

Witness Name: Paul Scully

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UK COVID-19 INQUIRY

MODULE 9

MODULE 9 WITNESS STATEMENT OF PAUL SCULLY

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Section 1: Introduction

- 1.1. I am providing this written statement in response to the Inquiry's Rule 9 request dated 18 August 2025 (**the Rule 9 request**). This is my first witness statement in the Covid-19 Inquiry.
- 1.2. I was Parliamentary Under Secretary of State for Small Business, Consumers and Labour Markets at the Department for Business, Energy and Industrial Strategy (**BEIS**) (or **the Department**) from 13 February 2020 until 7 July 2022.
- 1.3. At the outset, I would like to acknowledge the gravity and severity of the situation which the UK faced in the early pandemic. Alongside the threat to lives, the economic uncertainty was, I think, without precedent. We were faced with an emergency halt to vast swathes of economic and business activity with no way of knowing how long the pandemic would last, whether days, weeks or months. Without this knowledge and in circumstances in which many companies under financial duress were forced to stop paying their bills, and businesses, jobs and livelihoods were on the line, it was extremely difficult for Government to calibrate its packages of financial support.
- 1.4. My view is that the Government's measures were effective, and a large-scale response was vital in avoiding a potential catastrophic collapse in business activity and employment, with long-lasting effects. Indeed, on 14 April 2020 the Office of Budget Responsibility (**OBR**) projected a worst-case scenario in which GDP would contract by 35% between April and June 2020 (after allowing for the impact of response measures).¹ I set out my views in relation to the specific schemes below.

Structure and Scope of Statement

- 1.5. This statement has the following structure:
 - a) Section 1: Introduction.
 - b) Section 2: Roles and Responsibilities - addresses my professional background and my roles and responsibilities as Parliamentary Under Secretary of State for Small Business, Consumers and Labour Markets at BEIS.
 - c) Section 3: Joint Working - considers my working relationships with the Secretary of State, a range of ministers, officials, other government departments and public bodies.

¹ In an updated fiscal report published in July 2020, the OBR confirmed the UK was on track to record the largest decline in annual GDP for 300 years, with output falling by more than 10 per cent in 2020 (and contracting by a quarter between February and April 2020).

- d) Section 4: Engagement with Stakeholders and Business Representative Organisations - sets out my role as a liaison between Government and the business community.
- e) Section 5: Coronavirus Business Interruption Loan Scheme (**CBILS**) – sets out my involvement in CBILS.
- f) Section 6: Coronavirus Large Business Interruption Loan Scheme (**CLBILS**) - sets out my involvement in CLBILS.
- g) Section 7: Bounce Back Loan Scheme (**BBLs**) and the Covid-19 Fraud Ministerial Board (**FMB**) – sets out my involvement in BBLs and the FMB.
- h) Section 8: Future Fund – sets out my involvement in the Future Fund.
- i) Section 9: Recovery Loan Scheme (**RLS**) – sets out my involvement in RLS.
- j) Section 10: Reflections on Loan Schemes – includes my reflections on CBILS, CLBILS, BBLs, RLS and the Future Fund.
- k) Section 11: Covid-19 Business Grant Schemes (the ‘**grant schemes**’) - sets out my involvement in the grant schemes, including the cohort one, cohort two and cohort three schemes and my reflections on the grant schemes.
- l) Section 12: Insolvency Law Changes – sets out my work on the Government’s reforms to the Insolvency Rules.
- m) Section 13: Business Rates Relief (**BRR**) - sets out my work in relation to Business Rates Relief during the pandemic.
- n) Section 14: Data and Modelling – I provide a high-level summary of how I made use of data, economic modelling, and other scenario analysis.
- o) Section 15: Inequalities and Vulnerable Groups – I set out my thoughts on inequalities and the needs of vulnerable groups.
- p) Section 16: Lessons Learned and Reflections - sets out my further thoughts on the pandemic response and recommendations for the future.
- q) Section 17: Relevant Documents.

1.6. Many of the matters raised within the Rule 9 request are addressed in detail in the Departmental corporate (first) witness statement (the **CWS**), dated 6 June 2025, and provided by Gareth Davies, as current Permanent Secretary for the Department of

Business and Trade (**DBT**), Parts A to D [PS/001a - INQ000653217] [PS/001b - INQ000653218] [PS/001c - INQ000653219] [PS/001d - INQ000653220].

- 1.7. Where I refer in this statement to the CWS, I will summarise the material I rely on or refer to and include references as appropriate using the following format: 'CWS, Part X, §XX'. I do not repeat all exhibit numbers throughout for ease.
- 1.8. This statement should be read in conjunction with the CWS.

Section 2: Role and Responsibilities

Professional Background

- 2.1. I began my career as a small business entrepreneur in 1990 and worked in various sectors including financial services, recruitment, telecoms and property.
- 2.2. I was a Parliamentary Assistant in the House of Commons between 2005 and 2011 and an elected Councillor in the London Borough of Sutton between 2006 and 2010.
- 2.3. I founded a public affairs company in 2011.
- 2.4. I was elected as MP for Sutton and Cheam at the May 2015 General Election.
- 2.5. I was appointed Deputy Chairman of the Conservative Party in July 2019 and left that post upon becoming a Minister at BEIS in February 2020. As stated above, I was BEIS Parliamentary Under Secretary of State for Small Business, Consumers and Labour Markets from 13 February 2020 until 7 July 2022. In this statement, I will use the term 'Minister'.
- 2.6. After my role at BEIS:
 - a) I served as Minister of State for Local Government and Building Safety at the Ministry of Housing, Communities and Local Government (**MHCLG**) from July 2022 to October 2022; and
 - b) I was Minister for Technology and the Digital Economy at the Department for Science, Innovation and Technology (**DSIT**) from October 2022 to November 2023.
- 2.7. I was Minister for London from February 2020 to November 2023, i.e. alongside my BEIS and then MHCLG and DSIT ministerial roles.
- 2.8. I stood down as an MP at the July 2024 General Election.
- 2.9. Since leaving the House of Commons, I have been Head of Strategy and Governance at the OM Group and a member of the advisory board of DeepGreenX Group Inc. I have also worked as a freelance business consultant.

Role and Responsibilities as a BEIS Minister

- 2.10. As Minister for Small Business, Consumers and Labour Markets between February 2020 and July 2022 my responsibilities, insofar as they are relevant to the Inquiry's terms of reference and the scope of Module 9, included:
 - a) Small businesses, enterprise and access to finance;

- b) Covid-19 emergency business support;
- c) Economic shocks;
- d) Labour markets;
- e) Retail;
- f) Hospitality, pubs and clubs; and
- g) Devolved administrations.

2.11. As required by the Rule 9 request, this statement will focus on my role in the economic response to the pandemic. However, it is important to recognise that only part of my time was spent on those matters. I was also involved in numerous non-financial aspects of the Government's work in relation to the pandemic and had ongoing responsibilities unconnected with Covid-19. I give a flavour of some of these responsibilities below.

Member of Parliament

2.12. As MP for Sutton and Cheam, I had constituency casework responsibilities and duties in Parliament in which I was assisted by my parliamentary office.

Minister for London

2.13. I was Minister for London, a role which involved me in substantial London-specific work, including attending the Covid-19 London Recovery Board (chaired by the Mayor of London) on behalf of the Government.

2.14. I also led other London-wide collaboration work, including engagement with London First (now known as BusinessLDN), a not-for-profit group which advocates for the interests of London as a global business centre by focusing on policy reform in sectors such as skills, planning and infrastructure. Much of this work involved the development of strategies for reopening businesses and wider recovery measures in the later stages of the pandemic.

Other BEIS Responsibilities

2.15. Outside the response to the Covid-19 pandemic, by far my most significant commitment as a BEIS minister was on Post Office-related work. I was the BEIS minister responsible for the Post Office from February 2020.

2.16. In December 2019, so shortly prior to my BEIS appointment, the High Court handed down judgment in the Post Office Horizon case brought by Alan Bates and others against the Post Office. I was very concerned by the issues arising from the Horizon

case and spent a lot of time on the subject, eventually leading to my decision to establish a statutory public inquiry in May 2021 and my work on the associated compensation schemes.

- 2.17. As a BEIS Minister, I was also engaged in supporting businesses to maintain their trading relationships following the UK's EU Exit. In particular, I worked with Lord David Frost (Minister of State, Cabinet Office) on cross-Government efforts to inform businesses about the associated changes to customs rules.
- 2.18. I was also heavily involved in consumer and competition policy consultations, including the development of consumer protection reforms in 2021, which gave new powers to the Competition and Markets Authority to improve enforcement in consumer law. I worked on around eight pieces of primary legislation affecting consumer (and also planning) law during my BEIS ministerial tenure.

The Pandemic Response

- 2.19. Turning to the Government's economic response to the pandemic, I emphasise at the outset that the key decision maker in relation to the packages of financial support delivered by the Department was the Secretary of State. My role was to assist and support the Secretary of State and I had comparatively limited involvement in relation to the design and development of the business support schemes.
- 2.20. The majority of my time and input was spent engaging directly with stakeholders. I reported back their concerns into Government and communicated the Government's proposals to stakeholders, particularly businesses.
- 2.21. I was a liaison between the business community and Government, regularly speaking with Business Representative Organisations (**BROs**) and sector representatives. I include some examples in Section 4 of this statement and Annex E.
- 2.22. I spent much time liaising with representative companies in particular sectors, including major retailers and pub companies through the Retail Sector Council and Hospitality Sector Council. My BEIS role included responsibility for retail and hospitality, the sectors most affected by the pandemic restrictions.
- 2.23. I co-chaired the Retail Sector Council alongside a senior representative of the retail sector. This was and remains a key forum for the government to liaise with the retail industry. Its membership comprised leaders of major UK retailers, selected by the Department (and subject to the approval of Department ministers) with the aim of having broad representation across the sector. The Retail Sector Council kept the

Government informed on key issues facing the sector during the pandemic. It also provided a forum to discuss potential solutions to the challenges caused by the impact of Covid-19 and trading restrictions in place.

- 2.24. I established the Hospitality Sector Council in September 2021 to provide a forum to facilitate cooperation between the hospitality sector and Government, modelled on the Retail Sector Council. I co-chaired the Hospitality Sector Council with a senior representative of the hospitality sector (initially Karen Jones, Chair of Prezzo). Membership of the Hospitality Sector Council was (and remains) by invitation and subject to the approval of Department ministers. It comprised leaders of major UK hospitality businesses such as pub companies and restaurant chains and representatives from industry bodies such as UK Hospitality and the British Beer and Pub Association.
- 2.25. I also spent considerable time in communications with BROs such as the Confederation of British Industry (**CBI**), the Federation of Small Businesses (**FSB**) and the Institute of Directors (**IoD**), as well as sector-specific bodies such as the British Retail Consortium and UK Hospitality. I address my work with the BROs further in Section 4, below.
- 2.26. I also had regular dialogue with local authorities as I describe further in Section 4 and Annex E.
- 2.27. On behalf of the Department, I also engaged with the business-facing trade unions, who were keen to be consulted on decisions affecting their sectors.
- 2.28. My primary role in relation to the Government's early business support schemes was to obtain feedback from lenders, businesses and local authorities on the implementation of the schemes, aiming to facilitate improvements.
- 2.29. I was the minister responsible for the oversight of British Business Bank (**BBB**) on behalf of the Department and had regular meetings with its Chief Executives, successively Keith Morgan and Catherine Lewis La Torre. BBB is an economic development bank wholly owned by the Department (the Secretary of State is the sole shareholder), albeit with operational independence. I did not work extensively with BBB in relation to the loan schemes and describe the extent of my work with BBB and relationship with them further below.

- 2.30. I also engaged with the Devolved Administrations through the Ministerial Quadrilateral Meetings. I discuss these later in my statement in response to specific questions put to me by the Inquiry.
- 2.31. I occasionally attended and contributed to Covid-O meetings. Covid-O was a central ministerial decision making committee run by Cabinet Office which was established to coordinate Government actions in response to the pandemic.
- 2.32. When Minister Zahawi was appointed Parliamentary Under Secretary of State (Minister for Covid Vaccine Deployment) at DHSC in November 2020, while retaining his role as a BEIS minister, I took over some of his BEIS responsibilities, including in respect of the aviation sector and the monitoring the concerns of companies of particular economic importance to the UK economy.
- 2.33. I regularly appeared on national and local media to promote the Government business support schemes, in particular the grant schemes. This was important to raise awareness of the support available (especially in respect of the grant schemes which were sometimes misunderstood to be government loans), particularly in communities which could be distrustful of government.
- 2.34. Turning to the various Government interventions I am asked about:
- a) I set out below the key points of my involvement in the Government's business support work. The extent of my work on each loan and grant scheme is set out more fully in the relevant sections below in which I address the specific questions put to me by the Inquiry.
 - b) As set out in Section 12, I was heavily involved in the passage of insolvency legislation and specific measures allowing business tenants a moratorium on rent payments.
 - c) In Section 13, I discuss my involvement in Business Rates Relief. While not substantively involved on the policy side of this work, I fed back into Government a lot of concerns that affected businesses had, particularly in hospitality and retail, for whom business rates represented a very significant portion of their costs. I was aware of these concerns as a result of my conversations with businesses (directly and through representative bodies).
 - d) From October 2020, I also represented the Department on the Fraud Ministerial Board chaired by Lord Agnew, as set out in Section 7.

Ways of Working

- 2.35. The post I took up in February 2020 in BEIS was my first ministerial post. My role as a junior minister was to be a source of support to the Secretary of State. The nature of the Covid-19 emergency meant that the majority of decisions were taken by the Secretary of State in consultation with the Chancellor, HM Treasury (**HMT**) officials and No. 10.
- 2.36. As will be apparent from the contemporaneous documents made available to the Inquiry by the Department, I received a high number of submissions during the period I was a BEIS Minister. At the start of my tenure, I received a hard copy box of papers daily. As the Department moved to remote working, this changed, and I increasingly relied on Microsoft OneNote.
- 2.37. The bulk of these submissions were directed to the Secretary of State and required a decision from him. In such instances, I was a copy recipient of the submission. However, where my input was not sought or required, I usually did not reply or comment. Of course, when I wished to express a particular view on a matter I did so notwithstanding that the submission did not ask for my input or decision. I do not give a full account of every submission or document I received.
- 2.38. Given the above, I did not read everything that was sent to me via my private office. I relied on my private office staff, who would often summarise what I needed to read or pay most attention to. Usually, one of my private office staff would be focussed on the Post Office and another on Covid-19 business engagement. I operated an 'open door' policy with my private office staff so that we continually interacted.
- 2.39. Particularly in the early phases of the pandemic, the Rt Hon Lord Alok Sharma dealt with most of the issues requiring decisions directly as Secretary of State. As I describe below, I had a good working relationship with Lord Sharma (for whom I worked before entering Parliament).
- 2.40. During Lord Sharma's tenure as Secretary of State, I attended weekly ministerial calls, which he chaired. These were attended by all BEIS ministers, the Permanent Secretary and Directors General.
- 2.41. During the Rt Hon Kwasi Kwarteng's tenure as Secretary of State from January 2021, I attended daily ministerial calls from Monday to Thursday for around 20 minutes, usually chaired by the Secretary of State, during which officials briefed ministers on the latest proposals and any urgent decisions that would be required.

- 2.42. As I gained experience in my ministerial role, I worked with greater autonomy. During Kwasi Kwarteng's tenure as Secretary of State, I became the longest serving minister in the Department and led on discrete areas such as the hospitality recovery strategy in 2021. In the latter part of my tenure, my work in relation to the Post Office took up a greater proportion of my time.
- 2.43. I set out below a summary chronology of the key dates related to business support measures that the Department was involved in, and points of my involvement. Further detail in respect of key business support interventions is included later in this statement.

| Initial assessments and preparation | |
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| 4 March 2020 | I received a BEIS ministerial meeting readout, which detailed that officials had briefed Ministers on the business support measures under consideration by HMT and BEIS officials in view of developing concerns around the spread of Covid-19 [PS/001e – INQ000585482]. I do not recall having any involvement in discussions relating to pandemic preparedness before this date. |
| Coronavirus Business Interruption Loan Scheme | |
| 11 March 2020 | The Chancellor announced the creation of CBILS in the Spring Budget [PS/002 – INQ000236913]. |
| 17 March 2020 | The Chancellor announced changes to the initial parameters of CBILS, increasing the maximum loan from £1.2 million to £5 million and introducing a six-month interest-free period for businesses [PS/003 – INQ000585498]. |
| 18 March 2020 | Lord Callanan and I received a submission seeking our approval to present a Written Ministerial Statement and a departmental Minute to Parliament relating to the launch of CBILS [PS/004 – INQ000543086]. My response has not been located. |

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| 22 March 2020 | The Permanent Secretary requested a ministerial direction from the Secretary of State in relation to CBILS [PS/005 – INQ000065992]. The Secretary of State provided a ministerial direction on the same day [PS/006 – NQ000064753]. |
| 23 March 2020 | CBILS was launched and opened to applications [PS/007 – INQ000563889]. This was also the date on which the first lockdown was announced, to come into force on 26 March 2020. |
| 27 March 2020 | I received a submission from officials and subsequently provided my comments [PS/008 – INQ000563900] [PS/009 – INQ000657166]. The submission recommended that personal guarantees be prohibited for CBILS facilities under £250,000 and that personal guarantees for CBILS facilities above £250,000 be limited to 20%. |
| Coronavirus Large Business Interruption Scheme | |
| 26 March 2020 | I attended a daily ministerial call during which officials raised the issue of the 'squeezed middle', that is businesses in affected sectors which were too large to benefit from CBILS [PS/010 – INQ000563896] (I note the document is incorrectly dated 16 March 2020). |
| 2 April 2020 | I received a submission and an email update from officials in respect of the new loan scheme which would become CLBILS [PS/011 – INQ000064782] [PS/012 – INQ000563926]. |
| 3 April 2020 | CLBILS was announced by the Chancellor. |
| 16 April 2020 | The Permanent Secretary wrote to the Secretary of State, seeking a ministerial direction in relation to CLBILS [PS/013 – INQ000563960]. The Secretary of State |

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| | provided a ministerial direction on the same day [PS/014 – INQ000563962]. |
| Bounce Back Loan Scheme | |
| 23 April 2020 | I was copied into a submission (dated 21 April 2020) from officials to the Secretary of State which set out HMT's proposals for a new scheme (which was initially to be known as the Coronavirus Small Business Interruption Loan Scheme but is referred to throughout this statement as BBLs) [PS/015 – INQ000563987]. |
| 27 April 2020 | The Chancellor announced BBLs. |
| 4 May 2020 | BBLs was launched and opened to applications. |
| 22 February 2021 | I approved an initiative to prevent companies which had a BBLs facility from being struck off the Company Register [PS/016 – INQ000564189]. |
| 28 July 2021 | I approved the expansion of the above initiative to include companies with borrowing under CBILs, CLBILs, RLS and the Future Fund [PS/017 – INQ000564219] [PS/018 – INQ000564220]. |
| Future Fund | |
| 20 April 2020 | The Chancellor announced the Future Fund. |
| 20 May 2020 | Future Fund was opened to applications. |
| Recovery Loan Scheme | |
| 9 November 2020 | I received a submission in respect of a potential new loan scheme which would become the RLS [PS/019 – INQ000564140]. |
| 3 March 2021 | The Chancellor announced the RLS. |

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| 6 April 2021 | RLS was opened to applications. |
| <u>Cohort One Grants: Small Business Grant Fund (SBGF), Retail Hospitality and Leisure Grant Fund (RHLGF) and Local Authority Discretionary Grant Fund (LADGF)</u> | |
| 7 to 8 March 2020 | HMT contacted BEIS and MHCLG seeking options for providing grants to support small and medium enterprises (SMEs). I did not have any involvement at this stage. My recollection is that my first involvement came on 10 March 2020, the day before the Spring Budget, as I set out below in Section 11. |
| 11 March 2020 | The Chancellor announced the SBGF in the Spring Budget. |
| 17 March 2020 | The Chancellor announced the RHLGF and that the grant figure for the SBGF would be increased from £3,000 to £10,000. |
| 23 March 2020 | Government circulated guidance for the SBGF and RHLGF to local authorities [PS/020 – INQ000064765]. |
| 1 April 2020 | Funding for the SBGF and RHLGF was transferred to local authorities. |
| 2 April 2020 | During a call with BROs, I discussed the inconsistencies among local authorities in how the SBGF and RHLGF were being implemented and the desirability of having a standardised approach [PS021 – INQ000543144]. |
| 1 May 2020 | The Secretary of State held a livestream with representatives from all 314 English local authorities to discuss the SBGF and RHLGF [PS/022 – INQ000543187] [PS/023 – INQ000543188]. In the same week, I held calls with 25 local authorities which were experiencing difficulties to check on progress of the distribution of funds and the reasons for their slower pace. Simon Clarke (Minister of |

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| | State, MHCLG) conducted similar calls with other local authorities. |
| 1 May 2020 | The Secretary of State announced the creation of the LADGF on a livestream call with 314 English local authorities [PS/022 – INQ000543187] [PS/023 – INQ000543188]. The LADGF was a more flexible grant intended to support small businesses which were not eligible for the SBGF and RHLGF. [PS/022 – INQ000543187] [PS/023 – INQ000543188]. |
| 2 May 2020 | LADGF was publicly announced [PS/024 – INQ000543204]. [PS/022 – INQ000543187] [PS/023 – INQ000543188]. |
| 28 August 2020 | Closure of cohort one grant schemes. |
| <u>Cohort Two Grants: Local Restrictions Support Grants (LRSG), the Additional Restrictions Grant (ARG), the Christmas Support Payment (CSP) and the Closed Business Lockdown Payment (CBLP))</u> | |
| A chronological overview of the cohort two grant schemes is set out in the CWS, Part C, §§7.16 - 7.17. For brevity, I do not repeat it here. My involvement in the cohort two grant schemes is summarised below, in Section 11. | |
| 30 September 2020 | I received a submission from officials in respect of the situation in Bolton, which had been under a local lockdown since 8 September 2020. My approval was required to trigger the first payment under LRSG which was to be made to Bolton Metropolitan Borough Council [PS/025 – INQ000543365] [PS026 – INQ000543364]. On 1 October 2020, I approved the first payment under LRSG to Bolton Metropolitan Borough Council [PS/027 – INQ000543369]. |
| 2 November 2020 | I approved the LRSG (Bolton) guidance [PS/028 – INQ000543434] [PS/029 – INQ000543435] [PS/30 – INQ000543443]. |

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| 3 November 2020 | I approved the publication of guidance in relation to the LRSG sub-schemes (namely the LRSG (Closed), LRSG (Open), LRSG (Closed) Addendum November and the LRSG (Sectors)) and the ARG [PS/031 – INQ000543467] [PS/032 – INQ000543456] [PS/033 – INQ000543464] [PS/034 – INQ000543455] [PS/035 – INQ000543465] [PS/036 – INQ000543454]. |
| 8 December 2020 | I approved the guidance for the CSP, following input from HMT [PS/037 – INQ000543537] [PS/038 – INQ000543538] [PS/039 – INQ000543543] [PS/40 – INQ000543546]. |
| 24 December 2020 | I approved the guidance for the LRSG (Closed) Addendum Tier Four [PS/041 – INQ000543594] [PS/042 – INQ000543593] [PS/043 – INQ000543596] [PS/044 – INQ000543598]. |
| 4 March 2021 | I approved the closure timetable for the LRSG Grants [PS/045 – INQ000543684]. |
| <u>Cohort Three Grants: Restart Grant and Omicron Hospitality and Leisure Grant</u> (OHLG) | |
| 3 March 2021 | The Chancellor announced the Restart Grant, to be available to businesses from 1 April 2021 [PS/046 – INQ000543690]. |
| 17 March 2021 | I approved the structure of the Restart Grant and guidance for local authorities [PS/047 – INQ000543705] [PS/048 – INQ000543701]. |
| 25 March 2021 | I approved payment of £3.8 billion to local authorities to fund the Restart Grant [PS/049 – INQ000543715]. |
| 23 December 2021 | I approved the OHLG support package of £683 million to businesses to cover the costs of the reduction in trade |

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| | caused by the Omicron variant of Covid-19 [PS/050 – INQ000543772]. |
| 24 December 2021 | I approved the guidance to local authorities on the OHLG [PS/051 – INQ000543779]. |

2.44. As I have indicated above, a major component of my involvement with the Government's economic response to Covid-19 was engagement with businesses, organisations, unions and industry groups. I was involved in this work on an almost daily basis and address it in Section 4, below.

Section 3: Joint Working

Working with the BEIS Secretary of State

- 3.1. During my tenure as BEIS Minister, the Secretaries of State were:
Rt Hon Lord Alok Sharma KCMG: February 2020 to January 2021; and
Rt Hon Kwasi Kwarteng: January 2021 to September 2022.
- 3.2. I had a close, friendly relationship with both Lord Sharma and Kwasi Kwarteng. I felt and still feel that they trusted me to manage my responsibilities and, accordingly, I worked with a significant degree of autonomy. They both frequently sought my counsel and placed confidence in me to engage with challenging business sectors, trade unions, Parliament and the media. They did not involve themselves in my work as Minister for London unless I raised a relevant point or concern with them.
- 3.3. I had known Lord Sharma for a long time and before I took on my BEIS role. We had worked in his parliamentary office together from 2010, when he was first elected, while I was a Parliamentary Assistant in the House of Commons and ran his office.
- 3.4. Lord Sharma became Secretary of State on 13 February 2020, the same day that I began my role at BEIS. He took a lot of interest in the economic and business support schemes, in part because his professional background was in finance. He was highly detail-oriented and personally handled matters that were directed to him. As set out in Section 2 above, Lord Sharma held weekly one-hour meetings with BEIS ministers, the Permanent Secretary and Directors General. In these meetings, we discussed ongoing work and any issues that needed urgent attention. In addition, I attended meetings with Lord Sharma as required. We held frequent and informal discussions as needed to address matters as they arose.
- 3.5. I got to know Kwasi Kwarteng as a fellow junior minister before his promotion. Kwasi Kwarteng took up the role of Secretary of State in January 2021 and held that post beyond July 2022, when I left to commence my MHCLG role. During his tenure as Secretary of State and as set out in Section 2 above, I recall having daily meetings with BEIS ministers, the Permanent Secretary and Directors General from Monday to Thursday. These were shorter and more focussed than the weekly meetings with Lord Sharma, lasting about 20 minutes. Also, by that time, I had been in my post for nearly a year and therefore worked with greater autonomy.
- 3.6. I am asked whether, and if so how, the nature of my relationships with the two Secretaries of State affected my work in the economic response to the pandemic. As

outlined above, I had known both Lord Sharma and Kwasi Kwarteng before their appointments. They trusted me and had confidence that I could do the job well. As a result, I was given the autonomy to handle significant responsibilities on my own, such as the Post Office work and key stakeholder engagements.

- 3.7. My background as a small business entrepreneur shaped the way I approached my engagements with businesses. I had a deep understanding of the pressures businesses faced and genuine empathy for their challenges, which I believe made my engagements with them more effective.

Working with Permanent Secretaries and Ministers within BEIS, and Ministers in Other Government Departments

- 3.8. During my tenure as BEIS Minister, the other BEIS ministers were:
- a) Rt Hon Kwasi Kwarteng (Minister of State for Energy, Clean Growth and Climate Change): July 2019 to January 2021;
 - b) Rt Hon Anne-Marie Trevelyan (Minister of State for Energy, Clean Growth and Climate Change): January 2021 to September 2021;
 - c) Rt Hon Greg Hands (Minister of State for Energy, Clean Growth and Climate Change): September 2021 to September 2022;
 - d) Amanda Solloway MP (Minister for Science, Research and Innovation): February 2020 to September 2021;
 - e) George Freeman MP (Minister for Science, Research and Innovation): September 2021 to July 2022;
 - f) Rt Hon Nadhim Zahawi (Minister for Business and Industry): July 2019 to September 2021;
 - g) Lee Rowley MP (Minister for Business and Industry): September 2021 to July 2022;
 - h) Lord Grimstone of Boscobel (Minister of State for Investment): March 2020 to July 2022; and
 - i) Lord Callanan (Parliamentary Under Secretary of State (Minister for Business, Energy and Corporate Responsibility)): February 2020 to February 2023.
- 3.9. The ministers in BEIS had a good working relationship. Lord Callanan and I worked closely together as he covered all our briefs in the House of Lords. We also worked together on the Corporate Insolvency and Governance Bill.

- 3.10. When Minister Zahawi became Vaccine Minister in November 2020, I took over some of his responsibilities at BEIS. Our regular meetings allowed us to have a working knowledge of what each other was covering.
- 3.11. While I was Minister, the Permanent Secretaries were:
- a) Sir Alex Chisholm: 5 September 2016 to 13 April 2020;
 - b) Sam Beckett (who held the role in an acting capacity): 15 April 2020 to 19 July 2020; and
 - c) Sarah Munby: 20 July 2020 to 7 February 2023.
- 3.12. I enjoyed constructive working relationships with all three Permanent Secretaries, as well as with other officials in BEIS. I was relatively new in my role as a BEIS minister when Sir Alex Chisholm left his post as Permanent Secretary. He was helpful and provided support as I settled into my new role. Sam Beckett was great to work with, but I recall she was not in the role for very long. Sarah Munby was always approachable and pragmatic. In general, I always found each of the Permanent Secretaries approachable, especially Sarah Munby with whom I worked the longest. Most of my contact with the Permanent Secretaries was through meetings with the Secretaries of State or other BEIS ministers, but we also had regular catch-up meetings to discuss broader matters.
- 3.13. I worked closely with Gemma Peck (Director, Business Growth, BEIS) on a range of matters, including the Help to Grow: Management programme which aimed to improve leadership and management skills in SMEs through training and mentoring. I also engaged with Gemma Peck in relation to her work on the loan schemes as I describe below.
- 3.14. As to my work with senior ministers from other departments, I principally dealt with Michael Gove (Chancellor of the Duchy of Lancaster and Minister for Cabinet Office) and Matt Hancock (Secretary of State, Department of Health and Social Care (**DHSC**)). We attended several Covid-O meetings together, which focussed on the tier structure during lockdowns and on the closure and reopening of crucial sectors such as hospitality for which I was responsible. My main involvement in these meetings was contributing to the reviews of tiering. I usually advocated for a more liberal approach to reopening, albeit with limited success.
- 3.15. Outside BEIS, for work in relation to the economic recovery, the closest relationship I had was with Nigel Huddleston (Parliamentary Under Secretary of State, Department

for Digital, Culture, Media and Sport (**DCMS**)). He was responsible for the other side of hospitality from me; tourism and events. We regularly coordinated our efforts to ensure that we were lobbying for the same priorities within the Government, particularly as we shared many of the same stakeholders.

- 3.16. In my capacity as Minister for London, I established a working group with a rolling cast list of junior ministers to provide a London perspective on their national policy priorities and to share London's priorities with them in return. This was in connection with the reopening of London in the latter stages of the pandemic.
- 3.17. I consulted the BEIS Special Advisers on a regular basis, seeking their views to inform my decision making. I did not have dedicated Special Advisers attached to my role. I was, however, supported by a policy advisor, **Name Redacted** who was specifically assigned to work with me. She had limited involvement in the economic response and assisted me more in my capacity as Minister for London.
- 3.18. I am asked to what extent the Department or I made use of informal or back channels to engage with other government departments (**OGDs**), excluding HMT, to discuss views and share analysis on the economic impact of the pandemic. The majority of communication and engagement was conducted in writing, ensuring there was a clear record. From time to time, MPs would provide feedback to me via WhatsApp or in person while in Parliament (often during voting sessions) and highlight concerns raised by their constituents. Whilst at home during lockdowns, I may also have received some WhatsApp messages. These exchanges were usually brief and informal. However, when an issue required formal attention or was of substantial nature, it was followed up by emails.

Working with Ministers and Civil Servants in HMT

- 3.19. In my capacity as a junior minister at BEIS, I had limited interactions with HMT ministers and civil servants. Communication with HMT about Covid-19 and the Department's economic and business response was usually handled by the Secretary of State and the relevant senior BEIS officials. At times, I sought representation from HMT officials on my stakeholder calls and occasionally, a mid-level HMT official attended and contributed. The reason I sought HMT representation was so that HMT officials could directly observe and hear the emotional context that a written readout could not capture. I recall pushing for this especially in the period leading up to a potential cliff edge at the end of the business rates moratorium.

- 3.20. I am asked whether I think HMT should have been more open and transparent in its approach to sharing information and economic analysis during the pandemic. For much of my time in government, HMT felt to me like a 'black box'. I thought it tended to default to macroeconomic decisions, which could leave some groups and sectors without adequate support, for example self-employed individuals, particularly contractors who were not able to provide the necessary year-end accounts as evidence, and those who paid themselves through dividends and difficult sectors like personal care, weddings and nightclubs. I considered it an important part of my role to remind HMT ministers and officials that businesses represented more than simply a unit of economic activity. I sought to remind them of this through the sentiment I expressed, which I hope was captured in the readouts of meetings and calls, during stakeholder calls that HMT officials attended, and, where possible, when meeting HMT ministers (the latter did not happen often).
- 3.21. Around potential cliff edges, for example, the ending of business rates relief, I recall the hospitality sector asking in January/ February 2021 whether the relief would be extended. I understood there was an obvious accounting reason why HMT would not make announcements outside major fiscal events, such as the Budget. However, this left businesses, especially in hospitality, unable to plan at a time when they did not know whether they could return to viability. At times, it felt as though business activity was mistaken for a return to profitability, when in reality, many pubs and restaurants were cutting costs to survive.

Working with Cabinet Office

- 3.22. Save for my work with Michael Gove to which I referred above, I did not have a direct working relationship with Cabinet Office. In Section 7, I refer to the work of Cabinet Office in relation to counter fraud, in particular in respect of BBLs.

Working with BBB

- 3.23. Working with BBB was a new and different experience for me, and it took some time to become familiar with the bank's work. I consider that I had a good working relationship with the two Chief Executives of BBB, Keith Morgan and Catherine Lewis La Torre, who held the role in succession during my time at BEIS. We held monthly meetings to discuss their wider remit and day-to-day responsibilities, which were unrelated to Covid-19. I recall that in the first few meetings, I did not feel that I was asking many important questions as I was still building my understanding in this area.

3.24. Much of the design work discussions with BBB for the loan schemes were conducted by Lord Sharma directly.

Working with Devolved Administrations

3.25. I had cordial and constructive relationships with my counterparts in the Devolved Administrations. My engagement with the Devolved Administrations centred on the Ministerial Quadrilateral Meetings, formal meetings relating to legislation and occasionally Covid-O meetings.

3.26. In December 2020, I assumed the role of BEIS representative in the Ministerial Quadrilateral Meetings with the Devolved Administrations [PS/056 – INQ000065286]. Minister Zahawi had held this role before me. The primary focus of these meetings was discussing the economic and scientific impacts of Covid-19 in the Devolved Administrations, as well as business support measures for the UK. These meetings were an important forum for sharing information and discussing the work being undertaken by each administration. Alongside this, I consulted with the Devolved Administrations in relation to the insolvency legislation to which I refer in Section 12.

3.27. Regarding my engagement with my counterparts in the Devolved Administrations, in some of the meetings it felt as though the Scottish administration's approach, communicated by Mike Russell, was quite political, reflecting the need for Scotland to have its own narrative and 'playbook' for the Covid-19 response. I do not recall specific examples of this in particular, but that these meetings could be politically charged, reflecting the wider political narrative. That is not unexpected in the context of a meeting between four politicians of different parties seeking to represent particular demographics and communities. In my view, these calls were not adversarial in nature, and we were generally able to achieve the necessary outcomes from each meeting.

3.28. I recall that Dianne Dodds of Northern Ireland was relatively formal in her approach and Vaughan Gething from the Welsh Government was quite forceful in pushing the case for Wales politically.

3.29. I do not recall there being as much tension and as many differences at Ministerial Quadrilateral Meetings as some of the Covid-O and legislation meetings. Covid-O meetings were more integral to the decision making process, and political differences became more evident under these circumstances.

3.30. I do not recall any significant policy changes or developments that resulted from the Ministerial Quadrilateral meetings, particularly in relation to the economic response. In

addition, the grant schemes were devolved matters, and responsibility for these schemes was held by the respective Devolved Administrations.

- 3.31. In my view, the Ministerial Quadrilateral Meetings worked well. They were a useful 'touch point' in coordinating the response. Overall, there are no particular changes for the Ministerial Quadrilateral Meetings which I would recommend, and they were a helpful way of sharing insights.

