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Darren Jones MP
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House of Commons
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Dear Darren

Departmental spending 2021-22

Thank you for your letter of 13 July requesting further information following the publication of the BEIS Main Estimate for 2021-22 and the accompanying memorandum**.**

Coronavirus business support

1. At the March 2021 Budget, the Government provided a generous package of financial support to help businesses impacted by Covid. Most of the BEIS schemes do not end until September or after, in order to provide continuity and certainty for businesses and families and to accommodate short delays to the roadmap. This was welcomed by businesses and sector leaders at the time, who praised the reassurance provided for the 'long term'.

Recovery Loan Scheme
The Recovery Loan Scheme (RLS) which launched on 6 April 2021 enables UK businesses of any size to access loans and other kinds of finance up to £10 million per business as they grow and recover from the disruption of the Covid-19 pandemic. The Government guarantees to lenders 80% of the finance that they provide under the scheme, ensuring that they continue to have the confidence to lend to businesses. The scheme will remain open until 31 December 2021, subject to review.

2. The Government's Covid-19 loan schemes have provided a lifeline to millions of businesses across the UK – helping them survive the pandemic and protecting millions of jobs. In total, the schemes provided **over £79 billion** worth of finance to UK businesses.

Bounce Back Loan Scheme
The Bounce Back Loan Scheme (BBLS) was designed to provide quick and easy-to-access loans to the smallest UK businesses impacted by the coronavirus pandemic. To ensure loans were affordable, the Government introduced a flat interest rate of 2.5% to be charged only after the first year, with the Government covering the cost of

any interest and fees for the borrower for the first 12 months. No repayments are due during this period either, to enable businesses to get back on their feet.

The Pay as You Grow scheme, first announced by the Chancellor in September, will give BBLS borrowers the option to tailor repayments to their individual circumstances. These flexible repayment options will give businesses the time they need to recover from the pandemic and the confidence to build back better. Borrowers have three options available to them:

i. Extend the term of the loan from six years to ten. This will reduce a borrower's average monthly repayments on the loan by almost half.
ii. Move temporarily to interest-only payments for periods of up to six months (an option which they can use up to three times).
iii. Pause repayments entirely for up to six months (an option they can use once). On 8 February 2021, the Government announced that this option would be made more generous, such that borrowers can now take it up at any time rather than only after having made six payments.

Businesses will be able to use these options either individually or in combination with each other. In addition, they have the option to fully repay their loan early and will face no early repayment charges for doing so.

Lenders will proactively and directly inform their customers of the Pay As You Grow options, and borrowers should only expect correspondence three months before their first repayments are due.

Coronavirus Business Interruption Loan Scheme
The Government has allowed lenders to extend the repayment period for loans issued under the Coronavirus Business Interruption Loan Scheme (CBILS) where they believe it will help a borrower to repay, up to a maximum of 10 years.

Extensions of CBILS loans will be offered at the discretion of lenders in line with their individual forbearance policies. Extensions will be limited to those borrowers that lenders assess will benefit from the extension, and only for the duration required, meaning that lenders may offer an extension to 7 years, for example, rather than the maximum 10 years allowed.

Net Zero funding

3. The Climate Change Committee has recognised the positive steps Government has taken in its most recent progress report, highlighting, for example, the significant reduction in industrial emissions, and the considerable increase in the sales of electric vehicles and deployment of supporting charging infrastructure. We will be making a full response to the Climate Change Committee's report in due course.

The Government's Spending Review 2020 publication clearly shows that achieving net zero is a priority outcome across Government. A total of £12bn was allocated to several departments to support the Government's aim of achieving net zero by 2050. BEIS was allocated funding for a number of priority areas, including significant long term funding commitments such as £1bn for Carbon Capture and Storage Infrastructure Fund (CIF), and £1bn for the Net Zero Innovation Portfolio.

In parallel, we have set out longer term ambitions that demonstrate our commitment to growing public investment, such as our ambition to establish four Carbon Capture and Storage clusters by 2030 and 40GW of offshore wind by 2030 as announced as part of the Prime Minister's 10 Point Plan, as well as a Manifesto commitment to spend £9.2bn to improve the energy efficiency of homes, schools and hospitals. In addition to public investment, the Climate Change Committee recognises that a significant shift in private sector capital investment is also needed to meet our net zero ambitions. We are setting the regulatory and wider framework to make that transition possible.

Science and Research funding

4. We have set out our priorities for R&D funding for 2021-22 in our budget allocations document, which was published on 27 May. The majority of our R&D investment is made via UKRI, who have also published an explanation of how their budget has changed.

Nuclear Liabilities fund

5. The £5 billion payment made to the Nuclear Liabilities Fund (NLF) last year, which was then invested into the National Loans Fund, was to provide the best value for the taxpayer. The NLF was considering moving existing funds it held within the Exchequer (also in the National Loans Fund) into private investments in search of a higher return. Such a re-allocation would have increased public sector net debt, and so this alternative funding arrangement avoided this immediate negative fiscal impact and provided the best value for the public purse. The NLF Trustees review the sufficiency of the Fund on an annual basis and will discuss options for ensuring sufficiency with the government should this prove necessary. This year's review has not yet been undertaken.

Yours sincerely,

Kwasi Kwarteng

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