts of Cohort Two grants apply to beneficiaries of Cohort One schemes. Again, these findings also only relate to registered businesses.

A.4 Spatial analysis

The final set of analyses extended the focus from individual firms to aggregate effects at the local authority level. The objective of these analyses was to understand the net local impacts of the programme on employment, business survival and the labour market (allowing for possible adaptive mechanisms - for example, workers that would have been displaced in the absence of the programme may have otherwise found alternative employment, limiting the overall increase in unemployment).

These analyses were undertaken by examining the relationship between overall employment, workplace counts, unemployment, and economic inactivity rates and the volume or value of grants awarded to businesses - normalised for the number of workplaces within the boundaries of each local authority.

A.4.1 Data

Volume of grants awarded per workplace

Estimates of the number of grants awarded per workplace were derived from monitoring information published by DBT on the number of grants awarded by local authorities through each scheme.

Published monitoring information did not provide a breakdown of grants awarded over time for each scheme, so an assumption was made that grants were distributed uniformly over time in each area for the duration over which each Scheme was in operation. This assumption may not hold in practice - data published as part of the NAO investigation into schemes highlighted that most Cohort One grants were awarded within four weeks of scheme launch (except the distribution of grants under later schemes may have been closer to uniform over time, as they involved regular payments over the periods in which restrictions were in operation). However, the findings are not sensitive to this assumption.

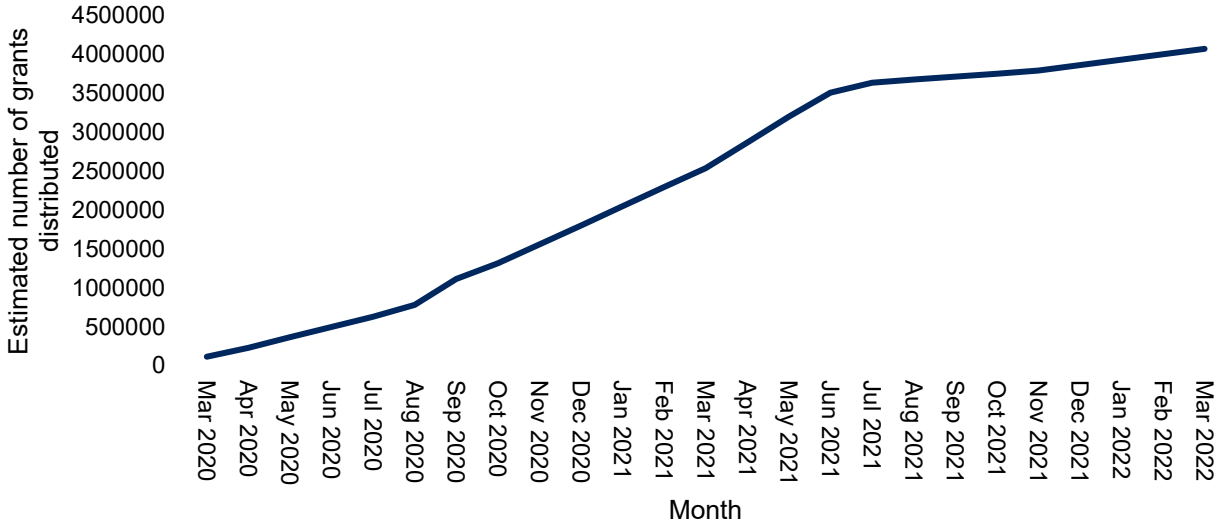
For those outcomes for which annual data is available (employment and number of workplaces), grant spending was considered over annual periods where the speed of distribution is less of a relevant factor. In the case of outcomes where quarterly data, issues principally relate to Cohort One schemes (OHLG was delivered within a single quarter) where the assumed time profile of grant distribution implies that approximately 50 percent of grants were delivered between April and June 2020, and 50 percent delivered between July and September 2020. However, reproducing the findings under the assumption that 90 percent were delivered by the end of June 2020 and 10 percent in the following quarter produced close to identical estimates.

[28] I.e. 700,000 x (1 - 0.054)

Several local authorities were excluded from the analysis where it was not possible to establish a consistent time series of grants awarded. Firstly, the Greater Manchester, South Yorkshire and Liverpool City Regions assumed responsibility for distributing the Additional Restrictions Grant (rather than the district authorities). Secondly, while North and West Northamptonshire unitary authorities were responsible for delivering Cohort One schemes, Cohort Two schemes were delivered by the relevant district authorities.

