Witness Name: Sarah Munby
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THE INDEPENDENT UK COVID-19 INQUIRY
MODULE 9

FIRST MODULE 9 WITNESS STATEMENT OF SARAH MUNBY

Contents

I, SARAH MUNBY, will say as follows:

Section 1: Introduction

1.1. I make this statement in my personal capacity in response to a Rule 9 request received from the UK Covid-19 Inquiry on 3 June 2025 and amended on 31 July 2025 (**the Rule 9 request**).

1.2. This statement addresses my role and involvement in the economic response to the Covid-19 pandemic by the former Department for Business, Energy and Industrial Strategy's (**BEIS**). I was last of the three BEIS Permanent Secretaries during the period being investigated by the Inquiry, and I held that post from 20 July 2020 until 7 February 2023. This statement has been prepared based on my personal recollections, and documents provided to me by the current Department for Business and Trade (**DBT**). The personal views expressed in this statement are my own.

My Role and Background

1.3. My academic background was as an economist. I worked as a junior civil servant for a short time after university then worked in management consultancy until I joined BEIS in 2019.

1.4. The positions I held prior to and during the pandemic were as follows:

a) I worked for the management consultancy firm McKinsey for 15 years, latterly leading the Strategy and Corporate Finance practice in the UK and Ireland;

b) In July 2019, I joined BEIS as Director General, Business Sectors;

c) From 20 July 2020 until 7 February 2023, I was the Permanent Secretary of BEIS; and

d) In February 2023, I moved to the newly created Department for Science, Innovation and Technology (**DSIT**) as Permanent Secretary. This was a result of a Machinery of Government (**MoG**) change within HM Government (**HMG**). I left this role on 1 July 2025.

Scope of this Statement

1.5. I am asked a series of questions that pertain to events and decision making within the period of time that I was Director General at BEIS, that is to say from the start of the pandemic to 20 July 2020. By way of background, both Jo Shanmugalingam (Director General, BEIS) and I led the Department's interactions with business prior to the pandemic. Jo had particular responsibility for the British Business Bank (**BBB**) and

policies involving supporting small business; I looked after the Department's sector and region teams that interacted with specific businesses. To note, these roles had previously been combined in one Director General portfolio which was split into two when Jo and I joined in 2019. As a consequence, both of us were closely involved in the emerging plans for business support as the pandemic began, and throughout tried to stay abreast of the main areas of work across the two portfolios, to help the Department present a joined-up picture to business. However, we had individual portfolios and accountabilities - Jo was the responsible Director General for the loan schemes run through the BBB, and my involvement in the design and operation of these schemes was minimal. I set out my roles and responsibilities in further detail below in Section 2. The loan schemes are discussed in Section 4 of this statement, and I have provided what information I can noting my lack of involvement regarding a significant portion of the questions I have been asked.

1.6. I have been asked to provide any diary entries, notebook entries or similar records held relating to decisions I made during the relevant period. I did not keep any such items; diaries, notebooks or otherwise.

1.7. I have been asked to provide information relating to messaging platforms I used during the relevant period to communicate about decision making and the economic response. I provide this information in Annex A.

Structure of this Statement and Initial Observations

1.8. This statement should be read in conjunction with the two Module 9 corporate witness statements provided by Gareth Davies on behalf of the Department. I refer to these as the "BEIS Module 9 corporate statement" Parts A – D {SM/001a INQ000653217} {SM/001b INQ000653218} {SM/001c INQ000653219} {SM/001d INQ000653220} and "DBT Module 9 corporate statement" {SM/002 INQ000618258} though I do not repeat the exhibit numbers throughout for ease. I contributed to the compilation of the BEIS Module 9 corporate statement and it is a reflection of the views I hold. Therefore, where appropriate, I refer to sections of that statement as the corporate statement provides further detail. I also provided corporate statements on behalf of the Department in Modules 1, 2, and 5 of this Inquiry {SM/003 INQ000147706} {SM/004 INQ000235713} {SM/005 INQ000517443}. I have drawn upon my reflections in these statements where there is overlap with this module.

1.9. I have adopted the use of acronyms for the loans schemes and various local authority grant schemes. A list of acronyms is provided at Annex B to this statement.

1.10. I address the following topics in this statement:

a) Section 2 details my roles and responsibilities at BEIS;

b) Section 3 details my experiences and reflections on joint working within BEIS, across government and with external stakeholders;

c) Section 4 details BEIS's work on the Covid-19 loan schemes;

d) Section 5 details BEIS's work on business rates relief;

e) Section 6 details BEIS's work on the Covid-19 business grant schemes;

f) Section 7 details the data and modelling work undertaken;

g) Section 8 details information on inequalities and vulnerable groups;

h) Section 9 details BEIS's work on Long Covid; and

i) Section 10 details my personal reflections and lessons learned.

Section 2: Roles and Responsibilities

2.1. I joined the Department in July 2019 and worked there throughout the pandemic, leaving the Department for DSIT in February 2023. The positions I held during this time were as follows:

a) From July 2019 to July 2020, I held the position of Director General, Business Sectors within BEIS;

b) From 20 July 2020 until 7 February 2023, I was the Permanent Secretary of BEIS.

Early Pandemic Involvement (Director General, Business Sectors)

2.2. Throughout the early stages of the pandemic, I was the Director General for Business Sectors. I was responsible for leading the Department's engagement with a wide range of UK industries, advising ministers on sector-specific issues, and specific areas of work relating to large business investments and corporate or industrial crises. My teams had responsibility for a range of sectors including Life Sciences, Advanced Manufacturing, Metals, Chemicals, Retail and Consumer Goods, and Professional Services. I also had responsibility for the Department's joint unit with the Ministry for Housing, Communities and Local Government (**MHCLG**), the Cities and Local Growth Unit (**CLGU**)[1] who were based in regional offices around the country. My role involved regular engagement with industry leaders, trade associations, and other government departments to ensure that business needs were understood and effectively reflected in policymaking.

2.3. Prior to the Covid-19 pandemic, my work as Director General focussed on business preparedness and support in relation to the UK's exit from the EU. This included supporting sectors to understand and adapt to changes in regulation, trade, and supply chains. I was closely involved with planning for potential business support that might have been required in the event of a 'No Deal' exit from the EU. I was also spending a significant portion of my time dealing with individual industrial 'cases' including the sale of British Steel.

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[1] A number of underlying documents refer to a team named 'CLoG'. This was the Cities and Local Growth team originally established in the Department for Business, Innovation and Skills. This team moved to sit within BEIS following the Machinery of Government change in 2016. This team then became a joint unit between BEIS and MHCLG and was subsequently renamed CLGU. CLoG and CLGU are used interchangeably in the documents. To aid clarity, I use CLGU in this statement.

2.4. As the pandemic began to unfold in early 2020, my focus shifted naturally to leading BEIS's early work on business support and interventions. From early March 2020, I began to coordinate cross-government activity to gather up-to-date business intelligence from sector teams and chaired cross-government workstreams focussed on understanding the emerging economic impact across industries.[2] Many departments had 'sector teams' that contributed to this, for example, the team in the Department of Transport (**DfT**) who were responsible for liaising with airlines.

2.5. Given our respective roles, Jo and I were both closely involved in the work on economic support, which formed one part of the Department's broader activity during the pandemic. Initially, this was formalised as us being joint Director General responsible for the Department's workstream on Sector Impacts & SMEs (small and medium enterprises) {SM/006 INQ000624825} and {SM/007 INQ000624826}. In response to internal feedback, including from me, this role was retitled to Business Support Interventions on 5 March 2020 to reflect the broader scope of responsibilities beyond sector or SME-specific concerns. Rachel Merelie (Director, Business Investment, BEIS) and Gemma Peck (Director, Business Growth, BEIS) were initially listed as the responsible Directors under this structure (with Gemma responsible for small businesses and Rachel for sector level or interventions targeted at larger businesses). {SM/008 INQ000624839}. In Jo's team, this structure remained an accurate reflection of reality, with the majority of the work on business support being concentrated under Gemma as the Director responsible for small business and leading our work with the BBB. The rest of Jo's team were working on a range of issues connected to universities, research, and vaccines. In my team, the realities of the pandemic quickly meant that much of the work of all of my direct reports was focussed on Covid-19. Sector teams were liaising constantly with companies in their sectors; the business engagement teams pivoted to managing engagement on the topic of Covid-19; and the regional teams were focussed on local intelligence and then quickly moved into grant delivery.

2.6. In mid-February, the Department set up an Emergency Response Team to coordinate cross-government working on the overall response to the pandemic. On 12 February

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[2] This became known as the Business Intelligence Pack, also known as the 'dashboard'. For the purposes of this statement, I will refer to it as the intelligence dashboard. The intelligence dashboard integrated information from BEIS sector teams and third-party data sources, including the Office for National Statistics (**ONS**). It provided weekly summaries of how the pandemic was affecting different sectors of the economy and, over time, included feedback on the uptake and operation of the Covid-19 loan and grant schemes.

2020, Mark Prouse (Deputy Director, Energy Resilience and Emergency Response, BEIS) circulated a submission to the Permanent Secretary and Directors General regarding the Department's Emergency Response Team {SM/009 INQ000585476} {SM/010 INQ000624823}. The submission noted that, at this point in time, the risks for the Department were largely related to supply chain impacts. I assigned Keith Hodgkinson (Deputy Director, BEIS) as the representative for the Business Sectors Group in the wider departmental Emergency Response Team. On 13 February 2020, Keith sent me an update setting out the proposed approach to this work {SM/011 INQ000624824}. He identified that for the Sector teams, our role would be to look across the sectors we oversaw and create a baseline of information, identifying critical issues and gaps in information. This included identifying potential economic shocks and vulnerable companies and supply chains. I responded adding that I thought we needed to also consider communication with businesses, and potential impacts on the UK workforce.

2.7. On 2 March 2020, I emailed Philip (Phil) Duffy (Director General, HM Treasury (**HMT**)) and suggested that we repurpose the cross-Whitehall structures developed during EU Exit preparedness (Project Kingfisher)[3] to ensure intelligence was being shared across departments on the impacts of Covid-19 {SM/012 INQ000624829}. In this email, I also began laying out how the Department was thinking about business support - saying that while we should all be *"wary"* about bespoke schemes (because of the challenges in delivering value for money and speed of delivery) we needed to get on the front foot with an answer. In parallel, Charles Roxburgh (Second Permanent Secretary, HMT) emailed Alex Chisholm (BEIS Permanent Secretary) to suggest monitoring was needed at a sectoral level on the impacts of Covid-19 on business. I was copied into this thread by Alex Chisholm and asked to work alongside Phil Duffy to arrange a systemic delivery of business intelligence {SM/013 INQ000624828}. In the early days of the pandemic, I was personally very focussed on trying to understand what was happening, and hence what kinds of business support might be required, and the ways that our EU Exit 'toolkit' of potential business support measures would and would not be appropriate.

2.8. On 3 March 2020, I attended a meeting with HMT officials to discuss the economic response, a readout is at {SM/014 INQ000624831}. The readout noted that due to

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[3] Project Kingfisher was set up in 2019 as a joint BEIS and HMT project to enable government to respond effectively and consistently to economic impacts on businesses as a result of a potential 'No Deal' EU Exit. The BEIS Module 1 corporate statement provides more detail at paragraphs 4.35 to 4.36.

potential widespread economic impacts, BEIS considered the most effective tools were likely to be broad based and fiscal or macroeconomic in nature (because the impacts of the pandemic were likely to be so widespread and a rapid response was required). This view was shared by HMT. Alongside this, the Department was looking at existing mechanisms (such as the Enterprise Finance Guarantee (**EFG**) and other BBB programmes) with consideration being given to acute critical support, local funding, or bespoke support for key companies following the Kingfisher principles.[4] Much of this work was already somewhat developed given the context of EU Exit (including expansion of the EFG work), and the divisions of responsibility between HMT and BEIS and between Jo and I were pretty well-known and clear to us all.

2.9. On 4 March 2020, I attended a meeting of BEIS ministers and updated them on the business support schemes that were being considered {SM/015 INQ000585482}. I said that we were focussed on macro interventions through HMT, access to finance measures including the EFG, and emergency localised measures through grants.

2.10. Following this meeting, BEIS officials prepared a submission for the Secretary of State updating on potential support. I reviewed this submission on 4 March 2020 and provided comments {SM/016 INQ000624835}. The submission was finalised on 6 March 2020 {SM/017 INQ000585485}. Although macroeconomic policy was clearly going to be important, we knew that stimulating demand was not going to be the answer to improving businesses' position if customers were not leaving home. The pace of the pandemic impacts was also becoming clearer, and other countries were announcing grants funding for affected sectors. This was primarily countries such as Italy, that were seeing the economic impacts of Covid-19 earlier than the UK {SM/018 INQ000624836}.

2.11. At this point then, as the submission reflected, we thought that some targeted support was likely to be needed, particularly for the most acutely impacted sectors. On the evening of 4 March 2020, I provided some initial thoughts to my team regarding how the Department could further assist business sectors {SM/019 INQ000624838}. Looking at the key sectors I thought would be affected due to either workers or customers staying at home (manufacturing, retail and hospitality, and tourism and travel), I considered that the support package should include specific targeted support for these sectors alongside more cross-cutting elements. At the time, I was interested

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[4] The Kingfisher principles were a framework set up to guide decision making when considering government intervention for businesses during a potential 'No Deal' EU Exit.

in rapid execution of tax changes that would be well-targeted at the relevant sectors (for example, cuts in business rates) or executed quickly for many firms (e.g., Time to Pay), though colleagues were rightly pointing out that the experience in Italy was already showing that tax cuts were not enough. As a result, we were in parallel developing both grant and loan options, with the primary difficulty being designing schemes that could be sensibly and rapidly executed {SM/020 INQ000624837}.

2.12. The final submission, which was reviewed by multiple teams across the Department, recommended pushing HMT to consider macroeconomic measures such as cross-cutting tax forbearance schemes, for example Time to Pay, or business rates relief {SM/017 INQ000585485}. The submission addressed how the EFG could be utilised, with an immediate action to ensure the sector was using all of the currently allocated headroom in the scheme's funding. We also noted lenders would need 2-3 weeks to implement any further changes to the scheme. The submission also explained that the joint BEIS and MHCLG unit, CLGU, already had a mechanism for supporting geographically affected companies in exceptional circumstances, though these were typically on a small scale (and at the time were primarily envisaged as a way of supporting particular areas of the country facing locally concentrated impacts).

2.13. Looking back, I think that the approach proposed was basically right and that the hierarchy of measures was correct — ideally you try to use rapid onset, well-established tax levers that are (relatively speaking) straightforward to implement. If that isn't enough (as the Italy experience was starting to suggest), and you need greater injections of cashflow and liquidity than tax breaks can supply, then you would need to consider the kinds of loans and grants that we went on to use. The criticism of the submission I would make with the benefit of hindsight is that it did not fully anticipate that within just a few weeks we would be pulling all these levers in parallel and to their fullest imagined extent, and so the question of the preferred 'hierarchy' between them was rapidly moot.

2.14. A meeting of ministerial COBR was scheduled for 9 March 2020, and the Department prepared a paper on business impacts. It was initially intended to be a joint BEIS/HMT paper with BEIS addressing impacts by sector and region, and HMT addressing policy response. However, the Chancellor requested the removal of policy response discussion in light of the Spring Budget due to be announced that week {SM/021 INQ000624843} {SM/022 INQ000624842}. I assisted in compiling this paper, working alongside colleagues in BEIS and consulting HMT for input. While preparing this paper, on 7 March 2020, I shared further thoughts about the potential levers that could be

used with Rachel Merelie {SM/023 INQ000624845}. Much of this is reflected in the final paper, but key points to note regarding my overarching views of the landscape at the time were:

a) Fundamentally the goal of business support should be to prevent 'unnecessary' insolvencies, where companies who are long-term viable become insolvent during the pandemic because of a temporary shock to their economics;

b) It was clear that during a period of suppressed demand and hence short-term cashflow reduction, firms would seek to reduce costs — which for many would be done by laying off workers if HMG did not intervene (the Business Impact Assessment paper addressed the fact that support would be needed for employees not just firms);

c) For companies with high fixed costs (for example manufacturers with unused factories, or retailers with unused shops) managing labour costs down would not be enough to successfully 'hibernate' their businesses during a period of low or no demand, and hence additional liquidity support would be needed to help them survive through the period of suppressed demand; and

d) For many companies this gap in demand would in fact permanently impact their economics (because demand would be permanently gone, not just delayed) and therefore grants might be needed to ensure that long-term viable businesses survived. Hospitality was an obvious example of this.

2.15. The Business Impact Assessment paper is discussed in the BEIS Module 9 corporate statement at Part A, paragraph 5.16 {SM/024 INQ000052391}. The paper assessed that *"…the overall economic effect of COVID-19 is likely to be significant but potentially temporary, as set out by HMT."* It stated that consumer-facing sectors, and those that were on-site labour intensive, were particularly vulnerable to the economic impacts.

2.16. In parallel, on 7 March 2020, the Prime Minister's office (No 10) contacted Phil Duffy and me seeking an update on the intelligence monitoring products we were putting together {SM/025 INQ000624848}. Phil responded and noted that our approach was three-fold: a weekly cross-Whitehall meeting, the first of which was held on 9 March 2020; a weekly report on impacts; and a small policy group to discuss options. I also provided some views on potential policy options (though noting it was for HMT to make recommendations), summarising that we needed a mix of fiscal levers to get money into the hands of companies (including rates relief), access to finance work through

the BBB, localised grant support, and perhaps some specific firm-level interventions for some individual companies or specific industries like airlines.

2.17. On the weekend of 7 – 8 March 2020, as policy discussions intensified, the Chancellor began exploring grant options for small businesses via the MHCLG {SM/026 INQ000543051}. In tandem, BEIS officials began working on many of the more technical matters of how to expand the flood response framework into something that looked like a more nationwide scheme. In the early responses from BEIS and MHCLG colleagues there was a lot of worry about whether a nationwide version of the scheme was really deliverable, given the massive scaling up from the methods used previously.

2.18. On 9 March 2020, Phil Duffy spoke with Jo Shanmugalingam as the relevant BEIS Director General for the BBB and notified her that the Chancellor intended to announce *"an EFG-type scheme"* that week {SM/027 INQ000585493}. This built on what has been discussed in the earlier submissions about needing to expand liquidity (see paragraph 2.12). While I remained copied into correspondence concerning the loan schemes, I was not involved in their detailed design or development, and I had limited knowledge of the specific issues arising. This is discussed in further detail in Section 4, below.

2.19. The division of responsibility as regards loans and grants was formally confirmed in an internal BEIS organogram circulated on 24 March 2020 which showed the loans and grants split at Director level {SM/028 INQ000624867} and {SM/029 INQ000624868}. As line manager to Jenny Dibden (Director, BEIS), I had oversight of the local authority grant schemes and Jo Shanmugalingam, as line manager for Gemma Peck, had responsibility for the loan schemes.

2.20. On 25 April 2020, the structure was formalised for Cabinet Office reporting. At this point, the initial schemes were up and running. Jenny Dibden and I were named as Director General and Director responsible for the local authority grant schemes (I was also given responsibility for Safer Workspaces). The Coronavirus Business Interruption Loan Scheme (**CBILS**) and the Coronavirus Large Business Interruption Loan Scheme (**CLBILS**) remained under Jo Shanmugalingam and Gemma Peck as the relevant Director General and Director {SM/030 INQ000624912} and {SM/031 INQ000624913}.

2.21. For the grant schemes, their day-to-day delivery was managed at Director level by Jenny Dibden and her team, and I provided senior-level leadership and had senior

responsibility for the overall scheme, seeking to ensure coordination across BEIS and other departments. The same applied to Jo in relation to the loan schemes.

Later Pandemic Involvement (Permanent Secretary)

2.22. On 20 July 2020, I became the Permanent Secretary of BEIS, a role I held until 7 February 2023.

2.23. During this period, alongside a range of other responsibilities, I was responsible for overseeing the ongoing delivery, governance, and assurance of the Department's portfolio of Covid-19 business support schemes, many of which had been developed and launched during the early months of the pandemic. As Accounting Officer, I was personally accountable to Parliament for ensuring that public funds were used in accordance with the principles of regularity, propriety, value for money, and feasibility. This included maintaining oversight of the operational delivery of both the Covid-19 grant and loan schemes, as well as ensuring that appropriate systems and assurance frameworks were in place to manage risks around fraud, error, and financial exposure.

2.24. I felt that, in general, the role of Accounting Officer and guidance given to me as Accounting Officer was sufficiently clear. I consider that the Accounting Officer processes that I was involved in during the economic response worked as expected. There was a range of advice available, including the Green Book for detailed input; the Accounting Officer Assessments guide from HMT {SM/031a INQ000655154}; and the "The Accounting Officer's Survival Guide" {SM/031b INQ000655155}.[5] I had also attended some training on how to be an Accounting Officer, organised by HMT.[6] The issues that I, and my predecessors as Accounting Officer, had to consider during the pandemic were complex and significant, so it would be wrong to suggest they were ever straightforward to assess, but I never felt there was a lack of guidance on how the tests should be applied and I felt that I understood the tests to apply. The only matter I ever sought specific additional guidance on related to the extent to which extensions of a scheme should be covered under a pre-existing ministerial direction (as discussed below in paragraphs 4.129, 4.136, and 4.143). I sought guidance from the Treasury of Accounts on this issue.

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[5] The documents exhibited here are the versions I consulted when I became Accounting Officer in July 2020.

[6] As I recall it, this training was attended by newly appointed Accounting Officers, including from arms-length bodies. I attended during the pandemic so it was hosted remotely.

2.25. I also advised ministers on the future direction of business support policy, maintained strategic oversight of key delivery partnerships (including the BBB and local authorities), and worked closely with other senior officials across government to support the transition from emergency response to longer-term economic recovery planning.

2.26. A significant further part of my role, particularly in the latter part of my tenure, involved reviewing and analysing the design, implementation, and outcomes of these Covid-19 support schemes. This retrospective work has been reasonably extensive, and I have set out my reflections and the analysis conducted where relevant to the questions I have been asked. However, I note that because I was involved in this later analysis it is difficult now to disentangle the views and impressions I formed at the time of initial delivery of the schemes from those I developed later as part of the subsequent analysis of the schemes. This is particularly the case with the loan schemes, where my involvement was minimal at the time of initial design and delivery of the loan schemes, but I was later significantly involved in the Department's process of reviewing and publicly reporting on the various elements of those schemes.

Reflections on the period January to April 2020

2.27. I have been asked to reflect specifically on the period between January and April 2020 and to comment on whether more could have been done, or whether things could have been done differently, to prepare the initial economic response to the Covid-19 pandemic.

2.28. I have previously provided reflections and lessons learned in my witness statements to the Inquiry in Modules 1, 2 and 5. Additionally, the BEIS Module 9 corporate witness statement submitted by Gareth Davies, to which I contributed, also reflects my views.

2.29. While some of the reflections below may repeat points made in earlier modules, they are expanded here to focus specifically on the period between January and April 2020, when the initial economic support schemes were developed and launched.

Cross Whitehall Working

2.30. A major challenge during this period was the disconnect between the speed of policy decisions, particularly announcements made by HMT, and the Department's ability to operationalise those decisions quickly. Whilst BEIS and HMT had a generally constructive relationship, the speed of ministerial decision making at HMT sometimes outpaced BEIS's operational readiness to deliver schemes with appropriate guidance, systems, or fraud safeguards in place.

2.31. In terms of what could have been done differently during January to April 2020, ultimately it would have been preferable to have a fully joint team structure between BEIS and HMT. As reflected in the underlying documents, although we were sharing information and ideas regularly, there was a 'BEIS stream' of activity and a 'HMT stream' — operating in parallel and in close concert, but not as a single integrated team. This would not necessarily have been easy to do — it wasn't how HMT operated, or how Whitehall accountability structures work (where each team of civil servants is fundamentally accountable to their own Secretary of State). Budget secrecy also made it more difficult. Overcoming those barriers could have delivered a more effective structure, still able to move quickly, but with more information.

Preparedness and prioritisation

2.32. It is clear that, in January 2020, the Government, including BEIS, did not have dedicated preparedness structures in place for delivering a large-scale economic intervention in response to a pandemic. As noted in the BEIS Module 9 corporate witness statement (Part A, paragraph 6.11), there had been no pre-existing plan developed in coordination with other departments for supporting businesses in such a scenario. It is the case that the work the Department had done on preparing for a 'No Deal' exit from the EU significantly improved our ability to respond, though of course the pace and magnitude of what we were dealing with meant new answers were needed.

2.33. However, even within the January to April 2020 period, there were opportunities to strengthen operational preparedness as the scale of the pandemic became apparent. For example, the Department could have more rapidly mobilised internal resources across all areas of expertise. There was also scope to establish clearer lines of coordination with delivery partners, such as local authorities and lenders, at an earlier stage to prepare for implementation. In my view (now and at the time), it took too long for the Department to properly acknowledge that other areas of work (unrelated to the pandemic) needed just to be stopped so that resource could be placed into the business-facing teams. Very practical things like 'doubling up' key members of staff with job-share partners made a big difference to speed and resilience once we did them.

Fraud and error

2.34. Given the speed of implementation and the scale of the business intervention schemes, the Department took on known fraud and error risk. In particular, the 100% guarantee structure for the Bounce Back Loan Scheme (**BBLS**) made those loans

inherently extremely high risk, and if I could make one change in what happened during this period, I think it would be for the system to have injected a small delay in launching the BBLS scheme in order to better address some of the early fraud. I return later in this statement to the difficult trade-offs such a choice would have involved, and the caveats that need to be put on this observation, particularly given I was not involved in the decision making at the time (see below from paragraph 4.181). There is a separate but related question of whether pre-payment checks should have been made compulsory for the local authority grant schemes from the start — it would undoubtedly have introduced very significant delays, but it would have reduced the number of early grants made in error. Again this trade-off is discussed later in this statement at paragraph 6.138.

2.35. As addressed in the Module 9 BEIS corporate statement (Part A, paragraph 6.17), a key improvement would have been the existence of a stronger standing cross-government counter fraud capability, ready to be deployed in emergencies. Such a capability could have supported the early design of schemes by immediately integrating basic verification checks, such as business activity, turnover thresholds, or bank account validation, and establishing a rapid data-sharing protocol between departments and delivery partners. Though it should be noted that unless they had been able to significantly accelerate *delivery* of such ideas, it would have been difficult for them to make really significant impact — the primary gap was our ability to implement change as fast as ministers wanted the schemes to be launched (rather than primarily that we needed more ideas on what could be done). Such support might have enabled quicker identification of ineligible or high-risk applicants, helping to prevent fraud from the outset rather than relying on retrospective controls. Since the pandemic, the Public Sector Fraud Authority has been established, which I understand to be offering more of this kind of capability.

Concluding Remarks

2.36. Notwithstanding these reflections on where work could have been improved, I am proud to have been part of the team that delivered support across the country to businesses who would have failed without it. This was an unprecedented period, and schemes were delivered at unprecedented pace, and under a very high degree of uncertainty. Officials in both BEIS and other departments were working exceptionally hard and delivered an enormous amount. The risks that were taken around value for money, fraud, or pace of delivery were, in large part, taken knowingly and consciously

by ministers who themselves were faced with needing to make difficult calls in the face of very high uncertainty.

2.37. Of course, the presence of a more fully formed playbook could have somewhat accelerated our response — but in fact it would have been the practical changes like better local business data held by local authorities or pre-existing data sharing agreements across HMG that would have made the biggest difference. Investment in the underlying capabilities across government that enable flexible operation, real-time visibility and cross-departmental working is (in my personal view) even more important than detailed pre-planning of individual interventions, many of which will turn out not to be right for a particular situation that emerges.

Section 3: Joint Working

3.1. The Government's economic response to Covid-19 required significant close working and collaboration between departments, and external stakeholders such as the BBB. I am asked about the nature and extent of my relationships and how they affected the Government's response.

Working with the Secretary of State for Business, Energy and Industrial Strategy

3.2. During my time at the Department, there were three Secretaries of State during the relevant period:

a) The Rt Hon Andrea Leadsom from 24 July 2019 until 13 February 2020;

b) The Rt Hon Lord Alok Sharma from 13 February 2020 until 8 January 2021; and

c) The Rt Hon Kwasi Kwarteng from 8 January 2021 until 6 September 2022.

3.3. I worked with Alok Sharma and Kwasi Kwarteng when I was Permanent Secretary during the relevant period. As Permanent Secretary, I generally met one-to-one with the Secretary of State once a week to discuss general issues impacting the Department, and to share views. Outside of these meetings, we also met regularly on specific areas of work, alongside other officials. When I was Director General, I joined key meetings with the Secretary of State and other officials on areas in my purview. For example, I worked closely with Alok Sharma specifically on the Safer Working guidance, as it was something he was very involved in.

3.4. I had positive, business-like and professional relationships with both Alok Sharma and Kwasi Kwarteng. I would say we were able to debate things constructively, recognising that decisions were ultimately theirs to take. I do not consider that my relationship with either had any particular notable impact on my work on the economic response to the pandemic (except insofar as a positive working relationship is obviously useful in those kind of circumstances, or indeed in general). The circumstances we were all working in at that time were difficult given the pace and urgency required, however, I do not recall any areas of particular difficulty in either working relationship.

Working with Other Departments: Ministers and Permanent Secretaries

3.5. When I was Permanent Secretary, other permanent secretaries were colleagues, and where relevant, we would sometimes liaise on specific topics as would our Directors General and of course other colleagues at every level. The key relationship BEIS had

on business support was with HMT. My main interlocutors were Phil Duffy and Charles Roxburgh (Charles Roxburgh when I was Permanent Secretary and Phil Duffy throughout).

3.6. I have been asked to what extent the Department or I made use of informal or back channels to engage with other government departments other than HMT to discuss views and share analysis on the economic impact of the pandemic. My understanding is that by 'back channels' the inquiry is referring to channels other than formal email and meetings / conversations that would have been minuted. The vast majority of my interactions would have been formal meetings with a private secretary in attendance. However, I would occasionally call or message senior HMT colleagues with whom I was working closely to collaborate at speed (such as Phil Duffy and Charles Roxburgh). These calls were not particularly extensive, and I would still consider them as part of normal civil service business. As in many work environments, there is sometimes a benefit in a direct call or informal discussion especially when speed is of the essence. I would not characterise these informal interactions as having been in any sense a mechanism used to coordinate the economic analysis or response. They also would not have been a place where policy decisions were ever made. They would have been more likely if we were discussing a personnel issue, for example. I have addressed the position in relation to WhatsApp communications in the annex to this statement, including the topics covered in a very small number of WhatsApp exchanges I had with Phil Duffy at HMT. Beyond a specific moment on 26 March 2020 when I was worried enough about the 'missing middle' problem (as per paragraph 4.14) to raise Phil Duffy directly on WhatsApp in parallel to the formal emails being sent by my teams to HMT colleagues, I do not recall much use of informal communication with other departments (whether or not falling with the concept of a 'back channel').

Working within the Department: Ministers and Permanent Secretaries

3.7. Within the Department, my ministerial relationships tended to focus on the Secretary of State, as stated above. I did attend regular ministerial calls with all BEIS Ministers, but as Permanent Secretary, I tended not to work one-to-one directly with junior ministers beyond occasional 'catch-ups' to ensure all was well. I do not recall any aspects of junior minister relationships that would have directly impacted on our response.

3.8. There were two Permanent Secretaries during the time I was Director General:

a) Alex Chisholm from when I joined in 2019 until 14 April 2020; and

b) Sam Beckett (in an acting capacity) from 15 April 2020 until 19 July 2020.

3.9. My relationships with both Alex Chisholm and Sam Beckett were close and collegiate. As I know from my own experience managing a department of the size and complexity of BEIS, both had plenty on their plates and largely trusted me to get on with the job - except where their interests as Accounting Officer were engaged or where there was a particularly sensitive issue with, for example, the Secretary of State or another department. The only area of occasional tension I recall was my pretty consistently pushing for additional resource to be allocated to my business-facing teams at the expense of other activities in the Department.

Working with HM Treasury: the Chancellor, Ministers and Civil Servants

3.10. HMT led on primary overall decision making related to the loan and grant schemes. HMT also led on design of the loan schemes, in consultation with the Department and BBB. A similar dynamic occurred for the grant schemes, with input from the Department and MHCLG. In both cases, the Department was responsible for implementation of the schemes and overseeing delivery by the BBB and local authorities (for loans and grants respectively). This included Accounting Officer responsibilities.

3.11. I had very limited personal interaction with the Chancellor during the relevant period, issues were typically mediated by HMT officials (this is not unusual). I would see HMT ministers occasionally at cross-government meetings when I was accompanying a BEIS Minister. As stated above, I worked with Phil Duffy and Charles Roxburgh regularly and had very sensible and productive relationships with both of them.

3.12. I have been asked whether I consider that HMT should have been more open and transparent in its approach to sharing of information and economic analysis. As I have discussed earlier in this statement (paragraph 2), I do think a more open and collaborative approach would have been helpful — not so much to share analysis (which in any case we were often aware of ourselves) but to share HMT and particularly the Chancellor's thinking. I don't know to what extent this would have fundamentally changed what happened, though it would of course have given rise to richer discussions on some of the operational concerns BEIS raised. However, I can also understand the constraints that HMT were operating under at the time.

3.13. As explained in the Module 2 corporate statement (paragraph 16.5), in general, my Department and I enjoyed a productive working relationship with HMT. However, the speed with which decisions regarding design and announcements of schemes were

being made by HMT Ministers meant that BEIS officials and I found it challenging to ensure the schemes were ready for delivery with clear accompanying guidance for businesses. There are examples of BEIS being informed of scheme designs or changes on the same day, or after, they were publicly announced. This caused me concern, given BEIS's responsibility for delivering the schemes. At official level, we were able to be frank and professional about those kinds of challenges, which I understood to be more driven by ministers than officials, although ultimately that is not for me to say as I was not in HMT to understand what was happening behind the scenes there. BEIS ministers were aware of this dynamic, and occasionally frustrated by it, but tended to think that it did also reflect that ultimately it was for the Chancellor to make choices about schemes when their impact was of this order of magnitude on both public spending and the economy. I think we all thought that BEIS's most important job was to give the information that was needed to HMT, explain the issues so we knew they were properly aware, and then get on with the job of actually making things happen. While there were challenges during the pandemic, I mostly found colleagues in BEIS and other departments to be collaborative and outcome focussed. Everyone was doing their best in the circumstances.

Working with external stakeholders: British Business Bank

3.14. The BBB was the primary partner organisation delivering the Covid-19 loan schemes, in consultation with HMT and BEIS. The BBB was not a lender, but backed by the Department, it was the guarantor for the loans that were made by commercial lenders who had been accredited by the BBB.

3.15. Prior to the pandemic, I had not worked with the BBB directly (as they did not fall under my portfolio) but was aware of the basics of their operation from my work on EU Exit business support.

3.16. As stated in paragraph 2.19, my role as Director General until July 2020 did not include oversight of the BBB or of the loan schemes. Therefore, my involvement with the BBB in this time was very limited (and possibly non-existent as I do not recall meeting anyone from the BBB while I was a Director General). The primary liaison for the BBB was Jo Shanmugalingam who was the relevant Director General.

3.17. Once I became Permanent Secretary, the Department of course met and engaged regularly with the BBB, and I occasionally saw Catherine Lewis la Torre who was CEO of the BBB from 2020 to 2022. We had a friendly, positive relationship. My understanding is that the relationship between the BBB and BEIS officials was

productive given the close working required. The BBB led on engagement with lenders on the development and implementation of the loan schemes but the mechanics and detail of how that liaison operated were not something I was involved in. Later in the pandemic, at the time of the various loan extensions, I also received some formal correspondence from the bank, as discussed in the relevant sections below. I never saw this as reflecting tensions in the relationship.

Working with Devolved Administrations

3.18. On 2 April 2020, the first UK Covid-19 Economic Workshop was held with representatives from the Devolved Administrations, BEIS, HMT, Cabinet Office and No 10. I did not attend this meeting, but did attend the second workshop held on 13 May 2020. The second workshop was chaired by Charles Roxburgh and discussed the UK's economic outlook, the support schemes, and how the UK Government and Devolved Administrations could work together {SM/032 INQ000624927}. I attended the meeting in relation to my role overseeing the grant schemes and business engagement and intelligence.

3.19. As an action arising from the first workshop, the UK Covid-19 Economy Directors Forum was set up to facilitate discussions with the Devolved Administrations regarding the economic impact of Covid-19 across the four nations. It was attended by BEIS, HMT and the Devolved Administration's Directors responsible for trade and economy. The first meeting was held in April 2020 and the forum met on a fortnightly basis throughout 2020. The Economy Directors Forum was the Department's main form of collaboration with the Devolved Administrations. I did not attend these meetings as they were held at Director level.

3.20. As local authority funding was, and is, a devolved matter, the grant schemes applied to England only. As such, the main focus of engagement with the Devolved Administrations during the pandemic was in relation to the loan schemes and other support measures. Therefore, when I was a Director General, I had minimal involvement with the Devolved Administrations and the forum.

3.21. Once I became Permanent Secretary, I was briefed by BEIS officials on engagement with the Devolved Administrations in the Economy Directors Forum, but I do not recall significant personal direct contact.

Section 4: Covid-19 Loans Schemes

4.1. As the Inquiry is aware, the Government established a number of government-backed business loan schemes as an economic support measure for businesses facing the effects of Covid-19. These schemes were designed by HMT, implemented by BEIS, and delivered by the BBB. The loan schemes are discussed in significant detail in Part B of the BEIS Module 9 corporate statement.

4.2. As stated in paragraph 2.19, I was not responsible for the loan schemes when I was Director General. The British Business Bank had not ever been part of my portfolio. Jo Shanmugalingam was the responsible Director General. Due to the need for coherency among the loans, grants, and other business support schemes, both Jo and I were often kept in copy on some emails related to each other's areas. However, as the majority of my time was spent on dealing with business engagement, specific company issues, the grant schemes, Safer Working guidance and the broader picture of business intelligence, I was not meaningfully involved in the design or delivery of the specific loan schemes. My involvement, such as it was, came about because I was often involved in putting together overarching advice on the overall business picture (for example, the COBR paper discussed above at paragraph 2.15) and because my role on broader business intelligence and engagement gave me some insight into how the overall fabric of our support schemes came together (as reflected in the 'missing middle' discussion below at paragraph 4.13). I have been asked when cross referring to the BEIS Module 9 corporate statement to set that information out in full. I have provided what information and reflection I can in relation to the loan schemes and in the sections below, I have set these out. Where I have stated that have 'I no further direct knowledge to add', this reflects both that I was not involved at the time and that I do not consider that I have a sufficiently informed view that would assist the Inquiry. In these instances, I have provided a reference to the corporate statement to assist the Inquiry.

4.3. Once I became Permanent Secretary in July 2020, I also assumed Accounting Officer responsibility for the loan schemes. Each loan scheme was extended a number of times during my tenure as Permanent Secretary and my experience during this time is set out below. My involvement in the loan schemes was predominantly when I was Permanent Secretary and so I have few contemporaneous comments or reflections I can provide from the early design period. The section below should be read in this

context, and the reflections I have set out were generally formed after the fact once I became Permanent Secretary and Accounting Officer.

Coronavirus Business Interruption Loan Scheme

4.4. CBILS was announced on 11 March 2020 during the Spring Budget and opened to applications on 23 March 2020. CBILS offered 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 be based in the UK with an annual turnover of up to £45 million. Companies also had to evidence the business would be viable in a pandemic and self certify that it was adversely affected by the pandemic.

Design of CBILS

4.5. As noted in paragraph 2.18, on 9 March 2020, HMT notified Jo Shanmugalingam that the Chancellor intended to announce CBILS during the Spring Budget that week. I was not directly involved in developing the scheme design of CBILS or working with the BBB on delivery of the loans. Accordingly, in the subparagraphs I have offered my own reflections where I feel able to do so, but in many cases I do not consider that I have a sufficiently informed view to offer, due to my relative lack of direct involvement in these areas:

a) I am asked what advice I provided to the Secretary of State regarding the design, implementation and delivery of the scheme. I did not contribute to submissions regarding loan schemes beyond 8 March 2020, and my involvement prior to this, in the context of more general strategy setting around business support, is set out above. Advice put to the Secretary of State regarding CBILS is set out in Part B of the BEIS Module 9 corporate statement.

b) I am asked to comment on my understanding of the rationale behind the decision to introduce CBILS, if the policy objectives were clear to me, and how it was designed to meet specific needs of business. In early March 2020, the Department collated intelligence on the effects of Covid-19 on business. Feedback from businesses, alongside this intelligence, showed a growing need for the Government to provide urgent economic support in response to Covid-19. My understanding is that CBILS was launched in response to this need, and as part of a range of support announced by the Chancellor in the Spring Budget. It was designed to mitigate the impacts assessed in the COBR paper discussed above in paragraph 2.14. I considered business liquidity to be a critical area of intervention and, as the record shows, had always expected that an expansion

of the EFG (which CBILS in large part was) was a likely component of any business support package. The policy rationale for the specifics of the scheme were not something in which I was involved in at the time but are they discussed further in the BEIS Module 9 corporate statement (Part B, paragraph 2.2-2.7).

c) I am asked a series of questions regarding the decision to base CBILS on the EFG. Generally, when launching new business support interventions, the Department based them on what had been established previously. This was significantly quicker than creating completely new schemes. The use of the EFG to assist with business support had been considered in the past during preparation for a potential 'No Deal' EU Exit. As stated above in paragraph 2.8, the Department was again considering the EFG as an option in the early response to the pandemic. The decision to set up an EFG-type scheme was made by HMT, and I remain of the view that setting up a scheme from scratch was not viable given the speed at which the support was needed. I was always of the view that we should try to minimise the amount of 'delivery novelty' for all involved parties and hence it was sensible to build off a scheme that banks, the BBB and the Department understood.

d) I am asked to comment on how the CBILS eligibility criteria was decided, who was consulted during design, and over what period of time the scheme was designed. CBILS was announced on 11 March 2020 and launched 12 days later on 23 March 2020. Part B, Section 2 of the BEIS Module 9 corporate statement provides further detail and I have no direct knowledge to add.

e) I am asked whether I was aware of concerns from sectors that certain CBILS eligibility criteria impacted the ability of high-growth, successful businesses to access the loans, and what action I took in response. I was generally aware of feedback from business as reported in the business intelligence pack circulated weekly at the time. However, this feedback was broad in nature. I note that feedback related to high-growth pre-equity businesses lead to the creation of the Future Fund. The BEIS Module 9 corporate statement (Part B, 2.60-2.121) discusses the feedback from businesses on CBILS and the subsequent amendments made to the scheme, and Part B Section 5 discusses the Future Fund.

f) I am asked if there was adequate data available to design the scheme, and whether there were any deficiencies. I was involved in the initial sector and

regional intelligence gathering regarding potential policy options, such as that set out in the Business Impact Assessment discussed in paragraph 2.14, and all that intelligence would have been available to (and I assume used by) the team. However, what was really needed was real-time insight into the cashflow position of companies across the country. We didn't have this type of data available to us at the time, and I acknowledge that this may have been an unrealistic goal. The SME Policy Team had their own data sources that they used to understand the SME market, however this was not mediated via my team.

g) I am asked several questions regarding the portfolio cap applied to CBILS. The cap was removed by 27 April 2020. The BEIS Module 9 corporate statement discusses the portfolio cap further in Part B Section 2 and I have no direct knowledge to add.

h) I am asked to comment on the application of the State aid rules, including whether the interpretation of the rules was a constraint on design, and whether they impacted the implementation of the loans as intended by HMT and the Chancellor. The European Commission adopted the Temporary Framework on 19 March 2020 which applied to both the loan and grant schemes. Both CBILS and the Small Business Grant Fund (**SBGF**) were approved by the European Commission on 25 March 2020, though I note that CBILS was open to applications prior to this from 23 March 2020. In this respect I understand that the Secretary of State, in the interest of speed, agreed to implement the scheme at risk as approval from the Commission had not yet been received. This was acknowledged in the ministerial direction issued for CBILS {SM/033 INQ000064753}. The Government approached the Commission on a number of occasions to seek amendment to the Temporary Framework to allow changes to loan and grants schemes. One such example was in June 2020, seeking amendment to the 'undertaking in difficulty' test. CBILS at that time did not apply to businesses who were 'in difficulty' as at 31 December 2019, however this was affecting micro and small businesses who were beginning to grow. On 29 June 2020, the Commission approved an amendment to the scheme to allow these. My overall sense is that, in practice, State aid restrictions were more of an occasional process hassle as opposed to a real constraint on what we did during the pandemic. The Commission was having

to take exemptions and exceptions not just for our activity in the UK, but also to respond to demand from across the EU.

i) I have been asked if I consider whether some loan restrictions limited their effectiveness to struggling businesses. My understanding from the BEIS Module 9 corporate statement (Part B, paragraph 2.46) is that lending decisions were fully delegated to the accredited lenders. I have no further direct knowledge to add.

j) I am asked several questions regarding the permittance of personal guarantees, and changes adopted shortly after CBILS opened for applications. I understand there was feedback provided by businesses on the barriers to access to CBILS caused by lenders in practice requiring personal guarantees. Personal guarantees, and the amendments made, are discussed in paragraph 2.62-2.103 of the BEIS Module 9 corporate statement (Part B) and I have no further direct knowledge to add.

k) I have been asked if I consider the speed at which borrowers were able to access money to have been a significant weakness of the scheme. I understand that there were challenges with the initial CBILS applications, particularly around capacity of lenders and this resulted in a low level of approved loans. This is discussed further in BEIS Module 9 corporate statement (Part B, paragraphs 2.61; 4.5; 10.12) and I have no further direct knowledge to add.

l) I am asked how the balance was assessed between supporting businesses quickly and the risk that some would ultimately fail despite receiving loans. In general terms, I note policy decisions taken at the time reflected the extensive need for support due to the impacts of Covid-19. There was a significant number of businesses who were viable that needed support, and obtained it, due to the speed at which the Government issued the loans. The challenges in drawing this balance were, as I understand it from those who were involved, part of the thinking that informed the Accounting Officer assessment of the schemes and the ultimate use of the ministerial direction.

m) I am asked to what extent I considered the need to design CBILS at speed impacted the approach to managing financial risk, and if changes to scheme design increased this. The BEIS Module 9 corporate statement (Part B, Section 10) discusses the challenges with CBILS in further detail. I have no further direct knowledge to add.

n) I am asked to what extent CBILS was designed to take account of the economic needs of the Devolved Nations. I discuss my involvement in the UK Covid-19 Economic Workshops in paragraph 3.18. Any specific liaison with Devolved Nations on this topic of CBILS would have been carried out by the relevant senior teams, and given my role I would not expect to have been involved (or even necessarily aware).

Communication with HMT

4.6. I am asked about the adequacy of communication between HMT and BEIS in the design and implementation of CBILS, relating to notice given, lead in time for BEIS to provide public messaging, and how this affected decision making on operational design or delivery. My main experience in this regard was in the early weeks of March 2020, when the Department and HMT were considering options that were escalated at pace over the weekend of 7 and 8 March 2020. This is set out above in paragraph 2.16. The Department was notified of both loan and grant schemes being announced in the Spring Budget days beforehand. However, given the understandable confidentiality around the Budget and the pace at which events were moving at the time, I do not know whether notification any earlier was possible. It certainly would have been helpful. The BEIS Module 9 corporate statement (Part A, paragraph 6.10) discusses this further.

Reflections on CBILS

4.7. As set out in Section 2 above, by early March 2020, it was established that the impacts of Covid-19 were such that a significant number of businesses would require financial support. Initially, HMG considered this support could be provided at a sector or regional level, but it soon became evident that the impacts were too broad for targeted support to assist. As such, in the Spring Budget the first loan and grant scheme were announced, to provide financial assistance at scale and speed. I agree with the BEIS Module 9 corporate statement (Part B, paragraph 10.11) that CBILS broadly worked, performed well and met its objectives. As is noted there, the speed at which it was able to be set up was in large part due to basing the scheme on the existing EFG as a delivery template.

4.8. I am asked whether CBILS was value for money. I was not directly involved in compiling or considering the Accounting Officer advice for the scheme. However, I note that the 20 March 2020 advice rated value for money as a medium risk, noting that *"…our best estimate is that it will arguably still deliver a positive return"* {SM/034 INQ000563882}. The advice recommended that Alex Chisholm, in his capacity at

Accounting Officer, seek a ministerial direction for the scheme due to the cumulative risks identified. Alex Chisholm wrote to the Secretary of State seeking a direction {SM/035 INQ000065992}. On 23 March 2020, the Secretary of State issued a ministerial direction {SM/033 INQ000064753}. The direction acknowledged that there had not been sufficient time for a full value for money assessment, but that *"…the economic case for action is compelling."* I discuss the value for money assessments during the extensions and post-scheme evaluations of CBILS in more detail from paragraph 4.117, below.

4.9. I am asked whether the scheme adequately safeguarded public funds and reduced the risk of fraud and error. The BBB's Year 2 Evaluation of CBILS, CLBILS and BBLS noted that, as at 30 June 2023, suspected fraud cases accounted for 0.2% of CBILS loans. As both CBILS and CLBILS were based on the existing EFG, there were number of accredited lenders already in place with processes adopted. This assisted in minimising the risk of fraud and error {SM/036 INQ000606913}. The BEIS Module 9 corporate statement provides detail on the counter fraud measures put in place across the loan schemes (Part B, Section 6). In general, in my experience of similar and related schemes as an Accounting Officer, I would put 0.2% at within tolerance for a scheme of this kind. As such, I do think that CBILS adequately safeguarded public funds from fraud and error.

4.10. I am asked if any gaps were identified, how they were rectified, and if there were gaps that were not identified. CBILS was set up to provide assistance to small and medium-sized businesses. One of the first gaps identified was regarding the 'missing middle' companies, who were ineligible to receive assistance. CLBILS was created to fill this gap, and I discuss the 'missing middle' further in paragraph 4.13, below. Several changes were made during the first months of the scheme to address feedback from businesses regarding limitations of the scheme. My understanding is that this included the changes to personal guarantees, and removal of the portfolio cap. Further information on the changes made to the scheme can be found in the BEIS Module 9 corporate statement (Part B, paragraphs 2.60 to 2.65, 3.2, 4.2, 10.13).

4.11. I am asked if, looking back, there is anything I would have done differently regarding the design, implementation, or delivery of CBILS. It is difficult for me to assess this as I was not involved in the substantive detail of scheme design, operation, or delivery. However, the BEIS Module 9 corporate statement (Part B, paragraph 10.14) concludes that there were no alternate approaches that were more effective (including cost-effective) to achieve the objectives of CBILS and CLBILS. I agree with this

assessment. This is particularly true considering the time pressures the Department was operating under at the time. The statement also notes that initially, the rate of approvals for loans was slow. However, as CBILS was based on an existing scheme system, the Department concludes there were no measures available to overcome the speed and volume limitations at the time. My understanding is that changes to the scheme, and the introduction of BBLS assisted with this. I agree with these conclusions by the Department.

Coronavirus Large Business Interruption Loan Scheme

4.12. CLBILS was created to assist medium and large-sized businesses that were not eligible for CBILS. The scheme was announced on 3 April 2020 and opened for applications on 20 April 2020. CLBILS was open to businesses based in the UK with an annual turnover of over £45 million and offered loans of up to £200 million. As with CBILS, applicants needed to self certify that they were adversely affected by the pandemic and demonstrate they would have been viable if not for the pandemic. The loans were also backed by an 80% government guarantee of the outstanding value.

The 'Missing Middle': Rationale for CLBILS

4.13. CBILS was open to applications on 23 March 2020, and shortly after, the Department began to receive feedback from businesses that larger companies were struggling to access government support schemes. In my role on leading on business engagement for the Department, a lot of this feedback came to me and my teams. On 25 March 2020, I attended a meeting of the Extraordinary Business Investment Committee, a cross-Whitehall group {SM/037 INQ000563894}. At this meeting, this feedback was raised and noted. On 26 March 2020, I attended the BEIS daily ministerial call with the Secretary of State and BEIS Ministers and raised this issue {SM/038 INQ000624872} {SM/039 INQ000563896}[7]. I set out that these companies largely fell into two categories:

a) Healthy companies who were not eligible for CBILS due to their size; and

b) Companies who were not investible as of 1 March 2020, irrespective of their size. These companies were being considered on an individual basis as they were not, by definition, in a sound financial position prior to the pandemic.

[7] The underlying document is dated 16 March 2020, this a typo and should be 26 March 2020.

4.14. Collectively, these companies became known as the 'missing middle'.[8] Properly thought about, there were different viable solutions for each category set out above. For the latter group, who were not investible prior to the pandemic and could not be covered by a general scheme, they needed to be a handled by a Project Kingfisher or Project Birch[9] type process. The companies who were investible but just happened to be medium-sized needed an answer. HMT were initially working hard to make the Bank of England's Covid Corporate Financing Facility (**CCFF**)[10] more accessible for firms who did not have a pre-existing credit rating (as reflected in my briefing to Ministers at the daily ministerial call on 26 March) and I initially thought this might close the gap, so that only distressed or non-investible firms were 'left over'. By 26 March 2020, my concerns deepened. The Bank of England had issued guidance on the CCFF, and it became apparent that, in practice, companies needed to have an earnings before interest, taxes, depreciation, and amortisation (**EBITDA**) of at least £100 million — not just to meet the investment-grade credit rating requirement (which the Bank of England had offered ways to flex for a wider range of companies), but effectively to be considered eligible under the scheme at all. Meanwhile, CBILS was capped at a maximum turnover of £45 million, leaving a significant gap in support. At this point, I was very concerned about this gap in support, largely because it was initially unclear to me whether HMT were properly cognisant of the gap and whether they had a plan to respond. I was clear that either a new scheme or a major expansion of the existing ones would be needed to address the needs of these 'missing middle' firms. I expressed my views to BEIS colleagues in an email dated 26 March 2020 {SM/040 INQ000624873}:

> *"Reflecting on all this today, I think the problem we have is that HMG has to some extent backed itself into a difficult situation. We have a scheme for small and a scheme for big – and at no point as those were put to the public did [the Chancellor] justify why nothing for medium."*

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[8] The documents relating to this issue use a variety of terms to describe these companies, such as 'stranded middle', 'squeezed middle, 'distressed middle'. For ease, I have referred to 'missing middle' in this statement.

[9] Project Birch, which was not publicly announced until May 2020, was a HMT unit set up to assess company requests for support on a case by case basis. It was based on HMT's Principles for Intervention, which stated that all existing measures should be exhausted first. The threshold for assistance was extremely high.

[10] The Covid Corporate Financing Facility was a joint initiative from HMT and Bank of England which was aimed at providing additional help to firms to bridge through Covid-19 related disruption to their cash flows.

4.15. My team and I contacted HMT to ensure they were aware of the problem. I was sufficiently concerned that I messaged Phil Duffy directly alongside the emails sent by the team {SM/041 INQ000656020}. We were told by Phil and his teams that HMT officials were working at pace on policy responses to the gap. I was relieved that this problem had been recognised and picked up. As such, while I still considered the gap in support needed a solution, by the end of that day I was no longer concerned that it was being ignored or had not been noticed by others. However, HMT could offer no further specifics at that time as to what options were being considered and so we continued working on the issue.

4.16. At the ministerial meeting on 26 March 2020, the Secretary of State asked for a list of companies by sector who were affected {SM/038 INQ000624872} {SM/039 INQ000563896}. This action was assigned to me. I discuss this and data collation in further detail below from paragraph 4.20.

4.17. On 27 March 2020, the Secretary of State received two submissions providing advice and both were reviewed and cleared by me. The first submission set out the processes BEIS and HMT had established to handle larger company cases {SM/042 INQ000596661}. At this time, most companies were receiving support either from CBILS or the CCFF. Those not eligible for either were being assessed on a case-by-case basis. The submission noted that taking a case-by-case approach was an extremely labour-intensive process and *"…will inherently limit the number of companies that can receive support."*

4.18. The second submission specifically addressed the issue of the 'missing middle' and possible solutions {SM/043 INQ000563902}. It set out three options BEIS officials and I believed could be considered: increasing the CBILS turnover limit, reducing the threshold of the CCFF scheme, or creating a new scheme. In response, the Secretary of State asked for a meeting to discuss the issue further {SM/044 INQ000624875}. This was held on 31 March 2020 and I attended, alongside Jo Shanmugalingam. A readout of the call noted that I said that demand was increasing from a large number of companies, and that an interim solution would be needed if there was a delay in providing a solution given the strength of feedback we were hearing {SM/045 INQ000624878}. While HMT were noted as *"keeping tight hold"* on potential options due to market sensitivity, BEIS officials suspected that one of the three options mentioned above was the likely solution and HMT officials told us they were working on an answer.

4.19. By the evening of 31 March 2020, HMT notified the Department that the Chancellor wanted to announce the intention to launch a form of CBILS for companies with a turnover greater than £45 million {SM/046 INQ000624879}. This initially became known as CBILS+. The scheme was subsequently announced by the Chancellor on 3 April 2020. From 1 April 2020 onwards, the focus therefore moved away from discussing how to solve the issue of the 'missing middle' to formally setting up the new scheme. As I have set out above, I was involved in the initial discussions on the 'missing middle' and provided advice to the Secretary of State by way of the submissions I cleared. In the early stages, it was not clear whether a BBB scheme was the solution to the problem so it could not yet be handed over to the BBB team (who, in any case, were more accustomed to delivering for smaller firms). However, once HMT instructed a new scheme be created inside the BBB, the development and delivery of the loan scheme were fully under the loan team under Jo Shanmugalingam. I continued to consider ad hoc requests for assistance coming in from businesses who were not covered by the schemes for a variety of reasons including pre-existing distress (known as 'company cases'), which I set out in more detail below. I was therefore not substantially involved in the development of the design, operation or timing of what became the CLBILS beyond the initial discussions highlighted above.

Sectoral Intelligence and Data Collation

4.20. As Director General overseeing business impacts and intelligence, company cases, and business engagement, I was given the action at the ministerial meeting on 26 March 2020 to produce a list of companies affected by the 'missing middle'. The company data was collated for internal use by the Department by the respective sector teams; predominantly the retail and hospitality teams, with assistance from the BEIS Corporate Finance Advisory and Investor Relations team (**CAIR**). The retail and hospitality teams produced initial analysis with data from FAME,[11] with results summarised in a summary note {SM/047 INQ000624876} {SM/048 INQ000624877} {SM/049 INQ000625045}. There were limitations to the data, particularly regarding access to information for privately owned companies. This data informed my comments at the meeting held with the Secretary of State on 31 March 2020, discussed above at paragraph 4.18.

4.21. Once the scheme was announced, my focus shifted to monitoring company cases and incoming requests for help that fell outside the schemes on offer (of course, this list

[11] FAME is a database containing financial and geographical data for SMEs.

shrank considerably once CCFF, CBILS and CLBILS were all up and running). On 3 April 2020, BEIS officials sent an updated submission to the Secretary of State on how the Department was handling these cases alongside a spreadsheet setting out company requests received to date by the Department {SM/050 INQ000624885} {SM/051 INQ000624881}. At this point in time, CLBILS scheme design was to offer loans of up to £25 million. From the data the Department had gathered, combined with incoming requests for help, we were actively trying to persuade HMT to raise the upper limit on CLBILS (in the end, HMT raised the maximum to an upper limit of 25% of turnover, no more than £200m).

4.22. With CLBILS in place, we were trying to work out if there was still a gap as I recall having some large company cases that were too big for CLBILS but not sufficiently investment grade to qualify for CCFF. Before the threshold change on CLBILS, retail was a particular concern and, as of 3 April, I was worried we might need a sector-specific scheme for them as the number of individual company cases was getting too large to be manageable on a case-by-case basis. In an internal BEIS email thread regarding preparation of the above submissions, I noted *"Retail seems like a strong case for thinking in a sector way as Birch won't do the job and neither will existing schemes…plus too many to deal with individually anyway"* {SM/052 INQ000624898}.

4.23. The spreadsheet mentioned above became a weekly submission to the Secretary of State alongside a submission updating on Project Birch cases. An example is provided at {SM/053 INQ000624900} {SM/054 INQ000625046}. I was not involved in data modelling demand for CLBILS outside the above data collation. In the end the introduction of CLBILS and then the increase in the maximum loan limit under it did much of the work that we were worried would need to be done through bespoke cases or sector-specific schemes.

4.24. Having had the experience of working some individual company cases in my role as Director General before the pandemic, I knew first-hand how time-consuming and challenging these cases could be. From the earliest days of the pandemic I was very concerned about any answer to business support that relied upon us mobilising very large numbers of individual company solutions. I took every opportunity to make this point. I consider it a considerable success that we did not go down the road of trying to support large numbers of businesses 'by hand' — I think it would have been slow, fraught, vulnerable to all sorts of lobbying, could have been very unfair, and ultimately would have delivered poor value for money. I also think that we would have been utterly overwhelmed, with all the attendant consequences for quality of work and oversight.

This is despite the actions we were already taking to dramatically increase capacity (including for example drafting in Julian Critchlow, one of the other Directors General in the Department, to provide extra senior leadership capacity on individual cases).

Design of CLBILS

4.25. CLBILS opened for applications on 20 April 2020. The purpose of CLBILS was to upscale CBILS to provide support for the aforementioned 'missing middle' businesses. The common features between CBILS and CLBILS included:

a) Both loans were backed by an 80% government guarantee;

b) In terms of eligibility, both loans required businesses to be based in the UK, to have been adversely impact by Covid-19, and to evidence that the business would be viable in the absence of the pandemic;

c) Lenders could not seek personal guarantees for facilities under £250,000 but could be taken for up to 20% for loans over £250,000; and

d) CLBILS never had a portfolio cap, and the portfolio cap on CBILS was removed on 27 April 2020.

4.26. As discussed above in paragraph 4.19, I was involved in considering options to resolve the gap in support for the 'missing middle'. However, once it was decided that a new loan scheme would be launched, my involvement thereafter was limited. I was not directly involved in the specific scheme design or consultation and liaison with the BBB. As such, in the subparagraphs below, I provide some observations where I can in answer to questions raised by the Inquiry, but these are limited due to my lack of direct involvement at the time:

a) I am asked to comment on how the key changes made to the design of CLBILS met the needs of businesses and lenders while paying regard to value for money. My understanding is that the key changes made from CBILS to CLBILS were made to address the concerns raised above about the 'missing middle'. As such, for CLBILS, businesses were required to have an annual turnover of more than £45 million (for CBILS it was less than £45 million). Further, businesses were only eligible if they had not received support under the CCFF, as this was the gap CLBILS was set up to address. I provide reflections on the schemes during my time as Permanent Secretary, and the evaluations conducted by Ipsos in further detail from paragraph 4.117, below.

b) I am asked if I was concerned at the time at the pace at which CLBILS was developed and the limited opportunity to test its design with the BBB and lenders. The BEIS Module 9 corporate statement (Part B, paragraph 3.12) discusses the concerns raised by the BBB at the time with HMT and loans team colleagues. I have no further direct knowledge to add beyond being copied in an email where Gemma Peck raised concerns about further overloading the BBB during early discussions on the 'missing middle' problem {SM/046 INQ000624879}.

c) I am asked whether, looking back, it would have been any different if we had had more time to test the design with the BBB and lenders. In my view, I don't think time would have made any material difference. The scheme was similar to other pre-existing schemes, and in any event, demonstrated that these loans could be made without excessive credit loss or fraud risk. The main unexpected thing was that fewer CLBILS loans were taken out than we initially thought, probably because firms of this scale actually had more alternative options than we initially made allowance for (for example, international parent companies).

d) I am asked how I weighed the risks identified by BEIS officials, around affordability, value for money, feasibility, and regularity, against the urgency of the economic situation. The BEIS Module 9 corporate statement discusses the concerns from BEIS officials in Part B paragraphs 3.13 to 3.17. I was only involved in assessing these risks later when I was Permanent Secretary at the time when the loans were extended and I address that involvement in more detail from paragraph 4.117, below.

e) I am asked if I had any concerns about the BBB being pushed outside of its core area of expertise by having to work with larger businesses. The BEIS Module 9 corporate statement addresses the BBB's own concerns on this issue, and the contemporaneous reply from Sam Beckett (Acting Permanent Secretary) in Part B paragraphs 3.68 to 3.72. I did not have any personal concerns beyond those I heard from the BBB sponsor team and Sam Beckett.

f) I am asked to what extent CLBILS took into account the specific economic needs of the Devolved Nations, including to what extent they were included in discussions on design and implementation of the scheme. I would not have been involved in any such discussions. As mentioned in paragraph 3.18, I attended the second UK Covid-19 Economic Workshop {SM/032

INQ000624927}. Reviewing the readout, I do not recall that the loan schemes were discussed in any specified detail in this forum, and I attended primarily in my role overseeing business intelligence and monitoring.

Post Assurance Event Action Plan: CLBILS and CBILS

4.27. I am asked questions regarding the Department's initial Post Event Assurance Plan (**PEAP**). The first PEAP was developed in June 2020. Further PEAPs were iterative in nature with the Department continuing to update them based on feedback and conversations held with Cabinet Office. I understand the detail of these plans has not been expressly covered in the BEIS Module 9 corporate statement and the Inquiry's question arises from further documents to which I have been referred. My own involvement in the development of the loan scheme PEAPs was minimal. In order to assist the Inquiry, I set out below what I understand to be an outline of the relevant chronology based upon documents the Department and legal advisers have retrieved from IT systems relevant to the issue. Save where I have indicated otherwise, I was not personally involved and so this subsection of my statement goes beyond my own personal involvement but I set it out to seek to assist. I was not aware of all this detail at the time. If further detail is required, I understand that the Department will naturally be willing to provide a supplementary corporate statement.

4.28. On 18 May 2020, Cabinet Office instructed central government departments, including BEIS, to develop PEAPs related to their Covid-19 stimulus spends {SM/055 INQ000543227} {SM/056 INQ000624928}.

4.29. The Department submitted PEAPs to Cabinet Office covering the grant schemes, CBILS, CLBILS, BBLS, and Future Fund on the following dates:

a) 24 June 2020: the Department's PEAP, current at that time, was circulated ahead of a meeting of the BBB/BEIS/Cabinet Office Counter Fraud Forum[12] {SM/057 INQ000585658} and {SM/058 INQ000543254};

b) 11 August 2020: a BEIS official provided an updated version of the PEAP to a Cabinet Office official in advance of a feedback session on 12 August 2020 and a revised version was sent on 17 August 2020 following the meeting {SM/059 INQ000543304} and {SM/060 INQ000543305}. Cabinet Office provided further

[12] The Covid-19 Counter Fraud Forum was a group led by BEIS, Cabinet Office and BBB to provide oversight and support to the implementation of the BBB's loan schemes. It met on a weekly basis, beginning in June 2020.

feedback to BEIS on the PEAP on 20 August 2020, which was largely positive {SM/061 INQ000543309} and {SM/062 INQ000543310};

c) 10 September 2020: BEIS officials provided an updated version of the PEAP to Cabinet Office. This version was also sent to the National Audit Office (**NAO**) on 17 September 2020, noting it was undergoing significant changes to reflect Cabinet Office feedback {SM/063 INQ000624947} and {SM/064 INQ000543318}; and

d) 25 September 2020: BEIS provided a revised version of the PEAP to Cabinet Office {SM/065 INQ000624952} and {SM/066 INQ000624953}. This plan discussed the loan schemes together but at the request of Cabinet Office also included a dedicated section on BBLS owing to the concern over the level of fraud being identified in this scheme at the time {SM/067 INQ000624945}.

4.30. Accordingly, the Department's effort went into creating a comprehensive PEAP for the BBLS. The next iteration of the PEAP was submitted to Cabinet Office on 29 October 2020. This version outlined actions to be taken in relation to the grant schemes and the BBLS {SM/068 INQ000624963} and {SM/069 INQ000543427}.

4.31. Between 1 and 2 December 2020, BEIS and Cabinet Office officials discussed the Department's PEAP in respect of CBILS and CLBILS. On 1 December 2020, a Cabinet Office official advised the Department that the version of the PEAP sent to Covid-19 Counter Fraud Forum Executive Committee only outlined the actions to be taken in respect of the grant schemes and the BBLS and queried whether a separate PEAP relating the CBILS and CLBILS was available {SM/070 INQ000593962}. In response, a BEIS official noted that the Department would need to consider these schemes afresh. In the same thread, the BBB acknowledged that the focus had been on the BBLS PEAP and Fraud Risk Assessment, and that CBILS was the next priority.

4.32. The PEAPs were a standing agenda item at the Covid-19 Counter Fraud Forum. On 2 December 2020, the BBB provided a verbal update on the CBILS PEAP and noted that the Fraud Risk Assessment is the first step, followed by an analysis of residual risks which both inform the PEAP (as the final step). It had already been agreed that CBILS was the next priority {SM/071 INQ000624988} {SM/072 INQ000625006}. The Covid-19 Counter Fraud Forum meet frequently until May 2021 when the meetings became monthly. During this time, a verbal update was provided at each meeting on the status of both the Fraud Risk Assessments and PEAPs, with the focus being to complete the risk assessments first.

4.33. On 13 August 2021, BBB provided a new version of the PEAP and Fraud Risk Assessment for CBILS to BEIS and Cabinet Office officials ahead of a workshop scheduled for 18 August 2021 {SM/073 INQ000625030} and {SM/074 INQ000625031}, with a version for CLBILS provided on 27 August 2021 {SM/075 INQ000625032} and {SM/076 INQ000625033}.

4.34. Further versions of the PEAPs (and Fraud Risk Assessments) for CBILS, CLBILS, BBLS, and Future Fund were provided to Cabinet Office and other central government departments on 29 September 2021 {SM/077 INQ000625034}, {SM/078 INQ000625035}, {SM/079 INQ000625036}, {SM/080 INQ000625038}, and {SM/081 INQ000625037}. By this stage, the loan schemes each had their own PEAP document.

4.35. Whilst updated versions of the PEAP in relation to CBILS and CLBILS were not provided to Cabinet Office until August 2021, the Department in conjunction with BBB colleagues had actively completed assessments of these schemes as early as June 2020. The PEAPs submitted to Cabinet Office in 2020 outlined various steps to be undertaken by BEIS with the assistance of the BBB, including the completion of Fraud Risk Assessments and this work was ongoing. With the assistance of other government departments, the BBB, and local authorities, the Department monitored the level of fraud that materialised across the various loan and grant schemes and sought to implement steps in mitigation. This was done in the context of a national emergency and the resulting resourcing constraints on the Department. While I was not directly involved in the detail of this, it seems to me that the focus was rightly on the BBLS owing to the significant levels of fraud in that scheme. Counter fraud measures related to BBLS are discussed further in paragraph 4.51. By comparison, the levels of fraud identified in CBILS and CLBILS were significantly lower, and indeed in line with long-standing schemes that had existed before the pandemic. As such, the Department's limited resources and capability were focussed on identifying and preventing fraud in the highest risk schemes. Although it is always easy to look back with hindsight and think everything should have been done faster across the board, I think the team made the right decision to prioritise work on counter fraud where it was really needed rather than focussing on producing documents about schemes where the risk was low.

Reflections on CLBILS

4.36. The uptake for CLBILS was lower than for CBILS. I agree with the BEIS Module 9 corporate statement (Part B, paragraph 3.75) that this was because CBILS targeted SMEs, which made up most of the businesses in the UK. These businesses were also

disproportionately impacted by Covid-19 and therefore relied on the government support schemes to maintain cash flow. As such, CLBILS received fewer applications as a smaller pool of businesses were eligible, and these large businesses were more likely to have alternate funding options.

4.37. I also agree with the BEIS Module 9 corporate statement (Part B, paragraph 10.11) that CLBILS performed well and met its objectives. As stated above in paragraph 4.19, the aim for CLBILS was to fill the gap and provide support to companies that were too large to access CBILS, and not large enough to access CCFF. When first assessing the effect of the missing middle, the submission discussed at paragraph 4.18 above estimated that 5,000 businesses were in scope of being within the 'missing middle'. This initial estimate included a range of companies who in the end were able to access the CCFF scheme (because they were investment grade equivalent even if they did not have a pre-existing rating) and did not exclude companies who were in sectors relatively unaffected by the pandemic. In the end, 753 businesses accessed finance under CLBILS. In my view, this is consistent with the scheme largely having achieved its aims. Companies of this scale will have had alternate options for accessing finance, and therefore I do not consider the difference in numbers between the initial assessment of the potential number of unserved companies (under CBILS and CCFF) and the number who ultimately needed this support is particularly a 'challenge' for the scheme — what it needed to do was meet the need of those who *did* need it. I was Permanent Secretary when the BBB released its first evaluation of the BBLS, CBILS and CLBILS in June 2022 {SM/082 INQ000096931}. The June 2022 evaluation reached a similar conclusion, stating that the loan schemes met their objectives of *"unlocking credit for businesses at scale and speed."*

4.38. I am asked if CLBILS was value for money. As with CBILS, I was not the Accounting Officer when the scheme was launched. On 14 April 2020, Sam Beckett received revised and final advice in her role as Accounting Office {SM/083 INQ000563950}. The advice stated that due to significant uncertainties involved, officials were unable to confirm with any confidence that the scheme represented value for money and rated it high risk. The advice noted that while there was expected to be fewer loans than under CBILS, they would be greater in value. However, it also concluded that it could represent better value for money than CBILS as mid-sized firms were generally at a lower risk of facing economic difficulties like SMEs. On 16 April 2020, Sam Beckett requested a ministerial direction due to the uncertainty around value for money and risks regarding additionality {SM/084 INQ000563960}. The Secretary of State issued

a direction on the same day {SM/085 INQ000563962}. I discuss the value for money assessments during the extensions and post-scheme evaluations of CBILS in more detail from paragraph 4.117, below.

4.39. I am asked to comment on whether the scheme adequately safeguarded public funds and reduced the risk of fraud and error. The BEIS Module 9 corporate statement (Part B, paragraph 1.5) states that as of 31 December 2022, lenders reported they had not identified any suspected fraud for CLBILS loans. This remains the case according to the most recent data published by the Department. As such, I consider that CLBILS did manage the risk of fraud and error and safeguard public funds.

4.40. I am asked whether there were gaps in support identified. Given the ongoing nature of the pandemic, gaps were continuing to be identified throughout. For example, company cases continued to be monitored as mentioned above at paragraph 4.23. In the event, after adjustments were made to both CCFF and CLBILS, there were very few cases that needed to be taken as individual cases, and we only provided support to one company through Project Birch. I consider the low use of bespoke solutions to have been a success, because in the main it reflected the fact that most companies were able to benefit from the schemes that had been designed and launched. The Department continued to monitor stakeholder and business feedback, and further schemes were developed accordingly, such as the Future Fund. After a certain point, the main concern, for both the Department and me, was not the gaps in support but rather the management of the business support packages and exit pathway after restrictions were eased.

4.41. I am asked if, looking back, there is anything I would have done differently regarding the design, implementation or delivery of CLBILS. As stated above in paragraph 4.11, I agree with the assessment in the BEIS Module 9 corporate statement (Part B, paragraph 10.14) that there were no alternate approaches that were more effective (including cost-effective) to achieve the objectives of CBILS and CLBILS. CLBILS was first discussed and announced within a week, however, as discussed above, there was a pressing need to resolve business concerns regarding the 'missing middle'. As addressed above in paragraph 4.14-4.18, I considered it inevitable that support for medium and large-sized businesses was required. Businesses were reporting significant financial distress to the Department daily, and there was not time to delay in providing support. At the time we considered that 5,000 businesses may have been part of the 'missing middle'. This estimate was based on all firms that were not eligible for either CCFF or CBILS and did not necessarily represent all firms that required

financial support (for example because they were operating in sectors that were suffering only limited impacts from the pandemic) or take into account the alternate financing options available to large firms. Fewer businesses ended up using the scheme than we initially feared but the scheme did help a significant number of large businesses. The one thing I think could and should have been done differently was that if everyone had understood and discussed slightly earlier the gap between the 'top' of CBILS and the 'bottom' of CCFF then it might have been possible to announce CBILS and CLBILS in tandem or even to organise them as a single integrated scheme with some simple tiering of terms.

Bounce Back Loan Scheme

4.42. BBLS was announced on 27 April 2020 and opened to applications on 4 May 2020. BBLS was aimed at small businesses and offered loans between £2,000 and 25% of their annual turnover, with a maximum loan of £50,000. Unlike CBILS or CLBILS, loans were backed by a 100% government guarantee. To be eligible, businesses had to be based in the UK, have been established prior to 1 March 2020 and been adversely impacted by Covid-19.

