



Department for Business, Energy & Industrial Strategy

Dame Meg Hillier MP
Chair of the PAC
Sent electronically

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Dear Chair,

FOLLOW UP TO THE FIRST REPORT – DEPARTMENT FOR BUSINESS, ENERGY & INDUSTRIAL STRATEGY ANNUAL REPORT AND ACCOUNTS 202-21

I am writing to the Committee to update on recommendation 3 – The Department should, alongside its Treasury Minute response, explain to the Committee how it is going to obtain greater assurance over the regularity and value for money of grant payments made on its behalf – made in the *Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21 – the First Report of Session 2022–23*.

Thank you for setting out the Committee's recommendations. We are committed to ensuring and evidencing that grant payments made on behalf of the Department are compliant with Managing Public Money and demonstrate value for money. We have built on our delivery experience to date and on feedback from local authorities to learn lessons and improve processes. In particular, the Department has been implementing a range of measures, from assurance sampling design and business eligibility checks to data management and independent evaluation, to obtain robust assurance of the grant awards made through the COVID-19 grant schemes.

Assurance samples

A sample of payments made by local authorities was tested by the BEIS assurance team to produce a first estimate for the 2020-21 accounts of irregular payments (fraud and error). The level of fraud and error in relation to the initial three Cohort 1 schemes; The Small Business Grant Fund (SBGF), Retail, Hospitality and Leisure Grant Fund (RHLGF) and Local Authority Discretionary Grant Fund (LADGF), is estimated to be 8.9%. This is the central estimate of statistical analysis undertaken by the Department, completed on a subset of 476 payments taken from a random sample of payments made to businesses in relation to these schemes and providing a range of 4.4% to 13.4% with a 95% confidence interval. The central estimate gives a value of £1,038 million. If irregular payments had been at the lower band of the confidence interval they would have a value of £514 million, and if irregular payments had been at the higher band of the confidence interval, they would have a value of £1,562 million. There were several limitations to this data which were highlighted in the 2020-21 accounts.

Since the publication of the 2020-21 accounts, the full assurance on these schemes has been completed. For each of the three Cohort 1 schemes (SBGF; RLHGF; LADGF) each of the 314 local authorities receiving grant funding was asked to provide assurance on five randomly selected payments, chosen using a random postcode generator. This methodology provided 15 samples per local authority, 1,570 per scheme, and a total sample size of 4,710. The confidence intervals are dependent on the assurance pass rate but produce 95% confidence intervals of ± 1.4 ppt for the most conservative estimate statistically of assurance pass rates of 50%. The Office of National Statistics (ONS) advice indicates that a confidence level of greater than or equal to 95% and a confidence interval of $< \pm 10$ ppt is fit for purpose. This work is nearing completion and estimates of irregular payments will be published in Autumn 2022 and reported in the BEIS 2021/22 annual report and accounts.

For the Cohort 2 and 3 schemes (Additional Restrictions Grant (ARG), Christmas Support Payment, Restart Grant, Omicron Hospitality & Leisure Grant (OHLG), Closed Business Lockdown Payment and various Local Restrictions Support Grants) the Department implemented ONS sampling design suggestions to further improve the precision of the estimates, such as stratifying by scheme and geography. This sample design requests different numbers of checks for each scheme in each region of England, taking into account the number of grants paid. With 8 schemes in scope, Cohort 2 sample size is apportioned by scheme and region. This assurance work is underway and expected to be completed by 31 December 2022, subject to receipt of timely and accurate returns from local authorities.

For Cohort 2 and 3 schemes the Department has worked closely with local authorities to assign specific and sequenced assurance activity for priority completion, sufficient to provide a first estimate for assurance payments for each scheme. This initial first estimate across the programme will be reported in the BEIS 2021-22 annual report and accounts. The work to calculate these estimates is currently underway and estimates will be published in Autumn 2022. The assurance work across all of the grant schemes is expected to be completed by the end of December 2022.