The estimated cumulative number grants awarded to businesses (by month) under these assumptions is illustrated in the following figure. The time profile of the implied scale of intervention varies across the two approaches as the average value of grants awarded through Cohort One was larger than for later schemes. The relative quantum of 'dose' associated with the programme was stronger between March 2020 and September 2020 than between October 2020 and March 2022 for models based on the value of grants (and vice versa for models based on the number of grants).

Figure A.9: Estimated cumulative number of grants awarded by month



Source: DBT (2023), Ipsos analysis.

Local outcomes

Information on economic outcomes were taken from the following sources (obtained from NOMIS):

- **Annual Population Survey:** Quarterly data at a local authority level between December 2016 and December 2022 was taken from Annual Population Survey, which provided estimates of the number of working age individuals in ILO unemployment (defined as individuals out of work, looking for work, and ready to start work in the next four weeks) and the number of working age individuals classed as economically inactive. The quarterly data provides estimates of the average number of individuals that were unemployed or economically inactive over the preceding four quarters (so the adverse impacts of the COVID-19 pandemic will have taken time to feed through into these figures).

- **UK Business Counts:** Annual data on the number of workplaces in each local authority between 2016 and 2022 was derived from the Interdepartmental Business Register. This provided a snapshot of the number of businesses in each area in March of each financial year.

- **Business Register Employment Survey:** Information on the total number of jobs in each local area was taken from the Business Register Employment Survey (BRES) between 2016 and 2021 (so did not capture the effects of the programme after withdrawal of restrictions). This information provided estimates of the average number of workers in employment over the course of the year.

A.4.2 Econometric model

The following econometric model was used to estimate the effects of the Local Authority COVID-19 Business Support Grant Schemes programme at the local authority level:

$$y_{it} = \alpha + \beta CGW_{it} + \alpha^i + \alpha^t + \gamma \cdot t :: LA_i + u_{it}$$

This model explains outcomes (e.g. unemployment, employment) in local authority i in period t (y_{it}) as a function the cumulative number or value of grants awarded to businesses per workplace (CGW_{it}). The parameter β provides an estimate of the effects of interest.

These analyses are intended to exploit variation across local authorities in terms of how far the share of the eligible population of firms that were allocated grants. Most of the parameters of schemes were centrally defined (including eligibility criteria and the value of grants available). However, there was some level of variation in the share of the eligible population of businesses that received grants – and the underlying assumption is that the effects of the programme will have been larger in those areas where a greater share of the eligible population received funding (i.e. a dose-response relationship).

This will produce an unbiased estimate of the impacts of the programme if the number of grants awarded per eligible business by the local authority in distributing funding is unlinked to the underlying economic prospects of the area. For example, local authorities with less extensive capabilities or resources to administer grant funding schemes may have been less able to engage the eligible business populations. If these capabilities are uncorrelated with the economic prospects of the area (and were the sole driver of local variation) then this approach would give a reasonable approximation of the area level effects of the programme. However, there are challenges associated with this approach:

Estimates of the size of the eligible business were only published for the Cohort One schemes. This has been used as a proxy for the number of eligible businesses for Cohort Two schemes, though the eligibility criteria for later schemes were more restrictive and excluded a wide range of businesses that may have been eligible for Cohort One grants.

A second set of results were also derived based on the number and value of grants awarded per workplace in the local authority. These results could potentially be distorted as the number of grants per workplace will be linked to the severity of the adverse effects of the COVID-19 pandemic (as well as the effectiveness of the local authority in distributing grants). It might be anticipated that local authorities facing more severe local impacts will have distributed greater volumes of grants and if so, results based on this metric will understate the protective effects of the programme.

The following steps were also taken to increase the robustness of the findings:

- Local impacts were estimated using 'two-way' fixed effects models using quarterly data from 2016 to 2022. These models control for any unobserved differences between local authority areas that do not change over time that could bias findings (α^i). This would include structural aspects of the local economy that would determine their level of exposure to the COVID-19 pandemic (e.g. density of the local hospitality industry) or fixed institutional features of the local authority that may influence local growth prospects.

- The modelling also allowed for unobserved but time specific shocks affecting all areas (α^t). These were intended to capture the nationwide impact of the COVID-19 pandemic across the key outcomes of interest – with the models intended to capture the effect of grants awarded over and above these generalised shocks. It should be noted that this will not account for differential shocks produced by the regional tiering system in operation between July 2020 and December 2020.

