



Department for  
Business, Energy  
& Industrial Strategy

To: Secretary of State

From: Sam Beckett, Acting Permanent Secretary and Accounting Officer

Date: 1 May 2020

Dear Secretary of State,

### **COVID-19 LOCAL AUTHORITY DISCRETIONARY GRANTS FUND**

You have considered advice relating to the 'Covid-19 Local Authority Discretionary Grants Fund'. This letter sets out my assessment of this proposal as the responsible Accounting Officer.

In March 2020, the Chancellor announced the 'Covid-19 Small Business Grants Fund' and the 'Covid-19 Retail, Hospitality and Leisure Grants Fund'. The objective of these funds was to support small businesses with relatively high fixed costs associated with owning business property at this time of significant economic uncertainty caused by Covid-19. As of 27 April 2020, these schemes have provided over £7.5bn of support to 610,000 small business properties across England.

The potential role of this funding cannot be overstated given the seriousness of the economic circumstances that we face as a result of Covid-19. The independent Office for Budget Responsibility (OBR) has published a scenario which includes real GDP falling by 35% in the second quarter and have been clear that if government had not already taken action, such as the support measures in place for small businesses, then the situation would be much worse.

However, there remain many small businesses that have high fixed costs and the same financial difficulties but do not qualify for either of these schemes. This applies, for example, to those small businesses that rent or share their property and do not have the direct liability for business rates.

These issues, relating to the narrow eligibility criteria of the existing schemes and the fact that equally deserving small businesses are missing out on much needed grant funding, have been raised with us by numerous parties, not least the local authorities responsible for administering the existing schemes. The local authorities themselves have asked for more discretion to address genuine business support needs currently out of scope for support.

This proposal aims to address this problem by providing local authorities with discretion to administer a grant scheme to help support small businesses in their localities who are not in scope of either of the existing grant schemes. Where necessary additional funding will be provided for this, up to a limit of 5% of the original grant schemes' value.

There is a strong policy rationale for this proposal. Many of these small businesses are financially exposed to the economic shock caused by Covid-19, yet still face

substantial ongoing fixed costs. This is having a significant impact on their cashflow which in turn is likely to harm their survival prospects. This grant scheme builds on and complements the substantial package of support that government has already announced to support businesses.

However, as you know, it is my personal responsibility as Principal Accounting Officer to ensure that the Department's use of resources is appropriate and is consistent with the requirements as set out in *Managing Public Money (MPM)*. As with the previous two Covid-19 business grant schemes there are uncertainties around the value for money of this proposal. At this point in time, and on the basis of available information, it is not possible to construct a business case to clearly demonstrate that this funding represents value for money to the standards expected by *MPM*.

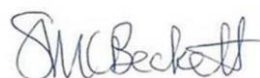
There are particular value for money risks around the extent to which funding will go to businesses who do not need it, either because they are still able to trade successfully or because they have access to the range of other HMG support schemes available. In addition, there will be businesses who access the scheme but the funding they receive does not ultimately prevent the closure of the business.

There are also risks around the full feasibility of this scheme, given the operational difficulties that local authorities will experience in trying to administer efficiently and error-free a new scheme during a pandemic and the pace which is needed to support businesses. In the case of this scheme, feasibility risks are exacerbated by the need for local authorities to establish rules for application of their discretion.

The risks in relation to regularity and propriety depend upon the eventual level of fraud, error and non-compliance with the State aid rules, which cannot be reliably estimated in advance. Although we will expect local authorities to take all reasonable and practicable steps to avoid this, should there be material levels of fraud, error and State aid non-compliance then this is likely to be deemed irregular in terms of spending authority.

Therefore, because of the nature of these risks I will require your written instruction in order to proceed. As I have set out, there are wider economic and social reasons that you are free to consider in making your assessment, which I am unable to do so in mine. 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. Should you decide to proceed, I anticipate publishing our exchange of direction letters as early as practicable.



**Sam Beckett**