Rationale and Design of BBLS

4.43. As noted in Section 2, I was not responsible for BBLS until I became Permanent Secretary. While I was Director General, I was working on the grant schemes and Safer Working guidance which was due to be published. Accordingly, I was not directly involved in the design, operation or timing of the BBLS and did not provide advice to the Secretary of State regarding the need for BBLS beyond my general involvement in advice about liquidity and access to finance being an important lever. Against this background, I have again provided some observations in the subparagraphs below, but these are limited because of my relative lack of direct involvement at the time and in most cases, I cannot go beyond that which has been set out in the BEIS Module 9 corporate statement. When I was Permanent Secretary, I appeared before the Public Accounts Committee on the topic of BBLS on a few occasions and where appropriate, my observations include reflections from this later evaluation work.

a) The Inquiry asks about an email from Eoin Parker (Director, Cabinet Office) dated 25 March 2020, which was forwarded to me in an email chain regarding the perceived lack of loan help for small businesses under CBILS. My private secretary forwarded this to Gemma Peck on the same day as it was regarding the loan schemes, and Gemma responded that she would reply {SM/086 INQ000563892}. Gemma responded on the same email chain and provided

information on application of personal guarantees to CBILS {SM/087 INQ000624869}. As such, I did not personally consider this feedback or discuss it with anyone at the time as it was outside my area of work. I am asked to comment if the Department knew personal guarantees were a barrier for businesses at the time. In Gemma's reply, she noted that her team were receiving feedback on this. Eoin would have sent me this email because he knew I was responsible for the broad collation of business feedback and intelligence, not because I had a direct role on loans.

b) I am asked to comment on the rationale for BBLS, its policy objectives, and the gaps it sought to address. It is my understanding that BBLS was introduced to address barriers experienced by small businesses in accessing loans under CBILS. I was also hearing this in business feedback circulated and discussed at the time. The BEIS Module 9 corporate statement discusses the rationale for BBLS and its objectives in detail in Part B, paragraphs 4.5 to 4.23. I have no further direct knowledge to add.

c) I am asked to what extent DBT drew on the design of loan schemes in Switzerland and Germany, and other countries, when developing BBLS. The BEIS Module 9 corporate statement (Part B, paragraph 4.29) discusses this in more detail. I have no further direct knowledge to add.

d) I am asked if at the time BBLS was being considered, I was concerned about the financial and reputational risk that a 100% government guarantee might pose. Generally, in the Department at the time, it was considered to be a huge concern. This is reflected in the use of a ministerial direction for the scheme. I cannot recall my contemporaneous views but it was discussed across the teams, so I consider it very likely that I would have been concerned. However, I do not think I would have discussed these concerns in any formal context as it was outside the remit of my role and the concerns were clearly shared by others including those who were responsible for the scheme. Further information on the government guarantee is in Part B of the BEIS Module 9 corporate statement (paragraphs 4.5 to 4.29). While it is hard to disentangle what I thought at the time from the views I have reached retrospectively, it is my clear view now that a 100% guarantee made the scheme structurally vulnerable to fraud, in a way that could never be fully addressed, even if we had been able to do 'all that could be done' to address fraud. Asking banks to shoulder some risk would undoubtedly have both slowed the disbursement of

loans, and reduced the number of firms who received loans, so we should not imagine that such a decision would have been without cost — more firms would have failed, but fraud would also have been lower.

e) I am asked how I assessed the trade-off between the urgency of providing financial support to businesses and the potential for increased fraud and default risk. I was not involved in these discussions at the time. With the benefit of hindsight, I would note that a small delay could have allowed some anti-fraud measures to be introduced (for example, a duplicate loan flag) and this would likely have improved the value for money of the scheme because of reducing fraud. However, it would also have had the consequence of a slower launch and hence some firms would have failed during the 'gap' while waiting for launch. My understanding is that the teams thought such a scheme would take weeks to introduce. To understand if this trade-off would have made sense you would have needed a really close understanding of the real-time cashflows of businesses across the UK and what was likely to happen to them (by cohort of performance) over the proposed delay period, which we obviously did not have. With hindsight, I tend to believe that a short delay, if it was clear that government support was imminent, would likely have been survivable for the majority of firms, but that is a point of fine judgement and I cannot be confident either way.

f) I am asked what factors I considered persuaded HMT that a new and separate scheme was necessary. Generally, the primary factor in all economic support announced at the time was prioritising speed of delivery and ensuring businesses had the support needed to mitigate impacts of the pandemic. HMT, and wider government, were quick to announce new schemes once a gap in support was identified. The BEIS Module 9 corporate statement discusses the decision making of HMT in Part B, paragraph 4.22-4.29. The only personal perspective I can add is that it seemed likely from the beginning that schemes to address all sizes of business would be needed. The impacts of Covid-19 were not size specific and so, ultimately, the same logic that led to the creation of CBILS pushed towards the creation of BBLS.

g) I am asked to comment on whether there were concerns about the capacity of the BBB to implement a new scheme quickly and effectively, and lenders being able to process loans swiftly. My understanding at the time was that there were concerns of this nature given the existing schemes the BBB were already

working to implement and process. The BEIS Module 9 corporate statement provides more detail in Part B, paragraphs 4.32 to 4.33. I have no further direct knowledge to add.

h) I am asked a series of questions regarding the alternate delivery options proposed by the BBB. The concerns raised by the BBB are discussed in Part B of the BEIS Module 9 corporate statement (paragraph 4.37). I do not remember being involved in these discussions at all at the time and have no further direct knowledge to add.

i) I am asked to what extent BBLS took into account the specific economic needs of the Devolved Nations, including to what extent they were included in discussions on design and implementation of the scheme. I have addressed the extent of my involvement with the Devolved Administrations in paragraph 3.18, above. Given my role at this point I would not have expected to be aware of discussions involving BBLS and how they interacted with Devolved Nations.

Counter Fraud and Risk

4.44. During March and April 2020, the priority for the Government was to provide financial support to struggling businesses at pace. The demand for financial support was growing as the lockdown and pandemic continued. Naturally, there was a tension between the imperative to deliver finance at pace, and concerns around the risk relating to fraud, regulatory requirements, and reputational risks. Ultimately, the Chancellor made the decision to prioritise speed given the urgency of the situation. I was not directly involved in establishing or identifying counter fraud issues at the time. I provide some reflections in the subparagraphs below, but these are again necessarily limited due to my lack of direct involvement. Part B Sections 4 and 6 of the BEIS Module 9 corporate statement provide further information on this topic.

a) BBLS was launched on 4 May 2020 without a system in place to detect and prevent duplicate loan applications. This was a significant issue. On 2 June 2020, the system for lenders to identify duplicative applications was implemented. I am asked about my understanding of the key challenges that prevented earlier implementation of that system and for the number of duplicate applicants. The BBLS was launched at unprecedented speed to deliver critical financial support during the Covid-19 crisis. Although I was not involved in this decision at the time, my understanding from later discussions of how this came about is that, at the time, building an industry-wide reporting system to detect

duplicate applications would have required coordinating over 1 million data points from more than 20 lenders, a complex undertaking within the limited four-week launch window. Lenders were under no obligation to create such a system, and it fell to the BBB, in collaboration with BEIS and HMT, to negotiate participation, fund the design and build, and oversee implementation. As a result, the initial scheme prioritised rapid deployment over complex data-sharing infrastructure {SM/088 INQ000128460}. It is a matter of record that the NAO's investigation into BBLS stated that prior to implementation of the system, BBB's Cifas database, which collated applications across lenders, estimated that up to 2.3% of approved loans were duplicates {SM/089 INQ000564055}. This system is discussed further in Part B of the BEIS Module 9 corporate statement (paragraph 6.43-6.49).

b) I am asked how BEIS monitored and responded to the evolving fraud risks during the initial month of BBLS, prior to the implementation of the above system. The BEIS Module 9 corporate statement discusses this in Part B, paragraphs 6.32 to 6.42. I was not involved at all in this work and have no further direct knowledge to add.

c) I am asked what steps were taken to ensure fraud prevention measures were properly coordinated with lenders prior to scheme launch. My understanding is that on 27 April 2020, PricewaterhouseCoopers (**PwC**) facilitated a fraud workshop with seven accredited lenders prior to the launch of BBLS. They produced a draft fraud risk review report on 1 May 2020 {SM/090 INQ000596671}. This report is discussed further in the BEIS Module 9 corporate statement (Part B, paragraphs 4.62 to 4.75). In addition, I understand that from May 2020, regular workshops were held with lenders' counter fraud teams to develop measures to tackle fraud. These workshops were coordinated by the BBB and UK Finance {SM/091 INQ000596704}. I was not involved in either of these workshops, or in reviewing the results of the PwC report at the time, and have no further direct knowledge to add.

d) I am asked to comment on concerns around the timing and announcement of BBLS. My understanding at the time was that generally there was a concern that a quick announcement might expose the Government to significant fraud risks prior to robust safeguards being put in place, particularly because of the 100% guarantee. I understand this was one of the reasons a ministerial direction was sought at the time, and is recorded in the direction as a significant

concern. These issues are discussed in the BEIS Module 9 corporate statement (Part B, paragraphs 4.47 to 4.57). I have no further direct knowledge to add.

e) On 2 May 2020, the BBB raised a formal Reservation Notice. I am asked what my view was in relation to the BBB's concerns and what action I took. The BEIS Module 9 corporate statement discusses the Reservation Notice in Part B, paragraphs 4.103 to 4.105. I was not involved in the Reservation Notice or the response to it in any way and have no further direct knowledge to add.

4.45. The Department continued to consider further counter fraud measures for BBLS after its launch. I am asked about the sampling exercise undertaken by PwC. As above at paragraph 4.27, I understand this is not discussed in detail in the BEIS Module 9 corporate statement, and the questions arise from additional documents to which I have been referred. I similarly provide here (up to paragraph 4.49) an outline of the relevant chronology based on documents provided by the Department and legal advisers, setting out my personal involvement where this occurred. I was aware of this work but not involved at the level of operational detail and some of this material goes beyond what I was aware of at the time. The sampling exercise was part of a suite of measures introduced from October 2020 onwards, which are set out below in paragraph 4.51. In line with the PEAP in development, the Department agreed with Cabinet Office that a programme of sampling and testing would be beneficial to identify and assess levels of fraud in BBLS. The purpose of the sampling exercise was to identify estimates of fraud within BBLS that could be used to satisfy the Department's reporting requirements to Parliament (via the NAO) {SM/092 INQ000624957}.

4.46. On 7 October 2020, the Secretary of State met with BEIS officials and directed them to produce proposals to enhance counter fraud measures for BBLS. I first became aware of the PwC sampling exercise at this time, I had contacted Gemma Peck confirming resourcing and funding support for the counter fraud work and she had confirmed the BBB were engaging with PwC on the sampling exercise {SM/093 INQ000624958}. On 13 October 2020, my private office received the submission containing counter fraud measures, of which expediting the sampling exercise was considered {SM/094 INQ000543381} {SM/095 INQ000543382}.

4.47. On 21 October 2020, Cabinet Office wrote to the BBB regarding the sampling exercise, asking to hold off on agreeing the contract until Cabinet Office could provide advice {SM/096 INQ000624962}. They noted it was important that the testing was completed against the risks in the Fraud Risk Assessment. The BBB copied the Department into

the thread, noting that the sampling was driven by BEIS's reporting requirements. The internal view from BEIS officials at the time was that in order to satisfy the Department's reporting requirements, the sampling had to be across a large random sample {SM/097 INQ000624961}. Cabinet Office had issues with this approach (using a large random sample) and wanted the sampling to test the risks identified in the PEAP and Fraud Risk Assessment (and therefore be smaller and targeted).

4.48. On 3 November 2020, Cabinet Office provided its advice to the Department on the sampling exercise {SM/098 INQ000594099} {SM/099 INQ000625011}. I do not recall seeing this advice at the time, though I was broadly aware that BEIS officials were working closely with Cabinet Office, BBB, and HMT colleagues on agreeing terms for the PwC engagement. I am asked if the BBB was consulted on the advice received by Cabinet Office and their response. I was not directly involved, but the available documents demonstrate that BEIS officials and the BBB worked together to incorporate the advice into the proposed methodology for the exercise (further information is available at {SM/100 INQ000624967} {SM/101 INQ000624969} {SM/102 INQ000624970} {SM/103 INQ000624971} {SM/104 INQ000624972} {SM/105 INQ000624977}).

4.49. The Department met with the BBB and Cabinet Office across November 2020 to discuss the sampling further. The available documents indicate that the Department worked with Cabinet Office's specialist team, receiving further advice on best methodology {SM/106 INQ000624975}. Ultimately, Cabinet Office, the BBB and BEIS agreed a two phase approach to the sampling exercise. Phase 1 used random sampling to provide an estimate of fraud, and Phase 2 used targeted analysis to provide a measurement of fraud. Cabinet Office supported the approach and therefore the contract between the BBB and PwC was signed on 23 November 2020 with an expected completion date of March 2021. This approach was presented at a meeting of the BBLS Counter Fraud Strategy group on 30 November 2020 {SM/107 INQ000624982}.

4.50. I am asked to reflect on this sampling exercise and whether earlier integration of the advice of 3 November 2020 would have led to more robust fraud control framework for BBLS. As noted above, I was not directly involved in this sampling exercise though I was aware it was being undertaken. Based on a review of the documents now available rather than detailed involvement at the time, I would reflect that the recommendations from the 3 November advice *were* integrated into the approach. BEIS and BBB teams worked to design a methodology that could happen quickly, and meet the Department's

reporting requirement, but also took on board the advice to integrate with a larger number of cross-government data sets and target specifically at the major risks identified in the risk assessments. I do not ultimately think that the details of the sampling method used here are really the critical issue that determined the scale and scope of the counter fraud response (because everyone knew already the scale of the problem, so getting the details right was important for reporting, but we were already very much alive to the fraud risks we faced).

4.51. As noted above in paragraph 4.45, the sampling exercise was not the only counter fraud measure implemented at the time. In terms of immediate action, the Department was progressing the proposals initially sent out to the Secretary of State in October as mentioned in paragraph 4.46. These were in addition to the measures implemented since scheme launch which included the Cifas duplicate check and lenders' fraud workshops discussed above at 4.44. The measures introduced from October 2020 onwards are discussed in further detail in the BEIS Module 9 corporate statement (Part B, Section 6) and included:

a) Introduction of incorporation date check on 6 November 2020 to help lenders identify applicants whose company incorporation date was after 1 March 2020 (making them ineligible for the loan) {SM/108 INQ000564125} {SM/109 INQ000564126} {SM/110 INQ000564152};

b) Increased engagement with lenders on data and intelligence sharing. The Secretary of State chaired a roundtable with lenders on counter fraud measures on 2 November 2020 (which I attended) {SM/111 INQ000576398} {SM/112 INQ000596688}. Following this, UK Finance sent a summary of proposals from lenders for additional measures that could be undertaken {SM/113 INQ000610534}. Alongside the PwC sampling exercise, the letter recommended increasing data and intelligence sharing practices across industry and with the National Investigation Service (**NATIS**). A series of workshops between lenders, NATIS, and government departments occurred in 2021, which resulted in clarification around the reporting and intelligence sharing on public sector fraud {SM/114 INQ000610542} {SM/115 INQ000610543};

c) Introduction of the verification service from HM Revenue and Customs (**HMRC**), where lenders could verify the annual turnover provided on applications in instances where it was considered this may have been falsified.

This went live on 22 December 2020 and is discussed further in paragraph 4.139;

d) Expansion of the work conducted by NATIS. In December 2020, further funding was approved to expand NATIS's BBLS team. The expansion focussed on creating a disruption unit to target organised crime groups and mid-tier fraudsters, and expanding the investigative resource to include accredited financial investigators who liaised directly with lenders {SM/116 INQ000624999};

e) Issuance of a bulk objection to the Registrar of Companies to prevent corporate entities with a BBLS loan from being dissolved from the public register {SM/117 INQ000585738} {SM/118 INQ000564189}. This meant companies were prevented from being dissolved before outstanding loans were repaid. This was issued in March 2021 and expanded to CBILS, CLBILS, Future Fund and the Recovery Loan Scheme (**RLS**) in July 2021 {SM/119 INQ000564219} {SM/120 INQ000564220}; and

f) Continued meetings of the cross-government groups such as the Bank Fraud Collaboration Working Group (chaired by UK Finance), the Covid-19 Counter Fraud Forum (led by the BBB, BEIS and Cabinet Office), the Covid-19 Fraud Ministerial Board (chaired by Cabinet Office, HMT and the Home Office); and the Covid-19 Counter Fraud Strategy Board which first met in November 2020 and was set up to coordination counter fraud response specifically for BBLS. I did not attend these groups, though I was aware of them, and do not have any further direct knowledge to add.

4.52. I have been asked to reflect on the lessons DBT learned from the sampling exercise process regarding the use of external consultants in an emergency crisis to manage the risk of fraud and error. I support the use of external consultants in crisis-response schemes and believe their work strengthened both the Department's and the cross-Whitehall fraud capability. I discuss this further in 4.62.f). I was not directly involved in this particular engagement at the time, but reflecting back on the above information, I can see that further coordination between departments in ensuring clarity of instruction and the purpose of the exercise would have ensured the engagement with PwC was streamlined and focussed. As I left the Department in 2023, I am unaware what work has been undertaken in this area.

Reflections on BBLS

4.53. I am asked to comment on whether BBLS achieved its aims. BBLS was introduced at pace to address issues with CBILS that particularly affected SMEs. High demand for CBILS, combined with limited capacity of lenders, meant that initially the rate of processing applications was slow. This created a barrier for business, particularly small businesses whose cash flow had been severely impacted by Covid-19. The Chancellor introduced BBLS to address this and made the decision to have funds disbursed within 24–48 hours of application. I agree with the views expressed in the BEIS Module 9 corporate statement (Part B, Section 10) that BBLS achieved its aim of increasing application processing speed and delivering funds quickly to businesses. However, a consequence of designing the schemes in such a way to deliver funds at this pace, combined with the introduction of the scheme so quickly, was an increased risk of fraud. This Secretary of State noted the scheme's risks in the ministerial direction at the time {SM/121 INQ000064823}. The reflections of the Department in relation to BBLS are in paragraphs 10.16 to 10.22 of the BEIS Module 9 corporate statement (Part B). Given the risks raised in the Accounting Officer's request for ministerial direction, and the clear intent expressed in the ministerial responses, BBLS has to be seen as having broadly achieved its aims. However, as was expected at the time of launching the scheme, it also saw a high rate of fraud which was always seen as likely given the fundamental nature of a 100% guarantee scheme.

4.54. I am asked if the scheme was value for money. At the time of scheme launch, I was not Permanent Secretary or Accounting Officer and was not involved in compiling advice on value for money. However, I note that the Accounting Officer of 1 May 2020 stated that officials could not provide a robust estimate of value for money and rated it high risk {SM/122 INQ000563995}. The advice also highlighted the risks associated with propriety due to potential fraud. As such, Sam Beckett sought a ministerial direction in relation to the scheme {SM/123 INQ000064863}. On 1 May 2020, the Secretary of State issued the direction and noted that due to the potential economic damage from Covid-19, there continued to be a strong case for government intervention due to the risk that some business that would otherwise survive, would miss out on support. The letter also commented: *"I note the BBLS scheme risks highlighted in your letter, however I believe that these risks are outweighed by the need to get support to small businesses as quickly as possible…"*. I discuss value of money considerations during the extension of the schemes and in post-scheme evaluations below at paragraph 4.117.

4.55. I am asked whether the scheme adequately safeguarded public funds and reduced the risk of fraud and error. The BEIS Module 9 corporate statement acknowledges that a number of risks were inherent in the scheme design. As addressed in Part B, paragraph 10.19, these were:

a) The 100% government guarantee which took away the risk for lenders and left them with little incentive to pursue recovery of the loans;

b) HMT's instructions that the loans should be disbursed ideally within 24 hours; and

c) A reliance on a self-certification mechanism for the businesses with minimal checks to be conducted by lenders.

4.56. It was anticipated that this could lead to high levels of fraud, and the BBB's Year 2 evaluation report assessed this to be at a level of 3.5% as at 20 June 2023 {SM/036 INQ000606913}. A system was introduced to identify duplicate applications, however it was implemented a month after the scheme launched by which point 40% of the BBLS had been disbursed. I regard it as obvious that this scheme did not, in the ordinary sense of the words, 'adequately safeguard' public money. However, the real question to answer in retrospect is not that. Instead, it is whether a different decision — either to delay the launch by a few weeks to allow for the introduction of a duplicate loan flag or launching with (for example) a 90% guarantee instead of a 100% guarantee — would, on balance, have delivered better value for money. In other words, would the reduction in fraud have outweighed the potential increase in business losses caused by delays in loan disbursement. Unsurprisingly, our evidence on this trade-off is limited. It depends on nuanced judgments about how close to insolvency businesses actually were at the time the scheme launched. What is clear is that the Government was told thousands of firms were just days from collapse. In that context, it is plausible that the significant costs of fraud were a price worth paying to protect the wider economy. However, I do not have the evidence to state that with confidence. While I can say that I would be very reluctant to support another scheme offering a 100% guarantee, it is conceivable that such a significant economic shock could occur that such a scheme was again viewed as necessary. As I state above in paragraph 4.43.e), with hindsight my professional judgement is that a short delay to implement a duplicate loan flag would probably have been justified. I believe creditors would likely have shown forbearance during that time, particularly if it was clear that concrete government support was imminent. However, some additional companies would

undoubtedly have failed, and there will be business owners around the UK who legitimately feel that such a decision would have led to the collapse of their businesses. Even with the benefit of hindsight this is a finely balanced judgement, and at the time the decision had to be made under the most challenging and pressurised of circumstances. Of course, the ideal solution would have been that data sharing gateways had been already up and working, such that these kind of trade-offs did not have to be considered in this way. It would also have been better if the plan for BBLS had been foreseen at the time that CBILS was launched, so that development of the duplicate loan functionality could have been started earlier.

4.57. I am asked to comment on whether there were gaps in support identified and how they were rectified, alongside consideration of any gaps not identified that should have been. Schemes continued to be introduced based on business feedback about gaps in the support packages. BBLS itself was introduced to address a gap in support, with wide eligibility for businesses and reduced checks to ensure speed. By the time it launched in early May 2020, the focus was beginning to shift to reopening the economy after lockdown. My understanding is that the suite of packages launched during the March to May 2020 period broadly covered most businesses that were impacted by Covid-19 and required financial assistance.

4.58. However, I am aware that some businesses or business owners were unable to access BBLS because they did not hold either a business or personal account with one of the 28 accredited lenders. These cases represented a small minority. Given the exceptionally high demand, many lenders chose to prioritise their existing customers and process outstanding applications. The Government consistently made clear to lenders that they should remain open to new customers wherever operationally possible, and the BBB reiterated this position to lenders. Certain lenders did continue to accept applications from new customers, such as Skipton and Starling, although this varied over time {SM/088 INQ000128460}. I reflect on the potential gap in equalities support due to scheme design further from paragraph 4.188.

4.59. I am asked to comment on whether, looking back, I would have approached the design, implementation, or delivery of BBLS differently. I was not directly involved in these aspects of BBLS. However, I concur with the view in paragraph 10.22 of the BEIS Module 9 corporate statement (Part B), that a 100% guarantee scheme is not something that the Department should ever advise doing lightly, and that the guarantee did not need to be 100% to disburse a higher volume of loans. While it did take away the risk for lenders, which sped up the processing of loans, it created a lack of incentive

for the lender to seek to recover funds. As above, I think that, with the benefit of hindsight, a short delay to improve anti-fraud measures, even if the scheme had remained at 100% guarantee, would probably have been worth it. However, I was not involved in that decision at the time, and I do not know the detail of what was known or considered at the time.

The Future Fund

4.60. The Future Fund was announced on 20 April 2020 and launched on 20 May 2020. It was aimed at supporting UK-based innovative businesses facing financial difficulties due to Covid-19. Companies could borrow money, subject to at least equal match funding from private investors. To be eligible for the Future Fund, businesses had to be UK-based (with only parent companies eligible if part of a group), incorporated by 31 December 2019, have raised at least £250,000 in third-party equity in the past five years, and not be publicly traded. Additionally, they had to meet at least one of the following: 50% or more of employees were UK-based or 50% or more of revenue came from UK sales.

4.61. The initial deadline for applications was 30 September 2020. However, the deadline for new applications was extended on two occasions: firstly, to 30 November 2020 and then finally to 31 January 2021.

Overview, design and announcement

4.62. For the same reasons regarding the division of responsibility at Director General level as I have set out in relation to the loan schemes, I did not have responsibility for the Future Fund during its design or initial implementation phase. However, during my later time as Permanent Secretary, the scheme was extended twice and underwent various evaluation exercises. Accordingly, I have again provided in the subparagraphs below the (necessarily limited) personal reflections that I can regarding the early development of the Future Fund, and otherwise refer to the relevant sections of the BEIS Module 9 corporate statement. These reflections are bound to be influenced by my later involvement as Permanent Secretary rather than being views I held when the Fund was first being developed. In truth, I recall very little about the scheme's launch, as I was exceptionally busy during late April and early May working on Safer Working guidance and had limited capacity to focus on matters outside my direct responsibilities.

a) I have been asked to comment on the rationale for, and economic objectives underpinning, the Future Fund. It is my understanding that the general purpose

of the Future Fund was to fill a gap in Covid-19 business support by providing finance to innovative, high-growth UK companies that were unable to access mainstream bank lending and other Covid-19 loan schemes (such as CBILS), often due to their pre-profit status. The policy rationale and objectives are discussed in further detail in paragraphs 5.2 to 5.18 of Part B of the BEIS Module 9 corporate statement.

b) I have also been asked about the work undertaken by BEIS to assess demand for the Future Fund scheme through data analysis and modelling. I understand that BEIS, in collaboration with other government departments, employed and commissioned a range of data-driven approaches prior to the launch of the scheme to assess and validate the significant demand for targeted support among innovative, R&D-intensive businesses affected by the Covid-19 pandemic. The data analysis and modelling exercises are addressed in further detail in Part B of the BEIS Module 9 corporate statement, paragraphs 5.4 to 5.18, including in their accompanying exhibits.

c) I have been asked to describe my personal involvement in the design of the Future Fund, including how it was intended to meet the specific needs of R&D-intensive businesses at the time. For the reasons already addressed, I was not involved in this at all at the time. The interactions between BEIS, HMT, and the BBB in respect of the design of the Future Fund are discussed in detail at paragraphs 5.3 to 5.57 of Part B of the BEIS corporate statement.

d) On 19 April 2020, HMT released a press notice about the Future Fund without obtaining final sign-off from the BBB and BEIS {SM/124 INQ000563971}. I have been asked questions regarding my personal involvement in this announcement, including whether I had any concerns about the press notice, whether any key details previously discussed or agreed were omitted, the challenges in securing inclusion of such details, and the importance of securing BEIS's agreement before making the announcement. I was not involved at all at the time, but in general terms, I do consider it problematic if BEIS's views were not adequately reflected in public communications of this kind.

e) I have also been asked whether, following the public announcement of the Future Fund, there were any outstanding policy questions regarding the scheme's parameters and the clarification of its headline terms. I was not aware of these issues at the time. Part B, paragraph 5.50, of the BEIS corporate

statement outlines several key policy questions and decisions that remained unresolved at the time of the announcement.

f) I have been asked to comment on the appointment of PwC as the delivery agent for the Future Fund, specifically whether their involvement was effective and whether I would recommend the use of external consultants in delivering similar schemes during future economic crises. As a general principle, I support the intelligent use of external consultants in crisis-response schemes, particularly when in-house capability is constrained and timely, large-scale delivery is essential. However, any such appointment should be based on clear criteria, including the consultant's relevant experience, capacity to scale operations, and ability to meet public sector standards for transparency and accountability. There were some outstanding examples of consultant support during the Covid-19 crisis, and some that were less good. In my view, this tends to correlate with the clarity of the brief and task, the knowledge and capability of the relevant consultant team, and the ability of the hiring Department to assign sufficient internal support and oversight. I am not close enough to this particular example to comment on whether these factors were or were not in place or to say either way whether the support was successful. As outlined in the BEIS Module 9 corporate statement, I understand PwC played a significant role in supplementing the limited operational capacity of the BBB, notably through their resourcing capability, and contributed to mitigating risks of fraud, error, and financial crime. Further detail on the use of external consultants in the development and delivery of the Future Fund is provided at paragraphs 5.58 to 5.71 of the BEIS Module 9 corporate statement.

Reflections on Future Fund

4.63. I have been asked to reflect on whether the Future Fund scheme achieved its intended aims. Whilst I was Permanent Secretary in 2022, the BBB began a formal evaluation process of the Future Fund which adopted a three-year approach. BBB's Year 1 report, which covered the period between May 2021 and April 2022, was published in November 2022 {SM/125 INQ000146532}. The report considered the seven programme objectives of the Future Fund against available evidence. As noted in Part B, paragraph 7.109, of the BEIS corporate statement, Year 1 found that the Future Fund largely met its core objectives, particularly in increasing access to finance for firms struggling to raise funds commercially. There was positive feedback on the

application process, and early signs suggested the fund may have helped prevent business closures and supported R&D, though some areas were too early to assess.

4.64. The Year 2 report, which covered the period from November 2022 to March 2023, was published in October 2023, after I had moved on to be the Permanent Secretary at DSIT {SM/126 INQ000576416}. The Year 2 report broadly supported the Year 1 findings, showing that fundraising growth among supported firms remained stronger than in comparable firms without support. However, there were emerging signs of weaker portfolio growth and mixed long-term outcomes. Some objectives, such as R&D and economic impact, were not yet evaluated or remained inconclusive.

4.65. A copy of the BBB's Year 3 evaluation report of the Future Fund has been provided to the Inquiry in draft form. I have been provided with that draft copy for the purposes of preparing this statement. I understand that the final report will be provided to the Inquiry following publication later in 2025. The Year 3 report provides clearer evidence that the Future Fund achieved several of its core short and medium-term objectives. The scheme demonstrably increased the short-term supply of finance to equity-backed companies during the pandemic, with a high proportion of investees either converting or repaying their loans and fewer defaults than expected. However, the report notes that long-term sustainability remains uncertain, as by 2024, the counterfactual firms the evaluation report measured against had higher survival rates than firms who received Future Fund investment. The report suggests that alternate finance strategies may have supported greater long-term resilience. The Future Fund also successfully drew in matched private investment and enabled 50% of recipients to secure additional capital. Other firms however continued to encounter market challenges. While there was significant increase in fundraising in the short term for Future Fund applicants, there has since been a broader market downturn. Future Fund portfolios have experienced a sharper decline in fundraising since 2023 than the counterfactual group and when benchmarked generally against SME trends. The fund played a key role in preventing a wave of business closures, with 70% of surveyed firms stating they would have likely shut down within 12–36 months without support. Furthermore, the scheme helped avoid a 'lost cohort' of early-stage firms by sustaining growth and R&D activity despite a deteriorating market environment. To some extent the picture is complicated because, for example, the report notes that liquidation rates were higher amongst firms that had received Future Fund investment, although this is thought to have been due to credit events triggered by the convertible loan agreements. A full value for money assessment remains not yet feasible (see further paragraph 4.75, below). While the

fund's longer-term impact is still developing, particularly in relation to employment growth and market performance convergence in 2024, evidence suggests it helped maintain innovation and viability among high-growth sectors. The report notes that the Future Fund met its targeted audience though there were limitations in scheme design. The complexity of the convertible loan agreements deterred some firms from applying, and caused firms to misunderstand repayment terms (potentially contributing to the liquidation rates noted above). There was a regional imbalance with funding concentrated in London, though the report notes that the aim of the Fund was not to address regional disparities in investment. Ultimately, the evaluation report concludes that the Future Fund met its core purpose and bridged a crucial financing gap during a period of acute market failure, while also noting that challenges around long-term resilience and private investment dependency persist. In regards to future schemes, the report suggests that they should aim to simplify application processes, offer post-funding support, and adopt more flexible financial structures.

4.66. I have been asked to comment on the extent to which the Future Fund represented value for money at launch, including whether there was sufficient time for a proper assessment, the role played by the Industrial Development Advisory Board (**IDAB**), and the implications of the BBB's Reservation Notice issued on 18 May 2020.

4.67. For the reasons already addressed, I was not involved in the design or initial implementation of the Future Fund, nor did I contribute to the value for money assessment or Accounting Officer advice at launch. However, as set out in Part B (paragraphs 5.72 to 5.87) of the BEIS Module 9 corporate statement, I understand that Sam Beckett as the then acting Permanent Secretary concluded, based on officials advice, that value for money could not be demonstrated according to the *Managing Public Money* standards at the time of launch, and a ministerial direction was therefore required and issued.

4.68. I have also been asked a general reflective question as to whether the Future Fund scheme represented value for money. While I was not involved in the scheme's original design or implementation, and thus, as noted above, cannot comment on value for money at launch, I became Permanent Secretary, and thus the Accounting Officer, in July 2020. In that capacity, I was responsible for considering value for money in relation to the two subsequent extensions of the scheme, and I am therefore able to address the question in respect of those decisions.

4.69. On 19 September 2020, I received formal advice, in my capacity as Accounting Officer, regarding the first extension of the Future Fund to 30 November 2020 {SM/127 INQ000624948} {SM/128 INQ000564132}. Officials noted that the ongoing economic uncertainty made it extremely difficult to assess value for money, and that the BBB believed it was still too early to revisit the original assessment.

4.70. On 20 September 2020, BEIS officials sent advice to the Secretary of State regarding the proposed extension of the scheme. The advice confirmed that the original rationale for the scheme remained valid and that some expected risks, such as applicant gaming or unmanageable application volume, had not materialised {SM/129 INQ000564101}. The key outstanding risk remained poor investment performance, but that risk had not worsened. On this basis, officials recommended that the extension proceed, and the Secretary of State subsequently agreed with this recommendation {SM/130 INQ000564102}. There was no separate process of exchanging letters for a ministerial direction as the extension was covered by the previous direction.

4.71. On 23 September 2020, I confirmed to the BBB that the extension of the Future Fund would proceed under the cover of the existing ministerial direction {SM/131 INQ000624949} and {SM/132 INQ000594778}.

4.72. On 19 November 2020, I received further advice, in my capacity as Accounting Officer, regarding the second extension of the Future Fund to 31 January 2021 {SM/133 INQ000564151}. A minor contractual amendment was proposed to prevent Future Fund capital being used for onward lending or investment, aligning with the scheme's intent. Officials advised that neither this amendment, nor the proposed extension, changed the underlying need for the ministerial direction. Further, the advice noted that value for money remained difficult to assess in light of ongoing macroeconomic volatility. I cleared this advice on 20 November 2020 {SM/134 INQ000564153}.

4.73. On 25 November 2020, BEIS officials provided corresponding advice to the Secretary of State regarding the second extension {SM/135 INQ000564156}. The advice reiterated that the original rationale remained sound and that most early risks had not materialised. While the risk of poor investment performance persisted, it was no greater than anticipated at the outset. The Secretary of State reviewed the advice overnight and subsequently agreed to the extension on 26 November 2020 {SM/136 INQ000564157}.

4.74. On 27 November 2020, I informed the BBB that the second extension to the Future Fund would be delivered under the cover of the existing ministerial direction {SM/137 INQ000564158}.

4.75. In the context of post-scheme evaluation, it is my understanding that the BBB's evaluations of the Future Fund have not yet concluded whether the scheme has delivered value for money to the taxpayer or generated net economic benefits for the wider economy. The Year 1, Year 2 and Year 3 reports noted that it was too early to draw firm conclusions on these questions, as the Future Fund portfolio has not yet reached a point where returns can be meaningfully evaluated.

4.76. However, more broadly, I would note that the issuing of both a ministerial direction and Reservation Notice in relation to the Future Fund reflected the exceptional circumstances under which the scheme was developed. The decision to proceed, despite unresolved concerns about value for money, was consistent with the wider economic response to the Covid-19 pandemic, during which departments were frequently required to act under extreme time pressure and uncertainty. In this context, the overriding priority was to provide rapid financial support to businesses in need. Certain trade-offs were inevitable and, in many cases, unavoidable. The Future Fund was also, by design, meant to allow for investments in high-growth, high-risk firms. As stated in the Accounting Officer advice for the Future Fund extension, Oxera, who had been hired to advise on State aid, noted in their assessment that "*…it is difficult, if not impossible, to accurately predict the expected financial return to the government from such risky investments and during such volatile macroeconomic conditions using one set of assumptions*" {SM/128 INQ000564132}. This seems to be obviously true. However, without the Future Fund, high-growth businesses would inevitably have faced difficulties in attracting ongoing investment and this could have caused unrecoverable scarring to this vital part of the UK economy. The requirements for match funding from third-party investors significantly protected public money and ensured that investments were only made where meaningful returns were available.

4.77. I have been asked whether the scheme adequately safeguarded public funds and reduced the risk of fraud and error. The BEIS Module 9 corporate statement (Part B, paragraph 5.102) indicates that "*Current indications are that fraud levels have been relatively low in the operation of the Future Fund, but the situation remains under review*". In total, the Department has recognised £42 million of suspected fraudulent payments within the scheme across three years. This should be considered in the context of the £1.14 billion in total funding that the Government provided through the

scheme {SM/125 INQ000146532}. Paragraph 5.102 (Part B) of the corporate witness statement breaks the total fraud figure down across individual years:

> *"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)."*

4.78. While these total amounts of fraud do represent a concern, as with other schemes, they do need to be weighed against the imperative to take speedy action to support businesses of different kinds, sizes, and stages of development. It would have been possible to reduce fraud, but this would have very likely only have come about from stepping away from the principles of designing a fast, rules-based process.

4.79. I have been asked to identify any gaps in support that arose during the operation of the Future Fund, how any such gaps were addressed, and whether any were overlooked that should have been identified at the time. I am not directly aware of any gaps in support that emerged during the scheme's operation. However, Part B of the BEIS Module 9 corporate statement (paragraph 5.37) notes that, during the design phase, BEIS officials raised that the equity raised thresholds would exclude a significant proportion of firms and that this was where investment finance would come in. The BBB's Year 1 report stated that some stakeholders noted that this limitation may have excluded promising early-stage businesses with growth potential. The Ipsos Report[13] commented on this gap, as noted in Part B paragraph 5.131 of the BEIS corporate statement {SM/138 INQ000610872}:

> *"The evaluation evidence did not highlight any group that remained ineligible for support except for pre-revenue start-ups without any history of equity*

[13] In October 2021, the Department commissioned Ipsos UK, Technopolis, and George Barrett to undertake a meta-evaluation of BEIS's overarching response to the pandemic. This report was published recently in May 2025 and is referred as the Ipsos Report in this statement. I discuss this further in paragraph 4.145.

fundraising (which were ineligible for Future Fund support). The impact of this apparent gap in the support package was not explored in the evaluation – though it was noted that overall equity fundraising by SMEs rebounded rapidly after an initial decline following the introduction of non-pharmaceutical interventions, so any impacts may have been relatively short lived."

4.80. I have also been invited to reflect, with the benefit of hindsight, on whether I would have approached the design, implementation, or delivery of the Future Fund differently. While I was not directly involved in the early stages of the Fund, I agree with the BEIS Module 9 corporate statement (Part B, paragraphs 7.106 to 7.110 and 10.24 to 10.32) that, while the scheme was successful in supporting businesses to access finance during a period of acute economic uncertainty, certain structural challenges have since been identified which would usefully inform the design of any future programmes. In summary, whilst the BEIS Module 9 corporate statement provides the following reflections, I have also included some personal clarifications. These include:

a) Reliance on features such as investor independence and a fully rules-based approach, while enabling speed, increased exposure to fraud, error, and reputational risk. Additional safeguards or limited discretion to reject unsuitable applications may have mitigated this. I agree with this (though of course at some point additional safeguards would have slowed processing so much as to have defeated the aims of the scheme);

b) There was a mismatch between public communications and the actual scheme rules; while messaging focussed on innovative start-ups, the scheme was broader in scope, which led to criticism. I agree with this; and

c) The scheme's extensions could have been used to address emerging issues, but instead terms remained largely unchanged. Whilst this observation in the corporate statement is a fair observation with the benefit of hindsight, I am not sure it recognises the practical reality of what we faced at the time of the extensions. Correcting the earlier communications mismatch would have been very difficult indeed at that point (and probably pretty undesirable politically, though that would be for others to judge). On the more technical matters of scheme design, I do not remember being offered ideas and critiques at the time the extensions were being considered, as to how the scheme should be

tweaked — and the scheme was largely considered to be performing appropriately.

4.81. In addition to the matters raised in the BEIS Module 9 corporate statement, BBB's draft Year 3 evaluation report highlights (albeit with the benefit of hindsight) several specific areas where the design and delivery of the Future Fund could have been strengthened. The complexity of the convertible loan agreement deterred some eligible firms, particularly those without legal support, and misunderstandings around repayment terms contributed to financial strain for others. While the convertible loan agreement's flexibility supported the rapid delivery, the report suggests a more balanced approach, combining speed with clearer guidance, simplified processes, and safeguards against misuse, could have improved outcomes. It also notes that additional support, such as financial literacy resources and broader access beyond high-growth sectors, may have enhanced the Fund's reach and effectiveness. These kind of improvements seem sensible suggestions to me, but we did not yet have this level of clarity about these kind of ideas at the time the extensions were made.

Recovery Loan Scheme

4.82. The RLS was introduced to support SMEs in accessing finance following the closure of the three Covid-19 loan schemes (CBILS, CLBILS and BBLS). To be eligible, businesses had to be UK-based, have an annual turnover of £45 million or less, and demonstrate that they were viable and not in financial difficulty. RLS funding could be used for any legitimate business purpose, including working capital or investment.

4.83. The RLS was announced on 3 March 2021 and opened to applications on 6 April 2021. An initial end date was set for 31 December 2021 however this was subsequently extended to 30 June 2022. I was the Permanent Secretary at BEIS throughout this period and had general oversight and Accounting Officer responsibilities in relation to the scheme.

Origins of the RLS

4.84. I have been asked to comment on whether the timing of the closure of the Covid-19 debt schemes (CBILS, CLBILS and BBLS) was appropriate in light of the prevailing economic conditions in late 2020.

4.85. From the outset, these schemes were designed and communicated as temporary emergency measures, aimed at addressing the immediate liquidity challenges facing businesses during the acute phase of the pandemic. By the autumn of 2020, economic

indicators and internal assessments by both BEIS and HMT suggested that it was time to transition away from blanket support.

4.86. Officials in BEIS and HMT independently concluded that it would be defensible to wind down the schemes. BEIS emphasised the need to weigh several competing policy objectives, including the protection of productive capacity, minimisation of long-term economic scarring, and the importance of supporting viable businesses to promote recovery whilst avoiding ongoing support for firms unlikely to be sustainable. Additionally, BEIS recognised the mounting fiscal risks, particularly from BBLS, where high levels of fraud and credit risk made continued operation untenable as a long-term feature of the finance landscape {SM/139 INQ000564096}.

4.87. Similarly, HMT, in their advice to the Chancellor, identified that demand for the scheme had plateaued and noted that borrowers had already had approximately six months to access the deliverable support {SM/140 INQ000564098}. Moreover, uptake patterns showed that many businesses were not drawing down the full amounts available to them, suggesting that liquidity pressures were easing for a significant portion of the market. HMT's analysis also highlighted the need to shift focus from emergency lending to longer-term structural interventions that could support the evolving needs of SMEs, particularly in light of ongoing economic uncertainty due to Covid-19 and the impending EU transition period.

4.88. Both departments recognised that although risks remained, particularly around the potential for a winter resurgence of the virus or uneven recovery across sectors, the broad-based schemes were no longer the most appropriate tool. Instead, attention needed to turn to more targeted forms of support, aligned with the Government's longer-term economic strategy, the refresh of industrial strategy, the review of the BBB, and the Spending Review 2020 {SM/139 INQ000564096}. In this context, whilst the schemes were extended after these evaluations, the eventual decision to close CBILS, CLBILS and BBLS and transition to new measures reflected a logical and proportionate response to the challenging economic landscape and the need to balance short-term support with fiscal sustainability and future market functioning.

4.89. I have been asked to outline the policy options that were considered alongside the RLS which aligned with the Government's wider economic recovery plans and addressed challenges faced by SMEs as they exited the pandemic. As the Covid-19 loan schemes approached their closure date, officials from BEIS, HMT, BBB and UK Government Investments (**UKGI**) worked together to assess a range of potential interventions in the

SME debt market. This work was shaped by the Government's broader objectives of supporting economic recovery and supporting SMEs in managing the dual pressures of post-pandemic adjustment and the end of the EU transition period. A key input was the BBB's discussion paper, 'Options for Future Government Intervention in SME Debt Markets', which explored both short- and long-term policy approaches {SM/141 INQ000585683}. This discussion paper is discussed in detail in the BEIS Module 9 corporate statement (Part B, paragraphs 8.10 to 8.17). In summary, the paper considered options including modified versions of CBILS, government-backed loans with repayment support, perpetual bonds, and sector-specific products such as merchant cash advances. Each option was evaluated against criteria including its ability to support viable businesses, promote growth, and deliver value for money, while also recognising the need to address market failures while avoiding support for unsustainable businesses.

4.90. I have been asked to provide a personal reflection on why it was agreed that a new scheme should replace both the EFG and CBILS. In my view, the decision to utilise a new scheme reflected a clear shift in policy focus. The EFG, while originally designed to address longstanding issues such as lenders' difficulty in pricing SME risk and SME's lack of collateral, had become increasingly marginal due to restrictive terms and limited uptake. CBILS, by contrast, had been a temporary crisis response tool created to deploy finance at speed and scale, and to preserve jobs during a period of economic shock {SM/142 INQ000564116} and {SM/143 INQ000564113}. With the acute phase of the crisis easing, there was consensus that a new scheme should be developed that aligned more closely with longer-term market-support objectives, namely supporting viable SMEs who remained underserved by commercial lenders, but without replicating the scale and breadth of the earlier emergency programmes. This approach was also intended to improve value for money by narrowing eligibility to businesses with a long-term outlook. I do not consider it remotely surprising that neither a pre-Covid-19 scheme nor a more crisis-oriented scheme were the correct response to the newly emergent economic challenges post Covid-19.

4.91. I have been asked to explain the difference between the RLS and CBILS. Like CBILS, RLS included an 80% government guarantee and no portfolio cap, and the scheme access fee was again charged to the lender rather than the borrower. However, the RLS removed the 12-month interest and fee-free period and increased the maximum facility size to £10 million (compared to £5 million under CBILS), thereby allowing larger

medium-sized firms greater headroom to borrow {SM/144 INQ000609053} {SM/145 INQ000625012}.

4.92. I considered the introduction of the RLS to be broadly the first stage in a deliberate shift away from the emergency lending landscape and towards a more normalised approach to SME finance. As Alex Hitchcock (Special Adviser to the Secretary of State) observed at the time, the Government was "…*now in recovery mode not crisis mode…*" {SM/146 INQ000585712}. I agree with this characterisation. The RLS represented a step back from the exceptional measures of schemes like BBLS, designed primarily to 'get money out of the door', and towards a model more consistent with pre-pandemic interventions such as the EFG, albeit with refinements to better meet market needs. While the RLS still involved a level of government support, it reintroduced greater commercial discipline into the lending process and was conceived as a bridge toward a more sustainable, market-led SME finance environment.

Design of RLS

4.93. I have been asked about the design phase of the RLS. In terms of the consultation process, officials from BEIS consulted closely with HMT, BBB, UKGI, and the IDAB. Ministers were also engaged throughout the process, as were selected lenders.

4.94. A contentious element of the design phase was whether loans under £25,000 should be included within the scope of the RLS. I have been asked about this decision. This topic is addressed in Part B of the BEIS Module 9 corporate statement (paragraphs 8.45 to 8.52). In summary, the main concern was that lending below this threshold would trigger the Consumer Credit Act 1974 (**CCA**), which applied to lending to sole traders and small partnerships under £25,000. Compliance with the CCA is complex and costly for lenders, making this category of loans less commercially attractive. The trade-off, therefore, was between maintaining simplicity and broad lender participation by excluding sub-£25k loans, versus the risk of leaving smaller businesses without appropriate support.

4.95. In December 2020, the Secretary of State expressed the view that it was important to retain the option of offering loans under £25,000, even if uptake was limited to a few market participants such as Funding Circle.[14] In contrast, the Chancellor was doubtful about including sub-£25k lending given the well-known CCA issues. His view was that

[14] Funding Circle is a financial technology company and online marketplace that connects SMEs seeking loans with investors. It acts as an alternative to traditional banks, offering a platform where businesses can apply for loans and investors can lend money, earning interest in return.

suspending CCA protections, as had occurred under BBLS, was not appropriate or sustainable in this context {SM/147 INQ000564159}.

4.96. BEIS officials continued to explore options to address this support gap for businesses seeking access sub-£25k loans. In February 2021, officials submitted further advice recommending that lenders be permitted to offer loans under £25,000 under the RLS, should they choose to do so {SM/148 INQ000564180}. While recognising that lender uptake might be limited, this option was considered important to support smaller businesses and mitigate reputational risk arising from a perceived lack of support. It was also recommended that the guarantee pricing be made more generous for sub-£25k lending to offset the disproportionately high compliance costs.

4.97. In parallel, BEIS recommended expanding the existing Start Up Loans scheme, which already supported newer businesses with fixed-rate loans and mentoring. Proposals were also considered to increase grant support or broaden grant eligibility, recognising that some small businesses were already highly leveraged and that grants, although more expensive, may be the only realistic option for reaching these firms {SM/148 INQ000564180}.

4.98. Following this advice, the Secretary of State reiterated his view that support for sub-£25k lending was necessary to avoid leaving a segment of the market behind. He directed Special Advisers to engage with HMT and noted that expected default rates would be a key concern for HMT {SM/149 INQ000564185}. BEIS officials responded by referencing the BBB's estimate of an overall default rate for the RLS of between 10% and 25%. However, there was significant uncertainty around this figure, particularly for sub-£25k loans, given that such loans were more likely to go to younger businesses, which tend to carry higher risk. On the other hand, it was also noted that lenders typically use conservative automated credit scoring systems for small loans, which could help mitigate risk {SM/150 INQ000564186}.

4.99. As noted in Part B, paragraph 8.51, of the BEIS Module 9 corporate statement, it remains unclear whether further substantive discussions took place between BEIS and HMT regarding the sub-£25k threshold. Despite searches being undertaken, no documentary evidence has been located confirming such engagement. From my own recollection, I do not remember what happened after the internal exchanges in early February. I consider it likely that Special Advisers attempted to engage HMT but I was not part of those conversations.

4.100. Ultimately, sub-£25k loans were not included in the final business case for the RLS. However, in my view, this exclusion did leave a gap in support for businesses with lower funding needs, particularly smaller or younger firms that were unable or unwilling to take on larger amounts of debt but still faced acute liquidity challenges.

Reflections on the RLS

4.101. I have been asked to reflect on whether the RLS achieved its intended aims. In February 2023, the BBB commissioned London Economics and Ipsos to undertake a process evaluation and early impact evaluation of the RLS. The evaluation aimed to assess whether the objectives of the RLS were satisfied. The report was published on 22 March 2024 {SM/151 **INQ000593116}.** In summary, BBB's report found strong evidence that the scheme was largely successful in meeting its core objectives. It provided nearly £2.8 billion in government-backed loans to around 10,000 UK businesses, targeting sectors heavily affected by the pandemic, such as retail and hospitality. Notably, 83% of the lending was deemed 'additional', meaning it would have not occurred without the scheme, indicating that the RLS effectively filled a gap in the market for viable but underserved firms.

4.102. The impact on business survival and performance was also significant. According to the BBB evaluation, 59% of borrowers believed they would have been likely or certain to cease trading without RLS support. Furthermore, participating firms saw an estimated 17% increase in turnover relative to comparable non-participants, suggesting that the scheme not only prevented collapse but actively supported recovery and growth. Importantly, the loans were used for a range of purposes, from working capital and stock purchases to innovation and investment in sustainability, highlighting the flexibility and strategic value that the funding provided.

4.103. In terms of delivery, RLS benefited from lessons learned during the earlier CBILS programme, with improvements in lender data-sharing and integration into normal commercial lending processes. While take-up was slightly lower than forecasted, the overall design and execution were seen as effective. The continuation of the scheme in the form of the Growth Guarantee Scheme further reflects confidence in its underlying model.

4.104. Based on these findings, on balance, it is my view that the RLS achieved its intended aims: improving access to finance for viable firms, supporting their survival and recovery, and enabling future-focussed investment.

4.105. As I understand it, the BBB is preparing an interim evaluation of the RLS that explores both the medium- and long-term impacts. It is envisaged that this interim evaluation will take place approximately 3 years after the early impact evaluation was completed.

4.106. I have been asked whether this scheme was value for money. As noted in Part B, paragraph 8.61, of the BEIS Module 9 corporate statement, an assessment of value for money was undertaken prior to the implementation of the RLS. On 11 March 2021, I received advice from BEIS officials in my capacity as Accounting Officer {SM/152 INQ000625015} {SM/153 INQ000564200}. On the basis of the available evidence at the time, officials judged the scheme to represent value for money and characterised its risk level as 'medium'. However, this assessment was underpinned by a high degree of uncertainty, reflecting the extraordinary economic conditions prevailing in 2021. Several complicating factors influenced this uncertainty, including the lack of historical data on how similar loan schemes performed under comparable circumstances, which included preceding schemes such as CBILS and BBLS. Consequently, the value for money model was assumption-based and reliant on whatever evidence could be sourced at the time. It was designed to evolve in response to changing economic dynamics and shifts in business and lender behaviour. The advice I was given therefore presented a wide range of potential outcomes for the scheme, with a benefit-cost ratio of around 4.4 in the central case, with a range between 1.6 (pessimistic) and 10.2 (optimistic). Even in the worst-case scenario they modelled, this represented a positive value for money case. The scheme was also signed off by the Department's Projects and Investment Committee (**PIC**) which agreed with the team's assessment that it passed the Accounting Officer tests.

4.107. On 15 March 2021, I sought clarification regarding the funding model for the scheme {SM/154 INQ000564204}. This was primarily a (relatively) technical and internal to government matter of agreeing with HMT how we would ensure budgets could cover the scheme. I was advised by the finance team that the scheme was considered affordable. On 16 March 2021, I cleared the Accounting Officer advice {SM/155 INQ000564205}.

4.108. On the same day, final approvals were sent to the Secretary of State which noted that a ministerial direction was not required for the RLS as the central assessment indicated that the scheme represented a reasonable value for money proposition {SM/156 INQ000564206}.

4.109. To the best of my knowledge, no formal retrospective evaluation of the RLS's value for money has yet been completed. However, I understand that the BBB's interim evaluation of the RLS is expected to consider this issue in more detail. Given the positive results of the early impact evaluation, I would expect that we see a positive value for money assessment, but a formal view will need to wait until the process has been carried out. At the time of launch, I agreed with the team and PIC that the scheme was likely to provide sufficient value for money that it did not require a ministerial direction, and I have not seen evidence to date that would make me revise that view, though final conclusions will need to wait for the scheme's formal evaluation.

4.110. I have been asked to reflect on whether the RLS adequately safeguarded public funds and reduced the risk of fraud and error. A central design objective of the RLS was to address and mitigate fraud and error risks, drawing directly on the lessons from the earlier Covid-19 loan schemes, particularly BBLS and CBILS. From the outset, deliberate steps were taken to implement a more robust counter fraud framework. In contrast to BBLS, there was an initial requirement for accredited lenders to retain a 20% exposure to each facility (80% government guarantee), thereby ensuring a vested interest in robust due diligence, and the RLS did not rely on borrower self-certification {SM/144 INQ000609053}. The RLS also used safeguards that were embedded through the BBB's risk-based lender accreditation process, legally binding scheme agreements, and ongoing compliance obligations. Lenders were also required to apply standard fraud prevention measures (customer due diligence, know-your-customer (KYC), anti-money laundering (AML) procedures), and credit assessments (credit reference agencies). These measures were further supported by the BBB's audit and assurance programmes, alongside continuous monitoring and reporting of lender portfolios and scheme allocations.

4.111. The initial business case for RLS acknowledged that, due to its closer operational alignment with CBILS, the expected level of fraud risk was more likely to mirror CBILS rather than BBLS, where fraud levels were significantly higher {SM/144 INQ000609053}. Anecdotal evidence from lenders supported this view, suggesting that while fraud attempts occurred, primarily at the application stage, lenders' internal detection and prevention processes were largely effective, and instances of post-lending fraud were minimal.

4.112. The business case submitted in support of the RLS extension was able to benefit from early insights into the scheme's operation {SM/157 INQ000564227}. It noted that the BBB had embedded best practices and governance arrangements developed through

its administration of previous schemes. These design choices, combined with the absence of significant delivery issues, were viewed as indicative of substantial progress in fraud and error mitigation relative to early schemes, and of a material reduction in residual risk.

4.113. The findings from the BBB's 2024 evaluation of the RLS support this assessment. The report suggests that the RLS deployed robust, industry-standard lending controls and experienced low levels of suspected fraud, well within the boundaries of typical commercial lending risk {SM/151 **INQ000593116}.** While a small number of fraud cases were reported, the overall exposure of public funds remained low, demonstrating that the scheme adequately safeguarded against fraud and error.

4.114. With hindsight and drawing on findings from the BBB's initial evaluation of the RLS, there are several aspects of the RLS's design, implementation, and delivery that I would consider approaching differently. I would have introduced greater flexibility in repayment structures earlier, such as staged repayments or top-up options, to better support businesses facing prolonged uncertainty. I would also have expanded the pool of accredited lenders at the outset, particularly by involving more regional, alternative, or fintech providers, to improve access for harder-to-reach SMEs. I would have done even more to ensure that data collection for evaluation purposes was strong from the start. I consider these types of learning and improvement to be expected, and typical for any government intervention, reflecting that it is good policy practice to evaluate, learn, and improve, rather than being fundamental flaws in what was a broadly successful intervention.

4.115. As reflected in the BEIS Module 9 corporate statement, some of these points were already addressed when making later adjustments to the scheme's initial design (Part B, paragraphs 10.36 to 10.40). For example, the later introduction of personal guarantees for smaller loans to support lender confidence, and the adjustment of the guarantee level from 80% to 70% to ensure lenders retained sufficient risk exposure.

4.116. That said, the scheme has, overall, been successful. As noted above, the evidence suggests that the RLS achieved its key aims — supporting viable businesses, improving access to finance, and contributing to post-pandemic recovery — making it an effective intervention given the unusual circumstances in which it was delivered.

Extension of the CBILS, CLBILS, and BBLS Schemes

4.117. CBILS, CLBILS and BBLS were extended on three occasions, and closed on 31 January 2021.

a) CBILS was originally due to close on 30 September 2020, CLBILS on 20 October 2020 and BBLS on 4 November 2020. All three schemes were first extended until 30 November 2020;

b) On 2 November 2020, the Prime Minister announced the three schemes would be extended until 31 January 2021; and

c) In December 2020, the loans were extended for a third and final time, until 31 March 2021.

4.118. For each loan scheme, I am asked to comment on whether the scheme was value for money. As already addressed, during the launch of the loans, I was not the relevant Director General and not directly involved in the compilation of Accounting Officer advice. However, I set out a brief summary of the value for money assessment at the time of launch in paragraphs 4.8, 4.38 and 4.54, above, in relation to CBILS, CLBILS and BBLS respectively. I note that a ministerial direction was issued for each loan, and this is indicative of the fact there was uncertainty about the value for money at the time of each schemes' launch.

4.119. I was the Permanent Secretary (and therefore, Accounting Officer) for the three extensions of the schemes. The ministerial direction applied to each extension because concerns around value for money were still sufficiently significant that I was not able to assure ministers that the extensions met the standards laid out in *Managing Public Money*. However the extensions were covered by the earlier ministerial directions because they were not assessed to generate new or increased risks outside the scope of the existing ministerial directions.

First Extension: to 30 November 2020

4.120. The first loan scheduled to close to applications was CBILS, on 30 September 2020. In the lead-up to this deadline, the Department considered whether an extension was necessary. On 3 September 2020, BEIS officials sent the Secretary of State a submission that proposed extending applications for CBILS until the end of November but retaining the CLBILS and BBLS end dates (i.e. CLBILS on 20 October 2020 and BBLS on 4 November 2020) {SM/139 INQ000564096}. I reviewed the submission prior to this and agreed with its proposals {SM/158 INQ000624941}. At this stage, the Department considered that extending CBILS would mitigate the risk of smaller firms being unable to access government-backed loans during a potential winter resurgence. BBLS applications had plateaued significantly in August, and the submission noted that that particular scheme came at a high cost due the inherent

fraud risks and *"…cannot be a long-term feature of the market."* The submission noted that closing BBLS might create a gap in smaller loans and suggested reducing the lower lending limit for CBILS, however this had been wholly rejected by the lenders as an option. Given the above factors, the submission advised that closing CLBILS and BBLS and extending CBILS would balance value for money, business support and economic objectives.

4.121. The Secretary of State's initial response was that both CBILS and CLBILS' end dates should align and close to applications on 31 October 2020, and that BBLS should close as planned {SM/159 INQ000624942}. In parallel, on 8 September 2020, the Chancellor received advice provided by HMT that recommended extending all three schemes until the end of November {SM/140 INQ000564098}. The EU's Temporary State Aid Framework was due to end on 31 December 2020, and this extension would allow the schemes to run for the maximum duration permitted under the Framework. HMT officials advised that there remained uncertainty in the economic market, and in the progression of the pandemic, and this approach would bring the UK in line with other European countries such as France and Germany.

4.122. On 12 September 2020, the Department (via the BEIS press office) were informed of the Chancellor's intention to announce the extension to the schemes {SM/160 INQ000624946}. However, the Chancellor had not yet taken a final view on the extension, nevertheless, in tandem, BEIS officials prepared updated Accounting Officer advice on the three schemes.

4.123. On 18 September 2020, I received advice from officials, in my capacity as Accounting Officer regarding the first extension (application extended until 30 November 2020) {SM/161 INQ000585675} {SM/162 INQ000585676}. The advice assessed whether the extensions were covered by the existing ministerial directions issued at the launch of each scheme. The advice noted the schemes would be extended on their existing terms. The four Accounting Officer tests were analysed and an indication given as to whether the risks had increased:

a) Regularity: the advice noted that the risk appears overall to have reduced. The EU Commission had approved the schemes under the Temporary Framework so the uncertainties around State aid were no longer applicable, though it was noted that continuing beyond 31 December 2020 would carry some State aid risk;

b) Propriety: the advice noted this risk was partially mitigated but remained high. The advice at launch of the schemes noted significant fraud risk. This had materialised in the intervening months, particularly for BBLS. However, a number of steps had been taken to reduce fraud risk, including implementing the scheme to identify multiple applications, establishing counter fraud meetings and support from the Cabinet Office Counter Fraud Function, and monthly fraud reporting by the BBB. The level of risk remained high, but not greater than the previous assessments;

c) Value for money: there was assessed to be no material change to the level of risk. The advice noted that officials remained unable to estimate value for money, due to a lack of available robust analysis at this stage of implementation and BEIS were working with the BBB to get access to data to improve modelling of loss estimates; and

d) Feasibility: this risk appeared reduced overall. In the preceding months, the BBB and lenders had demonstrated their capacity to implement the schemes. There remained concerns whether lenders had enough time to process applications ahead of the Temporary Framework deadline of 31 December 2020. This risk would be mitigated by early notification of closure dates. Further, lenders could refuse new applications lodged earlier than 30 November 2020 if required to ensure they were processed by the deadline.

4.124. The above analysis concluded that no new risks had materialised, and the above risks had not increased in level since the original assessments. This, combined with the fact there were no changes to the parameters of the scheme, led officials to advise that the extensions were covered by the ministerial directions issued earlier that year. I agreed with that assessment as did the Treasury Officer of Accounts {SM/163 INQ000624951}.

4.125. The Accounting Officer advice was compiled using data and intelligence from the BBB and BEIS sectors teams. It stated that take-up had been strong across the UK, with distribution of loans broadly proportionate to business population in each region. The data also indicated it had been successful at getting support to particularly vulnerable sectors. By way of example, the wholesale and retail sector accessed significantly higher portion of CBILS loans than its share of business population (19% v 9%). The advice collated intelligence and feedback on the current state of businesses:

"Intelligence that government is gathering, our internal analysis and various sources of data point to a continuing need for the government-backed loan schemes over the next few months. Businesses are still reporting that their finances have been negatively affected by Covid-19, many have small (or no) cash buffers and a significant proportion of such businesses need finance for immediate purpose."

4.126. In parallel, BEIS officials sent a submission to the Secretary of State seeking his approval to extend the loans {SM/164 INQ000585673} {SM/165 INQ000064925}.

4.127. On 18 September 2020, I approved the recommendation to extend the loans under the cover of the previous direction {SM/166 INQ000564099}. Shortly thereafter, the Secretary of State approved the extensions {SM/167 INQ000564100}.

4.128. On 24 September 2020, the Chancellor announced extensions to the three loan schemes, alongside the Future Fund (which is discussed above from paragraph 4.69). Alongside the extensions, the announcement included the following forbearance measures:

a) CBILS lenders would be entitled to extend the length of their loans from a maximum of 6 years to a maximum of 10 years when deemed necessary; and

b) For BBLS, a number of Pay As You Grow (**PAYG**) options were announced including extending the length of the loan from 6 to 10 years, allowing interest-only payments for six months, and a single full repayment holiday of six months.

4.129. Although the above forbearance measures had been discussed with BEIS officials and approved by the Secretary of State previously, the Department was unaware this would be announced alongside the extensions {SM/168 INQ000564108}. As such, on 1 October 2020, I received further advice and an analytical note in my capacity as Accounting Officer retrospectively assessing the measures {SM/169 INQ000624954} {SM/170 INQ000564112} {SM/171 INQ000624955}. In relation to the BBLS PAYG options, businesses were able to self select these options. The advice stated that the forbearance options would improve borrowers' ability to repay. The options would increase the cash flow of businesses. By increasing the length of repayment, the monthly payments would reduce and this was intended to increase the chance of business survival. However, the advice also noted that officials were unable to produce robust estimates on the impact on value for money. The risk to value for money could increase in cases where businesses' ability to pay does not improve. This was

contrasted against the possibility of value for money improving due to business survival rates increasing in the medium to long term. Ultimately, the advice concluded that there remained a lack of certainty regarding value for money, but that a new ministerial direction was not required for the changes. This was because despite the new parameters, there was not a considerable increase in any of the Accounting Officer risks, and the original direction was issued based on the same risk profile. The advice noted the Treasury of Accounts supported this assessment. I cleared the advice on the same day {SM/172 INQ000624956}.

Second Extension: to 31 January 2021

4.130. On 31 October 2020, the Prime Minister announced a national lockdown would begin 5 November 2020. Following this, on 2 November 2020, the Chancellor announced a package of measures to support businesses through winter. This included further extending CBILS, CLBILS and BBLS applications until 31 January 2021, with payments to be finalised by 31 March 2021.

4.131. The Chancellor also announced a 'top-up' mechanism for BBLS loans. In the original BBLS scheme design, companies could seek a loan for up to 25% of their annual turnover. The new mechanism would allow companies that had initially not sought a loan to the full value of 25% of their turnover to 'top-up' the loan to that amount (with a maximum loan of £50,000).

4.132. On 3 November 2020, BEIS officials sent a submission to the Secretary of State regarding the extensions and 'top-up' mechanism, a revised version was circulated the next day {SM/173 INQ000624968} {SM/174 INQ000564134}. The submission was sent ahead of Accounting Officer advice to allow the Secretary of State to input on the operation of the 'top-up' mechanism. The submission noted that the mechanism could create vulnerabilities to fraud if there were not checks in place to prevent borrowers overstating their annual turnover. The submission stated that as a minimum, the lender should check the original application to ensure the turnover declared was not inconsistent. A more robust measure would be to require lenders to verify the turnover with Companies House data or BBB accounts, but that this would cause delays to loan processing and approvals.

4.133. On 6 November 2020, I received advice, in my capacity as Accounting Officer, regarding the second extension and an accompanying analytical note {SM/175 INQ000624973} {SM/176 INQ000624978} {SM/177 INQ000594806}. As with the previous extension, the advice analysed whether the extension was covered by the

ministerial directions already issued. In regard to CBILS and CLBILS, the analysis was the same as set out above in paragraph 4.124, that the parameters had not changed and the risks were not greater than that in the original assessments. However, with the inclusion of the 'top-up' mechanism, the parameters of BBLS had changed.

4.134. The 'top-up' was designed to assist businesses that had taken a loan earlier in the year, and had found that they now needed additional support due to the ongoing impact of the pandemic. The submission noted that *"This is most likely to impact Bounce Back loan borrowers, who will generally be less resilient and have less access to alternative financing options, owing to longstanding issues in the SME finance market."* The four Accounting Officer tests were analysed separately for each scheme, though an overall summary is provided here:

a) Regularity: the advice noted that risk appears overall to have further reduced. The EU Temporary Framework had been extended until 30 June 2021, which removed the risks identified with State aid. HMG were required to renotify the European Commission on the extension but the advice stated the risk of refusal was low;

b) Propriety: the advice noted that risk was partially mitigated but remained high. The advice stated that further mitigations for fraud had been introduced since the last assessment, including that the BEIS counter fraud function had been upscaled and action had been taken to improve data sharing and reporting among lenders. The 'top-up' mechanism possibly increased vulnerability, though the advice noted if the mitigations suggested by the Secretary of State (as above in paragraph 4.132) were not agreed with by the Chancellor, the Department would work with the BBB to consider how to use post-payment data analytics to identify cases of possible inflated turnover. Even with the mitigations in place, the residual fraud risk was assessed to be significant, and despite the 'top-up' mechanism adding risk, the advice ultimately determined that the overall risk of fraud was not materially greater than that at scheme launch. In particular, the advice noted that data, such as that from Crimestoppers, suggested that the nature of the 'top-up' was that it was unlikely to be used by initially fraudulent applicants, who would have had a strong incentive to take the maximum loan already. There was also a strong equity justification for the 'top-up' mechanism as without it we were, in effect, penalising those who had been conservative in their use of the BBLS mechanism earlier in the pandemic;

c) Value for money: the advice assessed there to be no material change to the level of risk, due to a lack of available data; and

d) Feasibility: the advice concluded that the risk remained reduced overall. The 'top-up' mechanism required lenders to implement changes to their IT systems, however BEIS and HMT agreed top-ups could be processed as a new loan for the purposes of back-end systems. Lenders had fed back that this would be simpler than reconciling against previous loans.

4.135. Alongside the Accounting Officer advice, I received an analytical note {SM/177 INQ000594806}. The note stated that since the advice provided in September on the first extension, the Department had acquired BBB portal data across all three loan schemes. Further, the Department developed an analytical framework and applied this with the evidence available. The note concluded there were significant gaps in the evidence base meaning a robust value for money assessment was not possible. However, emerging findings from the analysis of the loan portal data showed that uptake rates for the wholesale and retail trade sector were disproportionately higher than other sectors. This showed that this sector was less resilient to the impacts of Covid-19 and the note stated this could be further exacerbated by the reliance of this sector on Christmas trading towards the end of the year. The data also showed a number of regions that may be vulnerable to the economic impacts of Covid-19, the number and value of loans in the South West were disproportionately higher than others.

4.136. I initially had some concerns about whether a new direction was needed given the second extension and application of the 'top-up' mechanism. I thought the Department needed to consider thoroughly whether the 'top-up' mechanism changed the value for money risks given the levels of fraud that had materialised in the first few months of the scheme. To this end, on 4 November 2020, the Department approached the Treasury Officer of Accounts for clarification {SM/178 INQ000564136}. The readout of the discussion noted that the high risk of fraud remained in place, but that the fraud risk had not materially increased and so a new direction was not required. The Treasury Officer of Accounts agreed with this assessment. Given the above factors, on 9 November 2020, I cleared the advice, approving the recommendation to extend on the basis they were covered by the existing ministerial directions {SM/179 INQ000624976}. I remember thinking that the evidence that fraudsters were likely to have already taken advantage of the maximum loan was important, and strongly

suggested that this 'top-up' mechanism was not going to meaningfully increase the fraud risk.

4.137. In tandem, the Secretary of State's private office had emailed the Chancellor's private office regarding the verification point on the 'top-up' mechanism {SM/180 INQ000564142}. My office was copied into this thread. The email set out the Secretary of State's concerns regarding potential fraud, and stated the risk would be mitigated by working with lenders to develop additional checks, such as the data verification discussed above in paragraph 4.132. The email noted this could include lenders verifying the information with Companies House, though I note the submission discussed above also suggested lenders could check against the turnover declared in the original application. The Chancellor's office replied that HMT was open to exploring pre-approval checks provided it did not put at risk processing loans in 24 hours, or the self-assessed nature of the forms. It also stated that HMT were open to exploring post-approval checks. On 9 November 2020, in the same thread, the Chancellor agreed to the extension of the three loans and the implementation of the 'top-up' scheme.

4.138. On 9 November 2020, I received a letter from Catherine Lewis La Torre that stated the BBB Board were not raising a further Reservation Notice regarding BBLS but noted that the existing concerns continued to apply {SM/181 INQ000564139}. The letter acknowledged that steps had been taken to combat and reduce fraud across the schemes, but that the residual risk of fraud remained high, and the proposed extensions and top-up would increase that risk. I responded to this letter the same day {SM/182 INQ000564141}. I acknowledged the concerns raised in Catherine's letter and agreed that the risks associated with BBLS remained significant, noting that *"…it would likely still not be possible to reconcile the scheme with the standards set out in Managing Public Money"* (original emphasis). I stated, however, that there was a strong rationale for the changes due to the continuing economic circumstances and new national restrictions coming into force on 5 November 2020. The letter instructed the BBB to extend BBLS and implement the 'top-up' mechanism. In a separate letter, I instructed the BBB to proceed with the scheme extension for CBILS and CLBILS {SM/183 INQ000564143}. On 10 November 2020, applications for the BBLS 'top-up' opened. In relation to the additional counter fraud mechanisms proposed by the Secretary of State, in the end mandatory checks or verification of the turnover reported on 'top-up' applications were not implemented. As per the response from HMT referenced above at paragraph 4.137, HMT ministers did not want to move away from the 'self-certification' nature of the BBLS scheme (designed to ensure funds were

delivered as quickly as possible) or to adopt mandatory checks if they would imperil the 24 hour turnaround of applications. A voluntary system for lenders to verify turnover on potentially fraudulent applications with HMRC was launched in December 2020, and is discussed below.

4.139. Following the launch of the 'top-up', in November 2020, BEIS, HMT and Cabinet Office officials considered further what pre-approval checks could be implemented. This had been raised by the Secretary of State to HMT when approving the extension (as above paragraph 4.137). Cabinet Office developed a proposal to use HMRC's existing mortgage verification service and apply it to BBLS applications {SM/184 INQ000624979} {SM/185 INQ000624980}. The verification service provided by HMRC enabled lenders to verify the turnover on mortgage applications where lenders suspected that the turnover may be falsified. Cabinet Office progressed this proposal throughout November 2020, and by 4 December 2020 the BEIS Secretary of State and Economic Secretary to the Treasurer had signed off the proposal, provided it fit with the scheme parameters and subject to HMRC's sign off {SM/186 INQ000624984}. Draft guidance dated 7 December 2020 stated that where there was a high suspicion of fraud related to misrepresentation of turnover in an application (new or via the 'top-up' mechanism), lenders could use the HMRC verification service as an aid to support the identification of suspected fraudulent behaviour {SM/187 INQ000624985}. This was optional and not a requirement. On 17 December 2020, lenders were advised of the change and that the scheme could be used and on 22 December 2020, the BBLVS (BBLS Verification Scheme) went live {SM/188 INQ000564171}. The next day, my private office were informed that the system was live {SM/189 INQ000624998}. This work was primarily driven by Cabinet Office and the BEIS loans team, while I was aware that this was taken forward, I was not directly involved.

Third Extension: to 31 March 2021

4.140. On 10 December 2020, HMT notified the Department that the Chancellor was considering extending CBILS, CLBILS and BBLS until 31 March 2021, with a successor scheme to take over 1 April 2021 {SM/190 INQ000624991}. The successor scheme became the RLS, discussed above from paragraph 4.82. An update later in the week stated the announcement was expected by way of written ministerial statement on 17 December 2020. The extension was intended to assist businesses with any forthcoming restrictions over the winter period.

4.141. On 16 December 2020, I received draft advice in my capacity as Accounting Officer. This advice was finalised on 17 December 2020, the day of the announcement

{SM/191 INQ000624993} {SM/192 INQ000564170}. The advice stated that the assessment of the latest extension remained substantively unchanged from the previous assessment discussed above at paragraph 4.133. The four Accounting Officer tests were considered and compared to previous advice. As the parameters of the schemes were not altering, and the risks did not constitute further departure from the four tests, officials advised that the extension was covered by the previous ministerial direction. A summary of the analysis of the four tests is set out below:

a) Regularity: the advice noted the risk appeared overall reduced, though the affordability risk had increased against previous assessment. In the last assessment (paragraph 4.134), it was noted that the Government needed to renotify the European Commission of the extensions in light of the Temporary Framework extension until 30 June 2021. In the intervening period, the European Commission had approved this, so there were no longer State aid concerns. However, there was concerns around affordability. The Department had estimated loss, but there was inherent uncertainty on those estimates. HMT were due to issue Supplementary Estimates (additional funding) in early January 2021, and there was a risk that the extensions would exceed the amount allocated to BEIS. Despite this, the advice concluded that although the risk was increased, I was not required to seek another direction on the grounds of affordability as officials were *"reasonably confident"* the extension would be affordable based on the current best estimate. We were accustomed to this sort of uncertainty and it would not in and of itself have been sufficient to think that an additional direction was required;

b) Propriety: the advice noted that this risk was partially mitigated but remained high, particularly regarding BBLS. Since the last advice, the BBLS 'top-up' mechanism had begun. As officials were not able to predict take-up of the 'top-up' they were unable to estimate overall levels of fraud, though data from Crimestoppers suggested that serious fraudsters had extracted the maximum amount in the first application. The advice noted that the Secretary of State had given a preference for lenders to be required to verify turnover by checking Companies House, but that HMT indicated they would not approve this given the significant delays this would add to processing times. The Department continued to work on mitigations;

c) Value for money: the advice noted there was no material change to the risk but significant increase in scale of lending against the original assessment due to

the scheme extensions. There remained a lack of available data to enable a robust analysis of value for money, because working out the value for money of an in-flight loan scheme with poor data on the counterfactual of what would have happened without it was always going to be extremely challenging; and

d) Feasibility: this risk remained overall reduced. The BBB and lenders had been delivering the schemes for several months, and the 'top-up' mechanism had been successfully implemented.