Eligibility checks

The programme has undergone significant change since its inception in March 2020, as can be expected for a programme of this size, given the environment in which the grants were delivered during a global pandemic and as our understanding of the wider economic context improves. Grant award letters issued to local authorities on all schemes confirmed that each local authority is required to undertake appropriate and proportional assurance checks on all grants issued to determine whether the funds are awarded to eligible businesses in a compliant manner. Each scheme has unique eligibility criteria to be met, with later schemes responding to a dynamic situation and addressing the changing picture of new variants and local and national lockdowns as the position evolved. For example, the Restart Grant specifically targeted funding to non-essential retail business premises, to help them reopen safely and had associated assurance checks to ensure funding reached these identified businesses. Specific assurance guidance for each scheme is published on gov.uk.

The Department confirmed that for early schemes this assurance check could take place pre or post payment of the grant to the business. For Restart, OHLG, and the third ARG top-up

awarded in December 2021, local authorities were required to complete an assurance check pre-payment of the grant as well as post-payment checks. Mandated pre-payment checks included company name, bank accounts and application process. Where assurance checks discover that payments have been made in error, non-compliance, or have been claimed as a result of fraud, initial recovery action must be undertaken by the local authority. The Department stands behind erroneous payments, subject to local authorities having exhausted reasonable and practicable steps to recover ineligible or over-payments. This debt recovery guidance is published on gov.uk.

Information Management

From November 2020, for the Cohort 2 and 3 schemes, the Department started collecting grant-level information to support an independent evaluation of the programme and developed an improved data collection system. This digital data collection platform was rolled out in October 2021 to provide a more secure method of collection and interactive way to monitor delivery. With the announcement of the OHLG and ARG top up in December 2021, BEIS took the opportunity to fully rationalise data collection to a single grant-level request through an innovative data capture portal. This has led to a reduced administrative burden on local authorities and an almost real-time monitoring of the sectors and business types receiving grants. A near real time dashboard has been developed to monitor and drive the performance of reconciliation, assurance and debt recovery operations. The dashboard is used for operational purposes and is presented to the monthly Programme Board. It details key performance indicators including the percentage of local authorities who have completed reconciliation, remittance and assurance processes across the Cohorts, and the net amount of money that has been received from local authorities following reconciliation.

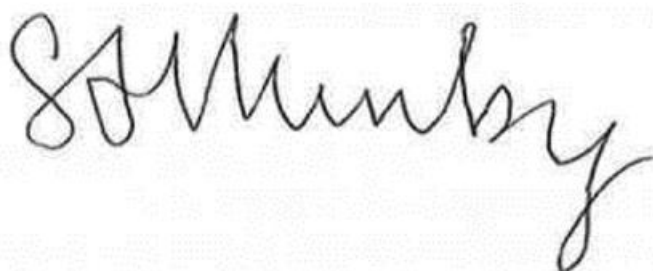
This advanced system, which was developed on large data sets required for the COVID-19 grants programme, has now become a key tool as the Department improves its delivery capability. It is being used for data collection of other programmes, including the Sustainable Warmth Fund. The Cabinet Office's Government Grants Management Function considers this tool best practice across Government.

Independent Evaluation

The Department commissioned an independent evaluation of the COVID-19 Grants programme. Ipsos Mori's final report is due towards the end of 2022 and key findings will be published early 2023. This assessment involves surveys of and interviews with businesses and local authorities, as well as other key stakeholders, and will seek to answer how effectively the programme was implemented (process), how effectively the grants supported businesses during various stages of the pandemic (impact & economic), and what lessons can be learned from the design and implementation of the scheme to inform similar schemes in the future.

The COVID-19 business grant programme has been challenging to deliver for both BEIS and local authorities due to the wider economic context. However, the Department has been working in partnership with local authorities to continuously improve the delivery approach and provide greater assurance over the regularity and value for money of grant payments. We are looking forward to providing the evidence of the Cohort 1 estimate, as well as a first estimate of irregular payments for Cohort 2 and 3 schemes in the BEIS annual reports and

accounts 2021-22, followed by robust figures for the wider programme early next year. I hope the above addresses your recommendation, and I look forward to our future engagements.

A handwritten signature in black ink, reading "Sarah Munby". The signature is written in a cursive, flowing style. The first name "Sarah" is written with a large, open 'S' and the last name "Munby" follows in a similar cursive script. The signature is positioned in the center of the page.

Sarah Munby