

## UK COVID-19 INQUIRY

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### WITNESS STATEMENT OF CRAIG BEAUMONT OBE

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In relation to the issues raised by the Rule 9 request in connection with Module 9, I, Craig Beaumont, will say as follows:

1. My name is Craig Beaumont, and I work currently as the Executive Director at the Federation of Small Businesses. I submit this witness statement to cover the individual questions and issues raised within the COVID-19 Inquiry (M9/R9R/FSF). I have included those questions and issues raised, for transparency reasons, as headings to each section - as to do otherwise would not provide a complete picture to core participants and others reading this statement. I have previously worked at the Association of Train Operating Companies, at the London Organising Committee of the Olympic Games and Paralympic Games, at Visit London, VisitBritain and the English Tourism Council, at the Association of Consulting Engineers and at 10 Downing Street.

#### A brief overview of FSB and its work re the economy outside of a time of national emergency

2. The National Federation of Self Employed and Small Businesses Limited (Company number 01263540), operating as the Federation of Small Businesses (FSB), was founded in 1974 - and so has just marked 50 years as the UK's grassroots business organisation.
3. FSB has around 150,000 members, all of whom are individual people – small business owners, self-employed, or company directors. FSB is a direct member organisation, set up much like a trade union - rather than a corporate business

organisation where members are companies or businesses. FSB is the UK's largest business group, as other bodies make up their numbers indirectly, or are professional associations.

4. At its core, FSB's primary purpose is to be the **voice of the UK's small business and self-employed community to those in power** – informing those making decisions of the needs of the community. FSB was founded in 1974 at a time when big businesses (individually – and collectively through organisations like the CBI) had sway with decision-makers; as did trade unions. Those who were small businesses, or self-employed, did not feel represented – and so FSB was born. Secondly, FSB grew over time to **provide a small set of business services to its members**, leveraging its growth in scale to negotiate and provide services designed to cater for smaller businesses - for example, a 24/7 Legal and Employment Advice Helpline; a Debt Recovery service to chase up late payments; affordable insurance services; and centrally provided resources such as small business training modules and template contracts. Third and finally, **through its local/field network, FSB connects small businesses within their local area and across the regions** for networking through local, in-person and online events, as well as local representation. FSB membership at the outset of COVID started at £147 pa to the small business owner, with a £30 joining fee; this provides access to the member services and local networks above, which are mainly free to use – but that annual fee also support FSB's core original mission to be the voice of the whole community to those in power.
5. Through all the above, FSB is member-led, not member-run - with an expert staff team:
  - a. FSB members that contribute more than their membership fees become FSB 'volunteers', elected or appointed to senior positions – including FSB's Board of Directors who are also not employed. The Board of Directors are published online on FSB's website.
  - b. FSB's staff team across the UK consists of c200 people who work to an FSB Chief Executive and Senior Management Team, and of these around 25 people work in the Westminster office team to advocate on behalf of our community for the UK, and for England.
6. The fact that membership is for the small business owner at the heart of any business rather than the business (in fact he or she could own a number of different

businesses) makes the member relationship with FSB a close, authentic and personal one. FSB operates a contact centre at our Headquarters near Blackpool, and frequently surveys our membership (through the market-leading independent research agency Verve) to provide the evidence for our policy work that then underpins our official, political and media activity. Members cease to be eligible when they are no longer small business owners, normally if they sell or otherwise exit their business/es; the same for volunteers who must keep running their businesses to remain eligible. This brings them a high level of direct legitimacy drawn from their fellow members - when they are in meetings with senior Ministers, representing all small business owners who otherwise would not have a voice (crowded out by big business voices) they are facing the same/similar local everyday issues.

7. Our members are in every local community, every region, and every sector – we are a ‘horizontal’ organisation, across the whole economy, looking after all SMEs but focused particularly on small/micro-businesses and self-employed/sole traders/owner-managed companies. Our proportions of FSB membership/those who take our surveys broadly match the proportions of businesses across individual (‘vertical’) sectors in the economy. Our horizontal nature means that FSB often focuses in on issues that are cross-sector; COVID was a cross-sector issue in many (but not all) regards. FSB works with strong and effective sector bodies where they look after small businesses (rather than just that sector’s large incumbents).
8. FSB’s c200 employees are based at: our HQ in Blackpool; our Westminster office; our Glasgow, Cardiff and Belfast offices; and local home-based field staff across the country in every nation and region. FSB is an SME itself, but having grown over the years we are now adding in corporate-style internal policies, systems and approaches as we modernise the organisation ready for its next fifty years.
9. FSB’s values in the advocacy work we do (adhered to by whoever undertakes it – staff or volunteers) are for us, or what we recommend in public policy, to be:
  - a. **Cross-party** - a non-partisan approach to policy and campaigning, this protects FSB’s independence and our ability to work with any party in power (or potentially may be in power, later)
  - b. **Achievable** - our recommendations for public policy decision-making must be realistic, practical, underpinned by policy evidence and a positive solution/call

to action; not simply a negative complaint. There must also be serious thought and political judgement applied

- c. **Member-led** - our member-led ethos means we bring our small business owners' entrepreneurial culture into how we run the organisation, and how we lobby
- d. **Devolution-sensitive** - respecting the UK's political settlement, this enables FSB at nation, region and local level to engage authentically with decision-makers wherever they are – each decision-maker will have a relevant part of FSB near to them, that leads
- e. **Consistent/respectful** – while we remain “One FSB”, i.e. we are one organisation whoever anyone talks to - messages can of course flex to match local needs; but it's important that one part or region of FSB does not undermine another to push its case – the case for change should stand on its own without punching down on someone else
- f. **Diverse and inclusive** – it's important that we represent the full breadth of our community, including young people in business, disabled entrepreneurs, women in business, LGBT+ entrepreneurship and those from lower socio-economic backgrounds

10. As FSB's Executive Director, I lead the staff team in FSB's Westminster office, as FSB's voice at both UK and England level - numbering c25 FTE roles and the following functional teams: *Policy, Government Affairs, Media & Communications, International Affairs, and Administration* (which includes PA support to our volunteer leadership). Our office is at 10 Dean Farrar Street, Westminster, London, SW1H 0DX. I have worked for FSB since 2013, as its Head of Public Affairs & EU; then as Head of External Affairs (UK), Chief of External Affairs and now Executive Director.

A brief overview of the work FSB engaged in or facilitated to inform the government's economic response to the pandemic between 1 January 2020 and 28 June 2022, and ways in which FSB facilitated communication between Governments and small businesses/the self-employed.

11. FSB was set up as the guardian of the small business and self-employed community, and so the advent of COVID-19 meant FSB had to change its own operations – however the cause remained central, as our community was deeply affected and needed help.

12. In many ways, for those of us working in FSB, we saw the organisation almost come into its own through the pandemic, as our mission became highly relevant to the new situation we, our members, and our community faced. You can map this as per Paragraph 3 above, on the three elements of what we are here for: 1) to represent our community to those in power to get changes that help; 2) to provide direct help through services (and/or raise awareness and signpost online – and to use our high profile in the media to support 1. and 2.); and 3) to connect members and non-members locally so that small business owners do not feel isolated and alone. As an organisation this meant driving our work hard in two directions:

- a. Firstly, to inform Government about the impact of COVID, receiving input from our members directly on a case-by-case basis, as well as through evidence gathered from surveys and qualitative evidence, intelligence and other input from individual small business owners and FSB volunteer members expert in their field. Ad hoc initiatives also includes an FSB email reach-out on COVID gaps in support in March/April 2020; which was an early part of pushing for support, guidance, and to address gaps.
- b. Secondly, using our high profile and trusted brand, to turn our services to face COVID and show how they can help. But also to use our website, with its high traffic, to share and interpret guidance and information with our community - translating thickets of guidance written by public sector civil servants, and announcements in press conferences, into small-business-friendly information and communications.

13. Organisationally, the shift to working from home at the first lockdown was fast and we supported our office-based teams in Blackpool, Westminster, Glasgow, Cardiff and Belfast in the shift to home-based working. Due to our large home-based field staff team, as an organisation it meant FSB already had a lot of experience in this, internally within that team and also within HR, who quickly shared guidance and provided support such as purchasing ergonomic chairs for delivery to team members' homes, along with other adaptive technology, and couriering equipment for those who had not picked up their laptop, docking station, mouse and screen for home. As a multi-sited business, we already had video conferencing but during the pandemic upgraded this significantly to a Microsoft Teams-based IT system which enabled much better quality and easier video conferencing for meetings. We quickly rolled out specific technology systems for our member-facing Contact Centre and focused on making sure our members felt we were with them at such an isolating, frightening

moment. We also immediately froze our membership fee (at £147 at entry level) which stayed in place through 2020, 2021 and 2022 (despite inflation) until 2023. We also removed the £30 joining fee.

14. While there were other organisations deciding what they might do around COVID, FSB's connection to the 'grassroots' meant we were very close to what was happening on the ground. Our access to small businesses meant we were able to gather information as to the effect of COVID and lockdown on their operations and viability, even within a very rapid policy-making environment where other traditional information gathering was too slow. Our long-built up expertise meant that we could both advocate for those affected and find out views from those we represent such as on what schemes were needed, how they were going/whether they were working, and come up with deliverable suggestions on how to improve them that would have the greatest impact on small firms' bottom lines and therefore their survival.
15. In broad terms, FSB's signature moments to influence UK Government decision-making on economic issues is built on an existing approach/architecture:
  - a. In the run-up to major Fiscal/economic moments and setpiece events such as the King's Speech;
  - b. Into official submission processes for those, and for other official Government consultations for legislation or other decisions;
  - c. At meetings or calls with Ministers at all levels, such as the Chancellor before each major fiscal/economic moment;
  - d. Through the 'B5'<sup>1</sup> architecture used in different parts of Government
  - e. Through meetings, calls or emails with officials in different Government departments;
  - f. Through campaigning in the press, broadcast and online – normally centred around flagship published policy reports, of around 8 per year; and
  - g. As an independent, cross-party campaigner informing MPs and Peers of all parties in Parliament, at Party Conferences and during election campaigns.

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<sup>1</sup> The B5 is shorthand for when the UK's largest business groups work together. Set up by the five organisations, this originated from weekly audiences in the Theresa May Government with Business Secretary Rt Hon Greg Clark MP, and has evolved since. The five represent the main different audiences within the economy: FSB for small businesses and the self-employed; CBI for large businesses and corporate Britain/UK PLC; British Chambers of Commerce for medium-sized firms with some SMEs at the bottom and some larger firms at the top (and so overlaps a little with FSB and CBI at either end); Make UK for manufacturing employers; and the Institute of Directors for company directors.

16. As the severity of the COVID-19 pandemic became clear and lockdowns became very likely, FSB's drive at the outset was to underpin restrictions (or discouragement from trading) with business support. The overall drive at the outset was to focus in on securing the most appropriate financial support, and clarity around regulations and restrictions – not on *whether* restrictions were correct. I defined our golden rule on financial support that it should “**be as generous as possible** [in the amount of £ support per business], **help as many small businesses as possible** [in the number eligible and reached], and **delivered as swift as possible** [£ in the business's bank account].” This is not the usual approach to policy, and does represent trade-offs that aren't usually considered - if financial support ended up being small amounts for a typical business; OR if by eligibility/reach restrictions the number of businesses able to access the help was narrow; OR if the scheme was brilliantly designed, consulted on but delivered in a year's time – that would have been a partial or total failure and we would likely see massive business failure, and economic collapse. The mantra I used at that time was “**we just have to save as many businesses as we can.**”
17. From the start, there was a perceived gap between Government announcing business restrictions and economic support to help face them. Over time, partly I think due to our campaigning, with each announcement, that gap narrowed.
18. The vast majority of support schemes from the outset were UK-wide, which meant that our UK/Westminster office led our evidence gathering and decision-making – but of course involving colleagues in the three devolved nations, and field staff in the nine FSB England regions. The first lockdown was also effectively UK-wide. We will come on to the individual schemes later, but the benefit to UK-wide economic support schemes as a whole was that levers could be created centrally, and pulled quickly, as long as political leaders would move to drive and officials/agencies would move to deliver. There was more scope for rapid decisions and delivery at the centre of Government, involving UK-wide bodies like No.10, HM Treasury (HMT), HMRC, and to some degree other Departments such as the then Department for Business, Energy and the Industrial Strategy (BEIS), and the British Business Bank, who were motivated to move fast and deliver where they had powers. By contrast, schemes that would require decisions and consultations at local level would take much longer to come on-stream.