4.142. The Accounting Officer advice was compiled using data from the BBB and intelligence from BEIS sectors teams.

4.143. On 21 December 2020, I cleared the advice for all three extensions, on the basis it was considered they were covered under the existing ministerial direction {SM/193 INQ000624996}. I agreed with the advice however, that significant Accounting Officer risks remained. We were extending schemes that came with uncertain, yet potentially very substantial, benefit, and significant costs to the public purse. There was a general consensus among teams at the time that this was the right course of action given the state of the economy and the pandemic, but we were aware that we were still facing a picture of high uncertainty on whether this kind of major economic intervention would ultimately be value for money. The Treasury Officer of Accounts agreed that a further direction was not required on the basis that the risks in the extensions were covered by the original direction {SM/194 INQ000624992}.

4.144. On the same day, 21 December 2020, BEIS officials sent the Secretary of State a submission regarding the extensions. This was finalised on 22 December 2020 {SM/195 INQ000624997} {SM/196 INQ000089923}. On 23 December 2020, the Secretary of State's office wrote to the Chancellor's office seeking approval to extend the loans. This was granted on the same day {SM/197 INQ000564173}.

Post-Scheme Evaluations on Value for Money

4.145. As noted above in paragraph 4.79, Ipsos UK, Technopolis, and George Barrett undertook a meta-evaluation of BEIS's overarching response, which was published recently in May 2025 {SM/138 INQ000610872}. I was not in the Department when the Ipsos Report or the BBB evaluations were published. The Ipsos Report concluded that value for money was affected by such factors as a lack of targeting support and priority being given to speed. It reported that value for money could have been improved however, it also noted *"…that the UK government adopted an approach that aligned*

closely with almost all other advanced economies when developing its business support programmes."

4.146. The BEIS Module 9 corporate statement (Part B, paragraphs 7.97 to 7.105) discusses the recently published BBB Year 3 evaluation {SM/198 INQ000609061}. The Year 3 Report assessed the value for money of the loan schemes, using benefit-cost ratio. In the case of CBILS and CLBILS, the report stated that both schemes provided value for money as in all modelled scenarios the benefit-cost ratio was above 1. In regard to BBLS, the lowest scenario was based on the assumption that there were no benefits beyond the end of the evaluation period (March 2022), and if this were the case, the BBLS benefit-cost ratio would be below 1. However, the report concluded this was a pessimistic (and perhaps not realistic) assumption, and that it is very likely the benefit-cost ratio for BBLS is above 1 and the benefits exceeded the costs. The report concluded:

> *"Looking at the schemes collectively, the benefit to cost ratios are above 1 in all three scenarios. Indeed, the evidence suggests the schemes created £27 billion to £77 billion of benefits for UK businesses. However, the economic costs of the schemes are also very substantial, estimated to be around £20 billion. The fact that the schemes have such large costs and benefits highlights the importance of the design and delivery of any other loan guarantee schemes that might be introduced in the future."*

Reflections on the Loan Extensions

4.147. I am asked to reflect on how my understanding of the fraud and error risks evolved over the course of the schemes, and how that impacted the extensions. The scheme most affected by the risk of fraud was BBLS. This was particularly during the first month of operation, prior to the implementation of the duplicate application checks. By the time of the extensions, there were a number of fraud and error mitigations in place. These included (a) the duplicate application checks, enabled through the Cifas database, which aimed to prevent borrowers from obtaining loans from multiple lenders; (b) the use of the 'Change in Director' flag to identify suspicious company behaviour, and (c) the weekly fraud workshops with accredited lenders to discuss fraud risks, share intelligence, and consider mitigations. These steps had strengthened the fraud controls in place and informed our advice on extending the schemes with greater confidence in the oversight framework {SM/088 INQ000128460}.

4.148. The loan schemes were extended at a time in the pandemic where the UK was facing imminent further restrictions. In the end, the UK underwent three national lockdowns, while certain areas also underwent local lockdowns and different tier systems. This created substantial economic uncertainty, and increased costs to businesses. Reflecting on the extensions, I consider they were the right decision in the circumstances as they were at the time. There were significant Accounting Officer risks at the time of scheme launch and those risks still remained when the extensions were made. Nevertheless, closing the schemes rather than extending them would have been unlikely to yield better results in the round.

Reflections on Loans Schemes

4.149. Overall, as the emerging evaluations are now beginning to demonstrate, it looks likely that the loan schemes will have been both value for money, and a very important component of the work done to prevent long-term scarring and unnecessary business failures during Covid-19. In the main, I view these programmes as a success. In the case of BBLS specifically, this has to be offset by the very significant losses due to fraud, particularly in the early weeks of the scheme's operation. As I look back, in the round, I think the important questions are really about how a similar scheme to BBLS could be better designed and operated in the future. The question is, should the 100% guarantee be completely disavowed as a feature, on the basis that it is structurally too vulnerable to fraud? If so, it raises the question as to what better alternatives actually exist to improve liquidity at very rapid speed to small businesses in a crisis. This is the part of the problem that strikes me as most relevant for future decisions on business support. Otherwise, beyond the issues of BBLS fraud, I suspect a playbook of loan programmes with characteristics much like those seen in CBILS and CLBILS looks like a perfectly sensible basis for future planning. The success in getting loans out quickly to companies in need, with low levels of fraud (outside BBLS), should not be overlooked.

Communication between HMT and DBT

4.150. I have been asked to comment on the effectiveness of communication and coordination between HMT and BEIS during the design and development of the Covid-19 loan schemes, and whether BEIS was involved early enough in the design process.

4.151. As noted above in Section 2 of this statement, during my time as Director General, I was not directly involved in the detailed design of the loan schemes and only had limited visibility of specific communication issues. However, I can provide some general observations, with reference to the BEIS Module 9 corporate statement.

4.152. Communication and coordination between HMT and BEIS during the design and implementation of the loan schemes was mixed. While there were some instances of effective collaboration, particularly as the schemes matured, there were also significant challenges, especially in the early phase of the pandemic. On several occasions, HMT made rapid ministerial decisions on scheme design that were then publicly announced with limited notice. This constrained BEIS's ability to ensure operational readiness and to provide clear, timely guidance to businesses in advance of scheme launches.

4.153. A clear example of this can be found in the development of BBLS. As set out in Part B, Section 4, of the BEIS Module 9 corporate statement, BEIS officials raised concerns with the Secretary of State in April 2020 about the speed at which the scheme was being progressed, particularly given the outstanding work required to finalise delivery mechanisms. This illustrates that BEIS was not always engaged early enough to effectively shape delivery planning alongside policy development.

4.154. A similar issue arose in relation to the decision to exclude loans under £25,000 within the scope of the RLS. As discussed earlier in this statement from paragraph 4.94, BEIS was not consulted sufficiently early on this matter. This limited its ability to assess potential market implications and develop appropriate delivery plans in time, again highlighting the importance of more structured and timely cross-departmental engagement.

4.155. That said, I recognise that these schemes were developed under exceptional pressure, and the need for urgency inevitably created communication and coordination challenges across departments. While initial processes were suboptimal, collaboration did improve over time as teams adjusted to the crisis context.

4.156. As noted above in paragraph 2, in addition to various other statements made to this Inquiry,[15] one of the key areas of learning relates to inter-departmental working. The DBT Module 9 corporate statement outlines how HMT and BEIS have since worked more closely together in response to subsequent economic shocks. This suggests that lessons have been learned and applied and should provide a solid foundation for more effective cross-departmental coordination in future emergency responses.

4.157. Beyond the corporate statement, I would note that some of the challenges around cross-departmental working stem from structural features of the way Whitehall

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[15] BEIS corporate statement in Module 2 (paragraph 6.10), BEIS corporate statement in Module 9 (Part A), DBT corporate statement in Module 9.

operates. In the private sector, one might expect a single cross-functional team bringing together expertise from different areas, with open lines of communication and a clear hierarchy of accountability and decision making. By contrast, the government model has different teams reporting to different ministers with different accountabilities. This means accountability, can easily become diffuse in practice (particularly between HMT and a delivery department) and the structure is less helpful for making rapid progress that brings together all the issues when you need to work with a lot of speed and clarity. This arrangement is rooted in the constitutional framework of the UK Government and I am not sure the challenge can be fully resolved solely through calls for greater collaboration (though more structured collaboration certainly helps). Noting that imagining new constitutional solutions to this challenge is difficult, I would suggest that delivering absolutely best practice collaboration 'on the ground' is vital. Civil servants and political colleagues need to make a less-than-ideal structure work, and that means putting more emphasis on deep, well-organised cross-departmental and cross-functional collaboration. Reflecting on what worked well and less well during the pandemic will be an important opportunity to think about how this can work better.

Accountability Structure

4.158. I have been asked to comment on whether the accountability structure — whereby the ministerial impetus and design of the loan schemes came largely from HMT and BBB, while formal responsibility for the schemes rested with BEIS — created challenges for the roll-out of the schemes.

4.159. As I did not take up the role of Permanent Secretary until July 2020, after the major loan schemes had already been designed and launched, I am not in a position to comment substantively on the decision making processes that gave rise to this structure. However, I can offer some reflections on the operational implications of the arrangements that were in place.

4.160. The division of responsibilities between departments did create some degree of structural misalignment. This made it more difficult for BEIS to shape delivery models to match policy intent and created challenges in providing effective oversight. It also complicated scrutiny and assurance processes, as those responsible for the operational execution of the schemes had limited control over some of the policy and risk decisions that shaped them.

4.161. These schemes presented a particularly difficult challenge. On one hand, it was clear that delivery needed to sit with the BBB, for which the BEIS Secretary of State was

constitutionally accountable. On the other hand, it is unrealistic to suggest that anyone other than the Chancellor could reasonably have taken the ultimate decisions on schemes of such scale, both in terms of public expenditure and economic impact. While it is easy to observe that this structure created tensions, it is far less straightforward to see how it could have been fundamentally different. Designing an alternative governance and accountability framework would have required a high degree of creativity, something that, in my experience, is rarely advisable under significant time pressure. Faced with a similar situation again, I would likely prioritise putting in place practical mechanisms such as joint teams and coordinated submissions, rather than attempting to alter the underlying constitutional accountability arrangements.

Fraud and Error Mitigation

4.162. I have been asked to comment on whether the lack of counter fraud specialists affected the speed and robustness of fraud mitigation measures introduced in the Covid-19 business support schemes. As noted in Part B, paragraph 6.4, of the BEIS Module 9 corporate statement, BEIS entered the pandemic with minimal in-house counter fraud capability. Although the Secretary of State approved an expansion of the counter fraud team to ten in October 2020 {SM/199 INQ000538876}, this came after the major loan schemes had already launched.

4.163. Historically, the Department, like much of government, relied on delivery partners such as the BBB and commercial lenders to manage financial fraud risks within operational schemes. As noted in Part A, paragraph 6.17, of the BEIS Module 9 corporate statement, fraud mitigation measures could likely have been introduced more rapidly if either BEIS or the wider government had had access to a larger, deployable pool of counter fraud specialists. However, the constraint was not solely a reflection of BEIS's internal capacity. Rather, it reflected a broader system-wide shortage of trained professionals, many of whom were already engaged in supporting other major schemes such the Coronavirus Job Retention Scheme. It is always easy to say that a particular department should have had more of a particular specialist capability, but BEIS having lots of capability 'waiting for a crisis' probably would not have been an especially good use of public money. This is why I tend to view that more rapidly deployable support, as now embodied in the Public Sector Fraud Authority, is the right approach (alongside an appropriate expansion of departmental resource).

4.164. I have been asked to reflect on the balance that was struck between the urgency of delivering support quickly and the need to manage fraud and error risks, and to consider what lessons can be drawn for future crises.

4.165. At the outset of the pandemic, the Government rightly prioritised speed in delivering financial support to businesses to avoid widespread economic disruption and business failures. As noted in Part B, paragraph 10.5 of the BEIS Module 9 corporate statement, this emphasis on rapid delivery inevitably involved trade-offs, most notably, reduced pre-payment due diligence and a higher tolerance for fraud and error in the short term. Political decisions were taken to prioritise disbursement over tighter up-front controls.

4.166. These trade-offs were clearest in the design of BBLS. As highlighted in Part B, paragraph 10.21 of the BEIS Module 9 corporate statement, lenders had insufficient time to conduct robust checks, including on duplicate applications and self-certified turnover, both of which became key sources of fraud. In my view, BBLS might well have benefitted from a short delay, even of a few weeks, to allow for the introduction of basic fraud prevention mechanism, such as duplicate loan checks.

4.167. By contrast, schemes such as CBILS built in more fraud resilience from the outset because of the fundamental structure of the guarantee. The requirement for lenders to conduct standard credit assessments, along with the retention of risk ('skin in the game'), helped to curb opportunistic applications and maintain credit discipline.

4.168. More positively, I recognise that lessons from the early Covid-19 schemes were incorporated into the design of successor schemes, notably the RLS (now known as the Growth Guarantee Scheme). As noted in Part B, paragraph 10.10 of the BEIS Module 9 corporate statement, systemic Fraud Risk Assessments and early engagement with fraud experts were embedded into the scheme's design, marking a shift towards more proactive, built-in controls rather than relying solely on retrospective assurance.

4.169. In reflecting on the broader balance between speed and control, I agree with the assessment in the BEIS Module 9 corporate statement that the emphasis on speed was appropriate in the context of the emergency. However, I would add that the effectiveness of fraud mitigation ultimately depends on how well schemes are designed from the outset. Going forward, there is a clear case for embedding fraud prevention mechanisms early, even in crisis settings, and for maintaining a scalable, cross-government counter fraud capability that can be rapidly mobilised when needed. I also think that the key aspect of fraud prevention is about the fundamentals of scheme

design. Of course, it was right to do everything that could be done to mitigate the fraud risks of BBLS, but ultimately the scheme's fundamental nature was always going to drive a high fraud risk, and whatever mechanisms had been in place I think the scheme would still have seen a level of fraud that would have been above what we usually see as acceptable. This is another reason why having fraud specialists involved at the point of the scheme's fundamental design (which took place in HMT) is as important, or more so, than involving them in later work to try to mitigate the problems that have been 'designed in' by the fundamental structure of the scheme.

Quality and Availability of Data

4.170. I have been asked to comment on the quality and availability of data used to inform the design and implementation of the Covid-19 loan schemes, and to reflect on what improvements could strengthen the data landscape for future crisis responses.

4.171. As set out in Section 9 of the BEIS Module 9 witness statement, the quality of data available to support real-time decision making in the early stages of the pandemic was necessarily limited. Much of the economic analysis and modelling relied on assumptions, due to the absence of reliable data on how the crisis would evolve and how businesses would respond. In addition, there were material time lags in both the collection and processing of available data, meaning that officials were frequently working with information that was several weeks out of date. Crucially, there was also a lack of timely and granular information on the financial health, cash flow, and liquidity of individual businesses, precisely the kind of data that would have enabled more tailored eligibility criteria, more effective targeting, and stronger safeguards against fraud.

4.172. These challenges were particularly evident in the delivery of BBLS. As noted in paragraph 10.18 of the BEIS Module 9 corporate statement (Part B), data sharing between government departments and delivery partners was constrained in several respects. This limited the ability to cross-check applications or implement robust eligibility checks at the point of loan origination. A more data-driven post-claim assurance process was introduced in the later stages of BBLS, which enabled more targeted scrutiny of lender claims and improved oversight. However, by that point, a large number of loans had already been disbursed under the looser initial controls.

4.173. Alongside these issues, data reporting to the BBB at the start of the scheme was predominately manual and unable to provide rapid, up-to-date insights. To address this, HMT introduced an aggregate reporting system direct from lenders to provide

timely oversight and publish weekly approval figures. However, due to differing reporting timelines, the numbers of loans submitted to the BBB portal could lag behind those reported to HMT. These discrepancies reduced over time as lender reporting improved, and efforts to reconcile data between the BBB and lenders continued. {SM/088 INQ000128460}.

4.174. Although the availability and quality of data improved over time, the most significant and persistent challenge was the absence of real-time financial information about UK businesses, such as cash position, turnover trends, and outstanding liabilities. This gap is difficult to address even in normal circumstances, but it became especially acute during the pandemic when fast-evolving conditions required near-daily policy interventions. In practice, BEIS relied on a patchwork of proxy indicators, including card transaction data, mobility trends, ONS surveys, and intelligence gathered from sector teams and internal dashboards. The business intelligence dashboard, developed collaboratively across Whitehall, helped aggregate some of this information, but it was not a substitute for direct and real-time visibility into business financial resilience.

4.175. During my time at BEIS, steps were taken to strengthen the Department's internal modelling capabilities and to improve the use of available financial data. I understand that these efforts are continuing. In parallel, the design and implementation of the RLS incorporated more integrated data-sharing from the outset, including the use of risk profiling and early involvement of fraud and data specialists. These changes reflect lessons learned from the earlier phases of the pandemic and represent a material improvement in the Department's capacity to deliver targeted, risk-aware financial interventions.

4.176. Nonetheless, in my view, more systemic improvements are needed. In my most recent role as Permanent Secretary at DSIT, I was involved in several cross-government initiatives aimed at improving the real-time accessibility, interoperability, and security of data. These investments are essential not only to support better crisis response but also to improve the everyday responsiveness and resilience of policymaking.

4.177. It is probably fair to say, however, that even as these efforts expand (which they naturally must), access to individual real-time performance data on firm performance is always going to be difficult. (It is also not always obviously desirable — firms might have a reasonable expectation of a degree of confidentiality around their real-time performance).

4.178. In summary, BEIS officials made pragmatic and effective use of the limited data available to them under extremely challenging circumstances. However, the constraints around data timeliness, granularity, and cross-government sharing inevitably limited the precision, targeting, and assurance of the Covid-19 loan schemes. While progress has been made since then, both within DBT and across government, the experience underscores the need for a more modern, integrated, and real-time economic data infrastructure to inform future emergency support schemes.

Effectiveness of Loan Schemes

4.179. In my view, the Covid-19 loan schemes were broadly effective in achieving their core purpose: delivering urgent financial support to businesses during a period of extreme uncertainty and economic disruption. As I have outlined in the individual scheme sections above, each intervention had specific strengths and limitations, but collectively they helped to stabilise the business environment and prevent widespread insolvency during the height of the crisis.

4.180. At the time these schemes were being designed or implemented, it was not yet known how long restrictions would last, how they would evolve, or whether there would be further waves on infection. This meant that all decisions were taken in the context of considerable uncertainty, both in terms of public health and economic outcomes. As reflected in Part B paragraph 10.2 of the BEIS Module 9 corporate statement, the counterfactual, what would have happened without government support, was unknown, though clearly a key consideration in assessing the necessity and urgency of intervention.

4.181. Despite this uncertainty, the scale and speed of support was significant. CBILS, for example, launched on 23 March 2020, the same day as the first national lockdown. Other major schemes followed within a matter of weeks. In these early months, the overriding policy priority was to get money to businesses as quickly as possible. This was a deliberate decision, reflecting the severity of the economic threat and a willingness to accept certain trade-offs in favour of speed.

4.182. It is true that, primarily in the case of BBLS, the rapid implementation led to elevated levels of fraud and error. This risk was acknowledged at the time and stemmed from a conscious policy choice to reduce eligibility checks and simplify application processes to ensure immediate access to funding for small businesses.

4.183. Efforts to strengthen assurance and oversight increased as delivery matured. For example, by the later stages of BBLS, a data-driven assurance process had been

developed to identify and investigate problematic loans. This system, led by the BBB, allowed lenders to triage risk more effectively and take pre-emptive action where issues were suspected. This contributed to a significant volume of guarantee removals and repayments, demonstrating an effective post-delivery control mechanism.

4.184. Of course, there were challenges. The drafting of lender agreements created some ambiguity, which in turn led to inconsistencies in how terms were applied by different lenders. This occasionally hampered the BBB's ability to ensure terms and contributed to complex negotiations on some guarantee removals. Nonetheless, the BBB's longstanding relationships with lenders often helped resolve these issues pragmatically.

4.185. Importantly, the experience gained through the Covid-19 loan schemes informed the design and delivery of subsequent schemes, including the RLS. As noted in paragraph 10.10 of Part B of the BEIS corporate statement, improvements were made in the integration of data-sharing, counter fraud, and lender oversight into the core scheme architecture from the outset.

4.186. In conclusion, while there were inevitable trade-offs and learning points, I believe the Government, including BEIS, did a good job in extraordinary circumstances. The schemes provided vital support to millions of businesses, and the lessons learned have helped strengthen the resilience and integrity of subsequent business finance programmes. While there are many smaller lessons to learn (as you would expect of any government intervention) the only fundamental issue, in my personal view, is the set of decisions that led to a 100% guarantee scheme being launched with initially insufficient fraud protections.

4.187. More specific reflections on each of the loan schemes can be found at paragraphs 10.11 to 10.40 of Part B of BEIS Module 9 corporate statement.

Vulnerability Reflections

4.188. I have been asked to comment on whether the loan schemes were unequal in their impact and whether more needed to be done to address inequalities and economically vulnerable groups in the design and delivery of the scheme.

4.189. The Covid-19 loan schemes were designed to provide urgent, broad-based support to businesses across the UK economy. Their open-access nature was intentional, aiming to delivery liquidity quickly and widely in the face of an unprecedented economic shock. However, I recognise that the schemes may not have been equally accessible to all

businesses, and that more could potentially have been done to identify and mitigate barriers faced by certain economically vulnerable groups.

4.190. A Public Sector Equality Duty (**PSED**) analysis was conducted by BEIS Diversity and Inclusion team in June 2020 in accordance with section 149 of the Equality Act 2010 {SM/200 INQ000564059}. This analysis reviewed the three core Covid-19 loan schemes, CBILS, CLBILS and BBLS, and concluded there was "*no reason to think that there would be direct discrimination*" as the schemes were designed to be available to the whole market. However, it also acknowledged limitations in the available evidence base, making it difficult to fully assess potential indirect impacts on individuals with protected characteristics. The analysis noted that while there was a risk of reinforcing some existing inequalities, the overarching benefit of preventing business failures and job losses likely outweighed these risks.

4.191. At the same time, a separate PSED analysis was conducted for the Future Fund {SM/201 INQ000624929 }. The analysis concluded that the Future Fund was approved to proceed as planned, as its rule-based, market-led design was assessed to pose no risk of direct discrimination and to be consistent with the requirements of the Equality Act. While it was not expected to promote or negatively affect outcomes for under-represented groups, the analysis notes that additional efforts were made to mitigate indirect discrimination, such as endorsing the HMT Investing in Women Code and encouraging similar action from other investors.

4.192. The Year 3 BBB draft evaluation report on the Future Fund provides further analysis of gender representation, finding slightly lower proportions of women in leadership roles within the Future Fund portfolio compared to a matched counterfactual group.[16] However, the report notes that these differences are marginal and that the small sample size limits the strength of any conclusions. In terms of regional disparities, the report found that firms supported through the Fund remained concentrated in London and the South East, reflecting established venture capital trends also observed in earlier evaluations. Despite efforts to broaden access, barriers to regional investment appear to have persisted, although the report acknowledges that regional distribution was not a core objective of the scheme.

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[16] See Page 61 of Year 3 BBB evaluation report on Future Fund: Female directors made up 11.8% of the portfolio group versus 14.6% in the counterfactual, while women among key personnel constituted 18.6% compared to 20.4%.

4.193. In practice, the schemes were not specifically targeted at disadvantaged groups or regions, nor did they include tailored mechanisms to reach businesses owned by under-represented groups. As a result, while the schemes helped safeguard jobs and livelihoods across the economy, they did not explicitly advance equality of opportunity as a policy objective. This was particularly highlighted in the PSED for the later RLS, which recognised that the broader economic shock would have disproportionately affected individuals in lower-skilled employment, in disadvantaged areas, or those already facing labour market discrimination {SM/144 INQ000609053}. The PSED concluded that while the RLS might help preserve economic outcomes for vulnerable groups already in work, the scheme itself was not designed actively to promote inclusive growth or new economic opportunity.

4.194. I agree with the assessment that, although discrimination risks were not judged to be significant, there were limitations in the evidence and monitoring processes to robustly understand how different groups were affected in real time. The lack of detailed demographic or equalities-related data on recipients also made it difficult to track uptake by vulnerable groups or identify potential barriers to access.

4.195. In particular, the structure of the loan schemes led to a gap between the participation of banks versus non-traditional lenders in the schemes. This had a knock-on impact on the kinds of people who found it easiest to access the schemes and therefore may have inadvertently favoured businesses with additional administrative capacity or pre-existing relationships with banks. Due to the pace at which the loan schemes were implemented, the list of accredited lenders at launch date in March 2020 was limited to those previously accredited for the EFG. While this meant that the schemes could launch quickly, there was an insufficient number of accredited lenders to meet the demand for the loan schemes and serve all businesses within the SME market. Feedback from business in early April 2020 regarding CBILS noted the capacity issue {SM/202 INQ000585539} {SM/203 INQ000563933}. In response, the BBB sped up its process for accrediting new lenders to assist with capacity, focussing on lenders that supported specialist sectors. By 19 November 2020, there were 177 lenders accredited across the loan schemes from a diverse range of lending channels {SM/204 INQ000585719}. More work to address this gap earlier could have enhanced both the scheme's overall effectiveness and made a meaningful difference to the equalities outcomes.

4.196. In hindsight, there would also have been scope to incorporate more targeted features or outreach mechanisms into the schemes to address these issues in other ways.

However, this would have needed to be balanced against the overriding priority at the time: speed of delivery and overall scale of impact. Delaying the impact of the early schemes would in and of itself likely have had negative equalities consequences.

4.197. The Department also developed a monitoring and evaluation plan to monitor equality outcomes of the loan schemes. Ultimately, BEIS determined that the schemes had the potential to advance equality, and the benefits of providing liquidity to businesses in the context of a national emergency outweighed the potential negative impacts {SM/200 INQ000564059}. The data regarding vulnerable groups improved by the time the RLS was being designed leading to a more comprehensive assessment of the issues {SM/144 INQ000609053}.

Section 5: Business Rate Relief

5.1. In the Spring Budget on 11 March 2020, the Chancellor announced measures related to business rates relief (**BRR**) aimed at supporting businesses particularly in the retail, hospitality and leisure sectors. The key measure introduced was 100% BRR for small businesses in these sectors with a rateable value below £51,000. Further measures were announced on 17 March 2020, expanding the BRR to all businesses in retail, hospitality and leisure sectors for the subsequent 12 months (April 2020 to March 2021), regardless of their rateable value.

5.2. In late 2020, retail and hospitality sectors provided feedback to the Department that they were concerned about the 100% BRR ending on 31 March 2021. As Permanent Secretary, I received the fortnightly business intelligence dashboard. On 17 December 2020, the intelligence dashboard included feedback from hospitality related to BRR {SM/205 INQ000624994} {SM/206 INQ000624995}. It stated:

> *"End of furlough, VAT reduction and Business Rates Relief in March 2021 likely to cause 'cliff-edge' of redundancies without further support for those sectors that cannot operate viably due to govt restrictions like quarantine"*

5.3. This was then reiterated in the Secretary of State's roundtable with business representative organisations (**BROs**) held on 21 December 2020 {SM/207 INQ000543585}. I did not attend this meeting, and did not standardly attend the roundtables when I was Permanent Secretary. Subsequently, on 6 January 2021, as the Inquiry is aware, the Secretary of State wrote to the Chancellor on this and other matters {SM/208 INQ000543611}.

5.4. During this time, sectors continued to seek clarity on a 'roadmap to recovery' and how the Government intended to support businesses once the national restrictions ended. To this end, at the request of ministers, BEIS officials developed a hospitality strategy. Paul Scully (Parliamentary Under-Secretary of State, BEIS) led on this work at the time. On 18 January 2021, BEIS officials sent Minister Scully a submission for decision {SM/209 INQ000625008} {SM/210 INQ000625013}. I was sent the submission for information. The hospitality strategy was developed to cover short, medium and long-term issues faced by the hospitality sector, particularly in light of Covid-19. The submission recommended structuring the strategy into three phases; reopening, recovery, and resilience. Business rates were mentioned as a potential measure for the recovery phase, intended to support the sector bounce back in the medium term. The submission also suggested the establishment of a steering board, chaired by

Minister Scully and attended by representatives of other departments and the hospitality sector. The Hospitality Strategy Steering Board met for the first time on 1 February 2021. The Hospitality Strategy was published by the Department in July 2021. I did not attend this meeting, nor was I a member of this steering board.

5.5. I do not recall any specific personal involvement in the discussions on BRR extension and the records I have reviewed do not indicate that I was directly involved. While I cannot now be sure of my precise level of knowledge of this at the time, I consider it very likely I would have been aware of the asks from business and I would certainly have been strongly in favour of an extension of relief. I have always thought, since the very early days of the pandemic, that rates relief was a simple, executable and a reasonably well targeted form of government support. So, in any scenario where interventions such as grants were continuing, I would always have advised rates relief as a 'bedrock' intervention (because it is better not to take money from companies in the first place if you are then going to give it back to them in the form of grants).

5.6. I am asked about analysis produced by BEIS officials ahead of the Spring Budget 2021 regarding business support requirements in the sectors. This work was led by Carl Creswell (Director, BEIS) and the retail team. On 25 January 2021, the retail team (at the request of Mike Keoghan, Director General, BEIS) began to collate business support proposals for sectors that had been closed during the lockdown {SM/211 INQ000625009}. This was largely the hospitality, non-essential retail and personal care sectors. A first draft was collated and by 4 February 2021 it was decided it would be put to Minister Scully and the Secretary of State for consideration. On 8 February 2021, Carl Creswell sent the detailed analysis and one-page summary of points to the offices of Minister Scully and the Secretary of State {SM/212 INQ000625010} {SM/213 INQ000585735} {SM/214 INQ000066051}. Although my office was copied into this thread and received the analysis at this point, I was not directly involved in collating the analysis prior to this. However, some of the underlying tools that informed this analysis were developed while I was a Director General. In particular, we had carried out some detailed modelling of retail and hospitality profits and losses in April 2020 (with the support of McKinsey consultants) to understand how much intervention was required to maintain viable business health for different sizes and subsections of retail. One of the conclusions of that work was that you needed to provide sufficient support to broadly cover property fixed costs as companies could not easily flex these down without permanent store closures. Rates is of course an example of a property fixed cost in this context. I was not involved in the updating and use of this analysis that is

shown in the presentation of February 2021, but I was familiar with the overall structure and conclusions of this type of work.

5.7. I am asked to comment on this analysis and whether I considered there to be a specific liquidity need in closed sectors. I do not recall whether I had views on this specific analysis relating to liquidity at the time, but it aligns with my understanding of the Department's priorities. I would note the emphasis in the underlying documents on the liquidity concerns for hospitality in particular, due to their long-term (pre-pandemic) financial vulnerability. The intelligence collated indicated that closed sectors specifically required support as the restrictions eased. The proposals in the analysis one-page summary focussed on policy measures to assist businesses to reopen and recover. It was proposed that the BRR be extended for a year. Alongside this, to support business liquidity, a recovery fund (either grant or loan) was proposed. The need for a recovery loan fund is discussed above in more detail from paragraph 4.82. Further, the Government established the Restart Grant in April 2021 to assist businesses coming out of lockdown. The grant schemes are discussed further in Section 6.

5.8. I understand that the final analysis was shared with HMT on 15 February 2021 and that HMT and BEIS officials continued to discuss the proposals in the lead-up to the Spring Budget announcement on 3 March 2021 {SM/215 INQ000585741}. I was not directly involved in these discussions as they were held between the retail team and HMT and, therefore, I am unable to comment further on the substance of these conversations. However, I will note that I agreed with the Department's view that the BRR should be extended for a further year to ensure business recovery. I suspect that my relative lack of direct involvement in this issue in late 2020 / early 2021 (as it appears from the documents made available to me for this statement) probably reflects not just that it was being handled by the appropriate BEIS team liaising with the Treasury, but also that everyone knew where I stood on this issue.

5.9. In the Spring Budget on 3 March 2021, the Chancellor announced an extension of 100% BRR for three months for all eligible businesses in the retail, hospitality and leisure sectors. After this, business rates would be discounted by two thirds, up to a value of £2 million for closed businesses, and a lower cap for those that were able to remain open {SM/216 INQ000583757}. I am asked to consider if the BRR achieved its aim and whether I would have done anything differently. I was not directly involved in the implementation or extension of BRR. However, I would note that as part of the wider economic package of responses, BRR was crucial to providing support to

businesses in 2020, and in 2021 as the restrictions were gradually removed and businesses reopened. My consistent view was that, in circumstances where companies were not able to open and use their premises in the usual way, charging business rates (usually offset by income earned using the premises) was not sensible. This was likely to lead to unnecessary permanent closure of premises at a point where the high street was already vulnerable to decline. As a matter of principle, the expectation would be that rates relief should taper off as reopening occurs and demand returns. It is perhaps also worth noting here that BEIS (and I personally) had long argued that deeper reform of the rates system was needed in the context of the changing nature of UK high streets. As such, it is fair to say that both for me personally and for the Department more widely, rates reduction was always a lever we wanted to put at the top of the list.

Section 6: Covid-19 Business Grant Schemes

6.1. In response to the impacts of Covid-19 on small business, the Government launched a number of business grant schemes. These were designed to support small business and improve economic confidence during the pandemic. The Covid-19 business grant schemes are addressed in significant detail in Part C of the BEIS corporate statement.

Overview of the Covid-19 Business Grants Schemes

6.2. During the pandemic, the Government introduced business grant schemes to support small businesses. In total, £22.6 billion in grants was paid through eight grant schemes to an estimated £1.4 million businesses. As the Inquiry is aware, these schemes broadly align into three cohorts. I set them out below:

6.3. The cohort one schemes were launched during the first national lockdown and comprised:

a) The Small Business Grant Fund (**SBGF**);

b) The Retail, Hospitality, and Leisure Grant Fund (**RHLGF**); and

c) The Local Authority Discretionary Grant Fund (**LADGF**).

6.4. The cohort two schemes ran between September 2020 and March 2022 to support businesses affected by restrictions under the tiers system, and the second and third national lockdowns. They comprised:

a) The Local Restrictions Support Grant (**LRSG**), which was split into numerous sub-schemes;[17]

b) The Additional Restrictions Grant; and

c) The Christmas Support Payment (**CSP**).

6.5. The cohort three schemes ran from April 2021 to March 2022 and supported businesses with the costs of reopening after the third national lockdown, and with the emergence of the Omicron variant in late 2021. They comprised:

a) The Restart Grant; and

b) The Omicron Hospitality and Leisure Grant (**OHLG**).

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[17] These sub-schemes included the: LRSG (Sectors); LRSG (Open); LRSG (Closed); LRSG (Closed) Addendum, which included two further schemes in November and January; LRSG (Closed) Addendum Tier Four; and the Closed Businesses Lockdown Payment (**CBLP**).

Design of the Schemes

The Small Business Grant Fund

6.6. The SBGF was announced on 11 March 2020 in the Spring Budget and applied from 1 April 2020. The guidance for local authorities was published on 24 March 2020. The SBGF closed on 28 August 2020, with final payments issued by 30 September 2020. Businesses in England in receipt of Small Business Rate Relief (**SBRR**) or Rural Rate Relief as at 11 March 2020 were eligible. They received a one-off £10,000 payment.

6.7. I have been asked to set out my understanding of how BEIS worked with HMT and MHCLG to design the cohort one schemes, and my personal involvement in the development of the schemes.

6.8. As set out in paragraph 2.17, on 7 March 2020, HMT first approached MHCLG regarding options on how to provide grants to support SMEs to be administered by local authorities {SM/026 INQ000543051}. I also became aware over that weekend (and messaged Jenny Dibden about it), though I don't remember exactly how I initially found out about the plans. It was probably by a call given it was a weekend. As grant schemes had always been in our plans as part of the toolkit, this would not have been a total surprise, however until this point we had been predominantly imagining them as a localised response. I was sent the email thread at the start of the working week on 9 March 2020. That same day, as detailed in the BEIS Module 9 corporate statement Part C at paragraph 2.12, HMT officials presented the Chancellor with two options for the proposed grant scheme:

a) A scheme with an application process open to all microbusinesses with fewer than 10 employees (up to 5.3 million business in England, including around 3 million sole traders) who would have to demonstrate negative impacts from the pandemic; or

b) A scheme targeted at microbusinesses who were in receipt of SBRR regardless of Covid-19 impact (c. 725,000 businesses). It was noted that this option could include those in receipt of Rural Rates Relief (c. 3,000 businesses).

6.9. It was unclear at this point whether MHCLG or BEIS would formally lead on the scheme. However, BEIS colleagues and I were aware that the two departments would need to work together, and it was expected throughout that it would be operationalised by the joint CLGU. On 10 March 2020, BEIS and MHCLG met to discuss scheme design. I attended this meeting, and shortly after, Tony Bray (Deputy Director, CLGU) circulated a draft framework of the scheme that served as a record of the discussions

{SM/217 INQ000624851} {SM/218 INQ000624850}. A meeting was scheduled with HMT, MHCLG and BEIS later in the day to discuss the framework further.

6.10. In parallel to the discussions with MHCLG and HMT, officials prepared a submission for the BEIS Secretary of State to update him on the above proposals {SM/219 INQ000543056}. I cleared the submission which stated that officials considered the first option to be undeliverable due to the requirement for local authorities to review and assess applications. Local authorities did not have capacity for this, and it was assessed that it would increase the risk of delay and fraud. I completely agreed with that assessment, and was strongly of the view that an application-based scheme would have been completely undeliverable.

6.11. Discussions were moving at pace in anticipation of an announcement by the Chancellor in the Spring Budget. By midday on 10 March 2020, HMT informed BEIS and MHCLG that the first option (at paragraph 6.8.a) was *"…unlikely to be deliverable in any meaningful timeframe"* {SM/220 INQ000624853}. HMT confirmed that the Chancellor *"…would like to offer a grant to all businesses in receipt of Small Business Rates Relief and Rural Rates Relief, irrespective of whether they can demonstrate that they have been affected by coronavirus"* (original emphasis). HMT requested BEIS and MHCLG's assistance with the initial scheme design to be formulated that day.

