

Sixty-eighth report of Session 2022-23

Department for Business and Trade, HM Treasury

Local authority administered COVID support schemes in England

Introduction from the Committee

The government introduced a series of grant schemes to help businesses deal with the impacts of the COVID-19 pandemic on their businesses, including the effects of restrictions put in place to protect public health. Using funding from government, local authorities in England distributed £22.6 billion in grants to local businesses between March 2020 and March 2022. There were eight separate schemes that can be grouped into three separate ‘cohorts’, primarily corresponding to significant waves of COVID-19 restrictions.

HM Treasury decided the key features of each of the schemes, including the types of businesses they should cover and the level of funding available, and the Department for Business, Energy and Industrial Strategy (BEIS) was responsible for their implementation. The Department for Business and Trade (DBT) is now accountable for this funding, including the recovery of money paid out as a result of error or fraud.

The creation and delivery of these grant schemes was a partnership between local authorities and central government. Local authorities were responsible for identifying eligible businesses in their areas and paying grants to them, making 4.5 million payments over the course of the pandemic. BEIS created the detailed guidance for the schemes and oversaw their implementation by local authorities.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 11 May 2023 from the Department for Business and Trade and HM Treasury. The Committee published its report on 6 September 2023. This is the government’s response to the Committee’s report.

Relevant reports

- NAO report: [COVID-19 business grant schemes](#) – Session 2022-23 (HC:1200 2022-23)
- PAC report: [Local authority administered COVID support schemes in England](#) – Session 2022-23 (HC 1234)
- Department for Business, Energy & Industrial Strategy’s [Annual report and accounts 2022-23](#) (HC 1796)

Government response to the Committee

1. PAC conclusion: The Department for Business, Energy & Industrial Strategy prioritised the need to distribute grants quickly. In doing so it made compromises on how targeted the support was and on the checks required to be made before money was paid out.

1. PAC recommendation: As part of its Treasury Minute response, HM Treasury should set out what basic level of control it needs to see in place in the event of a national emergency, and how trade-offs with speed of response should be handled.

1.1 The government disagrees with the Committee’s recommendation.

1.2 Every national emergency is different, and HM Treasury (HMT) adopts levels of control proportionate to the scale and nature of the emergency in question. It is therefore not

appropriate to set a single precise definition for the basic level of control needed and exactly how the trade-offs with speed of response should be handled.

1.3 The first principle, however, is that in the case of national emergency, the established spending framework continues to apply. Specifically:

- accounting officers (AOs) remain responsible for departmental expenditure and for maintaining the AO standards of regularity, propriety, value for money and feasibility in relation to public spending;
- departments must comply with [Managing Public Money](#) (including the requirement for HMT consent); and
- requirements for appropriate budget cover, estimates authority and legal powers to spend money still apply.

1.4 As seen during the COVID-19 pandemic, there is sufficient flexibility within this framework to tailor responses to the specific circumstances of the emergency in question. In such circumstances, AOs are expected to exercise sound judgement concerning the application of resources – as afforded them by Parliament – and they are responsible for the management of the associated risks and trade-offs, such as between the need for speed and the increased likelihood of fraud and error. Where appropriate, HMT may implement flexibilities within the spending framework tailored to the specific emergency, as it did during the COVID-19 pandemic, although these do not abrogate the AO’s responsibilities. In addition to these flexibilities, HMT may also enhance assurance to deal with heightened risks - for example reducing the risk of fraud by integrating the role of the Public Sector Fraud Authority into HMT approval processes.

1.5 Should the AO consider that they are unable to meet these duties, they are expected to seek direction from their senior minister.

2. PAC conclusion: The Departments have been slow to take effective action to recover losses – three years since the Department for Business, Energy & Industrial Strategy introduced the schemes, less than 2% of the estimated £1.1 billion lost to error and fraud has been recovered.

2. PAC recommendation: The Department for Business and Trade and its non-executive directors (NED) should ensure that the current review of the approach to recovery is rigorous and takes a sufficiently broad view of the public interest, including in its terms of reference:

- **An assessment of the public value that can be achieved from pursuing these monies, including the deterrent effect of pursuing fraudsters and the impact on public confidence;**
- **testing the Department’s previous assumptions and revisiting past conclusions;**
and
- **setting a figure for what it believes is recoverable and at what cost.**

2.1 The government agrees with the Committee’s recommendation.

Target implementation date: December 2023

2.2 The planned non-executive directors (NED) review reported to the Committee has now been undertaken by the Chair of Department for Business and Trade (the department’s) Audit and Risk Assurance Committee. The review was undertaken during the period June through early September 2023 with findings now presented to the Permanent Secretary.