Section 4: Engagement with Stakeholders and Business Representative Organisations

- 4.1. In this section, I summarise my engagement with stakeholders and BROs in relation to the economic response to the pandemic.
- 4.2. I set out in Annex E a list of engagements with various stakeholders and BROs relevant to the Government's economic response to the pandemic, from March 2020 to September 2021. While I was in position as Minister until after this, this list of engagements covers the busiest period of stakeholder and BRO engagements. It is not an exhaustive list – there is much more that took place, but it is intended to provide a flavour of my activity based on minutes or readouts of meetings, calls or conversations.
- 4.3. First, I would like to emphasise that BROs played an invaluable role in raising the concerns of their members and relevant sectors. There was no way for Government to receive direct feedback from thousands of businesses in a form that it could meaningfully digest, other than by channelling the expertise and resources that BROs had developed and deployed. They acted not only as a sounding board but, more importantly, as a proactive voice, bringing a business mindset to Government that could not otherwise have been captured through its usual processes.
- 4.4. My initial engagement with BROs and stakeholders in March 2020 was as follows:
 - a) 11 March 2020: Together with the Secretary of State, I attended an initial call with BROs in relation to Covid-19 [PS/053 – INQ000625268]. Calls with BROs were then established twice weekly as I set out in §4.5 - 4.9, below.
 - b) 16 March 2020: Together with the Secretary of State, I joined a call hosted by the Department for Environment, Food and Rural Affairs (**DEFRA**) Secretary of State (George Eustice) with food retail sector CEOs [PS/054 – INQ000657153].
 - c) 17 March 2020: I spoke with Emma McClarkin, CEO of the British Beer and Pub Association, about the Chancellor's announcement of financial support and support to small businesses [PS/055 – INQ000657155].
 - d) 18 March 2020: I met with the FSB to hear the concerns of the small business community in relation to the impacts of Covid-19 [PS/056 – INQ000543078] [PS/057 – INQ000543085].

- e) 19 March 2020: Along with the Secretary of State, I talked with a group of union bodies, including TUC, Unison, Unite, GMB, USDAW and Prospect [PS/058 – INQ000657156].
- f) 20 March 2020: I chaired, with the Secretary of State attending, calls with the Hospitality and Retail sectors [PS/059 – INQ000657157] [PS/060 – INQ000657158].
- g) 23 March 2020: I spoke with Helen Dickinson from the British Retail Consortium concerning recently announced measures about social distancing [PS/061 – INQ000657159] [PS/062 – INQ000657160].
- h) 26 March 2020: Along with the Secretary of State, I met again with stakeholders from the non-food retail sector [PS/063 – INQ000657163].

BROs bi-weekly calls

- 4.5. In early March 2020, the Secretary of State established calls with selected BROs. The first call, which I attended, was held on 11 March 2020 [PS/064 – INQ000625267] [PS/053 – INQ000625268]. Much of the discussion focussed on reactions to the Chancellor’s Budget announcement earlier that day, [PS/065 – INQ000624857].
- 4.6. By late July 2020, the Secretary of State had chaired approximately 20 meetings with a group of 19 BROs, including the ‘B5’. The ‘B5’ referred to the five main business representative organisations: the CBI, IoD, FSB, the British Chambers of Commerce (**BCC**) and Make UK. These meetings were an important source of business intelligence, offering valuable insight into the economic impact of the pandemic and allowing for discussion of any concerns or suggestions about the Government’s economic response.
- 4.7. It was expected that both Minister Zahawi and I would be on calls with BROs in bi-weekly calls, although ultimately attendance varied as the calls were organised ad-hoc on a short timeline, usually dependant on the Secretary of State’s schedule [PS/066 – INQ000625272]. I later attended calls on:
 - a) 12 March 2020 [PS/067 – INQ000585496];
 - b) 25 March 2020 [PS/068 – INQ000657162];
 - c) 27 March 2020 [PS/069 – INQ000625326];
 - d) 2 April 2020 [PS/021 – INQ000543144];
 - e) 6 April 2020 [PS/070 – INQ000655016];

- f) 21 April 2020 (which I chaired) [PS/071 – INQ000625450];
 - g) 24 April 2020 [PS/072 – INQ000625462];
 - h) 8 May 2020 [PS/073 – INQ000625492]; and
 - i) 14 May 2020 [PS/074 – INQ000657246].
- 4.8. From August 2020 onwards, these BROs meetings were held less frequently: there was a monthly call with the B5 and another with a wider group of BROs, including the B5 [PS/075 – INQ000657287] [PS/076 – INQ000625566]. Based on the documents, it appears that my final attendance at these meetings was on 3 September 2020 [PS77 – INQ000657317] and that the meetings in this form ended in around December 2020 [PS/078 – INQ000657380].
- 4.9. The Secretary of State was unable to attend a meeting with BROs on 21 April 2020, and I chaired this meeting in his absence [PS/071 – INQ000625450]. Business representatives highlighted delays in the distribution of grants and raised ongoing concerns about CBILS. Specifically, it was reported that some exporting businesses were being refused loans under CBILS because a significant proportion of their business was conducted overseas. There were also calls for an increase in the level of the Government guarantee to 100%.

Other Engagement with BROs

- 4.10. Alongside attending the Secretary of State's bi-weekly calls with BROs identified above, I also held individual calls with BROs. These were usually weekly engagements with selected BROs and businesses on SME issues, as well as meetings with specific BROs. Across these engagements, I consulted with a range of BROs including FSB, IoD, BCC, Make UK, UK Finance, CBI, the Institute of Chartered Accountants of England and Wales (**ICAEW**) and many others. While Annex E contains the full record of BROs calls I attended, below I highlight some to demonstrate the scope of my involvement.
- 4.11. My weekly meetings with selected BROs and SMEs included the following:
- a) On 1 April 2020, I met with around 5 BROs and various SMEs [PS/079 – INQ000657175]. The topics raised during the call included the impact of the high interest rates being charged by lenders on businesses under CBILS, gaps in government support for the self-employed and delays by local authorities in distributing grants;

- b) During the 15 April 2020 meeting, BROs highlighted the critical importance of cash flow to cover urgent April payroll obligations and expressed concern at delays in the distribution of funds under CBILS [PS/080 – INQ000657194];
- c) In discussions on 22 April 2020, BROs queried government support for start-ups and venture capital (in response to which I noted that Future Fund would address this concern). BROs also raised questions about unallocated grant funds and stated that there was a backlog of around 15,000 CBILS applications, which were delayed largely due to the checks required under the Consumer Credit Act 1974 (**CCA**) [PS/081 – INQ000543164];
- d) In a meeting on 6 May 2020, I provided an outline of BBLS which had been launched the previous week and recorded that feedback from BROs calls to date had indicated it was difficult for some businesses to access funds in a timely manner and that SMEs needed 100% guarantees – BBLS now provided this [PS/082 – INQ000657233].

4.12. Additional meetings with individual BROs, scheduled as required, included:

- a) On 18 March 2020, I attended a meeting with the FSB [PS/056 – INQ000543078]. The purpose of the meeting was for me to listen to the concerns of the small business community and to commit to feeding their comments back into government. I return to this meeting below;
- b) During a call with Helen Dickinson of the British Retail Consortium on 23 March 2020, Helen Dickinson expressed a view that Chancellor's measures announced to date had helped to delay redundancies and brought short-term relief for the retail industry but would not be sufficient in the longer term [PS/062 – INQ000657160]. She pointed to a gap in funding provision for retailers, observing that CBILS was only available to businesses with annual turnover below £45 million, which excluded many businesses in the hospitality and retail sectors. I suggested producing guidance in the form of a flow-chart, with a more detailed set of FAQs, to assist businesses to understand and access the support announced. Officials agreed to feed this back to HMT.

4.13. As stated above at §4.12.a), on 18 March 2020 I held a call with the FSB to discuss the business support that the Chancellor had announced on 17 March 2020. These announcements included expanding CBILS to provide loans up to £5 million (an increase from the initial maximum of £1.2 million) and a six-month interest-free period, the announcement of RHLGF to support businesses in the retail, hospitality and leisure

sectors, and an increase in the SGBF grant figure from £3,000 to £10,000 [PS/057 – INQ000543085]. At the meeting, FSB representatives commented that they were, overall, “*positive*” about the Government’s actions to date and the rapidity of the response and welcomed the Chancellor’s announcements. They emphasised that it was important for the Government to keep in mind:

- *Speed of access to information*
- *Simplicity of messages*
- *Knowing where to find information*
- *Not making the access for finance overly burdensome on small businesses.”*

4.14. During the meeting, FSB attendees also raised the following concerns and suggestions:

- a) HMRC data – Certain groups such as the self-employed, those without premises and those not yet registered for Universal Credit were not eligible for the Government’s support measures. HMRC data could be used to identify these groups and provide financial support through HMRC-administered interventions, including tax refunds and cash payments. I said this was a matter for HMT but an interesting suggestion, and that I would feed it back;
- b) Using radio for messaging – As a lobbying organisation, any material FSB circulated on radio to communicate messages and information was counted as advertising. FSB asked if the Government could consider amending this in the emergency legislation being introduced to address Covid-19. I stated that BEIS could look at it;
- c) Measures for hospitality/retail/leisure sector – Many businesses in the hospitality industry would be laying off staff or making them redundant at the end of that week. FSB attendees asked whether there was any timeline on the delivery of the broader economic support packages for this sector. At the time, I did not have clarity on HMT’s plans. However, I informed them that BEIS was in discussions with HMT to obtain further details and I confirmed that BEIS was listening and would continue to push this matter; and
- d) BBB loans – FSB attendees stated that Covid-19 loans would be delivered by BBB and the FSB would liaise with them to ensure any information and guidance was clear and simple. FSB highlighted potential challenges, including frontline staff not properly understanding the 80% Government guarantee, and

certain time-consuming Enterprise Finance Guarantee (**EFG**) requirements such as the need for a schedule of assets. I agreed that guidance had to be clear. I advised that details were still being worked through, and we were trying to finalise them as soon as possible. This was one of the key matters that would be referred to the Economic and Business Response Ministerial Implementation Group (**EBRIG**).²

- 4.15. To the best of my knowledge, feedback from stakeholders and BROs at engagements and meetings like this was recorded by officials and fed into the Department's wider business intelligence on the economic response to the pandemic. As set out in CWS, Part A, §4.3, a Covid-19 Sector and Regional/Devolved Administrations Dashboard (**the Dashboard**) was produced to provide weekly updates of the impact on business sectors as the pandemic progressed and also captured feedback from businesses about the loans and grants schemes. I also understand that a Business Intelligence Pack was used to inform and support discussions at EBRIG meetings.
- 4.16. In my recollection, at times I may have discussed relevant feedback I was receiving from businesses during internal Department meetings. As I have explained, regular ministerial calls took place during the pandemic, which were attended by the Secretary of State, me, other junior ministers and officials. In addition, as detailed in §§3.4 - 3.5, the Secretary of State and I held frequent and informal discussions as necessary to deal with matters as they arose, including those relating to the loan and grant schemes.

Additional Stakeholder Engagement

- 4.17. In addition to the engagement with BROs, on 1 April 2020, I was asked by the Secretary of State, alongside Minister Zahawi and Minister Kwarteng, to conduct regular stakeholder engagement meetings in our respective portfolios [PS/083 – INQ000657176]. Initially I was asked to do this only in respect of non-food retail, but in addition to this sector I attended regular (sometimes weekly) engagement meetings with hospitality, the self-employed, and SME stakeholders, as well as with trade union representatives. I also had one-off discussions with individual businesses or organisations. I continued to do so throughout the pandemic.
- 4.18. To illustrate the breadth of my engagement activity, I set out below details of some of these meetings and calls. Again, this is not intended to be comprehensive:

² EBRIG was set up in March 2020 to consider the economic and business impact and response. It was chaired by the Chancellor and reported on the business implications of Covid-19 to the Prime Minister.

| Non-food retail | |
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| 20 March 2020 | I first met with a collection of non-food retailers and BROs on 20 March 2020, following announcements by the Prime Minister and HMT on the job retention and VAT deferral schemes. Retailers were generally happy with the measures that had been announced [PS/60 – INQ000657158]. |
| 26 March 2020 | I attended another call (chaired by the Secretary of State) with non-food retailers and BROs on 26 March 2020 [PS/063 – INQ000657163]. Feedback in that meeting included a request for detailed guidance on the recently announced job retention scheme, and concerns raised that CBILS was not helping retailers. The Secretary of State offered to discuss the latter issue separately. |
| 2 April 2020 | I chaired another call on 2 April 2020, during which retailers expressed concern about the division between essential and non-essential businesses and products [PS/084 – INQ000657180]. Helen Dickinson from the British Retail Consortium raised issues of liquidity and financing, namely that “... businesses [may be] ‘lost in the middle’, who didn’t qualify for [the Covid Corporate Financing Facility] or CBILS... and will be stuck in the squeezed middle”. I discuss this issue in Section 6, below. |
| 16 April 2020 | From April 2020, I chaired roughly weekly calls with retailers, including on 16 April 2020, when retailers discussed the vital importance of speed of access to cash and funding, adding that retailers were very worried about access to finance [PS/085 – INQ000657201]. |
| 23 April 2020 | I attended a further meeting on 23 April 2020, in which retailers expressed appreciation for CLBILS being up and running. However, they sought greater visibility on how quickly they could get funding to their businesses [PS/086 – INQ000657212]. |

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| 30 April 2020 | Later discussions on 30 April 2020 focussed on retailers' views of the planned end to the job retention scheme at the end of June 2020 - seen as 'cliff-edge' - and how this was likely to affect their businesses [PS/087 – INQ000657225]. I explained that I had, and would continue to, communicate the concerns raised to the Secretary of State. |
| September 2020 | Meetings continued weekly or fortnightly throughout 2020 until September 2020, at which point they became monthly [PS/088 – INQ000657329] and concerns amongst retailers shifted in emphasis from the scope of available financial support to operating under the new public health regulations and restrictions. |
| Hospitality | |
| 20 March 2020 | My first call with hospitality stakeholders was on 20 March 2020, following announcements from the Prime Minister and the Chancellor in respect of the job retention and VAT deferral schemes. As a result, most of the questions in that call were about details of these schemes [PS/059 – INQ000657157]. |
| 17 April 2020 | Weekly calls with the hospitality sector began on 3 April 2020. In a call on 17 April 2020, I explained that I had been making calls to local authorities to encourage them to increase the speed at which grants were being distributed to businesses [PS/089 – INQ000064802]. |
| 7 May 2020 | In a discussion on 7 May 2020, hospitality stakeholders explained that, while they thought that BBLs loans had been well received, there was more that could be done to enable hospitality businesses to secure CBILS funding and Covid Corporate Financing Facility (CCFF) loans [PS/090 – INQ000657236]. The CCFF was an HMT and Bank of England scheme to support liquidity among larger firms that made a material contribution to the UK economy. |

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| Throughout 2020 and 2021 | Meetings occurred weekly and later fortnightly with hospitality stakeholders throughout 2020 and 2021. Some of these were also part of the Hospitality Sector Council [PS/091 – INQ000657489]. |
| SMEs | |
| 30 March 2020 | On 30 March 2020 I met with a number of SME self-employed stakeholders in a range of industries [PS/092 – INQ000657173]. The main focus of this meeting was how support for the self-employed could be improved. I reflect on this issue in Section 16, below. |
| April 2020 onwards | Following this meeting, I began weekly meetings with business organisations representing SMEs, as well as representatives from small businesses [PS/079 – INQ000657175]. Concerns were raised in this meeting, and the meetings that followed, in relation to how government assistance would help individuals who, for instance, had income in the form of dividends [PS/093 – INQ000657184]. |
| 22 April 2020 | On 22 April 2020, I attended a call with SMEs and BROs in which I responded to the concerns of start-up stakeholders in relation to the recently announced Future Fund [PS/081 – INQ000543164]. |
| 6 May 2020 | On 6 May 2020, I attended a further call with SMEs and BROs in which attendees discussed their concerns that it was difficult for some businesses to access BBLs in a timely manner [PS/082 – INQ000657233]. |
| September 2020 | These calls continued weekly, with the occasional gap, until September 2020 [PS/094 – INQ000657324]. |
| Trade unions | |
| 1 April 2020 | I met with representatives of various trade unions on 1 April 2020 to discuss the Government's response to Covid-19, with an |

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| | intention to do so weekly [PS/095 – INQ000657179]. Concerns raised by unions at this early stage centred around protecting employment during the pandemic, flexibility in the job retention scheme and social distancing in the workplace. |
| 15 April 2020 | In a meeting on 15 April 2020, union representatives asked me about the corporate financing options available for businesses which were too big to access the existing schemes [PS/096 – INQ000657196]. I responded that I would pass this question on to HMT. |
| Throughout 2020 | Calls with trade unions continued intermittently throughout 2020 and were sometimes chaired by Minister Zahawi or the Secretary of State in my absence. |

- 4.19. In April 2020, I was involved in making calls to many local authorities that faced challenges in distributing grant funding to businesses. I discuss this in further detail in Section 11, below.
- 4.20. From June and July 2020, the focus of my stakeholder engagement with businesses transitioned from addressing the pandemic response to economic recovery. I was also tasked to lead monthly engagement with hospitality, retail, SMEs and related sectors [PS/097 – INQ000625562].

Reflections

- 4.21. I am asked to consider whether the mechanisms for engagement with business organisations were sufficient to capture the diversity of business needs at the outset of the pandemic and throughout my tenure.
- 4.22. I worked very hard, supported by officials, to engage with business organisations and business owners. I have explained in this section some of my engagement work with BROs. I recall calculating at one point that I had spoken with or addressed approximately 3,000 businesses over my first year.
- 4.23. Clearly, I could not listen to each business’s concerns directly but this work, alongside correspondence and contact with fellow MPs who were having conversations with their local businesses, meant I was able to triangulate and substantiate patterns of concerns

across different sizes and types of businesses, though I accept this was an inexact science.

- 4.24. On the occasions that I saw the published ministerial meetings, I was pleased to note that I would sometimes be in the top two ministers across the Government in terms of numbers of engagements. That felt like the only way to keep on top of a fast moving situation. I do feel confident that I, BEIS ministers, and the Department were able to effectively take into account the various needs of businesses affected by the pandemic. Having said this, there is always scope for improvement. I understand that certain small organisations, for example single pub owners or pub tenants, may feel their views were not taken into account. There is no way such engagement can be perfect, but given the circumstances, the cross-section of the economy we engaged with provided us with robust insight across the board.
- 4.25. Government decision making at that time felt as close to being 'in real time' as it ever could be. We ran a consultation in a single day over a Sunday about Safe Workplace Guidance which the Trade Unions reportedly thought was to hide information from them as we rushed through a decision when, in reality, we got the relevant information at the same time as they did. The art moving forward, whether in an emergency or not, is to learn how government can sustain a faster pace whilst making excellent decisions. Government can never match business in speed because it cannot take the risk of failure that businesses can.
- 4.26. There have already been changes that will make the engagement process more effective in the event of another such emergency. We developed the Hospitality Sector Council, supported the industry to set up the UK Weddings Taskforce (which has since merged with UK hospitality), and built a closer working relationship with the Hair and Beauty sectors. Previously, BEIS had focussed more on heavy industry and traditional businesses such as those represented by the CBI. I would also say that the engagement worked well because of the personalities involved in the BROs and other stakeholders to which I have referred.

Section 5: Coronavirus Business Interruption Loan Scheme

Involvement in the Design of CBILS

- 5.1. I am asked to detail my involvement in the design of CBILS. While I was involved in broader discussions around CBILS (for example, conversations about the appetite of lenders to lend and for businesses to borrow from them) and received submissions relating to CBILS and proposed changes to the scheme, I had no direct role in designing CBILS or in detailed policy work related to it. All of the key decisions within BEIS were made at the Secretary of State level, in consultation with HMT. My main role was stakeholder engagement, to obtain feedback from lenders and businesses on the implementation of CBILS and to support improvements. This involved monitoring the views of businesses and their representative organisations, sharing updates and keeping them informed, and gathering any feedback.
- 5.2. As I have already indicated, I was copied into various submissions sent to the Secretary of State (for his approval) in relation to CBILS. These submissions were sent to my private office and marked for me 'to note/ comment', usually alongside other BEIS ministers, the Permanent Secretary and Special Advisers. I recorded my review in OneNote, indicating whether I had read, and then noted or commented on the submission. I also attended meetings with BEIS ministers and officials at which CBILS was discussed. Below, and based on the documents, I have set out the main submissions addressed to either the Secretary of State (copied to me) or to me, and key information or advice I received from BEIS officials regarding CBILS. Where relevant, I also set out my response to the submission. In instances where my response to a submission is not provided below, the documents suggest I did not provide a response.
- 5.3. As stated in §2.43I ., on 4 March 2020, I received a BEIS ministerial meeting readout, which noted that BEIS officials had briefed ministers on the business support measures under consideration in response to growing concerns around the spread of Covid-19 [PS/001e – INQ000585482]. BEIS officials explained that BEIS was focusing on macro-level interventions to ease cash-flow pressures on SMEs. While broader fiscal tools, such as tax and spending measures, were seen as the most effective in the rapidly evolving situation, BEIS also considered what could be achieved within its own remit. This included exploring existing mechanisms such as the EFG and other BBB programmes.

- 5.4. On the same day, 4 March 2020, I was copied into a submission setting out potential effects of Covid-19 on businesses and possible support measures in response [PS/098 – INQ000624840] [PS/099 – INQ000585485].
- 5.5. On 10 March 2020, I was copied into a submission which set out HMT’s potential budget measures relating to Covid-19 [PS/100 – INQ000626050] [PS/101 – INQ000543056]. This included proposed enhancements to BBB’s EFG scheme to support SMEs. BEIS officials recommended that the Secretary of State write to the Chancellor’s office agreeing an expansion of the EFG in principle and, in the event that meetings with CEOs of banks were scheduled, the Secretary of State or a BEIS minister should attend together with HMT ministers. I do not recall attending any such meetings and I am told that document searches conducted by my legal team support this.
- 5.6. The following day, on 11 March 2020, the Chancellor announced the creation of CBILS in the Spring Budget [PS/002 – INQ000236913].
- 5.7. Also on 11 March 2020, the Secretary of State and I received a submission seeking our agreement that the Business Finance Council be reconvened, and that I co-chair it with John Glen MP (Economic Secretary, HMT) [PS/102 – INQ000657151] [PS/103 – INQ000657152]. The submission explained that the previous Business Secretary and Economic Secretary had established the Business Finance Council in September 2019 as a way of working directly with lenders and alternative lenders to help SMEs access the finance they needed to prepare for EU exit. Members of the council included major lenders, alternative lenders and business organisations; a full list was provided in an annex attached to the submission. BEIS officials recommended organising an early meeting of the Business Finance Council and the relaunch of the SME Finance Charter to galvanise lenders and alternative lenders to support businesses through the economic challenges caused by Covid-19. As stated in §5.34, this meeting subsequently took place on 17 April 2020 (having been postponed from 31 March 2020).
- 5.8. Later that same day, my private office responded to the submissions dated 10 March 2020 and 11 March 2020 stating that I “...noted the Covid-19 budget measures and [had] agreed to reconvene and co-chair the Business Finance Council alongside the [Economic Secretary to the Treasury].” [PS/104 – INQ000657509]. After the first Business Finance Council meeting on 17 April 2020, I then attended two further Business Finance Council meetings, held on 2 March 2022 (the Secretary of State

attended for the first 20 minutes) and 6 July 2022 [PS/105 – INQ000657494] [PS/106 – INQ000657503].

- 5.9. On 17 March 2020, the Chancellor announced changes to the initial parameters of CBILS, increasing the maximum loan from £1.2 million to £5 million and introducing a six-month interest-free period for businesses [PS/003 – INQ000585498].
- 5.10. On 18 March 2020, BEIS officials sent a submission to Lord Callanan and me, seeking our approval to present a Written Ministerial Statement and a departmental Minute to Parliament in respect of CBILS [PS/004 – INQ000543086]. My response has not been located.
- 5.11. On the same day, Gemma Peck provided the Secretary of State with an update note on CBILS in advance of a meeting with him the following day [PS/107 – INQ000543081]. My private office was copied into this correspondence [PS/108 – INQ000543080]. The note explained that BEIS had been working with HMT, BBB, and lenders to finalise the parameters of CBILS, and the Chancellor felt very strongly that CBILS should be implemented on 23 March 2020.
- 5.12. On 20 March 2020, I was copied into a submission seeking the Secretary of State's in-principle agreement to the scheme in advance of the proposed launch of CBILS on 23 March 2020 [PS/109 – INQ000585500] [PS/110 – INQ000585501]. The submission presented the parameters of the scheme and the State aid assessment, together with the costs and value for money assessment, which was described as “...*necessarily speculative given the pace and paucity of data, and the risks, which [were] significant.*” The submission advised further that, “*Owing to this... the Permanent Secretary has judged that he will require a [Ministerial] direction.*”
- 5.13. Also, on 20 March 2020 BEIS officials sent an Accounting Officer Assessment of the scheme to the Permanent Secretary in his role as Accounting Officer [PS/111 – INQ000563882]. The note summarised the budgetary and value for money implications of the proposed scheme including the intended changes to the original design. This is outlined in the CWS, Part B, §2.33.
- 5.14. On 22 March 2020, the Permanent Secretary requested a ministerial direction from the Secretary of State in relation to CBILS [PS/005 – INQ000065992]. The Secretary of State provided a ministerial direction on the same day [PS/006 – INQ000064753]. My private office was not included in this correspondence.

- 5.15. The following day, on 23 March 2020, CBILS was launched and opened to applications [PS/007 – INQ000563889].
- 5.16. The Written Ministerial Statement was presented to Parliament on 24 March 2020: by the Secretary of State in the House of Commons and by Lord Callanan in the House of Lords [PS/112 – INQ000543105].
- 5.17. On 27 March 2020, I was copied into a submission from BEIS officials which sought the Secretary of State’s approval for BEIS to work urgently with HMT and BBB on changes to the design of CBILS [PS/113 – INQ000657165] [PS/008 – INQ000563900].
- 5.18. The submission explained that, under CBILS, lenders could request personal guarantees against any of the borrower’s assets, save for their primary residential property. The five major lenders (RBS, HSBC, Barclays, Lloyds and Santander) had removed the requirement for personal guarantees on loans under £250,000. Considering the lenders’ approach to personal guarantees, the submission recommended that BEIS should work jointly with HMT and BBB on proposals to:
- a) Prohibit personal guarantees for loans under £250,000; and
 - b) For loans over £250,000 ensure lenders first claim the 80% government guarantee before pursuing any personal guarantees, thereby limiting the personal exposure to 20%.
- 5.19. I reviewed the submission, and my private office responded stating that I agreed with both recommendations, and that I was of the view that the proposals would “...give a clearer steer from government which will signal more businesses to go to their banks for support” [PS/009 – INQ000657166]. I recall that my priority at the time was to encourage businesses to take up the support, rather than be deterred by high personal guarantees, during a period when the length of the lockdown, a massive external factor outside their control, was uncertain.
- 5.20. The following day, on 28 March 2020, Gemma Peck emailed the Secretary of State’s private office and the Permanent Secretary with an urgent update on HMT’s proposed changes to the CBILS personal guarantee rules [PS/114 – INQ000563905]. My private office was copied into this email. Gemma Peck explained that HMT officials had been in contact to inform the Department that the Chancellor wanted to announce two changes to the personal guarantee rules on Monday, 30 March 2020. These changes are explained below. She recommended that the Secretary of State push back firmly, as BEIS required more time to understand the implications and to ensure BBB and

lenders were prepared to implement the changes effectively. With reference to the development of CLBILS in the same week, she explained that the Department had already seen the risks of launching major schemes at pace without sufficient preparation.

- 5.21. In response to Gemma Peck's email, the Secretary of State requested a call with BEIS officials to discuss the proposed changes. I asked to be included on the call [PS/115 – INQ000657167]. This took place on 29 March 2020 and a key action from the meeting was for officials to provide the Secretary of State with further advice after engagement with lenders, to ensure he had sufficient information to reach a decision. According to the submission I received on 30 March 2020, a meeting had been held earlier that day between BEIS, HMT, BBB and the large lenders. I did not attend this meeting but I understand that the lenders confirmed that they were content with the proposed rule changes.
- 5.22. On 30 March 2020, I was copied into a submission which detailed the two changes the Chancellor wished to make [PS/116 – INQ000625338] [PS/117 – INQ000563909]. The first change was the same as had been set out in the submission dated 27 March 2020, i.e. prohibiting personal guarantees for loans under £250,000.
- 5.23. The second change differed. The submission dated 27 March 2020 had proposed that lenders claim the 80% guarantee before turning to the personal guarantee. This submission proposed that, for loans over £250,000, lenders seek a personal guarantee, but that lenders should be required to first recover from business assets and then claim up to 20% from the personal guarantee. The first approach was not permissible under State aid rules, as it adjusted the 80/20 risk-sharing balance and could be viewed as State aid to lenders. BEIS officials recommended delaying the announcement of changes (that the Chancellor wanted to announce the following day) in order to engage smaller lenders and also allow time to prepare Government communications and bank systems. Acknowledging the need to give lenders and businesses the opportunity to respond to the personal guarantee changes, BEIS officials also recommended postponing the Business Finance Council meeting scheduled for the next day. It was recorded that John Glen had strong reservations about proceeding with this meeting whilst the personal guarantee announcement was still being finalised. BEIS officials therefore recommended the Secretary of State meet with some of the major lenders to continue the dialogue on the CBILS implementation in advance of a rescheduled Business Finance Council meeting due to take place the following week.

5.24. Also on 30 March 2020, I received a note on the use of personal guarantees in CBILS loans by small lenders [PS/118 – INQ000657169] [PS/119 – INQ00057170].

5.25. I reviewed the above note. My private office responded to officials stating [PS/120 – INQ000657171]:

“His view [i.e. my view] is that if we are to postpone any announcement, we need to manage expectations of small business people, some of whom have already gone to their banks and been put off by a demand for a PG [personal guarantee]. He doesn’t want them going back, having the same experience, only for the rules to be changed in a few days’ time so thinks careful messaging will be needed.

He also said that he is content for both the announcement and the BFC to be postponed if that is what the Secretary of State wishes to do, so that the best decision is taken.

He didn’t comment on the proposal to speak to major lenders instead.”

5.26. In any event, the Chancellor’s announcement of the changes to CBILS and the Business Finance Council meeting, both scheduled on 31 March 2020, were postponed while the changes were further considered, as follows.

5.27. As outlined in CWS, Part B, §2.74, on the same day (30 March 2020) BEIS officials sent the Permanent Secretary a supplementary Accounting Officer advice in response to the Chancellor’s plans to adjust CBILS [PS/121 – INQ000563910]. This was followed, on 1 April 2020, by additional Accounting Officer advice as the Chancellor had requested a further change to CBILS [PS/122 – INQ000563917].

5.28. On 1 April 2020, I was copied into a submission seeking the Secretary of State’s approval for the Chancellor’s proposed changes to CBILS. These changes involved a revision to the rules on personal guarantees as set out in the submission dated 30 March 2020 and a new proposed change to the extension of eligibility for CBILS to cover any SME adversely affected by Covid-19 (even if they could obtain finance on normal commercial terms) [PS123 – INQ000625066] [PS/124 – INQ000563918].

5.29. On 2 April 2020, the Permanent Secretary requested a further ministerial direction from the Secretary of State in relation to proposed changes to CBILS relating to personal guarantees and extending eligibility [PS/125 – INQ000065315]. On the same day, the Secretary of State gave a ministerial direction to introduce the changes [PS/126 – INQ000064780]. My private office was not included in this correspondence.

- 5.30. On 3 April 2020, I was scheduled to attend a meeting with BBB to discuss the lender accreditation process for CBILS (see the CWS, Part B, §2.52) [PS/127 – INQ000563919] [PS/128 – INQ000657181]. However, I have no recollection of this meeting and no readout or other record has been located by my legal team, which suggests that it was rescheduled or cancelled [PS/129 – INQ000657191].
- 5.31. On 6 April 2020, BEIS officials informed the Secretary of State's private office about issues being raised about the operation of CBILS, and how the Department was responding [PS/130 – INQ000563933], [PS/131 – INQ000585539]. My private office was copied into this correspondence.
- 5.32. Throughout April 2020, I was also regularly meeting with various businesses and BROs, as detailed in section 4 above. Around this time, issues were raised relating to CBILS, including delays in the distribution of funds, a significant backlog of applications, and the refusal of loans to exporting businesses where a substantial portion of their operations was conducted overseas.
- 5.33. On 17 April 2020, I was copied into a submission requesting the Secretary of State's approval for an extension to CBILS to allow charities and further education colleges to access the scheme, regardless of the level of their trading activity [PS/132 – INQ000563967].
- 5.34. Following the reinstatement of the Business Finance Council, the first meeting was held on 17 April 2020 [PS/133 – INQ000657202] [PS/134 – INQ000625432]. The meeting readout records that all attendees (Government, lenders, BBB, the BROs, and the financial services trade associations) committed to continue to work together to make it simpler and quicker for businesses to access CBILS loans. This first meeting was co-chaired by the Secretary of State and the Economic Secretary, HMT. The briefing, however, confirmed that I would co-chair future meetings with the Economic Secretary, HMT.
- 5.35. On 23 April 2020, I was copied into a submission (dated 21 April 2020) seeking the Secretary of State's approval for the Chancellor's two further proposed changes to CBILS: removing the portfolio cap for lenders and simplifying the viability test by removing the criteria that a CBILS facility must enable the business to trade out of short-term difficulty [PS/135 – INQ000610530] [PS/015 - INQ000563987]. As set out in CWS, Part B, §2.121, these two further changes to CBILS were announced on 27 April 2020 [PS/136 – INQ000543843].

- 5.36. On 5 June 2020, I met with Keith Morgan, Patrick Magee, Graeme Fisher and Peter Wallace at BBB to discuss the loan schemes, including CBILS [PS/137 – INQ000657266]. In this discussion I sought an update from BBB on the progression of the various loan schemes. BBB noted that CBILS loans were being distributed at approximately £1 billion a week, lenders were approving 75-80% of applications, and there were up to 90 approved lenders.
- 5.37. On 23 June 2020, I was copied into a submission (dated 22 June 2020) seeking the Secretary of State's agreement to ask BBB to publish regional and sectoral CBILS data as an interim measure before constituency level data was available [PS/138 – INQ000657281] [PS/139 – INQ000657282]. Headline figures were being regularly published, but there was a case to provide more granular data and the Chancellor had now asked that constituency level data be published as soon as possible. This issue also followed a discussion between me and Keith Morgan, and BBB officials which is discussed in more detail at §7.40.b). The Secretary of State later approved this submission on 14 July 2020 [PS/140 – INQ000657305].
- 5.38. I can confirm the Inquiry's understanding that CBILS was a collaborative effort between HMT, BEIS and BBB. As outlined in CWS, Part A, §3.4, HMT was responsible for the overall policy direction and design of the business support schemes, including CBILS, during the pandemic. The Chancellor played a central role in decision making. BEIS, directed by the Secretary of State's decisions, supported the development of the policy and design of CBILS by actively engaging in cross-departmental discussions. I also understand that meetings were held with lenders to discuss the design of the scheme, as discussed for instance in a submission sent to me dated 19 March 2020 [PS/110 – INQ000585501]. Given my relatively limited involvement in the design of CBILS, I am not in a position to comment on whether any consultation during its design was adequate or on the factors that may have influenced the extent of consultation.
- 5.39. I am also asked about the advice I provided to the Secretary of State in relation to the design, implementation and delivery of CBILS. I recall that I recommended, in discussion with the Secretary of State, that the scheme needed to be as simple as possible to apply for and that funds should be disbursed quickly. At that very early stage of the pandemic businesses needed money immediately, not weeks in the future. In addition, I advised the Secretary of State about personal guarantees (see §§5.19, 5.25) and on the appetite of both lenders and businesses for CBILS. Any advice I gave would have been communicated via our private offices and/ or in meetings with him (either jointly with others or individually) (see for instance meetings entitled 'CBILS Call'

[PS/141 – INQ000657193] [PS/142 – INQ000625454]). I also worked alongside the Secretary of State to develop and test lending policies. I recall one occasion on which we organised a “mystery shopper” exercise in which enquiries were made of a bank branch in relation to one of the original CBILS loans to test how widely information had been shared and how easy it was for applicants to gain access to funds [PS/143–INQ000563878].

- 5.40. I have been asked to explain my understanding of the rationale behind the introduction of CBILS, whether the policy objectives were clear to me, and how the scheme was designed to meet the specific needs of businesses at the time. My understanding was and is that CBILS was introduced to address a likely market failure in SME lending during Covid-19, as it was likely that viable SMEs would suffer from a sudden loss of cashflow and lenders would be reluctant to provide finance. I have considered and agree with the CWS, Part B, §§2.2, 2.24 - 2.27, 10.11 which states that the primary objective of CBILS was to provide timely financial assistance to viable SMEs impacted by Covid-19 at scale and speed. Viability was considered under the ‘undertaking in difficulty’ accounting test under State aid rules, which the Government successfully lobbied the European Commission to relax. CBILS reduced the risk to lenders through Government-backed guarantees, ensuring SMEs could continue to access finance during a period of major economic shock. In addition, Business Interruption Payments meant that the fees and the first year of interest payments were covered by the Government under CBILS, providing a rapid injection of emergency cash.

Use of the Enterprise Finance Guarantee in the Design of CBILS

- 5.41. I am asked a series of questions about how and why the EFG was used in the design of CBILS.
- 5.42. The EFG was a government-backed loan scheme, launched in 2009, to encourage viable SMEs with insufficient security to access finance they could not otherwise have secured, as set out in a submission sent to me dated 10 March 2020 [PS/100 – INQ000626050] [PS/101 – INQ000543056]. It supported business lending by providing a government guarantee to the lender of 75% of the amount outstanding from a SME.
- 5.43. The existing EFG scheme was used as a delivery template for CBILS and this allowed CBILS to be established and then delivered rapidly. I am not entirely sure whether it would have been possible to establish a loan scheme quickly if EFG had not been used. I suspect not, and I note that almost all economic interventions were based on reverse-engineering existing structures: furlough from payroll, SEISS from self-

assessments, grants from business rates. This approach allowed the frameworks to be built and implemented quickly. EFG provided a structure that could be adapted for CBILS, for example a maximum loan amount, a shorter term and with no fee.

