

outcome of application) that would defeat the object of a discretionary fund – and would fetter councils' ability to target funding in ways that meet local public health priorities.

16. We considered the further option of giving local authorities discretion as to the amount of funding they give an individual applicant (i.e. not necessarily a lump sum of £500) but have concluded after discussion with local authority colleagues that would add undue complexity.

Size of the fund

17. The Chief Secretary has agreed a fixed budget of £5m to last for the four months of the scheme, on the basis that this is 10% of the estimated total costs of the scheme under baseline levels of COVID-19 incidence.
18. We, CO and No.10 have asked HMT officials to reconsider this budget. There is no obvious objective basis on which to determine the 'right' budget amount, but – by comparison – making the payment available to anyone who earned less than £18,000 would have roughly doubled the number of people who were eligible to claim. Although the discretionary fund is designed to offer a more targeted approach, we and CO officials consider that it should be around £15m to offer a credible amount of funding for local authorities, particularly if it has to allow for potential increases in COVID-19 incidence over the four-month period.
19. The lower the size of the pot, the greater the risk that local authorities will either exhaust the funding before 31 January 2021 or set extremely tight eligibility criteria in order to avoid the risk of over-spending such that the scheme does not achieve its objectives.
20. We have explored with HMT whether funding could be issued with a commitment to increase funding if COVID-19 incidence rises significantly. HMT officials agree that there could be case for reviewing funding in these circumstances, but their Ministers would not want to give a public commitment to do so, as this could lead to over-spending against the initial allocation.

If we can secure HMT agreement to increase funding to at least £10m (and £15m if possible), are you content for us to proceed on this basis – and on the basis that we would seek to make the case for additional funding if there is a significant increase in COVID-19 incidence?

Distribution, payment and Barnett consequentials

21. Based on advice from MHCLG colleagues, we propose that MHCLG distribute the funding to the relevant authorities (unitary authorities and, in two-tier areas, district councils) in England, based on the formula that was developed for the Defra Local Emergency Assistance Grant earlier in the year, which is based on population and deprivation and represents a good match for the policy objectives of this fund.
22. This will be a ringfenced grant paid out from DHSC Departmental Expenditure Limit under section 31 of the Local Government Act 2003. The payments will be made by MHCLG on behalf of DHSC, subject to a Memorandum of Understanding between the two departments.