6.12. On 10 March 2020, following discussions between BEIS and MHCLG in the morning, and BEIS, MHCLG, and HMT in the afternoon, Tony Bray provided a further version of the framework scheme design, addressed to me, Emran Mian (Director General, MHCLG), and Catherine Frances (Director General, MHCLG). The scheme design set out what the departments had agreed in principle that day, noting the scheme was yet to receive formal approval {SM/220 INQ000624853} {SM/221 INQ000543054}. While there were still particulars to be decided, such as which department held Accounting Officer accountability, the scheme design stated that it was to provide support to businesses who were in receipt of the SBRR and Rural Rate Relief. It was to be applicable to England only and administered via local authorities. The three departments continued to refine the initial scheme design prior to the Budget announcement.

6.13. There was initially some disagreement between the departments on whether BEIS or MHCLG would lead and hold Accounting Officer responsibilities. I received an email from Phil Duffy on the evening of 9 March 2020 with an extract of a submission to the Chancellor that stated HMT officials advised BEIS would be best placed to administer

the funding (SM/222 INQ000624849}. In the interests of speed, Alex Chisholm accepted the role of Accounting Officer for the grant schemes, and internally sought departmental views confirming his position that a ministerial direction was required {SM/223 INQ000624854}. I responded in this thread that I agreed a ministerial direction was required due to lack of demonstrable value for money. I confirmed that Jenny Dibden, within CLGU, would lead the work supported by Tony Bray. Later that day, on 11 March 2020, Alex Chisholm obtained the Secretary of State's agreement for BEIS to take on Accounting Officer responsibility for the emergency grant scheme {SM/224 INQ000543061}. The Accounting Officer responsibilities transferred to me when I became Permanent Secretary in July 2020.

6.14. On 11 March 2020, the Chancellor announced in the Spring Budget the scheme that became the SBGF.

6.15. BEIS continued to work with HMT and MHCLG to finalise relevant aspects of the scheme. The grants were to be administered through the CLGU team, given their previous role in flood grants, their relationships with local areas, and their helpful position as a joint unit between BEIS and MHCLG. On 15 March 2020, the responsibilities of BEIS and MHCLG were formalised in a Memorandum of Understanding {SM/225 INQ000543126}. While BEIS held Accounting Officer responsibilities, MHCLG would transfer the funds to local authorities on the Department's behalf. As MHCLG already had local authorities' contact details, this was done to ensure funds were transferred at pace. A further Memorandum of Understanding was agreed between BEIS and MHCLG for the transfer of funds to local authorities for the LADGF {SM/226 INQ000543250}.

The Retail, Hospitality, and Leisure Grant Fund

6.16. On 17 March 2020, the Chancellor announced a second grant aimed at retail, hospitality, and leisure businesses operating from smaller premises. This became the RHLGF. The grant applied from 1 April 2020, with guidance published on 24 March 2020. The RHLGF closed on 28 August 2020 with final payments issued by 30 September 2020. Businesses in England in receipt of the Expanded Retail Discount on 11 March 2020, with a rateable value of less than £51,000 were eligible. Businesses were eligible for the grant if their rateable property was wholly or mainly used as a retail, hospitality, or leisure venue. The payment amount varied depending on the rateable value of the property.

6.17. As the Inquiry is aware, the Department and its officials were not aware of the proposed scheme until it was publicly announced by the Chancellor on 17 March 2020. As the Department was not consulted in advance of the announcement, it did not have the opportunity to input into the design of the scheme. I do not recall whether I knew of the scheme prior to the public announcement, however, I note that I commented on the lack of consultation in an email from the time and therefore it is unlikely I had any prior notice {SM/227 INQ000543079}. The Inquiry has asked me a number of questions related to this.

6.18. My understanding at the time was that HMT did not consult the Department regarding the RHLGF ahead of the announcement due to the speed at which the scheme was developed. HMT advised BEIS officials on 21 March 2020 that it was developed mostly in meetings with the Chancellor rather than being subject of any written advice. HMT officials noted there was clear rationale for the scheme given the fall in income of businesses in the retail, hospitality, and leisure sectors as a result of government-imposed lockdowns {SM/228 INQ000543097}.

6.19. Notwithstanding the pressures, I consider that HMT ought to have notified the Department of the proposed scheme and consulted it regarding the design and deliverability prior to its announcement. The lack of notice imposed further pressure on both the Department and local authorities, as we each had to respond at pace to make the scheme operational. Earlier notice would have allowed the Department (and local authorities) to better prepare and consider what resources could be allocated, and the opportunity to raise and deal with any concerns and issues.

6.20. On 17 March 2020, after the announcement, I raised concerns with HMT officials regarding the deliverability of this scheme {SM/227 INQ000543079}. My concerns related to the scheme's deliverability and the additional burden imposed on local authorities and the Department within the timeframes announced by HMT. I considered the scheme was significantly more complex than the SBGF, given it would require local authorities to consider multiple factors to identify eligible businesses, including the sector of the business, its rateable value, and whether it was in receipt of SBRR. It was unclear how these grants would be applied to multi-site businesses considering many pubs and restaurants were part of large chains. This was additionally complicated noting their business premises were often located across multiple local authority areas. I also considered that the risk of irregular payments being made was higher; more businesses being in scope meant there were more payments to set up, and there were larger amounts of money flowing through the system. Whilst the Department shared

HMT's commitment to convey funding to businesses as quickly as possible, I advised HMT that BEIS was unable to commit to delivering the RHLGF at the same speed as the SBGF.

6.21. Phil Duffy responded shortly after and suggested a call the following day, on 18 March 2020, to discuss options for delivery {SM/229 INQ000543077}. However, this call did not go ahead {SM/230 INQ000624861}. Given the pace of events at this time, I consider it likely that discussions were occurring at multiple levels.

6.22. A meeting was convened on 18 March 2020 between HMT, MHCLG, and BEIS to agree next steps regarding delivery of the proposed scheme {SM/231 INQ000543083}. I do not recall attending this meeting and am not aware of any meeting minutes. I have considered the email chain referring to this meeting, noting I am not in copy, and consider it likely this meeting was held at a more junior official level.

6.23. I have been asked to comment on the challenges arising from the inclusion of multi-site businesses operating across different local authority areas in the RHLGF. One of my initial concerns was that these multi-site businesses were at risk of overcompensation. However, I did not consider this to be a huge issue, given multi-site businesses would effectively have been losing more income as a result of having to close multiple venues.

6.24. My main concern about multi-site businesses was how this would interact with State aid. Specifically, multiple premises led to businesses receiving multiple grant payments, which made keeping track of the total amount of funding received by businesses more difficult. This meant there was a risk these businesses would receive more funding than that permitted under State aid rules. This was particularly important as HMT had told us that the Chancellor's preference was to operate the scheme under de minimis exemptions (i.e. that the amounts given to any individual business were too small to qualify as State aid) and inevitably this would not be true for some larger multi-site businesses. This issue was raised in the Accounting Officer advice dated 23 March 2020 {SM/232 INQ000543099}, as outlined in detail in the BEIS Module 9 corporate statement at Part C, paragraph 3.34. Shortly after the launch of the scheme, guidance was published for local authorities and businesses. On 1 April 2020, the second iteration of local authority guidance included information on State aid and suggested paragraphs for inclusion in letters to grant recipients {SM/233 INQ000543139}. On 3 April 2020, information for business was published and stated that businesses would be asked by local authorities to complete a declaration to ensure they had not received

more than the amount allowed under the Temporary Framework {SM/234 INQ000543149}. This process was to mitigate the risks discussed in the Accounting Officer advice, seeking to ensure State aid requirements were compiled with.

The Local Authority Discretionary Grant Fund

6.25. The LADGF was announced on 1 May 2020, and applied from May 2020. Guidance for local authorities was published on 13 May 2020. The LADGF closed on 28 August 2020 with final payments made by 30 September 2020. The grant was open to small or micro businesses in England who were not eligible for the SBGF or the RHLGF as at 11 March 2020. The businesses must have occupied property with a rateable value or mortgage or rent payments below £51,000. Local authorities could pay grants of £25,000, £10,000, or any amount under £10,000. The amount paid was at the discretion of the local authority.

6.26. I have been asked a number of questions regarding the design of the LADGF and my involvement in this. As set out in Section 2, I was Director General providing oversight on the grant schemes from early March until mid-July 2020. The CLGU led on the implementation of the scheme, under the leadership of Jenny Dibden. Jenny was jointly line managed by me and Emran Mian at MHCLG.

6.27. Eligibility for both the SBGF and RHLGF was based on companies that paid business rates. In April 2020, feedback from the business sector was that those who did not pay business rates were excluded from this support. Such businesses included those that rented part of a larger space, or those with no rating such as B&Bs and businesses that operated out of homes. These were largely small businesses. HMT and BEIS officials began to consider options to support the small businesses excluded from the previous grants.

6.28. Before the final design of the LADGF (as set out above in paragraph 6.25) was settled upon, three other potential models were considered, and are discussed in turn below:

a) An extension of the existing SBGF and RHLGF to all businesses with less than 10 employees. HMT contacted BEIS officials on 14 April 2020 to advise that the Chancellor had requested advice on this option {SM/235 INQ000624894};

b) Extending the existing SBGF and RHLGF to businesses without their own ratings assessment that operated out of shared spaces. This was an option put by HMT to the Chancellor on or around 21 April 2020 and {SM/236 INQ000543161}; and

c) A scheme based on the design of the Welsh discretionary grants scheme {SM/237 INQ000543171}.

6.29. On 14 April 2020, HMT contacted BEIS and CLGU officials advising that the Chancellor was seeking initial, high-level advice on the possibility of extending the SBGF and RHLGF to all businesses with under 10 employees {SM/235 INQ000624894}. They highlighted that this would provide support to businesses without property, as well as businesses that were not eligible for rates relief. HMT sought the Department's views on:

a) Estimating the number of businesses that would likely be eligible for this expanded scheme: HMT's initial estimate was that approximately 400,000 additional businesses in England would be eligible; and

b) The possible delivery mechanism: HMT's initial view was that central government may be the better option, as local authorities would need to establish new systems to identify eligible businesses and monitor levels of fraud in the scheme. HMT queried whether Local Enterprise Partnerships (**LEP**), (business-led non-statutory bodies that provide a channel between local authorities and businesses) may have been able to assist in some capacity.

6.30. Tony Bray initially advised that this was an option that had been considered at the outset of designing the Covid-19 business grant schemes {SM/235 INQ000624894}. He advised these options were discounted as there was no apparent easy route to administer schemes at that scale; LEPs were not designed to administer significant grant programmes at pace, and they in any event relied on local authorities for delivery and to manage funding. A BEIS official in the Business Growth team highlighted in reply to Tony Bray that the Welsh small business grant scheme was established to capture businesses that were ineligible for rates relief. On 15 April 2020, BEIS responded formally to the request for information and provided a paper outlining departmental views and options on the proposal {SM/238 INQ000624902} {SM/239 INQ000624895}.

6.31. The paper set out the difficulties with estimating the number of businesses with under 10 employees that would be in scope of the scheme. It stated that there was no way to accurately know whether businesses had already received the SBGF or RHLGF given those grants were based on rateable value of property and not employee numbers. The Department suggested tying eligibility to the legal definition of 'small business' in the Enterprise Act 2016 (being businesses with up to 50 employees) as it

provided a legal basis for calculating eligible businesses and only increased potential businesses in scope by 20%. Ultimately, the paper concluded there were several issues with basing the expansion of the grant schemes on the number of employees. The paper noted that basing eligibility on headcount may adversely impact businesses offering flexible working (specifically, this may adversely impact women and lower-income earners who tended to have higher rates of working part time). Basing eligibility on full-time equivalent employees would overcome the issue of fairness but was difficult to define. Lastly, using salary bill was considered to also overcome the issue of fairness but required relying on averages which may lead to different impacts on different areas.

6.32. In relation to possible delivery mechanisms, the paper identified two viable options: via local authorities or HMRC. As already noted by Tony Bray (see paragraph 6.30, above), the Department considered that using the LEPs was not viable due to capacity issues and needing to go via the local authorities in any event. In respect of local authorities, BEIS noted this would reduce the risk of duplicating grant recipients as they knew who in their area had received the SBGF or RHLGF. The paper considered an option whereby local authorities be granted a lump sum based on the number of beneficiaries in their local area and give the local authorities discretion to administer it. BEIS officials advised against this, noting the potential for local variation and subsequent stakeholder dissatisfaction. The Department's preferred option was for businesses to apply to the local authority, providing information such as their employee numbers and whether they had already received a grant. This would make the scheme application-based, which differed from the automatic eligibility for both the previous grants.

6.33. The paper also considered HMRC as a possible delivery mechanism, as it was already administering the Coronavirus Job Retention Scheme. However, businesses did not need to report if they received rates relief, so HMRC would need firms to submit this to determine if they had already received a grant.

6.34. On 20 April 2020, HMT initially advised BEIS officials that the Chancellor had decided not to pursue any further work on extending the SBGF and RHLGF at that time. {SM/238 INQ000624902}.

6.35. However, later the same day, HMT emailed BEIS officials seeking advice on providing grant support to businesses in shared buildings {SM/236 INQ000543161}. Business rates were generally included in the rent or fee paid to the building owner, and therefore

businesses were not then eligible for either the SBGF or RHLGF. This was a much narrower proposal than that discussed above based on employee numbers, and HMT sought advice on the likely cost and how this could be done. HMT requested input from BEIS, noting this would require the CLGU's expertise on the business rates system. Officials from the Department, MHCLG, and HMT took part in a conference call that afternoon to discuss an extension of the existing grant schemes.

6.36. Following the call, on 20 April 2020, HMT circulated a draft submission to the Chancellor for comment on this option {SM/240 INQ000543162} and {SM/236 INQ000543161}. The Department does not retain a record of the final version of this submission that was viewed by the Chancellor. The HMT draft submission dated 20 April 2020 stated that support could be provided to businesses in shared buildings by either developing a specific 'shared spaces' scheme or creating a 'discretionary pot' for the local authorities. HMT officials did not recommend either option, concluding that neither option was well targeted to businesses that would otherwise fail due to Covid-19, and noting that there was likely to be a delay before businesses received the cash which could lead to criticism. However, informally in an email thread with BEIS officials, HMT officials acknowledged that while the submission to the Chancellor would not recommend either option, the discretionary pot approach was the better option. In the thread, BEIS officials noted that the discretionary pot allowed for better targeting of those impacted, stating that *"It is also worth reflecting that whilst no scheme will cover all hard to reach cases (there will always be someone), that the discretionary pot allows for more areas to be covered than the shared spaces only"* {SM/241 INQ000624904}. On 21 April 2020, MHCLG also noted difficulties in defining a 'shared' building or office which HMT noted provided *"…more weight behind the recommendation that – if the Chancellor is determined to do something – then a discretionary pot is best"* {SM/237 INQ000543171}.

6.37. While considering the two models already described, BEIS officials suggested considering the Welsh discretionary scheme, which provided support to a similar category of business. As stated at paragraph 6.30 above, this was first raised as a suggestion by BEIS officials on 14 April 2020 in response to the request by HMT for advice on extending the SBGF and RHLGF to businesses with under 10 employees {SM/235 INQ000624894}. The Welsh scheme was application based and open to microbusinesses with less than 10 employees, who were not eligible for the business rate grant offered in Wales. However, basing support on the Welsh scheme was not taken forward as the Chancellor had already decided not to pursue a grant specifically

supporting businesses with less than 10 employees (as above in paragraph 6.34) {SM/237 INQ000543171}.

6.38. On 23 April 2020, HMT officials advised the Department that the Chancellor was considering a discretionary grant pot for local authorities. It was noted that this was not a final decision yet, but that he was seeking further detailed advice on the potential design of such as a scheme {SM/242 INQ000543182}. HMT, MHCLG and BEIS officials met on the morning of 24 April 2020 to further discuss the scheme. Tony Bray circulated a paper prior to this meeting that set out initial thoughts on the scheme based on HMT and BEIS views, and some initial discussions with local authorities {SM/243 INQ000624907} {SM/244 INQ000624908}. Following this meeting, HMT notified the Department's finance team of the proposed scheme, seeking a view on whether a ministerial direction would be required {SM/245 INQ000624911}. The initial view from the finance team was that the scheme was in *"direction territory"*. It was at this point that Sam Beckett, who was the Accounting Officer, and I were notified of the scheme {SM/246 INQ000624910}. This was the proposal that ultimately became the LADGF.

6.39. On 28 April 2020, the Chancellor agreed to a discretionary scheme allowing each local authority to support some of the businesses that were out of scope of the existing grant schemes. The scheme would provide local authorities an additional 5% of their grant allocation {SM/247 INQ000624914} {SM/248 INQ000624915}.

6.40. On 29 April 2020, BEIS officials sent a submission (that I cleared) to the Secretary of State which set out the broad intention of the proposed discretionary fund for local authorities and its key elements {SM/249 INQ000624916} {SM/250 INQ000543186}. This submission is discussed in detail in Pact C, paragraphs 4.15 to 4.26 of the BEIS Module 9 corporate statement. The advice set out the rationale for the proposed scheme and its elements. It explained that there were small businesses that fell out of the scope of the SBGF and RHLGF as they did not have direct liability for business rates. However, these businesses were equally affected by the pandemic and measures implemented by Government and were still responsible for ongoing fixed costs. This gap in support had been identified following engagement with businesses and local authorities.

6.41. The submission went on to comment on the proposed eligibility criteria. This had initially been proposed by HMT and was further refined in consultation with BEIS and MHCLG. The LADGF was not intended to target businesses within a specific sector; rather, discretion (within the overarching criteria set by government) was left to local

authorities to determine what businesses in their respective areas were most in need of financial assistance at that time and important in their local economies. Two tiers of funding were set to reflect the various fixed costs of businesses, being £10,000 and £25,000, however local authorities also had discretion to award grants in any amount under £10,000.

6.42. The submission noted that the Department considered the proposed scheme could provide some support to businesses that fell outside the scope of the first two schemes, including businesses that operated out of coworking spaces and market traders. It was assessed that approximately 300,000 to 500,000 businesses would fall within scope of the proposed scheme, however it was unclear whether the proposed uplift of 5% of the value of the original grant schemes would be sufficient to meet demand. It was also acknowledged that some types of businesses would likely still be left without support, including the recently self-employed and home workers.

6.43. The Secretary of State had expressed a desire that home workers be eligible for the scheme if a proportion of their mortgage was business-related (and this was able to be evidenced). Tony Bray advised they would likely not fall within the scope of the scheme, however on 29 April 2020, he nonetheless requested that two HMT officials raise this with the Chancellor. An HMT official advised that the Chancellor had been very clear the previous day that he did not want the scope of the proposed scheme to be expanded to businesses operating out of homes, partly due to the fact that the proposed level of funding would not be sufficient if more kinds of cases were added. Whilst local authorities would have discretion to award grants to 'hard cases' in their respective areas within the overarching criteria set by central Government, the HMT official stated most local authorities would probably not award funding to home workers. In any event, the HMT official added a note to the advice that had been sent to the Chancellor earlier that day that the BEIS Secretary of State had raised this as a concern {SM/251 INQ000624917}.

6.44. On 30 April 2020, the Secretary of State and Sam Beckett gave their views on the submission. Sam Beckett noted that the same risks that led Alex Chisholm to request a ministerial direction for the SBGF and RHLGF also applied to the LADGF and if the Secretary of State was minded to proceed it seemed clear she would need to request a direction {SM/252 INQ000624918}. The ministerial directions for both the SBGF and RHLGF are discussed further below in paragraph 6.47. The Secretary of State confirmed he signed off on the advice and that officials should progress the scheme

{SM/253 INQ000624920}. On 1 May 2020, the Secretary of State issued a ministerial direction for the LADGF {SM/254 INQ000543192}.

6.45. On 1 May 2020, the LADGF was announced by the Secretary of State and the Rt Hon Simon Clarke (Minister of State for Regional Growth and Local Government, MHCLG) in a call with local authorities {SM/255 INQ000543198}. The following day it was publicly announced via GOV.UK. On 13 May 2020, guidance on the scheme was published {SM/256 INQ000543230}.

6.46. There was a huge amount going on in my portfolio at this point in time and I was not involved in much of the detailed design work on the LADGF, though I was aware of the development of the proposal and agreed with the view of the team and the Accounting Officer that a ministerial direction was required. I remember being concerned by the likely inconsistency in how the scheme would operate around the country, but understanding that that was a price we needed to pay if we wanted rapid delivery and tailoring to local need.

Ministerial Directions: SBGF and RHGF

6.47. Despite the concerns regarding local authorities' ability to accurately deliver grant funding to businesses in a timely manner for both the SBGF and RHLGF, ministerial directions were ultimately provided for each scheme owing to the strong policy reasons for proceeding, notwithstanding the value for money risks.

6.48. On 22 March 2020, BEIS officials sent a finalised submission regarding readiness for delivery of the grant schemes {SM/257 INQ000624865} {SM/258 INQ000543108}. I cleared this submission and it set out the support package proposed to assist local authorities with delivery of the grants. This included developing and publishing guidance, convening a working group, issuing letters from the Secretary of State, engagement with local authorities, among other things. The submission confirmed the proposed guidance had been reviewed by local authorities and they believed the schemes were *"workable"*. On the evening of 23 March 2020, the Department's Head of Special Advisers' and Cabinet Committees Team advised CLGU officials that the Secretary of State had no substantive comments on the guidance {SM/259 INQ000065999}.

6.49. In parallel, on 23 March 2020, BEIS officials sent a submission and Accounting Officer advice to the Secretary of State for the SBGF and RHLGF {SM/260 INQ000624866} {SM/232 INQ000543099}. This had been cleared by the Permanent Secretary, and I was the Director General who led on the advice. The Accounting Officer assessment

advised that a ministerial direction should be requested from the Secretary of State for both schemes due to the uncertainties associated with the benefits. Due to this, it was not possible to provide assurance around value for money. The capacity of local authorities to deliver the schemes was also noted and assigned as high risk. The assessment set out that the mitigations for the risk included issuing guidance to local authorities and offering support to help manage the risks of fraud.

6.50. On 23 March 2020, the Permanent Secretary (in his capacity as Accounting Officer) sent two letters to the Secretary of State seeking ministerial directions in respect of both schemes.

6.51. In relation to the SBGF, the letter noted that many small businesses that would be eligible for these grants were expected to incur significant costs and cash flow pressures as a result of the disruption caused by the pandemic. Further, they were unlikely to be able to manage these problems through the tax system. The letter noted the feasibility concerns and operational difficulties for local authorities, but ultimately stated that there were legitimate reasons for the direction. This included supporting vulnerable businesses and maintaining business confidence during a time of crisis {SM/261 INQ000543109}.

6.52. In relation to the RHGLF, the letter noted businesses within the retail, hospitality, and leisure sectors were particularly vulnerable owing to the significant effect on supply and demand caused by the pandemic. These businesses were similarly experiencing cash flow pressures and were forced to make tough decisions that would affect the prospects of their business in the short and long term. This would also have an impact on the economy as a whole. These grants were intended to alleviate the significant financial pressure they were facing and hopefully bolster their chances of survival. The letter made similar comments regarding feasibility concerns as in the SBGF letter {SM/262 INQ000543110}.

6.53. The Secretary of State issued both ministerial directions on the same day, 23 March 2020. The SBGF direction noted that government had a responsibility to assist vulnerable businesses and that grant funding would go some way in providing relief during a period of economic turmoil {SM/263 INQ000064764}. The RHLGF direction echoed these sentiments and noted that without prompt action to alleviate the financial pressure of businesses in these sectors, businesses and jobs would be at acute risk {SM/264 INQ000064763}.

6.54. My team and I prepared these letters for clearance by the Permanent Secretary, ahead of them being provided to the Secretary of State if he was minded to provide the ministerial directions. As such, they reflected my views on why ministerial directions were ultimately provided, despite the significant value for money risks including the concerns about local authorities' ability to accurately deliver the funding to businesses. Insofar as I remember my own views at the time, I was generally in favour of these schemes being launched, notwithstanding the delivery risk. We expected that there would be all sorts of imperfections in delivery (as indeed there were), but nobody had any better ideas for how we could reasonably deliver rapid cashflow relief to these businesses. Objecting to the launch of the grants would have been, in my view, 'making perfect the enemy of the good', and would have risked unacceptably serious consequences for small businesses.

Engagement and Communication with Businesses

6.55. I am asked to comment on how BEIS communicated with businesses regarding the economic support measures and how that informed the design of the grant schemes.

6.56. As stated at paragraph 2.3 above, prior to the pandemic, my work as Director General focussed on business preparedness and support in relation to the EU Exit. When the Covid-19 pandemic began to emerge, the Department was able to apply lessons learned from the EU Exit to its approach to the Covid-19 economic support measures. The Business Intelligence and Readiness Directorate (**BIRD**) had been set up as part of the EU Exit response, and one lesson learned was the value of having a centralised team overseeing communication with businesses. When the Department began to set up its Covid-19 business response structures in the very early days, communication with business was split across multiple teams within BEIS. In early March, Jayne McCann (Deputy Director, BIRD) suggested that a business communications and engagement team should be included in the Department's Covid-19 operating model due to difficulty in managing the requests that were already coming in across the teams {SM/265 INQ000543060}. I agreed with this and suggested the director assigned should be from BIRD.

6.57. This decision seemed straightforward to me. We needed a place dedicated to ensuring that businesses understood what was happening, and to help deal with what was, by this point, an ever-growing number of incoming queries from businesses. My previous experience with work on EU Exit made me confident that strong programme management and coordination of business communication was an essential component of the Department's architecture. I considered that the BIRD team had the

right type of capability and experience in this area and had discussed with them the proposal that they pivot to Covid-19 in parallel to addressing the EU Exit. This also had the advantage of not creating two completely parallel communications teams, but rather allowing communications on the two issues to be considered in the round, and resourcing to be more fluid between the two. A business engagement team was set up as part of the Department's response to Covid-19. Andy Shields joined BEIS as a Director in BIRD shortly after this and led the team, working with Jayne McCann and other members of the BIRD Team. I was the Director General overseeing this team until July 2020.

Engagement with business on the SBGF and RHLGF

6.58. The Department was not able to consult business, or local authorities, on the design of SBGF prior to the announcement made in the Spring Budget due to confidentiality requirements surrounding Budget announcements. However, the Department actively engaged with business following the announcement to develop the design and operation of the SBGF and settle on a strategy for communication and engagement with businesses.

6.59. One important channel for communicating with business, particularly at an overall level was through the BROs. The Secretary of State held regular roundtables with the BROs throughout the pandemic, the first of which was held on 11 March 2020 with a follow-up call taking place the following day. I attended the call held on 11 March 2020 and provided an update to both HMT and Alex Chisholm {SM/266 INQ000624858} {SM/267 INQ000624857} {SM/268 INQ000624859}. This call was held immediately after the Spring Budget announcement, and generally the measures announced were well received, with concern expressed about large firms, and specific sectors such as aviation. The BROs noted clear communication and messaging would be required from the Government on plans for business support.

6.60. The roundtables with the Secretary of State continued twice weekly until July 2020, when they became monthly {SM/269 INQ000624940} {SM/270 INQ000624937}. The purpose of these calls was so that BEIS could provide any updates to the BROs regarding the Government's economic response to the pandemic, and the BROs could advise BEIS regarding the impact of support measures and risks facing the business sector. It also provided a forum in which BROs could raise any gaps in economic support that were identified. I attended the roundtables on an ad hoc basis and oversaw the team who prepared briefings for the Secretary of State ahead of each call.

The business engagement team collated a 'BRO log' of questions from the calls and managed responses {SM/271 INQ000543068}.

6.61. However, this senior engagement with BROs was very much the 'tip of the iceberg' of the engagement activity going on across the Department. The sector teams I was leading as Director General were in constant contact with businesses in their sectors. For example, the automotive team would have been in live communications almost constantly with the large car manufacturers. These teams would also be working with their sector-specific trade organisations to make sure they knew what was happening to smaller businesses (for example the retail sector team would have been in regular contact with the British Retail Consortium among others). The same was of course true beyond BEIS as well, where colleagues in other sector-owning departments had their own engagements. The purpose of the business intelligence dashboard was to bring insight from all this engagement into a single, organised place so that it could inform decision making. Much of the purpose of the BIRD team was to make sure that all these teams in government knew what they were supposed to be saying (for example, every business facing team needed to be able to describe the BBB loan schemes) and to make sure this was consistent with the cross-cutting channels including GOV.UK.

6.62. The type of feedback BEIS received at this time came via the roundtables, ministerial engagement, or direct contact with the Department. Such feedback included:

a) Concerns regarding the viability of the hospitality and retail sectors, which were anticipated to worsen with further announcements such as the move to working from home {SM/272 INQ000624860};

b) Asking the Government to consider accessibility of information to the public, and ensuring simplicity of messaging {SM/273 INQ000543085};

c) Concerns regarding the timelines and requirements of the grants {SM/274 INQ000543134}; and

d) Concerns regarding how local authorities were interpreting and implementing the grants, including inconsistent application of BEIS guidance {SM/275 INQ000543144}.

6.63. On 16 March 2020, the Prime Minister asked people in England to avoid non-essential contact and travel, including avoiding pubs, clubs, theatres and other social venues. Given the significant impact this would have on the retail and hospitality sectors, on 17 March 2020 the Chancellor announced further measures including the RHLGF.

6.64. The Department was in constant dialogue with business at this point and listening carefully to their concerns. By way of example, a daily business insights report was sent to ministers that collated insight from across formal and informal engagement each day. An example is provided at {SM/276 INQ000596666}. The core elements of the grant schemes were, under one view, very much in response to this feedback. But I am not sure it was strictly the case that we introduced the initial schemes 'because of business feedback' - it was very evident that businesses forced to close their premises because of government restrictions were in need of support, and our biggest question was the practicalities of how we could get it to them quickly and efficiently, rather than a difficulty understanding that there was a problem.

Engagement with business on the LADGF

6.65. The LADGF was established in direct response to feedback from businesses once the SBGF and RHLGF had been operational for a few weeks. It was established with the intention of providing support to businesses that inadvertently slipped through the cracks of the earlier two schemes.

6.66. Business representatives (and regional authorities) raised concerns with BEIS in April 2020 on behalf of businesses that were concerned about their ability to keep operations going without support from the Government {SM/277 INQ000543157}. These businesses were ineligible for existing grants as they were not responsible for business rates (or had no rating). They included B&Bs and businesses which operated out of their owners' homes, as well as firms that did not pay business rates directly such as market traders and those working in serviced offices. It was also reported that a *"…disproportionate number of small, incubator-type businesses in region that [couldn't] access grants scheme as [they paid] an overall rent/service charge/rates fee..."* {SM/276 INQ000596666}. Accordingly, the LADGF was established.

Reflections on Business Engagement relating to Scheme Design

6.67. In my view, when seen against the realities of the pressures of the time, BEIS adequately engaged with businesses regarding the design of the grant schemes. The Department took steps to engage businesses at the earliest opportunity regarding what support they needed following HMT announcements and factored their feedback into the design of future schemes (for example, by creating the LADGF in response to the gaps in support identified under the SBGF and RHLGF). I do not remember receiving much feedback or complaints from businesses regarding lack of engagement or consideration of their views in the design of the grant schemes. The main thing was businesses wanting to give us practical messages about what they thought needed to

get done. I would describe the engagement and partnership as positive during this period. You will never reach a situation where every business feels they have been sufficiently engaged by HMT, but I think the record suggests that at this point our activities were organised, thorough and led to useful action.

6.68. The main issues in the grant schemes arose later and related to the over-reliance on data held by local authorities regarding rateable businesses that was later identified as being quite inaccurate. The Department and local authorities relied on this data and this resulted in businesses that may have been eligible for the SBGF and RHLGF missing out on support as they had not been recorded as receiving SBRR or the Expanded Retail Discount. I would however characterise this issue as being primarily an issue of scheme delivery, rather than a problem with 'business engagement' per se.

Engagement with Local Authorities on Scheme Design

6.69. I am asked to comment on the Department's engagement with local authorities, including the Local Government Authority (**LGA**), on scheme design and reflect on the adequacy of this engagement.

6.70. As stated at paragraph 6.58 above, the Department was not able to engage with local authorities on the design of the SBGF prior to the announcement of the Spring Budget 2020 for confidentiality reasons driven by HMT. However, the Department engaged with local authorities at the earliest opportunity thereafter.

6.71. There were significant levels of engagement in relation to the scheme design following the announcement. The BEIS Module 9 corporate statement addresses the specific engagement in detail in Part C, paragraphs 3.10 to 3.21 and 3.84 to 3.88. By way of example, the following types of engagement were conducted:

a) Meetings were held with the LGA via the Covid Local Delivery Board, chaired by MHCLG ministers.

b) CLGU met with local authority chief executives following the budget announcement;

c) CLGU engaged with the Local Authority Advisory Group (**LAAG**) and numerous MHCLG led advisory groups such as the Small Business Grant Scheme Advisory Group, the New Burdens Advisory Sub-Group;

d) Briefing sessions were held with local authority representatives, which informed changes to guidance and scheme design; and

6.72. On 12 March 2020, CLGU met with local authority chief executives to discuss the grants announced in the Spring Budget. A readout of the call provided to the Secretary of State's office noted that the chief executives saw this is a positive announcement, although there were lots of questions on how it would work in practice {SM/278 INQ000543091}. The LGA offered to coordinate engagement and pull together a group of experts to work with CLGU on areas such as business rates, finance and compliance. These meetings were chaired by MHCLG ministers and became known as the Covid Local Delivery Board. By way of example, Tony Bray attended the call held on 5 April 2020 that was chaired by the Minister of State for Regional Growth and Local Government {SM/279 INQ000624889} {SM/280 INQ000608921}. These calls were not limited to discussion of the grant schemes and fell within MHCLG's usual engagement of local authorities. I do not recall attending these meetings.

6.73. On 24 March 2020, a briefing was provided to both the BEIS and MHCLG's Permanent Secretaries on communication of the Covid-19 business support grant schemes {SM/281 INQ000543116}. The briefing advised that both departments had worked closely with the LAAG, along with specialists in local authorities and business rate experts to refine the SBGF and RHLGF guidance. It also stated that local authorities had concerns about the burden of data collection and post-payment assurance requirements

6.74. CLGU continued to work closely with local authorities, often setting up smaller advisory groups to focus engagement and feedback. Examples of this include the Small Business Scheme Advisory Group and the New Burdens Advisory Group set up near the announcement and launch of each respective measure. Both included representatives from the LGA and local authorities and CLGU officials would engage via email and with calls on issues specific to the sub-group. These calls were generally informal in nature and did not have minutes. These advisory groups were often short lived and focussed, though engagement continued generally on these issues throughout the pandemic. I do not recall attending these sub-groups and the secretariat function for these groups was generally operated by MHCLG.

6.75. On 3 April 2020, BEIS officials sent the Secretary of State a submission on the progress of the grant schemes and proposed amendments to the SBGF and RHLGF guidance and FAQs document {SM/282 INQ000543147} and {SM/283 INQ000543146}. I cleared this submission. It stated that BEIS had redeployed significant resource from CLGU to regularly engage with local authorities. It noted that two briefing sessions with over 300 local authority representatives had been held and

that the Department continued to engage with the LAAG on policy development. The dedicated business grants mailbox for local authority queries had also been established.

6.76. To assist CLGU with managing communication with local authorities, officials in the team were designated as 'Area Leads' for a specific region.

6.77. The briefing sessions continued to be held over the course of the pandemic to update all 314 local authorities who were administering the schemes. The first of these was held on 25 March 2020 to provide information on the details and eligibility for the SBGF and RHLGF. These calls were not formally minuted and were usually led by CLGU officials. The sessions continued as new schemes were announced, and the CLGU hosted several livestreams in relation to the application of the LADGF guidance (the first being on 15 May 2020, following provision of the first iteration of LADGF guidance on 13 May 2020) {SM/284 INQ000624925}. These sessions provided an overview of the scheme and an opportunity to answer questions from local authorities.

6.78. As above, a dedicated mailbox had been set up to field queries from local authorities. CLGU officials would monitor and escalate these to HMT as required. By way of example, on 18 May 2020, CLGU officials approach HMT regarding the LADGF guidance {SM/285 INQ000624926}. Specifically, concerns had been raised by stakeholders that those in receipt of the Self-Employed Income Support Scheme (**SEISS**) were ineligible for support under the LADGF. HMT put advice to the Chancellor on 20 May 2020 regarding the interaction between SEISS and LADGF. This advice was not provided to the Department. The Chancellor opted to remove the bar on those receiving, or those eligible for, grants under the SEISS from also receiving grants from the LADGF {SM/286 INQ000543228}. The LADGF guidance was amended as a result {SM/287 INQ000543229}.

6.79. Whilst the Department did devote significant resource to engaging with local authorities regarding the schemes, additional engagement would have been beneficial. I think this is one of those cases where there is no amount of engagement that could have been 'too much'. This was a complex set of schemes launched at pace and placed a significant burden on local authorities. We did a lot, but of course it would have been even better if we could have done more.

6.80. The most significant challenge delivering the schemes, as stated at paragraph 6.68 above, was that the Department had overestimated the reliability of the data held by local authorities regarding rateable businesses in their areas and that impacted the

identification of eligible businesses and the rewarding of grant funding. Had there been the opportunity to engage local authorities before the core elements of the scheme were designed, it might have been that we would have done something differently. For what it is worth, I suspect we would have gone ahead anyway - in this particular case it was very much preferable to get money out, even if imperfectly, than to imagine a perfect scheme that in reality would end up being undeliverable to a relevant timescale.

Publication of Data

6.81. I have been asked to comment on the publication of payments to date by local authorities in respect of the grant schemes. The first publication occurred on 20 April 2020, which used the data local authorities were disclosing to the Department on a weekly basis. The first publication used data from week three of payments.

6.82. Both the SBGF and the RHLGF were designed to deliver grants at pace to businesses in need. On 26 March 2020, in the lead-up to publishing guidance to local authorities, BEIS officials sent a submission to the Secretary of State seeking a decision on the balance between speed and pre-payment fraud and error checks {SM/288 INQ000543129}. The submission noted that in order to prioritise speed of payment and enable eligible businesses to survive in real time, the pre-payment checks usually advised would not be done in all cases. A Cabinet Office tool (called Spotlight) would be available to local authorities to use for pre-payment (and post-payment) checks but not mandated. The Secretary of State approved the submission, noting that businesses needed to self certify they were eligible to receive the grant {SM/289 INQ000624874}. The guidance published on 24 March 2020 noted that local authorities should make it clear to recipients that the grant is for the ratepayer and that they were liable for recovery if they were not the ratepayer on the eligible day {SM/290 INQ000543103}.