- 5.44. I am asked whether, in my view, CBILS would have been created in a different form, or at all, had the EFG not existed. I believe that some form of intervention would have likely been established, as there was a real need for support, although I cannot say what precise form it would have taken.
- 5.45. I am asked whether reliance on the EFG framework introduced limitations or risks in designing CBILS, particularly given the scale and urgency of the pandemic. Building on an existing scheme like EFG inevitably meant that certain features, most notably the ability to obtain personal guarantees and the portfolio cap, formed the default structure. From the borrowers' perspective, the lenders' ability to obtain a personal guarantee proved the most problematic feature. However, it seems likely that, even if a different intervention had been devised, the initial design would have started in a similar place, testing how far the Government needed to go in de-risking the loans.
- 5.46. As detailed in CWS, Part A, §5.26, on 9 March 2020, BEIS was first notified that the Chancellor intended to announce an EFG type scheme (which later became CBILS) in the Spring Budget on 11 March 2020. I do not recall receiving or discussing this correspondence, nor do I remember contributing to the decision to model CBILS on the EFG.
- 5.47. I am asked whether formal comparisons with alternatives to the EFG, such as the ENABLE scheme, were carried out. I do not recall being informed of any such comparison work and therefore have no comment on it.
- 5.48. I am asked to consider whether modelling CBILS on the EFG led to better outcomes for businesses compared to creating an entirely new scheme from scratch. The Government subsequently introduced BBLs, and this was done partly in response to the slower and more limited uptake of CBILS than the Government had anticipated. However, I am uncertain whether designing a new scheme from scratch would have prevented this issue.
- 5.49. I am asked whether I was aware of concerns from sectors like hospitality that certain eligibility criteria under CBILS, such as the application of the 'undertaking in difficulty' test, impacted the ability of high growth, successful businesses to access such loans. I am also asked if I took any action in response and if I considered amending the eligibility criteria.

- 5.50. The issues stemmed from our continued obligations under the Temporary Framework for State aid.³ I recall having extensive discussions with BEIS officials who raised this issue with HMT as a matter that needed to be addressed. I also remember that the EU was at the time considering this matter as other countries were facing similar challenges. I, therefore, did consider amending this test, but it required the EU to change its position, since we were still bound by State aid rules until we established our own subsidy control regime. We sought changes to the rules from the EU to ease this, with support from industry bodies such as CBI, British Private Equity and Venture Capital Association and UK Finance.
- 5.51. In the submission dated 21 April 2020, BEIS officials recommended ways of increasing access to CBILS that would carry lower additional risk for the Government [PS/135 – INQ000610530] [PS/015 -INQ000563987]. One of the options was to encourage lenders to accept more use of self-certification for the ‘undertaking in difficulty’ test. The submission explained that BBB had informed lenders that applicants could self-certify on this point, but in practice take-up was patchy, so BBB was preparing to issue new guidance to lenders to offer further clarity on self-certification.
- 5.52. Businesses were also contacting me directly seeking clarity on the test. For instance, see below a WhatsApp message I sent to my private office group chat on 14 May 2020 16:13 relaying a concern I had received about the ‘undertaking in difficulty’ test:
- “Do we know what the score is with EU rules about CBILS for businesses in distress? Got a music festival organiser who has had to cancel and needs tidying over.”*
- 5.53. Pursuant to the Secretary of State’s approval of the submission dated 2 July 2020, on 27 July 2020, BEIS officials asked my private office to obtain my approval of a draft letter to UK Finance [PS/145 – INQ000657311] [PS/146 – INQ000657312] [PS/147 – INQ000657313]. The submission explained that the European Commission had announced a change to the Temporary Framework on 29 June 2020, under which the ‘undertaking in difficulty’ test would not apply to small business and micro businesses unless the business was in insolvency, in receipt of rescue aid or subject to a restructuring plan. For the Covid-19 loan schemes, the test excluded businesses assessed as being “in difficulty” on 31 December 2019 (prior to the pandemic) and this had prevented some businesses accessing finance who would otherwise have been

³ On 17 March 2020, the European Commission proposed its State aid Temporary Framework, which was adopted on 19 March 2020. The Temporary Framework permitted types of aid that would not previously have been permitted under State aid rules, including safeguards for banks channelling State aid into the real economy [PS/144 - INQ000563880].

judged viable by lenders. BEIS officials recommended that the Secretary of State implement this change as soon as possible for CBILS, enabling some businesses who previously could not access finance to do so. The submission also recorded that HMT wished to write to UK Finance to highlight this amendment to CBILS. Given BEIS' responsibility for BBB, BEIS officials recommended that the letter be sent jointly by BEIS and HMT ministers and proposed providing me a draft to review and sign on behalf of BEIS.

- 5.54. On 29 July 2020, I approved the contents of the letter, after which it was forwarded to HMT to be sent to UK Finance [PS/148 – INQ000657314] [PS/149 – INQ000657315].
- 5.55. I am asked to consider whether adequate data was available to design the scheme, whether any deficiencies in the data were drawn to my attention and whether consideration was given to gathering data from alternative sources. I was not sufficiently closely involved in the original design process to comment in relation to the stage of the CBILS design. However, the data and intelligence gathered through engagements with stakeholders struck me as helpful and adequate. I do not recall any request to gather data from alternative sources being refused.
- 5.56. In response to the submission dated 10 March 2020, on 11 March 2020, the Secretary of State asked me to attend the meetings organised by HMT with lenders [PS/150 – INQ000543059]. The submission dated 10 March 2020, referred to above at §5.5, had recommended that, in the event that meetings with HMT and CEOs of banks to discuss potential enhancement of EFG were scheduled, the Secretary of State or a BEIS minister should attend. I am asked a series of questions about such HMT meetings with lenders. However, document searches do not indicate that I attended those meetings, and I have no recollection of attending them. As such, I am not presently in a position to assist on the matters I am asked about.

Portfolio Cap

- 5.57. As detailed in CWS, Part B, §2.7, 2.25, an effective portfolio cap of 60% (comprising the lender's overall portfolio cap of 75% multiplied by the Government guarantee of 80%) was applied to CBILS. This meant the government's liability under each lender's CBILS portfolio could not exceed 60%. By comparison, the effective portfolio cap of EFG was 15%, (comprising the lender's overall portfolio cap of 20% multiplied by the government guarantee of 75%). The level of government guarantee and portfolio cap was determined by HMT and higher than under the EFG, with the aim of encouraging lenders to deploy more loans by increasing their risk appetite [PS/110 –

INQ000585501]. I understand that a higher government guarantee of 90% was considered but ultimately dismissed as it created insufficient risk sharing with the lenders (see the CWS, Part B, §2.25(c)).

- 5.58. The initial 75% portfolio cap was removed on 27 April 2020 (CWS, Part B, §2.121). It was the Chancellor's decision to remove the portfolio cap, to speed up CBILS lending [PS/015 -INQ000563987]. I note, at that time, BEIS officials did not recommend removing the portfolio cap without robust evidence that this would have a material impact on lending behaviour. I do not recall expressing any views on this matter during that period.
- 5.59. I have been asked, looking back, whether I consider the use of portfolio cap, and the level of the cap under CBILS, to have been an effective risk management tools. The portfolio cap was part of the of the original EFG scheme and proved to be too low to encourage lenders to lend. Accordingly, although it was a risk management tool, it did not manage risk at an appropriate level, given that lenders were reluctant to lend.

State aid Rules

- 5.60. The UK formally exited the EU on 31 January 2020. However, throughout the transition period, which lasted until 31 December 2020, the UK remained subject to the EU framework, including the European Commission's State aid rules. To address the economic impact of the pandemic, on 19 March 2020, the European Commission adopted the Temporary Framework for State aid, to give member states greater flexibility in supporting their economies. Although the Temporary Framework provided greater flexibility, the CBILS was nonetheless designed to operate within State aid rules. As set out in CWS, Part B, at §§2.17, 2.19, 2.25, 2.71, CBILS had to operate within the maximum aid thresholds, which limited the size of loans available and required that Government guarantees did not exceed 80% throughout the life of CBILS. In addition, CBILS required formal notification to and approval from the European Commission, ensuring compliance with EU laws.
- 5.61. In my view, the State aid rules, and their interpretation were a constraint in designing the loan schemes. That is why the Government sought to amend them, achieving greater flexibility under the Temporary Framework. Prior to this, as explained in the CWS, Part B, §§2.14 – 2.17, BBB was initially restricted by the State aid framework such that existing schemes were limited to SMEs and a maximum loan size of £1.2 million. More broadly, following the UK's exit from the EU, the Government eventually created UK-specific subsidy control rules.

Personal Guarantees

- 5.62. As set out in CWS, Part B, §2.62, when CBILS was launched on 23 March 2020, there was no requirement for lenders to obtain security for loans up to £250,000 but lenders had discretion on whether to do this. I understand that lenders requested personal guarantees because they remained liable for 20% of the loan in the event of default, and a personal guarantee increased the likelihood of recovering that amount. As of 3 April 2020, lenders were prohibited from requiring personal guarantees for CBILS loans under £250,000, a threshold determined by HMT. This change was made in response to the approach taken by five major lenders to personal guarantees (see §5.18) and I believe this had a material impact on risk appetite, albeit I have not seen the quantitative evidence. It is difficult to say whether prohibiting personal guarantees for loans under £250,000 should have been the approach from the outset. This would have been more attractive for businesses. Many businesses were seeking loans for the first time and therefore had no prior experience or appetite for finance. Ideally, with more time, we would have gathered wider input and examined the issues more thoroughly. However, time was limited and CBILS was designed in just 12 days (an achievement in my opinion). We launched the scheme, received feedback, and adapted quickly. Throughout, we had to engage with both lenders and businesses and arbitrate between them.
- 5.63. As set out in CWS, Part B, §§2.71 - 2.73, the decision to continue allowing personal guarantees for loans above £250,000, but with restrictions, was shaped by a number of policy considerations. Removing personal guarantees entirely would have introduced a significant risk, as the potential losses for both the lenders and government would be substantial. I did not play a role in these decisions and therefore cannot comment further.
- 5.64. I am asked if any analysis was undertaken on whether excluding principal private residence might affect lenders' appetite to lend at higher loan values. As outlined in CWS, Part B, §1.8, under CBILS, lenders were not permitted to secure personal guarantees against a borrower's primary residence. However, I am not aware of any assessments undertaken that considered principal private residences being used as personal guarantees for securing loans.
- 5.65. I recall that the interpretation of the borrowing rules and processes appeared to vary between lenders, and at times even between branches of the same lender. This resulted in delays and inconsistent decisions by lenders. Challenges also arose around personal guarantees, lenders' appetite and the number of participating lenders. I

cannot comment further on the commercial lending policies of lenders or any additional conditions they implemented.

- 5.66. In weighing the balance between providing rapid support and the risk that some businesses would fail despite receiving loans, I cannot recall the exact assessment of risk or the balancing exercise. But the speed of response was given unusually high priority due to the extraordinary scale of the situation, meaning that business failures could occur quickly. However, under CBILS, lenders conducted due diligence since they retained a portion of the liability for the loans and therefore needed to assess creditworthiness and repayment capacity of businesses before providing loans.
- 5.67. The need to design CBILS at speed did affect the approach to managing financial risk. However, while the removal of the portfolio cap and revised approach to personal guarantees increased the risk of financial loss, this was likely a smaller risk than the greater losses that would have arisen from widespread business failures without timely and effective government support.

Working with BBB in Implementing CBILS

- 5.68. I am asked about my personal involvement in working with BBB to implement CBILS. BBB implemented CBILS and accredited lenders delivered the loans directly to businesses. As set out in §§2.29, 3.23, 3.24, I was the minister responsible for the oversight of BBB on behalf of BEIS and held regular monthly meetings with its successive Chief Executives to discuss their wider remit and day-to-day responsibilities, which were largely unrelated to Covid-19. I did not work extensively with BBB in relation to the loan schemes and much of the design work discussions with BBB for the loan schemes were conducted by Lord Sharma directly. However, I was scheduled to attend a meeting with BBB in early April 2020 to discuss CBILS (see §§5.30, 5.69) and loan schemes including CBILS was also discussed in some of our monthly meetings, for example those held on 12 May 2020 (see §7.40.a) and 5 June 2020 (see §5.36).
- 5.69. In early April 2020, I was scheduled to attend a meeting with BBB to discuss the lender accreditation process for CBILS (see §5.30). An update on lender accreditation by BBB in advance of the meeting explained that following the launch of CBILS on 23 March 2020, as of 31 March 2020, BBB had received 120 enquiries from lenders wishing to become an accredited lender [PS/127 – INQ000563919] [PS/128 – INQ000657181]. In light of the high volume of enquiries, BBB was implementing four measures to improve the efficiency of accreditation:

- a) Creation of a two-tier accreditation process (Fast Track and Standard) – Prioritising proposals from ‘low-risk’ lender applicants, defined as existing BBB delivery partners with risk and compliance profiles known to BBB or regulated by the Prudential Regulation Authority;
- b) Further prioritisation/segmentation of applicants – In place of dealing with applicants on a ‘first come, first served’ basis, BBB proposed to segment and prioritise applicants into: (i) priority cases, for applicants whom BBB believed would have a big impact in their respective market and the speed with which BBB believed accreditation could be completed; (ii) complex cases, for applicants whose business model did not neatly fit with existing CBILS legal documentation and/or operating systems for which further design/ legal work would be required; and (iii) majority cases, for the remaining applications;
- c) Increased delegation limits – This led to reduction in the number of cases requiring approval by BBB’s full investment committee. The pool of approved BBB officials with delegated authority was also expanded; and
- d) Increased resource – As of 26 March 2020, the team responsible for the accreditation of new lenders expanded from two to 21, all of whom had prior banking expertise/experience, sourced from across BBB. Further, four secondees joined, increasing the total number of staff to 25.

Reflections

- 5.70. I am asked to reflect on a number of matters in relation to the design, implementation and effectiveness of CBILS. In Section 10, I have set out reflections on the loan schemes collectively.
- 5.71. In relation to CBILS specifically, in my view, the scheme struggled to meet its aims in the early stages because funds were not reaching businesses quickly enough to meet urgent demand. BBLs was subsequently introduced to address these delays and speed up access to finance. However, as CBILS developed, it achieved its objectives of supporting businesses through the pandemic.
- 5.72. I have been asked if CBILS adequately safeguarded public funds and reduced the risk of fraud and error.
- 5.73. As set out in CWS, Part B, §§6.27 - 6.31, 10.11, CBILS was designed to mirror commercial lending and incorporated several important safeguards to manage the risk of fraud and error. BBB was responsible for undertaking and maintaining a formal

Fraud Risk Assessment (**FRA**), which was regularly updated and reviewed by its Board Risk Committee. These FRAs identified specific risks, evaluated their likelihood and potential impact, and set out appropriate mitigation measures. At the time CBILS was operating, the level of reported fraud was relatively low. Although fraud was occurring at the application stage, lenders' due diligence processes proved effective. Credit checks, Know your Customer (**KYC**), and Anti-Money Laundering (**AML**) procedures were carried out, "*meaning that the level of post-lend fraud experienced by lenders [was] nominal.*" [PS/151 – INQ000000000]. The 20% lender exposure ('skin in the game') also played a key role in ensuring prudent lending. Further controls and countermeasures included BBB's lender accreditation process, legal agreements, ongoing monitoring, and audit programmes. At that stage, we acknowledged that there was no perfect scheme, and that some money would inevitably be lost or prove ineffective. However, CBILS incorporated more developed checks than grants.

- 5.74. I am asked whether any gaps in support were identified, and if so, how they were rectified. In the early stages of implementation, CBILS was modified several times to improve accessibility and speed of delivery. The changes included expanding eligibility so that all viable SMEs could apply, adjustments to the use of personal guarantees, simplifying viability assessments and removing the portfolio cap. Recognising that CBILS did not fully address the needs of all businesses, two further schemes were subsequently created. BBLS was introduced to support smaller businesses that struggled to obtain CBILS, and CLBILS was established to support larger businesses that were not eligible under CBILS criteria. Further, as set out in CWS, Part B, §10.13, the introduction of BBLS sought to ensure there were no significant gaps in support, nor any exclusion of specific groups.
- 5.75. Looking back, I do not identify any major aspects of CBILS design, implementation and delivery that I would have approached differently (with the caveat I have made about the level of my involvement). At the time, the decisions taken seemed reasonable. Ideally, Government would have had longer to design and implement CBILS, which would have allowed the issues to be explored more fully. However, in the circumstances, delay would not have been practical or desirable given the potential consequences for the viability of businesses under extreme duress.
- 5.76. There was no prepared 'playbook' for Government to provide financial support to the economy on the scale required during the pandemic. In the circumstances we faced, the best means of delivering that support quickly to those in need was by reverse-engineering existing systems and structures which was done effectively and at pace.

Section 6: Coronavirus Large Business Interruption Loan Scheme

Involvement with CLBILS

- 6.1. As with CBILS, I was copied into numerous submissions on CLBILS that officials sent to the Secretary of State for his approval. Such submissions were sent to my private office and marked for me 'to note/ comment'. I have summarised below the submissions addressed to either the Secretary of State (and copied to me) or to me, and key information or advice I received from BEIS officials regarding CLBILS. My involvement in CLBILS was far more limited than my involvement with CBILS.
- 6.2. As I set out in Section 4, on 11 March 2020, I attended a call with BROs, together with the Secretary of State and Minister Zahawi. Some BROs noted that they would like to see additional support for larger businesses [PS/065 – INQ000624857].
- 6.3. On 26 March 2020, I attended a daily ministerial call during which BEIS officials raised the issue of the 'squeezed middle' [PS/010 – INQ000563896] (I note the document is incorrectly dated 16 March 2020). These were businesses who were not eligible for either CBILS or the CCFF.
- 6.4. On 27 March 2020, I was copied into two submissions. The first submission related to the Department's approach to handling larger cases [PS152 – INQ000625824] [PS/153 – INQ000000000].
- 6.5. The second submission specifically discussed the issue of the 'missing middle' and recommended that BEIS should continue to work urgently with HMT to look at options for further Government support outside the current mechanisms, as well as advice that could be offered to businesses [PS/154 – INQ000563902].
- 6.6. The submission on the issue of the 'missing middle' informed the Secretary of State about the growing concern that businesses with a turnover above £45 million (the upper limit for CBILS) did not have access to finance under the CCFF or CBILS. This impacted approximately 5,000 businesses in the UK, accounting for around 21% of the turnover and 20% of the employment of all UK-incorporated firms. Around 10% of these were listed public companies. While these businesses represented a very small percentage of UK firms by number, they were significant employers and generators of wealth. Businesses and the media had started asking questions about the 'missing middle' at this time.
- 6.7. On 1 April 2020, as set out in §5.28, I was copied into a submission on the proposed changes to CBILS. The submission mainly discussed amendments to CBILS but also

highlighted the Chancellor's intention to launch a new scheme for the 'stranded middle' businesses with turnover over £45 million [PS/123 – INQ000625066] [PS/124 – INQ000563918].

- 6.8. On 2 April 2020, I was copied into a submission about a proposed new loan scheme to support the 'missing middle' [PS/155 – INQ000625068] [PS/011 – INQ000064782]. The submission explained that the Chancellor intended to announce limited details of the scheme on 3 April 2020, namely that loans up to £25 million would be available for businesses with a turnover of between £45 million and £500 million, with a government guarantee.
- 6.9. The submission stated that there were uncertainties around demand and work continued on the specific design of the scheme. It also stated:
- “However, based on between 2,600 and 3,700 firms, a 66% take-up, and an average loan assumption of £10m with 60% of each guaranteed, this might lead to a total claim against a guarantee of around £3bn to £4.5bn (assuming a 30% claim rate due to default, which is a key assumption).”*
- 6.10. Later that day, BEIS officials notified the Secretary of State's private office that some changes to the new scheme had been confirmed by HMT [PS/012 – INQ000563926]. The new scheme would be called CLBILS, and the government guarantee would increase to 80%. My private office was copied into this email.
- 6.11. Also on 2 April 2020, the Secretary of State chaired a BROs meeting which Minister Zahawi and I attended [PS/021 – INQ000543144]. At the meeting, it was noted that 'stranded middle' businesses were “*desperately in need of support, many will run out of cashflow in the next 2-3 months*”.
- 6.12. The following day, on 3 April 2020, the Chancellor announced CLBILS.
- 6.13. On 8 April 2020, I was copied into a submission providing an update on the design and implementation of the new loan scheme and seeking the Secretary of State's view on the proposed parameters for CLBILS [PS/156 – INQ000657188] [PS/157 – INQ000563938].
- 6.14. As outlined in CWS, Part B, §3.27, on 8 April 2020, BEIS officials sent an Accounting Officer Assessment of the scheme to the Permanent Secretary and recommended seeking a ministerial direction [PS/158 – INQ000563939]. On 14 April 2020, BEIS officials sent a revised Accounting Officer note to the Permanent Secretary and

recommended seeking a ministerial direction [PS/159 – INQ000563950] (see CWS, Part B, §3.33).

- 6.15. On 15 April 2020, I was copied into a submission requesting the Secretary of State's guidance on key outstanding policy issues to finalise the CLBILS scheme parameters [PS/160 – INQ000625416] [PS/161 – INQ000563954]. The submission also stated that Accounting Officer advice had been sent to the Permanent Secretary and recommended seeking a ministerial direction. Officials explained that this was:

“...primarily on value for money grounds: while lending volumes for CLBILS [will] be lower than under CBILS, loan values will be significantly higher, and the Government's exposure will be proportionally greater due to the lack of a portfolio cap. Due to the significant uncertainties involved we are unable to confirm with any confidence that the scheme represents VfM, and therefore a direction is warranted.”

- 6.16. On 16 April 2020, I was copied into a submission dated 15 April 2020 confirming that the Chancellor had agreed with the Secretary of State's approach on all outstanding policy matters related to CLBILS [PS/162 – INQ000625424] [PS/163 – INQ000563959].
- 6.17. On 16 April 2020, the Permanent Secretary sent a letter to the Secretary of State seeking a ministerial direction [PS/013 – INQ000563960]. On the same day, 16 April 2020, the Secretary of State responded and issued the direction for the Permanent Secretary to take the scheme forward [PS/014 – INQ000563962]. My private office was not included in this correspondence.
- 6.18. On 14 May 2020, I was copied into a submission seeking the Secretary of State's agreement to increase the maximum CLBILS loan size to in excess of £50 million and impose tighter restrictions on businesses receiving loans above £50 million. [PS/164 – INQ000625511] [PS/165 - INQ000564026].
- 6.19. On 20 May 2020, I was copied into a submission seeking the Secretary of State's approval to implement the amendments to CLBILS. The submission set out the detailed scheme parameters of CLBILS as amended and also included further changes [PS/166 – INQ000657252] [PS/167 – INQ000564039].
- 6.20. CLBILS was designed to address the gap between businesses that were too large to be eligible for CBILS, but not large enough to access the CCFF, the 'missing middle'. As detailed in §6.2, I attended a BROs call alongside the Secretary of State and

Minister Zahawi on 11 March 2020. During this call, BROs had requested further support for larger businesses. It was around this time a gap in support was identified and that a separate scheme like CLBILS might be necessary to support the 'missing middle' companies.

- 6.21. I have been asked what analysis and data modelling were carried out to assess the likely demand for a scheme like CLBILS, and whether there were any limitations in the data available at the time. As detailed in CWS, Part B, §§3.6 - 3.9, it is my understanding that BEIS and BBB worked together to assess the likely demand. On 1 April 2020, BBB's analysis indicated that the demand could be between £6 billion and £88 billion (based on the Business Finance Survey method) or £14 billion and £147 billion (based on the FAME method) [PS/168 – INQ000585518]. BBB made clear that the analysis had been produced at speed and therefore carried the risk of modelling errors [PS/169 – INQ000585519].
- 6.22. I was not involved in any analysis or data modelling undertaken to assess demand for CLBILS. That said, I note the submissions that I received on 27 March 2020 and 2 April 2020 provided some information on demand (referred to in §§6.5, 6.8 above).
- 6.23. CLBILS shared several core features with CBILS, as both schemes were designed to support businesses facing disruption due to the Covid-19 pandemic. As detailed in the submission dated 2 April 2020 (see §6.8) and email dated 2 April 2020 (see §6.10), the key features in common between CBILS and CLBILS were:
- a) A government guarantee of 80%;
 - b) Eligibility required businesses to be based in the UK, and to have been viable if not for Covid-19;
 - c) No portfolio cap (never applied to CLBILS and was removed in April 2020 for CBILS); and
 - d) Refinancing (both schemes allowed for refinancing, with a cap of 20% of a lender's allocation).
- 6.24. The CWS, Part B, §§3.18 - 3.46 sets out the design of CLBILS in further detail and outlines the decision making undertaken by BEIS officials, HMT and the Secretary of State between the announcement of 3 April 2020 and launch on 20 April 2020. Further amendments were made to CLBILS during May 2020, including the increase of the loan size to £200 million. The developments in May 2020 are set out in the CWS, Part B, §§3.53 - 3.73. A full overview of the final features of each scheme can be found in

the CWS, Part B, §1.5. I do not repeat these matters, especially given my limited involvement with CLBILS.

- 6.25. I am asked whether I was concerned about the pace at which CLBILS was developed and the limited opportunity to test its design with BBB and lenders. I recall that it was an intense period, with BBB and lenders involved at each stage of the process. However, given that I was not directly involved in the development or design of CLBILS, I am not in a position to provide personal recollections on this issue.
- 6.26. I am asked if I had any concerns about BBB being pushed outside its core area of expertise by having to work with larger businesses. I was generally aware that BBB was being pushed outside its usual area of expertise with the Covid-19 schemes as it was not set up to provide for this type of emergency situation. Beyond this, I do not think I am in a position to comment.
- 6.27. As with other Covid-19 schemes, the Department sought to prioritise providing support as quickly as possible. At the same time, ministers and officials understood that the profile of businesses seeking CLBILS loans was generally less risky than, for example, those that went on to apply for BBLs. The Permanent Secretary (as the Accounting Officer) and the Secretary of State were responsible for decisions concerning affordability, value for money, feasibility, and regularity. As such, I was not involved in weighing these risks. CWS, Part B, §§3.33 - 3.46 provides further discussion of the Accounting Officer advice and subsequent ministerial direction.
- 6.28. I am asked whether looking back CLBILS would have been any different, if there had been more time to test the scheme design before launch. I do not feel able to assist on this, given the limited extent of my involvement.
- 6.29. The uptake for CLBILS was lower than that of CBILS. I have considered and agree with the CWS, Part B, §3.75, which explains that this was because CBILS targeted SMEs which made up the majority of businesses in the UK. SMEs were also disproportionately affected by the impact of Covid-19 and had fewer avenues for assistance and funding options. In contrast, CLBILS received fewer applications because there was a smaller pool of eligible businesses. The larger businesses which borrowed funds under CLBILS had greater resilience and easier access to a wider range of financing opportunities. Larger businesses were more likely to have access to alternative sources of funding such as raising capital through shareholders, utilising group structures and drawing on higher cash reserves.

Post Event Assurance Plans

- 6.30. I am asked why:
- a) The initial Post Event Assurance Plan (**PEAP**) initially only covered the BBLs and the grant schemes and not CBILS and the CLBILS; and
 - b) It took nine months following a request made by the Government Counter Fraud Function's (**GCFF**) Centre of Expertise on 1 December 2020 to update the PEAP to include CBILS and CLBILS, submitted on 27 August 2021.
- 6.31. I understand these questions to be based on the following documents which I have been referred to:
- a) An email dated 1 December 2020 from the GCFF's Centre of Expertise to the Department asking to be provided with the PEAP for CBILS and CLBILS [PS/170 – INQ000593962]; and
 - b) An email dated 27 August 2021 from BBB to BEIS attaching the CBILS PEAP [PS/171 – INQ000594044].
- 6.32. I was not involved in the development of the PEAP for CBILS and CLBILS and was not aware of BEIS' activities in this regard at the time. However, I have sought to answer the Inquiry's questions below based upon documents that BEIS and legal advisers have provided to me. My private office was not copied into the correspondence set out below.
- 6.33. From a review of the contemporaneous documents I have seen, it appears that the assumption underlying the Inquiry's question is incorrect. The Department's PEAP in relation to CBILS and CLBILS was developed from May 2020 and throughout the pandemic.
- 6.34. As set out at CWS, Part B, §6.50, on 18 May 2020, government departments, including BEIS, were instructed by Cabinet Office to develop PEAPs related to their Covid-19 stimulus spend [PS/172 – INQ000543227]. Cabinet Office requested that departments submit their PEAPs by 12 June 2020. The Department developed a working draft of the action plan by the start of June 2020 to cover all the loan schemes (including CBILS and CLBILS) and updated it when additional information was required [PS/173 – INQ000543245] [PS/174 – INQ000564051].
- 6.35. As set out at CWS, Part C, §14.53, on 10 June 2020, the Department's PEAP, covering both grant and loan schemes (including CBILS and CLBILS) was provided to the acting Permanent Secretary [PS/175 – INQ000543255] [PS/176 – INQ000543252] [PS/177 –

INQ000543254]. The covering submission stated that the PEAP would be carried out over the rest of the financial year and would be reviewed by Cabinet Office through a sub-board, the Covid-19 Fraud Ministerial Board, led by Cabinet Office but with BEIS representation through Minister Zahawi. The Department submitted the PEAP to Cabinet Office on 24 June 2020, ahead of a meeting of the BBB/BEIS/Cabinet Office Counter Fraud Forum [PS/178 – INQ000585658] [PS/177 – INQ000543254].

- 6.36. The Department submitted a further version of the PEAP to Cabinet Office covering the grant and loan schemes (including CBILS and CLBILS) on 11 August 2020 [PS/179 – INQ000624947] [PS/180 – INQ000543305]. This version was sent to Cabinet Office for feedback before submission. The Department submitted the final version of the PEAP on 17 August 2020. Cabinet Office provided further feedback to BEIS on 20 August 2020 [PS/181 – INQ000543309] [PS/182 – INQ000543310].
- 6.37. An updated version was also submitted to Cabinet Office on 10 September 2020 [PS/179 – INQ000624947] [PS/183 – INQ000657321]. The Department noted that this contained “*an updated version of the loan schemes plan.*” Officials also advised, “*As you will be aware, our plans are constantly evolving and will include more detail over the coming weeks and months. We continue to engage lenders and Local Authorities to agree and collect MI data, whilst also considering how we might apply the feedback and guidance issued by the Cabinet Office.*” This version was also sent to the National Audit Office (**NAO**) on 17 September 2020, noting that it was “*a highly iterative document*” and was “*undergoing significant changes at the moment to reflect feedback from the Cabinet Office Counter Fraud function*”.
- 6.38. However, I understand that on 10 September 2020, Cabinet Office advised the Department that “*[it] might be useful now to set the BBL scheme into a stand alone PEA Action Plan separately to your other loans and grants to maintain transparency on this.*” [PS/184 – INQ000624945]. This was due to the level of fraud recorded for the BBLs at the time. I also understand that on 14 September 2020, Rich Wentel (Deputy Director, Data Analytics and NFI, Cabinet Office), advised the Department that Lord Agnew had asked for a specific briefing on BBLs [PS/185 – INQ000625905].
- 6.39. On 25 September 2020, BEIS provided a revised version of the PEAP to Cabinet Office [PS/186 – INQ000624952] [PS/187 – INQ000624953]. Updates were provided in relation to all the loan schemes (including CBILS and CLBILS), but a dedicated worksheet was also created in relation to the BBLs.

- 6.40. In line with Cabinet Office's request that BEIS focus their PEAP activities on BBLS, the next PEAP submitted to Cabinet Office on 29 October 2020 did not address CBILS and CLBILS and only contained comprehensive updates and action plan for BBLS [PS/188 – INQ000624963] [PS/189 – INQ000543427]. I understand that this is the version of the PEAP which the GCFE's Centre of Expertise were referring to in their email to BEIS dated 1 December 2020 [PS/170 – INQ000593962]. As it did not contain any updates relating to CBILS and CLBILS, they queried whether these were addressed in a separate PEAP. A BEIS official responded on the same day that it needed to "*look afresh*" at CBILS and CLBILS and noted, "*[m]uch of the risk analysis and assurance will be similar and I know BBB have already done/commissioned a lot of work on this but it is an area of work which might benefit from some extra pairs of eye.*" The following day (2 December 2020), BBB stated that the focus had been on the BBLS FRA and PEAP and that they "*agreed at the Covid-19 Counter Fraud Forum last week that CBILS should be the next priority ...*".
- 6.41. On 2 December 2020, BBB provided a verbal status update on CBILS PEAP at the Covid-19 Counter Fraud forum [PS/190 – INQ000624987] [PS/191 – INQ000624988]. BBB advised that a FRA would first need to be completed, after which a "*Residual Risk / risk acceptance*" assessment would be conducted before completing the PEAP. It had been agreed that the priority would be CBILS.
- 6.42. On 13 January 2021, BBB provided a further verbal status update on loan schemes PEAP at the Covid-19 Counter Fraud forum [PS/192 – INQ000625005] [PS/193 – INQ000625006]. BBB hoped to complete the residual risk assessment by the end of January 2021, followed by a fraud risk proposal and decisions for BEIS in February 2021, which would inform the drafting of the CBILS PEAP. BBB noted that CLBILS had "*the biggest gap due to resourcing and previous priorities. However, the Future Fund scheme, with the potential fraud identified, should be prioritised for reassessment. SB (BBB) advised on the Future Fund, there has been considerable work undertaken by PWC on the risks and work will be commissioned with BBB to validate that.*"
- 6.43. On 13 August 2021, BBB sent an updated version of the PEAP and FRA for CBILS to BEIS and Cabinet Office for discussion at a workshop the following week on 18 August 2021 [PS/194 – INQ000625030] [PS/195 – INQ000625031]. BBB also provided an updated version of the CLBILS FRA and PEAP to Cabinet Office on 27 August 2021 ahead of a workshop to be held on 1 September 2021 [PS/171 – INQ000594044] [PS/196 – INQ000657480] [PS/197 – INQ000625033].

Reflections

6.44. I am asked to reflect on several matters in relation to the design, implementation and effectiveness of CLBILS. In relation to CLBILS specifically, I would simply highlight that, as at 31 December 2024, lenders had not flagged any CLBILS loans as suspected fraud (see CWS, Part B, §6.31). CLBILS was subject to the same safeguards and checks as CBILS. It was effective in addressing the gap in support for the 'squeezed middle'. In Section 10 of this statement, I provide my reflections on the effectiveness of the loan support schemes collectively.

Section 7: Bounce Back Loan Scheme and the Fraud Ministerial Board

7.1. In this section, I set out my involvement in the design and operation of BBLs and provide reflections on the implementation of the scheme.

Involvement in and Timeline in Relation to BBLs

7.2. I received a number of submissions relating to BBLs during my tenure as Minister. I have included many of these in the timeline below.

7.3. Unless I have stated otherwise, these submissions were sent to the Secretary of State for approval or action, and to me (and others) 'to note/ comment' only. I will make clear in the timeline below where a submission was sent to me for approval or action and where, based on documents I have seen, I responded to 'for note/ comment' submissions.

7.4. On 21 April 2020, I chaired a discussion with BROs which addressed CBILs [PS/071 – INQ000625450]. There was a request from Martin McTague of the Federation of Small Businesses to introduce a 100% loan guarantee scheme which would free up a lot of loans and make the system move more quickly. Minutes of this meeting were circulated to other BEIS ministers and officials.

7.5. On 22 April 2020, officials sent me an email outlining the option of creating a new loan guarantee scheme and its proposed features. At this stage, the working name was the Coronavirus Small Business Interruption Loan Scheme [PS/198 – INQ000563984], which later became known as BBLs. The email also set out potential amendments to CBILs.

7.6. As far as I recall, this was my first notification of a potential new scheme. The following morning, on 23 April 2020, I received a draft submission (dated 21 April 2020) with further details of the new proposed scheme, and later that evening received the final version [PS/015 -INQ000563987].

7.7. The submission identified that the Chancellor had sought advice on establishing a new loan scheme with a 100% guarantee and no portfolio cap for smaller value loans and that, given the degree of risk and uncertainty involved in such a scheme, a further ministerial direction would likely be required if this was to proceed.

7.8. The Chancellor was considering a scheme that would adopt aspects of the Swiss and German schemes and would complement CBILs by targeting the end of the market requiring smaller loans, aiming to resolve a perceived weakness in the existing system by quickly getting funds to the smallest businesses.