19. FSB has taken some level of pride in how we campaigned for the creation of economic support schemes. They were never going to protect all businesses from harm and closure, however the support was significant and thousands of businesses were saved. Over the whole period, our community contracted by 10%; the Government's annual Business Population Estimates show that the community had grown sustainably most years since 2000, and had reached c6 million small businesses in the year before COVID. It then contracted to c5.5 million over the two years of the pandemic. The c500,000 or 10% dip masks that more businesses will have been lost than that, as these figures include start-ups which will offset exits – leaving a net loss figure of c500,000, or -10%.
20. While that figure is high, at FSB I advised the Board on the little information available at the time that we were operating on a likely contraction range of our community from a best case scenario of c5%, to a worst case scenario of c20% - and therefore a central scenario of c10%. FSB itself operationally considered this in its own business, as FSB's income stems primarily from annual member subscriptions. So a contraction of the community we recruit from could well also lead to a dip in present and future membership income to support the organisation. In the end, we did see an 'instant' impact at the start of lockdown, due in part to restrictions on our recruitment efforts (limiting 1-2-1 in-person contact), but also we found businesses acting in shock and cancelling all their direct debits in their account for safety – including if there was an annual membership subscription (£147) to FSB. In fact, later on our membership was buoyant, due to a combination of FSB's higher profile and relevance due to COVID; this buttressed interest in FSB services and how it could help – alongside some local authority purchases of FSB memberships to be distributed to support local businesses.
21. The chopping and changing of policy and business support over the pandemic was a huge challenge for FSB, let alone the small businesses it was aimed at. This was I would say primarily due to an unprecedented pandemic, rather than deficiencies in policy-making processes. However, there was a failure to anticipate/accept, when considering policy decisions and policy design, what eventual political decisions were likely to be when it came to restrictions. This was true both on a political decision-making level as well as from officials. Restrictions tended to be more severe than at least some involved in making economic support decisions were planning, which then would negatively impact the time available to design support appropriate to the restrictions. There was also a gap in public health decision-making balanced

between perceived economic/employment/business/well-being and a strong/purist drive to make every moment, place and interaction Covid-free with risk driven to zero. The latter meant less thought as to the economic and wellbeing impact of those decisions. We saw this in a few places:

- a. Firstly, when policy was informed/driven within Government by a focus on the 'R' rate of transmission; the contributions to the 'R' by different Non-Pharmaceutical Interventions estimated in documents to Sage showed that some of the interventions that stopped or chilled business operations were estimated as low contributors to the 'R'. We saw no evidence at the time that this was considered, as decisions were taken.
- b. Secondly, we had to push for certain sensible changes to policy such as allowing pubs to serve take-away pints, which had been stalled within decision-making that seemed dominated by the Department of Health (DoH) without thought for broader impacts that Departments such as BEIS should have been pressing on.
- c. Thirdly, the broad impact on other elements - the wellbeing and health of people locked at home; being made unemployed; being isolated with or without family; having to balance intense home-schooling with work; the impact on young people re at-school education, social interactions and lack of ability to mix through school up into college and university - did not feel, based on public pronouncements, like it was given much weight in decision-making early on in the pandemic - dominated as it was by the DoH and focused on the immediate problem in front of them – COVID transmission. While understandable, the risks that were less visible such as those listed here would later on get a higher profile – but the Inquiry I hope does explore if they were part of decision-making at all in the early stages, by relevant Departments (BEIS, the Department for Education (DfE), and the Department for Work & Pensions ((DWP)). Later on, this was addressed in COVID press conferences.
- d. Fourthly, during Omicron when there were decisions to be made on the length of self-isolation after catching COVID, the official Centre for Disease Control in the US agreed on a 5-day period - and if asymptomatic (i.e. no fever) to follow this with 5 days of mask-wearing when around others. Meanwhile, despite a very similar situation (same variant, similar populations/businesses/economies/culture), the UK Health Security Agency (UKHSA) decided on a 10-day period. The discrepancy here was

unexplained, and for the first time FSB campaigned for the chief scientific and medical advisors to analyse the US example and respond - and as long as there were no specific health grounds, to align the UK to be closer to the US due to the benefits to work and the economy. UKHSA published a blog turning this down, but eventually did shorten the period to 7 days with 2 Lateral Flow COVID tests; and later again to 5 days on the same basis. The initial judgement by the DoH and UKHSA being so far in excess of US authorities was never explained, and it would be helpful re public policy decision-making during COVID for the Inquiry to work out the pressures at play and how to avoid this in a future pandemic, by agreeing the right decision-making architecture.

22. FSB was involved in discussions in advance of both economic support announcements and safe working guidance announcements. This was feeding in the experience, capacity and likely reaction of small businesses on the ground, and campaigning for what we thought was needed. This did not normally involve seeing privileged or confidential information, but the atmosphere was broadly collegiate and the doors were clearly open to our views. This meant there was the opportunity for us to share feedback from small businesses on the ground, put forward our policy recommendations, and then for officials to work up options/proposals to take to Ministers. Even when there were gaps in support, we were still heard and indeed made some progress on some of the gaps – in a linear way, we got schemes adapted (eg to include the newly self-employed) or new initiatives introduced (eg a sick pay rebate) or additional programmes on top of those that weren't quite working for our community (eg Bounce Back Loans after CBILS). Even where we did not eventually succeed, on income support for ltd companies and directors, officials seemed genuinely open to discussions and listening to our concerns and indeed to our attempt in that area to design the full policy, outside of Government, and present it back to them.

23. In broad terms, the economic support package that was achieved was substantial and there needs to be credit for that to Ministers, and to FSB and business organisations that engaged, as the result is help for hundreds of thousands of businesses right across the small business community. These figures below were collated by FSB as a snapshot based on internal and external data, drawn from sources that are no longer live and were often corrected and so cannot be relied upon as full and final. In line with difficulties around facing a huge crisis that interrupts

the normal collation, this is therefore a rough and best-available-estimate setting out an approximate scale of how many of our community received help, and the costs involved – grants are listed first, and loans/delays second:

- a. 999,735 SMEs received one-off cash grants of £10k or £25k through a new Retail, Hospitality and Leisure Grant Fund - c£11.7bn (plus Barnett £3bn for devolveds)
- b. c2,000,000 SMEs received LRSG (Closed) Grants - £4.9bn, 204,500 SMEs received LRSG (Open) Grants - £205m
- c. 396,300 SMEs received Restart Grants - £3.0bn
- d. 751,000 SMEs received ARG Grants - £2.0bn
- e. 22,979 SMEs (pubs) received Xmas support grants - £23m
- f. 134,500 H&L SMEs received Omicron grants - £456m
- g. c500,000 RHL businesses received 100% business rates relief in yr 1, and 100%/66% in yr 2 - c£12bn for SMEs
- h. unknown – 2021 business rates relief fund for those outside of RHL, but didn't fall into the initial relief - £1.5bn for England, triggering £285m for Scotland, Wales and NI
- i. 8,000 Childcare nurseries received 100% business rates relief - £94 million
- j. 1.3 million (mainly) SME employers received furlough for their staff's wages - 80% of at peak 11.7 million employees' pay, then tapered - £70.0bn
- k. 10.4 million SEISS grants to 2.9 million self-employed; £9,700 average per person - £28.1bn:
  - i. 2.6 million self-employed - £7.6bn - 80% of 3-months self-employment income support - Tranche 1
  - ii. 2.4 million self-employed - £5.9bn - 70% of 3-months self-employment income support - Tranche 2
  - iii. 2.2 million self-employed - £6.2bn - 80% of 3-months self-employment income support - Tranche 3
  - iv. 2.0 million self-employed - £5.5bn - 80% of 3-months self-employment income support - Tranche 4
  - v. 1.26 million self-employed - £2.8bn – 80% of 3-months self-employment income support if reduction was >30%; OR 30% of 3-months self-employment income support if reduction was <30% - Final Tranche 5
- l. Unknown – small employer SSP rebates claimed

- m. Unknown - suspension of the Minimum Income Floor in Universal Credit, for the self-employed
- n. 78,116 restaurants/pubs/cafes claimed Eat Out To Help Out – 162 million meals - £849m
- o. 1,560,309 SMEs took out Bounce Back Loans of £2k-£50k (plus 107k top-ups @ £1bn) - £47.4 bn
- p. 109,877 SMEs took out CBILS loans - £26.4bn
- q. 1,140 businesses, caught in equity issues, took out Future Fund loans - £1.1bn – (464 of these converted into equity)
- r. 6,190 Businesses took out Recovery Loans - £1.1bn
- s. 599,500 (mainly SMEs) deferred their VAT payments - £33.5bn
- t. Unknown - Self-assessment tax deferred / Time To Pay agreements w/ HMRC

24. In terms of summarising FSB's own direct activity to support firms themselves, separate from our advocacy, the Westminster team kicked off one of the biggest campaigns we had ever undertaken – the “COVID-19: Supporting Small Businesses” campaign.

25. The campaign focused on providing resources, and simply stepping into the space so that individual small business owners, often alone and starting to tell their staff to stay home while they closed the business down, would feel someone in their corner looking after their interests and ready to help. At the very least, FSB was simply there with a human being at the end of a phone or email. Activities focused on grassroots engagement: our member helpline, hosting/sharing information online, via email or in webinars and creating online events for small business owners to come together:

- a. Our call centre took elevated calls and email levels from a standard daily rate of 200 calls and 100 emails, to 2x or 3x those levels - over 500 calls and 350 emails a day. Over the initial months of the pandemic we received 49,500 calls and emails.
- b. We set up a 'Coronavirus Hub' on our website instantly, which then became the 'go-to' page on the web to explain to small businesses what was happening and what they needed to know. This was the 'fast responder' to explain each announcement, press conference speech, initiative or guidance, in words that small business owners would understand. The hub was reviewed and refreshed constantly, sometimes 3x in a day, to keep pace with

the rapidly changing situation, and to make sure it was up-to-date with the very latest factual information. We used infographics and funding flow-charts to make it easy to navigate, with signage packs for small business owners to print out and put up in their premises. It showed a peak in traffic several times more than normal levels, reaching around 500,000 unique users at the peak of first lockdown. This grew to 750,000 in the first month, and over 1 million by the first three months. By the end of the first year of COVID, this drove our website to a record 4 million visits.

- c. We organised a series of events, delivered through an online platform, so that small business owners and the self-employed felt supported and not totally alone. We thought this was crucial to have, as if people were cooped up at home with their business falling apart, and were totally isolated, that would be the worst of all worlds. We moved before the pandemic from an average of 90 physical events per month for 1,000 small business owners, to an average of 150 virtual events reaching attendances of 4,500 – in the first six months of the pandemic we hosted 1,606 events with 48,898 small business owners registering to attend. In the second year of COVID, we organised even more – 2,000 events, to a similar number of participants – c50,000. (One webinar that I hosted in June 2022, when the daily press conferences were no longer on everyone’s TV screens, was a discussion with Professor Chris Whitty, Chief Medical Officer/UK Chief Medical Advisor, and Susan Hopkins of the UKHSA, to help engage small business owners with the issues at a time when “Next Slide Please” was no longer dominating news coverage - 600 small business owners watched it live (which is the highest for any webinar in 2021 or 2022) and 150 questions submitted from them is also incredibly high engagement. I had hosted another webinar with Baroness Dido Harding, who ran the government's Covid-19 test-and-trace programme, underlining the importance of free workplace testing availability for small businesses, in October 2020.
- d. Through our local field staff, we encouraged the take-up of local grants and support – campaigning to raise the profile of these opportunities locally before they were taken away. FSB was instrumental in driving up the 93.3% rate of small business grants being taken up, across England, with similar moves in Scotland, Wales and Northern Ireland.
- e. In an experiment, we created an ‘FSB COVID-19 Support group’ on Facebook to provide a new way for our members and others to connect, share and help

each other. While carefully moderated, this was mainly for FSB members to interact and support each other – and quickly grew to over 4,400 members.

