

1. *Witness Name: Nico Heslop*
2. *Statement No. 01*
3. *Exhibits: NH/001 – NH/246*
4. *Dated: 12/08/25*

## UK COVID-19 INQUIRY

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### WITNESS STATEMENT OF NICO HESLOP

#### MODULE 9

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I, **NICO HESLOP** of the Ministry of Housing, Communities and Local Government, 2 Marsham Street, London, SW1P 4DF, will say as follows:

1. I am Director for Local Government Finance, a post which I have held since 4 May 2022. I am duly authorised to make this witness statement in response to the Module 9 Rule 9 Request dated 28 November 2024.
2. The facts contained in this witness statement are derived from the sources to which I refer and are true to the best of my information and belief. Privilege is not waived in any privileged document or communication which is referred to in this statement.
3. I have been assisted in preparing this statement by senior officials and their teams, as well as the knowledge of the Department's Covid-19 Inquiry Unit. I have no firsthand knowledge of the Department's Covid-19 response activity in relation to the various matters in scope for the Module 9 period of 1 January 2020 to 28 June 2022 as I was not in my role or in this Department at the time, however, I am satisfied that I am able to provide accurate evidence to assist the Inquiry with the entire period covered by the Rule 9 request to the best of my understanding.
4. References in this witness statement are exhibits in the form (NH/X-INQ/000000).
5. On 8 July 2024, the newly appointed Deputy Prime Minister and Secretary of State ("**SoS**") Angela Rayner announced that the Department would be reverting to its former name: The Ministry of Housing, Communities and Local Government ("**MHCLG**"). MHCLG (and its predecessor forms) is referred to as "the Department" throughout.
6. This witness statement is structured as follows:
  - A. Introductory points
  - B. Departmental role and responsibilities

- C. An outline of responsibilities of the Department in relation to financial support for local authorities (“LAs”) between the period January 2020 and June 2022.
- D. Actions taken by the Department in relation to economic support for businesses between January 2020 and June 2022.
- E. Actions taken by the Department to support socially and economically vulnerable groups between January 2020 and June 2022.
- F. Actions taken by the Department to provide additional funding to the voluntary and community sector between January 2020 and June 2022.
- G. Lessons learned.
- H. Annexes

7. This witness statement also includes the following annexes and tables:

- Annex A; which contains a list and details relating to lessons learned as requested by the Inquiry.
- Annex B; which contains a list and details relating to key reports as requested by the Inquiry.
- Annex C: which identifies key individuals for areas of the Department’s work relating to matters relevant to the Module 9 Provisional Outline of Scope.
- A table outlining schemes funded or distributed by the Department, as referenced in this statement, and provided to LAs between 1 January 2020 and 28 June 2022. The Inquiry should note that the Government supported LAs with a series of schemes over the course of this period that cannot be categorised as either ‘ringfenced’ or ‘unringfenced’. For schemes that compensated LAs for lost income, for example, the Government did not specify how the funding should be used, only that it should cover costs resulting from lost income. This table is provided below:

No	Title	Date	Total	Method of calculation
1	Tranche 1- unringfenced grant funding to local authorities	19 March 2020	£1.6bn	£1.4bn distributed to upper tier LAs using the Adult Social Care Relative Needs Formula and £0.2bn to all LAs to reflect other pressures via the Settlement Funding Assessment.
2	Tranche 2- unringfenced grant	18 April 2020	£1.6bn	Funding was allocated to LAs on a per capita basis across the country, using

	funding to local authorities			population data provided by the Office for National Statistics. In areas where there were two tier of councils, the per capita population allocation was split 65:35 between the county and each district reflecting the differences in expenditure and income across tiers.
3	Tranche 3- unringfenced grant funding to local authorities	2 July 2020	£500m	Funding was allocated using the Covid-19 Relative Needs Formula. This reflected the most significant drivers of expenditure and costs reported to the Department by LAs in financial monitoring data.
4	Tranche 4- unringfenced grant funding to local authorities	22 October 2020	£919m	The Covid-19 Relative Needs Formula was used for distribution of this funding. All LAs received a minimum payment of £100,000.
5	Tranche 5- unringfenced grant funding to local authorities	5 April 2021	£1.6bn	The Covid-19 Relative Needs Formula was used for distribution which reflected the most significant drivers of expenditure and costs reported to the Department by LAs in their financial returns.
6	Collection fund deficits	2 July 2020	n/a	<p>LAs were required to take the following steps:</p> <p>Calculation of the deficit: LAs estimated their council tax and non-domestic rating income before the start of each financial year; LAs also estimated the potential deficit or surplus in the Collection Fund. The estimated deficit was then calculated, which included an "exceptional balance" for 2020-21, specifically related to the impact of COVID-19.</p>