- 7.9. The proposed terms of BBLs at this stage were:
- a) A maximum loan value of up to 10% of business turnover, to a maximum of £25,000;
 - b) No interest due in the first year of the loan, and interest capped in future years;
 - c) A 100% government guarantee with no portfolio cap for lenders;
 - d) A term of between five to ten years (but likely to be six to align with CBILS);
 - e) No personal guarantees permitted;
 - f) Self-certification requirements for businesses to have been viable pre-pandemic and to have been impacted by Covid-19; and
 - g) Borrowers would need to waive their rights under the CCA in relation to the loan – which was necessary for self-certification.
- 7.10. The application process was envisaged as a standard, one-page application to ensure speed of distribution and a consistent process across lenders.
- 7.11. Officials identified a number of risks in implementing a scheme of this type:
- a) Lenders having minimal 'skin in the game', thereby reducing incentives to assess and monitor loans;
 - b) The disapplication of the CCA would increase the likelihood that loans were offered to high-risk businesses; and
 - c) The additional pressure on lenders' systems and staff training.
- 7.12. The submission explained that it would be important to consider how fraud could be minimised, including how borrowers would be required to demonstrate they had a genuine business, and how to deal with multiple applications from individuals with more than one business.
- 7.13. The submission identified that the only realistic and the fastest delivery mode for BBLs was through BBB, which already operated the other loan guarantee schemes, and had accredited lenders that could start working as soon as the scheme was live. Nevertheless, the submission identified that BBB was already working at full capacity, delivering the existing schemes and working on the Future Fund (which had recently been announced).
- 7.14. Other delivery options were also discussed, including the Chancellor's preferred option of having a single portal through which businesses applied, which then allocated the

loans to lenders. This was identified as adding complexity to delivery, as the portal did not exist and would take time to develop.

- 7.15. I attended a call with BROs on 24 April 2020 along with the Secretary of State and Minister Zahawi. On this call, there were appeals for a CBILS-style scheme for loans under £25,000 with a 100% guarantee [PS/072 – INQ000625462].
- 7.16. On 25 April 2020, officials sent me an update on BBLs scheme development [PS/199 – INQ000543178]. The update stated that work had been continuing at pace in designing the new scheme, with calls with major lenders planned over the weekend (25 April 2020 being a Saturday), in advance of a proposed announcement on Monday, 27 April 2020.
- 7.17. Changes to the scheme design from the submission earlier in the week included that the maximum loan size, while remaining at £25,000, was to be capped at 25% of turnover rather than 10%. In addition, the Chancellor wished to include a restriction on borrowers to prevent them paying unusual or increased dividends while in receipt of a BBLs loan (in line with CBILS). Officials identified the tension between the need to deliver finance at pace and nervousness around fraud and were meeting later that day to consider further changes to the term sheet.
- 7.18. The next evening, on 26 April 2020, I received a further update from officials on CBILS, BBLs and Future Fund [PS/200 – INQ000576393] [PS/201 – INQ000585592]. This note identified fresh scheme design points for BBLs, including:
- a) Lenders would be expected to pursue defaulted loans for 12 months but could make a claim on the guarantee before the 12 month deadline if they considered the loan could not be recovered;
 - b) Applicants would need to self-certify that they were not an 'undertaking in difficulty' under State aid rules; and
 - c) Borrowers could not access both a CBILS/CLBILS and BBLs loan; and that, if the applicant was an existing customer then KYC and AML checks would not be required.
- 7.19. The note also discussed risks of the scheme and attached Keith Morgan's letter of 26 April 2020 to the Permanent Secretary identifying key risks of the proposed scheme [PS/202 – INQ000563990]. As a result of the risks identified, the letter also stated that a ministerial direction would likely be required. Officials identified that the Chancellor's preference was to announce the scheme the next day but discussed the problems with

that approach and recommended that the Secretary of State discuss these concerns with the Chancellor.

- 7.20. This update provided further information on what was to be announced, and terms that had been agreed [PS/201 – INQ000585592]. The note stated that the press notice was intended to be sufficiently high level to allow time and space to fully agree terms and confirm the approach in light of the risks and challenges that had been identified.
- 7.21. Despite urging from BEIS officials, HMT officials intended to proceed with the announcement, and Gemma Peck recommended the Secretary of State reiterate the Department's concerns about timing.
- 7.22. I do not recall personally raising concerns about the timing of the BBLs announcement prior to confirmation of the HMT announcement. I was made aware of HMT's announcement in an email from officials on 27 April 2020 [PS/203 – INQ000585596]. This email attached an update on BBLs and other schemes, entitled 'Business Finance schemes: Update, 27 April' [PS/204 – INQ000585597]. As to BBLs, this included:
- a) Fraud risk: a workshop had been held with major lenders that day, facilitated by Price Waterhouse Cooper (**PwC**), aimed at getting an overview of concerns associated with BBLs. Areas highlighted by lenders included "*individuals approaching multiple providers*". Officials noted that BBB had highlighted some of these risks in Keith Morgan's letter the previous day to the Permanent Secretary [PS/202 – INQ000563990].
 - b) Next steps: the update stated that the Secretary of State would receive advice on 30 April 2020 as to the outcome of the Accounting Officer's advice on BBLs, and that it was intended the scheme would be operational on Monday 4 May 2020.
- 7.23. I was aware at the time that moving quickly to announce BBLs might expose the Government to fraud risks before other safeguards were in place. That was, for example, stated in Angelina Cannizzaro's (Deputy Director, SME Finance and International, BEIS) email of 23 April 2020 in which she stated, "... *the removal of CCA protections increases the risk of loans being given to businesses who shouldn't be getting loans, particularly when this is combined with the 100% guarantee...*" [PS/205 – INQ000585581].
- 7.24. Similarly, a submission I received the same day recognised that it would be important to consider how to minimise fraud risk (such as whether a business was genuine, and

how to deal with multiple applications) and recommended against committing to a date at that stage, cautioning against an announcement until further work could be done on delivery options [PS/015 -INQ000563987].

- 7.25. Gemma Peck's email of 23 April 2020 also recorded that the Secretary of State had barely had a chance to consider the quite considerable risks of the proposed new scheme [PS/206 – INQ000543170]. Laurence Pawley (Deputy Director, Business Finance, BEIS) also highlighted that banks had identified several issues that could increase the risk of fraud (multiple applications, legitimacy of business), and it was important that the Department did not publicly commit to BBB being the delivery vehicle for BBLs before the formal Accounting Officer assessment had been completed [PS/199 – INQ000543178]. I have not seen any contemporaneous correspondence that indicates that I disagreed with HMT's proposed approach or raised significant concerns at the time. On reflection, I think that there was a fine margin between moving quickly to protect businesses and adding extra layers of protection from fraud, which would have led to delays.
- 7.26. On 27 April 2020, the Chancellor announced BBLs, with an increased maximum loan size of £50,000.
- 7.27. On 28 April 2020, I was sent a further submission on the scheme design for BBLs detailing the ongoing work to finalise the scheme parameters prior to going into operation on 4 May 2020 [PS/207 – INQ000585602].
- 7.28. With respect to scheme design and the risk of fraud, officials stated that BBB had commissioned PwC to report on fraud risks associated with the scheme and provide options for mitigation, including a minimum standard for accredited lenders. Nevertheless, the analysis suggested that it would not be possible to fully mitigate the risk of fraud given the focus on speed of delivery and minimal checks on borrowers. To provide substantial mitigation, it would be necessary to slow the application process to allow for further checks of borrowers against Companies House and/or HMRC data. However, the Chancellor had clearly signalled his desire to prioritise speed and therefore accept an elevated risk of fraud.
- 7.29. On 29 April 2020, officials sent a draft letter to the Secretary of State, copying me, to be sent to the Chancellor [PS/208 – INQ000625472]. This letter recognised the Chancellor's wish to deliver funding at pace, balanced against sensible steps to mitigate the risk of fraudulent applications. The draft also recognised that, by prioritising the imperative to deliver loans at pace, the Government would have to accept the risk

that a significant proportion of the loans made under the scheme would not be repaid, which would increase claims under the government guarantee.

- 7.30. On 1 May 2020, I was sent a submission on BBLs, its direction, and launch handling, along with the initial draft of a PwC authored 'Fraud Risk Review' [PS/209 – INQ000563997] [PS/210 – INQ000657499]. The submission stated that the Chancellor had announced that BBLs would come into effect on 4 May 2020 and that the parameters of the scheme were close to being finalised. The Secretary of State's agreement was sought to seek formal consent from HMT to implement the scheme, and to respond to the letter that had been sent that day from the Permanent Secretary seeking a ministerial direction on the scheme, given the uncertainties with respect to fraud [PS/211 – INQ00064863]. My private office was not copied into the correspondence from the Permanent Secretary seeking a ministerial direction.
- 7.31. Officials set out the final scheme parameters to be announced later that day, which reflected officials' earlier discussions with the Secretary of State, including that CBILs loans would no longer cover lending below £50,000. The submission identified significant residual risks with the scheme, which had been described in detail in the submission of 28 April 2020, but were summarised as:
- a) The relative lack of checks on borrowers ahead of lending and the very high residual risk identified by PwC in its draft Fraud Risk Review report;
 - b) The limited obligations imposed on lenders to seek to recover loans which enter default, and the inability for Government to pursue repayment of the loans on behalf of lenders; and
 - c) The anti-competitive effect of the scheme pricing out smaller lenders, likely distorting the SME lending market.
- 7.32. PwC's draft Fraud Risk Review, sent to me on 1 May 2020, discussed in detail at CWS, Part B, §§4.66 - 4.75, identified eight areas of residual fraud risk [PS/211 – INQ00064863]:
- a) The self-certification mechanism risked lending being made to borrowers who were not eligible for the scheme, lending in excess of that to which businesses were eligible, and lending to businesses whose difficulties were unrelated to the pandemic;
 - b) Businesses could submit multiple applications to different lenders, multiple applications to the same lender, or applications to different Covid-19 loan

schemes concurrently, as lenders may be unable to identify if this was occurring;

- c) The scheme might be utilised by opportunistic individuals in distress with no real business and inactive or dormant accounts, or companies being used to facilitate fraud;
- d) Individuals might have access to business details but no authority to apply on behalf of the business;
- e) Personnel of the lender could facilitate fraud due to the speed of delivery of the scheme, incorporation of manual processes, and movement of personnel within operations;
- f) The existing risk of impersonation and/or forged/fake documentation;
- g) Risk of exploitation of individuals with valid existing accounts by organised criminals; and
- h) Concerns from lenders of reputation risk, and lending to sectors not normally dealt with such as adult entertainment or gambling organisations.

7.33. I also understand, from correspondence I have been shown in preparing this statement, that the risks identified in PwC's Fraud Risk Review were brought to the Chancellor's attention prior to the launch of the scheme [PS/212 – INQ000543199].

7.34. I do not recall being personally involved in the scheme design with respect to countering fraud, or the steps taken to ensure fraud prevention measures were properly coordinated with lenders before the scheme was launched. Other than receiving periodic submissions from officials updating the Secretary of State, me and other BEIS ministers on the progress of scheme design and implementation which address fraud risk and its possible mitigations, I do not recall any other involvement.

7.35. The 1 May 2020 submission also sought the Secretary of State's response to a letter from the Permanent Secretary seeking a direction to implement the scheme, as officials were unable to assess value for money given the pace of implementation and the lack of data available [PS/209 – INQ000563997].

7.36. The CWS, Part B, §§4.99 – 4.101 sets out that later on 1 May 2020 the Chancellor provided approval to the Secretary of State, and the Secretary of State directed the Permanent Secretary to take BBLs forward with immediate effect. That evening, the

Permanent Secretary confirmed to Keith Morgan at BBB that the ministerial direction had been issued and instructed BBB to proceed with BBLs.

- 7.37. I am asked about the reservation notice raised by BBB on 2 May 2020 in respect of BBLs and in response to the Permanent Secretary's direction to proceed with BBLs [PS/213 – INQ000564005]. I do not recall either document and I have not located contemporaneous documents indicating that I received them at the time. As such, I cannot speak to my views at the time about BBB's propriety, value for money, and feasibility concerns. I would note, however, that BBB also acknowledged the extraordinary circumstances in which BBLs was being developed, saying:

“we do also fully understand both that this is a time of unprecedented market disruption in which an incremental approach itself appears much more risky than in normal times, and also that Ministerial objectives and considerations may in these circumstances be broader than ours.”

- 7.38. On 4 May 2020, BBLs was launched and opened to applications.
- 7.39. I received a further submission on 6 May 2020 concerning accreditation of lenders for CBILs and BBLs, including seeking approval from the Secretary of State to implement the proposed changes to accreditation [PS/214 – INQ000564009].
- 7.40. As referenced above in Section 4, during May 2020, I was involved in stakeholder engagement meetings with BROs, sector groups and unions. I also met with Keith Morgan at BBB on the following dates:
- a) 12 May 2020: In this meeting Keith Morgan highlighted BBB's quick move from growth-related finance to loans for businesses to remain solvent and highlighted some of the increased operating risks and trade-offs associated with releasing such a large amount of finance quickly (noting that BBB was attempting “to weed out any fraud”) [PS/215 – INQ000657239]. I sought clarity about BBB's oversight processes for lender accreditation, and asked about whether commercial banks understood the loans, and whether there had been any problems. Keith Morgan discussed the difficulty in executing so many schemes at pace, and how some frustrations with banks were misplaced given the banks were simply constrained by the ability to process the increased volume of lending. He noted that there were delays in making credit decisions for CBILs and CLBILs, but this was not applicable for BBLs.

- b) 5 June 2020: In this meeting, Keith Morgan said that things were working well currently at BBB [PS/137 – INQ000657266]. Patrick Magee, BBB's Chief Commercial Officer, stated that BBLs was *"the most popular scheme, originally going through £1 billion a day in financing, now to £3 billion a week. Quick operationalisation of schemes, good collaboration with banks about reducing fraud to make sure that all banks are only receiving one application per business entity."* He further explained that one bank had originally opened up BBLs to new customers but had seen increased levels of fraud and were amending their processes to address this. I asked about whether commercial banks were able to perform well for consumers on the loan schemes (CBILs, CLBILs and BBLs). I also noted the relative ease of applying for BBLs, and the relative risk aversion of the main banks, as opposed to under CBILs. Patrick Magee stated that he was *"keen"* that there was a strong amount of liquidity in the banking sector and stated that losses under BBLs were *"going to [be] proportionately larger than losses on CBILs"*.
- c) 14 July 2020: In this meeting, which also included Catherine Lewis La Torre (the incoming BBB CEO), we discussed how to manage indebtedness of SMEs, including from outstanding loans distributed as part of the Covid-19 economic support (CBILs, CLBILs and BBLs). Two options were discussed to handle this, whether as a 'distributed model' (as existed then, handled by lenders), or a 'centralised model' whereby debt would be moved to a single government entity [PS/216 – INQ000657306]. Keith Morgan also raised the issue of how the Government was managing the risk of BBLs, querying whether there would be an agreed set of standards for debt recovery; and noting that *"we need to put ourselves in the shoes of the lenders to make recovery worth their time."*

7.41. On 11 June 2020, BEIS officials sent me a submission with an update on fraud prevention within BBLs [PS/217 – INQ000576399] [PS/218 – INQ000564055]. Officials set out that since the announcement of BBLs, BBB had been proactively engaging stakeholders to understand the scale and nature of fraud risk and develop potential mitigations. The scale of losses due to both fraud and credit risk at that stage was estimated at between 40% and 60%, which represented between £14.6 billion and £21.9 billion. It was difficult at that stage to differentiate between fraud loss and losses attributed to credit, but the estimate at that stage was around 5% to 10%, or roughly £1.88 billion to £3.65 billion.

- 7.42. Officials reported anecdotal evidence from lenders of online scams targeting customers and individuals/businesses misusing funds after drawdown, and some evidence, based on lender investigations and Cabinet Office, that the scheme was being targeted by organised crime.
- 7.43. The submission set out three measures for the Secretary of State's approval, as follows:
- a) Mandating lenders' use of the Cifas database to address multiple applications across lenders (Cifas maintained a National Fraud Database and recorded data on BBLs loan applications);
 - b) Providing greater flexibility to lenders to take 48 hours (rather than 24 hours) for high-risk groups; and
 - c) Allowing lenders to decline applications from individuals with multiple County Court judgments.
- 7.44. I was copied into the Secretary of State's response on 22 June 2020, which raised questions on officials' recommendations, including why an additional 24 hours was needed for fraud checks, and how the changes interacted with the upcoming Covid Bill [PS/219 – INQ000625548].
- 7.45. On 22 June 2020, I received a submission from BEIS officials with a proposal to allow guarantees for CBILs, CLBILs and BBLs to be assigned, such that alternative funding providers (for instance challenger banks, or non-bank lenders) could better access wholesale funding [PS/220 – INQ000564066]. I was later copied into the Secretary of State's approval of the recommendations [PS/221 – INQ000564068].
- 7.46. On 16 July 2020 (but dated 10 July 2020), officials further updated me on fraudulent activity in the loan schemes, primarily BBLs [PS/222 – INQ000564114] [PS/223 - INQ000625163]. The submission identified that in the design and development of the loan schemes, there was a trade-off in an effort to distribute lending, such that the usual checks and controls were relaxed.
- 7.47. The intelligence at that stage set out four broad categories of fraud:
- a) Applications from companies not trading;
 - b) Loans lawfully acquired but not used for reasons declared;
 - c) The use of phoenix companies and obtaining loans knowing a company will not be sustained; and

- d) Fraudulent applications where applicants dishonestly misrepresented their turnover/company performance to qualify.
- 7.48. Officials set out that they expected to engage the National Investigation Service (**NATIS**) to investigate on behalf of BEIS and that lenders had already identified and frozen approximately £825,000 of funds for return to BEIS (following BEIS funding of £100,000 for the National Investigation Service).
- 7.49. On 20 July 2020, officials sent me an update on an emerging type of fraud in BBLS, and the steps being taken in mitigation [PS/223 – INQ000625163]. In this update, officials discussed fraudulent actors attempting to exploit the BBLS by acquiring dormant companies, whose director and bank details they change to then apply for a BBLS loan. To address this, a new check was being added to the Cifas database of loan applications, to flag companies that had been incorporated for under two years, had had a change of director since May 2020, and had no credit trace (meaning the company was dormant). The update sought the Secretary of State's agreement to implement this change.
- 7.50. On 16 August 2020, officials updated the Secretary of State, copying me, on the work being undertaken by BEIS, HMT and BBB to develop a framework to manage recoveries from BBLS, where borrowers faced difficulties or went into default [PS/224 – INQ000625568] [PS/225 – INQ000625569]. The recommendations in the submission were that lenders should manage the recoveries process rather than bringing the loan book 'in house' within BBB or another body. The framework would include minimum standards in a number of areas, using a combination of prescription and principles-based approaches. A toolkit of options was proposed to support borrowers in difficulty, including extending the term and allowing for repayment holidays. I understand a discussion was later held between BEIS officials and the Secretary of State on 4 September 2020 about the proposed recoveries framework, but I was not invited to or involved in this discussion [PS/226 – INQ000625573].
- 7.51. CBILS, CLBILS and BBLS were initially intended to be temporary loan schemes meeting the immediate need of businesses struggling due to the pandemic. CBILS was intended to finish on 30 September 2020, CLBILS on 20 October 2020, and BBLS on 4 November 2020.
- 7.52. On 3 September 2020, officials sent a submission to the Secretary of State and BEIS Ministers, including me. Officials asked the Secretary of State to decide whether or not

to extend the loan schemes (CBILS, CLBILS and BBLs) past their original end dates [PS/227 – INQ000564096]. Officials recommended that:

- a) The deadline for applications for loans under CBILS would be extended from 30 September 2020 to 30 November 2020, with loan agreements to be completed by 31 December 2020;
- b) The deadline for applications for loans under CLBILS would remain unchanged at 20 October 2020, with loan agreements to be completed by 31 December 2020; and
- c) The deadline for applications for loans under BBLs would remain unchanged, at 4 November 2020.

7.53. I was then copied into correspondence on 7 September 2020 from the Secretary of State's private office indicating that he wished to align the closing date for applications for loans under the CBILS and CLBILS schemes to a 31 October 2020 deadline (and BBLs to close on 4 November 2020, as planned), and to meet with officials to develop a replacement for the existing loan schemes [PS/228 – INQ000564097].

7.54. Following this correspondence with the Secretary of State, in a submission dated 18 September 2020, I was informed that BEIS officials had become aware of the Chancellor's preference to extend the application deadline for all three of CBILS, CLBILS and BBLs to the end of November 2020, with all loan agreements to be issued by 31 December 2020 to align with the deadline for the EU State aid Temporary Framework [PS/229 – INQ000585674].

7.55. Later on 18 September 2020, I received correspondence from BEIS officials and the Secretary of State's office confirming that the Permanent Secretary was satisfied that the proposed extension of the application date for the schemes to the end of November 2020 did not require a ministerial direction and was acceptable to the Secretary of State [PS/230 – INQ000564100]. The extension was later announced by the Chancellor on 24 September 2020 [PS/231 – INQ000564107].

7.56. Returning to the chronology of events, on 1 October 2020, officials sent me a submission on new measures to tackle fraud within BBLs [PS/232 – INQ000625579] [PS/233 – INQ000625580]. This submission provided an update on Cabinet Office's proposal for a new programme of data analysis to identify suspicious BBLs applications for further investigations, and the intention to launch a new hotline on 5 October 2020. The estimate of fraud risk had been reevaluated at this stage and was

estimated at 0.5% to 20% (approximately £0.21 billion to £8.5 billion). As the funding for these efforts was coming from Cabinet Office's budget, the submission did not require decisions from BEIS ministers.

- 7.57. On 5 October 2020, I, Minister Zahawi, and my counterpart at HMT, John Glen, received a letter from James Brokenshire (Minister of State for Security, Home Office) and Lord Agnew. This shared an intelligence briefing from the National Crime Agency (**NCA**) about criminal exploitation of BBLs [PS/234 – INQ000657334] [PS/235 – INQ000657335] [PS/236 – INQ000657336]. The letter set out that the National Economic Crime Centre (**NECC**) had received an estimated 10,000 suspicious activity reports from lenders, which the NECC considered represented just a fraction of the actual fraud. The Minister and Lord Agnew sought a more robust response from HMT and BEIS. Officials updated me the next day to the effect that discussions had already occurred between Cabinet Office, HMT, Home Office and the NCA, with several areas of action agreed and choices to be presented to ministers [PS/234 – INQ000657334].
- 7.58. Following this letter, on 8 October 2020 BEIS officials sent a submission concerning enhancing counter fraud measures for BBLs and seeking agreement from the Secretary of State to its recommendations, noting that it would require communication with the Chancellor [PS/237 – INQ000543382]. This submission was sent to me 'to note/ comment'. Officials set out that the design of BBLs meant it was inherently vulnerable to fraud, as had been noted by the NAO in a recent report, and in media coverage. BEIS had engaged PwC to review a sample of BBLs loans to produce a statistically valid estimate of the scale of fraud, which was estimated to complete in January 2021. However, as successful fraud would not be confirmed until after the first loan payment was missed, it could take up to 13 months after a loan was approved to confirm that fraud had occurred.
- 7.59. The submission proposed a range of options for combatting fraud both by upscaling BEIS counter fraud capability and intelligence, as well as increasing funding for external partners such as NATIS and NCA. I was not involved in or copied into correspondence on the Secretary of State's follow up on this submission.
- 7.60. As discussed in more detail below from §7.1457.145, on 19 October 2020, I attended the Covid-19 FMB meeting on behalf of Minister Zahawi. In advance of this meeting, officials sent me a briefing [PS/238 – INQ000657346]. This meeting covered a number of matters relating to the Covid-19 loan and grant schemes, including BBLs [PS/239 – INQ000564123].

- 7.61. By submission dated 27 October 2020, I received an update on a recent announcement by the Chancellor of new forbearance measures for businesses repaying loans under BBLs and CBILs, and details of their implementation [PS/240 – INQ000585695]. Officials provided detail on the introduction of the ‘Pay As You Grow’ flexible repayment system for BBLs, which provided borrowers with a standardised set of options to help with repayments.
- 7.62. On 2 November 2020, I was notified by email that the Prime Minister intended to announce that day that the end date for applications for loans under CBILs, CLBILs and BBLs would be extended. In addition, he intended to announce that borrowers who had taken less than 25% of turnover could seek a top-up to this level [PS/241 – INQ000564129]. The email stated that the new deadline would be 31 December 2020. However, a submission sent to me on 3 November 2020 clarified that the Chancellor had actually announced an end date of 31 January 2021 [PS/242 – INQ000564133].
- 7.63. This submission also recommended additional checks to self-certified turnover in order to minimise fraud, which officials considered the Chancellor may not agree to. Early estimates by the Department suggested an increase in lending of £19 billion, from new applicants only.
- 7.64. On 4 November 2020, I received a submission from BEIS officials concerning HMT finalising guidance to lenders on attempting to recover BBLs loans with suspected or confirmed fraud [PS/245 – INQ000564150]. The submission stated that the Department had persuaded HMT to “*speed up the fraud section of the recoveries guidance*” and sought the Secretary of State’s views on the draft recoveries guidance. The submission also sought the Secretary of State’s in principle decision on a proposal to use HMRC to verify turnover for high risk BBLs applications. This submission was reviewed by the Secretary of State’s private office who requested amendments, which were included in an amended submission sent on 19 November 2020 [PS/246 – INQ000564154].
- 7.65. On 5 November 2020, the Secretary of State wrote to HMT acknowledging the extension of the schemes and providing his view that additional checks to verify turnover of an applicant should be implemented to address this fraud risk [PS/243 – INQ000564137]. HMT responded to this email on 9 November 2020, indicating that it was open to checks that did not put at risk the processing of loans within 24 hours or the self-certifying nature of the application form [PS/244 – INQ000564138]. I was not copied into this correspondence.

- 7.66. I also attended the FMB meeting on 25 November 2020. In advance of this, officials sent me a paper to clear that would be distributed to attendees, and a briefing on the meeting itself [PS/247 – INQ000564152] [PS/248 – INQ000657367]. The minutes of this meeting indicate that a considerable portion of the meeting was spent discussing fraud in BBLs [PS/249 – INQ000657369]. This is discussed in more detail below, at §7.146.
- 7.67. On 4 December 2020, I received a submission from BEIS officials on HMT’s likely imminent provision of guidance for lenders on the approach to recoveries of unpaid BBLs loans, and implementation of ‘Pay As You Grow’ measures for repayment [PS/250 – INQ000564161]. The Secretary of State was asked to note the contents of this guidance and the residual risks, and officials recommended that the Secretary of State write to the Chancellor noting such risks and asking for consideration of how the guidance could be updated to mitigate these.
- 7.68. On 17 December 2020, the Chancellor announced a third extension to the deadline for CBILs, CLBILs and BBLs, to 31 March 2021.
- 7.69. The Prime Minister had announced further tier restrictions on 19 December 2020 following advice from the Advisory Group on New and Emerging Respiratory Virus Threats (**NERVTAG**), and the Chancellor considered it was necessary to extend the schemes to support businesses through the further restrictions that may be required. On 21 December 2020, I, and the other BEIS Ministers, received a submission on this, clarifying the lending likely to result from the extension, and agreeing to seek formal consent from HMT for the extension and for the associated costs [PS/251 – INQ000657381] [PS/252 – INQ000657382].
- 7.70. Officials advised that BBB had contracted with a third-party supplier to develop a financial model to estimate potential losses more accurately, which was due to go live in late December 2020, with initial outputs expected in January 2021. I was not involved in the follow up correspondence on this submission, although I understand that HMT gave consent for the extension of the schemes.
- 7.71. I do not specifically recall the process of how the extensions to the loan schemes’ application deadlines occurred and had little involvement in considering the risks and benefits of each extension.
- 7.72. On 4 February 2021, I received an email with an update that the Chancellor had decided to amend one of the ‘Pay as you Grow’ options for BBLs loans, to give borrowers the option of taking a six-month payment holiday immediately, rather than

after having made six payments as had been originally planned [PS/253 – INQ000564181]. This was expected to have impacts on understanding the performance of the loan book as it delayed the date by which borrowers were required to have paid back their loans.

- 7.73. While the proposal came from the Chancellor, it was for the Secretary of State's decision. The Secretary of State delegated the decision making to me and I provided my approval to the amendment later that day [PS/253 – INQ000564181].
- 7.74. On 11 February 2021, I was sent a submission concerning a proposal for a process to prevent corporate entities with a BBLs loan being dissolved from the public register [PS/254 – INQ000585738]. I was sent this submission for my decision. This submission set out that HMT officials had sent a parallel submission to the Chancellor seeking his approval on the same proposal. Cabinet Office data analytics had identified various risk factors related to the status of a borrowing entity. Two of these were dissolved companies and companies with a strike-off application. As lenders could not pursue repayment of loans from companies that had been struck off, officials recommended that objections be lodged against companies in receipt of a BBLs loan and undergoing the strike-off process, to enable more time for recoupment.
- 7.75. On 22 February 2021, I approved the recommendation as to the bulk objection process [PS/016 – INQ000564189].
- 7.76. That same day, officials sent me a submission on the Department's obligation to publish information on support provided to businesses through the Covid-19 loan schemes, including BBLs [PS/255 – INQ000657403] [PS/256 – INQ000657404].
- 7.77. Officials recommended that, despite the legal requirement to publish information on individual aid awards, BEIS should make an official-level approach to the European Commission to try to agree an alternative route for achieving transparency on BBLs and CBILs that avoided the publication of borrowers' personal data.
- 7.78. On 15 February 2021, I approved the recommended course of action [PS/257 – INQ000657408].
- 7.79. By email on 23 February 2021, officials informed me that BBB proposed to end the accreditation of lenders for the Covid-19 loan schemes with immediate effect [PS/258 – INQ000657413]. Officials supported this proposal as they considered it was unlikely that any new lender applicants would have a realistic prospect of completing the

accreditation process in time to make meaningful lending contributions by the time the schemes were set to end on 31 March 2021.

- 7.80. The Secretary of State delegated decision making to me, and I provided my approval later that day [PS/258 – INQ000657413].
- 7.81. By submission on 18 March 2021, officials sought my approval on recommendations relating to State aid reporting of the Covid-19 loan schemes [PS/259 – INQ000657431] [PS/260 – INQ000657432]. Following BBB writing to lenders asking them to issue a set of standardised communications to borrowers across all three of the loan schemes, UK Finance had fed back that some lenders may not be able to legally review and operationalise the communications quickly enough to adhere to BBB's requested 26 March 2021 deadline. Given this and other pressures, BEIS officials recommended delaying reporting for up to two months to ensure the earliest borrowers were given sufficient notice before their information was published. I approved these recommendations on 22 March 2021 [PS/261 – INQ000657435].
- 7.82. On 11 June 2021, I received a submission in draft from BEIS officials seeking my approval to a proposal to BEIS disclosing publicly its role in the bulk objection process described above [PS/262 – INQ000564217]. Ultimately, I considered that a ministerial decision was not required for this process and my approval was communicated to officials on 14 June 2021 [PS/263 – INQ000564218].
- 7.83. On 17 August 2021, officials sent me an update on the expected credit losses relating to the Covid-19 loan schemes [PS/264 – INQ000657478]. Officials' estimates of losses under BBLs as at June 2021 had reduced, mostly as a result of an improved economic outlook, but expected losses were still high across the schemes (between 21.9% and 35.8%). I responded on 3 September 2021, stating that I had read the submission and did not have any comments [PS/265 – INQ000657482].
- 7.84. On 13 September 2021, BEIS officials sent me a submission updating me on fraud recovery and enforcement actions with respect to BBLs loans [PS/266 – INQ000657483] [PS/267 – INQ000657504]. The July 2021 estimate of fraud occurrence in BBLs loans was calculated by BBB and PwC (based on sampling) as within a range of 8.15% to 14.15%, with further analysis to occur.
- 7.85. The submission updated me that a proposal to outsource civil recovery of debt to a third party did not have a strong value for money case at that point because it risked replicating actions that lenders were already taking, and lenders were better placed to undertake that recovery. As a result, alternative proposals had been put in place to

better incentivise lenders to take strong recovery action. On 27 September 2021, I agreed with this recommendation and noted the ongoing work on recovery and enforcement [PS/268 – INQ000657486].

- 7.86. By letter dated 15 November 2021, Lord Agnew wrote to me seeking reassurance that BEIS would continue its commitment to provide estimates of fraud and error loss in the loan schemes [PS/269 – INQ000657506].
- 7.87. Lord Agnew's letter stated that officials from the GCFE had informed him that BEIS was unclear whether it would continue to provide these estimates. He expressed his hope that BEIS would commit to measure the loss level and have this assured against the Government's standard. Lord Agnew wrote that in the next FMB meeting planned for 18 November 2021, he intended to discuss the progress that departments had made to test and measure fraud loss from Covid-19 expenditure (though it is unclear from the documents available whether this meeting actually happened).
- 7.88. On 29 November 2021, I met with the Catherine Lewis La Torre of BBB on several matters, including a discussion of fraud in BBLs [PS/270 – INQ000657491]. In that meeting I passed on Lord Agnew's strong interest in the issue of BBLs fraud. I am asked about Catherine Lewis La Torre's response. The note of the meeting records that Richard Bearman (Managing Director, Small Business Lending at the BBB) replied that the majority of counter fraud activity was undertaken by lenders, and that BBB was seeking to ensure that lenders are going above and beyond their business as usual activity to deal with this issue, working closely with the Cabinet Office data analytics team and providing that information to the lenders. I also asked whether there was anything that could be done to bring lenders up to the level of best performers in terms of identifying and preventing fraudulent loans. Richard Bearman replied noting the BBB's nascent dashboard on lender performance, which would assist BBB in deciding what action to take, where lenders weren't doing all they could, and would help BBB in calling them out. He also discussed that while the Bank could pressure lenders, it was difficult to insist lenders do things they were not under a contractual obligation to do. Catherine Lewis La Torre noted that there was ongoing work to examine lessons learned and consider how to respond to the NAO and Public Accounts Committee's recommendations on BBLs fraud.
- 7.89. On 6 December 2021, I responded to Lord Agnew's letter of 15 November 2021, advising that BEIS had taken significant steps to improve the understanding of the level of fraud and error in the schemes, working closely with GCFE [PS/269 –

INQ000657506] [PS/271 – INQ000657498]. In my letter, I explained that conversations were underway between BEIS and Cabinet Office officials for the Department to carry over some of its Fraud Measurement and Assurance Programme work over to the next financial year. I confirmed that BBLs, CBILs and CLBILs measurement activity had been completed, and FRAs and PEAPs were in place for each Covid-19 loan scheme, which had been approved by senior officials at the Counter-Fraud Strategy Board [PS/271 – INQ000657498].

- 7.90. On 22 February 2022, I received correspondence from Laurence Pawley updating the Secretary of State and me on recent activity regarding lender performance on BBLs fraud. The update stated that there were proposals for establishing an oversight board, reporting to Cabinet Office and other associated departments, and an independent panel to review guarantee cases to scrutinise lenders' proposals to BBB [PS/272 – INQ000543818]. My private office responded to this correspondence, acknowledging receipt, on 24 February 2022 [PS/273 – INQ000657493].
- 7.91. On 6 May 2022, I received a submission concerning the Covid-19 loan schemes' counter fraud strategy and delivery [PS/274 – INQ000585818]. The submission gave information on BEIS producing a counter fraud strategy as recommended by NAO's second report into BBLs, published in December 2021, as well as the additional funding secured to bolster counter fraud work. On 12 May 2022, I noted these updates with no further comment [PS/275 – INQ000657502].

Summary of my involvement with BBLs

- 7.92. I have sought to set out above information relating to policy, design, operation and decision making on the BBLs that is reflected in documents, mainly submissions. The documents indicate that I had a relatively limited role, and that submissions were almost always sent to the Secretary of State for decision and I was copied. This fits with my recollection. I cannot now recall my other input, other than the fact I was regularly speaking with stakeholders about business needs, including BROs, businesses, union leaders, sector groups, and others, including Keith Morgan and Catherine Lewis La Torre at BBB. I would have discussed the BBLs, its policy, design and operation, including fraud risks and mitigations, with the Secretary of State but I cannot now recall the content of any such conversations.
- 7.93. I am asked what advice I gave to the Secretary of State about the need for the BBLs. I do not recall any specific conversations with the Secretary of State in relation to the need for BBLs, but I anticipate this would have been discussed in the context of the

difficulties businesses were facing with accessing CBILS and, more generally, the information I was receiving from BROs and businesses about the pressures facing the business community.

- 7.94. For example, in one of my regular calls with non-food retailers, on 16 April 2020, retailers told me that speed of access to funding was absolutely vital, and that getting funding via the banks and the relevant support schemes was their biggest focus [PS/085 – INQ000657201] [PS/276 – INQ000657200].
- 7.95. On 22 April 2020, I attended a call with SME stakeholders, in which the CBILS scheme was discussed and the feedback I got was that smaller SMEs were having trouble accessing CBILS, partly because businesses could not provide the required data and partly because lenders were hesitant to take on the risk of lending to them. Businesses that had applied were also experiencing delays in having loans approved and receiving funds. The readout of this conversation was copied to the Secretary of State's private office [PS/081 – INQ000543164].
- 7.96. On 23 April 2020, I received the same initial advice as the Secretary of State on a potential scheme for smaller value loans with a 100% guarantee [PS/015 - INQ000563987].

