

Witness Name: Nadhim Zahawi

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UK COVID-19 INQUIRY

MODULE 9

MODULE 9 WITNESS STATEMENT OF NADHIM ZAHAWI

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I, the Rt Hon Nadhim Zahawi, will say as follows:

Section 1: Introduction

Introduction

- 1.1. I make this statement in response to the request sent to me by the UK Covid-19 Inquiry ("the Inquiry") dated 27 June 2025 requesting a draft witness statement for Module 9 of the Inquiry ("the Rule 9 request").
- 1.2. This statement is based on my personal recollections, and documents provided to me by the current Department for Business and Trade ("DBT"). My legal advisors and DBT have carried out searches of relevant documents from that period. The views expressed in this statement are my own.
- 1.3. This is the second personal witness statement that I have made to the Inquiry. I previously provided a personal witness statement for Module 4 ("Module 4 Statement") as the former Minister for Covid-19 Vaccine Deployment. I also gave evidence at the hearings of that Module on 27 January 2025.

Background to the Rule 9 request

- 1.4. The Rule 9 request relates to my role as Parliamentary Under Secretary of State (Minister for Business and Industry) for the former Department for Business, Energy and Industrial Strategy ("BEIS" or "the Department"). I held this role from 26 July 2019 to 15 September 2021.
- 1.5. Hereinafter I refer to that role as "Business Minister".
- 1.6. In this statement, I focus on the period from the outset of the Covid-19 pandemic to 28 November 2020, when I became Parliamentary Under Secretary of State (Minister for Covid Vaccine Deployment) at the Department for Health and Social Care ("DHSC"), a role which I also held until 15 September 2021.
- 1.7. Hereinafter I refer to that role as "Vaccine Minister".
- 1.8. Although I formally remained as Business Minister during my time as Vaccine Minister, the demands of the latter meant that from late November 2020, I handed over much of my former BEIS responsibilities to Minister Scully (Minister for Small Business, Consumers and Labour Markets) and Lord Grimstone of Boscobel (Minister of State for Investment).

BEIS Module 9 Corporate Witness Statement

- 1.9. Some issues raised in the Rule 9 request are addressed in detail within the initial corporate witness statement (“CWS”) for Module 9, submitted by Gareth Davies in his capacity as the current Permanent Secretary for DBT, on behalf of BEIS [NZ/001 – INQ000653217] [NZ/001a – INQ000653218] [NZ/001b – INQ000653219] [NZ/001c – INQ000653220].
- 1.10. Where relevant, I will refer to, reproduce or summarise relevant content from the CWS within this statement, including references where appropriate using the format: “**CWS, Part X, §XX**”.

Summary of my overall response

- 1.11. To summarise my overall response to the Rule 9 request, to the best of my recollection, I had relatively limited involvement in the matters raised. While I was involved in broader discussions around business support measures, I did not have direct responsibility for the design of the loan and grant schemes asked about by the Inquiry, nor did I have detailed involvement in the policy work for those schemes. Most of the key decisions which the Inquiry has asked about were made at the Secretary of State level.
- 1.12. While I did provide some limited advice in respect of the schemes in the early stages of the pandemic (e.g. noting the need for speed in respect of the grants schemes [NZ/001d – INQ000654998]), as time went on, I was increasingly occupied with other matters. After the early phase of the pandemic (which I discuss in Section 4), my main role as relevant to Module 9 was stakeholder engagement. As discussed further in Section 2, I attended many meetings in 2020; at one point, my regular Covid-19 engagements reached almost 200 organisations [NZ/002 – INQ000655050]. I was also tasked by the Secretary of State with leading on calls with the Devolved Administrations (“DAs”) [NZ/003 – INQ000065266] (see, for an overview of these calls, [NZ/004 – INQ000065286]). Some of those meetings involved me updating the DAs about the business support schemes, but that was not their only focus (e.g. there were also discussions about wider topics, such as furlough). Around 23 such meetings were organised between March and December 2020.
- 1.13. I would also note, by way of context that, during March-November 2020, both Minister Scully and I were copied into various submissions concerning the relevant loan and grants schemes sent to the Secretary of State for his approval. In this period both Minister Scully and I attended meetings, about the pandemic, with Business

Representative Organisations (“BROs”) which were chaired by the Secretary of State [NZ/005 – INQ000625395].¹

1.14. Minister Scully was, to the best of my recollection, more involved than I was in the loan and grant schemes.² My recollection in this respect is supported by documents which my legal advisors have shown me, for example:

- a) In March 2020, Minister Scully was tasked by the Secretary of State with attending calls about CBILS with HM Treasury (HMT) officials and lenders [NZ/006 – INQ000543059] (this document refers to a submission of 10 March 2020 about potential business support measures in the next day’s Budget, [NZ/007 – INQ000543056]).³ I did not personally attend these calls.
- b) Certain submissions about the grants schemes were sent to the Secretary of State (in some cases, copying Minister Scully), but not directed to me: e.g. the 3 April 2020 progress update on the SBGF and RHLGF [NZ/008 – INQ000543147],⁴ the 20 July 2020 proposal in respect of Leicester lockdown funding [NZ/009 – INQ000543292], and the 23 October 2020 submission about grant funding schemes in areas subject to local lockdowns [NZ/010 – INQ000543413].

1.15. I have also been shown the Department’s Module 2 corporate witness statement (“Module 2 CWS”), in which the Department stated (§1.14, §5.2) that the key decision-makers at the ministerial level in respect of the pandemic response were the Secretary of State and Minister Scully. This accords with my own recollection of that time.

¹ A “Covid Engagement Tracker” (May 2020) lists Minister Scully as the “additional minister” to the Secretary of State at BROs calls in March, April and May 2020 [NZ/011 - INQ000655074]. In some cases, both Minister Scully and I attended BROs meetings, e.g. on 11 March 2020 [NZ/084 - INQ000625267].

² I note that Minister Scully’s portfolio included small and medium-sized enterprises (“SMEs”) and business support [NZ/066 - INQ000654980].

³ A “Covid Engagement Tracker” (May 2020) also suggests that Minister Scully also attended two “individual calls” with the Secretary of State about CBILS on 14 and 24 April 2020 [NZ/011 - INQ000655074].

⁴ Submission marked for the Secretary of State and Minister Scully to “note/comment”, no actions listed for me.

Section 2: Roles and Responsibilities

2.1. I address the following topics in this section:

- a) Career History.
- b) Responsibilities as Minister for Business and Industry at BEIS (2019-2021).
- c) Stakeholder engagement.
- d) Key meetings in the period January-November 2020.

Career history

2.2. I originally qualified as a chemical engineer and then co-founded an international market research company before becoming a Chief Strategy Officer within the petrochemical industry.

2.3. I entered politics in 2010. I was the Member of Parliament for Stratford-upon-Avon from 6 May 2010 to 30 May 2024. During my political career, I held major ministerial roles that shaped national policy, including (in addition to Business Minister and Vaccine Minister, discussed at §1.4 - §1.6 above):

- a) Parliamentary Under-Secretary for the Department for Education from 9 January 2018 – 26 July 2019;
- b) Secretary of State for Education from 15 September 2021 – 5 July 2022;
- c) Chancellor of the Exchequer from 5 July 2022 – 6 September 2022;
- d) Minister for Intergovernmental Relations for the Department of Levelling Up, Housing and Communities from 6 September 2022 – 25 October 2022;
- e) Minister of Equalities for the Government Equalities Office from 6 September 2022 – 25 October 2022;
- f) Chancellor of the Duchy of Lancaster from 6 September 2022 – 25 October 2022;
- g) Minister (without Portfolio) for Cabinet Office from 25 October 2022 – 29 January 2023.

2.4. I re-entered the business sector after my career in politics and currently chair the boards of several private firms.

Responsibilities as Minister for Business and Industry ('Business Minister')

2.5. I held the role of Business Minister from 26 July 2019 to 15 September 2021.

- 2.6. As Business Minister, I held ministerial responsibility for a number of key portfolios, including life sciences, advanced manufacturing, and business engagement. My role involved working closely with industry leaders, trade bodies, and other stakeholders to support innovation, drive economic growth, and ensure the resilience of key sectors.
- 2.7. To outline my role from January to November 2020, as most relevant to Module 9:
- a) From January 2020 to early March 2020, i.e. the initial stages of the pandemic, I attended a number of COBR(M) meetings. I also made some, limited, comments in response to submissions sent to the Secretary of State, and copied to me, about the initial economic impact of the pandemic and potential economic responses. This was prior to the Budget of 11 March 2020, in which the Chancellor announced some business support measures. See further **Section 4** below (“Role in Early Decision Making”).
 - b) From early March 2020 to November 2020, my main role was stakeholder engagement. In particular, I was tasked by the Secretary of State with regularly liaising with ministerial colleagues in the Devolved Administrations. In addition, I met with various business, and sector, stakeholders; I attended a very large number of meetings during this period [NZ/002 – INQ000655050], [NZ/011 – INQ000655074]. See further below, as to stakeholder engagement and my key meetings.
 - c) As set out in Section 1, to the best of my recollection, I had relatively limited involvement in the matters raised in the Rule 9 request. While I was involved in broader discussions around business support measures, I did not have direct responsibility for the design of the loan and grant schemes asked about by the Inquiry, nor did I have detailed involvement in the policy work for those schemes. Most of the key decisions which the Inquiry has asked about were made at the Secretary of State level. I discuss each scheme which the Inquiry has asked about in more detail in **Sections 5-7** and **9-13**, below.
 - d) In July 2020, I attended the first meeting of the Covid-19 Fraud Ministerial Board on behalf of the Department. I did not attend any further meetings. I discuss the Fraud Ministerial Board further in **Section 8** below.
 - e) From late November 2020 onwards, as noted above (§1.8), I was focused on my new role as Vaccine Minister and my BEIS portfolio was largely transferred to Minister Scully and Lord Grimstone.

2.8. I would further note by way of context that:

- a) As set out in my Module 4 Statement, in March to November 2020 I also had a role in relation to the “Ventilator Challenge”. This began on 13 March 2020, and was a cross-departmental approach in response to the immediate need for more mechanical ventilators. While the Ventilator Challenge was led by Cabinet Office, there were key activities undertaken by BEIS on specification, shortlisting offers to support the building and testing of ventilation devices, and the management of relationships with partners. My role on behalf of BEIS involved the coordination of manufacturers willing to address our ventilator shortage.
- b) I had some involvement in discussions around vaccines prior to my appointment as Vaccine Minister, for example calls with the life sciences sectors on 30 March [NZ/012 – INQ000655005] and 31 March 2020 [NZ/013 – INQ000655008].

Stakeholder engagement – March to July 2020

- 2.9. By way of context, in March 2020, the Department was tasked by EBRIG (the Economic and Business Response ministerial implementation Group) with undertaking regular engagement with stakeholders at the ministerial level. EBRIG was a group, chaired by the Chancellor, which considered the economic and business response to the pandemic (CWS, Part A, §5.1). After the Secretary of State hosted initial calls with critical manufacturers, responsibility for this manufacturing group call was transferred to me. More generally, as at late April 2020, my regular Covid-19 engagements reached almost 200 individual organisations, including over 50 trade associations, and I was having regular calls on a weekly or fortnightly basis with a range of industries and sectors including automotive, steel, and professional and business services. I exceeded my initial commitments in terms of my regular Covid-19 engagements. [NZ/002 – INQ000655050], [NZ/014 – INQ000655048], [NZ/015 – INQ000655049].
- 2.10. My stakeholder engagement involved receiving business intelligence on the pandemic generally and providing updates to stakeholders on the Government’s economic response. It was incumbent on BEIS officials and junior ministers like me, to ensure that businesses were listened to in respect of the impacts of Covid-19.
- 2.11. My engagement with stakeholders covered a range of topics outside of Module 9’s scope, e.g. vaccine manufacturing [NZ/013 – INQ000655008] and furlough [NZ/016 – INQ000089930], as well as, in some meetings, the business support measures. For

example, on 9 April 2020, at my regular meeting with the DAs, I provided an update on the changes to CBILS and the new scheme launching soon, CLBILS [NZ/017 – INQ000538773]. In a further meeting with DA counterparts on 15 July 2020, a request was made from the Scottish Government that the “*unwinding*” of business schemes “*be done in a creative way to ensure investment for growth*” [NZ/018 – INQ000538859].

- 2.12. My role was to relay, to stakeholders, the Department’s efforts generally, on which I was ‘briefed’ in advance (an example is my briefing for calls with the DAs on 22 April 2020, summarising the furlough scheme, CLBILS, and the Future Fund [NZ/016 – INQ000089930]). I was not describing my own personal role in policymaking but, rather sought to reassure stakeholders that the Department was working daily to operationalise the schemes (e.g. in response to feedback about difficulties for businesses accessing CBILS [NZ/019 – INQ000538788]).
- 2.13. Feedback from stakeholders in such meetings was, to the best of my understanding, collated by policy officials as part of the general business intelligence which the Department was gathering at this time about the economic response to the pandemic (see for example [NZ/020 – INQ000655002]). Also, as outlined in the CWS, Part A, §4.3, a Business Intelligence Pack or ‘dashboard’ was created which provided a weekly summary of the impact on business sectors and, as the pandemic developed, included feedback from businesses about the loan and grant schemes. I understand from the CWS that the Business Intelligence Pack was also used to inform meetings of EBRIG. As a Department generally, I felt we were close to all sectors affected by the economic response to the pandemic, and had a strong ‘radar’ to pick up what was happening on the ground and feed that intelligence back to Government. There were dedicated teams for each sector of the economy and the Department was able to manage those relationships effectively.
- 2.14. An example of the ‘collation’ of business intelligence by policy officials arising out of such meetings is provided by the “COVID-19 key business insights daily insight report: 28 April” which details meetings I had held with various stakeholders, touching on (for example) furlough [NZ/021 – INQ000655047].
- 2.15. My recollection of this time is that I may also, on some occasions, have discussed relevant feedback I was receiving from businesses at meetings within the Department. In particular there were regular ministerial calls during the pandemic, attended by the Secretary of State, me, and other junior ministers, as well as policy officials.

- 2.16. I understand that the Department has not been able to locate many readouts of such meetings. However, an example is a 'readout' of a BEIS "Daily Ministerial Call" on 26 March 2020, at which policy officials raised a question about "*squeezed middle*" or "*distressed middle*" companies, who were not eligible for support under CBILS. I noted a "*potential issue with accountancy firms being nervous about signing off accounts of companies in distress...*". An "**action**" was noted for policy officials to "*feed this back to HMT*" [NZ/022 – INQ000563896].
- 2.17. In addition, I recall that on occasions I sought to pass on stakeholders' feedback about the schemes to officials at the British Business Bank ("BBB"), for example I sought to refer "*CBILS cases*" to BBB, as set out in an email of 7 May 2020 between a BEIS official and my private office [NZ/023 – INQ000655061]. I discuss this further in **section 5**.
- 2.18. To the best of my recollection, I did not directly discuss feedback from stakeholders about the support schemes directly with other Departments, or using 'informal' channels. My preference was that such discussions would take place between BEIS officials and their counterparts in other Departments.

Stakeholder engagement – July to November 2020

- 2.19. From June/July 2020, the focus of my stakeholder engagement with businesses shifted away from the immediate pandemic response to economic recovery, in the context of the upcoming end of the UK Transition Period. I was tasked with leading on "levelling up" to support the Secretary of State, with regular business-focused engagement via the Local Enterprise Partnership Network and partners in the DAs. I was also to lead BEIS engagement with the Department for Education on the broad skills agenda, as well as leading on relevant sectoral and regional engagement on a regular basis [NZ/024 – INQ000625562].

Key meetings – January to November 2020

- 2.20. Annex A provides a list of key meetings which I attended while Business Minister, as relevant to Module 9's scope.
- 2.21. The Covid-19 Fraud Ministerial Board is discussed further in **Section 8** below.
- 2.22. COBR(M) meetings are discussed further in **Section 4** below.
- 2.23. To summarise, the other key meetings which I attended regularly in this period, as relevant to Module 9, were as follows:

- a) **BROs meetings:** In early March 2020, I was tasked with supporting the Secretary of State in attending Covid-19 calls with BROs [NZ/025 – INQ000654985]. These meetings were chaired and led by the Secretary of State. On 11 March 2020 the Secretary of State asked that both Minister Scully and I attend these meetings [NZ/005 – INQ000625395].
- b) **“Quadrilateral” meetings with the DAs:** On 17 March 2020 I was tasked by the Secretary of State with leading on fortnightly calls with counterparts in the DAs to discuss the response to Covid-19. The broad agenda for these meetings was economic and scientific impacts in the DAs, as well as business support measures for the UK [NZ/003 – INQ000065266]. These meetings occurred under the mantle of the Business and Industry Interministerial Group, which became a more regular forum during the pandemic. The first meeting was held on 18 March 2020: the attendees were me, Fiona Hyslop MSP, Ken Skates AM and Diane Dodds MLA [NZ/003 – INQ000065266]. In some of those meetings I updated the DAs about the business support schemes, but that was not their only focus (e.g. we also discussed topics such as furlough). Around 23 such meetings were organised between March and December 2020 [NZ/004 – INQ000065286]. On 16 December 2020, Minister Scully hosted his first such meeting with the DAs, having taken over this role from me when I became Vaccine Minister [NZ/004 – INQ000065286].
- c) **PBS sector meetings:** Starting on 17 March 2020, I regularly attended a Professional Business Services (“PBS”) sector roundtable call. The purpose of these calls was to gain insight from the sector regarding the impact of Covid-19 on their businesses and what the Government could do to help. The Secretary of State chaired some of these meetings (e.g. on 17 March 2020 [NZ/026 – INQ000625291]) and I chaired others (e.g. meetings on 2 April 2020 and 9 April 2020 [NZ/027 – INQ000655012], [NZ/028 – INQ000655026]).
- d) **Life sciences sector meetings:** I also held meetings with the Life Sciences sector. For example, on 9 April 2020 I engaged with the Life Sciences “COVID Response Group”, providing an update on behalf of government on the Covid-19 response for business including the ventilator challenge, furlough and business support schemes [NZ/029 – INQ000655020]. This call was co-chaired with Lord Bethell (DHSC).

Section 3: Joint Working

3.1. I address the following topics in this section:

- a) Working with the Secretary of State;
- b) Working with HMT;
- c) Working with other Departments;
- d) Working with BBB;
- e) Working with the DAs.

Working with the Secretary of State for BEIS and BEIS officials

3.2. During my time as Business Minister, the Secretaries of State were the Rt Hon Andrea Leadsom (July 2019 to February 2020), the Rt Hon Lord Alok Sharma KCMG (February 2020 to January 2021), and the Rt Hon Kwasi Kwarteng (January 2021 to September 2022).

3.3. As noted above (§1.11), my recollection is that Lord Sharma was, as Secretary of State, closely involved in the decisions and business support schemes which are the subject of the Rule 9 request. As also explained above (§1.8), I became Vaccine Minister in November 2020 and at that point handed over much of my BEIS portfolio. The Rt Hon Kwasi Kwarteng became Secretary of State after this point.

3.4. My working relationship with Lord Sharma was excellent; I felt he supported me in my role. I believe he was effective at feeding back the information the Department was receiving from its sectors to the Cabinet.

3.5. Equally, I found the Permanent Secretaries in the Department to be very good at responding to the urgency of the crisis. They would respond down to the levels of particular businesses, rather than simply on a sector-by-sector basis. This was important for ensuring specific issues were recognised. During my time as Business Minister, the Permanent Secretaries were as follows:

- a) Alex Chisholm: 5 September 2016 to 14 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.

Working with HMT

- 3.6. My relationship with HMT was primarily conducted at a collective level rather than through individual meetings; understandably, the Chancellor was not in a position to meet with ministers individually. To the best of my recollection, I had no relevant conversations with him, or with HMT officials, individually about the matters in the Rule 9 request. My understanding is that the Department had established mechanisms through which the feedback we were collecting from stakeholders was shared (e.g. providing intelligence to EBRIG, as I have noted at §2.13 above).
- 3.7. I do recall representing the Department at some COBR(M) meetings during the early stages of the pandemic, which were attended by HMT ministers, at which I sought to communicate what I believed to be the feedback from the sectors at that time (e.g. 'don't lock us down'). I discuss COBR(M) further in Section 4 below.
- 3.8. In relation to the design of the loan and grant schemes, as a junior minister, I was not heavily involved in this (see Section 1 above). My sense is that they were designed with BEIS officials in the room and that the Department was listened to, but ultimately, my understanding is that policy design was led by HMT.
- 3.9. More generally on HMT and the economic response to the pandemic, I felt that the economic response was generous, especially on furlough – effectively we were dealing with World War III, but in the form of a virus. The government was under pressure to come up with a big response to the pandemic.

Working with other Departments

- 3.10. I had less engagement with Cabinet Office. Again, based on recollection of my attendance at COBR(M) meetings in the early stages of the pandemic, I felt personally that Cabinet Office was more connected to the health response, and therefore had a slightly different focus to BEIS. From the perspective of a minister championing business, I felt that Cabinet Office was not as receptive to the impact of Covid-19 on the economy as it was to the impact on health.
- 3.11. I can also see, from documents provided to me by my legal advisors, that in respect of the Department's counter-fraud work, I was briefed about possible tension between the oversight/directive role of Cabinet Office, and individual accountability resting with spending Departments. Nonetheless, it is my understanding that the Department worked closely with the Cabinet Office Counter Fraud team to monitor indications of fraud. See further §8.8 and §7.24.c) below.

- 3.12. I do not recall any informal 'back channel' communications with other Departments, as relevant to the Rule 9 request.

Working with BBB

- 3.13. I had a very good relationship with BBB. I found the senior officials to be very responsive and incredibly diligent. Overall, my impression was that not everything was perfect – as I said above (at §3.9), the government was under pressure to come up with a big response, and we were working to save as many businesses as possible, in the face of an unprecedented crisis. In a perfect world, government would have taken longer in developing the schemes and would probably have had more checks and balances to avoid fraud, but a difficult trade off had to be made at the time between mitigating fraud risk and the speed of getting money out to businesses: we had to move very quickly to assist companies which had weeks, perhaps only days, to survive. Acknowledging the constraints in which we were operating, and that some expressed concerns about the schemes (as I discuss below at §7.28, §8.32 - 8.33), I feel that both the Department and BBB sought to achieve a balance between saving business, jobs and the economy, as against allowing abuse of the system. My overall reflections on the government's response are discussed in Section 16.

Working with the DAs

- 3.14. As noted above in Sections 1 and 2, during the pandemic I held quadrilateral meetings with the DAs, under the auspices of the Business and Industry Interministerial Group. These meetings were initially established in April 2019 by then-Secretary of State, the Rt Hon Andrea Leadsom, but became a more regular forum during the pandemic. (See the Department's Module 2 CWS, §§15.10-15.13). I worked constructively with the DAs to ensure that they were engaged as much as possible. I believe that BEIS had the most constructive dealings with the DAs. The Department's role was to engage with sectors, regardless of where they were in the UK, and seek to address their concerns to ensure the best chances of economic survival.

Section 4: Role in Early Decision Making

Early involvement in monitoring and assessing the initial economic impact of the pandemic, and preparedness and strategies in the economic response (January-early March 2020)

Context

- 4.1. As outlined in the CWS, Part A, §§5.1 - 5.3, by mid-February 2020, BEIS had assessed the Covid-19 outbreak as having the potential to significantly impact its areas of responsibility. BEIS ministers, including me, were involved in discussions about Covid-19 through COBR(M) meetings; these meetings covered the pandemic response across government generally and were not limited to the economic impacts. Later, decision making was also supported by ministerial implementation groups (“MIGs”), in particular EBRIG chaired by the Chancellor. EBRIG was set up in March 2020 to consider economic and business impacts and the government’s response. As noted above (§2.13), the Business Intelligence Pack informed EBRIG meetings. I did not personally attend EBRIG.

Summary of involvement

- 4.2. I would note that everything was extremely fast-moving in the early stages of the pandemic. I was copied into various briefings to the Secretary of State from officials in February/early March 2020 covering potential economic impacts and responses. I note that the Chancellor then announced some economic support measures in the Budget of 11 March 2020, as outlined in CWS, Part A, §5.20.
- 4.3. My involvement in the early stages of the pandemic was focussed around my attendance at COBR(M) meetings, on behalf of the Department. Based on the documents provided to me by my legal advisors, my main input seems to have been to request analysis from officials about the sectors which were already being affected by the pandemic, with these requests echoed by the Secretary of State (e.g. [NZ/030 – INQ000654974]). I considered that in order to inform the economic response to the pandemic, it was important to ensure we had a proper evidence base, with granular data so far as possible.

Chronology of involvement – including COBR(M) meetings

- 4.4. On 17 February 2020, the new Secretary of State, Lord Sharma (appointed several days earlier) requested a “bespoke briefing” from officials on the impact of Covid-19 on supply chains. I was copied into this request [NZ/031 – INQ000625231].
- 4.5. On 18 February 2020, I attended a meeting of COBR(M) chaired by the Health Minister, the Rt Hon Matt Hancock on behalf of BEIS, in which the general situation

with Covid-19 was discussed [NZ/032 – INQ000056227]. There were no actions for BEIS. I attended this meeting as the Secretary of State was unable to [NZ/033 – INQ000654970], and officials anticipated BEIS would not be providing an update as the supply chain impacts were not yet tangible [NZ/034 – INQ000654969].