				<p>Sharing the Deficit: If a deficit was identified, it was shared between the billing authority and any major precepting authorities (e.g., county councils, police and fire authorities). For business rates, the deficit was also shared with central government. The share each authority received was determined based on their relative share of the council tax requirement or business rates for the relevant financial year.</p> <p>Spreading the deficit: The core of the scheme involved spreading the deficit over three financial years meaning that the deficit was not fully accounted for in the first year but over a 3-year period reduced the immediate financial strain on LAs and allowed for more gradual adjustments to their budgets.</p>
7	Sales, fees and charges income compensation scheme	24 August 2020	LAs were compensated for 75% of irrecoverable income losses after a 5% deductible.	<p>The amount LAs received was calculated on the following set of parameters:</p> <p>The baseline: The gross income that an authority budgeted to collect in relation to relevant income streams at the start of the year (2020/21).</p> <p>The deductible: An amount equivalent to 5% of this budgeted income from eligible sales, fees &amp; charges losses included in a LA's claim was deducted</p>

				<p>from the losses claimed for, which LAs were expected to absorb; and</p> <p>The co-payment rate: Thereafter there was a cost splitting arrangement where 75% of relevant losses were compensated for by government, with the remainder being met by LAs, up to a maximum of the baseline.</p>
8	Exceptional financial support scheme (EFS)	The EFS was available to LAs in financial years 2020/21 and 2021/22.	£278.2m of capitalisation support agreed in in financial year 2020/21 and £62.3m in 2021/22.	To access Exceptional Financial Support, LAs would make an application to the Department setting out why they needed financial support and how this funding would be used. LAs would request Exceptional Financial Support funding to manage immediate revenue pressures. The Department would then assess this against a range of criteria. This included value for money and the long-term financial stability of the LA. As a condition of clearance for the financial year 2020/21, successful LAs would have to agree to an external financial review undertaken by the Chartered Institute of Public Finance and Accountancy which would be published on gov.uk. Support was subject to agreement by MHCLG and HMT Ministers, after consideration of material submitted by the LAs including external scrutiny.
9	Council tax hardship fund (unringfenced)	24 March 2020	£500m	Allocated to LAs on the basis of their share of the national caseload of working age Local Council Tax Support

				recipients using the most recent published data (2019- 20, Q3).
10	Local tax income guarantee scheme	25 November 2020	LAs were compensated for 75% of irrecoverable losses in council tax and business rates income in respect of 2020-21.	Losses of council tax income in scope of the guarantee were measured by comparing an authority's council tax requirement for 2020-21 with its share of each relevant billing authority's adjusted 'Net Collectable Debit' for 2020-21. For business rates, these were measured through a comparison of income as calculated in the National Non-Domestic Rates ('NNDR') statistical collection forms 1 and 3.
11	Local council tax support scheme (unringfenced)	10 February 2021	£670m	Based on each billing authority's mean average working-age local council tax support caseload across the two first quarters of 2020/21 and average bill per dwelling in 2020/21, compared to the England average.
12	Business Improvement Districts funding (unringfenced)	1 May 2020	£6.1m	Based on estimated operational costs for Business Improvement Districts over 3 months.
13	Future High Streets Fund (unringfenced)	26 December 2020	£830m	Applications were assessed against value for money, deliverability, strategic fit and co-funding.
14	Reopening High Streets Safely Fund (ringfenced)	24 May 2020	£506m	LA bids were assessed on the basis of projects and initiatives submitted by LAs and all regions in England receiving funding.  The Department was responsible for the delivery of the programme as the grant recipient of the European

				Regional Development Fund and distributed grants to LAs once they submitted their claims for reimbursement.
15	Welcome Back Fund (ringfenced)	20 March 2021	£56m	Grants were awarded to LAs on the basis of population which would serve as a proxy for the footfall anticipated on the high streets and the degree of safeguarding required. A minimum grant value of £30k was set.  This funding was an extension of the Reopening High Streets Fund of which the Department was the grant recipient and was distributed in the same manner.
20	Get building fund (unringfenced)	20 August 2020	£900m	Applications were considered as part of competitive bidding process with grants awarded on deliverability within the Get Building Fund timelines; strategic fit; value for money; project type and regional priorities.

