



House of Commons
Committee of Public Accounts

Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021–22

Forty-Fifth Report of Session 2022–23

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 20 March 2023*

The Committee of Public Accounts

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Summary

In May 2022 we reported that the Department for Business, Energy & Industrial Strategy (The Department) would not know the true extent of total fraud and error within its COVID-19 business support schemes for some time, as its assessments gradually caught up with payments made. It is now nearly one year later and despite the refining of some estimates, the situation remains the same. Of an estimated £2.2 billion lost to fraud and error, the Department report that only about £10 million has been recovered. Recovery efforts have been hindered by delays in identifying fraud and error with suspected money already spent and some trails now long gone cold.

In addition to its recovery efforts, the Department is also effectively writing off nearly £1 billion paid out erroneously by local authorities on its behalf to their local businesses during the pandemic. Although accepting that these payments were ‘not in line with how the scheme was meant to work’, the Department does not expect to recoup these funds as it considers that while individual amounts paid were too high, the funds went to businesses during a difficult time.

However, we were encouraged to hear that the Department has learnt some lessons from its COVID-19 business support schemes and applied these to its pandemic Recovery Loan Scheme and also in different contexts with its recent energy support schemes. Learning from, and avoiding, the mistakes of the past is vital to help protect taxpayers and bring more focus to value for money, particularly in crisis situations where the speed of response required can increase the risks of fraud and error. The Department must also not hide behind its own complexity when approaching its transparency reporting. With such a large budget, and extensive challenging remit, Parliamentary and public scrutiny is more important than ever to protect against risks to taxpayers and promote value for money.

In this report we also note concerns about two other specific matters included within the Department’s broad remit. First, concerning the number of errors and inaccuracies in the Companies House Register, which is damaging confidence in the Register, while false declarations seem to go unpunished. Second, concerning the Horizon Post Office scandal, where the speed of payments to compensate victims, in full, urgently needs to be improved.

Introduction

In October 2022 the Department for Business, Energy & Industrial Strategy (the Department) published its most recent annual report and accounts, for the accounting period 2021–22. It reported nearly £139 billion of net expenditure (2020–21: £52 billion) and more than £273 billion of net liabilities (2020–21: £164 billion).

The Department works with 43 other public bodies in its group that it refers to as partner organisations, such as the British Business Bank. Together, these span a wide range of sectors, policy responsibilities and operations. Key activities and expenditure during 2021–22 included continuing to provide financial assistance to businesses impacted by the COVID-19 pandemic. The Department was responsible for government’s business support grant schemes that provided local authorities with nearly £25 billion of COVID-19 grant funding to allocate to eligible businesses since March 2020. Furthermore, the Department provided more than £38 billion for the Bounce Back Loans Scheme, operated by the British Business Bank through commercial lenders, since April 2020. Together these business support schemes were intended to limit damage to businesses and the economy caused by the pandemic.

Material levels of fraud and error in COVID-19 business support grants and loans led the Comptroller and Auditor General to qualify his opinion on regularity in 2020–21. In 2021–22 he did not qualify his opinion, noting that the Department had refined its fraud and error estimates. Nevertheless, the Department estimates fraud and error in the early business support grants to be £985 million (8.4%) and the Bounce Back Loans Scheme to be £1,120 million (8%).

Following the recent Machinery of Government changes, we will expect the conclusions and recommendations made in this report to be addressed by the relevant new Departments.

Conclusions and recommendations

1. **The Department does not expect to recoup the majority of the estimated £985m of local authority grant payments made, mainly in error, in the first wave of Covid support schemes.** Since March 2020, the Department provided local authorities with £25 billion of COVID-19 business support grants to allocate to eligible businesses. The first wave of grant schemes was not application-based but paid to businesses by local authorities according to their ratepayer databases. The Department considers that inaccuracies in these databases led to the wrong value of grant being paid out in error in some instances. Its final estimate for this first wave was £985 million paid in error. The Department believes that it will not recoup the majority of this, given there was not deliberate fraud, and the businesses were generally struggling due to Covid. We recognise that the payments were made to businesses who were struggling, however the large and irregular element of the grant payment was not paid in line with Parliament's intention therefore it is unclear why the Department is not attempting to recover the irregular element of the grants paid in error. In addition, we have not seen the evidence the Department has to support its view that the majority of the first wave of business support grant scheme fraud and error estimate relate to error rather than fraud, as the Department's fraud and error estimate has not been disaggregated in its 2021–22 Annual Report and Accounts. The Department does not expect to finalise its fraud and error estimates for the second wave of COVID-19 grant schemes until the publication of its 2022–23 accounts, with the third wave possibly being finalised even later.