- The models also allowed for unobserved trends at the local level ($t :: LA_i$). This will account for any long-term structural changes in the local economy that preceded the COVID-19 pandemic.

However, it was not possible to control for all confounding factors owing to the universality of the programme across England and this could produce some distortions in the results and the findings should be considered indicative. Additionally, while the CJRS and other support schemes were available on a universal basis, it is possible that take-up of these schemes was positively or negatively correlated with take-up of the Local Authority COVID-19 Business Support Grant Schemes programme. If so, it is possible that some of the impacts outlined below may be attributable in part to the availability of these parallel schemes.

A.4.3 Results

The results of the two sets of models are set out in the table below. The coefficients associated with the two models approaches cannot be directly compared(as they are based on different business population bases. However, the implied total percentage effect is provided in parentheses below the coefficient, which can be compared across approaches. This is calculated by multiplying the exponent of the coefficient by the average number or value of grants awarded per workplace across local authority areas). Statistically insignificant values are interpreted as no effect.

Table A.15: Estimated impacts of the Local Authority COVID-19 Business Support Grants Schemes programme at the local authority level

Outcome (period covered in parentheses)	Model 1: Estimated effect (coefficient) per grant per eligible workplace	Model 2: Estimated effect (coefficient) per grant per workplace
Employment, 2020 to 2021	**-0.0047** **(No effect)**	**0.0082 **** **(1.0%)**
2020 only	-0.0042 (No effect)	-0.0125 (No effect)
2021 only	0.0038 (No effect)	0.0069 * (1.0%)
Number of workplaces	**-0.0050** **(No effect)**	**0.0171 ***** **(2.1%)**
2020 only	-0.0042 (No effect)	0.0123 (No effect)
2021 only	-0.0038 (No effect)	0.0166 *** (2.5%)
Number of ILO unemployed residents aged 16 to 64	**-0.0950 ***** **(-27.1%)**	**-0.0556 ***** **(-7.1%)**
2020 only	0.106 (No effect)	0.0128 (No effect)
2021 only	0.0596 ** (-22.53%)	-0.0445 * (-6.46%)

2022 only	0.0532 ** (-23.92%)	-0.0051 (No effect)
Number of economically inactive residents aged 16 to 64	**-0.0051** **(No effect)**	**0.0103** **(No effect)**
	0.0063 (No effect)	0.0002 (No effect)
	-0.0052 (No effect)	0.0096 (No effect)
	-0.0100 (No effect)	0.0156 (No effect)

Source: Business Structure Database (ONS), Ipsos analysis. ***, **, and * indicate if differences between samples are significant at the 99, 95 or 90 percent level of confidence.

A.4.4 Aggregate outcomes

Estimates of the aggregate outcomes of the programme were produced by multiplying the estimated effect of the programme by (a) the average number of cumulative grants awarded over the period of interest and (b) the number of local authorities in England (315), and (c) the mean value of the outcome across local authorities in the period of interest. The following table illustrates these calculations. This aggregation assumes that the estimated effects of the programme can be generalised to the areas that were excluded from the analysis.

Table A.15: Estimates of aggregate effects on employment, unemployment and the number of workplaces, 2020 to 2022

Outcome (period covered in parentheses)	Model 1: Estimated effect (coefficient) per grant per eligible workplace	Model 2: Estimated effect (coefficient) per grant per workplace
Employment		
Coefficient estimate	-0.0047	0.0082 **
Estimated % effect per grant per workplace[29]	-	0.82%
Average number of grants per workplace per LA end of 2021	-	1.21
Average number of jobs per LA, 2020 to 2021	-	86,082
Estimated total number of jobs created or safeguarded	**0**	**270,148**

[29] The econometric models had a semi-log specification. The estimated percentage effect was derived by taking the exponent of the coefficient and subtracting 1.

Workplaces		
Coefficient estimate	-0.0050	0.0171 ***
Estimated % effect per grant per workplace	-	1.72%
Average number of grants per workplace per LA end of 2021	-	1.21
Average number of workplaces per LA, 2020 to 2021	-	8,979
Estimated total number of workplace closures avoided	**0**	**58,995**
ILO unemployment		
Coefficient estimate	-0.0950 ***	-0.0556 ***
Estimated % effect per grant per workplace	8.65%	-5.41%
Average number of grants per workplace per LA end of 2022	3.13	1.32
Average number of ILO unemployed residents per LA, 2020 to 2022	5,044	5,044
Estimated total reduction in ILO unemployed residents	**430,181**	**111,361**

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