Objectives, Challenges and Risks of BBLs

- 7.97. I am asked about my understanding of the rationale behind the decision to introduce the BBLs, key policy objectives guiding the design of the scheme, and how it was designed to meet the specific needs of businesses at the time. The CWS, Part B, §4.5 identifies that the objective for the introduction of BBLs was to respond to the concerns raised by the business community that CBILS was not doing enough at sufficient pace to provide necessary financial support to smaller enterprises, that the rate of applications being processed was slow, and that it did not compare favourably to similar international schemes (such as the German and Swiss schemes). I agree with the Department's view on the rationale and policy objectives guiding the design of the scheme, and I consider the final design of the scheme, set out at CWS, Part B, §4.107, reflected the needs of businesses, which was to obtain finance at pace, using a straightforward system, at low cost.
- 7.98. The Inquiry has asked me about the extent to which the Department drew on the design of the loan schemes in Switzerland and Germany (or other countries) when developing BBLs. I discussed with SME stakeholders on 22 April 2020 the operation of CBILS, and in that conversation I was encouraged to look into the German scheme which was

raised as an example for supporting small retailers [PS/081 – INQ000543164]. A readout of this discussion was circulated to the Secretary of State and ministers. Officials then sent me a submission on 23 April 2020 (mistakenly dated 21 April 2020) which discussed that the Chancellor was considering a scheme that would adopt aspects of the Swiss and German models, complementing CBILS by being targeted at the smaller loan end of the market [PS/015 -INQ000563987].

- 7.99. The submission also provided a comparison table between the UK's existing loan schemes (CBILS and CLBILS) and the schemes provided by Germany, Switzerland and Austria, as well as an overview of wider SME policy responses by country which included Austria, Germany, Switzerland and the United States, as well as the UK. Other than this, officials are likely better placed to provide further comment on the extent to which the Department drew upon the Swiss and German loan schemes.
- 7.100. At the time BBLs was being considered, I recall my concerns about the financial and reputational risks that a 100% government guarantee might pose were outweighed by the need to distribute funds at pace. I was aware it was a significant shift from the 80% guarantee available in CBILS, and that lenders were reluctant to lend, but I considered it needed to be done given the economic realities at the time.
- 7.101. There was obviously a trade-off between the urgency of providing financial support to businesses and the potential for increased fraud and default risk. The submission that officials provided to me on 23 April 2020 (which is mistakenly dated 21 April 2020) identified that a new streamlined scheme, with a 100% guarantee, would enable businesses to access finance, where they had not yet been able to, because they would fail the credit checks present in CBILS [PS/135 – INQ000610530] [PS/015 - INQ000563987]. Anecdotal evidence set out in the submission suggested there were delays in having applications processed, and funds received, which was supported by the feedback I was hearing from businesses and BROs in my discussions with them around this time [PS/081 – INQ000543164].
- 7.102. As I have reflected above, as CBILS developed, it achieved its objectives of supporting businesses through the pandemic. However, the significant economic impact of the pandemic meant slow distribution of funds in favour of checks on applicants was seen to be contributing to the failure of otherwise viable businesses. Businesses clearly needed funding distributed quickly, however officials also recognised the risk posed by a 100% government guarantee (as lenders had no 'skin in the game'). Fraud was also identified by officials as a risk, given the simplicity in setting up a business in the UK

and the self-certifying nature of the scheme. As a result, even at an early stage, officials described the scheme as having significant financial and reputational risks. Despite this, the Chancellor, the Secretary of State, BEIS ministers and I considered that the economic and survival risks businesses faced were such that this significant financial and reputational risk had to be tolerated and was outweighed by the need for the Government to act with speed to save businesses. These decisions were also being made at a time when we did not know how long the lockdown would be, and we were therefore unable to create support tailored precisely to the situation.

- 7.103. I am asked what persuaded HMT that a new and separate loan guarantee scheme was needed, given the improvements reported in CBILS at the time. HMT's decision making with respect to the design of BBLs is discussed in CWS, Part B, §§4.22 – 4.32. In a 23 April 2020 submission, officials provided advice on establishing a new scheme targeting businesses who could access CBILS but were struggling to do so [PS/015 - INQ000563987]. A submission mirroring this content was sent to the Chancellor. This was shared with BEIS officials by HMT officials, but I did not see this correspondence at the time [PS/277 – INQ000625105] [PS/278 – INQ000563981]. Other than the motivations described in this submission, I do not have any particular additional insight into what was being considered at HMT and why a new and separate loan scheme was considered necessary.
- 7.104. I am asked, in relation to BBLs, whether there were concerns about the capacity of BBB to implement a new scheme quickly and effectively and banks being able to process loans swiftly.
- 7.105. On 23 April 2020, officials advised that a scheme implemented by BBB as the only realistic and the fastest way to deliver a new scheme [PS/015 -INQ000563987]. Officials were not convinced that BBB could deliver the scheme to the Chancellor's desired timetable and suggested looking into alternative routes to deliver the policy objective through a different product.
- 7.106. On 24 April 2020, officials sent me a draft of a letter to be sent from the Secretary of State to the Chancellor addressing the BBLs proposals [PS/279 – INQ000657214] [PS/280 – INQ000657215]. This draft letter referred to the need to be sure that the costs and benefits of all routes to deliver the policy objective had been considered, including whether grants delivered by HMRC or local authorities should be used. The draft letter cautioned against making public announcements regarding the parameters of the scheme until discussions with BBB had taken place.

- 7.107. The Secretary of State wanted to be confident about delivering the right product before setting public expectations. I did not see the final version of this letter, but I note that it was very similar in substance [PS/281 – INQ000563988]. This letter reflects the broad concerns officials had in the 23 April 2020 advice described above, to which I agreed [PS/015 -INQ000563987].
- 7.108. I understand further concerns about delivery of the scheme were discussed in later correspondence on 23 April 2020 and 24 April 2020 between BBB, BEIS and HMT. This is discussed at CWS, Part B, §§4.37 - 4.39. I was not sent that correspondence at the time.
- 7.109. On 25 April 2020, officials sent me an update which included additional information on the design and delivery of the new scheme, including in-depth proposals from BBB as to how they intended to implement the scheme, and the product of discussions with lenders themselves on the draft term sheet [PS/199 – INQ000543178] [PS/282 – INQ000543177]. While there were ongoing discussions of scheme design, officials did not raise in this update additional concerns with the deliverability of the scheme by BBB. Lenders raised a number of questions about how the scheme would be operationalised, but did not appear to be raising concerns as to their capacity to deliver the loans swiftly.
- 7.110. On 12 May 2020, I met with Keith Morgan and Lord Smith (Chair of the BBB Board) (as referred to at §7.40.a) above). Keith Morgan highlighted that, while the work of BBB had changed and there were increased operating risks and trade-offs associated with releasing such a large amount of finance quickly, BBB was attempting to mitigate any fraud and he felt proud of the work delivered by BBB [PS/215 – INQ000657239]. In that meeting, I thanked BBB for its work in delivering the schemes at scale and pace, and planned to reflect on how I would acknowledge this work and effort.
- 7.111. I cannot recall having any personal concerns as to BBB's ability to deliver BBLs or lenders to distribute loans in addition to those raised by officials in submissions in advance of the implementation of BBLs. BBB was busy implementing CBILs and CLBILs. I was confident in its capacity to 'flex' to accommodate the additional work required despite not necessarily being set up to do so, just as people and organisations across Government and business were adapting to address the unprecedented effects of the pandemic.
- 7.112. I am asked about consideration given to alternative delivery options for BBLs proposed by BBB. A range of alternative delivery options were proposed in a submission officials

sent to the Secretary of State, copying me, on 23 April 2020 [PS/135 – INQ000610530] [PS/015 – INQ000563987]. These included:

- a) To run a new scheme as a variant of CBILS with existing delivery partners;
- b) BBB establishing a new accreditation process;
- c) To use existing HMT bank referral platforms as ‘one stop shops’ for BBLs – fast tracking accreditation for lenders who already use those platforms; or
- d) To deliver the scheme through a single third party agent.

7.113. Officials recommended that alternative delivery options be assessed but recognised that delivering BBLs through BBB was the only realistic option to deliver the scheme to the Chancellor’s deadline.

7.114. I have been informed that BBB provided a draft note to the Department and HMT on 23 April 2020 on alternative delivery options. This is referred to in the CWS, Part B, §4.37 [PS/283 – INQ000543166] [PS/284 – INQ000543167]. I do not recall receiving this at the time and I do not recall being involved in further discussion of alternative delivery mechanisms.

Counter Fraud

7.115. After BBLs was introduced, a system was introduced to allow lenders to establish whether a prospective borrower had obtained guaranteed lending from another source. This system was set out to me in submissions dated 11 June 2020 [PS/218 – INQ000564055] and 10 July 2020 [PS/222 – INQ000564114]. These were sent to the Secretary of State for decision, copying me for ‘note/ comment’, with an update on counter fraud efforts with respect to the loan schemes, particularly BBLs. These are addressed above at §§7.41, 7.46.7.46 I do not recall having other involvement in advising or decision making on the BBLs counter fraud system prior to its launch in July 2020. I understand that document searches have not indicated such involvement. I do not have any specific recollections of the key challenges preventing the earlier implementation of such a system, however BBLs was launched at an extraordinary pace for the reasons I have already explained. As such, it seems likely the reason this system was not introduced prior to implementation of BBLs was due to the focus on speed. I agree with statements in the 10 July 2020 submission, where officials stated that BBLs was “...set up in weeks and prioritised quick access to finance...” and in implementing BBLs that “a necessary trade-off was to relax the checks/controls

usually used to administer lending, increasing vulnerability to fraud” [PS/222 – INQ000564114].

- 7.116. I am asked how many applicants had received more than one loan through the BBLs prior to these measures being implemented, and the value of these loans. I am not aware whether the number and value of duplicate loans have been calculated, including for the period before the additional counter fraud measures were put in place. BEIS officials advised in the 11 June 2020 submission that prior to a solution to identify multiple applications across lenders, up to 2.3% of applications already drawn down were considered to be duplicates [PS/218 – INQ000564055].
- 7.117. Linked with the above, I am asked for my views as to whether it was a significant issue that BBLs was launched without a system in place to detect and prevent duplicate loan applications. Clearly, it would have been preferable to have had such a system in place from the outset.
- 7.118. The fact that lenders could not identify duplicate applications was identified early on (see e.g. Keith Morgan’s letter dated 26 April 2020 [PS/202 – INQ000563990], the draft PwC’s Fraud Risk Review [PS/210 – INQ000657499] and a submission sent to me dated 1 May 2020 [PS/285 – INQ000625477] [PS/209 – INQ000563997]). This risk was, as I understand it, known to the Chancellor (see CWS, Part B, §10.21). The Chancellor decided to prioritise speed of distribution.
- 7.119. At the time, I do not recall that the absence of a system to detect and prevent duplicate applications was considered a very major issue. However, on reflection, perhaps more attention should have been paid to it.
- 7.120. I am asked whether the Department was consulted about or supportive of the decision to remove credit checks from BBLs at the outset, and what concerns were raised internally or with HMT about these risks. By submission dated 23 April 2020, in describing the Chancellor’s proposed BBLs design, Department officials were aware that credit checks would not be required, and therefore the scheme risked giving loans to businesses who should not be receiving them [PS/015 – INQ000563987]. Both BEIS officials (see for instance, concerns raised at §7.102), and the Secretary of State (by letter to the Chancellor on 24 April 2020) [PS/281 – INQ000563988], raised concerns with this scheme design. However, the Chancellor wanted to proceed with a scheme that reduced credit checks, and officials therefore worked to implement such a scheme.

- 7.121. I do not recall whether the Department conducted or commissioned any internal analysis or risk assessments of the potential consequences of the reduced due diligence built into the BBLs.
- 7.122. I am asked how the Department monitored and responded to the evolving fraud risks during the initial months of the BBLs rollout and before the July 2020 counter fraud measures were introduced. In the timeline above, I have sought to set out the information that I was aware of, via submissions or emails. I have also explained the changes that were made in June and July 2020 to push lenders to use the Cifas database in their checks on new applicants, the commissioning of NATIS to undertake investigations into suspected fraud and recovery of funds identified as fraudulently obtained, and the additional checks to prevent loans being obtained by fraudulent actors using dormant companies to obtain loans. I received the submissions covering this work, but I do not recall advising the Secretary of State on the decisions he was asked to take (although we may have discussed these).
- 7.123. As noted in the CWS, Part B, §6.13 and CWS, Part C, §§14.53 - 14.57, all Departments were required to develop a PEAP to set out how they proposed to manage fraud and error, to be considered by the FMB. I do not recall being involved in the development or review of the Department's PEAP. The development of the Department's PEAP is discussed in more detail at §§6.30 - 6.43, above, based on documents provided to me.
- 7.124. In brief the Department submitted PEAPs as follows:
- a) Following Cabinet Office's request, the first version of a PEAP covering the loan schemes was submitted to the Permanent Secretary for approval on 10 June 2020 [PS/175 – INQ000543255] [PS/177 – INQ000543254]. It was later submitted to Cabinet Office on 24 June 2020 [PS/178 – INQ000585658];
 - b) Officials submitted a further version of the PEAP covering the grant and loan schemes to Cabinet Office on 11 August 2020 [PS/179 – INQ000624947] [PS/180 – INQ000543305];
 - c) A later version of the PEAP was submitted by officials to Cabinet Office on 10 September 2020 [PS/179 – INQ000624947] [PS/183 – INQ000657321];
 - d) On 25 September 2020, a revised version of the PEAP splitting out the BBLs was provided to Cabinet Office [PS/186 – INQ000624952] [PS/187 – INQ000624953]; and

- e) A later version of the PEAP with comprehensive updates and an action plan for BBLs was submitted to Cabinet Office on 28 October 2020 [PS/188 – INQ000624963] [PS/189 – INQ000543427].

Government Counter Fraud Function Centre of Expertise

- 7.125. The CWS, Part B, §6.8 describes the GCFF, led by Cabinet Office. It involved stewardship of one of a series of functional standards across Government departments that existed prior to the pandemic concerning counter fraud activities. The mandate of the Counter Fraud Function was to ensure cross-government management of counter fraud and compliance by government departments, through an annual assurance process supervised by Cabinet Office's Counter Fraud Centre of Expertise. That fits with my understanding of the GCFF and the Centre of Expertise.
- 7.126. I am asked about correspondence from the GCFF's Centre of Expertise dated 21 October 2020 and 3 November 2020, related to sampling work for fraud and error in BBLs [PS/286 – INQ000594103] [PS/287 – INQ000594099]. This correspondence was not sent to my private office. To the best of my recollection, I do not think I was aware of these emails at the time. As such, I think others, particularly officials, will be better placed to assist the Inquiry with related questions.
- 7.127. In the briefing provided to me in advance of the 25 November 2020 FMB meeting (entitled 'Tackling Fraud in the Bounce Back Loan Scheme'), officials noted the assistance of Cabinet Office [PS/248 – INQ000657367]. One of the recommended 'points to make' was to welcome the support of Cabinet Office Counter Fraud Function in implementing several of the measures in the counter fraud programme, and, if asked, to signal the Department's support for Cabinet Office's work on data analytics to identify the most suspect BBLs applications for further investigation.
- 7.128. The BEIS discussion paper, which was circulated to attendees including me for the 25 November 2020 FMB meeting [PS/288 – INQ000655132] notes "*BBB and BEIS are close to agreeing a contract (by 25 November) with PwC to undertake statistical sampling on a random sample of successful BBLs applications, to identify what proportion are fraudulent. Cabinet Office Counter Fraud function have provided extensive advice and guidance on this work*" (emphasis added). I do not recall having any further insight into the advice and guidance provided by Cabinet Office with respect to the sampling work.
- 7.129. I left DBT in July 2022 and cannot assist the Inquiry on DBT's current position, or lessons learned, regarding the use of external consultants in an emergency crisis to

manage the risk of fraud and error. Generally speaking, and as I discuss at §8.20 with respect to Future Fund, my view is that external consultants can be crucial if they are adding expertise or extra capacity but, as a general principle, government should be judicious in outsourcing work.

Fraud Ministerial Board

7.130. The Inquiry has asked a number of questions about my attendance at the FMB. Since several of the questions relating to the FMB also concern BBLs, I answer these questions in this section of my statement, as follows.

7.131. The FMB was not the only forum concerned with fraud risks in the various schemes, in particular with regards to BBLs. Other counter fraud entities and initiatives are discussed in the CWS, Part B, Section 6. These included the Bank Fraud Collaboration Working Group, developed in May 2020 by BBB, which held weekly meetings at which lenders could share their experiences of the BBLs and fraud related intelligence; and the BBB/BEIS/Cabinet Office-led Covid-19 Counter Fraud Forum which was operational from 10 June 2020 and met weekly.

7.132. I understand that, on 3 July 2020, Lord Agnew invited ministerial colleagues (including Minister Zahawi) to the newly formed FMB [PS/289 – INQ000564073]. I was not invited to the FMB's first meeting and did not attend it.

7.133. I was not involved in the FMB's establishment and am therefore not best placed to comment as to why it was established in July 2020, after CBILs, CLBILs and BBLs had been introduced. However, in preparing this statement, I have been shown the letter from Lord Agnew dated 3 July 2020, referred to above [PS/289 – INQ000564073]. I cannot say if I saw this letter at the time. I was not on the email copy list. I do, however, recall that Lord Agnew wanted to ensure there was sufficient rigour in tackling fraud.

7.134. The aim of the FMB, as stated in the adopted terms of reference, was to gain an understanding of fraud and irregularity in the Government's Covid-19 stimulus packages and grants; to review the use of existing legislation for public bodies, law enforcement, and the banking sector to combat fraud; to review the opportunities to increase fraud intelligence sharing between banks, police, and public sector post Covid-19; and to oversee a lessons learned exercise arising from the public sector fraud response, to inform future emergency management response [PS/290 - INQ000564072].

- 7.135. The initial terms of reference for the FMB stated the intention to meet monthly following the July 2020 meeting until October 2020, at which point the frequency of meetings would be reviewed [PS/290 – INQ000564072].
- 7.136. However, from the documents made available to me, it appears that the FMB may only have met on three occasions in 2020: 16 July 2020, 19 October 2020 and 25 November 2020. Minister Zahawi attended the meeting on 16 July 2020 [PS/291 – INQ000655101]. I attended the meetings on 19 October 2020 [PS/239 – INQ000564123] and 25 November 2020 on Minister Zahawi's behalf [PS/292 – INQ INQ000657357] [PS/249 – INQ000657369].
- 7.137. I also attended a FMB meeting in November 2021 (as referenced in Lord Agnew's letter discussed at 7.87), but I have no recollection of the details of this meeting and have not been able to locate contemporaneous documents. Other than those described above, I do not recall other FMB meetings in 2021 and 2022. However, on 9 December 2020, Cabinet Office emailed BEIS officials advising that the FMB would continue to meet in 2021, recognising the importance of the work being undertaken in relation to counter fraud activities [PS/293 – INQ000657374]. In April 2021, it was confirmed that I would attend FMB meetings in future [PS/294 -INQ000655135].
- 7.138. It also appears there were a number of attempts to secure an available date for all the ministerial attendees in 2021. I do not recall this and the information below is based on documents identified when preparing this statement. An email chain between 22 February 2021 and 16 April 2021 and between various private offices shows unsuccessful attempts to secure a date for a FMB meeting [PS/295 – INQ000657448]. At one point, 26 May 2021 was pencilled in as a date for a potential FMB meeting [PS/296 – INQ000657453]. This date was adjourned because there was a wish to discuss fraud and error related issues that had recently been explored at a Public Accounts Committee hearing on 29 April 2021 [PS/297 - INQ000657458]. Later attempts were made to organise a date for a further FMB meeting but were not successful [PS/298 – INQ000657487] [PS/299 – INQ000657488] [PS/300 – INQ000657490]. Two letters from Lord Agnew addressed to me in November 2021 suggest that a FMB meeting was likely to take place on 18 November 2021. However, I am told that documents have not been identified to ascertain whether or not this meeting actually took place [PS/301 – INQ000657507] [PS/269 – INQ000657506].

Overview of October and November 2020 FMB meetings and attendees

- 7.139. The Inquiry has asked me a series of questions relating to the FMB meetings that I attended on 19 October 2020 and 25 November 2020.
- 7.140. In general terms, my recollection is that an agenda and papers for discussion would be sent out by Cabinet Office ahead of the FMB meetings [PS/302 – INQ000657365] [PS/303 – INQ000657345]. BEIS officials would then review these papers and provide a written briefing to me, and we would find time ahead of the FMB meeting to discuss the briefing [PS/238 – INQ000657346] [PS/248 – INQ000657367]. When I attended the FMB meetings, representing BEIS, it was important that I had up-to-date information on BEIS' commitment and efforts towards countering fraud in the BBLS scheme (as well as CBILS and CLBILS) and was prepared to answer questions about BEIS' willingness to work collaboratively with other government departments, lenders, law enforcement and delivery partners. Officials also provided analysis on the papers to be discussed at the meeting, and suggested points to make on BEIS' behalf.
- 7.141. I may have attended the FMB meetings with my private secretary, along with a BEIS official where necessary (see for instance, Gemma Peck for the meeting on 25 November 2020, who presented the BEIS discussion paper on BBLS [PS/249 – INQ000657369]).
- 7.142. The minutes for the FMB meetings on 19 October 2020 and 25 November 2020 record the attendees. In these meetings, Lord Agnew and James Brokenshire were co-chairs. Ministers attended these meetings together with a number of secretariat officials. However, it appears that names of officials were not routinely recorded in the meeting minutes (other than secretariat officials). It is possible that other officials, such as private secretaries, attended without being recorded in the meeting minutes, though I cannot say definitively whether this occurred.
- 7.143. The meeting notes do not record any BBB officials being in attendance. I note that while BBB was not requested to provide updates regarding fraud risks and countermeasures, an action point from the meeting on 19 October 2020 was for the Department to provide an update on progress to tackle fraud in BBLS. This report was provided as a discussion paper for the FMB ahead of the meeting on 25 November 2020. That report included data from BBB [PS/247 – INQ000564152].
- 7.144. In addition to specific papers prepared for the FMB meetings, I would have used and relied on information about counter fraud issues that had been provided to me in submissions. Such information would have informed my contribution to the FMB. I was

also assisted by officials' briefings prior to the FMB meetings, which I describe in more detail below [PS/248 – INQ000657367] [PS/238 – INQ000657346].

Summary of documents shared and action points from 19 October 2020 FMB meeting

7.145. Documents relating to the FMB meeting on 19 October 2020 show as follows:

- a) In advance of the meeting, all attendees were sent the following papers [PS/304 – INQ000655113] [PS/305 – INQ000657342]:
 - i. Paper 1 – Investment in Intelligence Sharing: in this paper, the GCFF discussed an identified lack of capacity and capability to deal with (particularly fraud-related) intelligence, most notably in BBLs. It recommended FMB's approval for access to increased criminal intelligence through a central team, and introducing an intelligence capability rating.
 - ii. Paper 2 – Covid International Public Sector Fraud Forum Lessons Learned: this paper from GCFF provided recommendations informed by international insight to better control, find and recover fraud against the public sector. It recommended that the FMB should review the principles and consider whether they should be adopted.
 - iii. Paper 3 – Criminal exploitation of the BBLs: this paper from NCA assessed BBLs and identified that criminal exploitation of BBLs was occurring.
- b) In advance of the meeting, BEIS officials provided me with a briefing [PS/238 – INQ000657346]. This included potential points to make on the meeting papers. The briefing included (emphasis in original):

“Lord Agnew is very concerned about fraud in the [BBLs] scheme...

*All the papers implicitly criticise BEIS (and to an extent HMT) for not doing enough on counter fraud measures or assurance. The Secretary of State has agreed that we should increase our response and have included examples of what we are doing in the briefing below. The papers suggest that all the problems should be remedied through more CO [Cabinet Office] control, while we think what really matters is that all parties – Departments, law enforcement, and the banks should work together. Overall, we should **signal our willingness to work collaboratively across Departments, lenders, law enforcement, and our delivery partners but also say that the recommendations are worth further consideration, but could be***

improved with more consultation with and time for consideration by Departments and others involved in managing fraud risks.”

- c) As explained in the CWS, Part B, §6.94, the FMB meeting in October 2020 considered the tension between the “*political imperative of rapid delivery*” of financial assistance, and the ability to carry out additional checks which would delay payments. At the meeting HMT stated that the main challenge was “*the gap left by the credit check which was intentionally designed out of the scheme at the start for political reasons*” [PS/239 – INQ000564123]. In other words, as my briefing (described above and at [PS/238 – INQ000657346]) had also made clear, the Government had made a decision to respond quickly to support businesses in unprecedented circumstances. My briefing had also recorded that both the Chancellor and Lord Sharma “*were aware of fraud threats from schemes of this type but judged that priority should be given to supporting businesses quickly.*” The FMB asked that HMT and BEIS look at what further checks could be done on those applying for BBLs loans.
- d) As noted in the CWS, Part B, §§6.93, 6.97, the position of the Secretary of State at a 16 October 2020 meeting (for which I was not present) was that he “*categorically did not wish to introduce checks on new loan applications*” [PS/306 – INQ000564120]. However, following the 19 October 2020 FMB meeting, BEIS continued its work on counter fraud measures, and took steps aimed at reducing fraud in BBLs and the schemes generally, as discussed in more detail below at §7.157. These steps included a roundtable held by the Secretary of State with lenders on 2 November 2020 on fraud reporting and counter fraud measures (as described in the CWS, Part B, §§6.102 - 6.104).
- e) The meeting minutes set out two actions arising for BEIS from the 19 October 2020 FMB meeting [PS/239 – INQ000564123]. These were to set out actions and next steps on the Cross Government Senior Officials Meeting on Bounce Back Loans Fraud to the FMB, and to look at what further checks could be taken on those applying for a BBLs loan to accelerate the counter fraud work. These were addressed in the BEIS discussion paper presented at the 25 November 2020 meeting and discussed at §§7.127 – 7.128, 7.146.a)iii.

Summary of documents shared and action points from 25 November 2020 FMB meeting
7.146. In respect of the 25 November 2020 meeting, the documents show:

- a) In advance of the meeting, all attendees were sent the following papers [PS/307 – INQ000657362]:
- i. Paper 1 – Counter Fraud Legislative Options Review: this paper, presented by GCFF, summarised the work exploring new legislative powers to increase the effectiveness of counter fraud activity. This recommended that ministers agree it would be beneficial to have access to the certain additional powers, to support pursuing increased access to powers by developing a White Paper, and to agree that achieving these powers in the immediate term was unlikely, even though this would be beneficial.
 - ii. Paper 2 – Post Event Assurance Action Plans: this paper, presented by GCFF, provided an overview of progress since the July 2020 FMB meeting on departmental PEAPs. The paper recommended that ministers consider the factors affecting the analysis of the schemes and the related action plans, and whether they were satisfied with the progress to date. In this paper, BEIS was considered a ‘high priority’ department given its responsibility for several high risk schemes including SBGF, RHLGF and BBLs.
 - iii. Paper 3 - Tackling Fraud in the Bounce Back Loan Scheme: this paper, presented by Gemma Peck on behalf of BEIS, updated the FMB on cross-government progress to tackle fraud in the BBLs.
- b) Officials had sent the ‘Tackling Fraud in the Bounce Back Loans Scheme’ paper to me on 20 November 2020 for my clearance [PS/308 – INQ000657360] [PS/309 – INQ000657361]. I cleared this document for publication and circulation to the FMB that same day [PS/310 – INQ000657363].
- c) On 23 November 2020, BEIS officials had also provided me with a briefing in advance of the FMB meeting [PS/311 – INQ000657364] [PS/312 – INQ000657366]. In this briefing, officials summarised the discussion papers, and set out as the Department’s broad position that (emphasis in original):

*“Our overarching interest is in **making clear that we are working collaboratively across Departments, lenders, law enforcement, and our delivery partners but that accountability [i.e. decision making] for the various schemes rests with Departments which will need to make their own judgments on next steps.”***

- d) The discussion at this meeting, and the action points for BEIS, focussed on BBLs. BEIS were to set up a meeting between the Secretary of State, John Glen, Lord Agnew and officials to discuss dealing with fraud within the scheme and to provide a plan for dealing with borrowers who had overstated their turnover and how to cross reference data with HMRC, as well as businesses incorporated after the eligibility date. The Department was also tasked with seeking clarity and providing guidance for lenders on when they should action a suspicious activity report. BEIS was also tasked with providing an update on BBLs for a planned mid-January meeting (though such a meeting ultimately did not happen).
- e) BEIS followed up on those action points by assisting Cabinet Office and HMRC with the turnover check process, which went live on 22 December 2020 [PS/313 – INQ000564171]. Given the change in ministerial responsibilities in January 2021 and the ongoing counter fraud work, it appears that the action to set up a meeting between the Secretary of State, Lord Agnew, and John Glen did not occur [PS/314 – INQ000657454]. In relation to recoveries guidance, BEIS, HMT, and BBB collaborated to finalise guidance for lenders on dealing with, among other things, debt recoveries (see CWS, Part B, §§7.85 - 7.89). Officials sent me a submission on 4 December 2020 on this draft guidance which I have addressed above at §7.67 [PS/250 – INQ000564161]. The guidance was finalised on 8 December 2020 following communication between the Secretary of State and Chancellor's private offices [PS/315 – INQ000564165].

My personal contributions to the October 2020 and November 2020 FMB meetings

- 7.147. In relation to the FMB meetings that I did attend, I am asked about the nature of engagement between me and ministers from HMT, Department of Work and Pensions, DHSC, DCMS, and Home Office.
- 7.148. At this point in time, I do not have any specific recollection of my engagement with ministers from those departments. My general recollection is that working relationships with these ministers was positive, including in the FMB meetings that I attended.
- 7.149. To summarise my personal contributions at the October 2020 and November 2020 FMB meetings, I have reviewed the minutes of the meetings and comment as follows:
- a) On 19 October 2020, the minutes suggest that I was concerned with how intelligence could flow between the Department and its delivery partners, due to the need to develop policy proposals at pace, and the need for Cabinet Office

and HMT to collaborate with banks to look at patterns of behaviour and fraud with regard to the loan schemes [PS/239 – INQ000564123].

- b) On 25 November 2020, I appear to have been concerned with countering and mitigating fraud in BLS, noting that new legislative powers were unlikely so efforts would have to be made to share intelligence across Government in an effort to address fraud. Following a discussion of HMRC's fraud analytics capability, I also expressed interest in following up with HMRC on their methodology and data to assist BEIS in considering fraudulent overestimation of turnover [PS/249 – INQ000657369]. As referenced above at §7.146.e), this was ultimately concluded by 22 December 2020 when the information sharing agreement was concluded, and the process went live [PS/313 – INQ000564171].

7.150. Other than the FMB minutes exhibited above, I recall generally from the FMB meetings that Lord Agnew was concerned about examples of obvious fraud regarding BLS loans including, for example, people cashing out their loans and taking funds abroad.

7.151. I am also asked what role I played in the FMB in shaping or influencing the Department's response to the risk and management of fraud related to the business support schemes and grant schemes. The minutes for the meetings on 19 October 2020 and 25 November 2020 summarise each attendee's contribution. As I have set out, my focus was primarily on how government departments could collaborate internally, as well as with delivery partners to assist in identifying and addressing fraud [PS/239 – INQ000564123] [PS/248 – INQ000657367]. I was assisted in the meeting on 25 November 2020 by Gemma Peck, who was able to provide additional detail about the Secretary of State's position on guidance to lenders and how BEIS intended to cross reference data from HMRC on business turnover.

7.152. In these FMB meetings, the minutes record that I raised matters of intelligence sharing, devolving responsibility for counter fraud analytics to delivery partners (in practice, ensuring lenders conducted a certain amount or degree of due diligence and recovery to qualify for the Government guarantee), setting out the actions BEIS had been taking to address fraud in the loan and grant schemes, the role of Citizens Advice in raising awareness of scams, and the need to work within current legislative parameters in assessing claimant capital holdings.

7.153. My recollection of the FMB was that it was effective at raising questions and providing scrutiny and challenge. While I consider the FMB to have been an important and useful

forum in which to highlight and focus on anticipated or perceived fraud risks, I do not believe I can offer a quantitative view on its end results.

7.154. I do not recall having detailed involvement in the development and review of the PEAP (on that, see CWS, Part B, §6.13, and CWS, Part C, §§14.53 - 14.57, and §§6.30 - 6.43 above, based on documents provided to me). One of the papers presented for discussion at the FMB meeting on 25 November 2020 also concerned the progress of PEAPs for a number of government departments [PS/316 – INQ000657500]. The notes indicate that the Department's PEAP was not discussed in detail but there was consideration and of whether 'section 31' grants should be included in the PEAPs, with an action to update the FMB on PEAPs at the next meeting. Section 31 grants were a well-established grant mechanism that allowed central government to transfer grant funds to local authorities for the purpose of providing grants to businesses under section 31 of the Local Government Act, as per CWS, Part C, §2.3(d).

Actions taken by BEIS following the October 2020 and November 2020 FMB meetings to respond to concerns about fraud in the BBLs

7.155. I am asked how effectively the Department worked with HMT and BBB following the October 2020 meeting to respond to the FMB's concerns about criminal exploitation of the BBLs. I am also asked if there were specific recommendations or insights from the FMB that the Department acted on.

7.156. While the discussion in the meeting on 19 October 2020 was useful to understand Lord Agnew's focus on criminal exploitation of BBLs, the concerns raised were not new. Such issues had been considered in the submission dated 1 May 2020 on formulating the design of BBLs [PS/209 – INQ000563997], referencing the PwC's Fraud Risk Review which had discussed the possibility of exploitation by organised crime of the BBLs. I am asked whether this issue was given adequate consideration in and prior to May 2020. I would have expected this to have been considered at an early stage, but have no recollection being personally involved in any specific discussions, and therefore cannot offer a useful view as to how adequately it was considered at that time.

7.157. I have provided below a chronological account of steps taken, in the period leading up to and following the FMB meetings, by the Department in relation to counter fraud, and particularly as they related to concerns about fraud in the BBLs. This information is also addressed in the CWS, Part B, §§6.94 – 6.127). Where appropriate, I have set out my involvement, and where I was not involved, I have referred to the CWS and contemporaneous documents.

- 7.158. At §7.1246.396.396.396.396.396.396.39 I have detailed that on 25 September 2020 BEIS provided a revised PEAP to Cabinet Office which addressed BBLs [PS/186 – INQ000624952] [PS/187 – INQ000624953]
- 7.159. On 7 October 2020 officials briefed the Secretary of State ahead of a meeting on BBLs fraud. Officials provided figures as to the nature and scale of fraud experienced, set out how proposed mitigations were progressing, and identified areas of focus. These included working with the Insolvency Service to investigate company director misconduct, and with HMRC to support recovery of fraudulently claimed loans through the tax system [PS/317 – INQ000564115]. The Secretary of State in this meeting requested “...a programme of ambitious, costed proposals for enhancing [BEIS]’ counter-fraud work” [PS/318 – INQ000585688]. Please also see the CWS, Part B, §6.62.
- 7.160. As referenced at §7.58 above, on 8 October 2020 I received a submission from BEIS officials on enhancing counter fraud measures for BBLs. Officials asked the Secretary of State to agree the recommendations outlined and noted that it would require engaging with the Chancellor [PS/237 – INQ000543382]. In this submission, officials proposed a range of options for combatting fraud both by upscaling BEIS counter fraud capability and intelligence, as well as increasing funding for external partners such as NATIS, and NCA. I was not involved in or copied into correspondence relating to the Secretary of State’s response to this submission.
- 7.161. Following the Secretary of State’s meeting with officials on 7 October 2020 and his request for costed proposals, on 13 October 2020 officials sent the Secretary of State a submission covering proposals for improving the counter fraud response to BBLs [PS/319 – INQ000543381]. This was copied to me. The submission set out BBLs’ estimated fraud losses as between £0.21 billion to £8.5 billion. BEIS had engaged PwC to review a large sample of BBLs loans to produce a statistically valid estimate, expected to report in January 2021. The proposals recommended by officials were wide-ranging and included expediting HMT’s recoveries framework, expanding the BEIS counter fraud team, expediting PwC’s sampling exercise resulting in better information for targeting counter fraud activities, and increasing funding for NATIS to enable investigation of ‘mid-tier’ fraud.
- 7.162. On 14 October 2020, the Secretary of State indicated that, in his view, that these proposals did not go far enough [PS/320 – INQ000564118].

- 7.163. On 15 October 2020, the Secretary of State met with officials to discuss the submission dated 13 October 2020 and the counter fraud proposals it contained [PS/306 – INQ000564120]. I did not attend this meeting, nor was I sent the readout from the meeting. As recorded in the documents, actions from the meeting were to:
- a) Implement the additional funding for NATIS, and record the level of recovery for each pound spent;
 - b) Convene a roundtable with lenders, the Permanent Secretary and John Glen, to discuss the response to BBLs fraud;
 - c) Discuss additional reporting with lenders, rather than mandating it;
 - d) Expand the BEIS counter fraud team to 10 members of staff;
 - e) Not introduce more stringent checks; and
 - f) Fund the Insolvency Service (without additional detail specified as to what this would involve).
- 7.164. On 19 October 2020, I attended the FMB meeting, as discussed above.
- 7.165. Following the FMB meeting on 19 October 2020, there was a meeting of the Business Finance Assurance Board (**BFAB**) on 21 October 2020. As described at CWS, Part B, §6.42, BFAB was a group of officials from the Government Actuary's Department, UK Government Investments, and directors of different teams within BEIS, to provide senior oversight on the BBB-delivered loan schemes. I did not attend this meeting, but I understand that officials noted the Secretary of State's strong preference not to introduce checks on new loan applications but that he had approved other fraud responses. Officials identified that, despite the other responses, fraud was likely to continue to occur without more stringent application checks. Please see the CWS, Part B, §§6.96 - 6.98.
- 7.166. On 28 October 2020, officials sent the Secretary of State a submission, with me in copy, seeking agreement for Cabinet Office proposals to introduce a measure to identify BBLs applications where the company incorporation date was after 1 March 2020, thus making the applicant ineligible for BBLs loans [PS/321 – INQ000564125]. This proposal was approved by the Secretary of State on 30 October 2020 and implemented shortly afterward on 6 November 2020 [PS/322 – INQ000564126] [PS/247 – INQ000564152].