- f. Local/regional and to some degree national advertising on TV, Radio and Out Of Home/billboards deteriorated quickly due to marketing budgets/spend being among the first spend to stop - the Mail and Metro group worked with FSB on a competition where thousands of small business owners could enter to win £3,000 of free press and online advertising, each – a competition in the end worth £5m of free advertising for c1,600 small businesses. In an innovation, FSB repurposed our normal annual online platform for our awards, turning it into the delivery mechanism for this scheme.
- g. Similarly, FSB had never, since its inception in 1974, advertised on radio or television. During the pandemic we had upped our online campaigning so that the c6 million UK small business owners, a disparate fragmented group of people and hard to reach, would know FSB was there for them. But we knew we could do more, and after I discussed this with our CEO, I spoke to officials at the then Department for Digital, Culture, Media and Sport (DCMS) about us being able to advertise on local radio. DCMS was keen, and on their recommendation we worked with Radiocentre, the quasi-regulator and association for local radio advertising, to see if we could indeed create a set of FSB local radio adverts. Unknown to us beforehand, DCMS and Radiocentre were concerned about the viability of local radio stations - which meant our idea was met with open arms. So FSB created local radio adverts, together with useful advice/tips on content from Radiocentre, and invested in a deal with Bauer Media on a cross-UK deal to broadcast across all local radio stations, highlighting our online COVID hub and events. I'm proud of this change – it might seem small, but it contributed to local radio and is the sort of innovation you can get when the right officials and/or Ministers in a Department sees an opportunity and moves.
- h. Each of FSB's services/benefits for members considered how to help with COVID-19:
  - i. One of the stand-outs was 'FSB Care', our health line for members to contact and speak to a nurse or other practitioner about any health issues. As well as physical this also covers mental health – making it a vital extra benefit and person to talk to, at a time when public health services were under pressure and focusing on the COVID emergency.
  - ii. Another was FSB's most-used member benefit, our 24-7 legal advice and employment helpline, which received 147,000 calls. 45,000

members used our Legal Hub to get help, downloading 280,000 documents, templates, contracts and guides.

- iii. Similarly, as insurance providers increased costs in response to perceived risk, and also declined to pay out on cases of Business Interruption insurance, FSB insurance worked the market to find proper small business friendly products and assistance

The usual nature of the relationship between FSB and Governments on economic issues, and how that changed during the pandemic

26. FSB is cross-party and independent, and works with all major political parties. Before an election this means considerable work with all parties but also candidates in all constituencies – and afterwards, with all elected MPs, and indeed Peers, in the UK Parliament. In particular, FSB works with any Government that emerges. This approach, led by FSB for the UK and for England, in Westminster is mirrored by FSB Scotland in Glasgow re the Scottish Parliament and Government; FSB Wales in Cardiff re the Senedd and Welsh Government; and FSB Northern Ireland in Belfast re the Northern Ireland Assembly and Executive. The International team within FSB Westminster also liaises in bi-laterals with counterparts and official representatives in major economies such as the USA, and blocs/global institutions including the European Union (EU), World Trade Organisation (WTO) and the Organization for Economic Co-operation and Development (OECD). In COVID the International team focused in on talking to our sister organisations and how they were faring, such as through our EU-related federation, SME United.
27. For the UK, FSB builds relationships with party spokespeople and MPs while they are opposition parties, well in advance of them becoming a contender for significant numbers of seats at a General Election. It attends UK party conferences each year for the major parties, and undertakes activity to prepare for potential changes in Government. It publishes its own manifesto for the next Parliament which is the hero document for up to five years; it also contacts candidates and often holds its own election events. FSB takes the same approach in the devolved administrations.
28. When a new Government takes over, FSB frequently meets the key Ministers in key Departments and continuously keeps in contact with them and their teams. This is also true of key officials across all Departments. Ministers are invited to attend FSB events, sometimes to speak, and as MPs they would meet FSB locally in their

constituencies (as per all their colleagues). FSB takes the same approach in the devolved nations, for their Parliaments/Assemblies and work in partnership with FSB Westminster for MPs there.

29. In broad terms, FSB's signature moments to influence UK Government decision-making on economic issues is built on an existing approach/architecture, as set out above in Paragraph 14. During the pandemic there were changes to *how* this contact was maintained, and the *volume* of engagement. Events and meetings moved online, becoming Zoom or Teams calls, increasing in frequency and immediacy driven by the urgency of the pandemic and how fast things changed, but also because having most people working from home (and not travelling to/from external meetings/events in Government Departments) meant diaries would have been easier for them to populate with online appointments. At times, the engagement grew so much it became hard to manage – FSB is an SME itself, and the UK/Westminster team has around 25 people, but we would face multiple Government Departments, Regulators and Agencies with many thousands of officials – let alone Ministers. In some ways, of course, this is a nice issue to face – it's certainly better than having to fight to be at the table; it was just sometimes too many tables to be at, simultaneously.

Non-administrative correspondence/advice between FSB and Governments related to the economic response to the pandemic. Please provide an accompanying chronology of correspondence and advice.

30. FSB is not a statutory consultee, nor a public or government body, and so our engagement was done in meetings, emails, calls and campaigns – not in official advice, and not really through correspondence. However I attach correspondence for transparency purposes as these are more than administrative, and I am keen for them to be part of the public record.

31. I attach correspondence in the following chronological order, and in the exhibit schedule. Government Departments will be resourced to provide a full picture of Ministerial correspondence, not least due to their responsibilities under Freedom Of Information but also the requirements for a future Inquiry. But I hope this is helpful:

- 25.03.2020 FSB B5 Correspondence to Chancellor (ChX) re need to help the self-employed Exhibit CB/01 [INQ000616541]
- 12.04.2020 FSB Correspondence to HMRC/HMT re those left out Exhibit CB/02 [INQ000616542]
- 17.06.2020 FSB Correspondence to BEIS Secretary re restrictions Exhibit CB/03 [INQ000616543]

- 14.08.2020 FSB B5 Correspondence to Chancellor re Ltd Company Directors Exhibit CB/04 [INQ000616544]
- 19.11.20 FSB Forgotten Correspondence to Financial Secretary (FST) re Directors Income Support Scheme Exhibit CB/05 [INQ000616545] (including Exhibit CB/05a [INQ000583501])
- 20.12.20 FSB Correspondence to ChX re C19 support changes Exhibit CB/06 [INQ000616547]
- 20.12.20 FSB Correspondence to BEIS Secretary re C19 support changes Exhibit CB/07 [INQ000616548]
- 21.12.20 FSB Academic Correspondence to FST re newly self-employed SEISS grant 4 access Exhibit CB/08 [INQ000616549]
- 27.01.21 ChX Correspondence to FSB re C19 support changes Exhibit CB/09 [INQ000616550]
- 25.03.21 FST Correspondence to FSB re biz rates 1.5bn relief fund Exhibit CB/10 [INQ000616551]
- 04.05.21 FSB Correspondence to BEIS Secretary re LGBT+ insurance issues Exhibit CB/11 [INQ000616552]
- 04.05.21 FSB Correspondence to Economic Secretary (EST) re LGBT+ insurance issues Exhibit CB/12 [INQ000616553]
- 25.05.21 EST Correspondence to FSB re LGBT+ insurance issues Exhibit CB/13 [INQ000616554]
- 09.06.21 FSB Correspondence to BEIS Secretary re Bounce Back Loan debt Exhibit CB/14 [INQ000616555]

32. It's important to note that FSB's policy on retention of emails and data is set at two years; the period of focus for the inquiry was completed before then. Therefore, I cannot guarantee the above is exhaustive. However I would highlight the following as key moments of engagement:

- a. After SEISS was launched, it was clear that directors would likely be the single biggest group of our community left out of income support, but we were also picking up significant concerns from those who fell above the £50,000 threshold for SEISS help – and those who were too newly self-employed to qualify, as they were without an annual tax return. We therefore set up a central email address and inbox to ask people affected re the impact on their business, and to say in their own words what they were going through. We told people who emailed in that we would share those emails with HMRC and Ministers. The idea was to give a collection of raw, personal stories - capturing economic and human impact on small businesses. Within 12 days, 537 businesses had sent in their heartfelt stories and we would end up getting over 700. These were shared with HMRC and HM Treasury (both confirmed receipt with us). As people emailing would not have known their email would be handed over by FSB to an Inquiry, I have not attached these; I have though attached the topline cover email that went across on 12<sup>th</sup> April 2020.

We split the emails into groups of c100 each, and so there were initially 6 emails sent across.

- b. We campaigned for this group and when we came to the view that no work was going on within Government on a scheme for them, I worked together with Gina Broadhurst at Forgotten Ltd, Rebecca Seeley Harris of Re Legal Consulting Ltd and Glenn Collins of ACCA UK to help create a proposal for a Directors Income Support Scheme (DISS) in late 2020 and through into Spring 2021. This is the first instance I've seen of the policy-making function you would expect inside a Department being, instead, created outside of it; effectively we had 'insourced' policy-making and then would feed the result back. The proposal was improved in response to officials' feedback and then finalised and reshared to Government. I attach the DISS proposal and the letters from Minister Jesse Norman as FST are in the list above. The proposal was later supported by organisations ranging from the Excluded Coalition (of which Forgotten Ltd was the primary element for Ltd Company Directors), to the Institute of Directors, and to IPSE (the association for independent professionals and the self-employed). It secured cross-party support from MPs and Peers.
- c. With the requirement to have already submitted an annual self-assessment tax return, one group of self-employed left out from the initial phases of SEISS income support were the 'newly self-employed', who hadn't yet got one. I worked together with Professor Julia Rouse from Manchester Metropolitan University, Professor Mark Hart from Aston University and Andy Chamberlain at IPSE in late 2020 to ask Ministers for access to SEISS Tranche 4 Grant, in early 2021, to include those who now had an annual tax return for 2019-20. This work had to be done carefully and relatively privately to prevent any abuse; I wrote in the Times alongside Andy Chamberlain of IPSE to make the case, in a rare joint intervention. The change is arguably the single biggest successful change to the rules achieved within the Government income support schemes – outside of extensions/extra rounds of existing schemes.
- d. One final group we were most concerned about that missed out were within those ineligible for business rates relief. While initial 100% business rates relief worked well for businesses categorised as Retail, Hospitality or indeed Leisure, and then included Childcare nurseries and Estate Agents, this left out swathes of businesses just as, if not more than, affected by COVID as these at a time when, for example, much of Retail (such as supermarkets,

considered essential) remained open, trading, and many would have seen footfall rise from local residents made to stay at home near to them. There was a general assumption that these were sector labels - eg a business was in hospitality - however many businesses in the supply chains of these sectors were not eligible for that support. For example, consider a seafood supplier to local restaurants; while financial support flowed to seafood restaurants that were technically closed as they were a hospitality business in non-domestic rates; the seafood supplier's business was halted as a result - but as it was not considered as hospitality for rates, did not get support. In March 2021, one year on from the outbreak, the Government announced a specific Business Rates Relief Fund of £1.5bn of support targeted at those affected but not catered for by the original relief. FSB had called for this and very much welcomed it, supporting HM Treasury at the time.

Extent FSB was consulted by the UK Government, and specifically His Majesty's Treasury ('HMT'), or asked to advise or comment, on the design of key economic interventions, including: Coronavirus Job Retention Scheme; Self Employed Income Support Scheme; Loans to businesses including the Bounce Back Loan Scheme ("BBLs"), Coronavirus Business Interruption Loan Scheme ("CBILS"), the Coronavirus Large Business Interruption Loan Scheme ("CLBILS"); Covid Corporate Financing Facility; Business rate relief; Grants to businesses; Statutory Sick Pay 'SSP'; Uplift to Universal Credit; Eat Out to Help Out; and Changes to the insolvency rules

33. In terms of official consultation, these schemes were built very quickly – as per the line above, the speed of doing so was absolutely fundamental to whether they were effective. Getting economic support schemes up and running sooner would save more businesses. Standard consultation practices were not appropriate for pandemic response economic support. Yes, schemes might have been better designed, but coming on-stream too late would have rendered them much less effective.