6.83. The SBGF and the RHLGF opened formally on 1 April 2020 with payments to be made as soon as possible after this date. However, within the first few weeks, it became clear that not all local authorities were delivering payments at the same speed. On 15 April 2020, the Chancellor's office contacted the Secretary of State's office and stated that the Chancellor was concerned that some local authorities were *"…behind the curve, meaning many businesses are struggling while awaiting grants payments."* The Chancellor's office recommended a number of steps to improve this, including calls from junior BEIS ministers to local authorities who were behind on delivery and setting target expectations {SM/291 INQ000624896}. Jenny Dibden noted in reply to HMT

policy officials that the 'debate' around publication of data had continued, with the Department deciding to begin this on 20 April 2020 with data from week three.

6.84. On 17 April 2020, at a meeting of the Small Business Grant Schemes Advisory Group, it was confirmed that BEIS would publish data relating to payments made. The purpose of publishing the data was to ensure transparency around government support for businesses. Further, the Department was being contacted frequently by businesses and MPs asking for updates on payments, and publishing the data aimed to encourage local authorities to ensure payments were processed with urgency. On the same day, Natasha Adkins (Special Adviser, BEIS) reviewed the proposed publication format and advised officials that the publication should not name top performing local authorities and just publish the data as is with local authorities in alphabetical order and should not be seen as a 'league table' {SM/292 INQ000624903}.

6.85. On 18 April 2020, Cabinet Office officials (via the Prime Minister's Special Adviser) advised the Department's Special Adviser that they had concerns about publishing the data due to (among other things) the risk that it might inadvertently discourage anti-fraud measures {SM/293 INQ000624901}.

6.86. On 19 April 2020, BEIS officials sent a note for the Secretary of State raising Cabinet Office concerns and seeking a decision on whether he was content to proceed with the publication {SM/294 INQ000543158} {SM/295 INQ000543159}. The covering email noted that the Secretary of State had already discussed and agreed with Natasha Adkins that the published data would not include the percentage of payments against the amount allocated to the local authority. The note stated that each local authority had a different system for processing irregular payments, and that a third had taken up the optional offer of using the Spotlight tool (see above paragraph 6.82). The note stated that the Department was aware some local authorities were prioritising upfront fraud activity over speed, but that did not mean that the local authorities issuing more payments were necessarily doing fewer checks. The note acknowledged there was a risk that publication would lead local authorities to relax further their upfront checks, but also noted that the messaging and decision making (as per the 26 March submission at paragraph 6.82) was that speed was critical to ensure business survival.

6.87. On 20 April 2020, the Secretary of State's private office confirmed to officials that his steers were to continue to publish with removal of the percentage figure {SM/292 INQ000624903}. The data was published later that day. It was provided in the following format:

a) Local authorities listed in alphabetical order;

b) The amount of money allocated initially to the local authority;

c) The number of hereditaments that the local authority identified may be in scope to receive a grant (as at 19 April 2020);

d) The number of grant payments made to hereditaments (as at 19 April 2020); and

e) The value of those payments.

6.88. The data continued to be published weekly until September 2020 (data to the LADGF was added once it had launched, with all three schemes closing in August 2020). The final data for the cohort one schemes was published on 12 November 2020.

6.89. The Department sought to avoid presentation of the data in a way that would be interpreted as a 'league table'. It is for this reason that the percentage of allocated payment was removed, and local authorities listed alphabetically, with no reference to those who were either high or low performing. As stated in the 19 April note (above at paragraph 6.86), there was a risk that local authorities would prioritise speed over basic pre-payment checks. However, I would note that local authorities were not required to run such checks beyond self-certification. The cohort one schemes were designed to prioritise speed - that was the decision taken by ministers at the time, as businesses were requiring urgent assistance. Therefore, the Department considered that publishing the data would not substantially increase the risk of fraud and error as the checks for these schemes were envisaged to be largely in post-payment assurance (not pre-payment). Ultimately, the decision had already been made by ministers (and was reconfirmed here) that speed of getting the money out was more important than ensuring every local authority did pre-payment checks. I would also note that the publication of data was not the only action taken to encourage local authorities to expedite processing payments. Per the request from the Chancellor's office (above at paragraph 6.83), BEIS ministers conducted numerous calls with local authorities with low levels of payment to ascertain further information on their approach and encourage urgency. Overall there is obviously a legitimate question to be asked about whether pre-payment tests should have been mandatory (noting that this would have come with payment delays of several weeks at least). However, once that decision had been made by ministers and speed had been set as the relative priority, it seems to me that the further decision to publish transparent data on how much money has been disbursed remains a sensible one.

Local Lockdowns and the Development of the Cohort Two Grant Schemes

6.90. I am asked to comment on the challenges caused by local lockdowns, the gaps in support that were identified, and the tailored support provided to businesses as a result. From 20 July 2020, I was Permanent Secretary and no longer Director General specifically overseeing the grant schemes. I was briefed and provided submissions during this time, but my involvement in the specific oversight of the grant schemes was inevitably and appropriately reduced.

6.91. Local lockdowns comprised a set of restrictions imposed by Government to target excessively rising case numbers in a specific area. These lockdowns were imposed in a number of locations, particularly in the North of England, and ran between June 2020 and October 2020. In contrast, the tiers system started in mid-October 2020 and were applied at a national level. As the Inquiry is aware, there were initially three tiers (a fourth tier was added on 19 December 2020), each with a different set of restrictions. tier one contained the most minimal restrictions and tier three (later tier four) contained the strictest. Whilst the tiers differed across local authority areas, these restrictions did not constitute 'local lockdowns' given all areas within England were subject to a set of restrictions, albeit at differing levels. The tiers system ceased to apply when the Government imposed national lockdowns, where the same restrictions applied across the country. My comments and reflections in this section relate to the 'local lockdowns' as defined above.

6.92. As stated in Part C, paragraph 6.2 of the BEIS Module 9 corporate statement, the introduction of these lockdowns created new challenges in the economic response to the pandemic and highlighted gaps in existing support for businesses. The Department was required to consider how these targeted restrictions would impact businesses and adapt support measures accordingly.

6.93. On 4 July 2020, relaxations to restrictions were due to apply to England coming out of the first national lockdown. However, on 29 June 2020, the Government (as agreed with Leicestershire County Council and Leicester City Council) decided not to relax restrictions in Leicester. Instead, schools and non-essential retail were closed. BEIS officials began considering support options and preparing a submission for the Secretary of State. An update note on the localised lockdown was sent to the Secretary of State on the same day and noted that BEIS and HMT officials had discussed a potential further focussed grant {SM/296 INQ000624930} {SM/297 INQ000624931}. This situation highlighted a potential gap in support that the Department wanted to rectify in anticipation of further local lockdowns. As the restrictions were being relaxed

slowly throughout June 2020, many businesses were making plans and ensuring their premises were Covid-19 safe prior to opening, often at significant expense. The delay in opening premises put further financial strain on these businesses, and it was clear that support was needed.

6.94. In parallel, the Department and HMT was also engaged in ongoing discussions regarding the closure of the cohort one schemes (which are outlined in detail in Part C of the BEIS Module 9 corporate statement, paragraph 5.3). The Chancellor's private office had previously proposed a closure date at the end of August 2020 {SM/298 INQ000543269}. On 1 July 2020, I discussed with colleagues creating a support structure for Leicester that could also be flexed for other local lockdowns {SM/299 INQ000624932}. On the same day, I cleared a submission that was sent to the Secretary of State's office and proposed suggesting to the Chancellor an earlier closing date and utilising the underspend from the LADGF to support businesses facing local lockdowns {SM/300 INQ000543266}. Following feedback from Special Advisers and the Secretary of State's private office, the proposed support developed over the following two weeks.

6.95. On 16 July 2020, BEIS sent the finalised submission to the Secretary of State. This was cleared by me in my capacity as Director General at the time {SM/301 INQ000543276} {SM/302 INQ000543278}. The submission proposed a new support package for the Leicester area to support affected businesses, noting the preferred design option was for a £1,000 per week payment, to a maximum of £5,000. The submission also noted the scheme would inform the creation of similar support to be provided in areas affected by local lockdowns in the future. It recommended that the Secretary of State correspond with the Chancellor to seek that the underspends from the cohort one grant schemes be used to fund the proposed scheme to support businesses affected by local lockdowns. The submission was not intended to provide a detailed scheme design, given that HMT would have wanted to be involved in this process if the scheme was approved, and further discussions with local authorities regarding the administration of the proposed scheme would be required {SM/303 INQ000624936}.

6.96. I initially had concerns regarding whether the proposed support package would pass the Accounting Officer tests for value for money, so I sought advice from Mike Keoghan, BEIS's Chief Economic Adviser. The work of the Economy and Strategic Analysis team is discussed in more detail from paragraph 7.11 below. Mike assessed that earlier feasibility and legal concerns had been addressed, and that similar grants

had historically delivered strong value for money. I queried whether equity considerations and the fact that the funding amounted to justifiable compensation was sufficient to determine value for money, or whether "…*we have to believe there is true "return" in GDP/jobs*…". Mike Keoghan advised he was satisfied that both equity and the strong value for money delivered by earlier, similar grants was sufficient to justify value for money in this case {SM/304 INQ000624935} {SM/305 INQ000624938}.

6.97. Over the coming days, BEIS and HMT officials liaised further on a potential announcement, however, ultimately the scheme as set out above was not approved {SM/306 INQ000624939}. On 21 July 2020, HMT advised the Department that the Chancellor had opted to provide a lump sum of £3 million to Leicester City Council and Oadby and Wigston Borough Council, funded by the Department for Health and Social Care (**DHSC**) {SM/307 INQ000543284}.

6.98. Although not accepted at the time, the Leicester support package proposed by the Department in summer 2020 informed the development and structure of the cohort two grant schemes. The common features of these schemes were:

a) Targeted funding for areas with tier or local restrictions;

b) A focus on mitigating costs and burdens on businesses impacted by local lockdown restrictions;

c) Grants administered locally to businesses impacted by local lockdowns;

d) Local authority discretion when allocating grants; and

e) The implementation of measures aiming at reducing irregular payments to be undertaken by local authorities.

6.99. Part C of the BEIS Module 9 corporate statement (paragraph 17.21) acknowledged the complexity of the cohort two grant schemes and how this created confusion for the local authorities administering the schemes and eligible businesses. I agree with this assessment. Whilst the intention of these schemes was to provide targeted support to businesses that were more impacted by restrictions set by central government, this led to the creation of a complex web of grant support that changed on a regular basis. There were multiple schemes and sub-schemes that each had their own eligibility criteria and accompanying guidance. Different schemes were in play at different times across different local authority areas, due to the way the schemes were tied to national lockdowns and the various tiers in the tiers system. This complexity led to added pressure being placed on the CLGU teams and the local authorities, which were

already coping with a huge administrative burden. It was also difficult for businesses seeking a grant to follow which schemes they were eligible for at different times.

6.100. Many of us were exercised about this at the time, but it was difficult to see what we should do about it. The reality was we were operating in an ever-changing structure of restrictions, which did not easily 'solidify' into an organised and structured approach from which we could then create an organised and structured approach to business support. If I could have, I would have liked there to be a menu of restriction levels early on, with criteria and timing for when each would be introduced, with a system of business support locked into that. I remember thinking this at the time, but the prospects of changing the approach to non-pharmaceutical interventions (**NPIs**) were extremely limited, because of course nobody ever wanted to find themselves in a situation of either having restrictions that were 'too few/too late' or 'too draconian/too anticipatory'. As a consequence, it felt like the position of health officials was to maintain maximum discretion and flexibility. This may well have been the right answer, but it inevitably led to a messy and confusing system of business support.

Reflections on Grant Schemes

6.101. I am asked for my reflections on several aspects of the grant schemes.

The Primary Aims of the Grant Schemes

6.102. As highlighted in Part C Section 17 of the BEIS Module 9 corporate statement, the threat posed to businesses and the economy by Covid-19 was unprecedented. The economic response to the pandemic required decisive action from the Government, with insufficient time and information to fully inform decisions. It was not clear, particularly during 2020, how long the pandemic and associated restrictions would last and how these would develop.

6.103. The primary objective of the grant schemes was to provide funding to businesses as quickly as possible to assist with cashflow issues caused by the pandemic and associated restrictions. A conscious decision was made by ministers early in the pandemic to prioritise speed of delivery, which inevitably led to compromises in terms of scheme design and assurance. This trade-off was acknowledged and accepted by the Department given the substantial threat to businesses.

6.104. Whilst substantial support was provided to businesses between March 2020 and March 2022, it is difficult accurately to quantify the precise impact of the grant schemes. This is because it very hard to establish the counterfactual – i.e. how many businesses would have survived and how many jobs would have been protected if

grant support had not been provided. Despite these complexities, I consider the grant payments did achieve their aims as they played a significant role in protecting jobs and businesses. Funding was awarded to businesses at pace, and the risk of doing so was accepted by ministers.

6.105. In December 2021, the Department commissioned Ipsos to undertake a process, impact, and economic evaluation of the grant schemes. In October 2024, this report was published (**the Ipsos Grant Schemes Report**) {SM/308 INQ000585832}. I was not in the Department at the time it was published but it is discussed in the BEIS Module 9 corporate statement (paragraph 17.6). The report stated that the speed with which the grants programme was developed (particularly the cohort one schemes), given the range of operational and resourcing challenges that existed, ought to be acknowledged as a significant achievement. The report also estimated that the schemes may have saved just over 300,000 jobs by preventing the closure of workplaces, and an additional 100,000 jobs in businesses that would likely have survived the pandemic but may have needed to reduce employment levels.

6.106. The Ipsos Grant Schemes Report stated that 4.5 million grant payments were made under the eight grant schemes with a total value of £23 billion paid out by 314 local authorities during this period. It is estimated that 1.4 million businesses benefitted from the grant schemes, including the smallest businesses who were expected to face the most significant disruption caused by the pandemic.

6.107. In relation to the cohort one schemes, the Government decided to introduce limited targeting to ensure their delivery was as quick and simple as possible. The Department and I accepted at the time that some businesses would end up being over or undercompensated. These grants ultimately reached a significant proportion of eligible businesses, with 70% of these payments being made within four weeks of funding being allocated to local authorities on 1 April 2020. This was in the absence of existing delivery infrastructure and despite the significant burden on BEIS (and other government departments) and, most particularly, local authorities. The Department worked with HMT, MHCLG, and local authorities to enhance the operation of the various schemes, aiming to improve grant accessibility, equity, and value for money. The LADGF is an example of this, given it was created based on feedback from various stakeholders with the intention of providing local authorities with the discretion to make payments based on local needs and priorities.

6.108. The cohort two and three grants were more targeted. It is estimated that this funding reached just over a quarter of businesses (registered and unregistered) in England. These schemes were designed to respond to local needs, local lockdowns and the tiering systems, and to provide support to sectors experiencing the most disruption.

6.109. I agree with the views expressed in the Ipsos Grant Schemes Report and the BEIS Module 9 corporate statement. Despite the issues that arose from the speed of delivery of the cohort one schemes, the major issue being the amount of erroneous payments that materialised, grant payments were made to businesses quickly and efficiently. This was the primary objective of the grants programme. For that reason, I consider the schemes did achieve their aims. I would particularly thank colleagues from local authorities across the country who worked tirelessly to deliver these schemes.

6.110. The primary criticisms of the schemes in my view are (i) complexity - which I have discussed above and (ii) error. As the data was not as good as we originally thought, and because pre-payment checks were not in use in the early scheme (in order to facilitate speed of delivery), some payments were made in error, which is discussed further below.

Value for Money Considerations

6.111. As the Government took steps to address issues that emerged from scheme to scheme, the value for money of each scheme improved. For example, scheme designs changed to specifically target particular sectors or areas as the need for support altered.

6.112. There were substantial concerns regarding value for money in relation to the SBGF, RHLGF, and LADGF. On 10 March 2020, prior to the Chancellor's formal announcement of the SBGF, I cleared a submission updating the Secretary of State on the proposed scheme {SM/219 INQ000543056}. Given the short time frames, a full Accounting Officer assessment had not yet been undertaken. However, the submission flagged that the assessment would likely show poor value of money. These risks were echoed in a submission that I cleared dated 29 April 2020 regarding the LADGF {SM/309 INQ000543189} This was due to the inevitable deadweight loss of the untargeted schemes and the unknowable impact these grants would ultimately have on businesses (i.e. whether grant funding would be awarded to businesses that would have survived anyway, or whether businesses in receipt of grant funding would not survive the pandemic in any event {SM/250 INQ000543186}.

6.113. As Director General at the time, I cleared the submissions containing Accounting Officer advice for the cohort one schemes {SM/232 INQ000543099} {SM/310 INQ000543194}. As a result of the risks identified in the Accounting Officer advice, we advised the Permanent Secretary that ministerial directions were required due to the significant uncertainties around their value for money. The risks to value for money could not be adequately mitigated, particularly in light of the direction from ministers to implement the schemes and provide funding to businesses at pace. These competing priorities were weighed and the Department was directed to proceed at pace by ministers regardless of the identified risks owing to the precarious position businesses were in due to the pandemic and associated restrictions, as noted in the ministerial directions discussed above at paragraph 6.53 {SM/263 INQ000064764}{SM/264 INQ000064763}

6.114. By the time the cohort two and three grant schemes were established, I was Permanent Secretary, and therefore the Accounting Officer. On 11 September 2020, I received formal advice (in my capacity as Accounting Officer) from officials that advised a ministerial direction would not be required as the scheme was expected to deliver better value for money on an equity basis. This was because the primary reason for intervention was not overall economic grounds but rather targeted to mitigate the impacts of the local lockdowns {SM/311 INQ000543323}. At the time, I queried the assessment of value for money on an equity basis and sought further clarification on this position {SM/312 INQ000543337}.

6.115. On 17 September 2020, I received a further note on this matter and the Accounting Officer advice was updated {SM/313 INQ000543338} {SM/314 INQ000543342}. The updated advice stated that intervening on equity grounds was a legitimate form of intervention and has been used in the past, such as during natural disasters. The local lockdown intervention fell into this category as it was targeted at mitigating some of the burdens and costs felt by those impacted compared to elsewhere in the UK. Further, the application of lessons learned from the cohort one schemes contributed to the lower risk of poor value for money. By this point in time, the data held by local authorities regarding rateable businesses in their areas had been improved and they held the contact and payment details of eligible businesses. As such, due to the equity rationale and other factors such as lessons learned, the scheme was considered to have acceptable risk with regard to value for money, and therefore did not require a ministerial direction. With this updated explanation, I cleared the advice for provision to the Secretary of State and agreed that a direction was not needed {SM/315

INQ000543341}. Justifying a programme on primarily equity grounds was unusual for BEIS at the time and I remember being nervous about it as I had not previously encountered it in my role as Accounting Officer. However, I understand such justifications are common practice in other departments who more commonly make redistributive payments. It was also similar to how you would justify making payments under the flood impact grant scheme we had used previously, prior to the pandemic. We also consulted the HMT Green Book teams and the Treasury Officer of Accounts to confirm they agreed this was a sensible way to assess the value for money test in *Managing Public Money,* and I took reassurance from this.

6.116. On 9 October 2020, the Chancellor announced changes to the LRSG in light of local lockdown restrictions. On 16 October 2020, I received further advice in my capacity as Accounting Officer related to the revised LRSG. It was still considered to be low risk following the increase in payments and reduction in qualifying periods; these changes were noted as likely to result in a more equitable outcome as the scheme became even more targeted {SM/316 INQ000543389}. This advice was shortly superseded by events and the implementation of the tiers systems described above at paragraph 6.91. On 22 October 2020, the Chancellor announced measures to support businesses affected by restrictions applied to areas in tiers two and three. On 3 November 2020, I received advice in my capacity as Accounting Officer for the LRSG sub-schemes and the Additional Restrictions Grant {SM/317 INQ000624964} {SM/318 INQ000624965}. In the value for money assessment, the advice emphasised that these schemes had been developed at pace, and the Department had had limited input on the design of the package. Value for money was rated medium risk, with the main rationale for intervention being on equity and fairness grounds:

> *"However, on the basis that these schemes will compensate businesses who have faced unavoidable costs and therefore create a fairer, more equitable outcome compared to no intervention, they are likely to provide value for money."*

6.117. On the same day, 3 November 2020, I approved the schemes {SM/319 INQ000543467}. I wrote to Charles Roxburgh noting that my approval was primarily due to the strong equity justifications for the payments {SM/320 INQ000624966}.

6.118. On 7 December 2020, I received advice regarding the Christmas Support Payment (**CSP**) {SM/321 INQ000543541} {SM/322 INQ000543542}. The CSP was estimated to

be medium risk in relation to value for money considerations. This scheme carried additional risks as it required businesses to self certify as to their eligibility (which increased the risk of fraudulent applications) based on a crude proxy (being that they derived less than 50% of their revenue from food). Post-payment checks may have partially mitigated any loss due to fraudulent claims, however these checks were not mandated for this scheme. Despite the associated risks, the strongest justification for value for money of the scheme was on the basis of equity and fairness. I asked for clarification regarding the scope of eligibility based on the definition of wet-led being less of 50% of revenue from food {SM/323 INQ000624986}. Officials confirmed this estimate of eligible business came from HMT, and that references to 'pubs' in the submission actually included pubs and bars. My view on this advice was that overall, although we probably would end up giving some money to pubs that were not strictly wet-led, and although we might end up 'missing' some businesses who in theory should have been compensated, the proxy was good enough to enable a scheme that would lead to greater equity than the available alternative.

6.119. A national lockdown started on 4 January 2021, and a new package of grants were created in response (which included the CBLP, additional support for the LRSG (Closed), and increased funding for the Additional Restrictions Grant). I requested that officials, when compiling Accounting Officer advice, provide information on the numbers and justification for the scheme given the potential for overcompensation {SM/324 INQ000543600}. I received finalised advice as Accounting Officer on 8 January 2021 {SM/325 INQ000543612} {SM/326 INQ000543613}. These schemes were assessed as being medium to high risk with regard to value for money because of the potential risk of overcompensation of some firms. I did not seek a ministerial direction, because, as the advice said, there was no other plausible mechanism to deliver the outcome of the policy (compensation to those businesses who had incurred additional cost) that would have offered better targeting. Some degree of over or under-compensation was anticipated unless a different delivery mechanism was identified (which would inevitably be more complicated, less timely, and more expensive). Equity and fairness were the strongest justifications for the package and it was considered to be the best method for achieving its objective in the most timely and cost-effective way.

6.120. On 15 March 2021, I received advice in my capacity as Accounting Officer in relation to the Restart Grant {SM/327 INQ000543769}. The Restart Grant was also assessed as medium to high risk with regard to value for money. The rationale for why the scheme was approved was very similar to that described immediately above - i.e. that

if we wanted to provide compensation to this group of businesses, there was no viable alternative that offered better targeting.

6.121. On 30 December 2021, I received advice related to the OHLG scheme, which was introduced in response to the Omicron variant {SM/328 INQ000543791}. The OHLG was assessed as medium risk for value for money. Similar to the other schemes the advice was that *"Without a much more complicated, less timely and expensive delivery mechanism, some degree of over/under compensation is inevitable. Hence this delivery mechanism will be the best method for achieving the strategic objective within a timely fashion and on cost-effective grounds".* As such, I approved the scheme and considered I did not need a ministerial direction {SM/329 INQ000543788}.

6.122. BEIS implemented a range of additional measures in the cohort two and three schemes to obtain greater assurance over value for money. This included encouraging local authorities to complete pre-payment checks for the cohort two schemes and mandating them for the cohort three schemes. The Department also provided clearer instruction on data management practices and sought independent evaluation of the schemes. These practices led to a very much lower level of irregular payments arising in the later schemes.

6.123. As stated in paragraph 6.106 above, 4,529,000 grant payments totalling £22.6 billion were made under the eight grant schemes. The Department estimates that irregular payments made amounted to £1.032 billion; the vast majority of this amount arose from non-compliant payments (while these are technically classified as 'non-compliant' rather than erroneous payments under DBT's system of classification, I understand in more general terms, that they would be thought of as payments made erroneously (including, for example on the basis of wrong data being held see paragraph 6.131). They are distinct from fraud). Whilst this estimated figure is of great concern (and I provide my reflections on the safeguarding of public funds in the next subsection), it is clear based on evaluations such as that in the Ipsos Grant Schemes Report that this funding provided a lifeline to businesses and saved jobs in the context of a national emergency {SM/308 INQ000585832}. On this basis, despite the informed risks that were inevitably taken and the level of irregular payments that materialised (particularly due to non-compliant payments in the first cohort), I consider it likely that these schemes did ultimately constitute value for money.

The Safeguarding of Public Funds

6.124. As stated in the BEIS Module 9 corporate statement (Part C, paragraph 15.26), the Department estimates that the total value of irregular payments that materialised in the grant schemes was £1.032 billion. Most of these payments are attributed to the cohort one grant schemes (£985 million).

6.125. Non-compliant payments were the most common type of irregular payment made (being grant payments made to businesses based on inaccurate information where there was no evidence that this was deliberate on the part of the business awarded the grant).

6.126. The total value of irregular payments that materialised in the cohort two and three grants was significantly lower. The final estimates were recorded in the BEIS Annual Reports and Accounts 2022-23 as follows {SM/330 **INQ000472213}:**

a) LRSG sub-schemes: £29.4 million;

b) ARG: £7.6 million;

c) Restart Grant: £10.1 million; and

d) OHLG: £3.2 million.

6.127. The data above was collated during a sampling exercise undertaken by the Department that began in summer 2021, called the Post-Payment Assurance System (**PPAS**). The sampling exercise was agreed between the Department's finance and counter fraud teams, Cabinet Office, the Government Internal Audit Agency (**GIAA**) and the NAO. The Department selected a sample of payments for each scheme per local authority area. BEIS officials assessed each payment against the eligibility criteria for each scheme.[18] The results were extrapolated to ascertain a statistical estimate of the total irregular payments that materialised in the schemes.

6.128. I was not directly involved in the PPAS exercise however the BEIS Annual Report and Accounts 2021-22 set out the methodology that was agreed with the ONS {SM/331 INQ000543835}. The testing categorised the payments as 'eligible', 'not eligible', and 'possibly eligible'. Local authorities provided further evidence to the Department regarding 'possibly eligible' payments. Where the Department was unable to firmly

[18] As set out in the BEIS Module 9 corporate statement (Part C, paragraph 15.23) and the BEIS Annual Reports and Accounts 2021-22 and 2022-23.

determine eligibility, 'possibly eligible' items were included in the final fraud and error[19] estimate (8.4%). As such, some of those payments may have been eligible. The BEIS Annual Report and Accounts 2021-22 noted that this approach therefore may have overestimated the level of fraud and error. It also notes that if the 'possibly eligible' payments were removed from the estimate, the value of fraud and error for cohort one grants would drop to 0.5% (£60 million). This represents the payments firmly categorised as 'not eligible'. At the time of the BEIS Annual Report and Accounts 2021-22, I was informed by BEIS officials that work was underway to recover the payments identified as 'not eligible' {SM/332 INQ000625041}. My understanding when I left the Department was that it was likely that the true value of the irregular/erroneous payments was significantly less than 8.4% but that narrowing the window of uncertainty was proving very difficult.

6.129. The Department has received data from local authorities on the recovery of irregular payments.[20] I was not in the Department at the time, but I note that the BEIS Module 9 corporate statement (Part C, paragraph 15.27 and 15.28) states that as at January 2025, local authorities had reported to DBT that the total value of irregular payments 'recovered to date' and 'not recovered and referred as debt' was £64,178,688. As above, work was focussed on recovery of payments considered 'not eligible' (estimated at £60 million for cohort one). The irregular payments for cohorts two and three (above at paragraph 6.126) are all considered 'non-eligible' per the BEIS Annual Reports and Accounts 2022-23, including a small number of incidences where evidence was not provided by the local authority. The risk of irregular payment had reduced for the later schemes and therefore there was no 'possibly eligible' category. I discuss these mitigations below at paragraph 6.134.

6.130. In regard to determining if the above irregular payments were from fraud, error, or non-compliant payments, the DBT Module 9 corporate statement (Part C, paragraph 15.27) notes that this is inherently difficult to estimate.

6.131. In December 2022, I received some preliminary data that indicated that the majority of non-compliant payments were due to incorrect records regarding rateable value (for example a business might have received the wrong category of support), or poor records on dates that companies were trading {SM/332 INQ000625041}. This was

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[19] The BEIS Annual Reports and Accounts 2021-22 uses the term 'fraud and error' to describe this figure, however, it also includes non-compliant payments as well. The Department now uses the term 'irregular payments' to collectively describe these three categories.
[20] This is data reported to DBT as at January 2025 and does not included data from every local authority.

based on a small-sized initial sample of irregular payments. The payments were determined to be 'ineligible' as they had failed the assurance tests. However, the sample noted that the analysis did not determine if the payments were made in fraud or error. Despite this, it seems to me self-evident that in a scheme that was not application based, these are far more likely to represent cases where the local authority held incorrect data (and thus should be considered as error) than cases where the recipient was engaged in active fraud. I have not seen any final estimates of analysis related to this. I note in this regard that:

a) Paragraph 14.2(a) of Part C of the BEIS Module 9 corporate statement states that non-compliance was the most common type of irregular payment made under the Covid-19 grant schemes (as opposed to fraud); and

b) The Ipsos Grant Schemes report (dated October 2024) stated that the Department estimates that £1.1 billion of the payments were irregular, with 83% related to error (including non-compliance) rather than fraud {SM/308 INQ000585832}.

6.132. The initial priority for local authorities was scheme delivery, and this led to a delay in the Department establishing reporting processes. Each local authority had its own system in place to identify and record fraud and erroneous payments and were required to report suspected fraud in real time. However, the Department did not issue guidance on assurance processes until June 2020 given the emphasis on speed of delivery at the time. The initial guidance did not provide detail on collating and reporting the precise breakdown between fraud, non-compliance, and error that the Department would ultimately seek {SM/333 INQ000543260}. From July 2020, local authorities submitted monthly assurance reports, though this data was not verified nor independently quality-assured by the Department {SM/334 INQ000543268} and {SM/335 INQ000543267}. Compliance with this was generally high, though not 100% across all local authorities. Further, given the additional burdens imposed on local authorities to administer the cohort two schemes, the Department paused the requirement to submit monthly assurance reports for January and February 2021. They were reimposed in March 2021 and then permanently removed in April 2021 to free up local authorities' resources to deliver grants to businesses.

6.133. As noted in the BEIS Module 9 corporate statement (Part C, paragraph 15.27), in many cases the Department also does not agree with the local authorities' classification method. The inconsistent collation of data across both the time period and also among

local authorities illustrates why the Department's estimate of 8.4% irregular payments (as above at paragraph 6.128) is predominantly payments considered 'possibly eligible' - as eligibility could not be firmly determined either way. I understand the Department is undertaking a Pathfinder project to further investigate what the actual figure of irregular payments is, though I cannot provide any detail on this as I have since left the Department.

6.134. The Department mitigated the risk of irregular payments in a variety of ways. These measures became more comprehensive with each cohort of grants. Given the priority placed on speed of payment in the earlier schemes, these measures either did not apply or were far more limited in the cohort one schemes. Part C, section 14 of the BEIS Module 9 corporate witness statement provides a comprehensive overview of each of the measures and how these evolved, however I have summarised each of them below for completeness:

a) Pre and post-payment checks: local authorities completed checks on recipients (or would-be recipients) of grant payments to confirm if the business was operational and trading in accordance with the relevant scheme's guidance. These checks went from being mentioned in the guidance documents for the cohort two schemes to being mandated in the cohort three grant schemes. They were not mandated until cohort three due to the emphasis on speed of delivery in the earlier schemes. Some local authorities opted to complete these checks in the earlier schemes regardless. The pre-payment checks that were mandated in the cohort three schemes included a check on the business itself and its bank account {SM/336 INQ000543767}. The level of irregular payments that materialised in these schemes was observed to be lower as a result. The BEIS Annual Report and Accounts 2022-23 provided the final central estimates of fraud and error (including non-compliance) for each cohort: 8.4% for cohort one, 0.5% for cohort two, and 0.4% for cohort three {SM/330 **INQ000472213}.** The Ipsos Grant Schemes Report also stated that of irregular payments across all three cohorts, 90% of the losses arose in cohort one schemes {SM/308 INQ000585832}.

b) Post-event assurance action plan (**PEAP**): the Department (and other central government departments) created a PEAP, in accordance with instructions from Cabinet Office (as set out in paragraph 4.28), outlining what actions it planned to take to provide assurance on the propriety and regularity of payments made under the grant schemes. BEIS's PEAP covered both the loan

and grant schemes, prioritising the highest risk schemes which were assessed to be the cohort one grant schemes and the BBLS {SM/337 INQ000543252} and {SM/058 INQ000543254}.

c) Assurance reporting: local authorities were initially required to report to the Department monthly from 5 August 2020 on what assurance activities they were undertaking in accordance with their own PEAPs, along with an update on their Fraud Risk Assessment. The assurance guidance and accompanying FAQs did not specifically request that the local authorities provide copies of their individual PEAPs to BEIS {SM/333 INQ000543260} and {SM/338 INQ000543272}. However, BEIS removed this reporting requirement in April 2021 to allow local authorities to focus their resources on paying grants to businesses. Local authorities were also initially required to report identified cases of successful fraud (or attempted fraud that was organised, large scale, systematic, or crossed local authority boundaries) to the Department, the National Anti Fraud Network (**NAFN**), NATIS, and the NFI. This was revised in summer 2021 to report any fraud (actual or suspected) to NAFN and the Department instead. NAFN was responsible for referring the matter to NATIS for investigation.

d) Engagement with other stakeholders: the Department worked in conjunction with other government departments and agencies (including the NAFN, NATIS, NFI, City of London Police, and domestic banks) to support local authorities in preventing and detecting irregular payments.

6.135. It is recognised in Part C of the BEIS Module 9 corporate statement that the estimated total cost of irregular payments that materialised in the grant schemes, particularly cohort one, is of considerable public concern. I share this view and acknowledge that the first cohort of schemes did not adequately safeguard public funds, given the value of funding lost as a result of non-compliant payments. The implementation of mandatory pre and/or post-payment checks in the earlier schemes would likely have mitigated the level of irregular payments that ultimately materialised.

6.136. However, in hindsight it is still unclear what could have been done differently in the circumstances. The emphasis on speed of delivery of grant funding meant that the risk of irregular payments could not be designed out of the schemes, as the local authorities did not have capacity to implement pre or post-payment checks. The data held by local authorities regarding the rateable businesses in their respective areas was what it was

— we could have asked local authorities to carry out more checks to update all of the data but this would have seriously slowed down the grants (by weeks at least, I think) even where local authorities were able to create the capacity to do so (which many would have seriously struggled with).

6.137. I think it is really important to emphasise that, to the best of my understanding of the data, these were largely payments made in error or non-compliance, rather than fraud. As above in paragraph 6.131, the Ipsos Grant Schemes report (dated October 2024) stated that Department estimates that £1.1 billion of the payments were irregular, with 83% related to error (including non-compliance) rather than fraud. These erroneous payments are, importantly, different to payments being fraudulent. Businesses did not have to apply for these grants, and they were based on pre-existing data held by local authorities, so payments happened in error (because of incorrect data, that then fuelled an incorrect payment) much more than they happened because of fraud. Of course that does not preclude that some businesses may (for example) have been committing pre-existing fraud and that will have been reflected in local authorities' data, but the opportunity for new fraud in response to the schemes was low. Payments made in error included, for example:

a) Payments that went to businesses that in fact should have been in a different payment category because they had a different rateable value from the one recorded in the database;

b) Businesses who had an empty premises at the time; and

c) Businesses who were not placed in the correct eligible sector in the existing records of the local authority.

6.138. Obviously, as a matter of *Managing Public Money* and good practice, such erroneous payments are not acceptable and should be reduced wherever possible. However, most will have gone to legitimate businesses struggling with the pandemic, even if they did not qualify for that particular payment under that particular scheme. These payments were not correct, and may well have been unfair, but there is no reason to think they were going to fraudsters. Ideally, we would have avoided them, but if the price for that would have been very much slower delivery (which I believe it would have been), then it is not at all obvious that the potentially very substantial delays to delivery would have been worth it. In my personal view, and thinking about the trade-offs that could be faced in a future economic emergency, our tolerance for error around the boundary of a scheme's qualification criteria should generally be very considerably

higher than our tolerance for fraud. In a broad-based emergency intervention of this kind my general view is that getting the payments out quickly to a set of legitimate businesses really does matter more than ensuring that every single payment is made completely in accordance with the rules. This is particularly true when the boundaries about who does and does not qualify for a particular payment are themselves rather binary and arbitrary rather than necessarily being a true embodiment of 'fairness' as the ordinary person would understand it. Of course, I understand and appreciate that *Managing Public Money* cannot, and should not, tolerate this kind of practice for the ordinary running of government. That is why it was always clear from their inception that the first rounds of these schemes (without pre-payment checks) would need a ministerial direction.

The Equality of the Grant Schemes' Impact

6.139. The Covid-19 grant and loan schemes formed part of a patchwork of support provided by the Government to support businesses impacted by lockdowns and associated restrictions. The steps taken by the Department to address potential inequalities in the grant schemes are detailed in section 13 of Part C of the BEIS Module 9 corporate statement. By way of brief summary, the Department completed multiple PSED assessments for the grant schemes pursuant to section 149 of the Equality Act 2010. The first assessment was completed on 25 June 2020, with the final assessment being completed on 23 December 2021 {SM/339 INQ000543244} {SM/340 INQ000543831}. The first assessment was completed during my time as Director General, however it was completed by MHCLG and therefore I was not involved in its production.

6.140. In the submission dated 20 June 2020, the Department initially assessed that the SBGF and RHLGF, which were automatically awarded to businesses based on the business rates system, would not have a negative impact on small business owners with protected characteristics as support would be equally applied to all eligible business owners {SM/339 INQ000543244}. This was particularly true because you did not have to apply for support. However, as has been previously stated, it was later observed that the data local authorities were relying on in identifying eligible businesses was incomplete and inaccurate. This obviously raises the question of whether gaps in the data led to inequalities in the way the grants were disbursed. The Ipsos Grant Schemes Report, when evaluating the effectiveness of delivery processes, looked at difficulties faced by businesses in establishing their eligibility. The report noted that *"…there was no evidence that any group of eligible businesses faced significant barriers to participating in the programme"* {SM/308 INQ000585832}. I have

seen no evidence to suggest that the reliance on the data from local authorities negatively impacted individuals with protected characteristics any more than it impacted those without. Accordingly, I do not consider that the schemes were unequal in their impact, though I cannot rule out some effects that we have not yet been able to measure. As a package, they were of course designed to *improve* equality - by providing greater support to businesses who found themselves in areas particularly impacted by restrictions and lockdowns.