- 4.6. On 20 February 2020, I was copied into an email to the Secretary of State [NZ/035 – INQ000625232]. In response to his request on 17 February, noted above (§4.4), officials provided the Secretary of State and me with a submission regarding Covid-19's impact on industrial supply chains to note/comment [NZ/036 – INQ000596652], alongside a research note providing an overview of the impact on sectors including from a global perspective [NZ/037 – INQ000596651].
- 4.7. The 20 February submission stated, among other things, that officials were working with the business sector and other departments to explore potential measures if the situation worsened. It also said that officials had re-established 'Project Kingfisher' which had been designed to consider bespoke support for the economy in the event of a 'No Deal' exit from the European Union, including the possibility of providing short-term cashflow support to businesses.
- 4.8. On 24 February 2020, my private office responded to say that I had reviewed the submission and had asked for "*regular updates over the next 2-4 weeks*" [NZ/038 – INQ000625233].
- 4.9. Also on 24 February 2020, the Secretary of State's private office responded to the submission asking to be similarly updated [NZ/038 – INQ000625233]. I was copied into this reply. He also requested that officials draft a letter to the Prime Minister, identifying the potential scale of the Covid-19 risk and the companies affected. BEIS officials circulated a submission on 27 February 2020 [NZ/039 – INQ000625799], which I was asked to note, along with a draft letter to the Prime Minister [NZ/040 – INQ000625235], which included mitigations planned by industry and the potential for government interventions. The submission and draft letter were copied to my office [NZ/041 – INQ000654973]. I understand that this draft letter was not sent, owing to the rapidly changing events.
- 4.10. On 26 February 2020, I attended a further COBR(M) meeting, again chaired by the Health Minister. I received a short briefing in advance of this meeting from Department officials [NZ/042 – INQ000654972]. In discussion about the response to the pandemic, the Chair stated that "*specific communications were needed for businesses*" and an action point for BEIS was, working with HMT, "*to establish a dedicated business*

communications capability to provide a single point of contact for businesses and employers to get advice on all matters relating to Covid-19 [NZ/043 – INQ000056216].

4.11. On 2 March 2020 there was another COBR(M) meeting, which I did not attend. This was chaired by the Prime Minister and attended by the Secretary of State on behalf of BEIS [NZ/044 – INQ000056217].

4.12. Following this, in the early afternoon of 2 March 2020, the Secretary of State requested urgent advice on the response to the economic impacts of the pandemic. I was copied into this request, and officials' responses [NZ/045 – INQ000625241], [NZ/046 – INQ000625243]. Two submissions were sent that day as a result:

a) "COVID-19 – Options for HMG Intervention": a note providing "*...a brief overview of expected impacts, initial proposals for both macroeconomic and microeconomic interventions, and next steps for BEIS*" [NZ/047 – INQ000625242].

b) "Businesses Support Helpline providing advice on COVID-19" [NZ/048 – INQ000625244]. This was advice on how the Department proposed to implement a telephone helpline for businesses.

4.13. On the morning of 4 March 2020, the Secretary of State's private office responded to both the above submissions, confirming that he was content with the launch of the proposed helpline and, on the government intervention submission, stated [NZ/049 – INQ000625247]:

"SoS content with BBB measures and regional micro measures. What are the next steps on these? Is MHCLG SoS also receiving advice on regional measures?"

...As for sectoral interventions, SoS would like further advice on this...I know your team are working on this. What time will you be in a position to send this up for Perm Sec, Zahawi and SoS to review today?"

4.14. As outlined in the CWS, Part A, §5.19, on the morning of 4 March 2020 there was also a ministerial meeting, at which I said, in response to an update on the pandemic, that there was "*...an urgent need to look at sectors already affected*". The Secretary of State requested a note setting out "*...the issues and where certain sectors are feeling particular impacts, and what the response could be*" [NZ/050 – INQ000585482].

4.15. Later that day, my private office responded (by two separate emails) to each of the 2 March 2020 submissions:

- a) On options for HMG intervention, it was noted that at that morning's Ministers' meeting I had: "...requested analysis in the next 24-48 hours on sectors already impacted by COVID-19 and how we respond to these." It was also noted that I "...was particularly concerned about the auto sector. SoS echoed this and asked for it to be combined into advice he was already expecting today..." [NZ/030 – INQ000654974].
 - b) On the Business Support Helpline, I reiterated the Secretary of State's view "that we ought to get this up and running ASAP" [NZ/051 – INQ000654975].
- 4.16. Also on 4 March 2020, I attended a COBR(M) meeting chaired by the Health Minister [NZ/052 – INQ000056202]. The minutes record that I said: "...the most recent macroeconomic forecast, drawn up in conjunction with Her Majesty's Treasury implied impacts would be severe with the potential for severe sectoral impacts. A review of measures to support business was underway and a business support helpline would be stood up and rolled out to the public on 9 March...Some sectors had already been impacted severely, including airlines and tourism, and officials were reviewing business monitoring and support measures that could be made available in the case of business failure" [NZ/053 – INQ000056218]. An action point for BEIS was to work across government to ensure the quality and sufficiency of information for businesses.
- 4.17. On 4 March 2020, BEIS officials provided a draft submission for the Secretary of State setting out the impact of Covid-19 on business, and potential support measures that could be adopted in mitigation entitled "Covid-19 – Impacts and Business Support" [NZ/054 – INQ000654977]. The submission was emailed to ministers' private offices on the morning of 5 March 2020; the Secretary of State's private office having requested the previous evening that it be initially cleared by both me and special advisers [NZ/055 – INQ000654976]. An updated version of this submission [NZ/056 – INQ000585485] was ultimately sent to the Secretary of State [NZ/057 – INQ000624840] on the evening of 6 March 2020.
- 4.18. In the submission, officials discussed their intention to set up a cross-government structure to collate business intelligence. They had convened: "a weekly meeting of business intelligence leads in all Whitehall Departments and the DAs", to "seek and share intelligence on business impacts of COVID-19". In the briefing, officials also advised as follows:
- a) Impact on Businesses – Officials considered Covid-19 impacts fell broadly into two categories: (i) impacts flowing from disruptions to supply chains

(predominantly a shortage of parts from suppliers) and falling demand (as travel restrictions and consumer reluctance to spend affected disposable spending); and (ii) impacts resulting from possible UK workforce disruption, e.g. up to 20% of the labour market being unwell or in quarantine;

- b) Macro and Micro measures – officials considered that a “*broad-based macroeconomic response*”, such as tax measures and business rate relief, was likely to be more effective than a microeconomic response because of the fluid and unpredictable nature of the situation. Many existing BEIS funding schemes were not well suited to providing very rapid financial support. Further: “*[g]rants and loans in the main also take time to deliver due to essential due diligence requirements. BEIS could, however, respond rapidly and in a bespoke manner (subject to HMT providing funding) with a microeconomic response to assist a company or investment that is critical to the UK’s future...It is worth noting, however, that in the medium-term grants and loans could be very effective in supporting economies as they recover from the impact of COVID-19...*”
- c) Recommended package of support – Officials recommended that the Secretary of State “*encourage HMT/HMRC to launch or expand macroeconomic measures, including cross-cutting tax forbearance schemes...or business rates relief...*”
- d) SMEs – in addition to a general macroeconomic response, it was thought that: “*SMEs are likely to be most vulnerable to short term cashflow issues arising from Coronavirus. The first port of call for any SME when considering how to manage cashflow pressures should be their finance provider...In addition to this, within BEIS, we have a range of access to finance measures delivered through the (BBB) to support SMEs access the finance they need to scale and grow. To help businesses with potential cashflow issues the most relevant scheme is the Enterprise Finance Guarantee (EFG) Programme...The joint BEIS/MHCLG Cities and Local Growth Unit have a mechanism for supporting geographically affected companies in exceptional circumstances...This could potentially be adapted to address short term coronavirus impacts...*”
- e) State aid: while favouring macroeconomic responses, officials commented that microeconomic measures, such as any new BEIS funding scheme, would have to comply with State aid restrictions, limiting how government could fund private businesses. However, depending on the seriousness of the impacts of Covid-

19, more flexible measures could possibly be notified to the EU Commission. Officials further noted “rumours” that the EU was considering EU-wide measures to support businesses.

- 4.19. On 5 March 2020, my private office provided my response to the submission – discussed further below. My comments were summarised as follows [NZ/058 – INQ000585484]:

“There are sectors like leisure, tourism, and aviation that have already been hit hard. We need to think of immediate aid so as to get ahead of major lay-offs and collapse – not convinced this approach is robust enough. He would like detailed analysis of the impacts sectors have been feeling so far and projections for what is likely to come. Do we have a clear picture of how other departments can support the businesses that they are responsible for, e.g. DCMS, DfT?”

On State Aid – he is very interested to explore the potential to notify the Commission that flexible measures may be needed. Can we get more information on this and try to flesh out the rumours of new EU-level measures to support businesses?”

He has confirmed that he would like weekly verbal updates from the Business Investment team (and other relevant officials) so he can stay on top of this and brief the PM as required. I will commission this later today.

He agrees that SoS ought to encourage HMT/HMRC to launch or expand macroeconomic measures, including cross-cutting tax forbearance schemes such as Time to Pay or business rates relief and is happy to support.”

- 4.20. On 6 March 2020, the Secretary of State’s private office copied me into an email summarising a number of documents to be sent to the Secretary of State that evening [NZ/059 – INQ000625255]:

- a) A submission, “COVID-19 Information: covering statutory sick pay, the Business Support helpline, life sciences, and a notifiable disease” [NZ/060 – INQ000625256], dated 5 March 2020, for the Secretary of State’s approval (I was listed to ‘note/comment’);
- b) The briefing discussed above (§4.19), entitled “Covid-19 – Impacts and Business Support” (dated 4 March on its face), in response to which I had already provided comments on 5 March [NZ/056 – INQ000585485]; and

- c) A letter from Rachel Reeves MP to the Secretary of State regarding the “*impact of the virus on small businesses, those who are self-employed, and workers on zero-hours contracts*” [NZ/061 – INQ000065305].
- 4.21. In the covering email [NZ/059 – INQ000625255], it was noted that an update on business support measures would be sent to BEIS Ministers and the Permanent Secretary on Sunday 8 March 2020. The email also said that Sarah Munby (at the time Director General, Business Sectors) would be sending a draft COBR paper by the end of the day, in anticipation of the COBR(M) meeting on Monday 9 March. As explained below, I attended the 9 March COBR(M) meeting on behalf of BEIS.
- 4.22. At 23:44 on 6 March 2020, Sarah Munby sent an email [NZ/062 – INQ000625257] to the Secretary of State’s private office, copying me and others, enclosing “*the draft COBR(M) paper, ready for discussion with Minister Zahawi at 12 Saturday*”. The paper was entitled: “COVID-19 COBR Business Impact Assessment Paper from BEIS” (on its face dated 6 March 2019, in error) [NZ/063 – INQ000654978]. This draft COBR(M) paper detailed an impact assessment of COVID-19 on UK economic sectors and areas, and appraised how the impact assessment would change if a number of non-pharmaceutical measures were introduced. The paper said that business support measures to respond to these impacts would be discussed following the Budget on Wednesday 11 March 2020. Sarah Munby noted in her cover email that the paper “*is only about intelligence on impacts, it does not contain any discussion of policy response which has been taken out at request of Cx till after Wednesday’s budget.*” Further advice on the policy response would be provided as part of the pre-briefing for the COBR(M) meeting.
- 4.23. In reply to Sarah Munby’s email, on Saturday 7 March 2020, the Secretary of State’s private office sought confirmation that the draft COBR(M) paper should go to him that night [NZ/062 – INQ000625257], and attached, at special advisers’ request, a further note from officials on State aid, “*Covid interventions and State aid*” to complement the draft COBR(M) [NZ/064 – INQ000625258]. Later that morning, the Secretary of State’s private office requested that special advisers, the Permanent Secretary, and my office provide clearance on the draft COBR(M) paper (and review of the State aid note alongside it) by 4pm that day [NZ/065 – INQ000654979]. The Secretary of State’s private office also confirmed that clearance from me was the “*main one*” needed by 4pm, but all other junior ministers should be sighted, and those whose portfolios had “*direct crossover*” with items in the paper should be sighted on those points, “*e.g.*

Minister Scully with regards to labour markets, SMEs, business support [NZ/066 – INQ000654980].

- 4.24. Pursuant to the above emails, on the afternoon of Saturday 7 March 2020, my private office provided my views on the draft COBR(M) paper [NZ/067 – INQ000654981]:

“[Minister Zahawi is] broadly content with the paper but is keen that we look at the use of VAT relief for SMEs and business rates relief for targeted local support, noting that tourism sector will be particularly affected. He would like a list of what we will prioritise as interventions alongside consideration of support for airlines...”

- 4.25. I note that my comments here echoed points raised a few days earlier, in the submission to the Secretary of State (dated 4 March on its face): “COVID-19 – Impacts and Business Support” [NZ/056 – INQ000585485] discussed above. In this submission, officials advised the Secretary of State to encourage HMT/HMRC to “*launch or expand macroeconomic measures*” such as business rates relief, targeted on particularly acutely affected sectors/localities. The submission had also mentioned the possibility of BEIS exploring with HMT more targeted tax measures for specific sectors, such as airlines. Of course, such measures would primarily be a matter for HMT/HMRC.

- 4.26. The final draft COBR(M) paper was subsequently sent to the Secretary of State, at 17:31 on Saturday 7 March 2020 [NZ/068 – INQ000625259], [NZ/069 – INQ000625260].

- 4.27. On the evening of Sunday 8 March, the Secretary of State’s private office was emailed [NZ/070 – INQ000654983] two briefings in advance of the COBR(M) meeting on Monday 9 March 2020 entitled: “COVID-19 – Possible Business Support” [NZ/071 – INQ000585489] and “COVID-19 Meeting with COBR(M)” [NZ/072 – INQ000585492]. My private office was copied.

- a) The former document explained that, while officials had been asked to provide a briefing for COBR(M) on economic measures that might be introduced to mitigate the impacts on business, the understanding of BEIS officials was that “*the Chancellor is not prepared to do so ahead of the Budget*” (on 11 March 2020) [NZ/071 – INQ000585489]. On the basis of this document, and an email from Sarah Munby (described above at §4.22) [NZ/062 – INQ000625257], my understanding is that the Chancellor had asked that discussion about the policy response should not be included in the Department’s paper for the COBR(M)

meeting on 9 March 2020. Rather, the Chancellor had requested that discussion of the policy response be removed until after the Budget on 11 March 2020. The final version of the paper which BEIS prepared for the 9 March 2020 COBR(M) meeting (discussed above at §4.22) set out that: “[e]xpected business support measures to respond to these impacts will be discussed after Wednesday’s Budget at the Chancellor’s request.” [NZ/077 – INQ000066034] Therefore, a briefing on potential business support measures had not been included in that paper. I cannot comment further on the Chancellor’s request, or why he made it, but I note that over the weekend of 7/8 March 2020, discussions took place, between HMT, BEIS and MHCLG officials, about potential support measures (as discussed below at §4.35).

- b) The latter, longer document appears to have been the ‘final’ briefing for the 9 March COBR(M) meeting. The first page explained the objectives of that meeting: to ensure common understanding of HMG plans in relation to Covid-19, and “*To discuss the impact of non-pharmaceutical interventions with regards to moving from the ‘CONTAIN’ phase to the ‘DELAY’ phase...*”

4.28. The longer COBR(M) briefing set out potential ‘lines to take’ at the meeting on Monday 9 March, e.g. as to the current situation, and interventions (i.e. NPIs) to “*delay peak*”. Further, the briefing said:

- a) A “*macro economic assessment*” was covered in the meeting slides, with reference to BEIS’ sectors assessment/BEIS’ Covid-19 COBR(M) paper circulated for the meeting. However, “*a standalone discussion*” on the Department’s paper was not expected (the cover email to the briefing further confirmed that a standalone discussion on the “*economic aspects*” of NPIs was not expected at COBR(M) [NZ/070 – INQ000654983]).
- b) Nonetheless, the briefing set out lines to take on “***possible economic measures***”, in case this did arise, including a reference to the upcoming 11 March Budget. It said that BEIS officials were “*continuing to look at potential BEIS levers*”.
- c) The ‘background’ section at the end of the briefing gave a summary of potential economic measures. This built on the submission of 4 March 2020, referred to above (§4.18), e.g. as to macroeconomic measures. It noted, however, that monetary and fiscal measures were the domain of the Bank of England and HMT.

- 4.29. On Sunday 8 March 2020, the Secretary of State responded to the draft COBR(M) paper and State aid note sent the previous day, in particular seeking further information on the detail of individual businesses spoken to, and any insights on 'mitigations' to be expected at the Budget. On State aid, he requested "*further feedback on any conversations with the commission*" and intelligence on what other countries, e.g. Italy, were doing or planning to do to support businesses. My private office was copied [NZ/073 – INQ000585490].
- 4.30. BEIS officials responded to the Secretary of State's queries the same morning. In particular, officials explained that they were developing a tracker to pull out intelligence by company, to be shared with Ministers later that week. Following officials' responses, the Secretary of State's private office confirmed, by email on 8 March 2020 [NZ/074 – INQ000625263], that he was content to submit BEIS' paper for the COBR(M) meeting the next day. The same email said that:
- a) The Secretary of State wanted me to attend the 9 March 2020 COBR(M) meeting in person; and
 - b) The Secretary of State was keen to set up a bi-weekly call with BROs and suggested that I should join. On the BROs meetings: "*The agenda should only relate to COVID issues – other, more general issues should be discussed through other mechanisms.*"
- 4.31. On 9 March 2020 the Secretary of State provided "further steers", following on from his comments above, in response to the COBR(M) paper. I was copied into the email [NZ/025 – INQ000654985]. Among other things, his private office said:
- a) The Secretary of State wished to attend COBR(M) on 11 March (however, in the event, I attended COBR(M) on both 9 and 11 March [NZ/075 – INQ000654987]).
 - b) On the Business Support Helpline, he was content with unfunded pressure, and requested a full communications plan and press release.
 - c) He was keen to get the BROs calls in place, twice a week. I was to join these calls, and the wider ministerial team was welcome to join too. He further requested that these BROs calls should "*be nimble and a means of getting quick intel from the right business groups*".

- 4.32. On Monday 9 March 2020, I was scheduled to attend two departmental calls (as confirmed in an email from my private office, at 18:16 on 8 March [NZ/076 – INQ000654982]):
- a) A ‘pre-brief’ meeting, in respect of the COBR(M) meeting of 9 March 2020. I do not recall the details, but I would expect that officials briefed me on issues in the COBR(M) briefings I had been sent.
 - b) A State aid call on other countries’ approaches, at the Secretary of State’s request. The proposed attendees were the Secretary of State, me, the Permanent Secretary and BEIS officials. As noted above, the Secretary of State had, the previous week, been sent a State aid note [NZ/064 – INQ000625258] and he had sought further information in response. I had also myself requested further information on State aid, in response to the submission dated 4 March 2020. I do not recall the details of this call.
- 4.33. Later that morning, I attended the COBR(M) meeting, chaired by the Prime Minister, for which, as explained above, the Department had prepared a paper on the impact of Covid-19 on businesses, containing a sectors assessment [NZ/077 – INQ000066034]. However, as I have also noted above, the COBR(M) briefing by officials had informed me that a standalone discussion of BEIS’ paper was not expected at the 9 March 2020 COBR(M) [NZ/070 – INQ000654983] and [NZ/072 – INQ000585492]. Further, officials had stated that the Chancellor had requested that possible economic support measures not be included in BEIS’ COBR(M) paper for the 9 March COBR(M) meeting (as I have explained at §4.22 and §4.27.a).
- 4.34. In the event, the 9 March 2020 COBR(M) meeting focused on matters outside the scope of Module 9, e.g. updates on interventions to delay the peak of the virus [NZ/078 – INQ000056219]. The BEIS readout states that there were no actions for BEIS from the meeting [NZ/079 – INQ000654986].
- 4.35. I understand that, as outlined in the CWS, Part A, §5.20, in the run up to the COBR(M) meeting on 9 March 2020, while BEIS was preparing its paper for the meeting, the Chancellor was considering potential business support measures as part of a potential package on Covid-19 for the Budget on 11 March, however given the sensitivities around the Budget, it was a short time later that the Department had insight into the nature of the measures considered. As set out in CWS, Part A §5.20, §5.21, §5.25, Department officials first became aware of a possible grant scheme in the region of £1 billion during the weekend of 7/8 March 2020 (the details of which were not yet clear)

[INQ0005431051], and of an Enterprise Finance Guarantee-type loan scheme on 9 March 2020 [INQ000585493]. My private office was not copied into this correspondence. BEIS' COBR(M) paper for the 9 March 2020 meeting [NZ/077 – INQ000066034] did not include the Chancellor's intention to provide funding to SMEs, or details of the proposals (see above, §4.22 and §4.27.a)).

- 4.36. On Monday 9 March 2020, I attended a phone call with the Secretary of State and, Jane Whewell (Deputy Director, BEIS), in which a potential small grant scheme was mentioned. At this point, the details were unclear. In correspondence between officials (to which I was not copied), Ms Whewell noted it was unclear whether the scheme would be national or not, who would hold the Budget, and whether BEIS or MHCLG would be policy lead [NZ/080 – INQ000543050].
- 4.37. On 10 March 2020, the Secretary of State was sent an update about possible measures in the next day's Budget, relating to Covid-19 [NZ/007 – INQ000543056]. Both my private office, and Minister Scully's, were copied [NZ/081 – INQ000625804]. The update covered several areas on which the Chancellor had received advice the previous night, notably:
- a) Proposed changes to the Enterprise Finance Guarantee ("EFG") scheme, operated by the British Business Bank ("BBB"),
 - b) Possible high-level meetings with lenders after the Budget, potentially as early as Thursday of that week,
 - c) A grant funding scheme for microbusinesses to provide £1bn of funding to the smallest businesses in England, with similar arrangements for the DAs.
- 4.38. The submission explained that "*These are still potential announcements under consideration*". It was further said that the details of the EFG and grant schemes would not be sufficiently advanced for the financial and policy implications to be known at the time of announcement, and that an Accounting Officer assessment had not yet been conducted on the EFG scheme. Similarly, officials said that there were "*some significant value for money risks*" associated with the proposed grant scheme that would need to be worked through once it was clear which Accounting Officer was responsible (BEIS or MHCLG).
- 4.39. As the Inquiry will be aware, the proposed amended EFG scheme later became the Coronavirus Business Interruption Loan Scheme ("CBILS") which is discussed further in Section 5, below.

- 4.40. The grants schemes are discussed further in Section 12.
- 4.41. On 11 March 2020, in the Budget, the Chancellor announced:
- a) The launch of the £1 billion CBILS. It would be delivered by BBB, to support businesses to access bank lending and overdrafts. The Chancellor set out that lenders would offer no-fee loans of up to £1.2 million through the scheme to SMEs, which were 80% guaranteed by the Government. (CWS, Part B, §2.4).
 - b) The launch of the Small Business Grants Fund (“SBGF”), intended to support small and rural businesses with their pandemic business costs. It was said that the government would provide £2.2 billion of funding for local authorities in England. The Chancellor announced that any English business currently eligible for the small business rates relief, would receive a £3000 cash grant per business. (CWS, Part C, §3.3; CWS, Part A, §5.28)
- 4.42. On the same day as the Budget, as outlined in CWS, Part C, §3.4, the Assistant Private Secretary to the Chancellor contacted the Secretary of State’s private office, explaining that the Department was to deliver a number of measures, including grants to support small businesses and the Coronavirus Business Interruption Loan Scheme (CBILS), and that HMT wanted to work closely with the Department. This email was forwarded to my private office, in the context of preparing a briefing for the Secretary of State’s first call with the BROs (which I was also to attend), as discussed below [NZ/082 – INQ000543065].
- 4.43. On 11 March 2020, I attended a meeting of COBR(M), chaired by the Health Minister. The readout [NZ/075 – INQ000654987] and minutes [NZ/083 – INQ000056220] from this meeting show that BEIS’ main contribution was to propose additional clauses for the ‘Covid-19’ Bill (i.e. what became the Coronavirus Act 2020), to provide certainty that HMG would have sufficient legal spending powers to underpin business support schemes. In essence, BEIS proposed to disapply, in respect of Covid 19-related expenditure, a spending cap in the Industrial Development Act 1982. As summarised in the meeting minutes:

“The last minute additions from [BEIS] were requirements for powers to support business support schemes...The expenditure cap for these schemes had been raised by previous governments to £12 billion, of which £5.5 billion had been employed, leaving £6.5 billion headroom under the existing Act. The proposal was to prevent COVID-19 spending from contributing towards that cap, which would otherwise rapidly be met. The present Act permitted raising the cap by £1

billion through a vote in the House, but this would be unwieldy in the event of emergency. This requirement had only recently been identified, which explained its late addition to the Bill's provisions."

- 4.44. The Chair determined that BEIS' provisions would be added to the Bill, subject to clearance by HMT [NZ/083 – INQ000056220]. The BEIS readout states that HMT and DHSC were content with this proposal [NZ/075 – INQ000654987]. Ultimately, section 75(1) of the 2020 Act provided that: *"Financial assistance provided under section 8 of the Industrial Development Act 1982 (general power to give selective financial assistance to industry) is not to count towards the limit set by subsections (4) and (5) of that section if the assistance has been designated under subsection (2) as "coronavirus-related" (with ancillary provisions in subsections (2)(3) of s.75, now expired).*
- 4.45. The 'actions' for BEIS from the 11 March 2020 COBR(M) were to discuss further a concern which had been raised by Cabinet Office, around possible exploitation of failing businesses by hostile State actors, and to contribute to the communications around the Bill (along with various other Departments).
- 4.46. That afternoon, the Secretary of State chaired the first Covid-19 meeting with the BROs. Minister Scully and I also attended. The Secretary of State was sent a briefing in advance [NZ/084 – INQ000625267] copied to my private office, explaining that the purpose of the call was to brief the BROs on the latest situation regarding the Government's response to the pandemic, following the Budget earlier that day, and *"to seek a constant stream of business intelligence"* to gauge the impact and risks of the Government's approach [NZ/085 – INQ000625268]. Much of the discussion concerned reactions to announcements in the Budget, for instance UK Finance stated that banks welcomed the loan scheme announced by the Chancellor. It was also clear that negative impacts on businesses could be significant, for example airport operators reported a 15% drop in traffic, and UK Hospitality reported that bookings in restaurants and bars were down by 30-50% [NZ/086 – INQ000624857].
- 4.47. I continued to attend BROs calls, which I consider were a very useful source of business intelligence. As I have explained in Section 2, these meetings were led by the Secretary of State. In addition, on 17 March 2020, I was tasked by the Secretary of State with leading on regular, quadrilateral meetings with the DAs. The purpose was to share updates on the economic impacts of COVID-19 and to support the DAs engaging with central government [NZ003 – INQ000065266]. The first such meeting

was held on 18 March 2020. I received a briefing on the same morning [NZ/087 – INQ000065267] setting out key points to make including that the Department recognised the challenges faced by businesses for all DAs, especially SMEs; and that the package of measures recently announced in the Budget would be supplemented by extra funds for the DAs. Further, that the Department was keen to work together to share business intelligence on Covid-19 and share feedback ‘in real time’ on impacts. The meeting readout for 18th March 2020 [NZ/088 – INQ000654994] shows that attendees included Ken Skates AM and Fiona Hyslop MSP. It was agreed that meetings would be weekly until the Easter recess, and thereafter fortnightly. Fiona Hyslop MSP noted that grants were important for Scottish businesses and that the immediate issue was cash flow, in particular for hospitality businesses. She also flagged key challenges for SMEs and said there was a need to “*get loans out the door as quickly as possible*”. I agreed with these challenges and thanked her for raising them.

