



Department for  
Business, Energy  
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Dear Keith,

### **FUTURE FUND – WRITTEN DIRECTION**

Thank you for your letter to the Secretary of State, received earlier today, raising a Reservation Notice in respect of the instruction from me, as the BEIS Accounting Officer, to implement the Future Fund as announced by the Chancellor on 20 April.

I have considered the content of your letter carefully.

As you are aware, coronavirus is having a dramatic impact on the UK economy as reflected in recent economic data, and forecasts issued by the OBR, the Bank of England and others.

In this context, Ministers consider it essential to support investment in companies with high growth potential, who may be unable to access the existing coronavirus loan schemes because they typically rely on equity investment. Without this intervention, there are very real risks facing these firms with potentially large losses of capacity and skills in the most dynamic sectors of the economy. This would have a significant long-term impact on the UK's innovation ecosystem and its leadership position. As you note, we have been working closely with HM Treasury to design an intervention for these companies, based on the terms announced at the outset by the Chancellor.

You have highlighted concerns around value for money, including the difficulty of modelling forecast outcomes in current economic conditions, the novelty and lack of precedent for the Future Fund and the impact of behavioural effects that may arise from its rules-based design.

These risks have been raised with the Secretary of State in our formal advice to him and they were also detailed in my Accounting Officer assessment. He took the view that these risks notwithstanding, the unprecedented situation facing the country meant that it was essential to introduce this scheme and issued me with a Direction to proceed, to be recorded in a formal exchange of letters. The Secretary of State received prior approval to proceed from the Chancellor and his officials.

We should monitor use of the scheme closely in the coming days and weeks. We should be particularly alert for any evidence of adverse behavioural effects as raised in your letter and be prepared to propose changes to Ministers if it becomes evident that the scheme is not operating as intended.

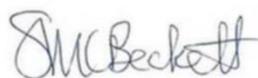
You also noted the difficulties that your board has had in reconciling the Chancellor's announcement of an initial £250m allocation to the Future Fund with a rules-based scheme. This risk should be mitigated by close monitoring of demand for the scheme, so that the Chancellor is well-informed and able to respond in a timely way.

As regards the lack of commitment to provide funding for follow-on investments, I would not expect such a commitment to be made by HM Treasury at this stage. These opportunities will not arise for some time and it is always open to us to make a reasoned case for future investment. We have left open the question of how best to manage the equity holdings that Government will own after conversion. I would expect to address the question of follow-on investments as part of the same conversation.

The Secretary of State has also seen your Reservation Notice and has requested me, as Principal Accounting Officer and exercising the powers of the Shareholder on his behalf, to direct you to implement the Future Fund. Therefore, please now take this letter as a Written Direction to the Bank to take all necessary actions to implement the Future Fund, as provided for under Section 5(A) of the Company Operational Independence Undertaking that forms part of the Shareholder Relationship Framework Document.

As you have noted, the Framework Document provides for any Reservation Notice and Written Direction to be published "*unless the Shareholder has directed in writing to the Company that the matter must be kept confidential*". While I am content for this exchange of letters to be published in due course, I am mindful of the potential impact that publication might have on the confidence in and take-up of the scheme, and consequently on our efforts to support the economy. Publication should take place in due course, once the Future Fund is fully established and only after you have made an assessment of the impact of publication. I would be grateful if that assessment could be shared with me and the Secretary of State ahead of publication.

I am copying this letter to the Secretary of State for Business, Energy and Industrial Strategy, the Comptroller and Auditor General, and the Treasury Officer of Accounts.

A handwritten signature in blue ink that reads "SMBeckett". The signature is written in a cursive, slightly stylized font.

**Sam Beckett**

Permanent Secretary, Department for Business, Energy & Industrial Strategy