Recommendation 1: *The Department, alongside its Treasury Minute response, should write to the Committee to quantify its latest estimates of fraud and error in each of the COVID-19 grant schemes and explain its justification where it is not seeking to pursue recoveries from businesses.*

2. **The Department's lack of curiosity surrounding lenders' performance in the Bounce Back Loan Scheme increases the risk of losses for the taxpayer.** The Bounce Back Loan Scheme was set up quickly, with limited requirements for what data lenders should collect and how it should be shared with government. In line with initial agreements, lenders followed their 'business as usual' procedures for monitoring, chasing payment, and identifying fraud for government backed loans. This resulted in borrowers being at risk of being treated differently, and variations in the level of risk to the taxpayer. Lenders self-report on performance within the British Business Bank's lender portal. Data is not, therefore, comparable between banks, and variations in lender performance are not well understood by the Department. The Department, and British Business Bank, have continued to build relationships with lenders, and obtained further information in excess of that agreed at the outset, to assist with fraud prevention and monitoring of performance. Although we understand that lenders have provided all data requested, lenders hold further information that might be helpful. For example, on the underlying credit risk of the loan books, comparing performance on government backed, and non-government backed loans.

Recommendation 2:

- *The Department should set out what more it will do to identify the reasons for variances in scheme performance and encourage all lenders to reach an optimal level of performance. This is likely to include establishing the full extent of information held by lenders.*
 - *The Department should make data collection and sharing explicit within initial agreements when setting up future lending schemes.*
3. **The Department continues to make slow progress on its counter fraud activities related to the Bounce Back Loan Scheme.** The Department's counter-fraud response on BBLS started too late. The Department did not liaise with the Cabinet Office counter fraud function until well after the scheme launched, and had a virtually non-existent counter fraud function of its own at the time the scheme was designed, of two full-time staff. Subsequent Fraud Risk Assessments identified additional fraud risk indicators that weren't considered at the point the scheme was launched. The Department told us key learning from Bounce Back Loan Scheme has been applied to the Recovery Loan Scheme, although this has fundamentally different features such as industry standard checks in place, and the lack of a 100% guarantee. The Department provided an update on the progress of the National Investigation Service (NATIS), which having been provided with £13.2 million funding, had recovered £5.8 million (which is 0.2% of the total estimated fraud and error for the COVID-19 business support schemes), made 58 arrests and had 558 open investigations at the time we took evidence.

Recommendation 3:

- *The Department should publish its counter-fraud strategy straightaway and make maximum use of available resources, including lender data and lender audits, to target its activity where it can be most cost effective.*
 - *The Department should report back to the Committee with the updated results of the spend on counter fraud and the recovery results obtained compared to the level of estimated fraud.*
4. **The Department's performance reporting in its annual report and accounts does not allow Parliament and the public to monitor progress towards its strategic priorities.** The Department's activities are wide-ranging, and it told us it has an ever-growing set of delivery obligations. It believes its complexity, and broad and diverse remit make it challenging to set out its performance. However, complexity is not a reason to avoid transparency reporting obligations. Departments had outcome delivery plans (ODPs) for 2021–22 which set out priorities and associated metrics, and HM Treasury expects departments to report publicly on the delivery of their ODPs in their annual reports and accounts. The Department told us that it regularly reports its ODP performance metrics internally within government; however, the Department in its Annual Report and Accounts presented outcome metrics that appeared, in some cases, disconnected from the accompanying narrative. This not only diminishes the usefulness to the reader in assessing progress towards

achieving outcomes, it also risks giving the impression that the Department is including such metrics to meet minimum compliance requirements rather than to aid understanding or support transparency and accountability.