- 4.48. I am asked if I could personally have done more, or acted differently, in terms of the initial economic response to the pandemic. I would note, in the context of the events leading up to the 11 March 2020 Budget as outlined above, that I stressed the importance of analysing the impacts of the pandemic on different sectors (e.g. in my comments at §4.15.a) above). In my view, it was to the Department’s credit that it was able, at pace, to contribute significantly to the cross-departmental collation of business intelligence, as explained above (§2.13), a specific example of which was the detailed paper which BEIS provided for the 9 March 2020 COBR(M) meeting (discussed at §4.2218 above). Going forward, I was personally involved in stakeholder engagement, as outlined in Section 2 above.

Email of 5 March 2020 (NZ/058 – INQ000585484)

- 4.49. I am asked by the Inquiry about an email sent from my private office to the Secretary of State’s private office on 5 March 2020, at 15:02 [NZ/058 – INQ000585484], as described above at §4.19.
- 4.50. To summarise the context to this email:
- a) As explained more fully above, on 5 March 2020 BEIS officials emailed my private office and others a submission (dated 4 March on its face) about the impacts of Covid-19 on business, and possible support measures.

- b) This submission stated that the Covid-19 situation was fluid, unpredictable and had fast-arising impacts and: *“As a result, a broad-based and macroeconomic response is likely to be more effective than a microeconomic response”*.
- c) Further, this submission said that HMT officials were exploring various measures regarding tax and business rates policy.
- d) Officials recommended that **the Secretary of State** *“encourage HMT/HMRC to launch or expand macroeconomic measures, including cross-cutting tax forbearance schemes such as Time to Pay or business rates relief. These are likely to present the most effective response to the negative impact of COVID-19...”*
- e) As noted above, in response, my private office sent an email on 5 March 2020, to the Secretary of State’s private office [NZ/058 – INQ000585484]. They relayed my comments, included the following:
- “Minister Zahawi has reviewed this advice...He agrees that **SoS ought to encourage HMT/HMRC to launch or expand macroeconomic measures, including cross-cutting tax forbearance schemes such as Time to Pay or business rates relief and is happy to support”***
- f) In making this comment I was, effectively, agreeing with what officials had already set out in their submission, i.e. their recommendation to the Secretary of State that he encourage HMT/HMRC to launch macroeconomic measures. I was not suggesting that I would directly take this point up with HMT nor – to the best of my recollection – did I do so.
- g) I am also asked by the Inquiry whether I received further analysis on the impacts on businesses, as requested in my 5 March 2020 email. I had commented that some sectors had *“already been hit hard”*, and requested:
- “detailed analysis of the impacts sectors have been feeling so far and projections for what is likely to come.”*
- h) In terms of this specific request in the 5 March 2020 email, I note that:
- i. The submission described above had provided some sector-specific information on supply chain disruptions, and workforce disruptions, arising from the pandemic: e.g. in the automotive sector. As to “Gathering intelligence” and “updating Ministers going forward”, officials had stated in the submission that they would be sharing a proposed *“regular intelligence*

product covering a full range of company, sector, regional and wider economic intelligence with you shortly for comment and produce it weekly going forward". Further, as noted above, on 8 March 2020, officials indicated to the Secretary of State that they were developing a 'tracker' by sector, pulling out the intelligence which BEIS had by company, to share with Ministers later that week [NZ/074 – INQ000625263].

- ii. As explained above (at §2.13), and as outlined in the CWS, Part A, §4.3, a Business Intelligence Pack or 'dashboard' was created, which included a weekly summary of the impact on business sectors (e.g. education, farming, hospitality and others). The weekly dashboards were shared with BEIS staff and ministers' private offices. BEIS officials also provided daily updates or 'SitReps' to ministers (CWS, Part A, §4.2). For example, when officials sent a COBR(M) briefing to the Secretary of State on 8 March 2020 a daily situation report ("BEIS SitRep 008") was also attached [NZ/089 – INQ000654984].
- iii. As explained above on the weekend of 7/8 March 2020, ahead of the COBR(M) meeting on Monday 9 March 2020 (which I attended), my private office received the draft COBR(M) paper [NZ/063 – INQ000654978]. This detailed an impact assessment of COVID-19 on UK economic sectors and areas, and appraised how the impact assessment changed, given proposed non-pharmaceutical interventions (NPIs). Annex A provided a "Summary of Key Impacts by Sector", including aerospace, and hospitality/ tourism.
 - i) To the best of my recollection, early engagement from businesses and sectors in the most distress had indicated they urgently needed financial assistance, and I believe some may have called for macroeconomic measures around this time. In this context, my comment in the email of 5 March 2020 about proposals not being "*robust*" enough was probably meant to say that this early feedback from businesses needed more emphasis. Obviously, such macroeconomic interventions were a matter for the Chancellor, and other departments, rather than a matter for BEIS.
 - j) Finally, I note that in this email, I requested weekly verbal updates from officials on the unfolding situation, so that I could "*brief the PM as required*". The context for this was, at that time, I was attending COBR(M) on behalf of BEIS. I would

have been anticipating potential discussions at the COBR(M) meeting on Monday 9 March, chaired by the Prime Minister. I do not recall the specifics of any such verbal briefings from officials, although I note an email from Sarah Munby on 6 March 2020 suggests that officials discussed the draft COBR(M) paper with me the next day [NZ/062 – INQ000625257], and I was also to receive a COBR(M) 'pre-brief' on 9 March [NZ/025 – INQ000654985]. Although I attended COBR(M) initially, the Secretary of State attended later meetings: e.g. on 16, 18, and 20 March 2020 [NZ/090 – INQ000056210], [NZ/091 – INQ000056211], [NZ/092 – INQ000056212].

Section 5: CBILS

- 5.1. CBILS was announced on 11 March 2020 and opened to applications on 23 March 2020.
- 5.2. CBILS provided loans to small and medium-sized businesses of up to £5 million backed by a government guarantee of 80% of the loan value. To be eligible for CBILS, businesses had to self-certify pandemic impact and show they would have been viable otherwise. Originally set to close on 30 September 2020, the scheme was extended three times, finally ending on 31 March 2021.

Policy Rationale

- 5.3. My understanding is that CBILS was introduced to support small and medium-sized businesses facing financial hardship due to the Covid-19 pandemic. Its main goal was to ensure viable businesses could access funding despite market reluctance to lend during the crisis.

Nature and extent of my involvement in the design of CBILS and advice provided to the Secretary of State

- 5.4. Overall, my understanding is that the decision to announce CBILS, i.e. to introduce a scheme expanding on an existing scheme (the Enterprise Finance Guarantee), and its broad terms, was made by HMT and the Chancellor. After the Chancellor announced CBILS, in the Budget on 11 March 2020, HMT and BEIS worked together to develop the scheme's terms in more detail, as I outline from §5.31 below.
- 5.5. While I was involved in broader discussions around business support measures, I did not have direct responsibility for the design of CBILS nor detailed involvement in the policy work for this scheme.
- 5.6. To summarise my relatively limited involvement, before CBILS was announced in the Budget, I was copied into some early submissions in which officials noted the possibility of using the existing Enterprise Finance Guarantee scheme as part of the pandemic response, as set out in Section 4 and discussed further below. After CBILS was announced in the Budget, I was copied into relevant submissions as the scheme developed, and provided some, limited advice to the Secretary of State in response, as summarised further below. In particular:
 - a) I provided some views about personal guarantees. This is dealt with at §5.48-5.68 below.

- b) I had some, limited input in discussions about State aid constraints. This is dealt with at §5.70-5.84 below.

Early consideration including the influence of the Enterprise Finance Guarantee on CBILS

- 5.7. As outlined in CWS, Part A, §6.11, CBILS drew upon a pre-existing loan scheme, the Enterprise Finance Guarantee (“EFG”). As set out in CWS, Part A, §5.9, in the early stages of the pandemic, the Department’s thinking was that the most effective way to support businesses in response to the pandemic was likely to be macroeconomic measures; but officials were also considering existing mechanisms, like the EFG. As set out more fully below, some submissions to which I was copied at this time discussed the EFG as one option (among others) for easing short-term cashflow pressures on businesses due to Covid-19.
- 5.8. As I have explained above at §4.6, on 20 February 2020, BEIS officials provided a submission and research note [NZ/036 – INQ000596652], [NZ/037 – INQ000596651] to the Secretary of State, copying me and others [NZ/035 – INQ000625232]. The submission advised that officials were actively exploring potential levers the UK Government could deploy should the situation worsen. The BBB’s EFG scheme was noted as an option for providing finance to smaller businesses, should banks fail to provide temporary support during the disruption.
- 5.9. Following my review of this submission, my private office responded to the Department, confirming that I had requested regular updates over the following two to four weeks as the situation developed [NZ/093 – INQ000654971].
- 5.10. As set out at §4.9 above, on 27 February 2020, at his request, officials sent the Secretary of State a further submission [NZ/039 – INQ000625799] and draft letter (not ultimately sent) [NZ/040 – INQ000625235], copied to my office [NZ/041 – INQ000654973]. Officials reiterated that, should Covid-19 spread widely in the UK, they were exploring options, including the EFG.
- 5.11. As set out at §4.12.a) above, on 2 March 2020, I was copied into a submission to the Secretary of State [NZ/045 – INQ000625241] [NZ/047 – INQ000625242] about options to help firms with liquidity problems in the event of a worse-case scenario outbreak of Covid-19 in the UK. Among other things, this submission noted that in autumn 2019, BEIS had worked extensively with BBB to consider how their EFG programme could be used to support SMEs in the event of an economic downturn caused by a disorderly

- EU exit. It noted that this work remained relevant and useful if the Covid-19 situation worsened and triggered an economic downturn. Under “next steps”, officials indicated that it was likely that the “*highest potential levers*” in terms of a business support ‘package’ would include BEIS working with BBB to extend its existing EFG programme.
- 5.12. I attended a ministerial meeting on 4 March 2020 at which Sarah Munby, a BEIS official, said that BEIS was “*standing up previous no deal preparedness e.g. Enterprise Finance Guarantee, working with banks...*” [NZ/050 – INQ000585482].
- 5.13. At this ministerial meeting, I noted that “*...there’s an urgent need to look at sectors already affected...*” and the Secretary of State requested a note addressing where certain sectors were feeling particular impacts, and what the response could be.
- 5.14. Later that day, I attended COBR(M), as referred to in §4.16 above.
- 5.15. Also on 4 March 2020, my private office emailed the Secretary of State’s private office confirming that I had noted the advice referred to in §5.11 above without further comment. Further: “*...at the Ministers’ meeting this morning he requested analysis in the next 24-48 hours on sectors already impacted by COVID-19 and how we respond to these. He was particularly concerned about the auto sector. SoS echoed this and asked for it to be combined into advice he was already expecting today...*” [NZ/051 – INQ000654975].
- 5.16. On 5 March 2020 BEIS officials provided a draft submission (dated 4 March on its face) on the potential effects of Covid-19 on businesses, which outlined possible support measures [NZ/054 – INQ000654977]. (The final version of this submission was sent to the Secretary of State the next day [NZ/056 – INQ000585485].
- 5.17. I discuss this submission more fully at §4.17 above. Among other things, it set out that BEIS officials favoured macroeconomic measures. In addition, officials commented that microeconomic measures, such as any new BEIS funding scheme, would have to comply with State aid restrictions, limiting how government can fund private businesses. However, depending on the seriousness of the impacts of Covid-19, more flexible measures could possibly be notified to the EU Commission. Officials further noted “rumours” that the EU was considering EU-wide measures to support businesses.
- 5.18. The submission also highlighted the vulnerability of SMEs to immediate cashflow pressures. In this respect, officials said that “*within BEIS, we have a range of access to finance measures delivered through the British Business Bank (BBB)*”, and further

stated that, to help businesses with potential cashflow issues arising from the pandemic, the EFG was “*the most relevant scheme*”.

- 5.19. The submission explained that the EFG was designed to enable viable businesses to access working capital without providing security against borrowings. Under the EFG, borrowers paid a 2% fee on top of interest, and the Government would cover up to 75% of the lender’s loss through default. Officials proposed that the Secretary of State immediately announce £100m of available headroom, and in parallel, write to lenders to set out the expectation that they would support SMEs and offer EFG where appropriate, and further reinforce this message through the Business Finance Council. If demand for EFG was greater than the headroom, an increase in budget could be sought from HMT.
- 5.20. The submission noted, however, that any further changes to the EFG (such as removal of the 2% fee) would require HMT approval and budget cover. It further said that lenders would then need 2-3 weeks to implement the changes.
- 5.21. I reviewed the above submission, and my private office sent an email to the Secretary of State’s private office [NZ/058 – INQ000585484]. My comments in this email are discussed more fully in Section 4 above (§4.19, §§4.4949-4.50). In particular, I said as follows:
- “On State Aid – he is very interested to explore the potential to notify the Commission that flexible measures may be needed. Can we get more information on this and try to flesh out the rumours of new EU-level measures to support businesses?”*
- 5.22. At 18:19 on 6 March 2020, an update of the submission referred to in §5.16 above was sent to the Secretary of State [NZ/056 – INQ000585485], by an email copying ministers’ private offices [NZ/057 – INQ000624840].
- 5.23. As set out above on 7 March 2020 I was copied into email correspondence [NZ/062 – INQ000625257] and sent a draft paper for the upcoming COBR(M) meeting on 9 March 2020, which I attended. A further note entitled “*Covid interventions and State aid*” was also shared by officials, to complement the COBR(M) paper [NZ/064 – INQ000625258]. This note set out various interventions which would be compliant with the State aid rules and also said that the Commission may decide to issue a Temporary Framework setting out the basis of how it would approve aid intended to ameliorate the effects of Covid-19.

5.24. Also on 7 March 2020, as discussed further above at §§4.27, BEIS officials sent the Secretary of State and me briefings in advance of the COBR(M) meeting on 9 March 2020. The briefing said as follows 7 March 2020 [NZ/071 – INQ000585489]:

“Access to finance: SMEs are likely to be most vulnerable to short term cashflow issues arising from COVID-19. We will engage with the Business Finance Council to encourage lenders to support SMEs...

In addition to this, the British Business Bank (BBB) can help SMEs access the finance they need to scale and grow. The Enterprise Finance Guarantee (EFG) Programme can support viable businesses that wish to access working capital but lack security against which to borrow. There is scope to give greater publicity to the headroom available under this programme or invoke short term options to make the offer more attractive to SMEs. We will need the major lenders to promote the scheme too.”

5.25. As I have explained above, in the event, the COBR(M) meeting of 9 March 2020 [NZ/078 – INQ000056219], did not focus on business support measures.

5.26. I understand from the CWS, Part A, §5.26 that BEIS first became aware of the Chancellor’s intention to announce a scheme similar to the EFG on 9 March 2020.

Design and Implementation of CBILS

5.27. On 10 March 2020, the Secretary of State and ministers, including myself, received an update about possible measures to respond to Covid-19 in the next day’s Budget [NZ/007 – INQ000543056] [NZ/081 – INQ000625804].

5.28. The submission indicated that, on the evening of 9 March 2020, the Chancellor received advice on a number of areas, including proposed changes to the EFG scheme. Given that SMEs might face significant short-term financial strain, prompting HMT was considering broadening the scope of this scheme. Potential enhancements could involve:

- a) lowering the cost of premiums on overdraft guarantees and loan facilities;
- b) raising the guarantee level for individual EFG loans;
- c) doubling the scheme’s total capacity;
- d) increasing the portfolio-level cap, with the exact figure yet to be determined;
and
- e) expanding the criteria for eligibility.

- 5.29. In addition to the above, the submission noted that:
- a) the possible high level of credit loss exposure, if the latter two options were made overly generous;
 - b) a final decision on how to modify the EFG scheme could be deferred until after the Budget, allowing time for a full Accounting Officer Assessment, including detailed analysis of State aid implications, value for money, and feasibility;
 - c) high-level meetings with lenders should take place after the Budget, and advised that a Ministerial meeting, either through HMT or the Business Finance Council, should be arranged with representation from the Department. The submission explained that the purpose of these meetings was to test how lenders would be likely to respond to a proposed new 'enhanced' EFG scheme.
- 5.30. As to the last point, meetings with lenders about the proposed new scheme, as I have explained above (§1.1414(a)) the Secretary of State asked Minister Scully to attend these proposed meetings [NZ/006 – INQ000543059].
- 5.31. As outlined in CWS, Part B, §2.4, on 11 March 2020, the Chancellor announced CBILS. He said that CBILS would be launched and delivered by BBB, to support businesses to access bank lending and overdrafts [NZ/094 – INQ000236913]. The announcement set out that lenders would offer no-fee loans of up to £1.2 million through the scheme to small and medium-sized businesses, which were 80% guaranteed by the Government.
- 5.32. As set out above, on 11 March 2020, my private office was forwarded an email from the Assistant Private Secretary to the Chancellor, to the Secretary of State's private office. This email explained that the Department was to deliver CBILS, which was described as a “*temporary expansion*” of the EFG scheme [NZ/082 – INQ000543065]. The email said that CBILS was to launch in weeks, and further that:

“[HMT] will now work closely with BEIS, BBB and lenders to agree the exact terms of the new scheme. [HMT] expect this to include:

A raised portfolio cap (taking more risk on the HMG balance sheet)

Expanded eligibility criteria – to support businesses who may temporarily fall outside bank risk appetite as a result of CV-19 (but are otherwise viable)

Work to streamline the process between lenders/BBB to make the scheme attractive to use for banks”

- 5.33. Later that day, I attended the first BROs meeting chaired by the Secretary of State, alongside Minister Scully [NZ/084 – INQ000625267] [NZ/085 – INQ000625268]. The primary focus was the Budget [NZ/095 – INQ000625270], [NZ/086 – INQ000624857]. As noted in the meeting record, it was evident that Covid-19 was already having a substantial impact on businesses. There was strong support for CBILS following its announcement, and a shared recognition that funding needed to be deployed swiftly. UK Finance confirmed that banks had welcomed the scheme and emphasised the importance of speed and simplicity in its delivery. While due diligence remained necessary, they advocated for an “*all-hands-on-pump*” approach to ensure that funds could be made available quickly and without unnecessary bureaucracy.
- 5.34. On 16 March 2020, the Secretary of State, Sarah Munby, and I spoke with BROs [NZ/096 – INQ000625289]. One of the issues raised in this meeting was a “*plea for strategic, fast and massive intervention by Government to support businesses that would ordinarily be viable*” [NZ/097 – INQ000625277].
- 5.35. As outlined in CWS, Part B, §2.17, on 17 March 2020, the Chancellor announced that the Government would be providing additional support to protect businesses, with changes to the initial parameters of CBILS [NZ/098 – INQ000585498]. The changes to CBILS were:
- a) The maximum amount that businesses could borrow was increased from £1.2 million to £5 million; and
 - b) A six-month interest-free period was made available to businesses. The Government would cover the first six months of interest payments.
- 5.36. Later that day, I attended a call with representatives from the professional and business services sector, alongside the Secretary of State [NZ/026 – INQ000625291]. The purpose of the call was to gain insight from the sector regarding the impact of Covid-19 on businesses within this sector, and what the Government could do to help. Representatives reported concerns that smaller firms were struggling with cash flow, and there was a request to support working capital and tax relief. They noted that whilst the Budget and Bank of England announcements were welcomed, it was felt that they may not go far enough.
- 5.37. On 18 March 2020, I held a call with DAs at which it was agreed that gathering information and sharing business intelligence was of key importance [NZ/003 – INQ000065266], [NZ/087 – INQ000065267]. It was agreed that my private office would

schedule weekly DA calls. One of the issues raised related to the hospitality sector and need for immediate cash flow [NZ/088 – INQ000654994].

5.38. Also on 18 March 2020, I received UK Steel's briefing on Covid-19 impact. It was noted that "[u]nlike most other large business, as a foundation sector at the start of supply chains we also have almost no ability to delay payments to our own major suppliers and therefore cash flow is already becoming a critical problem" [NZ/099 – INQ000654991], [NZ/100 – INQ000654992].

5.39. Later that evening, I was copied into an email sent by BEIS officials to the Secretary of State attaching an update note on CBILS, ahead of a meeting scheduled to take place the following day [NZ/101 – INQ000543080], [NZ/102 – INQ000543081], [NZ/103 – INQ000543082]. I understood from the note that the Chancellor felt strongly that the scheme must be implemented the following Monday, 23 March 2020. The note also advised that:

- a) following work with banks, BBB and HMT, the scheme parameters were near final;
- b) BEIS was still developing a value for money analysis but felt that CBILS would have a lower Benefit-to-Cost ratio than EFG, but the Department's best estimate was that it would still deliver a positive return; and
- c) there remained an outstanding policy choice which related to whether sectors currently excluded by the rules of the EU's State aid Temporary Framework should be brought within the scope of the scheme, such as agriculture, fishing and private school. It was recommended that the scheme be launched with those sectors out of scope, and for the issue to be revised once the case for supporting excluded sectors was clearer.

5.40. I attended a meeting on 19 March 2020 with the Secretary of State and BEIS officials to discuss, among other things, the proposal for CBILS [NZ/104 – INQ000563878]. The Secretary of State was keen to understand the granular detail behind the scheme and whether banks were speaking to small business owners about whether it was appropriate for them. The Secretary of State highlighted that, in his experience, there is usually a major disconnect between the realities of how such a scheme is delivered, and its overall objectives. I agreed and noted that there was, so far as the process was concerned, a need to be much more prescriptive to the banks. The Secretary of State suggested a "mystery shop" to see if banks had briefed staff appropriately and whether the process for talking about the loans was adequate. The Secretary of State also

highlighted that businesses needed cash flow and said he was happy to proceed with the risks associated, even if claw-back of funds at a later date were required.

- 5.41. As outlined in CWS, Part B §2.24, BEIS officials sent an urgent submission to the Secretary of State on 20 March 2020 seeking his in-principal agreement to the scheme, in advance of the proposed launch of CBILS on 23 March 2020 [NZ/105 – INQ000585501]. My private office was copied in [NZ/106 – INQ000585500]. 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.” The Secretary of State was asked whether he wanted to proceed and launch CBILS.
- 5.42. The submission set out an update on the design of CBILS, and key differences when compared to the EFG loan scheme. BEIS officials further advised that, so far as value for money was concerned, the pandemic represented a major shock to the UK economy and should be treated as an exceptional occurrence which justified government intervention to support firms. The submission also advised that the Chancellor was content with the proposed parameters.
- 5.43. The proposed parameters were set out as follows:
- a) The maximum loan size supported was to be £5m for terms up to five years, whereas the EFG supported loans up to £1.2m, and £600,000 loans over five up to 10 years;
 - b) Businesses were not to be required to pay a premium to access a CBILS loan, whereas EFG loans carried a 2% premium;
 - c) Government was to guarantee 80% of the remaining balance of each loan, whereas the figure had been 75%;
 - d) The cap on gross Government liability at the level of the lender’s whole CBILS portfolio was to be increased to 75% of losses, an increase to the 20% cap across the lender’s whole EFG portfolio;
 - e) The net effect was an effective portfolio cap of 60%, an increase from 15% under the EFG;
 - f) In return for lenders offering interest-free loans to businesses for 12 months, lenders would be charged a fee of 25bp for 1-year loans, 50bp for 2-3 years,

and 100bp for 4-6 years, which applied to the guaranteed portion of the loans offered. I was informed that BBB and UK Finance's view was that this would be considered by banks to be attractive in light of the modest fee and the extension of the interest-free period from 6 to 12 months reduced the risk of default;

- g) Access to the scheme was to be widened, in that under the EFG only viable businesses that have some (but insufficient) security were able to access the scheme, and under the new proposal businesses would be able to apply for unsecured CBILS loans up to a value of £250,000;
- h) The lender would be required to establish that the enterprise had a viable business proposition in accordance with its usual commercial lending criteria, albeit that where there were concerns about the short-term impact of Covid-19 on business performance, the business would be eligible provided that the lender was to reasonably believe that the finance would help the business to trade-out of any short-term cashflow difficulty;
- i) Protected sectors, including agriculture and aquaculture, insurance hauliers and private schools, were to be able to access the scheme on limited terms, of loans up to around £1m.

5.44. The submission also noted that businesses and business representative groups had raised concerns about the assessment of security against loans, and that under the proposal, any loans below £250,000 would not require lenders to ask for security.

5.45. On 20 March 2020, the Secretary of State's private office confirmed in an email that the Secretary of State had acknowledged the outstanding legal risk in relation to EU State aid rules and that Alex Chisholm, in his capacity as Accounting Officer, had signalled that a ministerial direction would be needed. The email further noted that as soon as the relevant letters were received, the Department would seek approval from HMT [NZ/107 – INQ000563881].

5.46. Following the above confirmation, BEIS official, Gemma Peck, emailed the Secretary of State's, as well as mine and Minister Scully's private offices the relevant letters, which included the Secretary of State's response to the Accounting Officer's letter and letter from the Secretary of State to the Chancellor seeking approval [NZ/107 – INQ000563881], [NZ/108 – INQ000563882], [NZ/109 – INQ000625818], [NZ/110 – INQ000625819], [NZ/111 – INQ000625820].

