Dear Chancellor,

COVID-19 JOB RETENTION BONUS SCHEME

This letter sets out my assessment of the Job Retention Bonus Scheme as the responsible Accounting Officer.

You are set to announce the Job Retention Bonus Scheme at the Summer Economic Update (SEU) on Wednesday 8 July 2020. The objective of the scheme is to provide a financial incentive to employers to bring their furloughed staff back to work and keep them on over the coming months as an alternative to redundancy. In order for the scheme to have the desired effect, there is an urgent need to give employers certainty that it will be available ahead of the scheme launch.

As you are aware, the CJRS scheme closed to new furloughed employees on 10 June with last claims for periods ending 30 June to be made by 31 July. The flexible CJRS will close at the end of October. From now until this point firms will have to decide whether to return their employees to work (and pay their full salary from November) or make them redundant. Based on Office of Budget Responsibility (OBR) and Bank of England (BoE) forecasts, there is likely to be continued uncertainty over the coming months and there are benefits from keeping employees attached to their employers until demand picks up. This scheme will therefore make a one-off payment to employers for each employee they claimed a grant for under the Coronavirus Job Retention Scheme that has been retained from June 2020 to January 2021, subject to certain eligibility conditions.

There is a sound policy rationale for this: the bonus would provide additional support and incentives to firms to keep employees during a period of continued uncertainty. This aims to preserve the valuable firm/employee match that was protected through the CJRS, and it prevents employees from being made redundant and facing scarring impacts of unemployment in an uncertain labour market. The flat rate bonus is targeted to protect more low-paid jobs that are at higher risk of unemployment and scarring. This scheme builds on and complements the substantial package of support already announced by the government.
to support businesses and employees during the pandemic, including the Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Jobs Retention Scheme (CJRS) and the Self-Employed Income Support Scheme (SEISS).

As you know, it is my personal responsibility as Principal Accounting Officer to ensure that the Department’s use of its resources is appropriate and consistent with the requirements as set out in *Managing Public Money (MPM)*. The advice that we have both received highlights uncertainty around the value for money of this proposal and it is upon this advice that I have reached my conclusion that I am unable to reach a view that this represents value for money to the standards expected by MPM. It has proved difficult to establish a counterfactual for this scheme, which depends on the overall cost of the scheme and the number of extra jobs it would protect both of which are currently highly uncertain. That uncertainty also applies to the efficiency of the measure.

The power for HMRC to make payments of this nature will be provided through a legal direction under Section 76 of the Coronavirus Act 2020, which you will issue later this year, once the full details of the scheme have been established. Up until this direction is published, HMRC will be spending at risk although we currently envisage spend to be minimal, due to the scheme launch not being until later this year. If, for some reason, the scheme is delayed the propriety risk of nugatory spend increases and is greater the more money that HMRC have spent.

Therefore, because of the nature of these uncertainties and risks I will require your written instruction to proceed. As I have set out, I consider it entirely appropriate for you to make a judgement to proceed in the light of the economic impacts of COVID-19. I will work closely with colleagues in HM Treasury to ensure the necessary steps are taken to issue both the legal direction and then deliver the proposal.

In line with the usual process for ministerial directions, I am also copying this letter to the Comptroller and Auditor General (who will inform the Public Accounts Committee) and the Treasury Officer of Accounts. I anticipate publishing our exchange of direction letters as early as practicable.

Kind regards,

Jim Harra

CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY