



Department for Business & Trade

Gareth Davies
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Old Admiralty Building
London
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The Rt Hon. Liam Byrne MP
Chair, Business and Trade Committee
House of Commons
London
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28 January 2025

Dear Liam,

BUSINESS AND TRADE ANNUAL REPORTS AND ACCOUNTS 2023-24

The Department for Business and Trade will shortly lay before the House and publish its 2023-24 Annual Report & Accounts. While this laying date is within the statutory deadline for publishing accounts, as with the other departments created by the Machinery of Government change, it is later than the pre-Summer recess administrative deadline set by the Treasury.

As you will be aware, the 2023-24 Annual Report & Accounts is the Department's first since being formed. This has presented a number of challenges for all the new departments, including the need to disaggregate the former Department for Business, Energy & Industrial Strategy 2022-23 accounts to create opening balances and prior year comparators, and the audit requiring balances and transactions to be assured to a greater level of precision than had been previously required.

The Department has also faced specific challenges, not least the need to build an understanding of the complex accounting for operations that transferred across. Other challenges specific to the Department included obtaining valuations for British Business Bank investments to a pre-Summer recess timetable and establishing reliable accounting estimates for future Post Office compensation costs. These challenges have largely been resolved for the 2024-25 Annual Report & Accounts, and the Department is more confident in achieving a pre-Summer recess laying date for the current year.

In addition, the Comptroller & Auditor General will be qualifying his audit opinion on the 2023-24 Annual Report and Accounts in two respects. The first is to highlight an excess vote for the Resource Annually Managed Expenditure (Resource AME) control total. The second is a limitation of scope on two of the Post Office Limited Horizon redress scheme provisions, specifically the provision for the Horizon Shortfall Scheme and the provision for the Horizon Convictions Redress Scheme.

Overspend against Resource AME

On 13 March 2024, after the supplementary estimate process had been completed, a ministerial decision introduced the option to provide a fixed sum of £75,000 to the Horizon Shortfall Scheme. This scheme is open to current and former postmasters who believe they may have been affected by shortfalls related to previous versions of the Horizon system. This decision increased the estimated value of redress the Department would need to fund under this scheme, accounted for as a provision and budgeted for as Resource AME.

Due to this obligation arising after the supplementary estimate process, it was not possible for the Department to bid for sufficient budgetary funding for the scheme and as a result the Department overspent against its vote Resource AME control total by £219 million. As a result, the Comptroller and Auditor General has issued an excess vote qualified audit opinion.

Horizon redress scheme provisions – limitation of scope

The Horizon redress scheme provisions are estimates based upon the best available information. However, actual settlement information is limited in some instances and is insufficient in either its volume or range to be used as a basis for informing an estimate. As this is the case, the Department has needed to rely upon other estimation techniques that lead to a significant level of uncertainty over the estimates.

The Department is of the view that a reliable estimate, as defined by IAS 37, can be produced and, while the Comptroller & Auditor General does not disagree with this view, due to the lack of available actual settlement information, he cannot form a view on the truth and fairness of the provision estimates. As a result, the Comptroller & Auditor General has limited the scope of his opinion in respect of two Post Office Horizon redress schemes: the Horizon Shortfall Scheme and the Horizon Convictions Redress Scheme.

Once you have had opportunity to read the 2023-24 Annual Report & Accounts, I would be happy to brief you further.

A handwritten signature in black ink, appearing to read 'Gareth Davies', with a stylized flourish at the end.

**GARETH DAVIES
PERMANENT SECRETARY**