6.141. The protected characteristics identified as being potentially impacted (albeit to a low or minimal level) were the same across the PSED assessments for each grant scheme. It was identified that there was a small risk to business owners aged over 65, ethnic minorities, individuals with disabilities, and religious societies whose beliefs were incompatible with the use of electronic communications. These risks were identified due to considerations around accessibility of the schemes arising from the use of electronic communications.

6.142. Ipsos undertook a number of case studies in the course of its evaluation of the grant schemes; none of the local authorities or external observers (which included businesses) consulted reported that communications regarding the grant schemes failed to reach hard-to-reach groups. Only 3% of the businesses that did not receive a grant reported that they did not know the schemes existed. The report notes that the promotion of the grant schemes contributed to the rapid mobilisation and extensive reach of the schemes. Scheme promotion was largely led by the local authorities with the assistance of central government. Local authorities had a range of tools at their disposal to ensure a wider reach; they could initiate direct contact with businesses via letter or email and promote the schemes via social media. Central government was further removed from business and promoted the schemes via public announcements and publications on their websites.

6.143. However, some businesses advised that the in-person support provided by local authorities were difficult to reach and did not necessarily assist in resolving their queries surrounding online application processes. This risked excluding individuals who were less literate with technology or had limited internet connectivity. Additionally, the Department ought to have completed the PSED assessments prior to the implementation of the cohort one schemes. The first PSED assessment was completed after the cohort one grant schemes had been operational for two to three months. This reflected the fact that this was a universal scheme, with no application

required, and seemed to have relatively low inherent risk in this area. Obviously, it would in fact have been better to complete the formal assessment in a timely manner.

6.144. As stated in Part C of the BEIS Module 9 corporate statement, even if the PSED assessments were completed earlier, it is unlikely that the schemes would have been operationalised in a materially different way. Additional considerations relating to targeting may have been identified, however these had already been considered in the development of policy options and discounted by HMT. The devotion of additional resources within local authority areas and the Department to engage with businesses experiencing difficulties in the application processes would, of course, have helped resolve these issues. However, as stated in Part C of the BEIS Module 9 corporate statement at section 11, resourcing was a persistent issue at both the local authority and Department levels. Local authorities were critically overstretched. The dedication of further resources within the Department to provide further support on this specific issue would not have been straightforward, given the processes were administered by the individual local authorities using their own local systems and some of the schemes had discretionary aspects that were able to tailored by each local authority according to local needs.

General Reflections

6.145. I am asked to consider whether, reflecting back, I would have done anything differently. I wish we had had better data and more robust records in local authorities. I wish the lockdown structure had been simpler and allowed for a simpler set of schemes. I wish that we could have devoted more resource to chasing up the reclaiming of erroneous payments and also to ensuring we reached all groups. Most importantly, I wish local authorities themselves had been in a strong and more robust resourcing position so that they could have done more to support these things. However, the job of the officials on the ground during Covid-19 was to make the best of the conditions we found ourselves in. In that context, there is relatively little I would do fundamentally differently. I do think we could have moved earlier to a more programmatic governance structure, and if we had been even more radical in our resourcing choices across the Department and (more importantly) across the local authorities themselves, I consider we could likely have done more, earlier to mitigate (though not remove) the irregular payments.

Section 7: Data and Modelling

Use of Data and Economic Modelling

7.1. I have been asked to provide a high-level summary of how I used data, economic modelling and scenario analysis in the advice I provided during the pandemic.

7.2. Throughout my time as Director General and subsequently as Permanent Secretary at BEIS, I consistently drew on a range of data sources, economic modelling, and scenario analysis to inform the advice I gave to ministers and colleagues. Given the speed and scale of the unfolding crisis, the Department adopted a layered approach, combining internal analytical work, cross-government collaboration, and input from external experts, to develop an understanding of the changing economic landscape.

Business Intelligence Packs (Dashboards)

7.3. A critical source of insight was the business intelligence dashboard, which was developed following the establishment of a weekly cross-Whitehall business intelligence group (as mentioned in paragraph 2.4). I played an active role in shaping the business intelligence dashboard. In early March 2020 (as discussed in paragraph 2.7), I recognised the urgent need for consolidated and timely business insight and proposed repurposing the intelligence products developed under Project Kingfisher. This product would bring together intelligence at both company and sector levels {SM/341 INQ000624832}. Over time, the product evolved into the weekly intelligence dashboard and became a key tool used to brief the BEIS Secretary of State, the Chancellor, and senior officials across HMT and Cabinet Office {SM/342 INQ000624864} {SM/343 INQ000624863}.

7.4. While I maintained overall oversight, particularly during its development phase, the day-to-day responsibility for delivering the intelligence dashboard sat with Gavin Lambert (Director of Advanced Manufacturing and Services, BEIS) {SM/344 INQ000624833} {SM/343 INQ000624863}.

7.5. In parallel, I identified a need for a clearer view of international policy responses. In the early weeks of the pandemic, I commissioned a dedicated resource to track economic support measures introduced by other governments. This was intended to support policy work, which was being led by Jane Whewell (Deputy Director, BEIS) and Rachel Merelie, and to ensure we captured relevant international developments that could inform UK business support schemes {SM/345 INQ000624847}. The resulting product was a structured tracker of international Covid-19 responses, covering fiscal and monetary interventions as well as sector-specific business support {SM/346

INQ000624852}. Summaries from this tracker were incorporated into the intelligence dashboard and used by BEIS policy teams to help assess whether and how other countries' approaches could inform the UK's own response.

7.6. Collectively, these products quickly became core tools for decision making. In the early stages of the pandemic, I used the intelligence dashboard to advise on general economic impacts across sectors. Later, after assuming oversight of the local authority grant schemes, I continued to draw on dashboard insights in shaping advice to ministers on the design, targeting, and operational aspects of those schemes.

7.7. As Permanent Secretary, I received weekly economic briefings that included the intelligence dashboards. From November 2020, these were formalised into a structured weekly pack, which became a regular input into senior-level decision making {SM/347 INQ000624981}. In August 2021, these dashboards were replaced by weekly economic updates, which were developed jointly by the Advanced Analytics team and other colleagues across the Department {SM/348 INQ000625029}. The updated format included a wider range of real-time data indicators and provided a more dynamic picture of economic conditions, particularly useful as we moved into the recovery phase.

British Business Bank Data

7.8. Weekly monitoring reports provided by the BBB included detailed breakdowns of lending activity by delivery partner, region, sector and loan size. These reports supported real-time oversight and were used by officials to advise on scheme performance and emerging trends.

7.9. In addition, the Department received regular updates on fraud levels, recoveries, and investigative activity, which informed advice to ministers on risks, enforcement priorities, and potential changes to scheme design or post-scheme controls.

7.10. Beyond operational data, the Department also received financial updates from the BBB and internal teams to monitor overall scheme cost and exposure. This included monthly reporting on claims settled, lender fee receipts (for CBILS and CLBILS), and updates on expected credit losses, which were modelled quarterly based on macroeconomic forecasts from Oxford Economics. These figures were used in internal management accounts and fed into BEIS Executive Committee discussions (which I chaired) as well as HMT's financial oversight. Ministers received performance summaries incorporating these data points, and were also briefed directly, both

through formal submissions and in meetings, on emerging issues, such as fraud risks or economic shifts affecting scheme performance. {SM/349 INQ000625039}.

Economy and Strategic Analysis team

7.11. In parallel to the development of the intelligence dashboard, the Economy and Strategic Analysis team within the BEIS Analysis Directorate played a key role. The team was responsible for tracking developments in both the UK and global economies and assessing their relevance to the Department's evolving priorities. Their analysis covered a wide range of indicators including labour market trends, card spending, mobility trends, and wider macroeconomic impacts.

7.12. At the outset of the pandemic, this team was led by Mike Keoghan, BEIS's Chief Economic Adviser and Chief Analyst. I worked closely with Mike and regularly sought his advice. His team's expertise was important in helping us interpret fast-moving economic developments and translate those insights into practical and timely policy advice. For example, early in the pandemic, Mike's team were working on understanding the broader macroeconomic context beyond the immediate scope of the support packages being developed {SM/350 INQ000624827}.

Commercial Data Providers

7.13. In addition to internal analysis, we drew on commercial data sources to strengthen our understanding of business financial health. One key provider was Experian, whose data is discussed further in Part B, paragraphs 9.6 to 9.8 of the BEIS Module 9 corporate witness statement. Their data helped us assess liquidity pressures on firms and supported analysis of financial vulnerability across different sectors and business sizes. In my roles, I mostly saw products compiled by officials that used this data (such as the retail and hospitality analysis discussed above at paragraph 5.6) rather than directly working with the underlying data.

Economic Modelling and Scenario Analysis

7.14. While macroeconomic modelling was primarily the responsibility of HMT, BEIS drew on a range of internal and external sources and commissioned specific modelling to support the development of policy responses during the pandemic.

7.15. Internally, this included work by the Economy and Strategic Analysis team (discussed above at paragraph 7.11), who undertook research on the potential economic impacts of the pandemic across business and sectors. For example, on 3 March 2020, I received a note outlining the potential macroeconomic implications of the Covid-19 pandemic {SM/351 INQ000624830} {SM/352 INQ000585732}.

7.16. Externally, BEIS commissioned a number of consultancies and analytics firms to conduct scenario modelling and assess business resilience under different conditions. These exercises were vital in seeking to understand the scale and nature of the economic threat and in stress testing proposed interventions. As set out in Part A, paragraphs 4.5 to 4.14 of the BEIS Module 9 corporate statement:

a) Oliver Wyman were commissioned by BEIS to model the financial impact of Covid-19 on UK businesses, particularly looking at net income and liquidity requirements over time. Their early work also explored how best to ensure that support measures effectively reached the intended recipients, especially SMEs {SM/353 INQ000624862} {SM/354 INQ000596658};

b) McKinsey and Experian supported scenario modelling on recovery trajectories and sectoral vulnerabilities, helping to identify which parts of the economy might need additional or prolonged support; and

c) Moody's Analytics provided forecasts on financial vulnerabilities by industry and firm size, which directly informed BEIS's policy thinking on issues such as forbearance, and the design and targeting of both the loan and grant schemes.

7.17. I was directly involved in engaging with some of these external partners. For example, in early April 2020, I commissioned McKinsey to provide targeted analysis of the retail sector and how the restrictions and support schemes were changing their economic performance {SM/355 INQ000624891}. They were of course one of a number of consultancies working in the Department and in my Director General Group at the time (within my wider Group, Boston Consulting Group were doing some more long-term oriented sector analysis work to help inform recovery options and Ernst & Young were supporting the project on the safe reopening of the economy). On this occasion McKinsey were hired specifically because the analysis work we needed on the retail sector overlapped with broader analytical work they were already doing for HMT.

7.18. These modelling and scenario exercises were helpful for our decision making. They provided insights into the scale and distribution of economic disruption, the resilience of different sectors, and the evolving financial pressures faced by UK businesses. Throughout my time as Director General and later as Permanent Secretary, I drew on these various elements of modelling to assess the case for further interventions as the situation developed.

Limitations in Data and Analysis

7.19. I have been asked whether there were any significant limitations in the availability or quality of data used to design the Covid-19 business support schemes.

7.20. In relation to the Covid-19 loan schemes, I have addressed relevant data limitations earlier in this statement, at paragraphs 4.170 to 4.178. In summary, the main challenges included issues with the timelines and granularity of data, as well as constraints on data sharing across government departments.

7.21. Separate and distinct data challenges also arose in relation to the local authority grant schemes, particularly those implemented in cohort one. These limitations had implications not only for the design of the schemes but also for their delivery, oversight, and subsequent assurance processes.

7.22. As acknowledged throughout Part C of the BEIS Module 9 corporate statement, the Department initially overestimated the accuracy and completeness of the data held by local authorities in their areas. This overestimation contributed to difficulties in identifying eligible recipients and ensuring appropriate targeting of support. These challenges are discussed in further detail earlier in this statement at paragraphs 6.68 and 6.80.

7.23. Furthermore, as noted at paragraphs 17.28 and 17.29 of Part C of the BEIS Module 9 corporate statement, the absence of clear data collection and reporting requirements in the initial grant offer letters led to issues during the post-payment assurance and reconciliation phases. The letters did not provide sufficient direction to local authorities on undertaking post-payment checks, gathering data for assurance purposes, or reporting irregular payments. As a result, data received from local authorities was often inconsistent, incomplete, or insufficient to verify how funds had been used. This in turn limited the Department's ability to confirm eligibility, detect irregular payments, and recover overpayments.

7.24. However, these early challenges led to important lessons being applied in later phases of the grant programme. As outlined at paragraph 17.51 of Part C of the BEIS Module 9 corporate statement, cohorts two and three incorporated enhanced data monitoring procedures, including the introduction of pre-payment checks. These improvements strengthened data quality and significantly reduced the risk of irregular or erroneous payments.

Overall Reflections on Use of Data by BEIS and HMT

7.25. I have also been asked whether, in my view, BEIS and HMT made adequate use of data, economic modelling, and other scenario analysis in shaping the economic response to the Covid-19 pandemic.

7.26. Overall, BEIS made effective use of the data available to it in highly challenging circumstances. This included internal analysis, cross-government collaboration, and commissioned external modelling. However, there were some structural limitations in the real-time data held at individual firm level. As stated above in paragraph 2, better cross-government data sharing would make a considerable difference to the ability to respond to future crises of this nature.

7.27. These experiences underscored the critical importance of timely, high-quality data in emergency economic policymaking. They also highlighted the need for better data infrastructure and clearer assurance mechanisms, both centrally and at the local authority level, to strengthen future crisis responses.

Section 8: Inequalities and Vulnerable Groups

8.1. The Department completed PSED analysis in accordance with the Equality Act 2010 in the design and administration of the various economic support schemes. I am asked to comment on how I personally accounted for inequalities and economically vulnerable groups in advice I provided during the pandemic, what challenges arose, and how these challenges were approached. I have outlined how the Department aimed to mitigate potential negative impacts of the loan and grant schemes on groups with protected characteristics commencing at paragraphs 4.188 and 6.139 above respectively.

8.2. The primary purpose of the loan and grant schemes was to provide support to businesses that were directly impacted by the pandemic and associated restrictions imposed by the Government. The schemes were designed to ensure small businesses were not neglected. The Department accounted for feedback provided by the local authorities and businesses in the development of the schemes, and further schemes were created to address any the main gaps in support (including the CLBILS and discretionary components of the grant schemes).

8.3. As stated in Section 2, I advised ministers on sector-specific issues as part of my role as Director General, which included the clearing of submissions drafted by CLGU officials regarding the design and operation of the various schemes. In my later role as Permanent Secretary and Accounting Officer, I considered advice and approved submissions relating to policy design (which often contained PSED assessments) and advised ministers on the future direction of business support policy.

8.4. The Department issued communications on the importance of complying with its PSED obligations when designing economic policy early in the pandemic. On 3 April 2020, Caleb Deeks (Director of Policy, BEIS) circulated a slide pack from the Government Equalities Office to directors general and directors in the Department {SM/356 INQ000624886} {SM/357 INQ000624887}. The email highlighted that it was important for the Department to establish processes and practices to attempt to mitigate any inadvertent negative impacts of policies on individuals with protected characteristics. Further, the email noted that at a Cabinet Secretary officials meeting that week, an action was set for all departments to ensure they have provided sufficient consideration to inadvertent and disproportionate impacts on minority and disadvantaged groups. Caleb Deeks stated in his email that the following actions would accordingly be taken within the Department:

"• The D&I Team is in discussion with BEIS' Governance Team and the Covid-19 coordination team to put in place checks within covid-19 related policy and corporate decisions that will ensure decision makers have considered the equality impacts

• The D&I Team is conducting Public Sector Equality Duty training sessions over the month of April to upskill policy teams, especially those that are developing Covid-19 related policies. Sign up via Eventbrite link here with password "PSED2020"

• […]

• Public Sector Equality Duty Tool: Contains guidance and an equality analysis template to help you embed equalities considerations into the policy development process or corporate decisions

• Analysis has helpfully identified specific resource to assist in equalities impacts for the duration of the covid-19 response- please use this as early as possible in your policy"

8.5. This email was circulated within the Department over the following days (including to the CLGU leadership team {SM/358 INQ000624888}).

8.6. The first PSED assessments for the loan and grant schemes were not completed until 18 and 20 June 2020 respectively. This delay was due to capacity issues within the Department whilst working to design and implement the initial business support schemes {SM/339 INQ000543244} {SM/200 INQ000564059}. The Department stated in the BEIS Module 9 corporate statement (Part C, paragraph 13.2) that it accepts that these assessments were not completed, as they should have been, prior to implementation of the schemes. I agree with these reflections.

8.7. As stated in paragraph 6.140 above, the grant schemes were designed with the intention of improving equality by providing support to businesses located in areas that were particularly affected by government imposed restrictions and lockdowns. Accordingly, I consider it likely that the completion of the PSED assessments was not prioritised due in part to the Department's volume of work at the time, but also due to the relatively low risk to groups with protected characteristics given the SBGF and RHLGF were awarded automatically based on data held by the local authorities, and were not application-based schemes. Nevertheless, PSED compliance is a legal duty and government departments must take steps to ensure individuals with protected

characteristics are not inadvertently excluded from economic support measures. I also note the LADGF did require applications, so the inherent risk was higher in that scheme.

8.8. The challenges that arose in relation to individuals with protected characteristics and how these were addressed at a departmental level in respect of loans and grants have been detailed commencing at paragraphs 4.188 and 6.139 respectively above. By way of brief summary, these were:

a) The initial difficulty in assessing the likelihood of direct or indirect discrimination in the loan schemes, particularly the underserving of businesses that used non-traditional lending channels. This included specialist sectors, but importantly, also underserved communities. Work undertaken to address this gap could have improved equalities outcomes and overall operation of the scheme. I welcomed the fact that monitoring and evaluation plans were developed, and that lessons learned from the pandemic-era schemes informed later programme design such as the RLS;

b) The lack of targeting within the loan schemes to reach businesses owned by under-represented groups. Whilst it would have been preferable to include more targeted features to rebalance opportunity between businesses (for example, by offering more generous terms in some areas or to some groups), this would have added to delivery complexity and been in tension with the priority of the schemes at the time (being speed of delivery and overall scale of impact);

c) The provision of grants under the SBGF and RHLGF based on local authority data. The Department initially considered that the automatic provision of grants based on the data held by the local authorities would mitigate the potential inadvertent exclusion of individuals with protected characteristics. This data was later identified as being inaccurate and incomplete. I am not aware of any evidence to suggest that reliance on this data impacted individuals with protected characteristics any more or less than it affected those without but the fact that the data was incomplete and inaccurate in some cases obviously raises this concern; and

d) The potential impact on groups with protected characteristics affecting their use of electronic communications (in relation to the grant schemes), including business owners over the age of 65 and individuals from religious groups

whose beliefs were incompatible with the use of electronic communications. The Department directed local authorities (with central government assistance) to promote their schemes within their respective areas. The Ipsos Grant Schemes Report states that none of the local authorities or other stakeholders consulted in the case studies reported that communications regarding the grant schemes failed to reach hard-to-reach groups, but given the challenges in providing in person support, it is possible that some people who had limited access to electronic communications did not receive all the help they needed.

8.9. Notwithstanding the above comments and observations, the nature of the work on the economic response was that we were working to assist businesses to stay afloat, and the economy running. As such, while we did consider the impact of the support interventions in the PSED assessments, other departments were at the forefront of addressing the inequalities faced by vulnerable people within the Government's overall pandemic response. By way of example, health inequalities and inequalities in unemployment were addressed by DHSC and HMT respectively. The Department of Work and Pensions (**DWP**) was responsible for addressing economic impacts on the self-employed and zero hours contract workers, where the major concern was the provision of benefits at pace, and amendments to benefits such as the child benefit {SM/359 INQ000624855} {SM/360 INQ000624856}. BEIS focussed on assisting business, which naturally had flow-on effects to employment, and individuals. There certainly were areas where this work did not do everything it could have to account for the inclusion of disadvantaged groups (as explained above) but I would personally consider these issues to be of a different order of magnitude to the very serious and substantial issues we saw during the broader response to the pandemic that led to such unequal health outcomes between different groups of the population.

8.10. I am asked if the UK Government adequately took into account inequalities and economically vulnerable groups in its economic response to the pandemic. Policy decision making for the Government's economic response overall rested with HMT and I find it difficult to comment on the adequacy of the broader package of support measures implemented. (It is also true to say that a lot of decision making took place in HMT and we did not always have full visibility of the PSED assessments made by them during the decision making process). I suspect there were many serious equalities issues that could fall broadly under the remit of 'economic response' but that go far beyond the question of how the grant and loan schemes were implemented and hence BEIS's direct responsibilities (for example: was sufficient consideration given to

supporting self-isolating groups and their return to the workplace; was sufficient consideration given to how the mix between employed and self-employed people was different across different groups and how did that inform policymaking; was sufficient consideration given to the ethnicity of employees in sectors who did or did not receive bespoke support packages, and so on).

8.11. Following a Cabinet Secretary officials meeting on 24 August 2020 that discussed groups disproportionately impacted by Covid-19, Emran Mian was designated senior reporting officer (**SRO**) on this issue cross-government. Following a cross-government commission, we provided a useful summary of the equalities considerations across BEIS's portfolio, and some suggested proposals for how things might be improved {SM/361 INQ000624943}, {SM/362 INQ000624944}, {SM/363 INQ000064916}. In the end, the recommendations and findings of the work did not really cover economic impacts and economic support in much depth — there was much greater focus on health issues. The main asks of BEIS related to employment of disabled people and workplace vulnerabilities (related to Safer Working) rather than being related to broader economic context and support.

8.12. I am not sure that equality considerations were looked at sufficiently 'in the round' as part of the economic response work across government. The work was split across multiple departments, each seeing only a part of the puzzle. The useful attempt to coordinate on equalities issues across government got (perhaps understandably) very focussed on issues more directly related to unequal health outcomes. For each individual scheme the issues were (possibly correctly in the extraordinary context) largely seen as second-order relative to the overall imperative to get things done at speed. But properly looking in the round at the combined impact of the various schemes in place right across HMG might have helped us to see impacts and lessons that would have made a material difference

8.13. I am asked what lessons the Department took forward to improve any future response in the event of an economic crisis in terms of support for vulnerable groups. I left the Department in February 2023, prior to the publication of a number of evaluations and assessments. I am not aware of what the Department has taken forward and consider that I am unable to comment on the current state of preparation. During my tenure as Permanent Secretary, I undertook considerable work to improve PSED compliance in the Department, not necessarily to inform future pandemic planning specifically, but rather to continue driving forwards a greater emphasis on inclusion in policymaking across BEIS for all purposes. Alice Hurrell was SRO for the BEIS Diversity and

Inclusion team, and after the pandemic Carl Creswell took on a specific role sponsoring the use of PSED assessments across the Department (alongside his other responsibilities running the retail teams, amongst others). Alice and Carl were responsible for identifying how BEIS could better account for equality considerations in its policy making. I had oversight of their work in my role as Permanent Secretary. This work included the provision of PSED training to BEIS staff members with a view to improve policy outcomes, and work on the 'Case for Change' exercise. This exercise required all directorates within BEIS to complete an equality business case setting out specific actions to meet equality objectives within their policy remit. This information informed broader Department-level objectives to assist BEIS in complying with its legal obligations and demonstrate its commitment to delivering equitable outcomes in its policy making. This was an important focus of the Department during my time there and frequently discussed at the most senior levels.

8.14. I understand that Gareth Davies, as current Permanent Secretary of DBT, has provided a second corporate statement addressing the work of the Department to prepare for future pandemics and crisis.

Section 9: Long Covid

9.1. The Inquiry specifically asks about a meeting held on 12 January 2022. This was a meeting of permanent secretaries held each Wednesday and hosted by Cabinet Office, known as 'Wednesday Morning Colleagues' (**WMC**).

9.2. The agenda for this meeting included a presentation on labour markets by the ONS {SM/364 INQ000625043}. The presentation was circulated in advance {SM/365 INQ000625040}. The presentation analysed worker shortages and absences and indicated that the labour market was more resilient than first anticipated. It identified supply and demand issues in the labour market and looked at the effect of the Omicron variant of Covid-19.

9.3. I was briefed ahead of this meeting by the Labour Markets team {SM/366 INQ000585802}. I was asked to make a number of points in the meeting. As the Inquiry is aware, one of these related to how the Department was keen to discuss working together cross-government to better assess potential labour market issues in 2022, including the impact of Long Covid on the labour market.

9.4. The Department has been unable to locate a readout of this particular meeting, and I do not recall the specifics. However, I would note that Long Covid was not a specified topic, but instead was included among a discussion of the overarching impacts on the labour market. I cannot recall if I raised the points in the briefing (though I would usually expect I did). I do not remember the discussion in any detail and could not say with confidence what points I raised. Having attended similar discussions at WMCs on other occasions I consider it unlikely that there would have been any substantive discussion on this specific point given the context of the (apparently) 'bigger picture' being discussed in that meeting and the nature of how WMCs was run with a very large number of attendees.

9.5. In the briefing I received, officials highlighted a number of areas they considered to be likely challenges in the labour market; impacts of the Omicron variant, Long Covid, inactivity among older workers, and the impacts of working from home/hybrid working. The Department expressed a desire to work cross-government on the issue of Long Covid as it was concerned about Long Covid impacting inactivity rates in the labour market. Though it does not specifically mention Long Covid, the ONS presentation showed increased inactivity particularly among older people. Further, the graph depicting inactivity by reason and by 'job want' (workers who are inactive but want a job) showed 'long-term sickness' as the second highest reason.

9.6. The BEIS Module 9 corporate statement (Part D, Section 4) provides some detail on the analysis received and undertaken by the Department prior to January 2022. In April 2021, the Department received a 'deep dive' analysis produced by Cabinet Office {SM/367 INQ000292660}. In regards to the effect on the labour market, the analysis noted that *"Long Covid risks impacting the economy through absenteeism."* It also noted that in a post-pandemic context, Long Covid had the potential to become a chronic condition affecting output and productivity due to absence from work.

9.7. Throughout the pandemic, the Department collated intelligence and data related to labour markets. This was predominantly through the compilation of the business intelligence dashboard that was circulated cross-government. The dashboard contained a detailed analysis by sector and region including business feedback on policies. The dashboard also provided information on absence rates. Long Covid was not analysed separately within these datasets and rather was included in broader information on inactivity and workforce absences. Long Covid was usually considered within data on 'long term illness' and at this point, I am uncertain how the Department would have identified specific Long Covid absences in the data, even had we been commissioned to.

9.8. As stated in the BEIS Module 9 corporate statement, the policy decision making responsibility for Long Covid primarily sat with DHSC. Further, DWP were the policy decision makers for health in the workplace. As a result, the Department's work in this area largely related to intelligence collation, as set out above. The Department was concerned about inactivity and workforce absence generally. Though Long Covid was part of this issue my understanding was that the Department worked more holistically on these matters and did not specifically analyse Long Covid on its own. Decision making regarding economic strategies rested with HMT. I was not directly involved in any analysis regarding Long Covid. As such, and as a result of the above, I am unable to provide further comment on the extent to which Long Covid was considered in economic planning or recovery strategies, or the work undertaken in conjunction with other departments.

9.9. I am asked to reflect on whether enough was done at an early stage to consider the economic impacts of Long Covid. As above, the policy making in this area largely sat with other departments, and I suspect that it did indeed take too long for the various pieces of the puzzle to be brought together. However, I think it is more likely this would have impacted the way we thought about NPIs rather than being something that would have influenced economic support per se.

Section 10: Reflections and Lessons Learned

10.1. I have set out in the respective sections above my detailed reflections on the topics raised. I do not repeat them here but simply refer to the following key reflections:

a) Paragraphs 2 to 2 regarding the period January to April 2020;

b) Paragraphs 4.149 to 4.197 regarding the loan schemes;

c) Paragraphs 6.101 to 6.145 regarding the business grant schemes; and

d) Paragraphs 7.25 to 7.27 regarding the use of data and modelling.

10.2. I have been asked whether there are any changes I would recommend to improve how support is targeted at businesses in the event of a future economic crisis and if I have any recommendations I would ask the Chair to consider. It is certainly always easier to comment on what happened last time than to create concrete recommendations for how things could be better, and so these suggestions are made with a great deal of humility, recognising the Inquiry will be better able to see the situation in the round.

a) Resilient, integrated and flexible data systems are utterly critical. They not only help identify what is actually happening, they also allow proper targeting of the response and, of course, minimisation of fraud and error. Crisis is not the time to be negotiating data sharing agreements and assessing data quality issues. Whilst the importance of this kind of activity is widely recognised in government, and was a significant focus of my later work at DSIT, there is a risk that business data becomes the neglected cousin when there is already so much work to do across government on data as it relates to public services and individual users. There should be a substantial and focussed effort to improve real-time data availability and data sharing across the public sector as it relates to business, and to identify the most impactful opportunities to access data sources outside government. This work is not undoable, but it requires graft and focus across departments (and skills that are still too rare in government). It would make a practical difference not just to the functioning of economic support in a future pandemic, but also to any other economic crisis (including much smaller or localised ones). I saw this first-hand when leading the work to support businesses with their energy costs after the Russian invasion of Ukraine.

b) Systematic, simple, and strategic approaches need to be embedded much earlier in crisis response — reducing the tendency towards complexity and ad hoc bespoke measures. Government's response to major crises has a

tendency to be piecemeal and patchwork, with pieces of the puzzle built up over time as individual answers to individual parts of a problem. This perhaps particularly applies to economic support schemes, which given their very serious expense, tend to be pulled out of the Exchequer one by one. Individual civil servants also, like their counterparts in the private sector, have a tendency to focus on the wave of trouble that is immediately in front of them, rather than stepping back and looking at the eventual landscape of support they are building towards. This creates uncertainty and confusion, and leads to over-complex designs that are more difficult both for their beneficiaries to understand and interact with, and for government to operationalise, audit, and improve. (For example, it would be much easier to understand the equalities impacts of a simpler, more integrated support framework). We should have established a ring-fenced (i.e. with protected staffing), truly multi-departmental team early in the pandemic who had responsibility for looking ahead and thinking about what a sensible end-state for business support in a worst case scenario could have looked like — and then feeding the implications of that thinking back into the response machine. This is how problems like the missing middle or the over-complex grant scheme structure might have been avoided. I would staff such a team with a combination of civil servants and the best secondees from delivery partners and the private sector. In my view, only by freeing some people from the immediate day-to-day fray of the early response would we have reached a fundamentally better answer. Critically, such a team needs to stretch well beyond HMT and must be built on a cross-departmental, cross-agency basis. I think this could be made to happen — but it would require a significant cultural shift in the early stages of a crisis where there is a tendency to 'man the barricades' and focus on staffing up the immediate requirements and Project Management Office.

c) Decision making processes under pressure need to be improved. Looking back on the economic response, the two primary challenges arose out of decisions taken very early on, amongst very significant time pressure (I refer to the decision to begin BBLS at pace, accepting the fraud risks, and to the decision to launch the grant schemes without pre-payment checks in order to accelerate delivery). As I have discussed in this statement, it is not clear either of these decisions was 'wrong' — it is a difficult and balanced question. However, I think that a reasonable observer looking back would say that although ministers were

clearly warned of the risks of proceeding (to the point of requiring ministerial directions), the tides pushing the Government to act were much more forceful than those suggesting caution or delay. In my view the process for taking these decisions could have been improved. For example, there could have been a red team[21] to present the arguments for waiting. HMT could have had both the Chancellor and the Business Secretary in the (online) room debating the issue face to face, with key figures like the BBB CEO or Chair in attendance. HMT and BEIS could have tried harder to insist that even if there was not time to introduce the fraud or error response tools, there was time to run a 48 hour pilot or experiment to test how bad the numbers could get. None of this may have changed the outcome, but it would have given the public more confidence that these very substantial decisions were taken with the full weight of their consequences as visible as possible. (All of this would of course have required a different approach to cross-Whitehall engagement from HMT, as I discuss below). We should be realistic that ministers may not want this kind of engagement during a crisis, and may indeed actively resist it. However, the Civil Service should have a more mature understanding of what good crisis decision making looks like (beyond just saying that more time is needed), apply it not just to security or safety issues where the playbook is more mature, and ensure ministers are clear when they step away from good practice.

d) Better cross-departmental structures need to be defined and used as the default — especially in crisis. This statement discusses our interactions with HMT in some detail. A lack of transparency about what HMT were thinking did not help us all reach good answers quickly. There were, in my view, generally understandable reasons why they did what they did and I hold the individual HMT colleagues I worked with in extremely high regard. But clearer joint teams (including delivery partners) with better and more explicit information-sharing arrangements would have worked better. I don't think the Chancellor at the time wanted this kind of arrangement, and in my experience it is not really in HMT's cultural DNA, though it is well-established in other parts of HMG and I have occasionally seen it work with HMT as well. Under pressure, Whitehall Departments (including HMT) have a tendency to turn inwards towards their

[21] As the Inquiry is aware, 'red teaming' is a tactic where a group simulates challenges or adversaries in a situation and reports back on changes the organisation should make.

own ministers (who may or may not have good relationships with each other). The Civil Service is at its best when staff are more freed from departmental constraints and work properly in partnership with each other, presenting joint choices to small teams of ministers. I would offer the partnership my team and I organised between BEIS, the Health and Safety Executive, and Public Health England (now the UK Health Security Agency) on creating Safer Working guidance as an example of this from the pandemic itself. I know it is more complicated when major spending decisions are involved but some of these techniques were present in decisions made on vaccine purchases where a cross-ministerial group made decisions, informed by my assessments as Accounting Officer.

10.3. The immense human cost of the pandemic weighs heavily on all of us. It was a time in which many people across the country suffered loss and pain, and it is absolutely right that we seek both to understand what happened and to learn lessons from it. While firmly placing my remarks in that context, I want also to recognise the incredible hard work of the civil servants and public servants I had the privilege to work with during the crisis. Working on the economic response was an intense, at times extraordinary, experience for many of us. We did not get everything right, but I am proud to have played a part in helping to sustain people's jobs and incomes during this incredibly tough period, and I remain very grateful to all my colleagues across public service for their hard work and collaboration to deliver the economic response.

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: 17 October 2025

Annex A: WhatsApp Communications

I have been asked to provide information on my use of messaging platforms during the relevant period where communications were made about the economic response. I used WhatsApp in this period although mostly just for personal exchanges unrelated to work. I did not use WhatsApp as a decision making channel and discussed policy only rarely. I have set out below the relevant communication threads I have recovered. In a work context, when I initiated exchanges, it was most often as a useful channel for raising a senior colleague (particularly out of hours) where something might otherwise have taken a long time to come to their attention given the very large volumes of emails people were receiving at the time and the lack of face-to-face contact.

A summary of the content of the relevant threads is set out below:

Recipient/Group	Date range	Purpose of communication
Alex Chisholm	03/03/2020 – 27/04/2020	A short thread covering: - Additional senior personnel for economic response - Departmental responsibility for cross-Whitehall tasks - Follow ups from some meetings - Personal discussions regarding general health and wellbeing
Jenny Dibden	12/01/2020 – 02/06/2021	A short thread primarily covering personal line management discussions related to health and wellbeing and family matters. Some relevant messages on: - Communications outside of work hours to flag potentially urgent matters - Short exchange on flood support grants and relationship to Covid-19

Recipient/Group	Date range	Purpose of communication
Jo Shanmugalingam	10/03/2020 – end of the Inquiry's specified period	A longer and personal chat thread, used for mutual support and logistics. Overwhelmingly unrelated to economic response but a small number of related messages cover: - Personnel and resourcing for Covid-19 workstreams - Alerting me to contact from HMT - Passing mention of how to establish a front door for schemes
Phil Duffy	20/03/2020 – end of the Inquiry's specified period	Limited Covid-19 related material with majority of messages unrelated to economic response (with a focus on energy and departmental spending). One related exchange on: - Responses to the 'missing middle' gap. An extract containing this exchange is exhibited above at paragraph 4.15.
Mike Keoghan	27/10/2020 – end of the Inquiry's specified period	Limited Covid-19 related material with majority of messages relating to line management relationship (when Mike was covering as Director General) with focus on EU Exit planning and other non-Covid-19 topics within Mike's Group. One earlier relevant exchange covering: - AO assessments for grant and loan extensions

Recipient/Group	Date range	Purpose of communication
Group chat titled 'LLG' with Jenny Dibden and Mike Keoghan	28/10/2020 – 06/11/2020	This short chat was set up to raise Jenny and Mike while they were both on annual leave, to flag urgent work on local lockdown grants. Later used for a short exchange on: - Direction for local authority grant scheme extension

Annex B: Acronyms Used within this Statement

Acronym	Description
ARG	Additional Restrictions Grant
BBB	The British Business Bank
BBLS	Bounce Back Loan Scheme
BBLVS	Bounce Back Loan Verification Scheme
BEIS	The Department for Business, Energy and Industrial Strategy
BIRD	Business Intelligence and Readiness Directorate (within BEIS)
BROs	Business representative organisations
BRR	Business rates relief
CAIR	Corporate Finance Advisory and Investor Relations team (within BEIS)
CBILS	Coronavirus Business Interruption Loan Scheme
CBLP	Closed Businesses Lockdown Payment
CCA	Consumer Credit Act
CCFF	Covid Corporate Financing Facility
CLGU	Cities and Local Growth Unit
CLBILS	Coronavirus Large Business Interruption Loan Scheme
CSP	Christmas Support Payment
DBT	Department for Business and Trade
DfT	Department for Transport
DHSC	Department for Health and Social Care
DSIT	Department for Science, Innovation and Technology
DWP	Department for Work and Pensions
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
EFG	Enterprise Finance Guarantee
GIAA	Government Internal Audit Agency
HMG	His Majesty's Government
HMT	His Majesty's Treasury
IDAB	Industrial Development Advisory Board
LAAG	Local Authority Advisory Group
LADGF	Local Authority Discretionary Grant Fund
LEP	Local Enterprise Partnerships
LGA	Local Government Association
LRSG	Local Restrictions Support Grant
MHCLG	Ministry of Housing, Communities and Local Government
MoG	Machinery of Government
NAFN	National Anti Fraud Network
NAO	National Audit Office
NATIS	National Investigation Service
NPIs	Non-pharmaceutical interventions
OHLG	Omicron Hospitality and Retail Grant
ONS	Office for National Statistics
PAYG	Pay As You Grow

PEAP	Post Event Assurance Plan
PIC	Projects and Investments Committee
PPAS	Post Payment Assurance System
PSED	Public Sector Equality Duty
PwC	PricewaterhouseCoopers
RHLGF	Retail, Hospitality and Leisure Grant Fund
RLS	Recovery Loan Scheme
SBGF	Small Business Grant Fund
SBRR	Small Business Rate Relief
SEISS	Self-Employed Income Support Scheme
SRO	Senior reporting officer
UKGI	UK Government Investments
WMC	Wednesday Morning Colleagues

Annex C: Exhibit Schedule

Please see attached.