5.47. As set out in CWS, Part B §2.46, CBILS was launched on Monday 23 March 2020.

Personal guarantees

5.48. On 21 March 2020, having reviewed the relevant letters referred to above, my private office confirmed by way of email to BEIS officials that I was very impressed by the speed at which the process had come along. This email further noted my comments that the “*Secretary of State and Chancellor need to be explicit with the banks and ask for written confirmation from each as to their [p]osition/condition on personal guarantees*” [NZ/112 – INQ000654995].

5.49. In the email chain which followed, a BEIS official advised that “[e]ach lender will have their individual policy on PGs, in what circumstances they are taken and the extent to which they are enforced”. I responded as follows:

“Each lender needs to tell BBB and Gov what their policy is, making clear our preference that up to £250k should be without PG”

5.50. Later that day, and following discussion with BBB, BEIS officials advised my private office as follows:

“This is what is written in existing EFG contracts and will be in CBIL ones:

‘The EFG scheme prohibits a lender from taking security over a Borrower’s principal private residence (PPR) in connection with an EFG facility. The language from the EFG legal agreement and the definition of a principal private residence are set out below. This principle is applied throughout the scheme. A Lender can however take a charge over a PPR to support a commercial facility made available alongside EFG.

A lender also cannot use the proceeds of enforcement of security over a PPR to repay a scheme facility, unless a borrower requests for it to do so. In exceptional circumstances, a Borrower/Personal Guarantor may wish to make a voluntary settlement in respect of the outstanding EFG Facility from proceeds realised from either a sale or re-mortgaging of a PPR, for example to avoid an adverse credit record. Any decision to use PPR proceeds for this purpose must be made on the Borrower’s/Personal Guarantor’s own initiative’

Does this offer reassurance to the minister?

We will also look at what we can put in the letter that goes to the banks from SoS and the Chancellor.”

5.51. Having considered the above response, I remained concerned that the inclusion of a personal guarantee, at a time of huge uncertainty, would not be helpful for businesses.

In response, also on 21 March 2020, my private office relayed this concern and advised that this should be kept in mind whilst drafting the letter from the Secretary of State and Chancellor to banks [NZ/113 – INQ000654996].

- 5.52. Although the Secretary of State agreeing to jointly send a letter with the Chancellor to the banks, the Chancellor proceeded to send a letter on 25 March 2020 without the Secretary of State's involvement [NZ/114 – INQ000563903].
- 5.53. On 27 March 2020 BEIS officials sent a submission to the Secretary of State seeking an urgent view from him on whether he wanted BEIS officials to work up more detailed proposals with HMT and BBB for:
 - a) Prohibiting personal guarantees for CBILS facilities under £250,000; and
 - b) Changing scheme rules for facilities over £250,000 so that, if a business defaults on a CBILS loan, the lender will be entitled to claim the 80% government guarantee before turning to any personal guarantees that are in place, thereby limiting the personal guarantee to 20% [NZ/115 – INQ000563900], [NZ/116 – INQ000563905].
- 5.54. The Secretary of State responded via his private office later that day confirming that he was supportive of the proposals, but that in discussion with BBB it was necessary to understand what impact there would be on the number of lenders [NZ/116 – INQ000563905].
- 5.55. On 28 March 2020, BEIS officials sent a further urgent update on proposed changes to CBILS [NZ/116 – INQ000563905] to the Secretary of State's private office and Permanent Secretary, copying my private office in. This followed notification received from HMT that the Chancellor intended to announce two amendments to the CBILS rules on personal guarantees on Monday 30 March.
- 5.56. The proposed amendments to CBILS regarding personal guarantees were:
 - a) For loans and other facilities under £250,000, lenders would no longer be permitted to require a personal guarantee.
 - b) For loans exceeding £250,000, lenders could still request a personal guarantee. In the event of default, recovery would first be sought from the business's assets. Any remaining debt would then be subject to the personal guarantee, but limited to 20% of the outstanding amount, with the remaining 80% covered under the government guarantee.

- 5.57. BEIS officials noted that they were working with BBB and HMT to better understand the delivery, market impact and value for money [NZ/117 – INQ000625329].
- 5.58. On 29 March 2020, the Secretary of State’s private office confirmed that he was content to prohibit personal guarantees on loans under £250,000, as major lenders were already doing so [NZ/118 – INQ000625330].
- 5.59. Also on 29 March 2020, my private office was copied into correspondence which advised that the Secretary of State had met with BEIS officials, and Minister Scully, earlier that day to discuss changes to the personal guarantee rules. The note stated:
- “[The Secretary of State]] noted that there would be a preference for no personal guarantees being taken for loans below £250k as these should cover small businesses and asked what the split of loans (below and above £250k) is likely to be. PM noted that historical evidence would suggest most loans likely to be under £250k, which would address working capital needs for small business and sole traders. All 7 big lenders have implemented discretionary changes to implement the ‘no personal guarantee for loans under £250k’ position. SoS asked for clarity from all lenders whether they are implementing this i.e. confirmation in writing. PM noted that while it might be possible to ask banks not to pursue 20% PGs in practice even over £250k it may crowd some lenders out. GP noted that when HMG writes to lenders with draft rule changes tomorrow, we can also ask them to apply the changes retrospectively if they want to remain part of the scheme”* [NZ/119 – INQ000563906].
- 5.60. On 30 March 2020, BEIS officials sent an updated submission to the Secretary of State regarding the proposed changes to CBILS. I was asked to note the submission or provide comment [NZ/120 – INQ000563909], [NZ/121 – INQ000625338]. The submission set out that the proposed changes were, as suggested above, not to permit lenders to require a personal guarantee for loans or other facilities under £250,000. Further, lenders were free to seek a personal guarantee in loans over £250,000, but in default the lender would first seek to recover from business assets, then look to the personal guarantee for a maximum of 20% of the remaining debt, claiming 80% of the residual loss under the guarantee agreement.
- 5.61. My private office was informed on 30 March 2020 that BEIS officials, HMT and BBB had met with representatives of the seven large lenders participating in CBILS to discuss the proposed changes. The lenders confirmed they were content with the proposals, although they noted some concerns about operationalisation including the

need to retrain staff, and the need for clear communications on the changes to avoid confusion for businesses. I also note that the Secretary of State and Economic Secretary had scheduled to co-chair a Business Finance Council meeting which Minister Scully would also attend, in order to address the proposed changes to CBILS [NZ/122 – INQ000625337].

- 5.62. I note that I did not take part in the meetings with lenders, nor the Business Finance Council meeting, referred to in the previous paragraph. Others may be better placed to comment on consultation as to these changes. I did receive general feedback about CBILS as part of my stakeholder engagement role, some examples of which are noted below.
- 5.63. Also on 30 March 2020, the Permanent Secretary sent a note which had been received from UK Finance to the Secretary of State's and my private offices [NZ/123 – INQ000625334], [NZ/124 – INQ000625335]. The note recommended that Government implement a number of changes in a single step:
- a) To review the eligibility criteria, as it may be necessary to reconsider the terms of the scheme to enable all viable businesses under the £45 million threshold to be eligible for CBILS.
 - b) Ensure clear and consistent communication around the scheme by finance providers, BBB and Government.
 - c) That BBB ensure clarity on the personal guarantee requirements for loans up to £250,000, and guarantee requirements generally above £250,000.
 - d) To introduce automatic accreditation for lenders, to enable more lenders to be accredited quickly.
- 5.64. On 1 April 2020, BEIS officials sent a further submission to the Secretary of State, which I was asked to note or comment, on the proposed changes to CBILS. The submission set out that the Chancellor proposed to announce the revisions in relation to personal guarantees. The submission also advised that the Chancellor intended to announce an extension of eligibility for CBILS, to cover any SME adversely affected by Covid-19, even if they could obtain finance on normal commercial terms [NZ/125 – INQ000563918].
- 5.65. On 3 April 2020, the Chancellor announced changes to CBILS, including restricting the use of personal guarantees (CWS, Part B, §2.103).

- 5.66. The Inquiry has asked if the decision to prohibit personal guarantees for CBILS facilities under £250,000 should have been taken from the outset of the scheme. As the Inquiry will note from the above, I had relatively little involvement in the detailed policy-making surrounding either the initial announcement of the scheme, or the changes to CBILS announced in early April 2020. However, I did express concerns, as set out above, that requesting personal guarantees would not assist businesses, and had the potential to undermine the support which CBILS was intended to provide. I recognise, however, that CBILS was developed at pace and that there was an urgent need to provide businesses with support, so trade-offs had to be made.
- 5.67. The Inquiry has also asked what led to the decision to prohibit personal guarantees for CBILS facilities under £250,000. My understanding is that the changes emanated from the Chancellor, that they were designed to make the scheme more attractive to business owners, and in particular sought to address criticisms of the scheme that banks were not taking enough risk, and that directors doing their best to save a struggling company should not be penalised if their efforts were unsuccessful [NZ/120 – INQ000563909].
- 5.68. Further, the Inquiry has asked how that specific threshold, i.e. £250,000, was chosen. Based on the chronology outlined above, I note that the Secretary of State’s private office stated that he was content with the Chancellor’s intention to change the scheme to prohibit personal guarantees for loans under £250,000, because major lenders were already doing this [NZ/118 – INQ000625330]. Similarly, a BEIS official, Gemma Peck, described the Chancellor’s intention to change CBILS to prohibit personal guarantees for loans below this threshold as “*relatively uncontentious given five major lenders already committed to this*” [NZ/116 – INQ000563905]. Further, it would appear that the Secretary of State discussed the details of the “*split of loans (below and above £250k)*” with BEIS officials (I was not party to this discussion), as set out at §5.5959 above.

Principal Private Residences

- 5.69. As outlined in CWS, Part B, §1.8, under CBILS, lenders were not permitted to secure personal guarantees against a borrower’s primary residence. I am asked if any analysis was undertaken on whether excluding principal private residences might affect lenders’ appetite to lend at higher loan values. I cannot recall having any substantive involvement in relation to this issue and consider that others are better placed to comment.

European State aid rules

- 5.70. As outlined in CWS, Part B §§2.8 – 2.13, CBILS was governed by EU State aid rules and compliance with these rules was, as I understand it, seen as a potential constraint in designing the scheme. However, as set out below, the Temporary Framework provided a mechanism for faster approvals and support.
- 5.71. As referred to in §4.4916 above, on 5 March 2020, BEIS provided a draft submission on the impacts of Covid-19 on business, and possible support measures in response [NZ/056 – INQ000585485]. The submission noted that any new scheme would have to comply with State aid restrictions, limiting how government can fund private businesses; however, depending on the severity of Covid-19, more flexible measures could possibly be notified to the EU Commission. Officials further noted there were “rumours” the EU was considering EU-wide measures to support businesses.
- 5.72. In response to the above submission, my private office noted that “[on] State Aid – he is very interested to explore the potential to notify the Commission that flexible measures may be needed. Can we get more information on this and try to flesh out the rumours of new EU-level measures to support businesses?” [NZ/058 – INQ000585484].
- 5.73. As set out in §5.2323 above, on 7 March 2020, my private office received a draft COBR(M) paper on Covid interventions and State aid [NZ/064 – INQ000625258]. This State aid note said:
- “We have been informed by the Commission in response to our query that no temporary framework is currently envisaged but that it is monitoring developments. However we note EU Commissioner Hogan (Trade) was on record yesterday as saying that the State aid rules could be relaxed and we expect that the Commission, like us, are engaged in contingency planning and are being lobbied hard by Member States to relax the State aid framework. The language used by Commissioner Hogan suggests that a first significant relaxation of the rules will be to extend access to finance measures to address a serious economic disturbance along the lines of the 2008 framework.”*
- 5.74. As outlined above in section 4, my private office provided my views on the draft COBR(M) paper on 7 March 2020, however I did not provide any response to the State aid note specifically [NZ/067 – INQ000654981]. My focus at this time was on preparing for the COBR(M) meeting on 9 March 2020.

- 5.75. The final draft COBR(M) paper was subsequently sent to the Secretary of State, at 17:31 on Saturday 7 March 2020 [NZ/068 – INQ000625259], [NZ/069 – INQ000625260].
- 5.76. On Sunday 8 March 2020, the Secretary of State responded to the draft COBR(M) paper and State aid note sent the previous day. On State aid, he requested “*further feedback on any conversations with the commission*” and intelligence on what other countries, e.g. Italy, were doing or planning to do to support businesses. My private office was copied [NZ/073 – INQ000585490]. Officials confirmed that intelligence had been gathered from the Commission [NZ/126 – INQ000625261].
- 5.77. On Monday, 9 March 2020, I attended a call with the Secretary of State, Permanent Secretary and BEIS officials to discuss approaches which other countries were taking with regards to State aid. I do not recall the details of the call [NZ/076 – INQ000654982]. My legal advisers have been unable to locate a readout of this call.
- 5.78. Also on 9 March 2020, BEIS officials shared a statement from the Commission noting that the Commission was prepared to be flexible on State aid responses to Covid-19 [NZ/127 – INQ000625264].
- 5.79. On 14 March 2020, my private office was copied into correspondence from the Secretary of State to BEIS officials in which he had asked if there were any existing BBB schemes that could be expanded to support larger businesses and, if not, what schemes could be established quickly [NZ/128 – INQ000563872].
- 5.80. In response, on 15 March 2020, BEIS officials confirmed that as BBB was restricted by the State aid framework, existing schemes were limited to SMEs and a maximum loan size of £1.2 million [NZ/129 – INQ000563873].
- 5.81. The Secretary of State’s private office queried whether the European Commission was expected to relax State aid rules given the fact that it appeared that this might happen [NZ/130 – INQ000625808]. BEIS responded confirming that the European Commission had shown flexibility, approving aid measures rapidly under Articles 107(2)(b) and 107(3)(c) and was likely to recognise similar economic disturbances across Europe [NZ/130 – INQ000625808].
- 5.82. On 17 March 2020, the European Commission proposed a Temporary Framework for State aid to support the economy during the crisis which was formally adopted on 19 March 2020. It stated:

“The economic impact of the COVID-19 outbreak is severe. We need to act fast to manage the impact as much as we can. And we need to act in a coordinated manner. This new Temporary Framework enables Member States to use the full flexibility foreseen under State aid rules to support the economy at this difficult time.” [NZ/131 – INQ000563911]

- 5.83. As referred to above at §5.4141, in the submission sent to the Secretary of State in advance of the proposed launch of CBILS on 23 March 2020 [NZ/105 – INQ000585501]. BEIS officials presented the parameters of the scheme and the State aid assessment. The State aid assessment provided that “[t]here is a residual risk that banks may refuse to proceed to implement the scheme until Commission approval for the £5 million loan size is granted”.
- 5.84. On 20 March 2020, the Secretary of State’s private office confirmed in an email that the Secretary of State had acknowledged the outstanding legal risk in relation to EU State aid rules and that Alex Chisholm, in his capacity as Accounting Officer, had signalled that a ministerial direction would be needed [NZ/107 – INQ000563881].

Portfolio cap

- 5.85. As explained in the CWS, initially, a portfolio cap was applied to the lender’s whole CBILS portfolio, to limit the Government’s exposure to losses. The portfolio cap was a limit on the total amount of losses or risks that the Government would cover for a lender’s group or portfolio of loans. The portfolio cap was removed in late April 2020 (CWS, Part B, §1.5, §2.7, §2.121).
- 5.86. I am asked how the specific level of the portfolio cap was determined and whether it applied uniformly across lenders. I am not well-placed to answer these questions, given my relatively limited involvement in the detailed policy-making for CBILS. I note that, on 11 March 2020, HMT told BEIS that the new scheme’s terms should include “A raised portfolio cap (taking more risk on the HMG balance sheet)” (see above, §5.3232, §5.43 [NZ/082 – INQ000543065]). My broad understanding is that HMT’s policy intent was to encourage lenders to issue more loans, by increasing their appetite for risk.

Consultation in the design of CBILS

- 5.87. As set out above, Minister Scully was initially tasked by the Secretary of State with attending calls about CBILS with HMT officials and lenders [NZ/006 – INQ000543059].
- 5.88. I also understand that meetings were held with lenders about details of the scheme, an example being the meeting on 30 March 2020, noted at §5.6161 above.

Stakeholder engagement in relation to CBILS

- 5.89. In addition, in line with my general role as discussed in Sections 1-2 above, I received general feedback from stakeholders in relation to CBILS. I set out a high-level summary of some examples below.
- 5.90. I note that, as outlined in the CWS, Part B, §2.104, 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 [NZ/132 – INQ000563933]. I was copied into this correspondence [NZ/133 – INQ000585539]. BEIS officials also explained how they were responding to improve the scheme.

Devolved Administrations

- 5.91. As explained in §2.233.14 above, I held quadrilateral meetings with the DAs, under the auspices of the Business and Industry Interministerial Group. I worked constructively with the DAs to ensure that they were engaged as much as possible.
- 5.92. On 18 March 2020 I attended a Business and Industry quadrilateral call with DA counterparts [NZ/003 – INQ000065266] [NZ/087 – INQ000065267]. It was agreed that gathering information and sharing business intelligence was of key importance. The Scottish government noted that:

“Grants important for Scottish businesses.

Immediate issue is cash flow, particularly for hospitality businesses.

Self-employed and free-lancers are particularly at risk.

Key challenge around SMEs.

Need to get loans out the door as quickly as possible”

- 5.93. On 25 March 2020, I attended a Business and Industry quadrilateral call with DA counterparts [NZ/134 – INQ000654999], [NZ/135 – INQ000655000]. It was suggested that we consider *“drawing out details of what banks are offering in relation to govt schemes and how these align between different banking companies to ensure there is consistency (e.g. some banks are going to charge/ask for collateral and guarantees from companies to access the loan schemes announced)”* [NZ/020 – INQ000655002].
- 5.94. On 1 April 2020, I attended a Business and Industry quadrilateral call with DA counterparts [NZ/136 – INQ000655014]. The discussion covered operational/delivery challenges, business intelligence and the future economic recovery relating to the coronavirus outbreak.

- 5.95. On 8 April 2020, I attended a Business and Industry quadrilateral call with DA counterparts [NZ/137 – INQ000655018], [NZ/138 – INQ000655019], [NZ/017 – INQ000538773]. It was advised that *“it would be useful to get disaggregation data on who is using the schemes (by business sector and size), as this (alongside information from banks etc.) would also help us understand who is missing from schemes”*. DAs queried the £25 million threshold under CBILS and it was suggested that an amount of £50 million would be more appropriate. Additionally, it was noted that *“the changes made have been positive but had heard from businesses that a drop in the personal guarantee to £250,000 is acting as a disincentive to banks to lend at lower levels (giving preference to 100% guaranteed loans above £250k”*.
- 5.96. On 15 April 2020, I attended a Business and Industry quadrilateral call with DA counterparts (as noted at §2.12 above) [NZ/019 – INQ000538788]. DAs referred to surveys relating to CBILS which stated that 60% of businesses thought accessing CBILS was difficult. I agreed to consider the uptake data on CBILS (the readout suggests this action point was taken forward by BEIS policy officials). I confirmed that the focus remained on ensuring funds reached businesses. I also thanked DAs for their feedback on the threshold limit for CBILS and confirmed details would be announced shortly.

Business Representatives

- 5.97. On 11 March 2020, I attended the first BROs meeting, chaired by the Secretary of State [NZ/084 – INQ000625267], [NZ/085 – INQ000625268]. As explained above, the primary focus was the Budget [NZ/095 – INQ000625270], [NZ/086 – INQ000624857]. There was strong support for CBILS following its announcement, and a shared recognition that funding needed to be deployed swiftly. UK Finance confirmed that banks had welcomed the scheme and emphasised the importance of speed and simplicity in its delivery. While due diligence remained necessary, they advocated for an “all-hands-on-pump” approach to ensure that funds could be made available quickly and without unnecessary bureaucracy.
- 5.98. On 16 March 2020, The Secretary of State, Sarah Munby and I attended a further meeting with BROs, including the Confederation of British Industry, the Institute of Directors, the British Chamber of Commerce, the Federation of Small Businesses, UK Hospitality and UK Finance [NZ/139 – INQ000654988], [NZ/097 – INQ000625277]. The meeting record reflects that there was a “[p]lea for strategic, fast and massive intervention by Government to support businesses that would ordinarily be viable”.

Businesses reported particular difficulties in the airline industry, hospitality, and retail, with knock-on impacts for other sectors.

- 5.99. On 6 April 2020, I attended a BROs meeting with the Secretary of State and Minister Scully [NZ/005 – INQ000625395], [NZ/140 – INQ000655016]. It was noted that changes to CBILS were welcomed but there was a fear that the increased demand would place pressure on lenders.
- 5.100. On 16 April 2020 I attended a call with the Department for Transport and Northern businesses. Businesses raised the need for improvements to CBILS and fast-tracking for small and micro-businesses to access Government support. It was noted that it was *“critical to get the money out as quickly as possible”* and the *“speed at which banks can process the loans is a problem”*. I confirmed that 46 banks were helping to deliver CBILS but we were alive to the fact that some banks found difficulty with delivering CBILS to micro-businesses. I suggested that businesses send further information to the Department so that an investigation could take place. I further acknowledged that the Department was aware of the need to *“get money out the door and are pushing banks on this”* [NZ/141 – INQ000655032].
- 5.101. On 21 April 2020, I attended a meeting of the BROs, which Minister Scully chaired [NZ/142 – INQ000625450], [NZ/143 – INQ000625461]. The note of the meeting recorded that there were some ongoing concerns regarding CBILS, with reports that some exporting businesses were being refused loans as too much of their business was conducted overseas, and that there were calls for 100% guarantees.

Other engagement

- 5.102. As further examples of my work generally listening to stakeholders’ concerns:
- a) On 2 April 2020, I had a call with the PBS sector (see generally §2.23.c) above). It was said that CBILS *“needs to be more user friendly”* [NZ/027 – INQ000655012].
 - b) On 16 April 2020, I had another call with the PBS sector. The participants’ *“key asks”* related to the Job Retention Scheme, however we also discussed *“issues SMEs have been having accessing loan schemes”*. I committed to pass on those issues to BBB and to raise on the *“daily CBILS call”* [NZ/144 – INQ000655034]. To the best of my knowledge these daily calls referred to calls which took place at official level, sometimes with the Secretary of State. I do recall that on occasion I attended CBILS calls with the Secretary of State to share with him feedback arising from my stakeholder engagement. However, I

was not having individual calls with the Secretary of State daily. For the most part, business intelligence was disseminated in a structured way, being fed into the 'dashboard' created by policy officials.

Relationship with the British Business Bank

- 5.103. I have been asked about my personal involvement in working with BBB to implement CBILS. BBB implemented CBILS, working with a network of accredited lenders to deliver the scheme. BEIS officials held regular meetings and had continual dialogue with BBB to monitor progress and discuss implementation and address any concerns or operational issues raised.
- 5.104. My personal involvement with BBB was relatively limited. However, I did seek to ensure that relevant stakeholder feedback was relayed to BBB where needed. An example is the 16 April 2020 PBS sector call, noted above (§5.102.a). A further example is provided by email correspondence in which I was sent feedback concerning the CBILS 'undertaking in difficulty' test. I asked for this to be passed onto BBB [NZ/145 – INQ000655037]. In the above examples I asked for the Department to pass on feedback to BBB. However, I also recall that I had some meetings with BBB in respect of CBILS to make sure that feedback being received from different sectors was being fed through to get the scheme operational as quickly as possible for businesses. I cannot recall exactly when this took place.

Reflections

- 5.105. I have been asked to consider whether there was adequate data available to design the scheme. As I had relatively limited involvement in the policy-making surrounding the design of CBILS, I do not consider I am best placed to provide views on whether the data used for design of the scheme was adequate.
- 5.106. In terms of whether changes to CBILS had an effect, I am aware that, despite the changes announced by the Chancellor on 3 April 2020, some businesses continued to report difficulties in accessing finance speedily under CBILS: e.g. a meeting I held with the PBS sector described at §5.102.a) above.
- 5.107. In considering the balance struck, in designing the scheme, between supporting businesses quickly and the risk that certain businesses, as I did not have direct responsibility for the design of CBILS nor detailed involvement in the policy work for this scheme, I consider that others are better placed to comment on this.
- 5.108. I have also been asked whether changes such as the removal of the portfolio cap and adjustments to personal guarantees increased the risk of financial loss under CBILS.

I note the advice contained in the submission of 1 April 2020 referred to in §5.6464 above [NZ/125 – INQ000563918]. BEIS officials advised that:

- 5.109. Removing the portfolio cap would increase the Government's theoretical contingent liability by an estimated £6 billion to £12 billion based on earlier planning scenarios of £30 billion to £60 billion in total lending. Although actual losses were expected to remain within the original cap under normal conditions, a prolonged recession could significantly increase defaults. If the change were to proceed, HMT would need to reaffirm its commitment to covering CBILS related costs.
- 5.110. In so far as personal guarantees were concerned, there remained uncertainty around loan take-up, default rates, and the scheme's economic impact. Owing to time constraints, the Departments was unable to produce reliable value for money estimates. It was therefore recommended that BEIS secure HMT's assurance that BEIS' budgets would be protected from any financial consequences arising from the changes.
- 5.111. As to whether CBILS achieved its aim(s), I believe that it did. CBILS enabled access to critical liquidity for firms that may have struggled to secure finance through conventional means during the crisis. I have considered CWS, Part B, §§7.9 – 7.105, which outlines that the BBB-commissioned Ipsos Year 3 report found that CBILS and CLBILS met their short-term and medium-term objectives.
- 5.112. As to whether the scheme was value for money, I believe that others in the Department and HMT who were more closely involved in the detailed policy-making for CBILS would be better placed to provide detailed views. However, I would note that the Ipsos Year 3 report findings as set out in CWS, Part B, §7.105. The report notes that *"[a]n estimated 5,000 to 27,000 CBILS/CLBILS borrowers may have permanently closed between March 2020 and December 2022 without access to the Covid-19 loan guarantee schemes."*
- 5.113. I have been asked whether CBILS adequately safeguarded public funds and reduced the risk of fraud and error. I have considered CWS, Part B, §§6.27 – 6.31 and 10.11 and understand that reported fraud was relatively low. Others may be better placed to provide more detailed personal reflections.
- 5.114. I have been asked whether any gaps in support were identified, and if so, how they were addressed, and whether there were any gaps that should have been identified but were not. As set out above, several gaps in design were identified and addressed

through changes, including the removal of the portfolio cap and adjustments to the use of personal guarantees.