Recommendation 4: *In its Treasury Minute response, The Department, should set out what steps it has taken to ensure that performance reporting in its 2022–23 annual report and accounts will clearly and transparently document its progress against its strategic priorities.*

5. **It is not clear how the Department holds to account third parties that deliver multi-billion-pound programmes on its behalf.** The Department stated that responsibility lies with the commercial bank lenders and local authorities and that it is the Department's role to enable, support and challenge them. HM Treasury's Managing Public Money guidelines are clear that accounting officers are personally responsible for the resources of their own organisation, even when working with other organisations. This is a point also made to us by the Institute of Chartered Accountants in England and Wales. The Committee is clear that accountability for the Department's resources lies with the Accounting Officer, and we are concerned that a laissez faire approach to Departmental oversight may lead to taxpayers money not being properly protected.

Recommendation 5: *The Department should set out how it retains robust oversight and challenge of third parties delivering major policies and holds these bodies to account for achieving value for money and protecting taxpayer interests.*

6. **Confidence in the Companies Register is undermined by errors and inaccuracies.** Companies House, an executive agency of the Department, maintains the Register of Companies for England and Wales. The size of the register is growing, which the Department considers reflects international trends and entrepreneurial activity. However, false statements, fake entries, errors and inaccuracies (such as fictional company directors, or individuals named without their consent) can be used to commit crime, including fraud. Making a false declaration to Companies House has been a criminal offence since 2009 under the Companies Act 2006, but this legislation is rarely enforced. There is a record of just one conviction for this offence, in 2018. The Department considers forthcoming legislation following the Economic Crime and Corporate Transparency Bill will provide powers to Companies House to identity-check directors and refuse to register companies.

Recommendation 6: *The Department, alongside its Treasury Minute response, should set out the total number of convictions for making a false declaration to Companies House, and the actions which are being taken to ensure offenders are identified and prosecuted.*

7. **Victims of the Post Office Horizon scandal continue to suffer as they await compensation due.** The Horizon accounting system erroneously recorded shortfalls of cash in local Post Office branches over its more than 20-year lifetime. The Post Office blamed many of these shortfalls on sub postmasters and sub postmistresses, despite it being the Horizon system that was at fault. Staff were dismissed, the Post Office took action to attempt to recover the 'losses', and in some cases criminal prosecutions were pursued and people were wrongly convicted. The Department

expects to provide £579 million to the Post Office so that it can compensate victims of the Horizon scandal while continuing to operate as a going concern. Through one of two compensation schemes, the Department stated that 90% of compensation offers (not payments) had been made by mid-November 2022; however, recent media reports have indicated some victims receiving only partial payments and still being owed huge sums. The Department described these as the most challenging cases involving bankruptcy or insolvency, and said that it was taking professional advice.

Recommendation 7: The Department should write to the Committee alongside its Treasury Minute response to provide details of the total value of payments made to date and the proportion of the total payments that this represents. This should be for both the Historical Shortfall and Historical Convictions schemes and indicate when it expects all claims to be settled.

1 Effective Parliamentary and public scrutiny

1. On the basis of the Department's 2021–22 Annual Report and Accounts, and the Comptroller and Auditor General's report therein, we took evidence from the Department of Business, Energy and Industrial Strategy about its performance in 2021–22.¹

2. BEIS has wide-ranging policy and delivery objectives driven by four outcome areas: fighting coronavirus; tackling climate change; unleashing innovation and backing long-term growth. The Department's budget has more than tripled in the past three years from £33.8 billion in 2019–20² to £141 billion in 2021–22. BEIS is accountable for 43 public bodies. These organisations vary in remit and size and include UK Research and Innovation, the Nuclear Decommissioning Authority, the Competition and Markets Authority, the Committee on Climate Change and Companies House.³