- 7.167. As discussed at §6.40, on 29 October 2020 an updated PEAP solely covering BBLs was submitted to Cabinet Office following a comprehensive review, and with an additional action plan [PS/188 – INQ000624963] [PS/189 – INQ000543427].
- 7.168. On 2 November 2020, the Secretary of State held a roundtable with lenders on fraud reporting and counter fraud measures, also attended by HMT and BBB officials [PS/323 – INQ000576398]. This meeting followed the focus in the FMB meeting on 19 October 2020 on improving data flow between the Department’s delivery partners (i.e. lenders) and central Government and collaboration with the banks on identifying indications of fraud. In this meeting, UK Finance agreed to share the proposals from lenders to Government for greater action on counter fraud by 16 November 2020. This was done on 20 November 2020.
- 7.169. The BFAB met again on 17 November 2020, at which BEIS officials provided an update on BBLs fraud [PS/324 – INQ000538883]. I did not attend this meeting. The BEIS counter fraud team had expanded from two to six permanent staff, and had secured agreement from HMT to explore additional pre-loan checks where this did not jeopardise the 24-hour time frame within which to complete checks and distribute funds.
- 7.170. On 19 November 2020, officials sent me a submission addressing the BBLs fraud recoveries framework and turnover verification [PS/325 – INQ000543507] [PS/245 – INQ000564150]. This submission confirmed a Cabinet Office proposal to identify high-risk applications and submit these to HMRC for verification of turnover. The Secretary of State approved the proposal the next day [PS/246 – INQ000564154].
- 7.171. On 20 November 2020, UK Finance provided the proposals from lenders that it had discussed in the roundtable on 2 November 2020 [PS/326 – INQ000610534]. One of the recommendations from UK Finance concerned data sharing and engagement with law enforcement agencies, including NATIS.
- 7.172. By 26 November 2020, a draft business case had been developed to expand NATIS’ investigative work [PS/327 – INQ000089925]. The business case sought approval for additional funding in the 2020/2021 financial year to expand NATIS’ capacity to investigate and recover money from fraudulent activity arising from BBLs and would cover an expansion of NATIS operations by an additional 24 FTE staff. This funding was later considered to be within BEIS’ existing funding allocation as approved by officials and communicated to NATIS [PS/328 – INQ000585723].

- 7.173. On 13 January 2021, BBB officials provided the Covid-19 Counter Fraud forum (a meeting of officials from BBB, HMT, BEIS, Cabinet Office, and NATIS) with a status update on the PEAP at that time for all of the loan schemes, which BBB hoped to complete by the end of January 2021 followed by a fraud risk proposal and decisions for BEIS in February 2021 [PS/193 – INQ000625006].
- 7.174. A roundtable meeting was held on 29 January 2021 to discuss the data sharing proposals from UK Finance [PS/329 – INQ000610536]. Attendees were from lenders, BBB, BEIS, HMT, Home Office, Cabinet Office, UK Finance and NATIS. The actions from this meeting included determining points of contact for the various parties and seeking clarity on processes for lenders to report cases of suspected fraud to NATIS.
- 7.175. On 11 February 2021, I received a submission for my approval relating to a process for objecting to the strike-off of companies to allow for recovery [PS/330 – INQ000585737] [PS/254 – INQ000585738]. I have discussed this in more detail above, at §7.74. I approved this submission on 22 February 2021 [PS/016 – INQ000564189].
- 7.176. A further roundtable meeting with lenders was held on 12 February 2021. There were discussions about the information that lenders should provide to each of NATIS, BBB and BEIS, and communication issues that had arisen [PS/331 – INQ000610541].
- 7.177. On 21 February 2021, a further Covid-19 Counter Fraud Forum was held. BBB gave an update on the BBLs FRA that was to be issued to BEIS that week for review, noting that the BBLs PEAP had most of the activities already proposed within the monthly updates to BEIS and Cabinet Office [PS/332 – INQ000625007].
- 7.178. Further roundtable meetings were held between BEIS, BBB, NATIS, Cabinet Office and lenders on 8 March 2021, 25 March 2021 and 7 May 2021 [PS/333 – INQ000610537] [PS/334 – INQ000610539] [PS/335 – INQ000610540]. These discussions covered the processes for lenders, both where the loans were fraudulently claimed, and when the loan guarantee checks identified fraud (and the fraud was therefore on the lender itself rather than BBB).
- 7.179. On 15 March 2021, a Data Sharing Agreement between Cabinet Office and BEIS was agreed, covering the sharing of information for objecting to the strike-off of companies with outstanding BBLs loans to allow for recovery [PS/336 – INQ000564263].
- 7.180. In June 2021, officials proposed to seek my approval to make public BEIS' role in the objection to strike-off process I had previously approved, as discussed at §7.82 above [PS/263 – INQ000564218].

- 7.181. On 22 July 2021, officials sent a submission for my approval on expanding the objection to strike-off process to the other loan schemes (CBILS, CLBILS, RLS and Future Fund) [PS/017 – INQ000564219]. To that point, the process had prevented over 34,000 companies from being dissolved and provided lenders with a six month grace period to recover £1.2 billion which would otherwise have been lost. I approved this submission on 28 July 2021 [PS/018 – INQ000564220].
- 7.182. Final versions of the BBLs FRA and PEAP were shared ahead of a Covid-19 Counter Fraud Forum meeting on 4 October 2021 [PS/337 – INQ000625034] [PS/338 – INQ000657476] [PS/339 – INQ000625038]. These were later approved by the forum at this meeting [PS/340 – INQ000564223].
- 7.183. On 22 February 2022, I received an update on activity regarding lender performance on BBLs fraud, following Lord Agnew’s resignation [PS/272 – INQ000543818]. The update contained details of a letter from Catherine Lewis La Torre to the Permanent Secretary outlining BBB’s views on proposals put forward by Cabinet Office and No. 10 on governance of the loan schemes. BEIS officials noted that a proposed independent panel to scrutinise lenders’ proposals to the BBB, while potentially beneficial, should instead be aligned with existing governance structures while drawing on independent technical expertise.
- 7.184. Ultimately, these discussions led to the first meeting of the Lender Performance Advisory Board (**LPAB**) which took place on 23 March 2022. This meeting largely covered the proposed terms of reference, and details of how BBB would report to LPAB on lender performance [PS/341 – INQ000543825]. LPAB meetings continued throughout the end of the specified period and into the years following (see the CWS, Part B, §6.127).

Overall Assessment of BBLs

- 7.185. While I received submissions from BEIS officials on the design and development of BBLs, I was not closely involved in this work. I do not recall whether its design specifically took into account the specific economic conditions and needs of each of the Devolved Nations, as I describe below at §10.13. As I understand it, business support was not a devolved matter, and therefore businesses in any of the Devolved Nations that met the eligibility criteria could obtain support under BBLs.
- 7.186. I am asked if BBLs achieved its aims. In my view, it did. Broadly put, the aims were to address the issues that had been identified with CBILS and make it as easy as possible for small business to access finance, especially those that were reluctant to access

commercial finance. Insolvencies were running at a 40 year low throughout the early part of the pandemic, which meant that, although there were businesses being protected that would have failed in normal trading conditions, many businesses were able to grab the lifeline offered and used their loans in different ways, for example, as a stop gap to cover costs or to upgrade their facilities (for instance, where pubs had to transform their outside spaces to work within social distancing guidelines).

7.187. I also consider the scheme was largely value for money. The scheme itself kept a large number of businesses alive through a period of acute economic hardship. Ministers and officials knew there would be losses along the way, potentially significant losses. But my view was that ministers needed to hold our nerve. Both business failure and the potential for fraud were at the forefront of our minds and were very regularly considered, and calculated risks were being taken with imperfect information. No doubt with hindsight there was more that could have been done to prevent waste and fraud, but if one accepts the position that the Government was right to lock down the economy in the way it did, then BBLS helped businesses 'bounce back'. Had BBLS not been launched when it did, I consider that there was a risk of a much greater rate of business failure and a consequential need for greater economic support for individuals as a result.

7.188. In addition, I understand from the CWS, Part B, §§7.97 - 7.105 that, in March 2021, BBB commissioned London School of Economics and Ipsos to undertake a three-year analysis of BBLS, CBILS and CLBILS (the **Ipsos Report**). The findings of this evaluation, published in May 2025, [PS/342 – INQ000625042] included that:

- a) On the whole, the schemes met their short-term and medium-term objectives. Further evaluation was considered needed to determine whether the long-term objectives would also be met;
- b) Depending on how conservative the estimates involved were, the likely benefit to cost ratio for BBLS was between 0.78 and 2.09. Ultimately, it was determined the likely benefit to cost ratio was above 1, and therefore the scheme was value for money; and
- c) Estimates of the level of fraud occurrence were likely to be somewhere between 7.5% to 11% of BBLS loans.

7.189. I am asked for my view, at the time, on the tension between the need for rapid delivery and the importance of conducting fraud checks, and how this was balanced in practice as BBLS evolved. I am also asked whether I agree with Lord Agnew, when he asked

on 19 October 2020, “[w]hy don’t we do a job properly and get money out a bit later but carry out two or three more checks?”, and whether implementing two or three more checks might have been a better approach even if it delayed payment slightly.

- 7.190. In my view, it is possible the approach suggested by Lord Agnew would have been better, but it was an unprecedented situation with the need to move fast, and a general acceptance there would be some waste including fraud. This waste would be counterbalanced by keeping many otherwise viable enterprises alive after the state had effectively shut them down by ‘switching off the economy’. I appreciate it might be said that, by October 2020, the need to move fast was reduced, but at the time we were focussed on the forthcoming Christmas period and associated risks of increasing incidence of Covid-19.
- 7.191. There were concerns raised about the design of the scheme and the risk of fraud, and we were aware of the risks, but the imperative for speed of delivery of funds won out. As time went on, the Department’s fraud response increased in effectiveness, and as set out at CWS, Part B, §1.5, the resultant level of fraud or erroneous claims flagged by lenders at £1.88 billion was far lower than the estimated level of fraud and error at the time the scheme was designed (£3 billion to £5 billion) [PS/343 – INQ000585607].
- 7.192. As described above at §7.188.b), an evaluation of BBLs estimates the benefit to cost ratio as being between 0.78 and 2.09, but likely above 1. Such a neutral benefit to cost ratio indicates that this economic response was justified, even if there are lessons we can draw from the experience for future responses.
- 7.193. Given the starting point, the focus on speed of action, and the speed at which Government acted, I consider that BBLs adequately safeguard public funds. While lenders could have done more to investigate claimed turnover and undertake credit checks to combat fraud, there was not a lot else that could have been done in the timeframe and given the design of the scheme. I have provided my views above about balancing speed of distribution of funds and the imposition of credit checks, and I consider that broadly the Government struck an appropriate balance.
- 7.194. I am not aware of any gaps in BBLs which could or should have been identified or rectified, particularly given the existence of other schemes and Government business support.
- 7.195. I am asked whether, looking back, there is anything I would have done differently in the design, implementation or delivery of BBLs. As I have discussed above, I consider that broadly BBLs met its aims. However, I consider that in a future emergency the

Department should ensure that better communication structures are in place between lenders themselves, and between the Department and lenders. I am unaware of how agile the information sharing between the Department and lenders was generally due to the scope of my role. However, in my view it is important that in any future response, open communication channels are necessary to ensure that the design of any scheme is sufficiently responsive. There should be enough flexibility in systems so that they can be amended at short notice to tackle issues of the type that were identified in BBLS following its implementation (such as the criminal exploitation of dormant companies).

- 7.196. Finally, the collation of information about business turnover considered in the design of BBLS (and the loan schemes generally) could have been aided by greater coordination with accountants who held the data on the businesses concerned.

Section 8: Future Fund

Involvement with Future Fund

- 8.1. As with BBLs, my private office received a number of submissions relating to the Future Fund during my tenure as Minister. My recollection, supported by the documents I have seen, is that I had almost no involvement with the Future Fund.
- 8.2. As set out in the CWS, Part B, §§5.2 - 5.4, the Future Fund was intended to support pre-profit businesses with a significant research and development focus. I would therefore not have expected to have had any substantial involvement in my capacity as Minister for Small Business, Consumers and Labour Markets, as the business sectors involved with that role, as set out at §2.10 above, were not research and development (**R&D**) intensive sectors.
- 8.3. Generally, the extent of my involvement was to receive several submissions that were sent to the Secretary of State for his approval or action and copied to me and others for 'note/ comment'. In my interactions with BROs and businesses, I do not have a particular recollection of the Future Fund being a substantial topic of discussion.
- 8.4. On 7 April 2020, my private office received two submissions [PS/344 – INQ000585546]. The first submission set out an overview of the potential impact of Covid-19 on R&D intensive organisations [PS/345 – INQ000585547]. I was also asked to note a second submission, which set out potential interventions to assist equity backed, high growth businesses remain financially viable in the short term [PS/346 – INQ000585548]. This submission asked the Secretary of State to approve the development of various proposals to maintain the financial health of these businesses, including tax measures, a new convertible debt fund and a new equity co-investment fund. On 14 April 2020, my private office received confirmation that the Chancellor had commissioned rapid work from BBB to develop a new convertible loan scheme to be announced shortly [PS/347 – INQ000563953].
- 8.5. On 15 April 2020, my private office was copied into a further submission which set out the principles of a convertible loan note scheme and asked the Secretary of State to approve further work on the proposals [PS/348 – INQ000585566]. The proposed scheme would ultimately become the scheme known as the Future Fund.
- 8.6. Between 16 April 2020 and 17 April 2020, my private office was copied into correspondence providing regular updates on discussions with HMT and the Chancellor concerning the progress of the design of the convertible loan scheme [PS/349 – INQ000563965]. This included an email on 16 April 2020 from Gemma Peck

to the Secretary of State's private office explaining that BBB risk committee had met and had substantial concerns about the proposals for a convertible loan scheme [PS/350 – INQ000657199]. Keith Morgan planned to write to the Secretary of State about these concerns and how BBB thought the proposals should be changed. My private office was also copied into the response from the Permanent Secretary's office, which explained that they would encourage HMT to keep any announcement high-level at that stage [PS/349 – INQ000563965].

- 8.7. On 17 April 2020, my private office was copied into correspondence sharing the letter from Keith Morgan which raised BBB Board's concerns about the proposals for the convertible loan scheme [PS/351 – INQ000625430] [PS/352 – INQ000563966]. As far as I am aware, I was not copied into the Department's response to this correspondence.
- 8.8. The Chancellor announced the Future Fund on 20 April 2020.
- 8.9. My private office was copied into further updates to the Secretary of State on 26 April 2020 [PS/200 – INQ000576393] [PS/201 – INQ000585592] and 27 April 2020 [PS/203 – INQ000585596] [PS/204 – INQ000585597].
- 8.10. My private office also received a further submission dated 1 May 2020, regarding progress on the launch of the Future Fund [PS/353 – INQ000543195] [PS/354 – INQ000585612]. The submission asked the Secretary of State to note and take a view on certain aspects of the scheme prior to its launch.
- 8.11. I do not appear to have been sent further updates relating to the Future Fund until 15 May 2020 when my private office was copied into a submission to the Secretary of State, with details about the launch of the Future Fund, which was expected to occur on 20 May 2020 [PS/355 – INQ000585638] [PS/356 – INQ000585639]. The submission set out progress made on the design and implementation of scheme and described the steps which remained to enable its launch. My private office received a further submission on 17 May 2020 with additional design and implementation changes for the Future Fund [PS/357 – INQ000585640] [PS/358 – INQ000585641]. This submission also set out that BBB were to issue a reservation notice in respect of the Future Fund. I do not recall being copied into correspondence concerning BBB's reservation notice at the time it was sent to BEIS. In preparing this statement, I understand that contemporaneous documents and correspondence showing I was sent details of it has not been located. Given the involvement of the Secretary of State in the progression of the design and implementation of the Future Fund, I did not

closely follow the consideration of the scheme's viability and any uncertainties around value for money.

- 8.12. I am aware that, on 19 May 2020, the Secretary of State, provided a ministerial direction in respect of launching the Future Fund [PS/359 – INQ000564033].
- 8.13. The Future Fund was launched and opened to applications on 20 May 2020.
- 8.14. I do not appear to have been briefed further on the Future Fund until 12 June 2020 when my private office received a copy of a submission asking the Secretary of State to approve additional funding allocation for the Future Fund [PS/360 – INQ000585653] [PS/361 – INQ000585654]. On 26 June 2020, my private office was copied into a further submission, asking the Secretary of State to approve an amendment to the scheme regarding the eligibility of companies with an overseas parent for the Future Fund [PS/362 – INQ000585663].
- 8.15. My private office was also copied into a number of submissions regarding the extension of applications to the Future Fund. On 20 September 2020, my private office received a submission which asked the Secretary of State to approve the extension of the deadline to receive applications for the Future Fund from 30 September 2020 to 30 November 2020 [PS/363 – INQ0006255780] [PS/364 – INQ000564101]. My private office was also copied into a submission on 20 November 2020 concerning a further extension of the deadline to 31 January 2021 [PS/365 – INQ000564156]. I was not involved further with the Future Fund until 10 December 2021, when I received a submission updating me on the value of the Future Fund, and the potential options for managing portfolio [PS/366 – INQ000585790].
- 8.16. My only substantive involvement with the Future Fund arose from 9 March 2022, when Lord Callanan and I were asked to approve the engagement of consultants Oxera to prepare updated advice on the likely returns from a potential sale of the Future Fund portfolio [PS/367 – INQ000657495] [PS/368 – INQ000657496] [PS/369 – INQ000657497]. The submission informed me that the Chancellor had asked his officials to work with the Department and UK Government Investments (**UKGI**) to test the market for a sale of the Future Fund portfolio, and that Directors at the Department, UKGI and HMT had decided to procure an independent valuation from Oxera. Lord Callanan and I approved the submission on 24 March 2022 [PS/370 – INQ000564259].

Reflections on Future Fund

- 8.17. I am asked for my understanding of the Future Fund's rationale, objectives, design, the involvement of the Industrial Development Advisory Board, and the underlying analysis

for the scheme. As set out above, my substantive involvement with the Future Fund was limited to, in effect, a single approval of a proposal to obtain procure a valuation in March 2022. I am therefore not in a position to assist the Inquiry on these issues and expect that those responsible for the scheme's design and implementation will be better placed to do so. I am also asked for several reflections on the Future Fund, for example whether it represented value for money, whether it achieved its aims and adequately safeguarded public funds. I do not have any particular reflections on these issues as I was and remain unaware of sufficient details of the scheme to be able to form a view.

- 8.18. However, I am asked about two discrete areas which I am able to address at a level of generality.
- 8.19. I understand from the CWS, Part B, §5.47, that on 20 April 2020, HMT issued the press notice announcing the Future Fund without obtaining final BEIS agreement on the press notice. I am asked how important it was to have such agreement prior to publication. As I was not personally involved in this announcement, I do not recall having concerns with the press notice that was issued, nor am I able to form a view as to its importance for the Future Fund. However, I would observe that it is generally good practice where several government departments are involved, to ensure that they are all in agreement with external communications before they are issued. Nevertheless, the pandemic caused significant economic impact at a unique pace, and it is understandable that there may have been occasions where announcements were made without every detail being fully agreed across Government.
- 8.20. I am asked to comment on the effectiveness of PwC as delivery agent for the Future Fund. I am unaware of how effective PwC was owing to my limited involvement in the Future Fund. On a general level, my view is that where external expertise or resource is required, consultants may offer an appropriate means of achieving a particular aim. However, this should be the exception and not the norm. It is critical that government, in terms of its decision makers but also at an official level, ensure and retain sufficient business and technical expertise. The use of consultants on an ad hoc basis should not become a replacement for maintaining that expertise within government.

Section 9: Recovery Loan Scheme

Introduction: extension of CBILS, CLBILS, and BBLs

9.1. I am asked to explain the role that I played in discussions in relation to the potential extensions of CBILS, CLBILS and BBLs beyond their original closure dates. I do not recall having an active role in these discussions. As I have already set out above, as part of this process, my private office was sent submissions on a 'to note' basis and decisions as to the extension of the three original loan schemes and their replacement by a new scheme were made by the Chancellor in consultation with the Secretary of State and officials in HMT and BEIS.

RLS Scheme Design and Objectives

- 9.2. I also do not recall being involved in the development and implementation of the RLS.
- 9.3. While my private office received copies of submissions directed to the Secretary of State as set out below, I played no part in the early development of the design of the RLS. I am therefore unable to form a view as to whether the scope of consultation was appropriate.
- 9.4. On 9 November 2020, my private office was copied into an initial submission by officials to the Secretary of State which set out the proposed terms of the new loan scheme, including a detailed comparison of its intended features with those of CBILS [PS/371 – INQ000657352] [PS/019 – INQ000564140]. I also received a copy of officials' amended submission dated 17 November 2020 [PS/372 – INQ000585714] [PS/373 – INQ000585711]. The submission sought agreement from the Secretary of State that officials should develop a new loan scheme for launch in February 2021, based on the term sheet contained in Annex A, and that the new scheme should be uniform across the UK. I read the advice and agreed on 19 November 2021 to the development of a single, cross-UK new loan guarantee scheme [PS/374 – INQ000657359].
- 9.5. The decision to replace CBILS and the EFG was made on the recommendation of BBB as set out in the CWS, Part B, §§8.10 – 8.17. On 30 September 2020, during a meeting with officials from HMT, BEIS and UKGI, BBB delivered a presentation entitled 'Options for Government intervention in SME debt markets post-CBILS' [PS/375 – INQ000564111]. A note of the meeting, which took place at official level, is at [PS/376 – INQ000564113]. I did not attend these discussions and therefore have nothing to add to the detailed account provided in the CWS, including in relation to the differences between the RLS and CBILS.

- 9.6. On 8 February 2021, my private office was copied into a submission which outlined the challenges in relation to lending at values below £25,000 [PS/377 – INQ000564179] [PS/378 – INQ000657401]. The events following this submission which culminated in the final business case for the RLS, are addressed in the CWS, Part B, §§8.45 - 8.63. As I was not involved in this decision making process, I am unable usefully to add to the summary provided there. I later received a copy of an earlier submission for the Secretary of State, on 25 February 2021 [PS/379 – INQ000657414] [PS/380 – INQ000564174], which also did not request any decision on my part.
- 9.7. The Chancellor announced the RLS on 3 March 2021, and it was opened to applications on 6 April 2021.
- 9.8. I am asked for several reflections about the RLS, including whether it achieved its aims, was value for money, and adequately safeguarded public funds and reduced the risk or fraud and error. I am unable to assist with these issues as a result of the limited extent of my involvement.
- 9.9. I am asked whether, looking back, there is anything I would have done differently in the design, implementation or delivery of the RLS. I do not have any particular reflections in light of the limitations of my involvement. However, generally speaking, I supported and remain supportive of the attempt to return to a more 'business-as-usual' position for business funding, at the same time as offering industry a softer landing than a sudden and total withdrawal of support.

Section 10: Reflections on Loan Schemes

- 10.1. I am asked to comment on the effectiveness of the communication and coordination between HMT and the Department during the design and development of the loan schemes and whether the accountability structure (whereby the ministerial impetus and design of the loan schemes came largely from HMT and BBB, but formal responsibility for the schemes lay with BEIS) created challenges in the design and roll-out of the loan schemes.
- 10.2. I cannot comment on the quality of communications between HMT and the Department at official level because I was not close to them and did not directly speak to HMT about scheme design. My recollection is that officials seemed to work well and effectively together. With the close involvement of the Chancellor, HMT led on the design and development of the schemes in consultation with the Department, which finessed and delivered them.
- 10.3. Given the urgent need to develop and implement the loan schemes very quickly in the early stages of the pandemic in order to support businesses and the wider economy, it is understandable and reasonable that cross-government consultation was not as extensive as it would have been in normal times. As set out in the CWS, Part B, §§10.6 - 10.7, the major interventions were all launched within two months of the start of the first national lockdown on 23 March 2020 and CBILS launched within two weeks of the Chancellor proposing it to the Department and BBB.
- 10.4. At senior ministerial level, HMT and the Department were of one mind. Both the Chancellor and Lord Sharma had previous experience in banking. Lord Sharma in particular was careful and cautious in his instincts. To the extent that there was any structural tension between HMT and the Department, it was not as a result of the accountability structure but rather because – as in all areas of policy - HMT's role was to focus on the broader macroeconomic picture. By contrast, it was the Department's role – and in particular my job as Minister for Small Business – to focus on the microeconomic picture, that is the reality of the actions required to support businesses urgently so as to avoid large-scale business failure. HMT was one step removed from this as its attention was properly focussed on the broad policy response and the impact of the pandemic on the wider economy.
- 10.5. BBB's approach was pragmatic and cautious, as appropriate for a bank. BBB did not have prior experience of delivering finance at this scale and its officials were conscious

both of their resource capacity and status as a regulated body with duties to mitigate risk.

- 10.6. I do not believe the Department's formal Accounting Officer responsibility for the schemes caused issues in relation to security or oversight of the schemes, or otherwise. I was not close to the discussions between officials – in particular successive Permanent Secretaries - and the Secretary of State in respect of the Accounting Officer responsibility and am unable to comment further on this point.
- 10.7. I am asked about the impact of the number of counter fraud specialists in the Department on the speed of implementation of fraud mitigation. I have no view save to note that prior to the pandemic the Department had not had responsibility for delivering large packages of financial support and adapted its resources accordingly.
- 10.8. Reflecting on the need to deliver financial support to businesses quickly alongside the need to manage the risk of losing money to fraud and error and assess whether the loan schemes were value for money, my view is that the Department and the Government more broadly did strike the right balance. Given the circumstances we faced, the urgent need to deliver funds to businesses in need was correctly prioritised and my view is that the loan schemes did represent value for money, particularly set against the risks of inaction.
- 10.9. There has rightly been a focus in the media and public on the funds lost to fraud and error, particularly in relation to BBLS. However, there is a counterfactual, namely the impact on the economy, businesses and livelihoods had the loan schemes been delayed, not implemented at all, or implemented in a different format.
- 10.10. The Ipsos Report, published in May 2025, set out the conclusions of a three-year assessment of CBILS, CLBILS and BBLS with the aim of evaluating whether their objectives were met [PS/381 – INQ000610872]. As set out in the CWS, Part B, §10.4, it found:
- a) 25% of all businesses in the UK (a total of 1.6 million) obtained loans through CBILS, CLBILS and BBLS, with £77 billion in Government-backed lending provided;
 - b) A further £1.14 billion was provided through the Future Fund; and
 - c) According to BBB data as of 31 March 2024, £4.33 billion in funding was distributed through RLS.

- 10.11. In relation to BBLs specifically, the Ipsos Report concluded that the scheme provided businesses with finance at a scale and pace that could not otherwise have been achieved. Indeed, it found that 74% of businesses which benefitted from BBLs would not have been able to access adequate external financing in the absence of the scheme and a further 7% would not otherwise have been able to access finance in time to meet urgent cash flow needs.
- 10.12. Had it not been for the Government's loan schemes, the Ipsos Report estimated that up to 1 million jobs could have been lost. This accords with my view that the impact of widespread business failure, had the Government not intervened at scale, is likely to have been very substantial and that by avoiding this outcome, many livelihoods were protected. As I noted at the outset in Section 1, the OBR's projected reasonable worst-case scenario on 14 April 2020 was that the UK's GDP could contract by 35% between April and June 2020 even after allowing for the impact of the Government's economic response measures.
- 10.13. I do not recall that there were any bespoke arrangements for the Devolved Administrations in relation to CBILs, CLBILs, BBLs, RLS or Future Fund. Business support was not a devolved matter, and I have discussed the speed at which the early schemes in particular were developed, above. I have referred to my engagement with the Devolved Administrations through the Ministerial Quadrilateral meetings in Section 3, above. In addition, I understand from documents shown to me that in the early stages of the pandemic the Devolved Administrations were consulted and invited to take part in initiatives, including workshops aimed at assessing the impact of the pandemic on the economy and coordinating responses across all four nations of the UK [PS/382 – INQ000585521].
- 10.14. In any future crisis, it will be important to obtain the benefit of a wide range of stakeholder views by engaging as much as possible directly with businesses in all regions. The design of any future financial support measures would also be assisted by better use of technology. For example, by taking advantage of the accounting software used by businesses it ought to be possible to obtain a more accurate picture of turnover and cashflow issues than the information that was available to us in 2020.
- 10.15. I set out my further reflections on the Government's economic support interventions and the findings of the Ipsos Report below, in Section 16.

Section 11: Covid-19 Business Grant Schemes

- 11.1. In this section, I give an overview of my involvement in the grant schemes, dealing with each cohort in turn. I then provide my reflections on the grant schemes to answer the specific questions put to me by the Inquiry.
- 11.2. The CWS, Part C, sets out the Department's role in respect of each grant scheme. Whilst I provide an overview of each grant scheme below, I do not repeat the account set out in the CWS. Instead I focus on the key events in which I had some personal involvement.

Overview of the Covid-19 Business Grant Schemes

- 11.3. The grant schemes were introduced to provide financial support to small businesses affected by the pandemic, primarily in response to the lockdowns and restrictions imposed by central Government. In general terms, HMT led the policy development for the grant schemes. BEIS held Accounting Officer responsibility and was responsible for operationalising the grant schemes (with the exception of the Leicester City Council and Oadby and Wigston Borough Council support package, which is outlined in the CWS, Part C, Section 6). The grants were delivered by local authorities.
- 11.4. A joint BEIS and MHCLG unit, the Cities and Local Growth Unit (**CLGU**), worked on the implementation of the various grant schemes alongside local authorities. I recall working with Jenny Dibden (Co-Director, CLGU), who was the Senior Responsible Officer (**SRO**) for the grant schemes until the end of March 2021. Jess Skilbeck (Director, Industrial Strategy, BEIS) became SRO for the grant schemes from April 2021.
- 11.5. My role in relation to the grant schemes had two parts. First and primarily, I had significant engagement with small businesses and local authorities. I have set out the nature of my engagement with these stakeholders above, in Section 4. I also spoke with groups of local authority representatives, where the local authority had faced challenges in delivering grant funding to businesses quickly, with the aim of understanding the issues and how Government could assist. In §§11.15 - 11.19 below, I provide more detail about this.
- 11.6. Second, I routinely received submissions about the grant schemes. In the main the submissions were directed to the Secretary of State, including for his decision, and were sent to me 'to note' or 'comment'. My recollection is that I would give feedback if there was a matter I thought needed to be raised but otherwise would not and that also applied to submissions on the grant schemes. At times, the Secretary of State would

delegate the response to the submission to me. This tended to occur in two situations, namely: when guidance to local authorities relating to the grant schemes needed to be approved; and when approval was sought for the allocation of funding to local authorities. One example is where a local authority required a 'top-up' payment for a specific grant scheme. I have provided further examples below.

- 11.7. It follows from the above that I was not involved, or involved in any significant way, in the design of the grant schemes. Save for the circumstances above, I also had limited involvement in the administration of the grant schemes.

Cohort One Grant Schemes

- 11.8. The cohort one grant schemes were launched during the first national lockdown, which was announced on 23 March 2020 and came into force on 26 March 2020. The cohort one grant schemes were the Small Business Grant Fund (**SBGF**), the Retail, Hospitality, and Leisure Grant Fund (**RHLGF**), and the Local Authority Discretionary Grant Fund (**LADGF**). These grant schemes are outlined in significant detail in the CWS, Part C, Sections 3 and 4, as well as Annex 7 to the CWS.
- 11.9. The SBGF provided a one-off payment of £10,000 to businesses in England in receipt of Small Business Rates Relief or Rural Rates Relief as at 11 March 2020. It was announced on 11 March 2020 as part of the package of financial support measures in the Spring Budget and applied from 1 April 2020. The grant award initially announced by the Chancellor was £3,000. On 17 March 2020, the Chancellor announced that the payment would be £10,000. The RHLGF was announced on 17 March 2020 and also applied from 1 April 2020. Grants under the RHLGF were available to businesses in England in receipt of the Expanded Retail Discount (**ERD**) on 11 March 2020, with a rateable value less than £51,000. Eligible businesses received a one-off payment of either £10,000 or £25,000 per property, depending on the rateable value of the business, and the property needed to be wholly or mainly used as a retail, hospitality, or leisure venue. The LADGF was announced to local authorities on 1 May 2020 before being publicly announced on 2 May 2020, and was available to small and micro businesses in England that were not eligible for the SBGF or RHLGF [PS/383 – INQ000543198] [PS/024 – INQ000543204]. Whilst central Government encouraged local authorities to prioritise certain types of businesses, the LADGF gave local authorities more flexibility to pay grants to small businesses, according to local need and conditions. All three cohort one grant schemes closed on 28 August 2020, with final payments made by 30 September 2020.

- 11.10. In relation to the cohort one grant schemes, my main role was engaging with stakeholders. I spoke with businesses and BROs to identify where financial support was needed. I have provided some examples of this engagement in the following paragraphs and refer the Inquiry to Section 4 in relation to BROs.
- 11.11. As stated at §4.7 above, bi-weekly calls between Departmental officials and BROs were established to provide a forum to share updates on central Government's response to the pandemic. I regularly attended these calls, the first of which took place on 11 March 2020 and ran roughly bi-weekly until July 2020. BROs were able to provide feedback in relation to the business support measures and identify any gaps in support. For example, I attended the BROs call on 27 March 2020 where the UK Hospitality Representative advised that, whilst local authorities were starting to write to businesses about the grant schemes, there were some inconsistencies in processes as some local authorities were implementing an application process. The Secretary of State welcomed further feedback on this issue [PS/069 – INQ000625326]. On 30 March 2020, the BCC representative also highlighted that some coordination was required as local authorities were taking different approaches regarding how the schemes would work [PS/384 – INQ000625340].
- 11.12. On 17 March 2020, the Chancellor announced the RHLGF. As stated in the CWS, Part C, §3.24, the Department was not consulted about and did not contribute to the design of this scheme. The following day, I met with representatives of the FSB to discuss the concerns of the small business community [PS/056 – INQ000543078]. While positive with respect to Government actions to that point, the FSB raised some concerns in relation to the hospitality industry and sought further detail on broader economic support packages. At the time I did not have clarity on HMT's plans but advised I would seek further information and would continue to press this issue [PS/057 – INQ000543085]. I cannot now recall what enquiries I made.
- 11.13. On 2 April 2020, I accompanied the Secretary of State and Minister Zahawi in a call with BROs, who raised concerns about the inconsistent administration of the SBGF and RHLGF between local authorities (although I note that these schemes were only in operation from 1 April 2020) [PS/021 – INQ000543144]. For example, the BCC fed back, *"...we're seeing some very patchy approaches, some LAs are pushing the money out as fast as possible, but some asking businesses to apply and having to wait several weeks for that money. Anything you can do to encourage a more standard approach would be really helpful"*. The Confederation of British Industry reported they were, *"...hearing some good reports from across the UK, it's a bit patchy"*.

- 11.14. On 3 April 2020, officials sent a submission 'to note/ comment' that updated the Secretary of State and others, including me, about progress on the delivery of the SBGF and RHLGF [PS/385 – INQ000543147]. The submission stated that all 314 local authorities in England had received their grant allocations and were starting to make payments. The submission explained that guidance (including an updated version) for the two schemes had been provided to local authorities and that grant determination letters had been sent out to local authorities, with a reconciliation exercise to take place within six months. The submission also stated that officials were working with local authorities to make the grant process as smooth as possible, with post-payment rather than pre-payment checks for assurance. I do not recall identifying at the time any particular issue with the reliance on post-payment checks. Looking back, I think this would have been due to the speed with which the schemes were developing and the fact I was not involved in developing the design of these grant schemes.
- 11.15. On 15 April 2020, I agreed to make phone calls to local authorities that were slower in providing the grants to businesses. The Secretary of State and a BEIS special adviser requested these calls be made "*...in the next day or so*" [PS/386 – INQ000657195]. I see from this email correspondence that there was initial discussion about Minister Zahawi and I sharing these calls, but a decision was then taken that one Minister should make all the calls [PS/387 – INQ000654799].
- 11.16. On 16 April 2020, officials sent a submission to the Secretary of State, me and others giving a progress update on delivery of the SBGF and RHLGF [PS/388 – INQ000654800]. That submission referred to the calls I had been making that same day (see below). It also referred to the Secretary of State's call on 15 April 2020 with local authorities relating to progress made on delivering the grant funding, and the Secretary of State informing local authorities about the Government's plan to publish data on delivery performance. I do not recall whether I joined this call, and I have not identified any documents in preparing my statement that confirm one way or another. The submission also stated that there had been some concern amongst local authorities, including higher performing ones, about publication. These concerns arose due to differences in local authority areas that influenced the delivery of the grant schemes, including the use of different software providers and different profiles of businesses within their respective areas. I was sympathetic to these concerns, however I considered publication of this data was the right thing to do for the sake of accountability and transparency.