- 5.115. I have been asked if looking back, there anything I would have done differently in the design, implementation or delivery of CBILS. Given my limited involvement I do not have any further personal reflections or recollections to provide.

Section 6: Coronavirus Large Business Interruption Loan Scheme (CLBILS)

- 6.1. CLBILS was announced on 3 April 2020 and opened to applications on 20 April 2020.
- 6.2. CLBILS provided loans up to £200 million to medium and large-sized businesses that were based in the UK and had an annual turnover of over £45 million. The loans were backed by an 80% government guarantee, and businesses had to self-certify they were affected by the pandemic. Originally due to close on 20 October 2020, CLBILS was extended three times; firstly, to 30 November 2020, secondly to 31 January 2021, finally closing on 31 March 2021.

Nature and extent of my involvement

- 6.3. My involvement in the development and implementation of CLBILS was limited. I was sent submissions in copy to note/comment but had no decision making role in the design, implementation, or extensions of CLBILS. The Secretary of State undertook this role. There were limited instances where I provided comment or opinion on submissions and where relevant, I set this out in more detail below.

Rationale for CLBILS

- 6.4. I understand that CLBILS was created to provide assistance to large companies who were not eligible for support under existing funding packages. These companies became known as the 'missing middle' (though also described as the 'squeezed middle' initially).
- 6.5. Shortly after the launch of CBILS, the Department began to receive feedback regarding support for larger companies. On 11 March 2020, I attended a call with BROs alongside the Secretary of State and Minister Scully [NZ/086 – INQ000624857]. Some BROs specifically noted that they would like to see further support for larger businesses. In response to this feedback, on 14 March 2020, the private office of the Secretary of State wrote to Gemma Peck and asked what further measures BBB could provide to support large businesses [NZ/129 – INQ000563873]. The response noted that there were limitations due to State aid on expanding the current products offered by BBB to large businesses. My private office was copied into this thread but to the best of my recollection I had no personal involvement in these discussions.
- 6.6. This gap in support became an evident issue of concern around this time. In particular, I attended the daily ministerial briefing on 26 March 2020 [NZ/022 – INQ000563896] where Sarah Munby (Director General at that time) raised concerns regarding companies not eligible for either CBILS or the Bank of England's Covid Corporate

Finance Facility (**CCFF**). An action from this meeting was for ministers and private offices to send information on any specific companies in distress who could not access the current funding packages to the Business Intelligence Unit [NZ/146 – INQ000655003].

6.7. Following this, on 27 March 2020 BEIS officials sent the Secretary of State two submissions. They were also sent to me to note/comment. The first submission was regarding the Department's approach to handling larger cases [NZ/147 – INQ000596661]. The second related specifically to the issue of the 'missing middle' [NZ/148 – INQ000563902]. Both submissions are discussed further in the CWS, Part B, §3.4-3.8. The 'missing middle' submission informed the Secretary of State about the growing concern about these businesses and that HMT was being "*lobbied directly*" by business on this point. The submission also explained that HMT and the Chancellor were working on possible solutions for the 'missing middle'. Officials set out potential solutions, noting this would be subject to HMT approval, including amendments to CBILS, changes to the Bank of England's CCFF scheme, or a new scheme.

6.8. I reviewed both submissions and my private office circulated my comments on 30 March 2020, and asked for them to be passed to the Secretary of State [NZ/149 – INQ000624875]. In relation to the submission about the 'missing middle', I agreed with officials' recommendation for the Secretary of State to write to the Chancellor underlining the need for support. As to possible options for support, at the time, I considered that the best was to work with the Bank of England to amend their scheme:

"The Bank of England scheme is the best value and could be implemented fairly easily. We ought to work with the Bank of England to explore if they can open up their existing scheme to the missing middle companies. Borrowing at 0.1% - 0.25% makes payback and recovery more realistic."

The Secretary of State's private office responded to my private office's email indicating he wished to focus on solutions in any letter to the Chancellor and requesting a call with BEIS officials the next day, 31 March 2020 [NZ/149 – INQ000624875]. Events moved quickly however as, on 1 April 2020, officials informed the Secretary of State of the Chancellor's intention to launch a new scheme for the "stranded middle" businesses with turnover over £45 million (in a submission which I was asked to 'note/comment') [NZ/125 – INQ000563918]. In this context, there was limited time for

the Department to consider other options, and I am not aware that my comments about the Bank of England's scheme were considered further.

- 6.9. On 31 March 2020, I had a call with Ken Stakes (Minister for Economy, Transport, and North Wales) in which the 'missing middle' was discussed [NZ/150 – INQ000655010]. I remarked in this call that we were looking at the 'missing middle' and working with HMT on this issue.
- 6.10. The Secretary of State chaired a BROs meeting on 2 April 2020, which I also attended, at which the situation of "stranded middle" businesses was described as urgent [NZ/151 – INQ000543144]. It was said they were "*desperately in need of support, many will run out of cashflow in the next 2-3 months*".
- 6.11. I was not involved in any analysis or data modelling undertaken to understand demand for the CLBILS scheme. This is addressed further in the CWS, Part B, §3.9.

Scheme Design for CLBILS

- 6.12. On 2 April 2020, BEIS officials sent the Secretary of State a submission regarding a new guarantee scheme to address the 'missing middle' [NZ/152 – INQ000064782]. I was sighted on this submission to note/comment. I was not involved in the development of this decision beyond the comments I provided on 30 March 2020 set out above. The submission included details of the new scheme the Chancellor wished to announce and was initially for loans of up to £25 million for firms with an annual turnover of £45-500 million. An email later the same day, into which my private office was copied, confirmed the name change to CLBILS and an increase of the government guarantee to 80% [NZ/153 – INQ000563926]. The 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 (this was never implemented for CLBILS, and was removed in April 2020 for CBILS); and
 - d) Lenders allocation can include maximum of 20% refinancing.
- 6.13. CLBILS was announced by the Chancellor the next day, 3 April 2020. The CWS, Part B, §§3.18-3.46 discusses the design of CLBILS in further detail and sets out 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. My private

office was copied into further submissions on a note/comment basis regarding the CLBILS prior to its launch on the following dates:

- a) 8 April 2020 regarding the latest position [NZ/154 – INQ000563938];
- b) 9 April 2020 a note regarding queries from the Secretary of [NZ/155 – INQ000585553], [NZ/156 – INQ000585554];
- c) 15 April 2020 regarding the final scheme design [NZ/157 – INQ000563954];
and
- d) 16 April 2020 regarding CLBILS further announcement and handling [NZ/158 – INQ000563959].

6.14. Further amendments were made to CLBILS during May 2020, including the increase of the loan size to £200 million. My private office received further submissions on a note/comment basis on the following dates:

- a) 7 May 2020 regarding accreditation of lenders for all loan schemes [NZ/159 – INQ000564009];
- b) 14 May 2020 regarding the increase in loan size to £200 million [NZ/160 – INQ000564026]; and
- c) 20 May 2020 regarding further amendments regarding seniority of debt, restructuring, payout of guarantee, and restrictions on borrowers [NZ/161 – INQ000564039].

6.15. 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. As I was not directly involved in the development or design of CLBILS, I have no personal recollections to provide on this issue. The concerns raised by BBB are discussed in the CWS, Part B, §3.12.

6.16. 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 had no direct involvement in this matter but note that BBB's concerns and the response from Sam Beckett (interim Permanent Secretary) are discussed in the CWS, Part B, §§3.68-3.72.

6.17. Decisions regarding affordability, value for money, feasibility, and regularity directly relate to the Accounting Officer and the Secretary of State. As such, I was not involved in weighing these risks. The Accounting Officer advice and subsequent ministerial direction is discussed further in the CWS, Part B, §§3.33-3.46. My private office was

not copied into emails regarding these matters and therefore I do not have any personal recollections to provide.

- 6.18. I am asked whether looking back, if there had been more time to test CLBILS design before launch, would it have been any different. I do not feel able to comment on these matters given my limited involvement.
- 6.19. I am asked to what extent CLBILS was designed to take into account the specific economic conditions and needs of each of the Devolved Nations, and to what extent they were included in discussions on design and implementation. As noted above, my involvement in design and implementation of CLBILS was limited. As discussed above, at this time I was hosting regular ministerial quadrilateral meetings with the Devolved Administrations. These would occasionally include an update regarding CLBILS, such as that held on 15 April 2020. I was briefed ahead of this meeting and provided high level details about the CLBILS and other funding packages on offer to business [NZ/162 – INQ000655031]. The readout from this meeting noted that I provided an update on developments to CBILS and CLBILS [NZ/163 – INQ000538779]. It also stated “*NZ thanks DAs for their feedback on the £25m limit for the CLBILS scheme and confirmed details should be announced shortly (hopefully on Friday).*” I was not involved in the decision to increase the limit but note that on 16 April 2020, the Chancellor announced that firms with a turnover of more than £250 million could apply for loans up to £50 million [NZ/164 – INQ000065332]. I would also seek further clarification on questions raised during the ministerial quadrilateral. By way of example, at the ministerial quadrilateral held on 6 May 2020, it was noted that the CLBILS accreditation for the Bank of Ireland was progressing slowly [NZ/165 – INQ000065993]. On 7 May 2020 I asked officials for an update on the accreditation on the Bank of Ireland for CLBILS and was informed they had applied and it was being progressed [NZ/166 – INQ000655062].

Post Event Assurance Plans

- 6.20. I am asked about feedback received by the Government Counter Fraud Function’s Centre of Expertise in December 2020 regarding the Department’s Post Event Assurance Action Plans (**PEAPs**). From late November 2020, I was Vaccines Minister at DHSC and therefore do not have personal knowledge or comment to add in relation to this issue. The Covid-19 Fraud Ministerial Board oversaw the development of the PEAPs, and I discuss my involvement in this prior to leaving the Department in further detail below at §8.20.

Value for Money

6.21. I am asked if CLBILS was value for money. I was not involved in reviewing the Accounting Officer assessment or ministerial directions at the time. This is addressed in the CWS, Part B, §§3.33-3.46. In summary:

- a) On 14 April 2020, BEIS officials sent revised and final Accounting Officer advice to the acting Permanent Secretary regarding CLBILS [NZ/167 – INQ000625082], [NZ/168 – INQ000563950]. The advice noted that BEIS officials were unable to confirm with confidence that the scheme represented value for money and advised that a ministerial direction would be needed.
- b) On 15 April 2020, BEIS officials sent the Secretary of State a submission regarding outstanding policy decisions [NZ/157 – INQ000563954]. My private office were sent this submission to note/comment. The submission also noted that Accounting Officer advice had been sent to the Permanent Secretary recommending that she seek a ministerial direction. It was noted in the submission 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.”

- c) On 16 April 2020, the acting Permanent Secretary sent a letter to the Secretary of State seeking a ministerial direction [NZ/169 – INQ000563960]. The letter stated that the Department was continuing to see evidence of the severity of the impacts of Covid-19 and explained that while she considered the risks around regularity, propriety and feasibility to be manageable, the uncertainty on value for money and additionality required a direction.
- d) 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 [NZ/170 – INQ000563962].

Reflections

6.22. The uptake for CLBILS was lower than that of CBILS. The CWS, Part B, §3.75 notes that this because CBILS targeted SMEs, which included most businesses in the UK.

SMEs were disproportionately impacted by the effects of Covid-19 and did not have as many avenues for assistance and funding options.

- 6.23. I am asked if CLBILS achieved its aims. As discussed above at §§5.111-5.1125.111, the Year 3 BBB-commissioned Ipsos Report concluded that both CBILS and CLBILS met their short and medium term objectives. Further, the CWS, Part B, §10.11 states that CLBILS broadly worked and performed well. I agree with this assessment. The scheme was introduced to fill the gap in support faced by the 'missing middle' and was delivered quickly to ensure this occurred.
- 6.24. I am asked if the scheme adequately safeguarded public funds and reduce the risks of fraud and error. I understand from the CWS, Part B, §1.5 that as at 31 December 2022, lenders had not identified any suspected fraud for CLBILS loans. As such, I believe that the scheme safeguarded public funds.
- 6.25. I am asked about whether there were any gaps in support identified. CLBILS itself was implemented to rectify a gap in support. As I was not directly involved, I do not have any further personal reflections or recollections to provide.
- 6.26. I am asked if, looking back, is there anything I would have done differently in the design, implementation, or delivery of CLBILS. As I was not directly involved, I do not have any further personal reflections or recollections to provide.

Section 7: Bounce Back Loan Scheme (BBLs)

7.1. In respect of BBLs, I was copied into various submissions to 'note/comment', and correspondence. However, I did not have direct responsibility for the design of BBLs nor detailed involvement in the policy work for this scheme. Searches carried out by my legal advisers suggest that I did not provide any substantive comments on the key submissions in relation to BBLs prior to the scheme's launch. I am therefore not well-placed to provide a response to a number of the questions asked of me in the Rule 9 request.

Rationale behind decision to introduce BBLs and key policy objectives

7.2. As I understand it, the key policy objective for BBLs was faster delivery of finance than was occurring under CBILs alongside ensuring that businesses survived the pandemic [NZ/171 – INQ000543163] (see CWS, Part B, §4.23 and §10.17).

7.3. As further outlined in the CWS, Part B, §4.2, §4.6, BBLs was introduced in response to feedback that smaller businesses were struggling to obtain loans through CBILs. I also understand that there was a substantial backlog of applications by late April 2020 [NZ/172 – INQ000543164], and delays in approving loans and distributing funds. Thus, there were calls for the government to change CBILs or introduce a new scheme (CWS, Part B, §4.8-§4.23).

7.4. Feedback was received from a range of sources, including the Secretary of State's meetings with the BROs, which I also attended at times. By way of example of relevant stakeholder engagement in which I was personally involved:

- a) On 1 April 2020 I attend a meeting with companies from the automotive sector. It was highlighted that there is 'Inconsistent response from banks as some are offering their own products before CBIL' [NZ/173 – INQ000655009];
- b) On 2 April 2020 BROs representatives call, it was reported that that CBILs loans were "*starting to trickle through, but there are still inconsistencies around how the banks are processing applications...*" [NZ/136 – INQ000655014].
- c) At the 24 April 2020 BROs representatives call there were "*Continued calls for smaller CBILs loans to be simple and 100% guaranteed*" [NZ/174 – INQ000625462].

7.5. I note that BBLs was a scheme formulated and led by the Chancellor and HMT, at significant pace, to address the problems above [NZ/175 – INQ000563984].

Scheme design for BBLs

- 7.6. As noted above, my understanding is that in terms of scheme design, the BBLs was formulated and led by the Chancellor and HMT. Further, as explained at the outset of this section, I was not personally involved in the detailed policy-making in respect of this scheme.
- 7.7. I am asked to what extent loan schemes of other countries informed the development of BBLs. The CWS, Part B, §4.9-§4.23 outlines that comparisons were made to international schemes in the formulation of BBLs. I understand further from the CWS, Part B, §4.23 that the Chancellor decided to model BBLs on the Swiss scheme, including a standardised one-page form requiring the applicant's self-declaration, and a 100% government guarantee [NZ/171 – INQ000543163], [NZ/176 – INQ000543160].
- 7.8. As set out in CWS, Part B, §2.106 and §4.33-§4.35, on 23 April 2020, BEIS officials sent a submission (erroneously dated 21 April 2020) to the Secretary of State on HMT's evolving proposals for BBLs [NZ/177 – INQ000610530], [NZ/178 – INQ000563987]. I was sighted on this submission. The submission detailed the challenges of delivering a new scheme at pace, the likely requirement for a ministerial direction, and the risks associated with a 100% guarantee. It said that the Chancellor had asked BBB to move at pace to implement the new scheme.
- 7.9. BEIS officials indicated, in this advice to the Secretary of State, that they had significant concerns about the proposed new scheme:
- “Introducing a new scheme based on a 100% guarantee would be a high impact and high visibility intervention, particularly if combined with disapplication of the CCA for loans under £25,000. However, it comes with significant financial and reputational risk for Government and would add further complexity for delivery. Furthermore, statistics for CBILs are improving and it is difficult to quantify the additional benefit this scheme would provide. We are also concerned about BBB's ability to deliver a new scheme and that banks will still struggle to process loans swiftly despite the streamlined scheme design.”*
- 7.10. I do not recall whether, at the time, I shared BEIS officials' concerns about the risks that a 100% guarantee scheme might entail, and the inherent fraud risks associated with BBLs. However, my recollection, including from my stakeholder engagement, is that businesses were really struggling, and it was felt the government needed to act.
- 7.11. BEIS officials subsequently shared further concerns with the Secretary of State's private office (copied to other senior BEIS officials and private offices, including mine)

in relation to the fast pace at which the Chancellor was moving on the BBLs [NZ/179 – INQ000543170], as set out in the CWS, Part B, §4.36.

- 7.12. The Chancellor announced BBLs on 27 April 2020. A submission on BBLs copied to my private office on 28 April 2020 (erroneously dated 21 April) [NZ/180 – INQ000585601], [NZ/181 – INQ000585602], set out in more detail in the CWS, Part B, §§4.79-4.79, stated that the new scheme would launch on 4 May 2020, and provided information about the scheme's parameters.
- 7.13. A further submission was sent to my private office on 1 May 2020, along with the initial PwC Fraud Risk Review report [NZ/182 – INQ000625611] [NZ/183 – INQ000563997]. The submission noted that the scheme's parameters were close to finalisation, and that it was scheduled to come into effect on 4 May 2020, in line with the Chancellor's prior announcement.
- 7.14. I am asked whether the Department was consulted or supportive of the decision to remove credit checks from BBLs at the outset, and what concerns were raised internally within DBT or with HMT about what risks this would pose. I refer to the CWS, Part B, §§4.24-4.29, §4.36, §§4.41-4.45, §§4.48 – 4.51. In summary, on 21 April 2020, HMT provided advice to the Chancellor with proposals for the BBLs [NZ/184 – INQ000563981]. HMT's proposal was that a new scheme be operated through a simple online form for applicants where lenders would rely only on self-certification that businesses were not in difficulty prior Covid-19 which would remove the need for credit checks. This advice was shared with the Department on 22 April 2020 [NZ/185 – INQ000625105]. The risks associated with the proposal to remove credit checks were highlighted in advice from officials to the Secretary of State on 23 April 2020 [NZ/178 – INQ000563987]. Following the advice, a BEIS official, Gemma Peck shared further concerns with the Secretary of State's private office regarding the pace at which the scheme design was moving, as noted above [NZ/179 – INQ000543170]. Both, my private office and Minister Scully's were copied into the email. The following day, 24 April 2020, the Secretary of State wrote to the Chancellor regarding the proposed new scheme [NZ/186 – INQ000543175] and [NZ/187 – INQ000563988]. The Secretary of State emphasised the need for the two departments to work urgently together, alongside BBB, to consider issues of scheme design and delivery. On scheme design he stated: *"...we need to recognise the additional risks to the Exchequer that would result from a full guarantee and the absence of credit checking by lenders and should ensure we take proportionate decisions on eligibility and measures to guard against fraud."*

- 7.15. I am also asked whether any concerns were raised about the capacity of BBB to implement a new scheme quickly and effectively and banks being able to process loans swiftly. As set out above, on 23 April 2020, I was copied into a submission from BEIS officials to the Secretary of State regarding HMT's proposals for BBLs. The advice noted "*That there are significant doubts about the capacity of the British Business Bank to implement a new scheme at the pace proposed...*" [NZ/178 – INQ000563987].
- 7.16. On 23 April 2020, BBB sent a draft note to the Department and HMT on alternative delivery options for BBLs [NZ/188 – INQ000543166], [NZ/189 – INQ000543167], outlined in the CWS, Part B, §§4.37-4.39.
- 7.17. I am asked by the Inquiry to comment on the extent to which these alternative delivery options were assessed against the policy objectives that the BBLs was intended to achieve, why were those options not preferred and any advice I provided in relation to those options. To the best of my recollection, I was not involved in discussions regarding the alternative delivery options proposed by BBB nor did I provide advice on this issue. Therefore, I consider that officials in BEIS and/or HMT would be better placed to comment.

BBB's Reservation Notice

- 7.18. I am asked about the formal reservation notice raised by BBB, what my view was in relation to each of BBB's concerns on the grounds of propriety, value for money and feasibility, and what action I took in response to BBB's reservation notice. The reservation notice was sent to the Secretary of State, and I was not copied to that correspondence. To the best of my recollection, I did not have direct involvement in responding to BBB's reservation notice, nor did I provide advice to the Secretary of State about BBB's concerns. Therefore, I am not well placed to answer this question.

Fraud concerns

- 7.19. I am asked to what extent I consider that it was a significant issue that BBLs was launched without a system in place to detect and prevent duplicate loan applications.
- 7.20. In the submission received by my private office on 28 April 2020, set out above at §7.12 (and in the CWS, Part B, §6.43), BEIS officials said that early analysis suggested it would "*...not be possible to fully mitigate the risk [of fraud] given the imperative that applications are dealt with quickly and with minimal checks by lenders and no checks across lenders*" [NZ/181 – INQ000585602].

- 7.21. The CWS, Part B, §6.43 also refers to the PwC's Fraud Risk Review, in which it was recognised that the risk of multiple duplicate applications being filed with different lenders was a key risk of BBLs, and that while lenders were considering approaches to prevent this, it would not be solved prior to the launch of BBLs [NZ/190 – INQ000585607]. I understand that BBB, lenders and BEIS officials had started working with Cifas on a duplicate application check by 13 May 2020 (CWS, Part B, §6.44 and [NZ/191 – INQ000543218]).
- 7.22. On this issue, I share the view of the Department as set out in the CWS, Part B, §10.21, namely that in designing the new scheme the decision was made by the Chancellor to prioritise speed and have funds dispersed within 24-48 hours, to assist struggling businesses as quickly as possible. To do so, background and counter fraud checks had to be reduced. However, the necessity for speed of disbursement meant the scheme had inherent vulnerabilities in respect of fraud. Prioritising speed meant that lenders consequently did not have enough time to undertake in-depth checks.
- 7.23. I consider that while it would have been preferable to launch the scheme with such a system in place to detect and prevent duplicate loan applications, an assessment also had to be made about how urgent it was to implement the new scheme. As noted above, feedback was being received that businesses were struggling to access the finance they needed through CBILs. My understanding is that the pace at which the scheme was launched was driven by the Chancellor's desired timeframes for this scheme.

Counter fraud efforts after BBLs was launched

- 7.24. I am asked how the Department monitored and responded to the evolving fraud risks during the initial months after BBLs launch, and before the July 2020 counter fraud measures were introduced. The actions taken by the Department are discussed in detail in the CWS, Part B, §§6.33-6.49, and 6.68. In summary:
- a) In June 2020 and throughout the pandemic, BEIS officials were involved in supporting BBB in the detection of fraud in BBLs [NZ/192 – INQ000564095]. The team provided policy advice and oversight of the counter fraud work, on behalf of Ministers, in relation to the operation of the loan schemes.
 - b) The Department and BBB continued to be supported by external consultants, PwC. On 1 June 2020 PwC prepared an addendum to their initial report [NZ/193 – INQ0000000000] (PwC's fraud risk assessment report dated 1 May 2020 is discussed at CWS, Part B, §§4.62 – 4.75). BBB had instructed PwC to

prepare the additional report to support it in understanding and articulating, based on the views of the lenders, the experiences of BBLs to date and possible improvements in fraud controls. PWC held workshops with the lenders on 6 May 2020 [NZ/194 – INQ000564013] and between 11 and 13 May 2020 to explore lender experiences further and consider ongoing improvement plans (CWS, Part B, §6.35). The findings of the PWC report are discussed at CWS, Part B, §§6.36 – 6.39.

- c) BEIS established close links with the Cabinet Office Counter Fraud team to monitor indications of fraud. Between May and July 2020, they were alerted to 2,000 suspicious activity reports (SARs) relating to Covid-19 business loan schemes, this was rising as a proportion of total national reports (from 2% in May to 8% in June) [NZ/195 – INQ000065188].
- d) From June 2020 meetings between the Cabinet Office Counter Fraud Team, BEIS Counter Fraud Team and BBB started taking place on a weekly basis [NZ/196 – INQ000585658].
- e) In June 2020, BEIS also began working to establish the Business Finance Assurance Board (BFAB). A BEIS initiative, it was initially set up to “...provide senior oversight and challenge on the four BBB delivered Covid-19 debt schemes”. As the loan schemes had been established at pace and represented major financial interventions, they inevitably came with significant risk for BEIS as the responsible department, particularly in relation to potential losses from default and fraud. BFAB sought “...to bring together a set of senior experts from across the Department...with a particular focus on finance, risk and performance” [NZ/197 – INQ000564083], [NZ/198 – INQ000564085]. For further information on BFAB, please see the CWS, Part B, §6.42.
- f) Following the launch of BBLs, action was also taken to identify multiple applications from borrowers [NZ/199 – INQ000564055]. Further information on the work carried out by officials in relation to this can be found in the CWS, Part B, §6.43 – 6.49.

7.25. On 11 June 2020, a submission was sent to the Secretary of State updating him on fraud mitigation measures and making several recommendations to prevent multiple application fraud. I was sighted on this submission on a ‘note/comment’ basis only [NZ/200 – INQ000625147], [NZ/199 – INQ000564055]. Further updates were provided

to ministers on 11 July 2020 [NZ/195 – INQ000065188] and 20 July 2020 [NZ/201 – INQ000625163] [NZ/202 – INQ000625557].

- 7.26. I am asked about correspondence from the Government Counter Fraud Function's Centre of Expertise to DBT on 21 October 2020 and 3 November 2020. I do not recall this advice and understand that searches by my legal advisers have not suggested that it was sent to my private office. I consider that others will be better placed to comment on the Inquiry's questions in this respect.

Value for money

- 7.27. I am asked whether BBLs represented value for money. Discussions regarding the Department's assessment of the scheme's value for money, and the ministerial direction issued by the Secretary of State to the Accounting Officer to proceed with the scheme notwithstanding the risks, are addressed in detail in the CWS, Part B, §§4.88 – 4.101. I did not contribute to either the value for money assessment or the Accounting Officer's assessment of the scheme, which led to a request for a ministerial direction. Others within the Department may be better placed to provide detailed reflections on the scheme's value for money. However, I note that BEIS officials sent a submission to the Secretary of State, including advice relating to the potential risks of the scheme, the need for formal consent to be obtained from HMT, and a ministerial direction letter to be provided to the Accounting Officer [NZ/183 – INQ000563997]. My private office was copied into the email to the Secretary of State [NZ/203 – INQ000625477]. In relation to the acting Permanent Secretary's request for a ministerial direction to proceed with the scheme, officials' advice noted that:

“The direction is justified on the grounds that, given the pace of implementation of the scheme and the limited data available, it is impossible to make an assessment of the value for money of the proposal – while recognising the policy imperatives behind its introduction.”

Reflections

- 7.28. I have been asked to comment on whether BBLs adequately safeguarded public funds and reduced the risk of fraud and error. I reiterate the limits on my personal involvement in the detailed policy-making for this scheme. From my review of the CWS, whilst I understand that BBLs met its primary objective of providing rapid financial support to smaller SMEs during the pandemic, a difficult trade off was made at the time between mitigating fraud risk and the speed of getting money out to businesses. It has been acknowledged by the Department that fraud was inherent in the design of the

parameters and objectives of BBLs (CWS, Part A, §10.19). The scheme's simplified design required to distribute funds at pace led to significantly higher levels of fraud, defaults, and arrears. It can therefore be argued that the scheme did not adequately safeguard public funds or mitigate the risk of fraud and error. However, I believe the decision to prioritise rapid delivery of financial assistance to businesses over conducting additional fraud checks was broadly the right one. The economic situation was urgent, unprecedented and catastrophic, and BEIS was receiving feedback from businesses which were in urgent need of help. I refer in particular to the CWS, Part B, §10.16-§10.22.

- 7.29. I am asked to comment on whether BBLs achieved its aims. As set out in the CWS, Part B, §§7.97 – 7.105, in March 2021, BBB commissioned London School of Economics and Ipsos to undertake a three-year evaluation of BBLs, CBILs and CLBILs. The aim of the evaluation was to assess whether the objectives of the Covid-19 loan schemes, including BBLs, were met.
- 7.30. The first report, published in June 2022, focused on scheme design, scheme delivery, and the early impact assessment [NZ/204 – INQ000096931]. The second report, released in November 2023, assessed the impacts of the schemes in 2021, the monitoring, repayment and counter fraud processes [NZ/205 – INQ000593115]. The third and final report, currently in draft and due for publication later this year. The final report examines the schemes' impact in the third year following the pandemic's onset, with particular attention to repayments, recoveries, and counter fraud work [NZ/206 – INQ000625042].
- 7.31. The reports conclude that BBLs largely met its intended short-term objectives. The three-year evaluation found that the scheme provided businesses with finance at a scale and pace that could not have been otherwise achieved. It was reported that in the absence of funding obtained through the Covid-19 loan schemes 74% of BBLs borrowers would not have been able to access sufficient external finance without the scheme, and a further 7% would not have received it in time to meet urgent cash flow needs. Complementary other support schemes such as the Coronavirus Job Retention Scheme, the scheme was associated with positive impacts on business turnover and employment. The report was estimated that nearly a million jobs could have been lost in the absence of the loan schemes, including BBLs.
- 7.32. In the medium term, BBLs continued to meet its objectives by providing funding that in most instances would not have been obtained and was used by most businesses to

continue daily operations, 81% of BBLs loans were considered to be finance that would not have been available otherwise. Furthermore, the design of BBLs had driven an increase in lending which would not have been provided in the absence of the scheme.

- 7.33. As regards to the long-term objectives, the report recommended a further evaluation in a few years' time was required to assess how the schemes impact business survival and growth in the long term. However, the report found that the finance provided by the schemes had played an important role in ensuring business survival and boosted the turnover of participating businesses as at the date of the report [NZ/206 – INQ000625042].
- 7.34. I am asked about whether there were any gaps in support identified. BBLs itself was implemented to rectify a gap in support. As I was not directly involved, I do not have any further personal reflections or recollections to provide.
- 7.35. I am asked if, looking back, is there anything I would have done differently in the design, implementation, or delivery of BBLs. As I was not directly involved, I do not have any further personal reflections or recollections to provide.

Section 8: Covid-19 Fraud Ministerial Board

Establishment of the Covid-19 Fraud Ministerial Board

- 8.1. As set out in the CWS, Part B, §6.13, the Covid-19 Fraud Ministerial Board was established in July 2020 by Cabinet Office, at the instruction of the General Public Sector Ministerial Implementation Group. The Board was created to oversee the response to Covid-19 related fraud, with a focus on the public sector, and was to be chaired jointly by Cabinet Office, HMT and the Home Office.
- 8.2. On 3 July 2020, I was invited to join the Board [NZ/207 – INQ000655087], [NZ/208 – INQ000564073]. The invitation letter detailed that the Board was to meet monthly in order to coordinate and advise on the response to fraud for Covid-19 with a focus on the public sector.
- 8.3. Specifically, the invitation letter stated that Board was to:
- a) Gain an understanding of what fraud and irregularity there was in the Covid-19 stimulus packages, repurposed grants and increased demand and if there is any further policy action needed as a result;
 - b) Review the use of existing legislation and consider the need for new legislation or public bodies, wider law enforcement and the banking sector to counter fraud in response to Covid-19;
 - c) Review the opportunities to increase fraud intelligence sharing between banks, police and public sector post-Covid-19; and
 - d) Oversee a lessons learnt review of the public sector fraud response to Covid-19 to inform future emergency management responses.
- 8.4. I accepted the invitation to join the Board on 8 July 2020 [NZ/209 – INQ000655089].

First Board Meeting

- 8.5. I attended the first meeting of the Board and therefore address that meeting in detail in this section. Although I was sighted on the agendas and briefings for subsequent meetings, due to competing demands and responsibilities I did not attend any further meetings of the Board and I note that Minister Scully represented the Department at the remainder of those meetings [NZ/210 – INQ000625052].
- 8.6. On 14 July 2020, Cabinet Office circulated the agenda and papers ahead of the first meeting [NZ/211 – INQ000655097], [NZ/212 – INQ000564184], [NZ/213 – INQ000655139], [NZ/214 – INQ000655138], [NZ/215 – INQ000655098], [NZ/216 –

INQ000655137]. The email from Cabinet Office highlighted that, whilst the extent of fraud or irregular spend was at that time unknown, “the best evidence base” available was historical data that indicated there was 0.5%-5% (£2.2bn to £22 billion) of fraud or irregular spend within the financial stimulus packages. The email noted however that the context was different, and there could therefore be a higher amount of fraud due to the pace at which money was disbursed and as the payments were made on a “pay now – check later” basis.

- 8.7. The email from Cabinet Office also advised the Board members of the financial stimulus packages that had been assessed as having the highest fraud risk. Those of relevance to the Department included the Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, BBLs, and CLBILS [NZ/211 – INQ000655097].
- 8.8. Later the same day, I received a written briefing from BEIS officials for the meeting [NZ/218 – INQ000655096]. The briefing stated that the purpose of the first meeting of the Board was to “take stock” of how fraud risks were being managed “*given the priority made to expediting payments to businesses affected by Covid-19 ahead of the checks that would normally be made*”, including the development of PEAPs prepared by departments at the request of Cabinet Office (discussed further from §8.20 of my statement, below). The Board meeting papers included proposals from Cabinet Office’s Government Counter Fraud Function, including a paper about the Board’s “Scope and Detailed Objectives” [NZ/212 – INQ000564184] (the final version sent to me was “paper 2, Annex A” **[NEW EXHIBIT: BEIS000231432]** by email to my private office [NZ/217 – INQ000655095]). This stated that the Counter Fraud Function was “*working with law enforcement and other government Functions to help departments, agencies and local authorities reduce the risks and impact of fraud during the COVID-19 response*”, and that there was “*an opportunity to get money spent incorrectly back and stop further loss*” including by “*prioritising public bodies efforts back towards reinstating a greater degree of counter-fraud control – and reviewing the already committed spending*”. Various workstreams were suggested, to be led by Cabinet Office, such as investment in fraud intelligence sharing, exploring new legislative powers to counter fraud in response to Covid-19, and a “lessons learnt” review of the public sector fraud response to Covid-19. The paper also noted that the Counter Fraud Function would review PEAPs and give guidance to departments to “*set expectations*” for their PEAPs.
- 8.9. In the cover email enclosing my briefing from officials and the meeting papers [NZ/217 – INQ000655095], officials emphasised three points: first, the Department’s support

for the general approach proposed, and for opportunities for cross-government collaboration; second, that HMT would need to provide additional funding for any new investment in fraud intelligence; and third, that all Departments would need to prioritise in deciding what can “*realistically be checked and investigated*”. However, officials also flagged to my private office their “*reservations about the possible tension between the oversight/directive role of [Cabinet Office] and individual accountability/responsibility which rests with spending [Departments], their Ministers, and Accounting Officers*” [NZ/217 – INQ000655095]. In a further email to my private office [NZ/219 – INQ000655094], a BEIS official reiterated that the Cabinet Office ‘oversight’ role “*is not easy to reconcile with [Department] accountability.*”

- 8.10. In the briefing [NZ/218 – INQ000655096], paragraphs 3-5:
- a) Officials asked me to: “**signal our willingness to work across Departments on those areas where it is in everyone’s interest to do so – e.g. tackling organised fraud, intelligence and data-sharing and developing a longer-term framework for evaluation. We can also support the principle of new legislation to strengthen the counter fraud response. But [I] should also make clear that we are reliant on HMT additional funding for any investment in fraud threat intelligence or using specialist expertise to conduct criminal investigations...**” (Emphasis in original)
 - b) Officials warned that the approach proposed by Cabinet Office implied “*going further than voluntary collaboration, with their proposed role to provide feedback/direction to Departments and our delivery partners, in cases where they think further investigation is merited. We should avoid mandating any particular approaches, using specific toolkits or a commitment to investigate all suspicions of fraud since we will need to prioritise what we take forward.*” (Emphasis in original)
 - c) Further, officials warned that “*lessons learned*” reviews “*could undermine the policies and instructions of BEIS Ministers to prioritise making payments to businesses ahead of checks. Departments are also directly accountable to Parliament for their spending at the end of each financial year. We can agree to participate in any reviews but reserve our position on any recommendations.*” (Emphasis in original)

- 8.11. As set out above at §3.10, I did not have a huge amount of engagement with Cabinet Office personally, as relevant to Module 9. At the Board meeting itself (discussed further below), the minutes show that I welcomed the work of the Board, and the work that departments would “*collectively do together*”, to counter fraud [NZ/220 – INQ000497000].⁵ While it appears, as set out above, that before the first Board meeting, BEIS officials had some concern that oversight from Cabinet Office could *potentially* come into conflict with the priorities of BEIS ministers, as I have also noted above, officials welcomed the general approach and signalled BEIS’ willingness to work with other Departments. Further, as stated above at §3.11, it is my understanding that the Department did work closely with the Cabinet Office counter fraud team; and as I explain below, the Department prepared PEAPs for review by Cabinet Office. I do not have any recollection that this potential for tension between BEIS and Cabinet Office’s roles impacted my own role. However, as I have outlined in Section 1, my personal involvement in the business support schemes was relatively limited and, as explained at §8.5 above, I only attended the first Board meeting. Others would therefore be better placed to comment on whether this tension had any impact on the Department’s role in relation to the economic response more generally.
- 8.12. The first Board meeting was held on 16 July 2020. As set out in the minutes of the meeting, it was noted that, although the loan schemes, particularly CBILS, had been evaluated as “*reasonably secure*” BBLs presented a vulnerability to fraud [NZ/220 – INQ000497000]. I agreed that the Board should focus on BBLs rather than CBILS and highlighted conversations already had with Banks relating to duplication of bank accounts and applicants relying on exaggerated turnover figures when applying for loans (to note that, although the minutes refer to “*my*” conversations with banks, I was referring here to the Department’s efforts). I further noted that “*banks are seeing anywhere between 75%-100% exaggeration in turnover*”. The actions and agreements were circulated to my private office on 21 July 2020 [NZ/221 – INQ000655101]. My private office circulated these to BEIS officials the following day [NZ/222 – INQ000655102]. These actions and agreements included:
- a) Local Authorities should be in scope of the legislation workstream;
 - b) Departments were to ensure that the correct legal gateways were in place to share data for counter-fraud purposes;

⁵ This document is a Cabinet Office document and was never shared with BEIS.

- c) Departments should provide returns detailing the amount of counter-fraud resource in place to undertake Post Event Assurance Activity, and should incorporate fraud threat intelligence sharing and checks within their post-event assurance activity where appropriate;
 - d) That the Board is provided with a monthly update on post-event assurance activity;
 - e) Covid-19 related procurement spend is brought into scope of future action plans; and
 - f) Departments should undertake statistically valid measurement activity in high risk areas and be transparent about whether testing is focused on detection or measurement.
- 8.13. The Board also agreed to meet regularly in order to assess progress and understand the scale of the problem.
- 8.14. Following the meeting, my private office circulated the actions and agreements to relevant BEIS officials, who confirmed that they were planning to carry out most of the agreed actions or commission others to do so [NZ/222 – INQ000655102]. My private office was to be copied into correspondence from BEIS officials regarding this [NZ/223 – INQ000655103], however searches by my legal advisers have not revealed that my private office was copied into any further correspondence in respect of the agreed actions.

Engagement between representatives

- 8.15. Aside from what has been outlined in the minutes of the meeting referred to above I do not recall, the nature of engagement with ministers from HMT, DWP, DHSC, DCMS and the Home Office.
- 8.16. BBB was not listed as a “core” member of the Board in its Terms of Reference [NZ/224 – INQ000564072]. As the Terms of Reference state, core membership consisted of Ministers from Cabinet Office, HMT, the Home Office, DHSC, DWP, DHCLG, DCMS, and BEIS [NZ/224 – INQ000564072]. The Terms of Reference also suggest there would be “*other regular attendees*” at a senior official level, for example the Permanent Secretary for Cabinet Office, but BBB was not listed. Based on the Terms of Reference, and as its name suggests, the Board was primarily a forum for discussions at the Ministerial level, which may explain why BBB was not a ‘core’ member. As noted above at §8.1, the Board was not convened or chaired by BEIS, so others may be

better placed to comment on why BBB was not represented on the Board. Further, I note that it is possible that BBB officials may have attended some later FMB meetings. I attended the first meeting only. To the best of my understanding, no BBB official attended the first meeting (the minutes list officials from Cabinet Office, Home Office and the NCA, but not from BBB [add ref to minutes]). Finally, I would note that BBB were represented in other cross-Government counter fraud groups such as the Covid-19 Counter Fraud Forum, discussed below at §8.15, and the Covid-19 Counter Fraud Strategy Board, discussed in the CWS, Part B, §6.14

- 8.17. As well as officials from BBB, the Covid-19 Counter Fraud Forum also included representatives from BEIS, HMT and Cabinet Office [NZ/225 – INQ000655111], [NZ/226 – INQ000655110], [NZ/227 – INQ000624988], [NZ/228 – INQ000625006], [NZ/229 – INQ000594863]. Although I did not attend these meetings, I understand that the Forum was a platform for BBB and these departments to discuss fraud risks and countermeasures in relation to business support schemes, as well as the development and review process of PEAPs, discussed in more detail from §8.18 below.
- 8.18. I am asked about specific recommendations or insights from the Board that I acted on within DBT or communicated to officials for further action. On the evening of 21 July 2020, Cabinet Office circuited the actions and agreements from the previous week's Covid-19 Fraud Ministerial Board to attendees [NZ/222 – INQ000655102]. The actions for the Department were as follows:

“The C-19FMB Board agreed that DEPARTMENTS are to ensure the correct legal gateways are in place to share data for counter fraud purposes.

The C-19FMB Board agreed that DEPARTMENTS should provide returns detailing the amount of counter fraud resource in place to undertake Post Event Assurance Activity.

The C-19FMB Board agreed that DEPARTMENTS should incorporate fraud threat intelligence sharing and checks within their post-event assurance activity where appropriate.”

- 8.19. On 22 July 2020, my private office circulated the actions and agreements to officials to take forward [NZ/222 – INQ000655102].

Post Event Assurance Plans

- 8.20. As detailed in the CWS, Part B, §6.50, on 18 May 2020, Cabinet Office instructed government departments to develop PEAPs related to their Covid-19 stimulus spend

[NZ/230 – INQ000543227]. This was to provide assurance to the Covid-19 Fraud Ministerial Board that departments were taking appropriate actions to ensure fraud was detected, prevented and recovered [NZ/231 – INQ000585666].

- 8.21. Following this correspondence, on 10 June 2020, BEIS officials emailed the Permanent Secretary a PEAP [NZ/232 – INQ000655077], [NZ/230 – INQ000543227], [NZ/233 – INQ000655078], [NZ/234 – INQ000543252], [NZ/235 – INQ000543254].
- 8.22. My private office was copied to the above correspondence. The cover note addressed to the Permanent Secretary noted that “*Departmental plans are due to be reviewed by the Cabinet Office under the auspices of a sub-Board led by their Ministers but with BEIS representation through Minister Zahawi (so we understand)*” [NZ/234 – INQ000543252]. Tom Taylor, as the Finance Director, was also to oversee this work, and it was to be reported into the Covid-19 Programme Board, where the risk of fraud would have been logged on the risk register [NZ/234 – INQ000543252].
- 8.23. On 15 June 2020, my private office confirmed that I had reviewed the PEAP material circulated by Cabinet Office and had noted that I might be the Minister required to represent BEIS at a future sub-board. My private office sought to be kept up to date with developments [NZ/236 – INQ000655079].
- 8.24. My briefing for the first meeting of the Board informed me that the Department’s PEAPs had been assessed as meeting the criteria set by Cabinet Office [NZ/237 – INQ000625894], [NZ/214 – INQ000655138]. The Department’s plans had at that time prioritised the highest value, highest risk business support schemes (the £13 billion grant support administered by local authorities and the guaranteed loan schemes worth over £14 billion administered by the lenders and BBB) [NZ/237 – INQ000625894].
- 8.25. My briefing informed me that BEIS hoped to look at lower value schemes as well, where there were specific fraud risks [NZ/237 – INQ000625894]. The plan was to be based on the standard “three lines of defence model” to be carried out over the remainder of the financial year, as follows:
 - a) First line of defence: those making the funding awards (lenders and local authorities);
 - b) Second line of defence: combination of officials not involved in those decisions;
and

- c) Third line of defence: independent assurance, mainly the Government Internal Audit Agency, or the Cabinet Office Fraud Function [NZ/237 – INQ000625894].

8.26. The PEAP was discussed in subsequent meetings of the Board but as outlined above, I did not attend any further meetings after the first. As such, I did not have responsibility for developing and/or reviewing these plans and my involvement did not extend beyond what has been outlined above in this section.

Subsequent meetings and actions

8.27. The next Board meeting was scheduled for 29 September 2020. Cabinet Office circulated the agenda and papers for this meeting to my private office on 25 September 2020 [NZ/238 – INQ000655113], [NZ/239 – INQ000625050], [NZ/240 – INQ000625051], [NZ/241 – INQ000585677], [NZ/242 – INQ000625048]. This meeting was postponed by Cabinet Office to 5 October 2020 and then to 19 October 2020 [NZ/243 – INQ000655114], [NZ/244 – INQ000655118]. Minister Scully attended this meeting on behalf of the Department [NZ/245 – INQ000655120], [NZ/246 – INQ000564123].

8.28. The Board meeting of 19 October 2020 is detailed in the CWS, Part B, §6.94. On this date, the Board considered the tension between the imperative of rapid delivery of financial assistance, and the ability to carry out additional checks which would delay payments. The Board requested that HMT and BEIS look at what further checks could be taken on those applying for loans through BBLs.

8.29. I am asked what actions DBT took following this Board meeting in response to the request to explore further checks on BBLs. As outlined in the CWS, Part B, §6.93 and §6.97, although it was the Secretary of State's position that he did not wish to introduce more stringent checks for new applicants, other options were agreed and implemented. The actions taken by DBT in light of this position are listed in the CWS, Part B, as follows:

- a) Incorporation date check for new applicants to identify BBLs applicants whose company incorporation date was after 1 March 2020, making them ineligible for the loan. The 'flag' was developed using Companies House data. The Secretary of State approved this proposal on 30 October 2020 and it was implemented on 6 November 2020 (see CWS, Part B, §§6.99-6.101);
- b) Roundtable with lenders. On 2 November 2020, the Secretary of State held a roundtable with lenders on fraud reporting and counter fraud measures (see CWS, Part B, §§6.102-6.104);

- c) PwC statistical analysis. In November 2020, BBB contracted PwC to undertake statistical analysis on a random sample of 664 successful BBLs applications to identify what proportion of successful applications were fraudulent. This was expected to refine the fraud approach and loss estimated in advance of the end of the financial year when the Accounting Officer was obliged to report on this to Parliament (see CWS, Part B, §6.105);
- d) Verification of turnover. Cabinet Office developed a proposal whereby applications identified as high-risk by lenders could be submitted to a specialist team at HMRC to verify turnover quickly (see CWS, Part B, §6.106); and
- e) Expansion of NATIS work to increase capacity to investigate and recover money from fraudulent activity. A working group was also set up with NATIS, the National Anti-Fraud Network and BEIS for weekly reporting and intelligence sharing (see CWS, Part B, §6.107-6.108).

8.30. The next Board meeting was scheduled for 25 November 2020. Cabinet Office circulated the agenda and papers for this meeting to my private office on 23 and 24 November 2020 [NZ/247 – INQ000655126], [NZ/248 – INQ000610611], [NZ/249 – INQ000610754], [NZ/250 – INQ000655129], [NZ/251 – INQ000655130], [NZ/252 – INQ000655131], [NZ/253 – INQ000655132]. I was also unable to attend this meeting and Minister Scully attended on behalf of the Department [NZ/254 – INQ000655124], [NZ/255 – INQ000655125].

8.31. My review of relevant documents indicates that the next Board meeting was not scheduled until the following May. As I explained at §1.8 above, the demands of my role as Vaccines Minister meant that from late November 2020, I had formally handed over some of my former responsibilities at BEIS to Minister Scully. This included membership of the Board, and I had no further involvement with the Board after this time [NZ/256 – INQ000655135].

Fraud checks in BBLs

8.32. I am asked whether I agree with Lord Agnew's view, expressed during the Board meeting on 19 October 2020, being, "*why don't we do a job properly and get money out a bit later but carry out two or three more checks?*" [NZ/246 – INQ000564123]. I note that I did not attend this meeting, as explained above, so others may be better placed to provide detailed reflections in respect of the tension identified between the need for rapid delivery and the importance of conducting fraud checks, as well as how this was managed in practice as BBLs evolved.

8.33. I believe the decision to prioritise rapid delivery of financial assistance to businesses over conducting additional fraud checks was broadly the right one. The economic situation was urgent, unprecedented and catastrophic, and BEIS was receiving feedback from business representative organisations at the outset of the pandemic that many businesses were at risk of failure within months or even weeks. My views in this regard align with the position expressed in the CWS and I refer in particular to CWS, Part B, §10.16-§10.22.

Effectiveness of the Board

8.34. Given that I only attended the first meeting of the Board it is difficult for me to provide an overall assessment of its effectiveness.

Section 9: Future Fund

9.1. In this section I will address questions raised by the Inquiry in relation to the Future Fund.

9.2. In respect of the Future Fund, I was involved in broader discussions as described below, but I did not have direct responsibility for the design of this scheme. My understanding is that the impetus for a new convertible loan scheme came from the Chancellor, as explained at §9.8 below. Given my relatively limited involvement, I am not well-placed to comment on a number of the Rule 9 questions. My main role of relevance was stakeholder engagement, including with ministerial colleagues in the Devolved Administrations and various business and sector representatives. This is discussed at §9.20 below.

9.3. The Future Fund was announced on 20 April 2020 and opened to applications on 20 May 2020. It offered funding to innovative and good growth potential UK-based companies facing difficulties in raising equity financing due to Covid-19. Funding ranged from £125,000 to £5 million and was subject to equal match funding being provided from private investors. The British Business Bank was tasked with delivering the Future Fund.

Rationale behind the decision to introduce the Future Fund

9.4. I have been asked to explain my understanding of the rationale for, and policy objectives underpinning, the Future Fund. As I understand it, the rationale was to support innovative businesses that were unable to access mainstream bank lending and the Covid-19 loan schemes because they were pre-profit. The objective was to ensure that the viable businesses that would normally have received equity funding

would continue to do so. The policy rationale and objectives of the scheme are discussed detail in the CWS, Part B, §§5.2 to 5.18.

The design of the Future Fund

- 9.5. I have been asked to explain my personal involvement in the design of the Future Fund, including how it was designed to meet the specific needs of research and development (R&D) intensive businesses. As set out above, while I was involved in broader discussions around business support measures, I did not have direct responsibility nor detailed involvement, but I understand that the design of the Future Fund, including the collaboration between the Department, HMT and BBB, is addressed in detail in the CWS, Part B, §5.3 to §5.71.
- 9.6. In April 2020 I was involved in initial discussions regarding support measures for pre-profit business and R&D intensive companies. On 7 April 2020, I was sighted on two submissions sent to the Secretary of State [NZ/257 – INQ000585546]. In the first submission, BEIS outlined the potential impact of Covid-19 on R&D intensive organisations, drawing parallels with the 2008 financial crisis. Officials indicated that HMT would not provide additional funding for interventions but expected BEIS to finance them from its existing R&D or business finance budgets. Given the existing pressures on R&D budgets, concerns were raised about the potential impact of this approach on BEIS' other priorities and commitments. Further discussions with HMT were recommended to discuss re-prioritisation options, budget flexibility or additional funding methods [NZ/258 – INQ000585547]. In the second submission, BEIS officials outlined potential interventions to assist equity-backed, high-growth businesses that remained financially viable in the short term and to support seed and venture capital markets over the medium-to long-term [NZ/259 – INQ000585548].
- 9.7. On 8 April 2020 I met with the Secretary of State, Minister Solloway, and officials. We discussed the 7 April 2020 advice and the concerns regarding support for pre-profit businesses [NZ/260 – INQ000625385]. At the meeting it was agreed that the Department should “...*focus very closely on the initiatives that can be delivered quickly and at scale, which they see as primarily in the tax space and especially around EIS and SEIS, and not to look at incentives that will take weeks to set up until we've eliminated the possibility of the short term options*”. A letter to this effect, also addressing wider R&D angles, was to be prepared for HMT for the following day. On 9 April 2020, I reviewed the draft letter from the Secretary of State to the Chancellor [NZ/261 – INQ000655021] [NZ/262 – INQ000655022]. The Secretary of State wrote to

the Chancellor on 14 April 2020 [NZ/263 – INQ000585559] and [NZ/264 – INQ000563941].