Performance Reporting

3. The Department reported nearly £139 billion of net expenditure (2020–21: £52 billion) and more than £273 billion of net liabilities (2020–21: £164 billion) in its 2021–22 annual report. The Department works with 43 other public bodies in its group that it refers to as partner organisations, such as the British Business Bank. Together, these span a wide range of sectors, policy responsibilities and operations. Key activities and expenditure during 2021–22 included continuing to provide financial assistance to businesses impacted by the COVID-19 pandemic.⁴

4. The performance report is the part of the annual report intended to provide the reader with an understanding of how the Department has performed against its strategic objectives.⁵ HM Treasury considers this a vital resource to allow Parliament and the public to hold government to account. Within the performance report is a performance analysis. In this section, the Department is expected to set out how it has performed against priority outcomes, which capture the government's long term policy objectives. Reporting against these outcomes, supported by a set of corresponding metrics is intended to contribute to the understanding of performance and value for money.⁶

5. We asked the Department to explain how its performance reporting allows readers to understand the value for money and impact of their work. The Department told us that it found it challenging to report on the range of activity they are involved in because it is such a broad and diverse portfolio. We heard evidence that the Department reports regularly against its ODP performance metrics within Whitehall to granular levels.⁷ Priority outcome metrics were also included in the Department's Annual report and accounts.⁸ However, in its accounts, the Department did not provide contextual narrative

1 Department for Business, Energy & Industrial Strategy Annual report and accounts 2021–22, 20 October 2022 (referred to in following footnotes as BEIS ARA 2021–22)

2 BEIS, ARA 2021–22, page 29

3 BEIS, ARA 2021–22, pages 6, 10, 12, 29, 43

4 BEIS, ARA 2021–22, pages 12, 48, 168, 170

5 HM Treasury, *The Government Financial Reporting Manual: 2021–22*, December 2021, pages 27–29

6 HMT, FReM 2021–22, page 27, section 5.1.1 and page 30, section 5.4.4 ai

7 Qq 135, 141

8 BEIS, ARA 2021–22, page 18–28

to explain the data presented for any of the metrics to help the reader understand progress against outcomes. Furthermore, the performance analysis provided no link between priority outcomes and financial performance to provide a picture of overall performance.

6. We asked why there was not more in the performance analysis that explained how well partner organisations contributed to the Department's overall objectives. The Department told us that to report in such a way would result in huge duplication in what is already large publication. This duplication is because entity specific performance is reported in each partner organisation's annual report and accounts.⁹ The BEIS Annual Report and Accounts is 349 pages long and considering the increasing remit of the Department we asked if there was more to be done to make the document more user-friendly. The Department acknowledged that having a broad and diverse portfolio, from the performance of the Nuclear Decommissioning Authority to fraud performance, makes summarising reporting challenging. The Department told us that it is continually looking at ways of improving its performance reporting drawing, for example, on best practice guides published by the National Audit Office on annual reports. The Department accepted our offer of engagement to support more user-friendly publications.¹⁰

9 Q 139

10 Qq 140–142

2 COVID-19 business support (taxpayer losses; accountability for losses; fraud prevention)

Recovery of irregular grant payments

7. From March 2020 to March 2022, £25 billion of COVID-19 business support grants were provided to support businesses during the pandemic. The grant funding was distributed by local authorities, primarily acting as agents of the Department, through: the Small Business Grant Fund; Retail, Hospitality and Leisure Grant Fund; Local Authority Discretionary Grant Fund; Local Restriction Support Grants (multiple scheme iterations); Additional Restrictions Grant (various top-ups); Christmas Support Package; Restart Grant; and Omicron Hospitality and Leisure Grant. The Department refined its fraud and error estimate (£985 million) for the first wave of business support grant schemes in its 2021–22 Annual Report and Accounts. The Department also calculated its initial fraud and error estimates for the second and third wave of grant schemes in its 2021–22 Annual Report and Accounts (various LRSG grant schemes at £27 million; and the Restart, Additional Restrictions Grants and Omicron Hospitality and Leisure Grant at £30 million).¹¹

