



To: Secretary of State

From: Alex Chisholm, Permanent Secretary and Accounting Officer

Date: 23 March 2020

## **COVID-19 SMALL BUSINESS GRANTS FUND**

Dear Secretary of State,

Through Budget and his subsequent speech on 17 March, the Chancellor has announced a fund that Local Authorities in England will administer to help protect small businesses from the adverse impact of Covid-19. This fund will provide a £10,000 grant to around 730,000 businesses currently eligible for either Small Business Rate Relief (SBRR) or Rural Rate Relief (RRR). Since this announcement the Department has been working with MHCLG and HMT to finalise how the fund will be delivered. This letter sets out my view of this proposal as the responsible Accounting Officer.

There is a good policy rationale for this announcement. Many of the small businesses that will receive this grant are likely to face significant cost and cash flow pressures as a result of the disruption caused by Covid-19. There is limited scope to help many of these businesses manage these problems through the tax system because they pay little or no business rates (as a result of SBRR and RRR). The design of this fund will help to address this and will provide many small businesses with valuable and timely relief from the impact of Covid-19.

However, it is my personal responsibility as Principal Accounting Officer to ensure that the Department's use of resources is consistent with the criteria set out in *Managing Public Money (MPM)*. I have considered whether, based on current information, it is possible to construct a business case that demonstrates ex-ante that this fund is likely to represent value for money to the standards expected by *MPM*.

At this point in time, it is understandable that it is not possible to confidently estimate the extent to which this funding will help small businesses successfully navigate the impacts of Covid-19. Given the unique circumstances we find ourselves in, there is no evidence on which to base a reliable assessment of the likely net impact of the fund. It is likely that for some of the eligible small businesses this fund will be a welcome lifeline that prevents their business failing. However, there are uncertainties around the extent to which this will be the case and it is inevitable that some funding will end up with companies that would have carried on regardless, without any palpable net growth stimulation effect, or will go to businesses that will eventually fail anyway.

The absence of available evidence means that weighing possible benefits against costs cannot yield a reliable measurement of value for money on an ex-ante basis. This means that I cannot give you the necessary assurances that this proposal represents value for money within the tight confines of *MPM*. *MPM* therefore requires me to seek your written instruction to proceed.

There must also be doubts about the full feasibility of this scheme, given the speed at which we are expecting local authorities to make payments, and the operational difficulties they will experience in trying to administer efficiently and error-free a new scheme during a pandemic. The guidance and support that MHCLG and BEIS will provide will seek to mitigate these difficulties but realistically cannot expect to eliminate them.

There are, however, legitimate reasons for you to direct me, which cannot form my part of my assessment, including the important role that government has doing to do whatever it can to support vulnerable small businesses, and the need to try and maintain business confidence at this time of crisis.

Once I have received your letter in response I will work closely with colleagues in HMT and MHCLG to ensure the necessary steps are taken to deliver this funding.

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.



**Alex Chisholm**