34. With the need for speed and no opportunity (and rightly so) for traditional/formal consultation on the major support schemes, FSB was not a formal/statutory consultee of the relevant Government Departments or agencies. Engagement however was considerable, ad hoc and normally informal – from officials in Departments. And then in that contact and our own campaigning, FSB had strong things to say that we expressed to Ministers, officials and in the press:

35. On CJRS/furlough – With businesses facing enforced closure, FSB and other business groups and trade unions started to advocate for some form of employment support to pay wages. Staff are the single biggest expenditure of most businesses, and for their livelihoods (and for a business to have a chance at reopening and recovery), their wages needed to be covered and redundancy avoided. Feedback from members was that CJRS/furlough was one of the most important economic support schemes – even though it was not money for the business, but for the wages of those it employed, businesses valued it. Small businesses operate more like family units, with significant informal support and care for their employees vs a corporate. Later on, FSB would campaign for CJRS to be extended as lockdown periods were confirmed, but in the knowledge that it would need to be scaled back to avoid it being a barrier to trade when recovery was enabled. FSB was the lead body in creating the idea for what we called ‘Flexible Furlough’, as while large businesses would consider what swathes of its workforce to furlough (i.e. workforce %’s, large numbers of people), we were concerned about small employers - and if there was enough work to bring an individual or small team back to work for four, three, two or even one day a week, then that could be reflected – rather than an ‘all or nothing’ approach for each individual member of staff. This would be extremely important, for example, in cases where individuals may have had one fifth of their job as sales, and four fifths in actioning that sale. When new incoming work - and therefore cashflow - collapsed for businesses (including those who could operate) at the start of the pandemic, employers faced a furlough or retain question, which in the long-run would have meant the business became unviable. These sorts of micro practicalities are where FSB was able to give clear feedback on how well or not different schemes were working in the real economy, and to work constructively with Government in identifying a solution. Flexible furlough was not in the initial plans, but as it had featured strongly in our initial discussions we were pleased to secure it later on as the economy started to recover.

36. On SEISS - FSB was the lead organisation calling for this scheme, with >4 million of the UK’s small businesses being self-employed individuals. We campaigned for income support for this group, in the knowledge that policy-makers often focus in normal times on salaried employees and their employers, leaving out the self-employed. It was our job to make sure this didn’t happen with something like COVID. When CJRS was announced, with CBI (big business) and TUC (union) support front and centre, the push for a self-employment counterpart was FSB’s priority. We held calls and emails with key officials, and our sense later on was that our intervention

with the No.10 team on this is what helped to create and announce the SEISS. There appeared to be a debate within Government on whether this should be best done through HMRC or as Universal Credit (UC), knowing difficulties with HMRC data. The decision whether it was a HMRC scheme or a DWP/UC scheme would then define the nature of the support given. We were involved in discussions with various parts of government (No 10, DWP, HMT) on this. The discussion at this time heavily featured the needs of those who were working for themselves but not self-employed (i.e. limited company directors). Officials did show interest in the needs and nature of this group, though it was our impression there could have been an early Ministerial decision that this was in the 'too difficult' box at this stage. I was aware of other groups inputting into Government such as Deliveroo, concerned re income replacement a la CJRS and if too high it could disincentivise people working for them, which would have been an issue for me it had been successful - the Government taking the decision to allow people to continue working, and to leave it for the annual tax assessment for tax to be taken on any grant, resolved this and was an excellent decision.

37. When SEISS was announced, Chancellor of the Exchequer Rishi Sunak said at his press conference: "The Self Employment Income Support Scheme provides an unprecedented level of support for self-employed people. As we've developed the scheme, I'm grateful for the conversations I've had with the Federation of Small Businesses...". The sole conversation with the Chancellor himself that was had on this came just before the announcement, a phonecall scheduled with him, FSB's elected National Chair Mike Cherry, and me. Later on, we campaigned to have further rounds of SEISS to match the scale and impact of the pandemic and restrictions, which was successful. The scheme saved thousands upon thousands of self-employed businesses.

38. On Loans to businesses – We had discussed the possibility of financial loans in normal engagement up to the Spring Budget in 2020, leading to the establishment of the Coronavirus Business Interruption Loan Scheme (CBILS). However, CBILS loans, ostensibly to help SMEs, did not work well against our three aims; yes the amount to be leant per business was generous; but looking at the data their comprehensive eligibility/reach was not good enough – and the speed of approval was dismal, as was the rate of approval vs disapproval. The amount of each individual loan approved appeared to be very high – in the first wave of data, FSB internal estimate put the average loan at >£165,000. (Final figures from the British

Business Bank confirmed that £26.39bn was lent in 109,877 CBILS loans, which takes the average up to £240,169 per loan – however this will be skewed upwards from FSB's original estimate by the arrival of the more small-business friendly scheme launched later, as people seeking lower value loans switched). Checking with members, it was clear that few were being successful, with checks and the need for Personal Guarantees likely holding this back; we were concerned this indicated banks' risk appetite to protect themselves during a crisis meaning more barriers in place for those this scheme was due to help – more no's; and more delays. The high £ number per loan potentially suggested that larger businesses were being successful, rather than smaller ones. We therefore used our profile to campaign for improvements to the scheme, or a new scheme altogether – something for much lower value loans, where the approval process was much faster, with less ground for banks/providers to object, and barriers/bureaucracy removed. This led to the creation of Bounce Back Loans (BBLs) with significant Government underwriting, delivered by the British Business Bank (BBB). Increased speed meant decreased checks, but I believe that the Government and BBB did the right thing by prioritising speed to unblock a scheme that wasn't working. By doing so here, the Chancellor had prioritised business survival. (And of course, as opposed to grants, loans would need to be paid back.) FSB later on did push for improvements to the scheme, ease on repayments and timings, which were accepted – but also on areas such as forgiveness of debt or treating BBL debt more akin to student loans, i.e. repayments happen (or enlarge) when a business is doing well with its turnover, and fall or stop when it is not.

39. On Business Rate relief – FSB supported moves to provide relief, which was initially provided to Retail, Hospitality and Leisure but also (in part due to our campaigning) extended to nurseries and to estate agents. As noted above, we also campaigned hard for those within the impacted sectors and their supply chains, but did not get any assistance as they weren't classified as strictly RHL businesses for business rates - but whose turnover and operation was just as deeply affected. To illustrate, this group would include baggage handling for cruise ships - clearly impacted by restrictions to tourism/the cruise industry, but not defined as one of the affected sectors in terms of the business rate system. The loss of crucial supplier firms during Covid would have - and indeed has had - negative effects on the ability of businesses to restart operations (and potentially contributed to inflation given the difficulty in replacing various key supplier businesses). This was corrected in March 2021 with a

specific business rates relief fund for those who couldn't apply for support originally, but were affected – and so could apply from a new £1.5bn scheme.

40. On grants to businesses – FSB was not involved as design of the initial cash grant scheme, initially for £3k, was conceived internally within Government prior to the announcement of covid restrictions, in the run-up to the March Budget - but we did support its announcement and particularly the expansion to £10k (and £25k) grants - and we had a huge role to play in promoting them. To those who received them, the Small Business (Cash) Grant for those in previous receipt of Small Business Rates Relief (or its equivalent Rural Rates Relief) set at £10k was considered an absolutely vital lifeline. (As was Retail Hospitality and Leisure Grange of £25k for larger SMEs in those sectors). The attraction of turning the business rates system around and firing grants through it was an excellent way of getting finance into large numbers of smaller businesses, and – it was thought – relatively quickly. However, all the grants schemes connected to local authorities including these often required a decision in each local authority on the exact process/approach of how the help would be provided, and then consultation on that. This slowed things down, and would be worth a second look to consider if a scheme's parameters and approach could be agreed now, nationally, for a national emergency – and then it could be online, fast.
41. On the Statutory Sick Pay rebate – FSB campaigned for this, and help eventually came on this front during Omicron. This came about due to our evidence from FSB's Small Business Index survey that demonstrated the impact of the Omicron variant and led to phone contact with the Chancellor while he was overseas, and the Chancellor asked us directly if this was our top recommendation related to Omicron and potential support – which we confirmed, it was. The rebate was very much based on the impact re small employers, as large employers/charities and public bodies that pay full salary sick pay on day 1 had resources available, while small firms struggle to fund SSP from day 4. I have not yet seen a reliable set of figures for take-up, or the amount of expenditure, but would be keen to find out – as I think this would likely have been a highly affordable, targeted support scheme for the smallest employers.
42. On the uplift to UC – FSB campaigned in support of this, but as a secondary aim, with the primary one being the suspension of the Minimum Income Floor (MIF) which assumed an income for the self-employed in line with that provided by the National Living Wage for employees – which is not the case for many, especially during the

early stages of self-employment (which is why the MIF is suspended in the initial phase of being self-employed); but this was especially the case during COVID.

43. On Eat Out To Help Out – with the Government having developed Safer Working Guidance for the safe reopening and operating of much of the economy, FSB welcomed the move to help restaurants and cafes regain custom on the days of the week most harmed by customers staying away. The key was that the safer working guidance set restrictions that mitigated against COVID transmission; Eat Out To Help Out was only available for food and on the days when venues were all but empty. The help boosted attendance on quiet days to get them into line with the rest of the week, which was reasonable and useful.
44. On changes to insolvency rules – we supported the changes to enable companies to keep trading when they would normally have needed to wind up.
45. On other schemes/initiatives – we supported changes such as deferring dates due for VAT bills and self-assessment bills – and the broader ‘Time To Pay’ promise by HMRC to help any business who simply could not pay their tax right then – not pursuing a small business owner that was otherwise in serious trouble thanks to COVID, from also being pursued by HMRC. As long as the owner had put their hand to ask for help, help would be given. The VAT deferrals were especially helpful, as it would be a large contribution to help urgently with cashflow. We have not seen an assessment of schemes such as Time To Pay, including the numbers of small businesses who used the scheme or the amount of tax owed that was deferred.

Extent FSB was consulted by the UK Government or asked to advise or comment on the implementation of the economic interventions

46. While not an official/statutory consultee, there was engagement but it was necessarily informal, due to the speed at which Government was developing economic interventions. We were often asked at the outset of meetings or calls how things were going, and what we thought of the interventions. We would share our views at that point on whether HMRC, local authorities or banks were getting the support out along the lines of our golden rule of support as set out above (generous/many small businesses/swift) – there were issues with local authorities distributing grants quickly and effectively, which then required local campaigning as well as encouragement of Ministers to intervene and push local authorities to move.

We spoke considerably about those who fell through the gaps in income support assistance, which was a limit on effective implementation of economic assistance.

Extent FSB was consulted by the UK Government or asked to advise or comment on the monitoring of the economic interventions

47. Much like the paragraph above, engagement was informal, although we did push for increased transparency on all the schemes – Government would start to publish the %'s of grants that had been sent out to businesses from local authorities as a result, and there was agreement to publish data on most of the schemes – which was very welcome. We also pushed for increased transparency for banks and how they were performing at getting out the different loan schemes; the lack of transparency here was a hindrance to monitoring and accountability as banks captured data differently. Those without support were the most vocal, understandably, but were of course not monitored or recognised by Government.

Extent FSB was consulted by each of the Devolved Administrations or asked to advise or comment on the design of key economic interventions in the Devolved Nations, including:

a. Scotland - Non-Domestic Rates Relief; Newly self-employed hardship fund; Furlough support grant; Funding to support travel networks, eg, Covid-19 Support Grant, Covid-19 Support Grant-Restart, Network support grant; and Local Authority Distributed Funds

48. FSB Scotland has already made a witness statement to the Scottish COVID Inquiry, which is available on the Scottish COVID-19 Inquiry's website.

