



Department for
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Dame Meg Hillier MP
Chair of the Public Accounts Committee
House of Commons
Westminster
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Dear Chair,

FOLLOW UP TO THE 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 provide an update on recommendation 6 made in its report.

The recommendation stated that:

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.

DBT is working with other Government Departments and NAO to contingency plan for any new future grant scheme. The newly established Grant Delivery Directorate has been placed at the heart of all new DBT grant schemes to ensure a high level of leadership and skill is applied to arrangements for the delivery of grants.

Development of a plan to reflect the learning from delivery of COVID Business Grants administered by Local Authorities, and wider DBT arrangements for emergency response activities are ongoing. DBT is closely engaged with cross Government work led by the Cabinet Office to develop plans for and potential responses to future emergencies, and work led by DHSC to plan for any future pandemic.

DBT leadership, capabilities, and governance arrangements.

Currently a team of 42 staff are employed in the Grant Delivery Directorate, with plans for further recruitment in the near future. Directorate staff have significant specialist grant delivery knowledge, with experienced senior leadership overseeing the grant management function.

The COVID schemes have shown that grant delivery and assurance require specialist capability and expertise. Therefore, any future models will incorporate the requirement that staff regularly seek to ensure their knowledge and skills in grant delivery continue to be up to date and are refreshed as appropriate. By taking this approach we will ensure that key areas such as reconciliation and debt recovery are sufficiently resourced for success. More broadly, DBT is in the process of setting up a departmental emergency response function and procedures in line with Cabinet Office best practice, to complement sector specific plans which already exist for the critical national infrastructure sectors for which we are the lead government department. These include a Concept of Operations setting out departmental emergency response procedures, the creation of an emergency response group of staff who can be mobilised to participate in a response, and a training and exercising programme to build departmental capability and readiness. We intend that these response procedures will also support the department to deliver future economic support should this be required in either the initial response or recovery phase of a future emergency.

Governance

We intend that new governance arrangements for the grant delivery function should be capable of being used for emergency responses requiring business grant support, as well as day to day work, and can see advantage in being able rapidly to pivot an experienced team to consider fast-moving emergency issues. A Grant Delivery Board will be chaired by DBT's CFO and will include representatives with grant delivery, finance, fraud-prevention, commercial, and business support policy expertise.

The Concept of Operations guidance document will provide a clear command structure for when the decision is made to activate the department wide emergency response framework. This is designed to complement 'business-as-usual' governance structures which exist for grants.

Roles and Responsibilities

Responsibilities for assessing the level of economic risk, identifying potential solutions and taking action are addressed in the model, dependent upon the nature of the emergency being responded to.

DBT regularly monitors both sector and company specific economic risks. In the first instance, departments with the lead responsibility for a sector or company are responsible for horizon scanning and planning for potential shocks, assessing the impact of a potential shock, ensuring proportionate contingency arrangements are in place should the company fail, planning the Government's response, advising ministers, and engaging with stakeholders.

DBT Special Situations Team offer advice to sector teams across Whitehall in assessing, preparing for and responding to economic shocks and advice on how to assess the local economic impact. They can also identify if other Departments have an interest or if further, specialist support is required.

Further, as part of Cabinet Office led risk planning work, once the DBT emergency response function has been fully set up, DBT intend to develop a playbook of wider potential policy options that could support decision making in a future emergency. It is important to note that the exact suite of support options would likely vary depending on the nature of the

emergency, and that we should plan on a range of reasonable worst case scenarios following Cabinet Office guidance, rather than just on the most recent emergencies we have experienced. This is a long-term piece of work that will form part of wider work on preparedness for pandemic, national power outage and similar National emergencies. It is distinct from our joint approach with HMT and UKGI to company level failures.

Local Authority Engagement

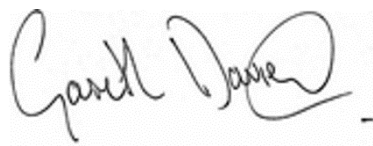
The intention is to engage with key stakeholders as quickly as possible to ensure effective response to any emergency situation. The Department has an existing relationship with local authorities as well as via the Local Government Association.

Local Area leads (part of the join Cities and Local Growth Directorate) have regular engagement with the local authorities.

A recent example of effective local authority engagement was on the Flood Recovery Framework activation in late 2023 / early 2024. The Grant Delivery Directorate was able to draw upon the lessons learned from COVID support schemes to ensure fraud and error prevention was designed in from the start, checklists and guidance were provided and local authority briefings were held on a regular basis to ensure that all stakeholders understood the terms of engagement, including eligibility criteria, governance requirements and timescales with an opportunity to provide direct input into scheme development and management.

The Grant Delivery Directorate was shortlisted in February 2024 by the Government Grants Management Function in the category of 'Innovation and Effective Risk Management in Grant Making' in recognition of the work completed in late 2023 on the flooding grant scheme, ensuring that appropriate controls were in place at the outset of the scheme to assess and mitigate risk, protect public funds through targeted disbursement, and assure eligibility of grant awards through clear guidance to local authorities and effective post payment assurance checks.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gareth Davies', with a small horizontal line at the end.

**GARETH DAVIES
PERMANENT SECRETARY**