



Department for Business & Trade

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Dame Meg Hillier MP
Chair of the Public Accounts Committee
House of Commons
London
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Dear Chair,

FOLLOW UP TO THE OF SIXTY-EIGHTH REPORT OF SESSION 2022-23 DEPARTMENT FOR BUSINESS AND TRADE, HM TREASURY

Local authority administered COVID support schemes in England

I am writing to the Committee to update on recommendation 2 made in its report.

The recommendation stated that:

The Department for Business and Trade and its Non-Executive Directors 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.

Following the review undertaken this summer by our Non-Executive Director improvements to the debt recovery practices have been implemented to challenge past assumptions. The changes streamline processes followed, prioritise referrals for suspected fraud caseload, and expedite litigation action where appropriate.

Public value and interest remain key considerations. A minimum of four attempts are made to pursue recovery. Thereafter, for any debt not linked to fraud, cost, value of the debt and potential return to the public purse determine next steps. Digital tools now support the Department to help assess the status of the debtor business and its likely ability to repay, along with feedback from specialist litigation advisors on the likelihood of recovery. Where the financial cost outweighs the expected return to the public purse then a recommendation to stop recovery action is considered at Director level.

For any debts linked to fraud / suspected fraud, the department's approach is to pursue recovery in all cases as this is seen as a critical deterrent to fraudsters - the only exception is if specialist advice from litigation experts determines that there is no chance of recovery after considering all litigation options. Local Authorities refer suspected fraud activity to the National Anti Fraud Network (NAFN) to support data and intelligence sharing across the public sector, and the department has a contract with the National investigation Service (NATIS) to pursue serious and organised crime, including high value or cross boundary fraud. Sharing of data is recognised as an important deterrent against future fraud.

All Local Authorities have been re-contacted at senior level to quantify the value of irregular payments that might reasonably be expected to be recovered.

To date **£33m** has been recovered for return to HM Treasury, an increase from the **£20.9m** reported to the Committee in May.

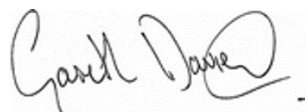
The current recovery estimate based on Local Authority returns stands at **£85m**. The Department recognises however that there is more to do in this area and continues to seek ways of improving the rate of recovery on C19 business grants irregular payments, having regard to the probability of recovery versus the cost incurred. The responsibility of managing public money effectively remains of paramount importance and we will continue close the gap between the reported estimated loss figure and that which can be recouped.

The formation of the Department for Business and Trade with a new Grant Delivery Directorate (GDD) as part of the Corporate Services Group, provides us the opportunity to oversee the design, development and delivery of grant programmes with an enhanced focus on compliance for future schemes, implementing the lessons learned here.

Additional staff have been recruited and deployed on the recovery caseload to ensure that, through ongoing collaborative working with Local Authorities, the Department maximises return for the taxpayer. I will keep the Committee apprised of progress.

I am copying this letter to the Permanent Secretary of HM Treasury.

Yours sincerely,



GARETH DAVIES
PERMANENT SECRETARY