



Ministry of Housing,
Communities &
Local Government

Jeremy Pocklington, CB
Acting Permanent Secretary

**Ministry of Housing, Communities & Local
Government**
2 Marsham Street
London SW1P 4DF

Rt. Hon Robert Jenrick MP

Secretary of State for Housing, Communities and
Local Government

**Ministry of Housing, Communities & Local
Government**

4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

23 March 2020

Dear Robert,

COVID-19 RESPONSE: MINISTERIAL DIRECTION FOR EARLY PAYMENT OF GRANTS

1. As you know, our department is at the heart of the Government's response to Covid-19 and the Department is carrying out a significant amount of work at pace in order to support our local authorities and protect the most vulnerable in our society.
2. In these unprecedented circumstances, there is a strong case for paying local authorities two grants a few days early: £3.4bn in total, paid in 2019/20 rather than 2020/21.

The nature of the problem

3. At the Budget on 12 March, the Chancellor announced that all businesses eligible for Small Business Rates Relief and Rural Rates Relief would receive a grant of £3,000 to help with the impact of Covid-19. The Chancellor's statement on the 17 March confirmed that the Government would increase the value of this to £10,000 per business and introduced a second fund to support businesses in the retail, hospitality and leisure sectors. The payments are funded by central government but paid by local authorities.
4. At the point of announcement, Government planned to make grant payments to local authorities in April. However, many local authorities, particularly district councils, have told us that they could make some of the payments more quickly to those businesses where they already hold banking details, if they have the cash to do so. This will primarily be for businesses with rateable values of over £15,000. Given that many businesses are facing cash flow issues as a result of the spread of Covid-19 and they will have cash payments to make at month end, there is a case for

ensuring authorities can make payments as swiftly as possible to support the wider economy. To proceed on this basis, local authorities will need confirmation as soon as possible that the cash will be available before month end.

5. Authorities will then pay the remaining businesses as soon as they are able to confirm their payment details and receive the central government grants, which is likely to be in April.

6. More broadly, local authorities are experiencing a combination of lower than expected income, including from traded services, fees and charges and likely interruption to business rate collections; and higher expenditure, notably in social care, but also waste and other services. Discussions this weekend between the Department and local authority treasurers suggest that local authorities currently have sufficient funding, but the possibility of a small number of authorities experiencing shortfalls cannot be ruled out given the rapidly changing situation. A precautionary cash injection would minimise any such risk and give the sector confidence that the Government will do whatever is required. This should in turn support inter-authority lending, minimising the need for any central government intervention in the finance system. It would also relieve pressure on local authorities, so that they can focus on the response to Covid-19 rather than cash management.

The proposed solution

7. To address this, MHCLG could bring forward the payment of two grants to local authorities which were due to be made in 2020/21. These are:

- a. The additional support grant announced by you last week, worth £1.6bn and due to be paid on 3 April;
- b. The business rates relief compensation grant, worth £1.8bn and due to be paid in instalments starting in April.

8. Most of the former goes to upper tier councils, whereas a greater share of the latter goes to district councils, such that a combination of the two grants would provide good sectoral coverage. Paying these grants early would therefore provide the simplest and quickest way to provide local authorities with sufficient cash to continue to deliver the Government's announcements in the coming weeks. These grants can be processed immediately with minimum risk in error and funding would be received by local authorities by the end of the month.

9. The Department has considered other options. The complexities involved in trying to pay even a portion of the business support grant itself before the end of the year make this a risky and possibly unviable option. The Department has also considered more bespoke options including loans or more targeted support, but does not believe that the complications and time associated with these are feasible at this point in the response to Covid-19.

10. I have concluded that on balance the best approach is to bring forward the two grant payments in to 2019/20 – there is a clear rationale for getting funding to local authorities as soon as possible and this is the option which delivers funding with the lowest level of risk. The Department will continue to monitor the situation in local authorities and will advise you on further options, should they be needed.

Compliance with Managing Public Money


11. There is a clear case for advancing these payments, for the reasons outlined above. But, as Accounting Officer, I am mindful of the public accounting rules as set out in Managing Public Money. Under these rules, all spending is required to have Parliamentary authority and be compatible with agreed spending budgets.

12. Ordinarily, advancing planned payments by a number of days would not contravene the requirements of Managing Public Money. However, because the funding for these payments was scheduled to occur in the next financial year, to advance these payments at this point would result in the Department breaching the spending limits set by Parliament for MHCLG in 2019/20. It would therefore be irregular to bring forward the payment of the two grants. As outlined above, there is a pressing need for swift action even though there is insufficient time to seek parliamentary approval.

13. Because bringing forward these payments is not in line with the rules of Managing Public Money, I will require your written direction to proceed. I will then ensure that all necessary steps are taken to carry this out without delay.

14. If you wish to proceed with the direction, in line with the requirements of Managing Public Money I will alert the Comptroller and Auditor General and I will also write to the Chairs of the Committee for Public Accounts and the Housing, Communities and Local Government Select Committee. It will then be for the Committees to decide whether to investigate the matter further, for example by holding a hearing in Parliament. While this letter and your reply will need to be published in due course, in my view, to avoid inadvertent pressure on the sector from disclosure of the liquidity concerns in this note, I believe they should be kept confidential at this stage.

Best wishes,

A handwritten signature in black ink, reading "Jeremy Pocklington". The signature is written in a cursive, flowing style.

JEREMY POCKLINGTON