- 9.8. On the same day, 14 April 2020, Gemma Peck updated the Secretary of State and Permanent Secretary that while the clear steer from the Secretary of State was to explore tax incentives rather than establishing a new fund, the Chancellor was “...*nonetheless of the view that a new convertible loan scheme is the right solution and has commissioned rapid work from the BBB to develop this, ahead of an announcement on Friday*” (Original emphasis). The current proposal was for “50:50 (government:VC) match-funded loans, which the government could opt to convert to equity at the next funding round” [NZ/265 – INQ000563953].
- 9.9. After the events described above, I was sighted on various pieces of advice (on a ‘note/comment’ basis) for the Secretary of State, and my private office was copied into email correspondence relating to the design of the scheme, namely as follows:
- a) 15 April 2020, a submission which provided an update on proposals for a new convertible loan scheme for pre-profit venture-backed businesses (see CWS, Part B: §§5.27 - 5.28) [NZ/266 – INQ000585565] [NZ/267 – INQ000585566].
 - b) 16 April 2020, Gemma Peck emailed the private offices of the Secretary of State and the Permanent Secretary and set out concerns that had been raised by BBB’s Risk Committee regarding the proposals for a Convertible Loan Scheme (see CWS, Part B, §5.33) [NZ/268 – INQ000563965].
 - c) 27 April 2020, an update for the Secretary of State on CBILS, BBLS, and the Future Fund. On the Future Fund the Secretary of State was informed that, subject to Board approval, BBB intended to appoint PwC as the delivery agent for the Future Fund (see CWS, Part B, §5.58) [NZ/269 – INQ000585596] [NZ/270 – INQ000585597].
 - d) 1 May 2020, a submission with a detailed update for the Secretary of State on the implementation of the Future Fund (see CWS, Part B: §§5.53 - 5.55) [NZ/271 -INQ000543195] [NZ/272 – INQ000585612].
 - e) 15 May 2020, a submission regarding the launch of the Future Fund. The advice noted that PwC had finished building the application portal to process applications. Whilst some delivery risks remained, officials confirmed that the risks were being managed appropriately and the involvement of PwC removed

any concerns surrounding BBB's capacity to deliver the scheme (see CWS, Part B: §§5.64 - 5.65) [NZ/273 – INQ000585638] [NZ/274 – INQ000585639].

- f) 17 May 2020, a submission providing an update on the design and implementation of the Future Fund and outlined the remaining steps required to enable the launch to take place (see CWS, Part B: §§5.71, 5.79 – 5.81) [NZ/275 – INQ000585640] [NZ/276 – INQ000585641].

- 9.10. Based on searches by my legal advisers, it does not appear that I provided any relevant substantive comments on these submissions.
- 9.11. I have been asked about the analysis and/or data modelling undertaken by the Department to understand the demand for the Future Fund. I understand that the Department, in collaboration with UK Research & Innovation, DCMS, and HMT undertook a range of data analysis and modelling work prior to the launch of the scheme to understand the demand for targeted support for pre-profits and R&D intensive businesses affected by the pandemic. The data analysis and modelling work undertaken by the Department is discussed at length in the CWS, Part B, §§5.4 to 5.18.
- 9.12. I am asked about BBB's appointment of PwC as delivery agent for the Future Fund and whether I consider their appointment an effective choice. PwC's appointment, and the use of external consultants in the development and delivery of the Future Fund, is discussed in the CWS, Part B, §§5.58 to 5.71. I was not involved in the decision to appoint PwC as delivery partner however I received updates regarding their appointment as set out at §9.9.c) above. I understand from the CWS that due to concerns around BBB's capacity to deliver the scheme, administrative operations were outsourced to PwC who, in addition to designing and building the online application process, were responsible for processing applications, portfolio administration, risk and control, and valuation services, (CWS, Part B, §5.58). Post-launch PwC were engaged to manage the ongoing operations and delivery of the scheme which included undertaking fraud and financial crime checks, customer support, execution of the convertible loan and cash management CWS, Part B, §5.65.

The Future Fund Announcement

- 9.13. I am asked about the press release issued by HMT on 20 April 2020 without obtaining BBB and BEIS's final sign-off [NZ/277 – INQ000563971] [NZ/278 – INQ000585570]. I am asked whether I had any concerns about the press release that was issued and how important it was to have the Department's agreement before such an

announcement was made. I was not involved in discussions regarding the press release to announce the scheme between 18 – 20 April 2020 and therefore I am unable to comment on this issue. Discussions surrounding the press release between BBB, HMT, and the Department is addressed in the CWS, Part B, §5.36 – 5.49.

- 9.14. I am also asked whether there were any challenges in ensuring that the views and concerns of DBT were properly reflected in public communications about the financial support schemes. Given I was not involved in this policy area, others within the Department, whether at official level, would be better placed to comment.
- 9.15. As set out in the CWS, Part B, §50, following the announcement of the Future Fund on 20 April 2020, there remained a number of outstanding policy questions regarding the scheme’s parameters alongside clarification of the headline terms. Key outstanding decisions included the:
- a) extent of (if any) interaction between the fund and CBILS/other government support;
 - b) extent of (if any) interaction between the fund and EIS and SEIS;
 - c) allocation of capital within the scheme; and
 - d) restrictions on investors, companies, or investment.
- 9.16. Decisions also needed to be taken in relation to the application process including whether this should be investor or company led [NZ/279 - NQ000563983] and [NZ/280 – INQ000585580].

Gaps in Support

- 9.17. At the Devolved Administrations Ministerial Covid-19 Quadrilateral meeting held on 27 May 2020, discussed in further detail in the subsection immediately below, concerns were raised about Scottish businesses not reaching the threshold for private equity investment required for the Future Fund scheme, which was causing an inbuilt imbalance [NZ/281 – INQ000538842] and [NZ/282 – INQ000538844]. At the meeting I confirmed that the Department would raise this point with BBB, acknowledging the importance of ensuring funding was spread fairly across the four nations (rather than being London focused).
- 9.18. I understand that the Future Fund was not designed to address wider imbalances in equity provision given the eligibility requirements, and so officials recognised that investments made by the fund were likely to reflect existing disparities. Data was collected on the scheme, which was monitored by BBB, to flag if the distribution of

investment was inappropriately concentrated in specific areas, and whether it was disadvantaging certain groups. The eventual spread of funding was in line with the wider market trends for equity investments CWS, Part B, §5.96.

- 9.19. On 26 June 2020, officials sent a submission to the Secretary of State regarding the eligibility of companies with an overseas parent for the Future Fund [NZ/283 – INQ000585662] [NZ/284 – INQ000585663]. I was sighted on a submission on a 'note/comment' basis only. The submission stated that the scheme currently required parent companies to be based in the UK. The Chancellor wished to widen the eligibility criteria to include UK-based companies whose parent company was established overseas, in cases where this was required by an accelerator programme as a condition of participation. On 29 June 2020 the Secretary of State's private office confirmed he had agreed to extend the eligibility as proposed [NZ/285 – INQ000625550]. Changes to the Future Fund's eligibility criteria were announced on 30 June 2020.

Stakeholder engagement during the design and implementation of the Future Fund

- 9.20. During the design and implementation phase of the Future Fund, I held numerous meetings with ministerial colleagues in the Devolved Administrations and various business and sector representatives. These meetings included discussions in relation to concerns regarding support for R&D intensive firms and pre-profit companies, and the development of the Future Fund. For example:

- a) On 9 April 2020 I chaired a call with Professional and Business Services stakeholders and highlighted HMG's ongoing work on R&D and start-up funding [NZ/028 – INQ000655026];
- b) On the same date, 9 April 2020, I co-chaired a meeting with Lord Bethell, DHSC, with the Life Sciences COVID Response Group. As set out in my brief, I encouraged the group to continue to work with Office for Life Science officials to represent the sector's view regarding the R&D companies. I confirmed that I would also raise it cross-government where I could [NZ/029 – INQ000655020];
- c) On 15 April 2020 I attended a Devolved Administrations Ministerial Covid-19 Quadrilateral meeting. At the meeting I confirmed there was work was ongoing regarding potential support for start-ups, with further details coming soon. I also confirmed the Department was taking a proactive role in influencing policy to support for R&D companies [NZ/019 – INQ000538788];

- d) On 23 April 2020 I attended a Welsh business representatives webinar and highlighted the Chancellor's announcement on the Future Fund. The announcement was welcomed. However, it was noted that there were concerns regarding distribution of the scheme funds. For example, Lee Waters MS highlighted that the "...*Golden Triangle may receive a lot of funding and don't want to entrench these existing inequalities by majority of funding going to Oxford, Cambridge, London.*" I assured the attendees that the Department was having daily calls with BBB and that "...*we definitely want to make it fair so businesses in all parts of the UK can access*" [NZ/286 – INQ000655054] [NZ/287 – INQ000655038] [NZ/288 – INQ000655039];
- e) On 23 April 2020, I also held a further call with Professional and Business Services Stakeholders. I provided an update on the Covid-19 business support schemes including the announcement of Future Fund [NZ/289 – INQ000655040];
- f) On 27 April 2020 I co-chaired a Life Sciences COVID Response Group meeting with Lord Bethell, DHSC, which included a discussion on the recently announced Future Fund. Industry feedback had been gathered by officials in advance of the meeting. For example, the BioIndustry Association suggested making the type of funding offered (equity or loan) as flexible as possible to ensure the scheme was available to companies in different circumstances. Queries were also raised regarding State aid rules and the scheme eligibility criteria [NZ/290 – INQ000655043];
- g) On 29 April 2020 I attended a Devolved Administrations Ministerial Covid-19 Quadrilateral meeting. Fiona Hyslop MSP requested "*a review of the Future Fund and whether the requirements of funding received prior to COVID-19 could be reviewed as this missed a large proportion of businesses which were key to economic recovery (e.g. tech companies)*" [NZ/291 – INQ000655058] [NZ/292 – INQ000655044]. Officials were asked to pass this action point on to HMT; and
- h) On 27 May 2020 I attended a Devolved Administrations Ministerial Covid-19 Quadrilateral meeting. As set out above, Fiona Hyslop MSP noted the challenges on access for Scottish Businesses on the Future Fund scheme due to the threshold for private equity investment. As the readout from the meeting records, I noted that I understood the concerns about the Future Fund and the

importance of operationalising it so that all companies benefit, not just 'London-centric'. The BEIS, Business Finance team, were requested to ask BBB for operational assurances information on this issue [NZ/281 – INQ000538842].

9.21. As set out at paragraph §2.13 above, feedback from stakeholders was, to the best of my understanding, collated by policy officials as part of the general business intelligence which the Department was gathering at this time regarding the economic response to the pandemic. A fuller chronology of the stakeholder meetings can be found at Annex A.

Value for money considerations

9.22. I am asked a number of questions as to whether the Future Fund represented value for money, the role of the Industrial Development Advisory Board (IDAB) in the value for money assessment, and the Reservation Notice issued by BBB on 18 May 2020. I did not contribute to the value for money assessment nor the Accounting Officer assessment of scheme. As such, others within the Department will be better placed to provide comment and detailed reflections on the scheme's value for money.

9.23. Discussions regarding the assessment to the scheme's value for money and robustness are addressed in detail in the CWS, Part B, §5.72 – 5.82. In summary:

- a) On 12 May 2020, officials engaged IDAB to consider the robustness of the scheme and the risk levels [NZ/293 – INQ000585632]. IDAB's advice was that it was *“unable to recommend this proposal for Future Fund as presented, noting concerns about VFM. However, the Board recognises the need for financial support where there is poor liquidity and supports the principle of the Future Fund. The Fund should be managed with a view to a target VFM, and consideration should be given to independent verification of the investment and assessment of the return for Government”* [NZ/276 – INQ000585641].
- b) On 15 May 2020 officials sent detailed Accounting Officer assessment to the acting Permanent Secretary [NZ/294 – INQ000564029]. Officials recommended a ministerial direction would be necessary due to the high level of uncertainty in making a value for money assessment. The assessment stated in particular that:
 - i. ultimately the value for money assessment concluded that the scheme did not represent value for money;
 - ii. the scheme did not need to be notified under the EU State aid provisions;

- iii. real time management information would be available from launch; and
 - iv. assurance should be sought from HMT in advance of the scheme going live for costs associated with the operation of the scheme and the valuation of assets.
- c) On 18 May 2020, BBB sent a reservation notice to the Secretary of State setting out their concerns regarding the scheme [NZ/295 – INQ000564030]. The BBB's Board Risk Committee had several concerns about the overall design of the scheme and had worked with BEIS and HMT officials to shape its design to address its concerns as far as possible. However, the changes made were not sufficient to allay the Board's concerns.
- d) On 18 May 2020 the Secretary of State's private office confirmed that he had reviewed the BBB's Reservation Notice and requested that the acting Permanent Secretary to issue a written Direction, instructing BBB to implement the scheme [NZ/296 – INQ000625515] [NZ/297 – INQ000564031]. The direction letter stated as follows:
- “You have highlighted concerns around value for money, including the difficulty of modelling forecast outcomes in current economic conditions, the novelty and lack of precedent for the Future Fund and the impact of behavioural effects that many arise from its rules-based design. These risks have been raised with the Secretary of State in our formal advice to him and they were also detailed in my Accounting Officer assessment. He took the view that these risks notwithstanding, the unprecedented situation facing the country meant that it was essential to introduce this scheme and issued me with a Direction to proceed, to be recorded in a formal exchange of letters. The Secretary of State received prior approval to proceed from the Chancellor and his officials.”*
- e) On 19 May 2020 the acting Permanent Secretary wrote to the Secretary of State recording her reasons for seeking a direction for the scheme [NZ/298 – INQ000064906]. The acting Permanent Secretary highlighted that both Oxera Consulting LLP and BBB's value for money assessments had observed the unprecedented nature of the economic conditions and hence the uncertainty surrounding the assessments. The range of plausible outcomes presented by BBB and Oxera illustrated the sensitivity of the assumptions underpinning the results and the uncertainty of the economic context. As such, the acting

Permanent Secretary was unable to conclude that the scheme represented value for money and sought a ministerial direction. She stated that, given more time, it was possible that alternative options for delivering the policy intent could have been developed that may have offered better value. However, she recognised that the Secretary of State and Chancellor could take into account wider considerations, including possible further adverse impacts on businesses that a delay in implementing the scheme might have.

- f) The Secretary of State responded later that day confirming he supported the introduction of Future Fund despite the uncertainties around value for money and formally directed the acting Permanent Secretary as Accounting Officer to take it forward [NZ/299 – INQ000564033].
- g) In the meantime, on 18 May 2020, HMT had provided confirmation of full additional budgetary cover for the Future Fund and acknowledged the concerns that had been raised by the Secretary of State. HMT confirmed that the Chancellor agreed with the Secretary of State’s assessment of the need for the fund and confirmed HMT would continue to work with BEIS to consider the specific issues outlined in the Accounting Officer note [NZ/300 – INQ000564038].

Extension of the Future Fund

9.24. I did not have direct involvement in the decision to extend the Future Fund in September and the subsequent extension in November 2020. The decisions to extend the scheme rested with the Secretary of State. I was sighted on submissions sent to the Secretary of State on a ‘note/comment’ basis, namely:

- a) submission dated 20 September 2020 seeking the Secretary of State agreement to extend the scheme to 30 November 2020 [NZ/301 – INQ000625578] [NZ/302 – INQ000564101]. The Secretary of State approved the submission on the same date [NZ/303 – INQ000564102].
- b) submission dated 20 November 2020 State regarding a further extension of application of the Future Fund until 31 January 2021 [NZ/304 – INQ000625598] [NZ/305 – INQ000564156]. On 25 November 2020 Minister Scully’s private office confirmed he was content with the recommendation to extend the scheme [NZ/306 – INQ000655133]. The Secretary of State approved the submission overnight on 25 November 2020 [NZ/307 – INQ000564157].

9.25. Based on searches by my legal advisers, it does not appear that I provided any relevant substantive comments on these submissions.

9.26. The extension of the Future Fund is address at in the CWS, Part B, §7.63 - 7.69.

Safeguarding public funds

9.27. I understand from the CWS the Department is continuing to monitor the Future Fund to identify the level of fraud and error in the scheme. As per the CWS, Part B, §5.102 the current indications are that fraud levels have been relatively low in the operation of the Future Fund. It has been noted that in the BEIS Annual Report and Accounts for 2020-2021, the Department recognised £29 million in relation to nine suspected fraudulent payments within the Future Fund Scheme (approximately 2.8% of the £1.03 billion Future Fund fair value in the same report). In 2021-2022, the Department recognised a further £9 million in relation to 13 suspected fraudulent payments within the Future Fund Scheme (approximately 0.9% of the £1.1 billion fair value of Future Fund at that point). Losses flagged in the Annual Report for 2022-2023 include a further £4 million in relation to two suspected fraud payments within the Future Fund (approximately 0.04% of the now-reduced £851 million fair value of the Future Fund).

9.28. Given the relatively low levels of fraud uncovered to date, I consider the Future Fund adequately safeguarded public funds.

Reflections

9.29. I have been asked to comment on whether the Future Fund achieved its aims. The evaluation of the Future Fund is discussed in the CWS, Part B, §7.106 – 7.110.

9.30. In February 2021, a submission was prepared which provided an update on the Future Fund and in particular, the work being undertaken to analyse the portfolio [NZ/308 – INQ000564196]. The submission stated that the Future Fund had approved a higher proportion of investment for seed and venture stage firms (23% and 43%) compared to the wider equity market (9% and 34%). It was suggested that this meant that the Future Fund had been successful in helping businesses continue to grow and secure finance when they might otherwise have struggled to access capital.

9.31. In 2022, BBB began a formal three-year evaluation process of the Future Fund. Further information on the objectives of BBB's evaluation process is detailed at CWS, Part B, §7.107.

9.32. BBB's first report covered the period between May 2021 and April 2022 (Year 1) and the second report update covered the period from November 2022 to March 2023

(Year 2) [NZ/309 – INQ000146532] [NZ/310 – INQ000576416]. In summary, the reports considered the seven programme objectives of the Future Fund and found that these had largely been met, see CWS, Part B, §7.107:

- a) The Year 1 report concluded that the Future Fund had largely met its core aims, and in particular found that the key short-term objective of increasing the supply of finance to potentially viable UK equity backed companies was broadly met. The application process also received positive feedback from companies and lead investors, and early indications suggested the scheme may have helped prevent business closures and supported R&D, although some outcomes were still too early to assess [NZ/309 – INQ000146532]
- b) The Year 2 report largely reinforced the Year 1 findings. It showed that fundraising growth among supported firms remained stronger than among comparable firms without support. Fundraising growth among the firms supported by the Future Fund was evidenced as significantly higher than among those equity backed firms who did not obtain Future Fund support. However, the Year 2 report also highlighted emerging signs of a decline in portfolio growth and mixed medium to long-term outcomes. Certain objectives, such as ensuring that the funding provided was used for the purpose intended and the net economic benefit to the wider economy, remained inconclusive or had not yet been evaluated. [NZ/310 – INQ000576416].

9.33. I understand BBB's Year 3 evaluation report remains in draft form, and a final conclusion regarding the schemes seven programme objectives has not yet been reached.

9.34. In summary, the Future Fund appears to have met its broader objectives in preserving access to finance for pre-profit firms and had stabilising effect on the UK's private equity pipeline and boosting investor confidence during the pandemic. Whilst early assessments suggest positive impacts on business continuity and preventing widespread business failure, longer-term outcomes, regarding the effect on innovation and the wider economic impact, are yet to be fully determined. This will be critical in determining whether the Future Fund achieved its aims.

9.35. I am asked if, looking back, is there anything I would have done differently in the design, implementation, or delivery of the Future Fund. As I was not directly involved, I do not have any further personal reflections or recollections to provide.

Section 10: Recovery Loan Scheme (RLS)

- 10.1. I understand from the CWS that the RLS was introduced to support access to finance for SMEs in light of the pandemic, after the closure of the three Covid-19 loan schemes (CBILS, CLBILS and BBLS). The RLS was announced on 3 March 2021, opened for applications on 6 April 2021, and closed to new applications on 30 June 2022.
- 10.2. An overview of the timings of the closure of the previous three Covid-19 loan schemes is set out in the CWS, Part B, §7.28 and §§8.4-8.9.
- 10.3. To the best of my recollection, I was not involved in this work. Therefore, I do not believe I am well placed to add anything further.

Section 11: Business Rates Relief

- 11.1. I have been asked to set out my involvement in first, influencing the design and scope of Business Rates Relief ('BRR') and second, consideration around continuing BRR for the 2021–2022 financial year, particularly in relation to calls from the hospitality and retail sectors for an extension.
- 11.2. In respect of BRR, I understand from the CWS, Part B, §2.2 that HMT, and the Ministry of Housing, Communities and Local Government (MHCLG), led on the design and policy direction of Business Rates Relief. MHCLG was responsible for delivering the scheme during the Covid-19 period, with local authorities administering the relief and receiving full reimbursement from central government. The Department was not involved in the policy development or delivery of Business Rates Relief. Its role was limited to providing intelligence and stakeholder feedback to inform policy decisions.
- 11.3. In addition to the limited role of the Department as noted above, I do not personally recall much involvement in decision-making in respect of BRR. I note however that BRR was mentioned as a possible economic response to the pandemic at a very early stage in submissions to the Secretary of State, to which I was copied, namely:
- a) 2 March 2020, advice on Covid-19 – options for HMG intervention. The advice provided a brief overview of expected impacts, initial proposals for both macroeconomic and microeconomic interventions. Which included advice regarding business rates exemptions. Officials noted that business rates exemptions could help businesses to manage temporary pressures by freeing up additional cashflow [NZ/030 – INQ000654974]. On 4 March 2020 my private office confirmed I had noted the advice [NZ/047 – INQ000625242].
 - b) 5 March 2020 (on the face of it dated 4 March 2020), draft advice on the impact of Covid-19 on business and possible support measures in response was sent to junior ministers and special advisers for review prior to the advice being put to the Secretary of State. [NZ/054 – INQ000654977] [NZ/055 – INQ000654976]. In response my private office confirmed that I had reviewed this advice and agreed *“that SoS ought to encourage HMT/HMRC to launch or expand macroeconomic measures, including ... business rates relief and is happy to support.”* [NZ/058 – INQ000585484]. As discussed at paragraph §4.24 above, on 7 March 2020, in response to the draft paper being prepared for COBR on 9 March 2020 I echoed my comments on the advice, that is I was *“...broadly content with the paper but is keen that we look at the use of VAT*

relief for SMEs and business rates relief for targeted local support, noting that tourism sector will be particularly affected. ... [NZ/067 – INQ000654981]

- c) 6 March 2020, the final version of the advice (dated 4 March 2020) on the impact of Covid-19 on business and possible support measures was sent up to the Secretary of State [NZ/056 – INQ000585485] [NZ/057 – INQ000624840].
- 11.4. On 8 March 2020, officials provided an update on possible Budget measures. Jane Whewell advised “*All we have from HMT to date is suggestion they may....consider some form of targeted business rates relief with HMT rebating some/all of the cost back to Councils.*” [NZ/311 – INQ000625262].
- 11.5. The Chancellor announced the Business Rates Relief on 11 March 2020 [NZ/312 – INQ000585853]. On 17 March 2020 the Chancellor announced that the business rate holiday was to be extended to all businesses in the retail, hospitality, and leisure sectors, irrespective of rateable value, which would pay no business rates for 12 months [NZ/313 – INQ000585858].
- 11.6. On the 18 March 2020 BROs call stakeholders confirmed that the business rates holiday had been very well received [NZ/314 – INQ000625287].
- 11.7. As set out above, from late November 2020 onwards I became Vaccines Minister and as a result handed over much of my portfolio as BEIS Business Minister to others. I note that documents obtained by my legal advisers suggest that advice was prepared for Minister Scully and the Secretary of State in respect of Business Rates Relief, however, I was not involved (see for example [NZ/315 – INQ000585735]).
- 11.8. In this context, I do not believe I am well placed to add anything further.

Section 12: Covid-19 Business Grants Schemes

12.1. In this section, I address the issues raised by the Inquiry in relation to the Covid-19 grant schemes.

Overview of my involvement with the Covid-19 grant schemes

12.2. I was not directly involved in the decision making regarding the Covid-19 grant schemes and had limited involvement overall.

12.3. In respect of the cohort one schemes, (the Small Business Grant Fund (SBGF), the Retail, Hospitality, and Leisure Grant Fund (RHLGF), and the Local Authority Discretionary Grant Fund (LADGF)) I had some limited involvement as discussed in more detail below. Given the relatively limited nature of my involvement, I am not well-placed to answer all of the questions in the Rule 9 request in detail.

12.4. I am also asked a number of questions relating to the introduction of local lockdowns, the support package for the Leicester area announced in June 2020, and the cohort two and three grant schemes. To the best of my recollection, I had no meaningful involvement in the cohort two grant schemes. Therefore, I do not believe I am well placed to comment on those schemes. This recollection is supported by searches carried out by my legal team, which show that certain submissions about the grants schemes were sent to the Secretary of State, but not copying in my private office: in particular, a July 2020 proposal in respect of Leicester lockdown funding [NZ/316 – INQ000543276] [NZ/009 – INQ000543292], a September 2020 submission in relation to local lockdown grants fund and scheme guidance [NZ/317 – INQ000543343], and an October 2020 submission about grant funding schemes in areas subject to local lockdowns [NZ/010 – INQ000543413]. As noted in Section 1 above, I became Vaccine Minister in late November 2020 and at this point, transferred much of my portfolio as BEIS Business Minister to Minister Scully and Lord Grimstone. Given the remit of my ministerial role as Vaccines Ministers from November 2020, I had no involvement in the cohort three grant schemes. Therefore, others would be best placed to answer these questions. In light of the above, I have therefore not provided a response to questions 150 to 154 of the Rule 9 Request.