2.3 The review identified opportunities to improve recovery of irregular payments overall, including fraud payments, and improve value for money, with the following work underway to implement recommendations:

- all local authorities have been re-contacted to request engagement, increasing the volume and accelerating the flow of irregular payments cases;
- recovery processes have been streamlined with appropriately deployed skills and new resource allocated;
- a pilot digital tool has been introduced to help assess viability of recovery from grant recipient businesses, ensuring recovery effort is focused on recoverable debt; and
- fast-tracking referrals of actual and suspected fraud payments for litigation is ongoing.

2.4 The department is also working with local authorities to quantify the value of irregular payments that might reasonably be expected to be recovered and the associated cost of recovery.

3. PAC conclusion: Central government's distance from the practical realities on the ground meant confusion, delays and uncertainty for small businesses and local authorities.

3. PAC recommendation: Within six months, the Department for Business and Trade should write to the Committee setting out how it proposes to improve its understanding of small businesses operating in different sectors and how it is strengthening its mechanisms for receiving and acting upon feedback from this segment of the business community.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2024

3.2 The department will, as requested, write to the Committee detailing proposals to improve understanding of small businesses operating in different sectors and on strengthening mechanisms for receiving and acting upon feedback from this segment of the business community.

4. PAC conclusion: The Department for Business and Trade needs to build on the progress made during the pandemic in developing the approach to the oversight of grants.

4. PAC recommendation: The Department for Business and Trade, working with the Cabinet Office, should share its approach to grant management more widely with other parts of government and ensure that this delivery experience is drawn upon at the earliest possible stage in the design of policies involving potential new grant schemes.

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 DBT has created a new Grant Delivery Directorate (GDD) as part of the Corporate Services Group. The benefit of a centralised team is achievement of a best-in-class delivery service with economies of scale in terms of resourcing; providing long-term grant delivery capacity. In establishing the GDD, the department worked closely with the Government Grant Management Function within the Cabinet Office to ensure the design took full and appropriate account of all requirements.

4.3 The GDD team will oversee the design, development and delivery of all new DBT Grant Schemes, delivering a consistent approach. The approach will protect public money and recover funds where necessary, monitor all awards and combat fraud; and ensure value for money grant delivery for all schemes.

4.4 The GDD continues to work closely with the Government Grant Management Function within Cabinet Office who will identify and make improvement recommendations. Lessons learned will be shared and case studies provided for wider discussion where appropriate. Throughout DBT will seek to remain compliant with GOVS15 Functional Standard for Grants and the Grants Functional Blueprint.

4.5 Opportunities to share best practice and experience with the wider grant community incorporating COVID-19 scheme lessons learned will be instigated and exhibited, including via the Cabinet Office Grant Champions Forum, and learning from anticipated Cabinet Office Emergency Situation Grants guidance implemented for future schemes.

4.6 DBT anticipates publication of the Ipsos C19 evaluation report later this autumn with wide dissemination to partners, stakeholders and other government departments.

5. PAC conclusion: We do not yet know the impact achieved by the £22.6 billion provided to businesses, or how much money was spent that might not have been needed.

5a. PAC recommendation: As part of its Treasury Minute response to this report, the Department for Business and Trade should set out what it has concluded from the completed Ipsos evaluation.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Winter 2023

5.2 Publication of the Ipsos evaluation is anticipated in late November 2023. The report has been delayed pending Office of National Statistics clearance.

5.3 Further details will be provided in due course. The department will write to the Committee following publication of the report to set out what it has concluded from the evaluation.

5b. PAC recommendation: HM Treasury should write to the Committee with its plans to capture and distil lessons from the experience of supporting businesses through the pandemic within three months.

5.4 The government agrees with the Committee's recommendation.

Target implementation date: December 2023

5.5 HM Treasury will write to the Committee as requested in December 2023.

6. PAC conclusion: The government did not have in place a plan for how it would provide support to businesses during a national emergency like the pandemic.

6. PAC recommendation: The Department for Business and Trade, working together with other relevant departments and local authorities, should develop a contingency plan for how it would respond should it be asked to provide financial support to businesses and other groups should a situation analogous to the pandemic occur in the future. The Department also needs to do better to understand the capability of local government systems when considering future schemes.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2024

6.2 The DBT will take account of IPSOS evaluation findings and best practice including anticipated guidance (Cabinet Office "Emergency Situation Grants" and the HM Treasury "Managing Debt in a Crisis" paper which are both currently being drafted) when planning future schemes and for contingencies.

6.3 In addition, recommendations from the pending National Audit Office and Government Grants Management Function (GGMF) Cabinet Office reports on future delivery will be considered as part of future contingency plans.

6.4 Through ongoing collaborative working, directly with local authorities and through the Local Government Association (LGA) contacts and the Department for Levelling Up, Housing and Communities Local Authority Funding Directorate, the department will seek to enhance the understanding of the capability of local government systems when considering future scheme delivery model options.