49. The transcript of FSB Scotland's oral evidence session is also online on the Scottish Inquiry's website.

50. Through regular meetings and engagement with devolved and local government, FSB Scotland highlighted where there were gaps in support – informed as per the UK by feedback from members. The evidence also discusses in some detail some of the practical issues which arose during scheme implementation – which sometimes necessitated the creation of new schemes to plug gaps. Ultimately, as its submission highlights, FSB Scotland work identified the creation of nearly 180 Covid grant support schemes across Scotland.

b. Wales - Economic Resilience Fund; Covid-19 Wales Business Loan Scheme; Local Government Hardship Fund; Bus hardship fund and emergency measures agreement to support services; and Third Sector Covid-19 Fund

51. FSB Wales was in frequent contact with Welsh Government, updating on the pressures faced by different segments of membership and issues requiring financial support. Welsh Government engaged with FSB Wales on the Economic Resilience Fund, the Covid 19 Wales Business Loan scheme and additionally the Freelance Fund aimed at individuals in arts, creative industries, arts and heritage events, culture, and heritage. This involved conversations about eligibility, timescales, and mechanisms for delivery. FSB Wales also worked to message the availability of these funds to our community, particularly the opening of relevant 'eligibility checker' mechanisms when they became available.

c. Northern Ireland - Small Business Support Grant Scheme; Sector Specific Business Support Grant Scheme; Company Directors Support Scheme; Covid Restrictions Business Support Scheme; Large Tourism, Leisure and Hospitality Grant Scheme; Localised Restrictions Support Scheme; Micro-business Hardship Fund; Newly Self-Employed Support Scheme; and Business Rates Relief

52. In Northern Ireland, the pandemic coincided almost exactly with what turned out to be a temporary restoration of the Executive between the 2017-2020 and 2022-2024 collapses. This meant that although there were Ministers in place, they had been in post for less than two months before lockdown, and so directing civil servants was new. FSB Northern Ireland as per the rest of the UK had a strong, well-informed voice as the Executive designed its support schemes, and assisted individual businesses to navigate the rapidly changing rules and support. FSB NI developed a weekly Fact Sheet for businesses - and later policy makers - across Northern Ireland.

53. All the schemes noted played valuable parts in sustaining small business. Overall, FSB NI found officials responsive, sympathetic and flexible within the boundaries open to them. There was however a multiplicity of departments/agencies (Department of Finance; Department for the Economy; Land and Property Services; Invest NI etc), and a sense of an unduly complex response to the end 'user' – the small business. The precision of rules meant seemingly identical businesses received different levels of support and where businesses slipped through the cracks of the support systems, FSB NI helped them look at re-framing their cases, or recommended changes to the rules and development of new schemes.

Extent FSB was consulted by each Devolved Administration or asked to advise or comment on the implementation of the economic interventions

54. Having spoken to colleagues in FSB Scotland, FSB Wales and FSB Northern Ireland, they were certainly involved in discussions about what support was needed and how it could be delivered. They also shared feedback on various schemes from members at regular meetings as the schemes were implemented. As with the UK, they were often asked at the outset of meetings or calls how things were going, and what they thought of the interventions. They would also highlight issues raised by those who fell through the gaps in income support assistance, which was a limit on effective implementation of economic support.

Extent FSB was consulted by each Devolved Administration or asked to advise or comment on the monitoring of the economic interventions

55. As per the paragraph above, having spoken to colleagues in FSB Scotland, FSB Wales and FSB Northern Ireland, while it was not our role to formally monitor or collect data on such schemes, colleagues from each devolved nation did provide regular feedback from members on the operation of initiatives in practice.

The nature of the relationship between FSB and the following during the pandemic insofar as it related to the economic response to the pandemic – HMT; Other Government Departments; Local Government

56. As an organisation representing our community to those in power, wherever they are, FSB is set up to develop an effective working relationship with anyone with the power to make decisions that affect small businesses and the self-employed. This meant we had existing relationships across the board with those with direct responsibility for creating, designing, or delivering economic response schemes to the pandemic; also for those whose role is to scrutinise those; and also with those that had indirect or potential influence. FSB Westminster had developed strong relationships with those named in your list here which I'll now go through – but, even though it is not named here in the Inquiry's list, No.10 is the most important and I would like to address that, first.

57. In the UK Government, the relationship with 10 Downing Street is of at least as parallel importance to FSB as with HM Treasury, and at times even more so. The precise manners of operation of No.10 changes between Prime Ministers and sometimes within their term. Especially in the early days of the pandemic, No 10 appeared to perform well in driving the rest of Government to be more small business responsive, and were proactive in working with us to understand the immediate impact of the restrictions on business; in seeking our view on how best to work with

the business community as a whole; and in listening to our input on policy design questions across Government. In No.10, the effectiveness or otherwise of the institution, either in whole or in part, is incredibly dependent on the particular individual/s employed in the building. FSB's relationship with, and the effectiveness of, the business-facing teams/individuals in No.10 was extremely important and made Government support to small businesses better than without their existence.

58. There is a limit to our sight on the operations of No.10 as whole. But I think it's no understatement to say that No.10 business-facing officials (business relations team, special advisors) were the stand-out performers - alongside certain teams in the HM Treasury such as personal tax - in working with us during the pandemic. No.10 has an ability to intervene and push HM Treasury where needed, as the buck for everything rests, ultimately, with the resident in No.10. We did therefore use this power when we were heading for CJRS/Furlough but not necessarily a self-employment equivalent. No.10's influence here was crucial, on HMT, in the early days. As well as helping on policy, they also helped on communications, with No.10 providing a video message from the Prime Minister to FSB's major awards ceremony that we pushed out to the broader community online – and he also held conference calls with groups of our members, important for the community to feel that his Government valued us and our community - and wanted to assist.

59. In the UK Government, the relationship with HM Treasury is core to FSB and remained so through the pandemic as the focus switched to economic response. From what we saw, the Treasury as an institution, and key officials, typically performed very well in the pandemic. There were positive and constructive relationships at all levels, and there was a clear sense that officials valued our input in 'kicking the tyres' of policy proposals, providing feedback on real world impact, and would work constructively in cases *where they felt they had licence to do so*, to listen to proposals. It was probably unfortunate that the Chancellor was so new in post at the onset of the pandemic, and had not had chance to build Chancellor-level relationships with the business community 'in normal times', nor for his advisors to bed-in – FSB did however have a relationship due to meeting him as a MP (FSB hosted election hustings before he was elected) and had engagement in his Ministerial roles beforehand. However, the Chancellor was assiduous in his time, and in general we worked hard and I think achieved a positive and constructive relationship. As an important stakeholder, FSB always felt as though we were at the table and able to update HMT for our community and they valued our input. We

secured a number of our recommendations over time, if not all, but we took every opportunity given to make our case. (By extension – this included HMRC which is core to HMT activity and delivery, and a major presence in every small business owner’s business operations.) Having the Chancellor talk about FSB in his press conference on announcements, and having ad hoc calls with him and his Ministers, was fundamental to the economic response – coming on top of regular and frequent calls with officials in the Department.

60. In the UK Government, the relationship with the Business Department (now the Department for Business and Trade (DBT), at the time of COVID the Business Energy and Industrial Strategy Department [BEIS]) is the third but still very important Cabinet-level position and Department that FSB interacts with. For a start, the Secretary of State has more time and regular contact with FSB – either in 1-2-1s, in B5 meetings, and in broader meetings of more people for sector bodies. This intensified under Greg Clark, and continued under his successors with tweaks through Alok Sharma for much of COVID and Kwasi Kwarteng. In Department terms, the business department has huge numbers of officials but is generally mid-ranking in terms of power – and that power can be dominated internally, with Energy dominating while BEIS, and Trade now while DBT. Sometimes the Department bends too much towards catering for big businesses/incumbents as opposed to small businesses and the self-employed which together account for 99% of businesses in the UK (in broad terms there are c1 million small employers, >4 million self-employed/sole traders - and about half are incorporated. Meanwhile there are just 38,000 medium-sized firms and 8,000 large; BEIS is disproportionately swayed by leaders of the 8,000 large firms). All of these statistics are drawn from the BEIS (now DBT) annual business population estimates, published each year in October-December.

61. During COVID, BEIS needed to shuttle between other Departments to make sure the business case was made in decisions, but our sense was that it was not strong enough to be considered on a par with the Department of Health – and so the business case could be left to the Chancellor/HM Treasury to lead. BEIS (and indeed DBT now) is normally good on topics that it owns and so doesn’t need to work with other Departments to negotiate, as it is not generally the lead; in COVID times this did to some degree include developing safer working guidance for how businesses could operate if they stayed open during the lockdown, or to open up after the first lockdown if they had closed. The Business Department consulted well on this, and

involved FSB and the other B5 business groups to look at draft guidance in highly confidential rooms so that we could raise any issues or prepare our comms to our respective communities. FSB's policy team specifically remembers BEIS officials responding to texts late at night to ensure that FSB was correctly interpreting new rules/guidance, so that we could advise members accurately and immediately. However, during COVID the business department rapidly scaled up the number and dominance of its 'broadcast' type calls with large numbers of business representatives that could best be described as an 'audience'. This helped one-way communication; they are calls that are very easy to manage and run by a Department's private office/external affairs team; and a Minister may come away feeling it was worthwhile – there is value, but it is less meaningful than a proper discussion. This has since led to an unfortunate legacy of focusing on large one-way communication/conference calls, with little policy feedback as any questions/comments are likely pre-planned.

62. Overall, at any time for FSB, I view engagement with the three main Departments above like a 'graphic equaliser' with three vertical bars. It's rare for all bars to be high and green; and if all bars are low and red then that's a huge issue and things need to change. Through COVID I would argue that the No.10 team was green; the HM Treasury team was green and sometimes amber; and the BEIS team was amber and sometimes green. Crucially, no one was red.
63. For other Government Departments, work was ad hoc on specific issues – MHCLG on getting out grants/business rates help where local authorities were key; DfT on transport system use such as the cycle support schemes; DfE on school openings and help for parents; DWP on employment support, benefits like the MIF in UC, and later on with the Kickstart scheme where FSB set itself up as a National Gateway as the scheme was more appropriate to bigger employers, rather than small; and Cabinet Office on procurement issues. I would include HMRC in this list of Departments as it was deeply involved in designing and delivering the major economic schemes alongside HMT so there was considerable engagement there, too. We also built a good relationship with DCMS, as set out in Paragraph 24g - FSB stepped in to advertise COVID support on local radio for the first time in our existence since 1974, which helped to provide funding to local radio stations who'd lost their revenue. Radiocentre supported us in this, as both DCMS and Radiocentre feared the collapsed in advertising (local cinemas/hospitality closed and restricted

opening when allowed, etc) and so they were extremely pleased we bought air time as that helped protect local radio stations from total revenue loss.

64. For local government, FSB's local teams were engaging considerably with individual councils to drive up take-up of grants, to publicise their schemes with the local community (including promoting discounted FSB membership due to the benefits that can help their small business owners) and to ensure that unnecessary blocks to distributing/accessing Government support were removed. In England we take pride in the high % of grants disseminated as we publicised the schemes and prodded local authorities – often knowing both the individual officials in each local authority, and the actual small business owners that would be eligible.