The SBGF and RHLGF

12.5. The SBGF was announced on 11 March 2020 and was in operation between 1 April 2020 and 28 August 2020. The level of funding was a £10,000 payment on a one-off

basis to businesses in England in receipt of Small Business Rate Relief or Rural Rate Relief as of 11 March 2020.

- 12.6. The RHLGF was announced on 17 March 2020 and was in operation between 1 April 2020 and 28 August 2020. Business in England were eligible if they were in receipt of the Expanded Retail Discount on 11 March 2020, with a rateable value less than £51,000 and their rateable property was wholly or mainly used as a retail, hospitality or leisure venue. The level of funding was £25,000 per property if a business had a rateable value of over £15,000 but less than £51,000 or £10,000 per property if a business had a rateable value of £15,000 or under.

Design of the SBGF and RHLGF

- 12.7. HMT led policy development and decision making to provide grant support to small businesses. As set out in detail in the CWS, Part C, Section 2, in the days leading up to the Spring Budget 2020 announcement (i.e. 7 – 11 March 2020), HMT consulted the Department and MHCLG on policy development including the feasibility, scope, and key considerations of introducing cash support to small businesses in the form of grants.
- 12.8. On 9 March 2020, Jane Whewell (Deputy Director, BEIS) updated me and the Secretary of State on the ongoing discussions between the Department, HMT, and MHCLG regarding the potential emergency grant scheme. At this stage the application of the scheme to devolved administrations as well as departmental ownership, were both unresolved issues [NZ/080 – INQ000543050]. Advice was put to BEIS ministers including myself on 10 March 2020 with further details on the proposed Budget announcements including the, now, England-only £1 billion scheme to be distributed by local authorities to microbusinesses (the SBGF). Officials considered the best option for grant distribution via eligibility for rates relief to be the only viable scheme despite its "...significant deliverability challenges...", combined with the fact that such a scheme would be simpler to administer than a scheme with an application process, in turn reducing the risk of delay [NZ/007 – INQ000543056].
- 12.9. Between 10 and 11 March 2020 the Department, MHCLG, and HMT discussed Accounting Officer ownership of the proposed grant scheme [NZ/318 – INQ000543061]. HMT were of the view the Department should hold Accounting Officer responsibility as the Department was responsible for business support. On the morning of 11 March 2020, the Permanent Secretary obtained the Secretary of State's

agreement to the Department taking on Accounting Officer responsibility for the SBGF [NZ/318 – INQ000543061].

- 12.10. On 11 March 2020 the Chancellor announced the SBGF in the Spring Budget. On the same day, the Assistant Private Secretary to the Chancellor emailed the Secretary of State's private office, advising that the Department would deliver a number of measures including grant funding to support small businesses comprising £2.2 billion in funding for local authorities in England [NZ/082 – INQ000543065]. The email stated that HMT wanted to work closely with the Department and MHCLG to rapidly agree the design of the scheme. The detail of how the Department worked with HMT and MHCLG on the design of the SBGF and RHLGF, including delivery and funding mechanisms, is set out in detail the CWS. I refer the Inquiry to CWS, Part C, §§3.5 – 3.7, 3.23 – 3.24, 3.26, and 3.49 – 3.56.
- 12.11. I am asked what involvement I personally had in the design of the SBGF and RHLGF and the advice I put to the Secretary of State in relation to these schemes. I was not directly involved in the design of these grants; I was on occasion kept informed by way of submissions sent to the Secretary of State and I provided limited comments, as outlined below.
- 12.12. On 22 March 2020 my private office received draft advice regarding the support being made available to local authorities to enable timely delivery of the SBGF and RHLGF, prior to final advice being circulated to the BEIS Secretary of State [NZ/319 – INQ000654997]. I agreed with the recommendations in the draft advice but considering my engagement with business in March 2020 I highlighted that "speed is of the essence" [NZ/001d – INQ000654998]. In order to support the speedy delivery of the grants, my private office relayed my suggestion to officials that "... *rather than going through the smaller district councils, we work with Counties, Mayors and Mets - or ask them to provide more man power to small districts to help. The LEPs can also help, so maybe a letter to them too?*" My private office requested that my suggestion be relayed to the Secretary of State. In the event, this idea was not progressed, and the grants were delivered through all 314 local authorities in England.
- 12.13. Due to the confidentiality that surrounds Budget announcements, it was not possible for the Department to consult with local authorities or the businesses on the proposed design of the SBGF prior to the Spring Budget 2020. Following the announcement of the SBGF in the Spring Budget 2020, the Department actively engaged with representatives from local authorities and BROs to develop the design and operation

of the scheme and developed accompanying strategies for communication and engagement. Further detail can be found in the CWS, Part C, §3.12.

- 12.14. On 11 March 2020, following the Budget announcements, I attended a meeting with BROs with the Secretary of State and Minister Scully [NZ/084 – INQ000625267] [NZ/085 – INQ000625268]. The Federation of Small Businesses (FSB) reacted positively to the Budget announcements. As recorded in the readout from the meeting the FSB noted there was a “... good mix of [supporting] activity...” but highlighted there was a “...need to get communication right...” [NZ/086 – INQ000624857]. During March 2020, I attended further meetings with BROs and sector representatives regarding the issues faced by business and the support being made available, for example on 16 March 2020 [NZ/097 – INQ000625277] and 18 March 2020 [NZ/314 – INQ000625287] [NZ/320 – INQ000654989].
- 12.15. On 12 March 2020, CLGU spoke with nine local authority Chief Executives (representing the nine English regions) to discuss the SBGF and details of scheme delivery. In an update provided to the Secretary of State, copied to BEIS ministers, CLGU officials advised that the nine chief executives viewed the announcement of the scheme as positive and had lots of questions about how the scheme would work in practice [NZ/321 – INQ000543100]. CLGU officials also reported that the Local Government Association had offered to coordinate engagement with local authorities, pulling together a group of experts from local authorities who could work with the Department in areas such as business rates, finance, and compliance. It was noted that further discussions with local authorities’ representatives would continue the following week [NZ/321 – INQ000543100].
- 12.16. As regards to the RHLGF, the Department became aware of the RHLGF when it was announced on 17 March 2020. The Department was not consulted in advance and did not have any influence over the Chancellor’s announcement. As such, it had not been possible for the Department to consult with local authorities or business on the design of the RHLGF prior to the Chancellor’s announcement on 17 March 2020. As detailed at CWS, Part C, §3.25 on 18 March 2020, Minister Scully and a senior BEIS official met with representatives of the FSB to learn more about the concerns of the small business community [NZ/322 – INQ000543078]. The FSB’s feedback was positive in respect of the Government’s actions to date, including the announcement of the RHLGF on 17 March 2020. The FSB urged the Government to keep in mind the need for speed of access to information, keeping messages simple, ensuring businesses

knew where to find information, and avoiding making access to finance overly burdensome.

- 12.17. On 20 March 2020, my private office was copied into an email providing advice to the Secretary of State regarding the launch of the SBGF and RHLGF. The accompanying submission (for which I was not listed as a recipient) noted that following the announcement of the SBGF and RHLGF, officials have been working at pace across Whitehall and with local authorities to design the schemes. It was noted the local authority working group has given feedback on the principles of the guidance issued in respect of the SBGF and RHLGF, and they were content that the schemes are deliverable and could be delivered at pace.
- 12.18. It would have been preferable to engage with local authorities, on the design of the SBGF and RHLGF prior to the schemes being announced, given they were charged with delivering the schemes. The engagement undertaken by the Department following the announcements of the schemes allowed the Department to gather constructive feedback from local authorities for example on the guidance issued.

SBGF and RHLGF Ministerial Directions

- 12.19. Ministerial directions were issued in respect of the SBGF and RHLGF due to the number of uncertainties around whether the schemes presented value for money within the confines of Managing Public Money. The concerns around value for money were set out in the Accounting Officer advice provided to the Secretary of State on 23 March 2020 [NZ/323 – INQ000624866] [NZ/324 – INQ000543099], see CWS, Part C, §3.27 – 3.34.
- 12.20. I am asked why I consider that ministerial directions were provided for these schemes despite concerns surrounding local authorities' ability to deliver the funding to businesses accurately and in a timely manner. The reasons as to why ministerial directions were provided for the SBGF and RHLGF were set out in the Secretary of State's direction letters dated 23 March 2020 (to which my private office was copied):
- a) With regards to the SBGF, in my view, quite correctly, there were "broader issues" to consider that could not form part of the Accounting Officer's assessment. The Government had a responsibility to support small businesses who were suffering "...as a result of the unexpected economic shock caused by Covid-19". It was view that the SBGF and would "...provide many small businesses with valuable and timely financial relief from the impact of Covid-19. This is a key component in the government's comprehensive response to

this evolving economic situation which is designed to support the economy through this time of crisis.” [NZ/325 – INQ000064764].

- b) In relation to the RHLGF as noted in the Secretary of State’s letter dated 23 March 2020 “...there are clearly compelling reasons to justify the introduction of this fund, which fall outside the confines of MPM. These are extraordinary economic circumstances and businesses in the retail, hospitality and leisure sectors are particularly exposed to the disruption being caused by Covid-19. As your letter notes, this grants fund will go some way to helping to alleviate financial anxiety that businesses face through this economic turmoil. Without such prompt action, businesses and jobs will be at acute risk.” [NZ/326 – INQ000064763].

12.21. I am asked about the decision to publish a ‘league table’ of payments made by local authorities. I was not involved in the policy working or decision making in relation to this issue. The decision to publish the data rested with the Secretary of State. For example, I was not sighted on the advice sent to the Secretary of State and Minister Scully on 16 April 2020 [NZ/327 – INQ000654800], [NZ/328 – INQ000543158], or the advice sent to the Secretary of State on 19 April 2020 [NZ/329 – INQ000543159]. However, on or around 12 May 2020, at the Secretary of State’s request, I made calls to approximately 30 local authorities regarding the payment of SBGF and RHLGF grant to impress upon them the importance of getting the remaining money to businesses [NZ/330 – INQ000625497], [NZ/331 – INQ000625498], [NZ/332 – INQ000625503].

12.22. I am asked whether I encountered any challenges working with HMT and MHCLG to deliver the SBGF and RHLGF. As my personal involvement in the policy work or decision making regarding these schemes was relatively limited, I do not feel well placed to provide comment on this issue.

The LADGF

12.23. The final cohort one grant, the LADGF was announced by the Secretary of State to local authorities on 1 May 2020 [NZ/333 – INQ000543198] and publicly announced on 2 May 2020. The LADGF was an application-based scheme open to small or micro businesses in England not eligible for the SBGF or the RHLGF on 11 March 2020. Local authorities could award grants of £25,000, £10,000, or any amount under £10,000. The amount paid under the grant per business was at the discretion of the local authority The LADGF is discussed in detail in the CWS, Part C, section 4.

12.24. The policy rationale behind the decision to introduce the LADGF was set out in the Acting Permanent Secretary's letter to the Secretary of State seeking a ministerial direction for the scheme on 1 May 2020 (discussed in further detail below):

"...there remain many small businesses that have high fixed costs and the same financial difficulties but do not qualify for either of [the SBGF and RHLGF]. This applies, for example, to those small businesses that rent or share their property and do not have the direct liability for business rates.

These issues, relating to the narrow eligibility criteria of the existing schemes and the fact that equally deserving small businesses are missing out on much needed grant funding, have been raised with us by numerous parties, not least the local authorities responsible for administering the existing schemes. The local authorities themselves have asked for more discretion to address genuine business support needs currently out of scope for support.

This proposal aims to address this problem by providing local authorities with discretion to administer a grant scheme to help support small businesses in their localities who are not in scope of either of the existing grant schemes. Where necessary additional funding will be provided for this, up to a limit of 5% of the original grant schemes' value.

There is a strong policy rationale for this proposal. Many of these small businesses are financially exposed to the economic shock caused by Covid-19, yet still face substantial ongoing fixed costs. This is having a significant impact on their cashflow which in turn is likely to harm their survival prospects. This grant scheme builds on and complements the substantial package of support that government has already announced to support businesses." [NZ/334 – INQ000543191]

Design of the LADGF

12.25. I was not involved in the design, policy or decision making in relation to the LADGF. The design of the LADGF is discussed in detail in the CWS, Part C, §4.5 – 4.26. My private office was copied into a number of emails regarding the development of the scheme, for example on 28 April 2020, Tony Bray (Deputy Director, CLGU) informed me, the Secretary of State, and Minister Scully that the Chancellor had decided, based on advice from HMT officials (which has been discussed with BEIS officials) to introduce a new discretionary grant scheme that would allow local authorities "...to

address some of the businesses that are currently out-of-scope of the existing business support grant schemes” [NZ/335 – INQ000655046].

- 12.26. On 29 April 2020, I was sighted on advice regarding the proposal for a new discretionary fund for local authorities and the rationale behind the scheme [NZ/336 – INQ000624916] [NZ/337 – INQ000543186]. Upon receiving the advice, the Secretary of State and Minister Scully discussed the proposed scheme and eligibility criteria with officials [NZ/338 – INQ000655052]. The following day, 30 April 2020, my private office received notification that the Secretary of State would be announcing the LADGF to local authorities the next day. [NZ/339 – INQ000543187] [NZ/340 – INQ000543188].
- 12.27. The other models considered in the design of the LADGF are discussed at CWS, Part C, §§4.6 – 4.14. The decision regarding the model of the scheme rested with the Chancellor. On 28 April 2020, the Department received confirmation from HMT officials that the Chancellor wanted to proceed with a discretionary grant fund and circulated the final proposed eligibility criteria [NZ/341 – INQ000543182], [NZ/342 – INQ000543183].
- 12.28. I am asked whether I considered that an extension of the SBGF and the RHLGF to businesses in shared spaces without their own rating assessment was a viable option. Given my limited involvement in relation to the scheme design, I do not feel able to comment on this issue.
- 12.29. I am also asked why it was considered that the LADGF should closely resemble the Welsh discretionary grant scheme. Given my limited involvement in relation to the scheme design others, at official-level, will be better-placed to assist the Inquiry with this issue.

LADGF Ministerial Direction

- 12.30. I understand that on 1 May 2020 a letter was sent from the acting Permanent Secretary to the Secretary of State, seeking a ministerial direction for the LADGF on the basis that it was not possible to demonstrate that the scheme represented value for money to the standards required by ‘Managing Public Money’ [NZ/334 – INQ000543191] [NZ/343 – INQ000543193]. I was not copied into this correspondence. On 1 May 2020, the Secretary of State issued a ministerial direction agreeing that there was strong policy rationale for the LADGF [NZ/344 – INQ000543192].

National Investigation Service, the National Anti-Fraud Network and Operation CULVERIN

- 12.31. I understand from the CWS, Part B, §6.16 that the National Investigation Service (NATIS), a law enforcement body specialising in financial crime and fraud based within

Thurrock Council, was commissioned to support central government in an initiative known as Operation CULVERIN. Developed in conjunction with the Government Counter Fraud Function and the Department following the launch of the grant schemes, the proposal was for NATIS to investigate and prosecute fraudulent applications for Covid-19 Business Grants (where subsequent payments were made) supported by the Crown Prosecution Service. It later expanded from its original focus on grants to include loans [NZ/345 – INQ000585657] [NZ/346 – INQ000585656].

12.32. To the best of my recollection, I was not directly involved in this work. I was sighted intermittently on updates regarding the progress of Operation CULVERIN and detection of fraud in grant schemes, for example:

- a) 17 June 2020 [NZ/347 – INQ000655081], [NZ/348 – INQ000655082];
- b) 7 July 2020 [NZ/349 – INQ000655090], [NZ/350 – INQ000655091];
- c) 13 July 2020 [NZ/351 – INQ000655093] [NZ/352 – INQ000625161];
- d) 10 August 2020 [NZ/353 – INQ000655627], [NZ/354 – INQ000655105];
- e) 17 August 2020 [NZ/355 – INQ000655106] [NZ/356 – INQ000655107]; and
- f) 2 October 2020 [NZ/357 – INQ000655115] [NZ/358 – INQ000655628].

12.33. I am asked about the outcomes and findings from Operation CULVERIN, and the effectiveness of the support provided by the NATIS and the National Anti-fraud Network. Given my limited involvement I do not believe I am well placed to comment. Others, within the Department may be better placed to answer these questions.

Closure of the Cohort One Schemes

12.34. The closure of the cohort one schemes is discussed in more detail in the CWS, Part C, Section 5.

12.35. On 1 July 2020, I was sighted on a submission to the Secretary of State regarding closure of the cohort one schemes at the end of August, returning unspent funds, and plans to inform local authorities. The advice recommended that the Secretary of State suggest an earlier closure of the two main schemes (the SBGF and RHLGF) towards the end of July 2020, or in the first week of August 2020, and proposed ringfencing part of the underspend “for targeted local response” [NZ/359 – INQ000543266].

12.36. I understand that on or around 21 July 2020, the Secretary of State wrote to the Chancellor agreeing to close the cohort one schemes at the end of August 2020 and

stating that any unspent allocation will be returned, following a reconciliation process [NZ/360 – INQ000543281] and [NZ/361 – INQ000543282].

- 12.37. On 23 July 2020, the Secretary of State wrote to the local authorities' chief executives advising that he and the Chancellor agreed that the SBGF, RHLGF, and LADGF would close on 28 August 2020 [NZ/362 – INQ000625564] [NZ/363 – INQ000625565].

Reflections on grant schemes overall

- 12.38. Given the limited nature of my involvement in the grant schemes as set out above, I consider others will be better placed to provide personal reflections on these schemes.

Section 13: Changes to Insolvency Rules

- 13.1. The Inquiry has asked me about my involvement in the proposed reforms to the UK's insolvency framework. To the best of my recollection, I had relatively limited involvement in this work. Therefore, I do not believe I am well placed to comment on the questions put to me. The Inquiry will note, as set out below, that on 9 April 2020 I did receive some initial advice (which I have addressed below) on potential measures to support the commercial property sector. This then led to discussions between officials and the Secretary of State as to whether the measures should be included in the Corporate Insolvency and Governance Bill.
- 13.2. In summary, to the best of my recollection and based on searches by my legal advisers, my involvement in this topic was limited, as follows:
- a) On 9 April 2020 Minister Clarke (MHCLG) and I received some advice on options to support the commercial property sector during the pandemic [NZ/364 – INQ000655024] [NZ/365 – INQ000655025]. The advice stated, *“Due to the current crisis, commercial landlords are reporting a significant drop in rental income, which impacts their businesses and ability to invest in regeneration in the long-term. This advice sets out options to support the commercial property sector (both from a tenant and landlord perspective) in the short-term. Given interests, the advice is going to MHCLG and BEIS Ministers in parallel.”* Shortly after sending the advice BEIS and MHCLG officials then agreed to put urgent joint advice to the Secretaries of State for BEIS and MHCLG the following day. They noted we have *“spoken today regarding the attached advice, and the proposed measures to be added to the Corporate Governance and Insolvency Bill. We have agreed that the attached advice (which has gone to Junior Ministers in both Departments) could helpfully be amended to include the detail*

of the legislative proposals referenced, and seek support jointly from SoS BEIS and SoS MHCLG for these measures” [NZ/366 – INQ000655028].

- b) On 10 April 2020, the joint advice was put to the Secretary of State seeking his urgent agreement to include measures in the forthcoming Corporate Governance & Insolvency Bill to limit the ability of landlords to seek rent or payment through other means such as Commercial Rent Arrears Recovery or statutory demands [NZ/367 – INQ000655030] [NZ/368 – INQ000625168]. My private office was provided with a copy of the advice for the Secretary of State earlier that evening [NZ/369 – INQ000655029].
- c) On 13 April 2020, officials met with the Secretary of State and agreed to include the measures in the Corporate Governance & Insolvency Bill [NZ/370 – INQ000625401].

Section 14: Data and Modelling

- 14.1. The department utilised data and modelling to inform its economic response to the emerging pandemic, as detailed in CWS, Part A, Section 4.
- 14.2. Others, particularly officials, may be better placed to provide detailed comments about use of data, economic modelling or other analysis to inform advice provided on the economic response to the pandemic; the limitations in the availability and quality of data used to design economic support schemes; and whether adequate use was made of data, modelling and other scenario analysis.
- 14.3. More generally:
 - a) At an early stage, I provided comments to officials about the need for more data and sectoral analysis, as I considered it was important to ensure we had a proper evidence base, with granular data so far as possible (e.g. §4.15 above).
 - b) I received advice from officials containing data as to business impacts (e.g. the draft COBR(M) briefing for the 9 March meeting, discussed at §4.22 above).
 - c) A Business Intelligence Pack or ‘dashboard’ was created, which included a weekly summary of the impact on business sectors (e.g. education, farming, etc). The weekly dashboards were shared with BEIS staff and ministers’ private offices. BEIS officials also provided daily situation reports or ‘SitReps’ to ministers (CWS, Part A, §4.2). For example, “BEIS SitRep 008” enclosed with the COBR(M) briefing [NZ/089 – INQ000654984]).
 - d) As a Department I felt we were close to all sectors affected by the economic response to the pandemic and had a strong ‘radar’ to pick up what was happening on the ground and feed that intelligence back to Government. There were dedicated teams for each sector of the economy and the Department was able to manage those relationships. Through my stakeholder engagement, I fed into general intelligence-gathering efforts (see above, §2.12, §2.13). In my view, it was to the Department’s credit that it was able, at pace, to contribute significantly to the cross-departmental collation of business intelligence.
 - e) In future, I believe that with better use of the more advanced technology now available, we could achieve more targeted, sector-by-sector engagement, which would deliver a more efficient outcome overall.

Section 15: Inequalities and Vulnerable Groups

- 15.1. I understand that Public Sector Equality Duty assessments were completed by the Department for each of the Covid-19 loans and grants schemes (CWS, Part B, §7.19; CWS, Part C, section 13).
- 15.2. I was not involved in the detail of those assessments. More generally, I hosted a roundtable for BAME business leaders on 17 April 2020 as part of my general Covid-19 stakeholder engagement work [NZ/002 – INQ000655050]. Others, particularly officials, will be better placed to provide detailed reflections about the Department's consideration of inequalities and vulnerable groups, particularly in terms of the design and delivery of the loans and grants schemes.

Section 16: Reflections on Loan and Grant Schemes and Lessons Learned

- 16.1. The Covid-19 Pandemic presented an unprecedented economic challenge that required rapid intervention in a situation of extreme uncertainty and limited data. The lockdown measure in modern times were novel, there was uncertainty about when or if treatment and vaccinations would become available and the government was adapting to an evolving virus. The department was operating under significant resource constraints with illness and other absences leaving the workforce stretched. Policy development had to be reactive to changing economic situation.
- 16.2. I have included reflections on the particular loan and grant schemes that I was involved in where appropriate throughout this statement.

General Reflections

- 16.3. On reflection, I believe that the Government's response at the time was broadly the right one, given the urgency and scale of the crisis. With hindsight, it is possible that we could have saved billions by making the furlough scheme less generous, but I remain of the view that the response was strong and proportionate to the circumstances. I am proud of the scale and speed of the support that was delivered, and I recognise that in a crisis of this magnitude, decisions had to be made rapidly and under immense pressure.
- 16.4. In my view, having just come through the EU Exit process left us in an advantageous position with respect to responding quickly to business interruption. A number of disruptive issues had been changed and dealt with in Brexit preparations. This left us much more prepared to act in the face of disruptions to business caused by Covid-19. As an example of how EU Exit preparations fed into the Department's initial pandemic response, I note that in a submission of 20 February 2020 shared with the Secretary of State (to which I was copied), officials noted that 'Project Kingfisher' i.e. preparations for the possibility of a 'no deal' exit from the European Union had a role to play in developing the initial response (see above at §4.7) [NZ/036 – INQ000596652].
- 16.5. I did feel that the Government listened to concerns around financial hardship, and the response, particularly the furlough scheme, was both generous and substantial. It was clear that we were dealing with a crisis of unprecedented scale, akin to a world war but in viral form.
- 16.6. In future crises of a similar nature, we should leverage the relationships established across government and convene early meetings with chief executives from all major sectors at the outset. This would allow us to gather detailed feedback quickly. By

combining this engagement with the use of the more advanced technologies now available, we could achieve more targeted, sector-by-sector responses, which would deliver a more efficient outcome overall. Such engagement could help refine financial responses required in the face of any future pandemic and potentially save several billion pounds.

Section 17: Request for Documents

17.1. For context, my preferred approach was to avoid unofficial communications channels and wherever possible I always tried to communicate through the civil service machinery, i.e. using my private office and my official ministerial email address.

Emails

17.2. I am asked to provide any key emails sent or received by me between 1 January 2020 and 28 June 2022 on either government-issued, or personal, devices.

17.3. I confirm that to the best of my knowledge, the key emails are those referred to within my statement.

Informal channels

17.4. I have been asked to identify any messaging platforms I used to communicate about the economic response to the pandemic between 1 January 2020 and 28 June 2022.

17.5. In response, I confirm that I did use Whatsapp at this time. I only used my personal device, not my official device, for Whatsapp messages.

17.6. I do not have access to my Whatsapp messages on my personal phone from the relevant period. To the best of my recollection, my Whatsapp messages were more administrative than substantive. On occasion, MPs would send me concerns raised by their constituents, i.e. businesses, who wanted BEIS to take account of their feedback. At the time, I tried to feed any such concerns immediately through official channels.

Diary or similar records

17.7. I have been asked to provide any diary or notebook entries, or similar records, whether physical or electronic, that I hold relating to key decisions made between 1 January 2020 and 28 June 2022, where such records are relevant to the provisional outline of scope for Module 9.

17.8. In response, I confirm that I did not keep any diaries, notebooks, or similar records during that period.

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.

Signed: Personal Data

Dated: 28th October 2025