



# Department for Transport

**From the Permanent Secretary**

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## **Secretary of State**

Department for Transport

Dear Grant,

### **Covid-19 Impact 2019/20 – Ministerial Direction**

As you know, we are working at pace to ensure vital transport services are maintained through the Covid-19 pandemic. Where appropriate we will be working with companies to enable them to access funding made available by the Chancellor.

However some costs currently arising as a result of Covid-19 fall directly to the Department and a proportion of these will fall in the current financial year.

Given where we are in the financial year, it is too late for us to increase the funds available in-year. Necessary but unbudgeted in-year expenditure will therefore mean the Department will exceed the budget approved by Parliament and lead to an 'excess vote'. Such expenditure is inconsistent with the Supply and Appropriation (Anticipation and Adjustments) Act 2020 and is therefore "irregular" under the terms of Managing Public Money. It may also lead to NAO qualifying our 2019-20 Annual Report and Accounts.

The pressures we are facing are particularly acute in the Rail sector. The Department has a statutory responsibility to ensure the railway continues to operate. A sharp drop in passenger demand is impacting on the Department's rail revenues and means that Train Operating Companies will rapidly face insolvency if no steps are taken to intervene. The Department's Investment and Portfolio Committee has considered options to maintain services, including extending the OLR. It's recommended approach, which you and HMT Ministers have now approved, is to introduce an Emergency Measures Agreement for all TOCs for 6 months. The expected financial impact in the current financial year is £588m, resulting in potential breach of our budget limits. This means it is irregular. The proposed approach is otherwise consistent with the tests of MPM, as the attached Accounting Officer Assessment indicates.

We are also considering interventions to repatriate UK citizens stranded abroad and those facing difficulties as a result of countries across the world closing their borders. Further pressures may arise as we look to provide short-term liquidity support to operators across all modes of transport.

As Accounting Officer I therefore need to ask you to issue a direction in relation to Covid-19 costs that will breach our budgetary controls in 2019-20. I should emphasise that this is a technical matter linked solely to the question of regularity of spend in the current year. I would expect unaffordable pressures which fall in 2020-21 to be dealt with through claims

on the Reserve agreed with HM Treasury. I would also expect all new spending proposals to be carefully and thoroughly assessed, including in relation to Managing Public Money, in the usual way.

I can confirm that HMT officials are aware of and content with this request for a direction. In line with normal practice for directions, I am required to alert the Comptroller and Auditor General, who is likely to inform the Public Accounts Committee (which may choose to conduct an inquiry), and the Treasury Officer of Accounts.

Yours sincerely,

**Bernadette Kelly CB**  
**Permanent Secretary**