8. The Department estimated fraud and error levels of £985 million were contained in the £11.7 billion grant funding provided for the first wave of business support grant schemes (Small Business Grant Fund; Retail Hospitality and Leisure Grant Fund; and Local Authority Discretionary Grant Fund). The estimated fraud and error in these three schemes is significantly higher than the estimates for the second and third wave of grant schemes.¹² The Department explained that this was due to the first wave of business support grant schemes not being application-based and relying on the existing system data of the local authorities, which in some cases led to overpayments in error.¹³ We asked the Department if it had attempted to recover the irregular payments for these schemes. The Department told us that the majority of the grants were paid in error and consequently will not be recovered as they were made to legitimate businesses who were struggling.¹⁴ The Department's 2021–22 Annual Report and Accounts does not disaggregate their fraud and error estimate into separate fraud and error values.¹⁵

9. Of the £985 million estimate of fraud and error for the first wave of business support grant schemes, the Department has recovered £5.3 million through NATIS and local authorities.¹⁶ This represents 0.7% of the fraud and error estimate. The Department explained that it will further refine the fraud and error estimates for the second and third wave of schemes in the 2022–23 Annual Report and Accounts due to time and data constraints.¹⁷ The Department has deferred the wider recovery of irregular payments

11 BEIS, *ARA 2021–22*, pages 44, 147–151

12 BEIS, *ARA 2021–22*, pages 148, 150–151

13 Q 108

14 Q 110

15 BEIS, *ARA 2021–22*, page 148

16 BEIS, *ARA 2021–22*, page 87–88

17 BEIS, *ARA 2021–22*, page 150–152

until their assurance exercise for the second and third wave of business support grants has concluded. The longer the Department takes to start the recovery process, the lower the likelihood of successful recovery and potentially the greater the losses to the public purse.¹⁸

Lack of curiosity surrounding lenders' performance in the Bounce Back Loan Scheme

10. The Bounce Back Loan Scheme (BBLs) is the largest of the Covid-19 business support loan schemes, with 1.6 million loans approved, totalling £47.4 billion.¹⁹ BBLs gave the lender a full (100%) government-backed guarantee against the outstanding balance of the facility (both capital and interest).²⁰ The British Business Bank, one of the Department's partner organisations, was responsible for delivering the business support loan schemes, including the BBLs. We acknowledged in our previous report that the Department acted at speed, but left the taxpayer at risk of large losses due to fraud and error. In order to roll the scheme out quickly, agreements allowed lenders to follow their own 'business as usual' procedures for monitoring, chasing payment, and identifying fraud for government backed loans. The Department included limited requirements for lenders to collect and share data.²¹

11. Lenders self-report on performance within the British Business Bank's portal, and the Department has published data on this performance as at 31 July 2022.²² The portal was designed for administering the guarantee rather than managing the loans.²³ Due to lenders following their 'business as usual' procedures there is inconsistency in the data reported which makes interpretation difficult. We asked the Department what actions they were taking where lenders were not performing to standard, and they told us that differences in the data were not necessarily reflective of performance differences, due to differences in circumstances and strategies.²⁴

12. The Department gathers information from the lenders in addition to the (notably limited) requirements in original agreements.²⁵ We had also taken evidence from Natwest, HSBC, Starling Bank and Paragon Bank. The lenders told us that all information requested by the Department has been provided.²⁶ However, the Department has not established the full extent of the information held by lenders in order that this can be investigated further, while the banks told us they hold additional information which has not been requested.²⁷

18 C&AG's Report, *BEIS ARA 2021–22*, page 165

19 BEIS, *ARA 2021–22*, page 18

20 [Bounce Back Loan Scheme - British Business Bank \(british-business-bank.co.uk\)](https://www.british-business-bank.co.uk)

21 [BEIS Annual Report & Accounts 2020–21 \(parliament.uk\)](https://www.parliament.uk) p8

22 [Bounce Back Loan Scheme performance data as at 31 July 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

23 [The Bounce Back Loan Scheme: an update \(nao.org.uk\)](https://www.nao.org.uk) p54

24 Q 119

25 Q 119

26 Q 5

27 Q 6

Counter fraud activity on the Bounce Back Loan Scheme

13. The inadequacy of the Department's initial fraud response on the Bounce Back Loan Scheme has been well documented, through our previous report²⁸, and the most recent NAO report on this topic.²⁹ This included the lack of initial liaison with the Cabinet Office, and the lack of an appropriate in-house counter fraud function.