FSB policy research to inform the economic response to the pandemic – a summary of data, survey responses and other insight collected by FSB; a summary of conclusions; quality and limitations of the data; examples and how policy research was shared with the UK Government

65. Through its Westminster team, FSB runs its official policy research programme through surveys that are devised with and then distributed by Verve – the market-leading independent community polling agency. After COVID hit, we published reports into the following issues:

- a. Small Business Index (SBI) Q1 2020 (this is a quarterly tracking survey on confidence, recruitment, revenue, growth, barriers, closure risk, exports, access to finance etc) – this showed the biggest collapse in small business confidence seen in our history, to its lowest level ever SBI index score of - **143.4**; and in one single quarterly fall - in response to COVID and the lockdown. Our stats showed **87.7%** of small businesses suffered reduced confidence due to COVID in that first quarter; **two thirds** said this was significant and **15.4%** said they had decreased their workforce. **53.9%** said revenues in Q1 had fallen; **84.1%** said that revenue in Q2 would fall further. The worst hit were consumer-facing industries – accommodation and food services saw a confidence SBI score dip to **-186.9**, and arts, entertainment and recreation saw a reading of **-178.5**. NB we continued to publish SBI quarterly surveys which from then on, and through COVID, broadly tracked the openness of the economy. When COVID rose and restrictions rose – confidence would fall dramatically and the recovery seemed further away. This made the case for economic support at each moment of restriction.
- Exhibit CB/15 [INQ000647689]

- b. New Horizons – our first full policy report after the outbreak of COVID, looked at how businesses were adapting and contributing to their local communities. Exhibit CB/16 [INQ000647690]
- c. Late payments to small business – with finance teams for large companies operating less efficiently, and large firms under pressure in an economic slowdown – there were signs of big business stopping paying their small business suppliers, or demanding manual PO payments that took longer. The report showed payment terms and proposed reforms to improve them. Exhibit CB/17 [INQ000647691]
- d. Ethnic Minority business owners – a report with Aston University setting out their contribution to the economy, innovation, growth and exports. Exhibit CB/18 [INQ000647692]
- e. Cashflow and Debt Recovery – the small business community had contracted and this focused in on businesses' financial standing and how to ensure we kept more going into 2021. This looked into debt levels – much of the community survived by taking on a huge amount of COVID-related debt, and proposed steps to get them out from under it including help with repayment and alternative business models. Exhibit CB/19 [INQ000647693]
- f. Hospitality and tourism – this focused in on arguably the most affected sectors, noting things such as extra help needed for those such as suppliers to the sector not given access to the same support (business rates relief). Exhibit CB/20 [INQ000647694]
- g. Future of regulation – this proposed a new guiding approach to tackling the regulatory barriers to growth, learning some lessons from Canada – and was the precursor to our COVID regulation project listed at point 'o' below. Exhibit CB/21 [INQ000647695]
- h. Improving Business support as part of the Levelling Up agenda – this looked at how access to COVID support schemes provided lessons for broader business support. Exhibit CB/22 [INQ000647696]
- i. Export strategy – after a tumultuous period for global trade, with disruption but the shift online meaning businesses connecting with new customers further afield, this set out some policy suggestions for the Government's export strategy. Exhibit CB/23 [INQ000647697]
- j. Public procurement – this research looked into how to improve access to small businesses from public procurement. Exhibit CB/24 [INQ000647698]
- k. Tax administration – in the drive to online and digital across services and the Government's drive to push Making Tax Digital programme, this looked at

compliance and principles for the new framework as it would land after all the deferred tax bills and loan repayments. Exhibit CB/25 [INQ000647699]

- i. Net Zero – this looked into how to help small businesses embark on their Net Zero journey, influencing those already changing their business operations due to COVID. Exhibit CB/26 [INQ000647700]
- m. Disability - Business without Barriers – this looked into entrepreneurs with health conditions and disabilities, and those who employ staff with health conditions and disabilities – including creating a health/disability version of the Kickstart scheme. Exhibit CB/27 [INQ000647701]
- n. Local leadership – this learned some lessons from COVID and set out how local authorities can design their local small business schemes and initiatives. Exhibit CB/28 [INQ000647702]
- o. Navigating COVID-19 Regulatory Landscape – a report written with Newcastle and Birmingham Universities in 2022, it looked back on COVID-19 regulations and how small business experienced them in a crisis, and if there were lessons to be learned for the future. Exhibit CB/29 [INQ000647703]
- p. Insurance market reforms – this looked into issues such as business interruption during COVID, and how to avoid similar uncertainty requiring the Supreme Court to intervene. Exhibit CB/30 [INQ000647704]
- q. Skills – after the pandemic, our research programme turned to how to improve the pipeline of skilled young people, the advent of lifelong learning, the skills of small business owners and the self-employed. Exhibit CB/31 [INQ000647705]

66. By using the market-leading community research agency Verve, each survey used has gone through robust checks before distributing to the community; the results are collected anonymously and aggregated/weighted by Verve with results assessed with the policy team in Westminster. Each survey and every statistic we publish goes through multiple layers of assurance to ensure it is robust, and every press release and publication goes through a serious process of sign-off involving our policy director, government affairs director, media and communications director, international director and – ultimately to resolve any issues – me as the final decision-maker on all external editorial for FSB for the UK, and for England.

67. Each FSB report, based on one or more surveys, is independent - however during the drafting the lead policy advisor often shares draft sections with key thoughtful officials closest to that topic for feedback/input/thinking – which is considered in case

there is useful new insight. Each report is then written up and prepared for publication, laid out as a professional publication and then a press release drafted and scheduled. Government is normally given the report and the press release, alongside other political trusted contacts, as part of an 'A-list' – an email distribution list which I run for FSB. This is normally shared about 24 hours in advance of an embargoed press release, itself issued about 24 hours in advance of the press release going live (with press coverage) and the publication going live (on our fsb.org.uk website). It is a very open process, but FSB maintains our independence in what we say. The voice we bring, and the evidence we gather, remain true to our grassroots.

68. While policy reports are vital, COVID-19 and lockdowns had a clear and visible economic impact and so in-depth policy research into at the time was not needed before (nor was there time) action for economic support was required.

An overview of the economic impact of the pandemic on small businesses and the self-employed in the UK – including challenges, any limitations on data, and at a high level the differences of severity and nature between sectors/nations/regions and different natures and sizes of small businesses

69. A hugely significant indicator of the economic impact on the UK small business and self-employed community is published in the official Government business population statistics, published by BEIS/DBT, once a year – broadly in September/October as a snapshot from the preceding January of the same year. Over the two years of COVID, the population of our community contracted by c10% or c500,000; this means our community fell from 6 million at the outset of the pandemic (after broadly and sustainably growing since 2000), to 5.5 million.

70. This fall is a net figure, and so many more businesses' existences ended than 500,000, but these will have been offset by start-ups over the same period. However this is the single strongest picture of the economic and business impact of COVID and lockdowns. Importantly the community has remained broadly flat since – as of the 2024 statistics, the last set available, we have not made up the gap in any way. In part this could be a combination of the lasting legacy from COVID, combined with the impact of the later energy bills crisis and cost inflation, which drove a number of businesses to the edge.

71. Insolvencies data shows the number of companies wound-up, however this is only helpful as an indicator/direction rather than providing an overview or picture as 1) only a minority of businesses in the UK are incorporated as companies; 2) the regulations enabling companies to continue rather than have to wind-up disguised impact in the figures; 3) the numbers remain quite small as they are only those forcibly made insolvent as opposed to voluntarily simply ceasing to trade.
72. FSB's quarterly economic data as set out in our Small Business Index is a tracking survey, showing a snapshot of sentiment and activity at that moment; how businesses had fared, and how they feel about the next quarter. This enables tracking from one quarter, or comparison between a quarter in the past and a quarter now. It does not, however lend itself to collating an economic impact figure or figures for the two years of the COVID period. The Inquiry is very welcome to look at every quarterly SBI over the period is examining, to give a snapshot through each twist and turn of COVID.
73. For the COVID period, we believed that the Office for National Statistics (ONS) was best placed in addition to our SBI above, to collate data across small businesses and the whole economy - and we closely analysed the publication of its Business Impact of COVID-19 Survey, which then morphed over time into its now standard economic indicators. During COVID we would analyse and cite the ONS's figures within FSB, in the press, on broadcast, and with MPs/Peers and Ministers. I assume that the Inquiry has approached ONS for a definitive assessment of COVID economic impact (or it should, if it hasn't already).
74. At a high-level, the economic impact was felt the most by our members in sectors unable to operate, or operating under the most restrictions when allowed to open their doors – and this felt the most during the first lockdown, with the closure of most businesses, i.e. those deemed to be non-essential. Those allowed to continue did so with tougher operations and reduced custom, but those closed down were the most impacted, which were consumer-facing – hospitality (with SBI confidence levels as noted above plummeting for accommodation and food services to **-186.9**, and arts, entertainment and recreation to **-178.5**.) Types of businesses closed the longest, such as nightclubs/night life, were therefore most damaged as they had a longer period where they could not reasonably get turnover, or keep people in employment.

75. While not a sector, those falling outside of support schemes for financial support grants were heavily and disproportionately impacted. We will come on to that in the next section, but for us these were primarily one-person limited company directors as the biggest group. The second and third most affected groups were the self-employed earning over £50,000, and the newly self-employed. Many, but not all, eventually may have had access to some form of loan (Covid or commercial) - but this built up a debt bomb for all those able to take out a loan, which depressed recovery and growth. Loans, of course, have to be repaid and the lender has to have a measure of confidence that repayments will happen, which was hard in an unprecedented pandemic. It also led to an intense personally-felt sense of inequality, and the lack of Government interest in supporting them – despite an apparent heart-felt assurance to do “whatever it takes” to help them. For those without grant support, the support given to everyone else *around* them only made them more dejected and the impact economically and on their mental health was enormous.

76. At a high-level, the economic impact of COVID was felt in broadly similar ways across the UK. COVID itself did not respect external borders, let alone internal ones between nations or regions - and with the rise of COVID reported in the statistics in one area of the UK, it was already likely undetected in the areas surrounding it; and then the wave would extend. The effect of COVID itself, such as on businesses and workforces, was therefore equivalent. Similarly, the economic support offered at a UK level was identical across the nations and regions, such as in CJRS or SEISS, and so was also equivalent. Economic support distributed by local authorities and other institutions closer to people did need FSB in that area to pursue them, but FSB in those areas felt that those institutions were open to discussions and so communication about the help to local small businesses was helpful and more likely to be from trusted authorities closer to them. Restrictions were identical at the start, and then done slightly differently at points - but businesses in the four nations of the UK reported similar experiences and impacts.

77. At a high-level, the economic impact was most keenly felt by:

- a. Limited company directors, self-employed with over £50,000 in annual earnings, and the newly self-employed – who had no direct grant support
- b. Those businesses with least capability and cash reserves (and least ability to negotiate long term/significant cash facilities and couldn't simply stop paying bills such as rent) were disproportionately impacted as they had fewer options than firms with capability or the ability to find resources. In general terms, the

smaller a business the less capacity it has for dealing with financial shocks; the less ability there is to switch staff around or cover when someone falls ill; the less cash reserves it has access to; and the less power it has to face off against large customers or suppliers.

An overview any wider impact such as any overall reduction in the amount of people in employment or reductions in the value of Gross Domestic Product; and an overview of your understanding of the actual or expected long term economic impact of the pandemic on small businesses and the self-employed, perhaps using case studies.

78. As noted above the contraction of our community from 6 million small businesses owners and the self-employed to 5.5 million is the primary economic impact indicator, and it's also the sign of lasting damage. These missing businesses are not being economically active, they are not driving growth, they are not creating jobs.

79. While CJRS helped to protect against mass unemployment, and employed jobs/payroll remained strong through and after the pandemic, this is not true for 'employment' in the broadest sense as there was a significant dip in self-employment. Despite the help from SEISS, the ONS recognised the "sharp fall in self-employment during the coronavirus pandemic from a peak of 5.0 million at the end of 2019 to 4.2 million in early 2022, largely driven by people flowing out of self-employment to become employees." It is therefore a reasonable observation that the advent of COVID and uncertainty about the future (at the outset, there was an initial view it would be a short-lived moment – and then we had the rush to recover in the summer that was curtailed; and of course no certainty about a vaccine until later in 2020), caused a rush out from the comparative insecurity of self-employed work. This could be simply of your own choice, or because your role [eg as a contractor] was severed, and many would have run for the extra safety of an employed role. As some sectors took off with new needs for labour (such as online retail), people may have grabbed the extra protection of employed job work. This has lingered since, meaning that we need to see people encouraged to become entrepreneurs, becoming self-employed and setting themselves up in business. We have an enduring enterprise gap.

80. The long-term impact is also most keenly felt for those ineligible for the key grant schemes like CJRS, SEISS and indeed small business cash grants. These entrepreneurs found themselves without financial support that they desperately needed, through no fault of their own, while the rest of society was benefitting from

high levels of support. The conspicuous absence of a grant support scheme for company directors stands out as being particularly notable.

81. As the lead representative body, FSB invited small business owners affected to email us with their concerns in the early days of the pandemic, so we in turn could raise these concerns with Government. After SEISS was launched, it was clear that directors would likely be the single biggest group of our community left out of income support, but we were also picking up concerns from those who fell above the £50,000 for SEISS help – and those who were too newly self-employed to qualify. The emails started to flood in. Each said in their own words the impact on their business, and what they were going through – the business and human impact. We told people who emailed in that we would share those with HMRC and Ministers. The idea was to give a collection of raw, personal stories and make it less of an economic theoretical gap.