- 11.17. On 16 April 2020, I made calls to the 20 local authorities that had not reported to the Department on their progress in delivering grants by the deadline of 14 April 2020. The purpose of these calls was to stress the importance of delivering these grants by the end of April 2020 and identify how central Government could provide support [PS/389 – INQ000657198] [PS/390 – INQ000654801]. My recollection is that I would attempt to speak to the local authority’s CEO and finance director on the same call. I also spoke with some local authority council leaders.
- 11.18. I made calls to a further 19 local authorities on 21 April 2020 to seek an update on their progress in delivering grants under the SBGF and RHLGF. Local authority representatives advised me of several issues impeding progress, including difficulties in obtaining bank account details from businesses, and capacity and technical issues [PS/391 – INQ000657209]. I continued to make these calls to local authorities for the remainder of April and into May 2020. Annex E provides a detailed chronology of my engagement with stakeholders, including local authorities.
- 11.19. A common issue that emerged from these calls with local authorities was the ‘one-way’ nature of the relationship that had traditionally existed between local authorities and businesses: local authorities had routinely collected business rates from businesses in their areas, but often did not have the information required to make payments to businesses. One local authority delivering grants at pace advised me that liaising with local accountants had assisted in filling this information gap; accordingly, I raised this with local authorities as a potential solution [PS/391 – INQ000657209] [PS/392 – INQ000657208].
- 11.20. Some of the other key issues identified in these calls with local authorities were:
- a) Difficulties contacting businesses: some local authorities advised they were “...*running out of people they can pay.*” Despite multiple attempts to contact eligible businesses, some remained unresponsive [PS/022 – INQ000543187];
 - b) Some local authorities were concerned about whether local or central government would be considered liable for grants paid out in error or due to fraud. As stated at CWS, Part C, §14.33, the Secretary of State sent correspondence to all local authorities on 30 April 2020 confirming that “...*the Department...will stand behind any erroneous payments, subject to local authorities having done what is reasonable and practicable to have avoided this in the first place and then having exhausted all reasonable and practicable*

steps to recover any over-payments The Department...will be accountable for what is left over" [PS/393 – INQ000543189];

- c) Local authorities had discretion to deviate from the business rates register if they knew information it contained relating to businesses was factually incorrect. Some businesses were approaching local authorities saying they did not appear on the register (either on the basis that they had not registered for business rates or a change had been made to the register), and local authorities were awaiting further information from the Valuation Office Agency before making payments to these businesses; and
- d) Some businesses, although eligible, did not want to receive a grant. An email from Jenny Dibden, dated 29 April 2020, to my private office (and many others) stated that reasons given included the hassle of providing details, concern about State aid and businesses thinking that the grants were, in fact, a loan. Jenny Dibden wrote that "[t]he comms campaign will help address the latter concern." [PS/022 – INQ000543187].

11.21. The email from Jenny Dibden that I refer to above (dated 29 April 2020) suggests that these kinds of issues were also arising in officials' calls with the Local Authorities Advisory Group (**LAAG**) and Core Cities [PS/022 – INQ000543187]. Information about the LAAG and Core Cities is in the CWS, Part A, §3.42.

11.22. On 29 April 2020, officials sent a submission to the Secretary of State, detailing a proposed fund for local authorities to administer funding to help address cases not in scope of the SBGF or RHLGF; I received this submission 'to note/ comment' [PS/394 – INQ000543186]. This scheme became the LADGF. It was anticipated that an additional 5% of the existing funding allocation for the SBGF and RHLGF would be apportioned to local authorities. I do not believe I was involved in the design of the LADGF.

11.23. The cohort one grant schemes closed on 28 August 2020. On 8 December 2020, I received a submission (dated 24 November 2020) annexing draft debt recovery guidance and draft reconciliation guidance from CLGU officials in relation to the cohort one grant schemes [PS/395 – INQ000543688] [PS/396 – INQ000543513] [PS/397 – INQ000543512] [PS/398 – INQ000657339]. I provided my approval on 14 December 2020 [PS/395 – INQ000543688].

11.24. A submission dated 8 February 2021 was sent to my private office and the BEIS Special Advisers on 11 February 2021, regarding issues relating to some local

authorities making payments under the cohort one grant schemes after the 'cut off' date of 30 September 2020, and the reconciliation associated with this [PS/399 – INQ000543657]. Although the submission itself stated it was only sent to the Special Advisers and I 'to note/ comment', CLGU also requested our clearance. Email correspondence indicates the Permanent Secretary had already cleared the submission. The BEIS Special Advisers and I provided our clearance on or around 17 February 2021, and the submission was provided to the Secretary of State's private office for his approval on the same day [PS/400 – INQ000543656].

- 11.25. On 29 June 2021, officials sent a submission dated 17 June 2021 to the Secretary of State, Permanent Secretary, and BEIS Special Advisers, seeking approval to make balancing payments to a small number of local authorities who had paid out more grant funding than was originally estimated [PS/401 – INQ000543743] [PS/402 – INQ000543744]. Although the submission itself stated approval was required from both the Secretary of State and me, I do not believe I received the email dated 29 June 2021 attaching the submission. The submission was provided to me later, on 8 July 2021 [PS/403 – INQ000657469]. I provided my approval on the same day. Email correspondence confirmed that the Secretary of State's approval was not required [PS/404 – INQ000543745].

Cohort Two Grant Schemes

- 11.26. The cohort two grant schemes were announced and launched between September 2020 and January 2021. They provided support to businesses impacted by restrictions under the Tiers system, as well as the second and third national lockdowns. The cohort two grant schemes encompassed the Local Restrictions Support Grant (**LRS**G) and its variants, the Additional Restrictions Grant (**ARG**), the Christmas Support Payment (**CSP**), and the Closed Business Lockdown Payment (**CBLP**). This cohort of grant schemes became complex as it evolved in parallel to the restrictions that were imposed in an attempt to control the spread of Covid-19. The cohort two grant schemes were, however, more targeted than the schemes in cohort one. The Leicester City Council and Oadby and Wigston Borough Council support package, detailed in the CWS, Part C, Section 6, was not part of the cohort two grant schemes. However, I have provided some context surrounding its creation from §11.30 below as it informed the development of the cohort two grant schemes.
- 11.27. This sub-section of my statement is structured with reference to the periods of restrictions in place, namely:

- a) Local lockdowns;
- b) First Tiers system (14 October to 4 November 2020);
- c) Second national lockdown (5 November to 1 December 2020);
- d) Revised Tiers system (2 December 2020 to 4 January 2021); and
- e) Third national lockdown (5 January to 31 March 2021).

11.28. These grant schemes are outlined in detail in the CWS, Part C, Section 7, and Annex 7 of the CWS gives an overview of the features of these schemes. As I set out below, my involvement with each individual cohort two grant scheme varied and, for some, I had very little involvement. I was often copied into submissions that were sent to the Secretary of State for decision. At times, my private office was copied into email correspondence between BEIS officials (and between BEIS officials and officials from other government departments). However, the nature of these submissions and correspondence often did not seek or require my substantive response. In this subsection of my statement, I have provided some examples of when my involvement was more substantive (for example, where I approved guidance documents or payments to local authorities).

Local Lockdowns

11.29. The CWS, Part C, Section 6 details the introduction of local lockdowns in July 2020 and work done on providing business support via grant payments.

11.30. A local lockdown in the Leicester area was announced by Government at the end of June 2020. On 30 June 2020, officials sent a submission on this, including to me, 'to note/ comment' [PS/405 – INQ000624930] [PS/406 – INQ000624931]. This submission identified the potential need for further business support. The Chancellor was inclined to rely on existing schemes (e.g. the Coronavirus Job Retention Scheme) rather than introducing additional grant support. My private office was subsequently copied into some internal correspondence relating to possible business support for Leicester, but I do not think I was substantively involved in the work done at official level [PS/407 – INQ000543270].

11.31. Documents I have seen suggest that, on 1 July 2020, I attended a ministerial workshop on local lockdowns via Zoom and on behalf of the Secretary of State [PS/408 – INQ000657295] [PS/409 – INQ000657291] [PS/410 – INQ000657292] [PS/411 – INQ000657293]. It was chaired by Matt Hancock and attended by officials from various central government departments, including Cabinet Office, Home Office, DHSC, and

No 10 [PS/412 – INQ000657290]. I do not recall attending this workshop and have been unable to locate minutes to confirm my attendance, what was discussed (beyond the agenda and supporting papers), or subsequent actions.

- 11.32. However, I have seen a briefing that officials prepared for me in advance of this workshop [PS/413 – INQ000657294]. It stated that the background to the workshop was a decision to implement a local lockdown in Leicester, made earlier that week at a Covid-O meeting. The briefing also stated that BEIS ministers and officials had not been invited or consulted, and that the decision had caused significant concern in the business community with some “*exasperation*” at the lack of detail from Government.
- 11.33. The briefing advised that I should take the opportunity to raise BEIS’s concerns about the process for deciding to impose a local lockdown in Leicester, the need for clear evidence that the sectors being required to close were responsible for an increase in infections, and the additional costs that this would inflict on already stretched businesses. The briefing stated that local lockdowns could be an effective way to handle the outbreak, avoiding the need for national interventions, and set out possible ways to improve decision making.
- 11.34. The briefing stated that the Department’s key area of concern was the lack of funding to the hardest hit businesses, for example, non-essential retail businesses that had been asked to close again and hospitality businesses that had expected to be able to open over the coming weekend. There was a real case for providing targeted support to these businesses who had already had a prolonged period of closure and would have invested in re-opening. BEIS was coordinating financial and non-financial support, but there was, at that time, no (new) grant funding to support the hardest hit businesses. This was subject to ongoing discussion with HMT and DHSC. Businesses had been contacting BEIS since the announcement of the Leicester local lockdown and, at that time, BEIS could not adequately answer their questions. The briefing explained that the Department needed to be able to answer these questions quickly.
- 11.35. I cannot now provide more information about this workshop on 1 July 2020.
- 11.36. On 16 July 2020, officials sent a submission to the Secretary of State and a draft letter to the Chancellor on the potential design of a grant scheme for small businesses impacted by local lockdowns [PS/414 – INQ000543276] [PS/415 – INQ000543277] [PS/416 – INQ000543278]. This was also sent to me ‘to note/ comment’. The context for this submission was the local lockdown in Leicester but the submission proposed a grant scheme that could be used in the event of other local lockdowns that would be

funded by unspent funds from the SBGF and RHLGF. On 17 July 2020, my private office emailed officials to say that I agreed with the proposal in the submission and with using the underspend from the original allocation to fund it [PS/417 – INQ000657308].

11.37. The CWS, Part C, Section 6 gives more information about the Department's contribution to the Government response to the situation in Leicester. The Inquiry is aware that BEIS was not ultimately involved in implementing the support that Government provided to Leicester (and so the proposal in the submission dated 16 July 2020 was not acted upon).

11.38. Over the summer of 2020, I continued to speak with businesses and sector representatives about the impact of Covid-19 and the Government's business and economic support schemes. For example:

- a) On 9 July 2020, I spoke with business representatives in the non-food retail sector. During this meeting, the British Retail Consortium suggested that it would be helpful to have a framework for future decisions on local lockdowns (this was not in the context of the grant schemes) [PS/418 – INQ000657303]. I recall some local authority representatives had raised similar concerns with me, specifically the lack of clarity around the factors that underpinned decisions to lock down specific geographical areas. I do not recall whether I had any involvement in (or provided comments on) the creation of this framework; but as set out in the next paragraph, a framework was published prior to the meeting on 22 July 2020 and received positively; and
- b) On 22 July 2020, the British Retail Consortium fed back, in relation to local lockdowns, that publication of the framework was very positive and built on learning from the Leicester local lockdown, and that the "... *key ask [was] advance warning of where high Covid-19 case numbers [were] occurring and, at a functional level, a clear point of contact in local authorities*" [PS/419 – INQ000657309]. I advised that central Government was looking to establish a 'BEIS presence' in areas subject to local lockdown to ensure the availability of support to businesses.

11.39. The implementation of local lockdowns led to multiple challenges for both central and local Government. There was significant tension between deciding to impose local lockdowns to limit the spread of Covid-19, and the desire to open the economy and keep it open. Decisions needed to be taken about what ongoing business support the Government should provide.

- 11.40. The LRSG was announced on 9 September 2020. In summary, it was introduced to provide financial support to businesses that were required to close in accordance with local restrictions. Businesses that were eligible for the LRSG could claim up to £1,500 (depending on the rateable value of the business's property) for each three-week period that they were required to close. Local authorities were also allocated an additional 5% of funding to allow for grants to be made to businesses that did not meet the eligibility criteria, at their discretion. The LRSG was subject to several revisions and was split into multiple sub-schemes as the restrictions applicable in England evolved. I give some more information about this below, but also refer to the CWS, Part C, Section 7. While I had been forwarded details of early discussions of the scheme, I do not recall being involved in finalising the details of the scheme or the decision to announce the LRSG [PS/420 – INQ000543313].
- 11.41. On 17 September 2020, officials sent a submission to the Secretary of State for decision on the final detailed design for the LRSG and on guidance for local authorities on the LRSG [PS/421 – INQ000543343] [PS/422 – INQ000543344]. A copy of the draft guidance was also provided [PS/423 – INQ000543345]. These documents were sent to me 'to note/ comment'. At this point the grant scheme was called the Local Lockdown Grants Fund. This submission stated that key features of the grant scheme had been discussed with the BCC and that the LAAG had also been involved in developing the detail of the scheme and the guidance.
- 11.42. On 22 September 2020, Tony Bray (Deputy Director, CLGU) sent a further version of the draft guidance for local authorities, along with draft guidance to businesses, for the Secretary of State and me to review [PS/424 – INQ000543359] [PS/425 – INQ000543354] [PS/426 – INQ000543355]. My private secretary responded that day, advising that I had a professional commitment that afternoon, but could review the documents overnight. The Secretary of State then provided some feedback on the guidance and asked some questions. The guidance was approved and published on 24 September 2020 [PS/424 – INQ000543359].
- 11.43. Officials sent a submission to me, dated 30 September 2020, for a decision on providing LRSG funding to Bolton Metropolitan Borough Council to support more than 50 businesses affected by the restrictions [PS/025 – INQ000543365] [PS/026 – INQ000543364]. Bolton had entered a local lockdown on 8 September 2020 (and so was approaching the three week period at which LRSG funding would be paid). I approved the payment of this grant funding on 1 October 2020 [PS/027 – INQ000543369].

11.44. As detailed in the CWS, Part C, §§7.53-7.57, on 9 October 2020, the Chancellor announced the following revisions to the LRSG:

- a) Businesses would be eligible to receive a grant after being closed for two weeks rather than three. This change came into effect immediately and was backdated to include Bolton Metropolitan Borough Council;
- b) In addition, the value of the grant would be increased, so that businesses would receive up to £3,000 per month; and
- c) The LRSG was extended to include businesses such as nightclubs, which had not been permitted to reopen since the first national lockdown in March 2020.

11.45. Officials sent a submission, dated 9 October 2020 to the Secretary of State, and me 'to note/ comment', which outlined the revisions to the scheme [PS/427 – INQ000543377]. As set out in the CWS, Part C, §7.12(a), these revisions were initially announced as an extension of the LRSG on 9 October 2020; this revised version of the LRSG is referred to as the LRSG (Sectors) in the CWS.

First Tiers System (14 October to 4 November 2020)

11.46. The First Tiers system, which operated from 14 October 2020 to 4 November 2020, and the grant schemes in this period are covered in detail in the CWS, Part C, §§7.63 - 7.146.

11.47. On 14 October 2020, the Prime Minister introduced a Tiers system of restrictions across England. There were three tiers, with different restrictions, and Tier Three had the most severe restrictions. The tier that any particular area was in depended on the level of identified Covid-19 cases in that area.

11.48. During the First Tiers System, a number of grant schemes were launched and operated. I refer the Inquiry to the table in the CWS, Part C, §7.17 which gives an overview of the grants applicable during the First Tiers System.

11.49. On 22 October 2020, the Chancellor announced a package of new grant support, which became the LRSG (Open), the LRSG (Closed), and the ARG. The LRSG (Sectors) also operated between 1 and 4 November 2020 (and 2 December 2020 to 4 January 2021, as explained at §11.60 below).

11.50. The detail of the new grant support was worked up by officials in the following days. In summary:

- a) LRSO (Open): this provided additional funding to allow local authorities to support businesses in England that were allowed to remain open or operating but which were impacted by local restrictions. Prior to 2 December 2020, businesses could receive up to £2,100 per 28-day period, depending on the value of the property. From 2 December 2020, up to £1,050 per 14 day period was available, depending on the rateable value of the property (see further below at §11.60);
- b) LRSO (Closed): available to businesses in England required to close in accordance with Tier Two or Tier Three restrictions. Businesses could receive up to £1,500 per 14-day period that the business was closed, depending on the rateable value of the property;
- c) ARG: available to businesses, at the discretion of local authorities, that were not covered by other grant schemes or where additional funding was needed. Local authorities also had discretion to determine the eligibility criteria for this grant scheme and the amount paid to businesses; and
- d) LRSO (Sectors): available to businesses in England that had been required to close nationally since 23 March 2020, such as nightclubs and entertainment venues. Businesses could receive up to £1,500 per 14-day period that the business was closed, depending on the rateable value of the property.

11.51. Officials sent a submission, dated 23 October 2020, to the Secretary of State, the Permanent Secretary and me 'to note/ comment', in advance of final advice and decisions about the new grant scheme funding that the Chancellor had announced the previous day [PS/428 – INQ000543413]. Officials sought steers on a number of matters and proposed an alternative approach to the growing number of grant schemes, identifying that HMT had "... *made this a potentially complex, interdependent set of interventions*" with delivery risks for local authorities and BEIS, and some heightened fraud and error risk. The CWS, Part C, from §7.82 sets out more detail on discussions between HMT and BEIS officials. I do not believe I was involved in this detail.

11.52. Officials sent another submission, dated 29 October 2020, to the Secretary of State for decision [PS/429 – INQ000543448]. This submission primarily set out more detail on the support measures announced by the Chancellor on 22 October 2020 and supporting guidance for the schemes. Accounting Officer advice was also annexed to the submission. The submission's header indicates it was also sent to me 'to note/

comment' although it appears that I received the submission on 30 October 2020, and the Secretary of State asked me to clear the various scheme guidance documents and also a related Public Sector Equality Duty form [PS/430 – INQ000543447] [PS/429 – INQ000543448] [PS/431 – INQ000543449]. On 2 November 2020, I gave this approval [PS/430 – INQ000543447].

- 11.53. Following the announcement of a second national lockdown (discussed from §11.55 below), the guidance I approved on 2 November 2020 was not published, and was reviewed. I later approved guidance documents for the LRSG (Closed), LRSG (Open), LRSG (Closed) Addendum November, LRSG (Sectors), and ARG on 3 November 2020, which was published later that day [PS/031 – INQ000543467] [PS/032 – INQ000543456] [PS/033 – INQ000543464] [PS/034 – INQ000543455] [PS/035 – INQ000543465] [PS/036 – INQ000543454]. The Secretary of State and Permanent Secretary also approved these documents.
- 11.54. Officials sent a further submission, dated 4 November 2020, seeking authority to make payments to local authorities in relation to the LRSG (Open), LRSG (Closed) for Tier Two and Three areas, and the ARG for Tier Three areas [PS/432 – INQ000543474]. This submission was sent to me for decision. Later that day, I approved these payments [PS/433 – INQ000543475].

Second National Lockdown (5 November to 1 December 2020)

- 11.55. I do not repeat the information in the CWS, Part C, §§7.147 – 7.179 in respect of the second national lockdown and the grants that operated during this period.
- 11.56. In brief, on 31 October 2020, the Prime Minister announced that a second national lockdown would take effect from 5 November 2020. On the same day, the Chancellor announced the support that would be available during this national lockdown, namely the LRSG (Closed) and the ARG. The LRSG (Closed) applied to all businesses required to close in England and was later renamed the LRSG (Closed) Addendum November. This scheme superseded the other LRSG sub-schemes and applied between 5 November and 1 December 2020. Eligible businesses could receive between £1,334 to £3,000 per 28-day qualifying restrictions period, depending on the rateable value of the property.
- 11.57. On 3 November 2020, officials sent a submission to the Secretary of State, copying me, providing details of the grant schemes to support businesses to mitigate impacts of the newly announced national restrictions [PS/434 – INQ000543460]. As above (at

§11.53) I was asked to review this guidance. I gave my approval later that evening [PS/031 – INQ000543467].

11.58. I have already mentioned above at §11.54 a submission, dated 4 November 2020, that was sent to me for decision [PS/432 – INQ000543474]. In this submission I was also asked to approve awards to local authorities for grant payments in respect of the national lockdown that would apply from 5 November 2020. I gave my approval [PS/433 – INQ000543475].

11.59. I continued to receive updates relating to the impact of restrictions on businesses between 5 November and 1 December 2020, however I do not recall approving further guidance documents, allocations of funding to local authorities, or making any other substantive decisions relating to the grant schemes over this period of time. This appears to be supported by the documents I have reviewed to assist me in preparing this statement.

Revised Tiers System (2 December 2020 to 4 January 2021)

11.60. On 23 November 2020, the Prime Minister set out the Government's Covid-19 Winter Plan, which included the reintroduction of a modified version of the Tiers system. The CWS uses the phrase, 'Revised Tiers system' and I will also use this. This Revised Tiers system applied from 2 December 2020. The CWS, Part C, §§7.180 – 7.212 sets out information about this and the grant schemes operating during this period.

11.61. The following changes were made under the Revised Tiers system:

- a) Hospitality businesses in Tier Three were required to close;
- b) Hospitality businesses that remained open (i.e. those operating in Tier One and Tier Two areas) were required to close by 11pm; and
- c) An additional tier of restrictions, Tier Four, was introduced in response to concerns about the Alpha variant and increasing Covid-19 case numbers.

11.62. During this Revised Tiers system, the following grant schemes applied:

- a) The LRSG (Closed);
- b) The LRSG (Open);
- c) The LRSG (Sectors), see §11.50.d) above;
- d) The ARG;
- e) The CSP, see §11.64 below; and

- f) The LRSG (Closed) Addendum Tier Four, from 31 December 2020. This scheme was available to businesses in England required to close in accordance with Tier Four restrictions. The level of funding available to businesses under the LRSG (Closed) Addendum Tier Four was the same as that available to businesses eligible for the LRSG (Closed) (i.e. those businesses impacted by Tier Two and Three restrictions), being up to £1,500 per 14-day period that the business was closed, depending on the rateable value of the property.

11.63. A new grant scheme, which became the CSP, had been announced by the Chancellor on 1 December 2020. The Prime Minister's announcement stated, "*Wet-led pubs in tiers 2 and 3 will be subject to significant measures under the new regional tiered system and it is right for the government to increase its support.*" [PS/435 – INQ000585843]. The CSP was available to eligible businesses from approximately 9 December 2020.

11.64. Officials sent a submission, dated 4 December 2020, to the Secretary of State in relation to the CSP [PS/436 – INQ000543536]. I received this submission 'to note/comment'. It stated that the grant scheme would provide an additional one-off payment of £1,000 to all 'wet-led' pubs (i.e. pubs that predominantly served alcohol rather than food, reflecting the definition in the Prime Minister's announcement on 1 December 2020) in Tier Two and Tier Three areas [PS/435 – INQ000585843]. The submission also included consideration of the definition of a 'wet-led' pub, and whether a pub should be able to self-certify its eligibility for funding. The Department identified challenges in defining 'wet-led' pubs and these were raised with No 10 [PS/437 – INQ000543528]. Email correspondence confirms that the Chancellor's Assistant Private Secretary advised the Secretary of State's Senior Private Secretary on 3 December 2020 that HMT was defining 'wet-led' pubs as "*...pubs which generate less than 50% of their revenue from food sales.*" [PS/438 – INQ000585721]. I did not receive this email, as a recipient or in copy, however I have had regard to this document in preparing this witness statement. The Secretary of State was ultimately asked to agree to BEIS administering this new grant via local authorities. I am aware that BEIS accepted Accounting Officer responsibility for the CSP.

11.65. On 7 December 2020, officials sent my private office draft guidance for the CSP [PS/439 – INQ000657372] [PS/039 – INQ000543543]. I approved this on 8 December 2020 (pending approval from the BEIS Special Advisers) [PS/040 – INQ000543546]. I asked whether the guidance could be updated to reflect any increase in the State aid

cap and a CLGU official advised that, if this extension were to be applied to this scheme, all relevant guidance and FAQ documents would be updated accordingly. I understand from the CWS, Part C, §7.192 that the CSP guidance was published on 9 December 2020, after it had been cleared by the Secretary of State's private office.

- 11.66. On 19 December 2020, the Prime Minister announced that all of London, parts of the Southeast and East of England, and some other areas (Gosport, Havant, and Peterborough) would be escalated to Tier Four restrictions due to the rapid increase in Covid-19 cases and pressures on the NHS. Tier Four restrictions replicated closures imposed during national lockdowns. Officials prepared a submission, dated 23 December 2020, to the Secretary of State seeking agreement that areas in Tier Four should receive LRSG (Closed) allocations, to include non-essential retail and other businesses required to close [PS/042 – INQ000543593]. The submission recognised that the affected areas had moved between tiers rapidly and at an unexpected pace, creating additional complexity in calculating allocations.
- 11.67. On 24 December 2020, I approved the recommendations in this submission but asked for further information in relation to the third recommendation, namely that, "*Tier 4 areas will get no additional discretionary grant funding and that you may want to raise this with the Chancellor.*" I was advised by a CLGU official that HMT would not increase ARG funding, and this was difficult to challenge given that most local authorities had substantial underspends remaining for this grant scheme [PS/043 – INQ000543596].

Third National Lockdown (5 January to 31 March 2021)

- 11.68. The CWS, Part C, §§7.213 – 7.264 summarises the circumstances of the third national lockdown, and the grants operating from 5 January 2021 to 31 March 2021.
- 11.69. The Prime Minister announced the third national lockdown on 4 January 2021, to come into effect on 5 January 2021 for a period of six weeks.
- 11.70. The LRSG (Open) and LRSG (Sectors) were suspended. A modified version of the LRSG (Closed) superseded all other LRSG sub-schemes and was available to eligible businesses over this national lockdown. The CWS refers to this scheme as the LRSG (Closed) Addendum 5 January and I adopt the same term. This scheme consisted of two payment cycles:
- a) Between 5 January 2021 and 15 February 2021: eligible businesses could receive between £2,001 and £4,500 per 42-day qualifying restrictions period, depending on the rateable value of the business' property; and

- b) Between 16 February 2021 and 31 March 2021: eligible businesses could receive between £2,096 to £4,714 per 44-day qualifying restrictions period, depending on the rateable value of the business' property.

11.71. In addition, the ARG continued to be available. A new grant scheme, the CBLP, was also announced on 5 January 2021 and applied from that date. Under the CBLP, grants were available to all businesses that were required to close due to the third national lockdown. Eligible businesses could receive a one-off cash grant of up to £9,000, depending on the rateable value of the property.

11.72. On 14 January 2021, officials sought my (and the BEIS Special Advisers') comments on a draft FAQ document relating to Tier Four restrictions and the third national lockdown, and the grants available at this time [PS/440 – INQ000543620] [PS/441 – INQ000543624]. The Special Advisers provided some comments on 15 January 2021 which led to some minor amendments being made. On 15 January 2021, I approved publication of the FAQ document, and it was published later that day [PS/442 – INQ000657390].

11.73. Officials sent a submission, dated 27 January 2021, to the Secretary of State and Permanent Secretary, seeking their approval to make payments to various local authorities for the following grant schemes [PS/443 – INQ000543630] [PS/444 – INQ000543631]:

- a) LRSG (Open) and LRSG (Closed), as some local authorities changed tiers at pace between 20 December 2020 to 4 January 2021 and accordingly required additional funding (i.e. this related to the Revised Tiers system);
- b) Top-up payments for the CSP (again, relating to the Revised Tiers system); and
- c) Payments pursuant to the SBGF, RHLGF, and LADGF following reconciliation of these schemes, as some local authorities paid out funding in excess of their initial allocations (i.e. relating to the cohort one grant schemes).

11.74. This submission was also sent to me 'to note/ comment'. The Secretary of State delegated approval of these payments to me on 28 January 2021, which I provided on 29 January 2021 [PS/445 – INQ000543633].

11.75. On 12 February 2021, HMT confirmed that support pursuant to the LRSG (Closed) Addendum 5 January would continue [PS/446 – INQ000543655]. A second payment cycle was initiated for 44 days, for the period of time between 16 February 2021 and

31 March 2021. Accordingly, officials sent a submission, dated 19 February 2021, to me seeking my approval to allocate a total of £1.58 billion to local authorities for this payment cycle [PS/447 – INQ000543663] [PS/448 – INQ000543662]. I later approved this submission on 22 February 2021 [PS/449 – INQ000657411].

11.76. Officials sent a further submission to me, dated 3 March 2021, concerning the grant schemes [PS/450 – INQ000543678]. It set out that, of the nine live grant schemes, only four had closure dates. In anticipation of new grant provision becoming available from April 2021, officials recommended that the remaining five grant schemes (LRSG (Closed), LRSG (Open), LRSG (Sector), LRSG (Closed) Addendum November, and LRSG (Closed Addendum Tier 4)) close on 31 March 2021, with final payments to be made on 30 April 2021. I approved these dates the next day [PS/045 – INQ000543684].

Cohort Three Grant Schemes

11.77. The cohort three grant schemes ran between April 2021 and March 2022. The first of these schemes, the Restart Grant, was launched in April 2021 to assist businesses with the costs of reopening following the relaxing of restrictions under the third national lockdown. The second cohort three grant scheme, the Omicron Hospitality and Leisure Grant (**OHLG**), was introduced in December 2021 to provide financial assistance to businesses affected by the emergence of the Omicron variant. These grant schemes are described in detail in the CWS, Part C, Section 9, as well as in Annex 7.

11.78. The Restart Grant was announced on 3 March 2021 and applied from 1 April 2021. It provided a one-off cash grant of up to £6,000 to businesses in the non-essential retail sector, and up to £18,000 to businesses in the hospitality, accommodation, leisure, personal care, and gym sectors. The amount awarded was dependent on the rateable value of the business's property. The Restart Grant closed for applications on 30 June 2021, with final payments being made on 31 July 2021.

11.79. The OHLG was announced and applied from 21 December 2021. It provided a one-off grant of up to £6,000 (depending on the rateable value of the business's property) to businesses in the hospitality, leisure, and accommodation sectors. It closed for applications on 18 March 2022, with final payments being made by 31 March 2022.

11.80. I received a submission dated 2 March 2021 from officials seeking a decision on increasing the subsidy control limits in the EU's Temporary Framework for the grant schemes, and the effect this would have on some companies receiving business grants, benefitting approximately 500 companies employing around 230,000 people in

the retail and hospitality sectors [PS/451 – INQ000543676]. I approved the submission and its recommendations the following day [PS/452 – INQ000543677].

11.81. On 9 March 2021, I received a submission 'to note/ comment' providing an update on the Restart Grant and the ARG. This submission was also sent to the Secretary of State, Permanent Secretary, and BEIS Special Advisers [PS/046 – INQ000543690]. Officials sent a further submission to me, dated 16 March 2021, seeking my agreement to a number of recommendations relating to the ARG and the Restart Grant, including the approval of draft guidance for local authorities for these grant schemes [PS/048 – INQ000543701]. Officials explained that:

- a) HMT had asked that all previous ARG allocations be 100% spent by local authorities before they could access the top-up funding;
- b) A change to the calculation of ARG from per head of population to business population was to be implemented, based on an agreement between the Prime Minister and the Chancellor;
- c) Restart Grants would be allowed to businesses in sectors most impacted by ongoing social distancing measures, and progressively relaxing closures – resulting in lower grant funding for non-essential retail as compared to hospitality, accommodation, leisure, personal care, and gym businesses;
- d) A minimum of two pre-payment checks would be implemented for the ARG and the Restart Grant (though many local authorities were already doing this); and
- e) The requirement for a business to have been trading at a particular point in time would be removed, to make clear that new businesses could be supported.

11.82. I cleared this submission on 17 March 2021, with a comment that I wanted to discuss with officials the two schemes in detail, and in particular what was being done to widen eligibility of ARG to cover some of the businesses excluded from this funding (such as wedding venues) [PS/047 – INQ000543705].

11.83. Officials sent me another submission, dated 24 March 2021, seeking approval to make payments to local authorities for the Restart Grant and to notifying them of their ARG top-up allocation (should they achieve the relevant conditions) [PS/453 – INQ000543709]. The Secretary of State delegated this decision to me, and I granted my approval on 25 March 2021 [PS/049 – INQ000543715].

11.84. On 22 December 2021, officials sent a submission for decision to the Secretary of State in relation to the proposed OHLG, as well as a top-up for the ARG [PS/454 –

INQ000576413]. This was sent to me 'to note/ comment'. The submission stated that HMT had led on the design of this package, with the Department providing input regarding its delivery.

- 11.85. On 23 December 2021, two further submissions were sent to me, for decision:
- a) A submission asking for my approval of a new package of grant support in the form of the OHLG together with a top up to the ARG to allow local authorities to provide discretionary support to other seriously affected businesses [PS/455 – INQ000543771]; and
 - b) A submission seeking my approval to make the payments to local authorities of their respective allocations from the monies set aside for the OHLG (£635,275,485) and the top-up funding for the ARG (£102,000,000) [PS/456 – INQ000543793].
- 11.86. On the same day (23 December 2021), I approved the package of support and queried whether anything could be done to get payments to businesses more quickly than the suggested three to four weeks [PS/050 – INQ000543772].
- 11.87. Following some discrete queries from the Permanent Secretary about the specific amount to be sent to local authorities (discussed at CWS, Part C, §9.51), I provided my approval on 24 December 2021 [PS/457 – INQ000543778].
- 11.88. On 23 December 2021, guidance for local authorities regarding the delivery of the OHLG was sent to me in draft, which I approved the next day [PS/458 – INQ000543777] [PS/051 – INQ000543779].
- 11.89. I was sent a submission, dated 19 January 2022, for a decision on options for reducing the delivery burden of administering OHLG and ARG, to support local authorities in delivering the grants at a time when they were facing significant resource pressures [PS/459 – INQ000543810]. The submission recommended extending the application and processing deadlines, as well as reducing the frequency of local authority data reporting, from weekly to fortnightly. I approved the proposals in this submission on 20 January 2022 [PS/460 – INQ000543811].
- 11.90. Officials sent a further submission to me, dated 28 January 2022, seeking my approval to make new burdens payments to all local authorities to reimburse them for the costs associated with administering the OHLG [PS/461 – INQ000543813]. I provided my approval on 3 February 2022 [PS/462 – INQ000657492].

Reflections on the Grant Schemes

- 11.91. The Inquiry has asked for my reflections on various aspects of the grant schemes. I have done this, to the extent I feel able to, in this section of my statement. Given the nature of my involvement, there are some issues I do not feel well-equipped to offer personal reflections on. In some cases where that applies, I have referred to the reflections provided in the CWS, Part C and the findings detailed in the Evaluation of Covid-19 Business Support Grant Schemes Final Report (**Ipsos Grant Schemes Report**).
- 11.92. First, central Government acted very quickly in the early days of the pandemic, so in March and April 2020, to identify that small businesses would need financial (and other) support and to respond. The early grant schemes were established rapidly and, working with and with the help of local authority partners, Government got substantial sums of money to small businesses very quickly. I think this was a major achievement.
- 11.93. I have read the Ipsos Grant Schemes Report statement, at §4.2 that “...*grants were not delivered within timescales implied by public announcements (i.e. that all funding would be distributed by the end of April 2020). However, almost 70 percent of the grants paid were distributed within four weeks of this date, and 91 percent by the end of May 2020*” [PS/463 – INQ000585832]. I think that helps to illustrate the speed at which central and local Government acted to support small businesses.
- 11.94. The CWS, Part C, §17.13, explains that speed of action was a priority for ministers, particularly for the cohort one grant schemes. While I had limited involvement in establishing the cohort one grant schemes, I do agree with that. The CWS also states that ministers were aware of the risks of acting with such speed, including whether the schemes would be value for money. Again, I agree with that. The risks arising from the priority given to speed were accepted owing to the need to support businesses in the context of a rapidly evolving national emergency.
- 11.95. The view that action needed to be taken quickly was weighed and balanced against the desirability of mitigating the risks of irregular payments arising in the grant schemes. I am aware that the CWS, Part C, §§15.26 – 15.27, contains a range of estimates for the level of irregular grant payments. There has been public and media reporting of the level of irregular payments, with particular concern about fraud, and I understand that these are matters of public concern (particularly in the cohort one grant schemes). However, I consider that central Government did strike a reasonable balance between getting money to small businesses rapidly, and implementing

mitigations against irregular payments (which would, in general, slow the distribution of grant money). This was my view at the time and remains my view in hindsight. Further, that balance changed as time passed, and was different in the cohort two and three grant schemes. In my view it is important to keep firmly in mind the potential or likely impact on the economy, businesses and individual's lives, if the Government had, for example, delayed getting money out to small businesses, alongside the unprecedented circumstances and uncertainty about how Covid-19 would behave and impact the economy.