14. The Department has made progress in its fraud response. The Fraud Risk Assessment has been updated, although this identified additional fraud risks which were not considered at the point the scheme was launched.³⁰ Notably, the Department told us about the improvements which have been made to the ongoing Recovery Loan Scheme as a result of learning from the Bounce Back Loan Scheme, such as permissions for sharing data, data systems and governance, and bulk objections for dissolving companies with an outstanding loan.³¹

15. However, funding for counter fraud activities remains low, with limited recoveries being made. The Department's National Investigation Service (NATIS), a law enforcement agency partnered with the Department since September 2020, has received £13.2m in funding. The Department told us that NATIS have 558 open investigations, recovered £5.8 million of irregular payments, and arrested 58 individuals in connection with Bounce Back Loan Scheme fraud.³² The Department stated that the low level of funding for NATIS, compared to DWP's spend on counter fraud is due to the focus on the most serious organised crime elements of fraudulent activity, and the fact that the bulk of anti-fraud work is undertaken by the lenders themselves.³³

16. The National Audit Office recommended in December 2021 that the Department should produce a formal strategy, setting out the longer-term ambitions, objectives and metrics for the impact of successful counter-fraud actions; fraud risk appetite; and prioritisation of counter-fraud activities and resources based on cost-effectiveness.³⁴ A formal strategy such as this would provide the opportunity for proper scrutiny of the adequacy of the current focus of work, but the strategy has not yet been published.

Responsibility for effective delivery

17. The Department is responsible for government's business support grant schemes which have provided local authorities with £25 billion of COVID-19 grant funding to allocate to eligible businesses since March 2020. Furthermore, the Department provided more than £38 billion for the Bounce Back Loans Scheme, operated by the British Business Bank through commercial lenders, since May 2020.³⁵

18. The statement of AO's responsibilities in the Department's ARA outlines the Accounting Officer's responsibility for the propriety and regularity of the finances allocated to them.³⁶ This is reinforced through HM Treasury's Managing Public Money

28 [BEIS Annual Report & Accounts 2020–21 \(parliament.uk\)](#) p6

29 [The Bounce Back Loan Scheme: an update \(nao.org.uk\)](#)

30 [The Bounce Back Loan Scheme: an update \(nao.org.uk\)](#)

31 Q 113

32 Q 117

33 Q 118

34 [The Bounce Back Loan Scheme: an update \(nao.org.uk\)](#)

35 BEIS, ARA 2021–22, pages 44, 246, 260

36 BEIS, ARA 2021–22, page 67

which expands on the personal responsibility the Accounting Officer has for ensuring their organisation uses its resources efficiently, economically and effectively. This also extends to responsibility for managing risks in relation to fraud.³⁷

19. In its written evidence, the Institute of Chartered Accountants in England and Wales (ICAEW) drew attention to the Department's response to our previous report on the BEIS Annual Report and Accounts.³⁸ The ICAEW told us that the Department's response did not acknowledge its overall responsibility, and that of the Accounting Officer in particular, on fraud recovery linked to Covid schemes.³⁹ We asked the Department to reply to this point, which echoed Treasury guidance. Referring to Bounce Back Loans, the Department told us that it set out responsibilities of commercial lenders from initial checks through to recovery processes at the time the scheme was launched. It also told us that it saw the Department's role as one which enabled, supported and challenged the banks.⁴⁰

Completeness of Companies Register

20. The Companies House annual report and accounts continues to show an increase in the number of the companies registered. The Department considers this to be a reflection of wider international trends and increased entrepreneurial activity.⁴¹ However, the rise in registrations also increases the likelihood that the Companies House register contains fake entries.⁴² The Department acknowledges Companies House needs to manage this and is introducing greater powers through the Economic Crime and Corporate Transparency Bill for Companies House to check the identity of directors and to crack down on any abuse of the register.⁴³