82. In 12 days, 537 businesses sent in their heartbreaking stories and we would end up getting over 700. These were shared with HMRC and HM Treasury. As people emailing in then would not have known their email would be handed over by FSB to an Inquiry, I have not attached these. I have, though, attached the topline cover email that went across on 12<sup>th</sup> April 2020; we split the emails into groups of c100 each, and so there were 6 emails sent across – and we confirmed by phone that they were safely received. While each individual story was unique to that individual, some common themes emerged and it was indeed the plight of three groups that stood out - Company directors, Self-employed people who had previously been earning over £50,000 a year, and those who had recently become self-employed. We will go through this in detail the next section. But it is vital the Inquiry notes those who were not supported as strongly, and sometimes, if at all, despite the Government having options to help and this has caused economic damage and a lasting negative legacy in trust of those in power for any future pandemic or similar scale of disruption.

83. We placed the results in the Times on Wednesday 15 April 2020.

A chronological list of any reviews, pieces of analysis or similar, produced or commissioned by FSB relating to any of the matters in the Provisional Outline of Scope for Module 9 – and a copy of any review and summary.

84. FSB did not commission reviews, analysis or similar into the items listed in your Provisional Outline of Scope for Module 9 that aren't covered elsewhere in this witness statement. Areas that remain in your outline such as: decisions on additional

funding for relevant public service or for the voluntary/community sector; the structure of decision-making within Government; what advice was given to Ministers; how the UK Government engaged with devolved administrations and vice versa; how funds were generated; what policy objectives were agreed; equality within impact assessments; what was defined as success for each mechanism; and how decisions were made to curtail schemes - are for the lead public authority for each question to answer, through being transparent with the inquiry. FSB does not have insight into these that would help the Inquiry as these discussions were held behind closed doors.

The strengths and weaknesses of the overall economic response to the pandemic by the State (including the design, implementation, timing, monitoring and review of economic interventions) at a high level

85. In general, the economic policy and economic decision-making parts of Government worked at pace to deliver large scale support rapidly, and worked well with us to understand the nature of the impact once restrictions were about to be adopted/in place. It is a hard-to-answer question about whether support would have been designed differently had the planning assumptions on the length of time social restrictions in place been different (longer). The weakness was in the missing support for certain groups. Perhaps inevitably, the strength of economic engagement was reliant on the ability and energy, or otherwise, of individuals within the key institutions and departments.

86. The best way for me to assess the strengths of the economic response and interventions – and the weaknesses – is by going back to the outset and what we wanted the Government, with business, to achieve. **1. Can the state, and all of us, say with hand on heart that we did indeed “save as many businesses as we can”?** And then **2. Did the approach lead to an economic response that “was as generous as possible [in the amount of £ support per business], helped as many small businesses as possible [in the number eligible and reached], and was as swift as possible [£ in the business’s bank account]?”**

87. On 1, the fact that it was already a qualified phrase - *as many as we could possibly save* - shows that we did not expect to be able to save every business. The state is not all-powerful. Not every bad impact of the pandemic could be halted by it. If the state could have stopped COVID, we would not have the huge number of deaths and tragedies it caused - even the herculean efforts for the vaccine couldn't do that. And

the same counts for business and the economic response, and interventions. To come out of the pandemic roughly in the zone of a c10% contraction in our population is tough, but it is a success as at the end of the day, we kept the UK's small business and self-employed community at c90% of its size.

88. On 2, I think the economic response was of course huge in a comparative sense – the largest intervention in peace-time, and the most resource deployed. As the first and third of our three aspects, no one had seen any state intervention that was as generous; nor one that was as swiftly designed and deployed – even the adaptations that were made to them, or the extensions, were welcome and they were not hampered by generosity or speed. But on the second aspect, on the number of businesses helped, it's not quite so black and white. The number of businesses helped in different financial ways was absolutely huge and the Government deserves the credit for that. However, the swathe of people deemed ineligible throughout was cruel and must be reconsidered for a future incident of this size and scale. For those people, the economic support was not sufficient and the explanation was poor. The analysis of how Government Ministers were advised and then came to decisions not to go ahead - despite trusted sources of integrity like FSB realising the lack of policy work in government, and so creating the policy function outside of Government with Forgotten Ltd, ACCA UK and Re Legal Consulting Ltd to design a Directors Income Support Scheme that would have met probity thresholds and meant assistance – remains a major stain on the Government's record.

89. There is no doubt that many people who were forgotten or excluded from Covid support schemes felt let down and forgotten by their Government, and that feeling of injustice still burns, five years later. They were and are taxpayers; they took on risk to become entrepreneurs rather than work for someone else with the benefit of employment support; they did their best to support their employees and communities during the pandemic; and understandably they feel like they were deserving of a comparable level of support from the state. If lessons are not learned from this, there is a very real risk that the experience during the pandemic will result in a long-lasting deterrent to setting up your own company or small business. It's really important that the Inquiry takes into account the experiences of these groups from the pandemic. While we hope never to see a repeat, if a comparable set of circumstances were to ever arise, it is vital that company directors and those self-employed left out of grant support do not suffer once again as a result of the same approach being taken. High

levels of personal and business debt and repayments remain, depressing business turnover, profit and viability.

Specific strengths and weaknesses of the design and implementation of CJRS for use in any future pandemic

90. To map against our original aims, the speed at which CJRS was designed within HM Treasury, and the generosity of the scheme for wage replacement, were both significant strengths. Having the ability to extend the scheme fairly simply was also a strength in the design. Also, changing the eligibility date to those employed from February as at outset to March, i.e. the day before the scheme was announced, was a major help for those newly employed just at the worst possible time. The creation of part-time flexible furlough later on to help small employers to transition their small teams back to work was a significant improvement, and should be designed in from the outset if it's ever needed again. In FSB's research report into regulatory change during the pandemic, conducted in partnership with Newcastle and Birmingham Universities and exhibited as CB/29 - [INQ000647703], furlough was seen by small businesses as simultaneously being one of the most beneficial regulations, but also sometimes difficult to comply with. This "furlough paradox" can be put down to the initial lack of flexibility in the policy design, meaning small businesses could not initially make best use of this vital support scheme.

91. Most small business owners adapted well and worked out CJRS, but some struggled to get to grips with something completely new, and without the traditional support in place you would expect from HMRC or Government Departments, like in-depth explanatory notes, step-by-step guides, etc. There was also the issue of mandating a full 3-week full time furlough or paying full wages, leaving many with a stark binary choice at the outset of either missing out on some revenue-generating work or incurring full wage costs. Company directors also struggled with their effective exclusion from the scheme, with no help re dividends which made up the vast majority of their income – and then some discrepancy about the small amount of PAYE salary habitually paid to themselves and if they furloughed themselves, what they were allowed to do or were banned from doing (they couldn't fulfil the work functions as the business owner, creating revenue or providing services, despite furlough only covering a minor element of their income). Small business owners tend to 'gold-plate' regulatory demands to protect themselves from making a mistake, and that caused problems here when there is uncertainty. This could be looked at afresh if there was a similar massive disruptive but parallel event.

Specific strengths and weaknesses in relation to SEISS, its design and implementation, exclusions and the lessons to be learned for use in any future pandemic?

92. To map against our original aims, the speed at which SEISS was designed within HM Treasury, and the generosity of the scheme for wage replacement, were also both significant strengths – despite being a ‘second order’ scheme developed slightly more slowly, in a moment where the community was in deep alarm without a promise of assistance – but seeing the Government protect employees, without reference to them. The 4-5 million strong self-employed population at that time felt unseen vs the 16 million strong employees – so that is a lesson to be learned for the future, i.e. announce both employed, and self-employed, financial support together. The difference at the outset of COVID in 2020 was that the Government prioritised CJRS and it was through encouragement of No.10 by FSB that SEISS caught up in development and was ready relatively soon after CJRS.

93. Other strengths include the ability for a self-employed person to continue to work, and then for the support to be covered in their next self-assessment tax return; this saved a huge number of self-employed roles where their income did fall but if they managed to recover well, they would later contribute tax. This is far more dynamic than paying people *not* to work – keeping them from adjusting in a new economy; having the ability to run future rounds of the scheme on broadly similar lines was a positive. Other options might have drawbacks if the scheme had been less dynamic, while the self-employed (and indeed ltd company directors) operate in environments they themselves are fast-moving and entrepreneurial and a scheme that depressed that until it could be lifted would have negatively impacted the incentive to adjust.

94. The key weaknesses with SEISS were not with the scheme itself or how effectively they were covered, but rather with those who were not covered, either by incorporation into SEISS, CJRS or other grant support schemes. I’m grateful to set these out in greater specific detail than so far in this witness statement:

- a. Company Directors. Company directors were not eligible for SEISS under the scheme rules, and although they might have been eligible for furlough, in practice they were unable to make use of it. In order to benefit from furlough, at least for the first few months of the scheme, one of the requirements was that the furloughed individual spent no time whatsoever working on the business. If company directors had furloughed themselves there would have been nobody to ensure that the business’s liabilities were met (e.g. to ensure

other employees were paid, or to comply with tax or regulatory requirements) nor would there be anyone to chase invoices for money owed to the business. Furlough was also not relevant for company directors because directors often cover the majority of their living expenses through taking dividends from their company, rather than by taking all of their remuneration out as PAYE. These directors pay all the taxes due – specifically corporation tax and dividend tax. Remunerating yourself through taking dividends is a legitimate and common way for small business owners to cover their living expenses, and makes sense in the context of the fluctuating and unpredictable revenues that many small businesses experience. (The impact of this and a proposed solution to it is the focus of your next question.)

- b. The £50,000 threshold for SEISS. Under the SEISS eligibility rules, those who had previously made over £50,000 in trading profits were deemed ineligible for support. To highlight a theoretical example that reflects the real-world experience of many, this led to a self-employed person who had previously made £50,001 profit, being unable to claim anything through SEISS, no matter how much income was lost due to the pandemic, whereas a self-employed person earning £49,999 would have been eligible to claim through SEISS for up to 80% of their lost income, up to a cap. The situation of self-employed people who had made over £50,000 in the previous year can be contrasted with the situation of employed people under the furlough scheme. An employed individual could be furloughed by their employer, and attract a Government grant worth up to 80% of their salary cost, regardless of how much they had earned in the previous year. That's not to say that there wasn't a cost control mechanism in the furlough scheme – the value was limited to £2500 a month – but there was no salary cut-off comparable to the SEISS. It's hard not to draw the conclusion that the self-employed community found themselves worse off, as a result, than the employed community. Having modelled the scheme, and seen this weakness, Government should have modelled a cap of value in line with that of CJRS. It is a shame that Ministers decided against this, and it's something that should be considered if new Ministers face a crisis of similar nature in future.
- c. Newly self-employed ineligibility for SEISS. The other significant group who found themselves unable to claim for lost income were those who were newly self-employed. One of the requirements of SEISS was that there needed to be a tax return for a previous tax year, a requirement that was put in place to minimise the risk of fraud. What that meant in practice was that many

individuals who had gone from employment to self-employment in the months before the pandemic found themselves excluded from both furlough and SEISS. Many were deeply worried about how to cover their living expenses if their business had been adversely affected by the pandemic. Later in the pandemic, FSB was able to persuade the Government to expand the scope of the SEISS, to ensure that access to rounds of the scheme were made available to a larger group, including the newly self-employed who could now provide a tax return as evidence. Aside from time extensions, we understand this was a very rare example of a significant expansion being announced to the scope of one of the Covid support schemes. FSB is proud both of having been instrumental in campaigning for a SEISS-like scheme, which met the generosity and swiftness aspects of our golden rule, and also to achieve the single greatest expansion of one of the main schemes, which meant we contributed to the comprehensive reach/helping as many as possible aspect. The modernisation of the tax regime to place it on a digital basis, through the expansion of Making Tax Digital and its extension as mandatory to £50,000 and later to a lower threshold, does mean that Ministers should have access to much more reliable tax data through HMRC. MTD when launched by then Chancellor George Osborne was heralded by him – to FSB’s own conference – as “the end of the annual tax return”. Future Ministers should take stock of the progress on MTD at the time of any future crisis, and consider if the need for a full completed tax return for the future year is the right cut-off; notably, by comparison, the furlough CJRS inclusion cut-off for employees was moved forward from 28<sup>th</sup> February 2020 to 19<sup>th</sup> March 2020 – the day before the scheme launched. This should be the stretch aim of any future SEISS, depending on the tax data available through HMRC and MTD that mitigates against significant fraud. HMRC could also do a review, now, as to whether it has better data in 2025 than 2020 or whether it will under MTD, that could help in a future similar level of crisis.