- 11.96. Local authorities were under pressure to act at speed to distribute the grants, which meant that they, and central Government, did not have time to evaluate the completeness of data and information that was relied on with respect to contact details for businesses. In addition, I think the Government overestimated the accuracy and reliability of the data held by local authorities. For example, as the Inquiry is aware, the SBGF was based on eligibility for SBRR and RRR. Accordingly, local authorities relied on the records for these rate reliefs to determine eligibility for the SBGF and to contact businesses to award funding, which were later determined to be incomplete. This also highlighted that local authorities did not have sufficient contact details for these businesses and therefore did not have as complete a relationship with the local businesses within their area of responsibility as they thought. Whilst local authorities were used to collecting business rates from businesses in their areas, they had no easy way of ensuring they had the right contact details for these businesses or mechanisms to send them money, which they needed to do quickly once the grant schemes were implemented.
- 11.97. Overall, my sense is that the grant schemes were value for money, but I stress that I find it difficult to now make a judgment on this. I have not worked in the Department since July 2022, I anticipate there are challenges with analysing the counterfactual, and also the grant schemes were only one part of a much wider scheme of economic and business support provided by the Government. In addition, value for money would have been impacted by the level of irregular payments and, as I touch on above, difficult decisions needed to be made about potential delays flowing from mitigations aimed at reducing that level.
- 11.98. Further, the early cohort one grant schemes had only limited targeting (i.e. the targeting that was built into the eligibility criteria). This helped with the speed of payments. With the cohort two grant schemes, Government sought to make these more targeted and therefore were slower to distribute. This is summarised in the Ipsos Grants Schemes

Report, which discusses that while the grants programme was effective in meeting its objectives, from a value for money perspective, a relatively high share of the businesses supported would have been likely to survive without cashflow support and it therefore could have achieved its results at a lower level of public spending [PS/463 – INQ000585832]. While there may have been mechanisms to deliver the programme more economically, opportunities to exploit these were limited given the pace at which the schemes needed to be developed, and local authorities' lack of preparedness.

- 11.99. I have been asked to reflect on the design and delivery of the grant schemes. Clearly, there were multiple schemes over time, and I do not address each. Stepping back from the individual schemes, in general I think the design of the schemes was effective (in part illustrated by the speed at which payments were made, with admirable input from local authorities). I have already referred to the fact the schemes became more targeted over time. I think that local authorities were the best delivery mechanism that was available, given that they were closer to the businesses receiving grant support and able to receive feedback directly from businesses in their own areas. The associated administrative burden could be split across central and local government. When I make this point, I also wish to recognise the pressures that local authorities took on, and the hard work local authority staff undertook. I do not recall any significant challenges in working with HMT, and I consider that the Department and MHCLG worked well together, aided by the fact the CLGU was the unit responsible for the grant schemes.
- 11.100. Having said this, there were of course challenges arising from the design and delivery of the grant schemes and areas for improvement. For example, as I mention above, delivering these schemes (and the number of them) through local authorities inevitably put pressure on local authority resources, including at a time when these would have been stretched, as was the case in central Government, in businesses and in workplaces up and down the country. It was important to try to minimise the pressure on local authorities' stretched resources as much as possible. One area of improvement that may have helped reduce that burden, is if guidance provided to local authorities to assist them with delivering the grant schemes had been clearer. However, I understand that MHCLG officials held workshops with representatives from local authorities to discuss and clarify issues identified in the guidance documents. I am also aware that CLGU officials worked with the LAAG to develop or finalise guidance for a number of the schemes. It was important to ensure the reversal of decisions to award a grant were minimised, as far as was possible, to promote public

confidence in the system and government decision making. Accordingly, the publication of clear guidance was of great importance.

- 11.101. Further, how the cohort two grant schemes developed over the autumn and winter of 2020/2021 resulted in complexity for local authorities and for businesses (and also, less importantly, for officials). At this juncture, while I recall that this was the general perception, I cannot recall any specific conversations I had with local authorities or businesses about this complexity (although I think this would have happened). I expect this is something I would have raised at an official level (rather than ministerial), however I am not able to recall any specific instances.
- 11.102. I also expect that local authorities would have preferred more flexibility in how their allocations could be used to support businesses. In hindsight, I consider that local authorities could have been given more discretion in awarding grant funding, particularly in relation to the amounts to award to individual businesses. Some grant schemes allowed for local authorities to exercise discretion (e.g. under the LADGF, local authorities were required to develop and publish policies and set their own eligibility criteria, within the overarching criteria set by central Government). Local authorities were also able to implement their own application processes for the cohort two grant schemes. While these discretionary elements gave local authorities the ability to award grants based on local need, differences in application across areas led to some perception of unfairness in some groups and confusion amongst businesses (as stated in the Ipsos Grant Schemes Report, §4.5) [PS/463 – INQ000585832].
- 11.103. I took steps to understand from local authorities whether businesses were receiving the money they were or might be entitled to, and if there could have been different strategies available to local authorities that would have been more effective. As part of my stakeholder engagement, I liaised with a large number of local authority chief executives and leaders and asked those in higher performing areas what they were doing to deliver grants to businesses quickly. As I have already mentioned, one effective technique that I was informed of, and which seemed sensible to me, was contacting local accountants, as they were more likely to have a relationship with local businesses than the local authority and most small businesses would have an accountant that was located in the same town or city. Once I heard about this, I passed on this suggestion to other local authorities in my later calls. I was also concerned about how this type of suggestion could be utilised in the Government's messaging about the grant schemes. See, for example, my WhatsApp message to my private

office WhatsApp group of 15:26 on 13 May 2020 regarding the calls with local authorities:

“Following SoS call re grants can we find out any comms gov has done via 1. banks; 2. accountants; 3. trade press; 4. BAME press/media 5. women’s networks such as Mumsnet. Suspect my time would be better spent on this rather than the local authority chase ups”

This feedback was passed onto the Secretary of State’s private office and BEIS Special Advisers, along with details of how many calls I had completed up until that point (73), to demonstrate that my concerns were not due to a lack of willingness on the part of local authorities, but effectiveness of approach.

- 11.104. I also conducted radio interviews and wrote articles in trade publications to attempt to reach business owners that were not connected with the Government’s communication platforms, for example business owners from ethnic groups such as Bangladeshi restaurant owners. For example, please see an appearance on Channel S (a British Bangladeshi television channel) on 22 May 2020, and an article for Curry Life magazine, a trade publication for the curry restaurant industry in July 2020 [PS/464 – INQ000657255] [PS/465 – INQ000657298]. Some small business owners incorrectly assumed they would have to pay the grant money back, and so did not want to accept a grant despite obvious need.
- 11.105. In its evaluation of the grant schemes, Ipsos identified that 27% of businesses that received a grant were majority led by women, and 5% were led by minority ethnic groups. Compared with the results from the Longitudinal Small Business Survey, where the estimates were 16 to 21% and 4 to 5% respectively, there was no indication “...that some groups faced issues of differential access to the support provided through the programme...” (Ipsos Grant Schemes Report, §4.5). Further, Ipsos’s evaluation of the grant schemes indicated that promotional activity effectively raised awareness of the programme and contributed to its extensive reach. None of the stakeholders consulted in the case studies (or local authorities) reported that promotional activity failed to reach ‘hard to reach’ groups. As stated in the CWS, Part C, §§13.3, 13.5, the various PSED assessments that were undertaken for the grant schemes identified that there was a minimal risk to business owners with protected characteristics affecting their access to the internet (or their computer literacy skills). BEIS officials planned to attempt to minimise this risk by encouraging local authorities to disseminate information throughout their networks. Ipsos identified in its evaluation that a small

number of businesses highlighted that most information about the grant schemes and their application processes were only available digitally, and although most local authorities provided some type of in-person support, some businesses reported these were difficult to reach and were not necessarily effective in resolving issues around application processes (Ipsos Grant Schemes Report, §5.2.2) [PS/463 – INQ000585832].

- 11.106. I am asked about any changes I would recommend improving how support is targeted towards small businesses in the event of a future economic crisis. As I state at §11.96 above, it became clear through the delivery of the grant schemes that there were significant gaps in the knowledge that local authorities had about businesses in their areas. I can see scope for government using external organisations, e.g. accountants, banks and payment software providers, to help fill such gaps. These may have a closer relationship with their customers (i.e. local businesses) than local authorities. I also think greater consideration should be given to local authorities having greater discretion in making grant awards. I appreciate this may raise issues about equal treatment and consistency, but I think that could be managed.

Section 12: Insolvency Law Changes

- 12.1. In this section I set out a summary of my role in relation the design, administration, and delivery of the insolvency rules changes.
- 12.2. Most substantially in this regard, I had ministerial responsibility for the Government's Corporate Insolvency and Governance Act 2020 (**CIGA**).
- 12.3. The purpose of CIGA was twofold. First, it included changes to the UK insolvency regime which aligned the UK regime more closely with the US Chapter 11 Bankruptcy Code.⁴ These changes had been planned before the pandemic, but CIGA was adopted as the legislative vehicle to enact these changes. Second, it delivered a number of temporary non-financial assistance measures to support businesses adversely affected by the pandemic, including measures for the suspension of wrongful trading provisions for directors and a moratorium on the service of statutory demands and winding-up petitions.
- 12.4. BEIS developed the emergency legislation jointly with the Insolvency Service (**INSS**), an arms-length body responsible for its own legislation and accountable to the Department. INSS took the lead on the design, implementation and delivery of the pandemic measure in CIGA.
- 12.5. A Bill Team was established in mid-March 2020, staffed jointly by BEIS and INSS officials. I wish here to pay tribute to the CIGA Bill Team, who brought exceptional skill and assistance to the entire process.
- 12.6. On 23 March 2020, a list of potential insolvency changes was presented to a meeting of EBRIG, attended by the Secretary of State. While I did not attend this meeting, I note that the Secretary of State received a detailed briefing from officials in advance of the EBRIG meeting, which included options for non-financial and regulatory easements, as set out in the CWS, Part C, §§3.7 – 3.10.
- 12.7. In summary, the proposed changes included:
 - a) A moratorium for distressed businesses to provide a breathing space from creditor enforcement action where necessary to avoid insolvency or where a company looked to restructure or refinance;

⁴ A Chapter 11 bankruptcy usually allows a debtor to remain in possession and continue to operate its business including the possibility of, with court approval, borrowing new money.

- b) The suspension of 'ipso facto' clauses, preventing suppliers from invoking contractual termination rights when a company entered a formal insolvency process; and
 - c) A relaxation of the wrongful trading rules which would enable directors to continue to trade notwithstanding the prospect of insolvency.
- 12.8. I attended a meeting with the Secretary of State and the BROs on 25 March 2020, at which it was noted that the Secretary of State was very alive to the issues surrounding the insolvency regimes [PS/068 – INQ000657162]. At a further meeting with the BROs on 27 March 2020, it was noted we hoped to have news of developments shortly, and UK Hospitality welcomed the proposed relaxation of insolvency rules [PS/069 – INQ000625326].
- 12.9. Following a further meeting of EBRIG on 27 March 2020 attended by the Secretary of State, the insolvency changes were announced by the Secretary of State on 28 March 2020 [PS/466 – INQ000475288] [PS/467 – INQ000534250].
- 12.10. Following the announcement, I attended a further meeting with the BROs on 30 March 2020 [PS/384 – INQ000625340]. At the meeting, it was noted that the response to the announcement had been very positive, and the changes were welcomed by the IoD, UK Hospitality, and the CBI.
- 12.11. On 1 April 2020, my private office received an introductory briefing to the Bill, which set out that the measures consisted of two main parts. First, the briefing set out that the Bill was to bring forward an insolvency reform package which had been previously announced by Government, including a moratorium from creditors, preventing termination clauses from operating in insolvency procedures, and a new restructuring plan. The second measure concerned the suspension of wrongful trading provisions for a time limited period [PS/468 – INQ000657177] [PS/469 – INQ000657178].
- 12.12. I attended a meeting with the Secretary of State, Lord Callanan and officials on 3 April 2020, which included an update as to the scope, progress, and timing of the Bill [PS/470 – INQ000657182].
- 12.13. On 8 April 2020, my private office was copied into a submission which asked the Secretary of State to provide a steer as to whether to include various insolvency measures ought to be included in the Bill [PS/471 – INQ000585557]. The Department's intention was to introduce the Bill in the week commencing 4 May 2020. At this stage, the proposals included greater flexibility in the insolvency regime and amendments to

company law which would provide firms with temporary easements in relation to AGM and company filing requirements.

- 12.14. Following this submission, the Secretary of State and I attended a meeting on 9 April 2020, during which the issues raised in the submission were discussed [PS/472 – INQ000657187] [PS/471 – INQ000585557]. The Secretary of State gave a strong steer that the Bill should proceed in respect of measures which had been the subject of collective agreement, which related to statutory demands and winding up orders [PS/473 – INQ000585556]. I attended a further meeting on 13 April 2020 where it was agreed that the proposed measures in relation to statutory demands and winding-up petitions should proceed, subject to approval at EBRIG [PS/473 – INQ000585556].
- 12.15. On 16 April 2020, I attended a meeting with Secretary of State, Lord Callanan and officials regarding the Bill [PS/474 – INQ000585562] [PS/475 – INQ000585563] [PS/476 – INQ000585564]. A particular issue arose in relation to the provisions regarding Northern Ireland, which were complex and lengthy, and the Secretary of State's priority was that measures come into effect promptly, even if introduction of the Bill had to be delayed to enable their drafting to be completed [PS/477 – INQ000625426].
- 12.16. As set out in the CWS, Part D, §§3.19 – 3.21, INSS prepared an Impact Assessment for the Bill.
- 12.17. Meanwhile, and as would be expected as the development of the Bill progressed, the Secretary of State and I attended weekly meetings during which we received updates from officials (on 23 April 2020 [PS/478 – INQ000585583], and 30 April 2020 [PS/479 – INQ000585606].) I also approved the Parliamentary handling strategy on 4 May 2020 [PS/480 – INQ000657228].
- 12.18. At a meeting on 8 May 2020, officials noted that the opposition had been broadly very supportive of the Bill, and the Secretary of State requested that I meet the shadow BEIS team to assess the measures in the Bill more closely [PS/481 – INQ000585621]. These meetings took place on or around 11 May 2020.
- 12.19. I was also updated with details of the 8 May 2020 calls between the Secretary of State and Anneliese Dodds (the shadow Chancellor) [PS/482 – INQ000657237], and the BROs (where the Secretary of State did not have a chance to cover the intended content on the Bill) [PS/483 – INQ000625491] [PS/073 – INQ000625492]. I understand from documents now available that a call intended with TUC to discuss the Bill did not take place [PS/484 – INQ000657238], and the documents and correspondence

available could not establish whether a planned call with and Andrea Leadsom (the former Secretary of State for Business Energy and Industrial Strategy) occurred.

- 12.20. On 20 May 2020, the Secretary of State introduced the Bill in the House of Commons for its first reading. It was fast-tracked through the legislative process, receiving its second reading on 3 June 2020 and Royal Assent on 25 June 2020. CIGA came into force on 26 June 2020.
- 12.21. As set out in the CWS, Part D, §§3.26 – 3.27, INSS was responsible for the delivery of the majority of sections in CIGA (44 out of a total of 50) as the effective 'owner' of the legislation.
- 12.22. The Department retained responsibility for the remaining six sections of CIGA which related to temporary amendments to the Companies Act 2006. Principally, these concerned i) AGM requirements and ii) Extension of Companies House filing deadlines, as explained in the CWS, Part D, §§3.29 – 3.31.

Reflections on the Insolvency Changes

- 12.23. I am asked for my reflections in relation to a number of topics regarding the changes to the insolvency regime described above. While I was Bill Minister and therefore played the above role in the passage of the Bill through Parliament, I do not have a close understanding of the implementation and developments since the passage of the Bill. I am therefore not in a position to offer a detailed assessment of the working of particular features of the CIGA. However, I do not recall any particular challenges working with HMT, MHCLG, or INSS.
- 12.24. The changes to the UK's insolvency regime had been discussed thoroughly in advance with stakeholders. The Covid-19 specific reforms were particularly well received by R3, the trade association of UK insolvency professionals.
- 12.25. I have considered the Post-Implementation Review of the CIGA [PS/485 – INQ000657505] and would refer the Inquiry to the detailed assessment within that Review. This includes that the permanent CIGA measures have been broadly welcomed by stakeholders, and that the benefits included improved company survival and job preservation, alongside costs to businesses associated with familiarisation with the new regime, and additional insurance and legal costs.

Section 13: Business Rates Relief

- 13.1. As explained in the CWS, Part A, §2.28, BRR was a pre-pandemic measure, originally introduced in the Budget of 29 October 2018, under which eligible retailers could receive a discount of one third on their business rate bills. In the Spring Budget in March 2020, the Chancellor announced that the discount would be increased to 100% and that the relief would be extended to the hospitality and leisure sectors.
- 13.2. From the outset of the pandemic, businesses had made clear to me and others the importance of granting relief on business rates. For example, at a meeting with the BROs on 17 March 2020 representatives, particularly from the hospitality sector, made clear the role of business rates relief in supporting businesses [PS/486 – INQ000657154].
- 13.3. My personal involvement in BRR was thereafter limited to a period in June 2021.
- 13.4. On 14 June 2021, the final stage of lifting pandemic business restrictions was delayed by four weeks. Reflecting the concerns raised to me by officials and representatives of businesses operating in the hospitality sector, I was concerned about the impact of this delay, which was not at this point due to be accompanied by an extension of 100% BRR. My view was that the full discount should be extended until the restrictions on business were lifted [PS/487 – INQ000585762] [PS/488 – INQ000585763].
- 13.5. I instructed BEIS officials to prepare a paper on BRR accordingly, the contents of which are summarised in the CWS, Part D, §2.16 [PS/489 – INQ000585764]. Following my approval, a finalised paper was sent to HMT on 2 July 2021, to ask that HMT consider further support to the most vulnerable sectors in view of the continuing impact of trading restrictions [PS/490 – INQ000585766] [PS/491 – INQ000585767]. I did not receive a response from HMT on this proposal, but it would likely have been considered by HMT in the Chancellor’s announcements on business rates in the October 2021 budget.
- 13.6. I am asked for my reflections in respect of my work on BRR. However, in light of the very limited involvement in this scheme, I am unable usefully to assist over and above that which I have set out above.

Section 14: Data and Modelling

- 14.1. CWS, Part A, Section 4 sets out in detail the Department's use of data and modelling in developing advice during the pandemic, which in turn influenced the advice which officials provided to ministers (including me). I do not recall undertaking my own data analysis or generating of modelling to inform my decisions.
- 14.2. In terms of other data and modelling that I received, I note that I received the Dashboard (that was circulated from late-March 2020 onwards). This was a comprehensive slide pack consisting of data on sector, regional and Devolved Administration impacts of the pandemic and SME insights. By way of example, the Dashboard dated 17 April 2020 is at [PS/492 – INQ000543157]. Over time, the Dashboards were also used to communicate feedback from businesses in relation to the loan and grant schemes. These Dashboards were often over 100 pages, so I may not always have had time to review the entire document, but they would have been useful to understand how specific sectors were being affected, in addition to the stakeholder calls I was having at the time.
- 14.3. Another example of data I was regularly sent relevant to the Government's economic response to Covid-19 was the Macroeconomic Shocks Response Business Intelligence Dashboard, and the Weekly Ops and Shocks Bulletin, which both consisted of economic shocks and opportunities that had been announced in the preceding week. These regular newsletters were being sent around even prior to the Covid-19 pandemic and continued throughout my time as Minister until at least June 2021, at which point this information was subsumed into the above-mentioned fortnightly Covid-19 Sector & Regional/Devolved Administrations Dashboard.
- 14.4. I am asked about any significant limitations in the availability or quality of data used to design economic support schemes. The Department has identified in its statement instances of limitations in data and modelling. CWS, Part C, §17.13a notes that the design of the cohort one grant schemes was undertaken without sufficient knowledge and understanding of the accuracy of data held by the local authorities on rateable businesses. Additionally, the CWS, Part C, §17.27 discusses that, with respect to the design of the cohort one grant schemes, the Department overestimated the accuracy and reliability of data held by local authorities, which also contributed to the level of irregular payments. I have also addressed gaps or shortcomings in information in the cohort one grant schemes in section 11 of this statement.

- 14.5. On this point, at the time at which local authorities were having trouble locating contact details for businesses that were eligible for grants but had not utilised them, I recall raising with officials and local authorities that they contact local accountants to obtain these details – as most small businesses will have had an accountant who will tend to be located in the same town or city.
- 14.6. The CWS, Part B, §§9.17 – 9.20, 9.31 – 9.32 also set out challenges relating to data and modelling for the loan schemes. These centred primarily on lack of data (for instance, to complete value for money analyses) and uncertainty in the data that officials did have, given the scale and duration of the pandemic was uncertain.
- 14.7. Given the limits of my personal involvement as set out above, I believe others will be better placed to comment on whether DBT and HMT made adequate use of data, economic modelling and other scenario analysis in the economic response to the pandemic.

Section 15: Inequalities and Vulnerable Groups

- 15.1. I am asked about how I considered inequalities and economically vulnerable groups in the advice I provided during the pandemic, and any challenges I may have faced.
- 15.2. As an initial point, advice about equalities issues, and in some cases equality impact assessments, were included in submissions that officials sent to me for various loan and grant schemes, including for example CLBILS on 14 April 2020 [PS/159 – INQ000563950], Future Fund on 17 May 2020 [PS/358 – INQ000585641]; RLS on 15 February 2021 [PS/151 – INQ000000000], which I see from the documents provided to me was later subject to a renewed PSED assessment for its six-month extension [PS/493 – INQ000564227]. Assessments for the LRSG (Closed), LRSG (National), LRSG (Open), the Bolton scheme, and ARG on 3 November 2020 [PS/434 – INQ000543460] and updated versions on 23 December 2020 [PS/042 – INQ000543593], and 3 February 2021 [PS/494 – INQ000543639] were also provided to me.
- 15.3. One of the reflections by the Department at CWS, Part B, §10.23, is that the speed of development of the loan schemes made the usual policy development processes, including equality impact assessments, difficult to complete in the required time frame. I would echo this reflection. Indeed, some PSED assessments were not completed until after the schemes had been launched. Specifically, my understanding is that PSED assessments were completed for CBILS, CLBILS and BBLS on 18 June 2020 [PS/495 – INQ000564059].
- 15.4. The Department also acknowledges at CWS, Part C, §13.2 that the equality impact assessments relating to the SBF, RHLGF, LADGF and LRSG grants schemes should have been completed prior to implementation, but that the Department was operating with limited capacity and was overwhelmed with the amount of work required to design and implement the schemes. It does, however, note that had the assessments been completed ahead of implementation, it is unlikely that any major changes would have been made to how the schemes were operationalised. At CWS, Part C, §13.3 – 13.5, the Department notes that the assessed risk of an impact on equalities was low, and the impact could be, and was, minimised.
- 15.5. I do not recall having any formal meetings specifically to discuss or consider matters relating to inequalities and vulnerable groups within the loan and grant schemes, and the Future Fund.

- 15.6. I consider the loan and grant schemes were broadly equal in their impact and took into account inequalities and economically vulnerable groups, but there were instances where individuals and companies could not or did not realise, they could claim assistance. This reflection applies to the Government's economic response more generally, not just the loans and grant schemes. For instance, contractors who considered themselves self-employed but had structured their business in such a way as to draw dividends rather than pay themselves a salary were sometimes unaware of, or unable to claim, the support they were eligible for. Similarly, business owners in diaspora communities who were not connected to trade bodies or BROs found it more difficult to access the support that was available than others who were a part of trade groups such as the FSB – see for instance the efforts I made to reach those restaurant owners who might not otherwise have been aware of the support available. While, looking back, I would push further for support for such groups, and for the self-employed generally, I am conscious that we were learning as we went in a time of unprecedented economic hardship.
- 15.7. In any future response to an economic crisis I would expect that government could better reach networks and communities that go beyond the normal BROs that I have discussed in my statement. In future, government should have a blueprint to work from, and more time available to spend on working through equality matters, including communications activity and wider stakeholder engagement. In addition, considering the government's economic response more generally, having a ready-made solution to extend to the self-employed, and those that structure their business in such a way that they do not easily fit within government support schemes (e.g. contractors who pay themselves dividends), will be an important task to take forward.

Section 16: Lessons Learned and Reflections

- 16.1 I have already set out a number of my reflections in relation to specific schemes in the relevant dedicated sections of my statement above, including my overarching views on the effectiveness of the loan schemes in Section 10 and the grant schemes in Section 11.
- 16.2 A common theme running across the financial support measures was that the Government prioritised speed of delivery over mitigating the risk that funds would be paid out unnecessarily or irregular payments made (including due to fraud). Reducing these risks substantially would have taken time during which many businesses are likely to have failed financially as a result of the trading restrictions in place. The Ipsos Report concluded that the financial support provided to businesses during the pandemic helped to avoid the closure of between 100,000 and 150,000 workplaces and saved up to 1 million jobs [PS/381 – INQ000610872].
- 16.3 Reflecting on the scale of the scale of the impact of the Government’s business support interventions, I note that, and as set out in the CWS, Part A, §6.18, the loan schemes collectively provided £77 billion in loan finance to businesses from inception to 30 June 2022 and the grant schemes together provided £22.6 billion in funding to businesses between inception and 31 March 2022.
- 16.4 I accept that, as the Chair found in the Module 1 report and the Department has already acknowledged in the CWS, Part A, §6.11, the Government did not have a ‘playbook’ of potential business support responses and, by necessity, new schemes were introduced at speed and the Department’s work was largely reactive, with the efficiency of its response reduced by the lack of preparedness
- 16.5 I understood that the fastest way to get financial help to businesses was through reverse-engineering existing structures such as payroll and business rates. We recognised at the time that the systems that were developed quickly as a means to transfer financial support were not perfect and involved trade-offs. We also anticipated that there would be reconciliation and recovery work to be carried out a later date, once the immediate emergency had passed.
- 16.6 My legal team have referred me to the Lessons Learned in the Ipsos Report (at table 6.1 on pages 93 to 95) [PS/381 – INQ000610872] with which I broadly agree. These can be summarised as follows:

- a) Targeting: In order to improve the value for money of any future emergency response measures, there should be better targeting of those businesses facing acute financial distress. Assuming the objective of preventing the failure of otherwise viable businesses, achieving this would require an examination of the revenue impacts of future crises on businesses seeking support and the ability of businesses to draw upon reserves to meet operating costs. Such assessments would involve significant transaction costs and consideration will be required in relation to the appropriate infrastructure and measures required to streamline this exercise.
- b) Infrastructure: Delivery challenges were minimised in circumstances in which existing delivery templates and infrastructure were in place. For example, BBB expedited CBILS by relying on existing accreditations for the EFG. It would be helpful for the Government to consider the range of schemes that might be available to facilitate a range of possible future emergency responses and evaluate the benefits and costs of putting this infrastructure in place in order to allow schemes to be activated rapidly when required.
- c) Real time information: After the event evaluations revealed weaknesses in the information available to policymakers, in particular in relation to the lack of real time data on the financial performance and resilience of businesses and other institutions. Therefore, Government was often reliant upon engagement with business representatives and surveys in order to understand the impact of restrictions on the economy. For example, the Ipsos evaluation of the loan schemes highlighted that, when designing BBLs, Government was working on the assumption that SMEs had less than one month of cash in the bank. However, that level of financial distress was not observed in the later evaluation of balance sheet data. Strengthening the availability of real time data (for example, through open banking data arrangements) would improve the Government's to establish the impact of measures and target support.
- d) Choice of instrument: It is probable that loan-based support will offer greater long-term value for money than grant-based support. There was little difference between the difference in the effectiveness of cashflow support between the two types of schemes and in the long run most businesses can be expected to repay loans, reducing the cost to the public sector.

e) Fairness: Greater targeting of support is likely to produce challenges based on perceived unfairness. It would be helpful, in advance of a future emergency, to reach a consensus among stakeholders as to a set of principles underpinning the approach to targeting support in a future crisis.

16.7 As I have noted above, I was particularly concerned for the position of those, including the self-employed and contractors, who 'fell through the net' and were unable to access support (whether through loans or grants, or considering the Government's economic response more generally). Some of these people faced difficulties in providing the right year end accounts as evidence, for example. Others could not receive support because they paid themselves through dividends. With hindsight I wish that I had made stronger representations and been more successful in securing support for the self-employed, having been in the position of paying myself through dividends a few years prior to the pandemic.

Section 17: Relevant Documents

- 17.1. I am asked to set out the messaging platforms I used to communicate about the economic response to the pandemic between 1 January 2020 and 28 June 2022. My communications during this period were primarily via my ministerial email as described throughout this statement and listed at Annex C. In addition, I made telephone and video calls and used mobile phone messages.
- 17.2. My email communications included messages with various civil servants, government officials and ministers. At Annex B, I have included a list of Department ministers and senior officials.
- 17.3. I shared a WhatsApp group with my private office, the contents of which (for the relevant period) will be made available to the Inquiry in full alongside this statement. I have referred to a small number of WhatsApp exchanges from this group above.
- 17.4. I do not have a notebook or diary records in either physical or electronic form with additional content relevant to the scope of Module 9. I do have an electronic diary from my constituency office with details of meeting invites sent to me in my role as Minister, and in my duties as an MP. I do not consider this diary will provide relevant information further to that already provided, but I remain willing to provide it to the Inquiry on request.

Statement of Truth

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief of its truth.

Personal Data

Signed

Dated:

24/10/2025

Annex A: Acronyms Used within this Statement

| Acronym | Full Title |
|-------------------|---|
| AML | Anti-Money Laundering |
| ARG | Additional Restrictions Grant |
| BBB | British Business Bank |
| BBLS | Bounce Back Loan Scheme |
| BCC | British Chambers of Commerce |
| BEIS | Department for Business, Energy and Industrial Strategy |
| BFAB | Business Finance Assurance Board |
| BPC | British Patent Capital |
| BROs | Business Representative Organisations |
| BRR | Business Rates Relief |
| CBI | Confederation of British Industry |
| CCA | Consumer Credit Act 1974 |
| CCFF | Covid Corporate Financing Facility |
| CFO | Chief Finance Officer |
| Chancellor | Chancellor of the Exchequer |
| CIGA | Corporate Insolvency and Governance Act |
| Cifas | Credit Industry Fraud Avoidance System |
| CBILS | Coronavirus Business Interruption Loan Scheme |
| CBLP | Closed Business Lockdown Payment |
| CCFF | Covid Corporate Financing Facility |
| CLBILS | Coronavirus Large Business Interruption Loan Scheme |
| CLGU | Cities and Local Growth Unit |
| CO | Cabinet Office |
| CSBILS | Coronavirus Small Business Interruption Loan Scheme |
| CSP | Christmas Support Payment |
| CWS | Corporate Witness Statement |
| DBT | Department for Business and Trade |
| DCMS | Department for Digital, Culture, Media and Sport |
| DEFRA | Department for Environment, Food and Rural Affairs |
| DHSC | Department for Health and Social Care |
| DLUHC (now MHCLG) | Department for Levelling Up, Housing and Communities |
| DSIT | Department for Science, Innovation and Technology |
| EBRIG | Economic and Business Response Implementation Group |
| EFG | Enterprise Finance Guarantee |
| ERD | Expanded Retail Discount |
| FF | Future Fund |

| Acronym | Full Title |
|----------------|--|
| FMB | Fraud Ministerial Board |
| FRA | Fraud Risk Assessment |
| FTE | Full-time equivalent |
| FSB | Federation of Small Businesses |
| GCFF | Government Counter Fraud Function |
| HMRC | His Majesty's Revenue and Customs |
| HMT | His Majesty's Treasury |
| ICAEW | Institute of Chartered Accountants of England and Wales |
| IDAB | Industrial Development Advisory Board |
| INSS | The Insolvency Service |
| IoD | Institute of Directors |
| KYC | Know your Customer |
| LADGF | Local Authority Discretionary Grant Fund |
| LPAB | Lender Performance Advisory Board |
| LRSG | Local Restrictions Support Grant |
| MHCLG | Ministry of Housing, Communities and Local Government |
| NAO | National Audit Office |
| NATIS | National Investigation Service |
| NCA | National Crime Agency |
| NECC | National Economic Crime Centre |
| NERVTAG | Advisory Group on New and Emerging Respiratory Virus Threats |
| No.10 | No. 10 Downing Street |
| OBR | Office of Budget Responsibility |
| OGDs | Other government departments |
| OHLG | Omicron Hospitality and Leisure Grant |
| PAYG | Pay As You Grow |
| PEAP | Post Event Assurance Plan |
| PG | Personal Guarantee |
| PIC | Projects and Investment Committee |
| PSED | Public Sector Equality Duty |
| PwC | Price Waterhouse Cooper |
| R&D | Research and development |
| Restart Grant | Restart Grant |
| RHLGF | Retail, Hospitality and Leisure Grant Fund |
| RLS | Recovery Loan Scheme |
| RN | Reservation Notice |
| SAR | Suspicious Activity Report |

| Acronym | Full Title |
|----------------|------------------------------------|
| SBGF | Small Business Grant Fund |
| SEIS | Seed Enterprise Investment Scheme |
| SMEs | Small and Medium-sized enterprises |
| SoS | Secretary of State |
| SRO | Senior Reporting Officer |
| TUC | Trade Unions Congress |
| UKF | UK Finance |
| UKGI | UK Government Investments |
| VfM | Value For Money |

Annex B: Key Persons

| NAME | ROLE | PERIOD |
|----------------------------|--|----------------------------------|
| Ministers | | |
| Alok Sharma MP | Secretary of State for BEIS | February 2020 to January 2021 |
| Kwasi Kwarteng MP | Secretary of State for BEIS | January 2021 to September 2022 |
| | Minister of State for Business, Energy & Clean Growth | July 2019 to December 2021 |
| Anne-Marie Trevelyan MP | Minister of State for Business, Energy & Clean Growth | January 2021 to September 2021 |
| Greg Hands MP | Minister of State for Business, Energy & Clean Growth | September 2021 to September 2022 |
| Amanda Solloway MP | Minister for Science, Research and Innovation | February 2020 to July 2021 |
| George Freeman MP | Minister for Science, Research and Innovation | September 2021 to July 2022 |
| Paul Scully MP | Minister for Small Business, Consumers and Labour Markets | February 2020 to July 2022 |
| Lord Grimstone of Boscobel | Minister of State for Investment | March 2020 to July 2022 |
| Lord Callanan | Parliamentary Under Secretary of State for Business, Energy and Corporate Responsibility | February 2020 to February 2023 |
| Officials | | |

| Permanent Secretaries | | |
|------------------------------|---|-----------------------------------|
| Alex Chisholm | Permanent Secretary, BEIS | July 2016 to April 2020 |
| Sam Beckett | Acting Permanent Secretary, BEIS | April 2020 to July 2020 |
| Sarah Munby | Permanent Secretary, BEIS | July 2020 to February 2023 |
| Directors General | | |
| Sarah Munby | Business Sectors | July 2019 to July 2020 |
| Jo Shanmugalingam | Industrial Strategy, Science, Innovation and Growth | Pre-January 2020 to February 2023 |
| Directors | | |
| Gemma Peck | Business Growth | March 2020 to February 2023 |
| Jenny Dibden | Cities and Local Growth Unit | March 2020 to March 2021 |
| Rachel Merelie | Business Investment | Pre-January 2020 to October 2020 |
| Tom Taylor | Corporate Services, CFO | Pre-January 2020 to February 2023 |
| Emily Bourne | C19 Coordination Hub | March 2020 to July 2020 |
| Catherine Bremner | C19 Coordination Hub | March 2020 to July 2020 |
| Ben Golding | C19 Coordination Hub | March 2020 to July 2020 |
| Chris Thompson | Labour Market | Pre-January 2020 to February 2020 |
| Tom Griffiths | Labour Market | February 2020 to August 2020 |
| Mark Keoghan | LAG – Chief Analyst | Pre- January 2020 to January 2022 |

| | | |
|-------------------------|---|-----------------------------------|
| Carl Cresswell | Services | Pre-January 2020 to February 2023 |
| Deputy Directors | | |
| Tony Bray | Cities and Local Growth Unit | March 2020 to March 2021 |
| Stephen Greenwood | Local Authority Grants - Funding Delivery | January 2020 to March 2021 |
| Laurence Pawley | Business Finance | March 2020 to February 2023 |
| Angelina Cannizzaro | SME Finance and International | Pre-January 2020 to February 2023 |
| Adam Harmon | Local Authority Grants – Business Growth Analysis | Pre-January 2020 to January 2022 |
| Andrew Paterson | Business and Local Growth Analysis | Pre-January 2020 to November 2020 |
| Leah Sparks | Corporate Services, Counter Fraud | Pre-January 2020 to February 2023 |
| Laura Higgins | Corporate Services, Counter Fraud | Pre-January 2020 to February 2023 |

Annex C: Exhibit Schedule

Please see attached.

Annex D: Table identifying responses to each Rule 9 question

Please see attached.

Annex E: Chronology of Stakeholder Engagement Meetings

Please see attached.