21. It has been an offence since 2009 to make a false return to Companies House, yet to date there is a record of just one conviction for this offence, in 2018. The Department was unable to confirm the number of prosecutions or convictions made under these existing powers.⁴⁴ The Department was also unable to confirm why, despite the continued rise in the number of companies registered and the increasing likelihood that some of these registrations are being used to commit fraud against businesses and the public, the Department's powers to enforce the existing law are not being used.⁴⁵

37 HM Treasury, *Managing Public Money*, March 2022, page 14, section 3.3, and page 102, section A4.9.1

38 Committee of Public Accounts, *Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21*, First Report of Session 2022–23, HC 59, 11 May 2022

39 Written evidence submitted by Institute of Chartered Accountants in England and Wales - ICAEW

40 Q 134

41 Q 125

42 Q 126

43 Q 127

44 Q 129

45 Qq 130–131

3 Post Office Horizon IT programme compensation

22. The Horizon IT system used by sub postmasters and subpostmistresses erroneously recorded shortfalls of cash in local Post Office branches over a 20-year period. The Post Office blamed many of the shortfalls on sub postmasters and sub postmistresses, despite it being the Horizon IT system was at fault. Post Office took action to recover the losses from staff and in some cases, criminal prosecutions were pursued and people were wrongly convicted. Following the scandal, the Post Office committed to make payments to current and former postmasters to compensate those who had either wrongly been convicted of fraud, theft or false accounting (Overturned Historical Convictions) or had been affected by financial discrepancies related to previous versions of the Horizon IT system (Historical Shortfall Scheme). The Post Office is unable to fund the full amount of compensation and maintain levels of service provision and so the Department agreed to provide funding to the Post Office to support the compensation payments to be made. At 31 March 2022, the Department's liability was estimated to be £579 million.⁴⁶

23. We drew the Department's attention to media reports relating to individual cases where payments had not yet been made or where claimants had been forced to accept half of what they were entitled to; and asked the Department what they were doing about these cases.⁴⁷ The Department stated that in these cases which related to the Historical Shortfall Scheme, 90% of offers had been made by 15 November 2022 and that this was expected to continue to increase. However, some of these offers do not reflect the total compensation due. These claims related to more challenging cases where bankruptcy or insolvency are involved. The Department said it was working hard and where necessary taking advice from insolvency practitioners, to ensure that claimants got the maximum level of compensation possible.⁴⁸

24. We asked whether the Department will in effect be funding the full bail out of the estimated compensation. The Department stated that of the estimated £150 million provided for the Historical Shortfall Scheme, £63.3 million will be funded by the Department and for the Overturned Historical Convictions Scheme, the Department has agreed to stand behind the whole cost of £502 million. While the Department would be keen to see the Post Office fund a greater share of these costs, this would have imposed a significant financial burden on the Post Office that would likely have resulted in it no longer being a going concern.⁴⁹

46 BEIS, ARA 2021–22, page 257

47 Q 167

48 Qq 168–169

49 Qq 170–173

Formal minutes

Monday 20 March 2023

Members present:

Dame Meg Hillier

Olivia Blake

Dan Carden

Mr Jonathan Djanogly

Mrs Flick Drummond

Peter Grant

Anne Marie Morris

Nick Smith

Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021–22

Draft Report (*Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021–22*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 24 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Forty-fifth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Adjournment

Adjourned till Thursday 23 March at 9.30am.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 5 December 2022

Anne Boden, Founder and Chief Executive, Starling Bank; **Andrew Harrison**, Managing Director of Business Banking, NatWest; **Dave Newcombe**, Managing Director of the commercial division, Paragon Bank; and **Karl Reid**, Head of Lending, UK Commercial Banking, HSBC

[Q1–85](#)

Sarah Munby, Permanent Secretary, Department for Business, Energy and Industrial Strategy; **Gemma Peck**, Director, Business Growth, Department for Business, Energy and Industrial Strategy; and **Tom Taylor**, Strategic Finance Director and Chief Financial Officer, Department for Business, Energy and Industrial Strategy

[Q86–181](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

BRA numbers are generated by the evidence processing system and so may not be complete.

- 1 Institute of Chartered Accountants in England and Wales (ICAEW) ([BRA0001](#))
- 2 UK Finance ([BRA0003](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

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