Any view of the economic implications of the absence of a support scheme for company directors - including what engagement FSB had with the UK Government on this issue, and if FSB proposed and drafted a specific scheme, and its details. Also include relevant correspondence.

95. Having witnessed support schemes announced for other groups, limited company directors realised they were out of scope and FSB started to work this through. With an estimated >900,000 individual small business owners likely affected, this

represented a major element of the community not covered by those who could access Self-Employed Income Support even though their position was almost identical. This meant a huge part of the community was not recognised by Ministers despite assurances that they would do whatever it takes to support those affected.

96. 900,000 small business suddenly without grant support for their families is not as big as the self-employed population, but it is still a major element of the economy and of society – and like everyone else, they had bills to pay for their personal lives and their businesses. At that moment, most stopped or slowed their operations, although a small number would have been in specific sectors or been able to switch their business to do something else that was permitted. To have the business stop, and their personal income stop too, is almost impossible to cope with and many people's lives and wellbeing were deeply affected. As the pandemic continued, together with the on/off nature of restrictions, this made it impossible to plan. Some took on huge COVID debt, others took on commercial debt, others maxed out credit cards, or took commercial loans of varied quality or liquidated their companies.

97. The collapse of personal income to this group meant they deserved some thought by Government into them – but we saw no sign of any team anywhere in HM Treasury or elsewhere in Government who had responsibility for this group. In a first, FSB joined up with Forgotten Limited, a direct campaign set up for limited company directors, where people had joined to get advice, to lobby for change and to talk to others in the same predicament. Forgotten Limited was founded by Gina Broadhurst and Philippa Lurcock, and huge credit is due to both but especially to Gina (and her team, including Shirley Craven) for reaching out to work with FSB and see how we could improve things. FSB helped with policy and tactical advice, and our knowledge of how Government worked – and we were able to work together on lots of elements of help, including things like debt forgiveness of COVID loans which could be focused on limited companies that were most indebted and least helped.

98. Together, Forgotten Ltd worked with FSB, ACCA UK and Re Consulting Ltd on a potential new scheme. Working together, the four of us effectively insourced the policy-making function that should have been happening in HM Treasury, to knock together and develop a proper scheme that we could all put our names to. Dubbed the DISS - the Directors' Income Support Scheme - this was then tested with key parts of our organisations, and later on with official contact with Ministers and officials, so that it could be finessed before arriving at its final, best form. The DISS

was based on trading profits, rather than dividends, and so in line with other schemes (and acknowledging the initial push that dividends from investment could not be differentiated from small business owners legitimately taking dividends each year – an acceptable way to pay themselves out of their companies.) Profits would be as reported via the CT600 Corporation Tax return, which was provided in line with the director’s legal duties – the director must have been currently trading, and intend to continue; been affected by COVID; can only claim for 1 directorship, providing the largest income; and not be an investment or property vehicle. It could be certified by an accountant or self-certified by the director with the existing legal protections against fraud. A grant at similar levels to SEISS would then be made to the company, capped as needed by turnover or size of firm by employee numbers. This was officially submitted to Ministers. Ministerial engagement afterwards sought meetings and discussions, which were had, but there was no moment of a clear public policy decision to go ahead, but neither was there one to *not* go ahead; and eventually – despite the apparent early signs of an open door – the decision against must have been made as nothing emerged. It’s quite possible at this stage of the pandemic that Government had moved into a zone of cutting off funding for COVID support as the state was having to borrow and spend considerably by this point; however if this was the main reason it was not adopted, then for any future pandemic it should be put alongside CJRS and SEISS. Other objections were broadly around fraud that we believe were successfully mitigated, with minor changes to the DISS as it was developed - certainly by comparison with levels within the other Government schemes. The DISS went on to secure strong cross-party support across the House of Commons, the All-Party COVID Group and Select Committees.

99. It’s important here to note that there were other options which we also explored with HMT. For instance, the policy development work HMT did around the announcement - subsequently overtaken by events - of providing this group access to the Job Retention Bonus, would have offered an easy-to-action mechanism to offer some additional support to those small business owners who had not been able to access much material support. The grant would have been £1,000 - those ltd company directors that had furloughed themselves for their PAYE element of their income would have been eligible for this. One option would have been to factor in their exclusion from proper grant support re the vast majority of income, and so offer a greater level of grant. In this case, as more broadly, what appeared to be missing was a genuine desire by at least some Ministers to find a solution, and a lack of licence given to officials to develop policy in line with a direction that Ministers were

not keen to take. This could be based on individual Ministers' misconception of this group, and that many people in serious needs of support were missed out as a consequence. Policy-making would have benefited from Ministers giving greater licence to officials to develop policy and find solutions for this group.

100. In my view, this is the most important element of the economic support aspect of the Inquiry, and this module - that the Inquiry gets clarity from within HM Treasury, at political level, as to how and what decisions were taken. Competent Ministers such as Jesse Norman seemed reasonable, engaged and impressed with our proposals – however there is a disconnect here with what Government then did; and so whether the Chancellor at the time decided against; or whether a Cabinet Committee decided against; and based on what official advice – would be something that the community most affected, would be keen to finally understand. The Inquiry could find out what decisions were made by HM Treasury Ministers on the DISS, what advice was given by officials to HM Treasury Ministers, together with the policy options given to them, and the minutes of any relevant Cabinet or Cabinet Committee discussions or details of any 'write-round' around the Cabinet or relevant Cabinet Committee.

101. I would recommend that the Inquiry contact Gina Broadhurst and Shirely Craven at Forgotten Ltd, as well as Rebecca Seeley-Harris at Re Consulting Ltd and Glenn Collins at ACCA UK who were brilliant partners on the DISS and our campaign together for it. Also I would add that Forgotten Ltd was very keen on establishing the Inquiry, as they looked forward to your planning re future pandemic-level incidents and future responses by future Governments. They would want to be heard, and I am only able to put things from my perspective and I do not write on their behalf.

102. The relevant correspondence is within the Correspondence section above.

103. Case studies of the impact are not possible as we have not kept records of the 537-700 emails we received in the initial stages of the pandemic, but we reference their content above and they were simply heart-felt stories of personal and business impact that they were going through and being left out, cruelly, by Ministers. In some ways the creation of a scheme like DISS ended up hurting more because we had created a clear way for Government to help; however to have not done the work would have let Ministers off the hook. And, looking back, the provision of a scheme means that Ministers need to be held accountable for a decision rather than simply shrugging shoulders and saying "well, fraud".

View about the strengths and weaknesses of the engagement of the UK Government and Devolved Administrations with external parties such as FSB and other bodies representing businesses and the self-employed; and how might such engagement be improved in response to any future pandemic?

104. FSB at UK and devolved level felt very engaged by Government at all levels. We had existing strong 1-2-1 relationships and engagement structures and this was a strength as COVID took over and through the pandemic, as those meetings and relationships simply moved to be more online or on calls/emails. This 1-2-1 relationship was crucial. The 'B5' structure that we had built up provided a useful additional forum for us with the other four main business groups of the UK as we met with the UK Government and Ministers.
105. FSB's corporate independence vis-à-vis Government at all levels was also a strength. FSB is a brand trusted in the community, and particularly in the small business community. We have fifty years' heritage, now, as the voice of small businesses and the self-employed. FSB is clearly independent, and a strength in Government engagement was to remember that – we're not part of the Government, we're not to be a lever for Ministers to pull or to instruct us to undertake any activity or back a line to take (although of course they are free to ask). We are therefore free to support Government when it does something good, oppose Government when it does something bad, and propose positive suggestions for Government to consider. It is too easy for external campaign groups to fall into a negativity spiral, but while an easy space to inhabit – it's not effective for a representative body to secure public policy changes. And in COVID, the way Government worked with us as an independent body was helpful – in the areas where we were not successful, such as on the DISS scheme, our position was at least respected.
106. But in broad terms, FSB was able to express our views and share our intelligence with officials and Ministers in the UK Government, devolved governments, as well as MPs and Peers in Parliament and Mayors, Council Leaders, Councillors and officials at Local Authority Level. In many ways, FSB was able to build on our existing work – had we not existed, we'd have had to be created in COVID.
107. Improvements to Government engagement for a future pandemic perhaps could be formed around the feedback loop; the official consultation process for public

policy does not work well in such a fast-moving and overwhelming situation as faced when COVID arrived in Spring 2020. Engagement structures such as the B5 could be designed in to the process of Government as it prepares for the next pandemic. The B5 could take part in test exercises, for example, as Government tests itself, much like it did on the London 2012 Olympic and Paralympic Games, with terrorism and environmental disaster simulations that involved the Government, LOCOG, Ministers and external agencies.

Recommendations that FSB would ask the Chair to consider in order to improve the economic response to a future pandemic, bearing in mind the Provisional Outline of Scope for Module 9.

108. Having re-read the Provisional Outline of Scope for Module 9, the economic response to COVID helps us to consider what might be needed to face a future pandemic or similar event or development of equal enormity.
109. The response was designed in haste, but it did meet two of the three aspects required to be the greatest success – and it went some way of the third. In generosity, it met the threshold for appropriate levels of generous support. In swiftness, it met the threshold for getting schemes designed, published, and resources distributed (with some delay locally on processing grants, and also some decision-making that meant similar businesses got different support). In comprehensiveness/reaching as many people as possible, potential exclusions must be seen in the Inquiry and so prioritised in a future pandemic and I am keen for the Inquiry Team to take a view and call for this to be reviewed by current and future Ministers as the Government reacts to the Inquiry and prepares for a future pandemic – company directors, self-employed earning over £50,000, the newly self-employed (ie without a tax return), and indeed businesses left off of business rates relief.
110. On all, there is a way forward - on company directors, a version of the Directors' Income Support Scheme could be recommended; on the self-employed earning over £50,000, there could be a cap on the help provided rather than total exclusion; and on the newly self-employed, there could be a recommendation to the HMT/HMRC teams overseeing and running the Making Tax Digital programme to assess potential options that could mean help to those who have yet to submit an annual tax return; on business left out of 100% business rates relief, setting up a separate fund or mechanism should be considered – including looking at how the Government's attempt at this worked that they announced in 2021.

111. Small businesses looking back now at COVID will consider the importance of the schemes put in place and express hope that they would be finessed with the experience we have now had, and built upon – with the exclusions removed with sensible proposals now we have had time to look back. One area that may not get as high profile as others are the one-off cash grants of £10k (and £25k for larger SMEs) through the new Retail, Hospitality and Leisure Grant Fund sent at the outset, effectively turning the business rates system around and firing money back in the other direction. This was a game-changer, alongside the other major schemes and should absolutely be considered as the gold-standard to getting cash into small businesses quickly so they can keep going even when trading has been reduced, curtailed or stopped entirely – but without the need for local consultation that held the money back for days/weeks.
112. More broadly, the UK Government should be using the engagement architecture set up with FSB, as a vital but independent source of advice, policy feedback and judgement. This works well, enables sharp/fast discussion resting on our independence and trusted brand, heritage and evidence. The Government should also maintain the use of the B5 group, however that should not replace strong 1-2-1 engagement.
113. One major area outside of the Government's obvious purview would be to look at how it can ensure large businesses don't take the opportunity to relax on payments to small suppliers – while the UK Government and Department for Business and Trade under Jonathan Reynolds is about to publish a new package of reforms to improve this, small businesses saw payments delayed during COVID – meanwhile we saw excellent practice of some large supermarkets changing their payment terms almost to '0' days – i.e. paying a correct invoice as and when received. This sort of practice should be heralded by Government, and I would suggest it is considered as something the Government's new Small Business Commissioner, at the time of any similar crisis to this, is mandated to focus on across the FTSE 100, FTSE 350 and all public limited companies.

[END]

I believe that the facts stated in this witness statement are true.

# Personal Data

Craig Beaumont OBE

6 July 2025