## A. INTRODUCTORY POINTS

8. I note that the focus of Module 9 will examine the economic interventions taken by the UK government and the Devolved Administrations in response to the Covid-19 pandemic. This will include the decision-making concerning and delivery of economic support for business, jobs, the self-employed, vulnerable people, and those on benefits, and the impact of key economic interventions. It will also examine additional funding for relevant public services and the voluntary and community sectors.
9. It should be noted for the scope of Module 9 that the Department had no responsibilities for the following:
  - Support for the employed and self-employed;

- Additional funding for public services essential to the economy, such as support provided to rail and bus networks and operators to ensure that essential transport infrastructure was maintained during the pandemic;
  - Benefits and sick pay for socially and economically vulnerable groups including those with protected characteristics.
10. The Department had a limited role in supporting Covid-19 business grants but was not a lead department; this responsibility sat with other government departments. Further details are covered within Section D beginning at paragraph 204.
11. The Department facilitated several schemes during the pandemic which have some relevance to the provisional scope of Module 9; however, the Department does not believe these are directly relevant and therefore has only provided an overview as below:
- Stamp Duty Land Tax holiday - reduced rates of Stamp Duty Land Tax were applied for residential properties purchased from 8 July 2020 until 30 June 2021 and from 1 July 2021 to 30 September 2021 inclusive.
  - Affordable Homes Programme – a £9bn programme to enable more families across England to move into affordable homes, due to take place between 2016-2021 and expected to complete in March 2022. However, due to delays to the construction industry as a result of Covid-19, this programme was extended by a year, until March 2023.
  - Homelessness Prevention Grant: 2021 to 2022 - announced in October 2021, a one-off £65 million winter top-up to the Homelessness Prevention Grant was made available to LAs in 2021-2022. It was designed to support LAs to help vulnerable households with rent arrears, to reduce the risk of them being evicted and becoming homeless, including helping households to find a new home where necessary.
12. Regarding the scope of Module 9, the Department's core function in response to the pandemic was to ensure that LAs had the financial resources to discharge their overall responsibilities on the national Covid-19 response and to maintain key services. This was in line with the Department's responsibility and oversight of the overall envelope of local government funding. The Department also utilised its pre-established networks with LAs to understand key issues locally and feed these back into central government. In addition, the Department had a role in supporting Local Resilience Forums with local responses. The Department also had a role in supporting local growth and recovery, including working with LAs who provided local economic support.

13.I repeat paragraphs 71-72 of INQ000252591 (Jeremy Pocklington's second corporate statement) and paragraphs 60-68 of INQ000252592 (Jeremy Pocklington's third corporate statement). Further details of some of the funds mentioned within those statements can be found within this statement in Section C: 'Actions taken by the Department in relation to local government finance':

**Module 2 Tranche 2: Paragraphs 71-72 of Jeremy Pocklington's second corporate statement (INQ000252591)**

### **Funding Support for Local Authorities**

*In this period, the Department's role was to ensure that local government had the financial resources, both cashflow and expected funding in order to discharge its responsibilities on the national Covid-19 response, and to maintain key services. Building on the initiatives introduced up to 26 March 2020 described in my first witness statement, and in recognition of the need to provide additional assistance, further funding support was given to LAs during this period as outlined below.*

- **Cashflow support** —*The Department was concerned that interruptions to LA income as a result of the pandemic could have a short-term impact on their cashflow. To help manage this, the Department made arrangements to defer payments that LAs were due to pay central government under the 'Business Rates Retention' (BRR) system. Some LAs (unitary and lower tier councils, which are known as billing authorities') collect all business rates, but under the BRR system, that income is shared between local government and central government. There are requirements set out in regulations for LAs to make payments to central government and to other authorities at particular points. The amount paid to central government is called the central share'. Billing authorities were due to make £877m of central share payments to government in April and May 2020. On 30 March 2020, advice was sent to SoS (Robert Jenrick) proposing to defer these payments to later in the financial year, (NH/001 — INQ000104664 - DLUHC000667286). The deferral was to mitigate against the loss of income LAs were experiencing. It did not give LAs additional resources but allowed them to manage their immediate cashflow. On 6 April 2020, further advice submitted to SoS recommended a six-month deferral, though it was ultimately subject to agreement with HMT, (NH/002 — INQ000104661 - DLUHC000667287). The deferral of the central share payments was set at three months and delivered via regulations laid on 23 April 2020. This advice also recommended bringing forward payment of grants covering April 2020 to June 2020, worth £850m in total, to April 2020. This was also done.*

- **Monthly financial monitoring** — In order to better understand the financial impacts of the pandemic on LAs, the Department introduced a new monthly data collection on the additional spending pressures and lost income for councils. This enabled us to respond as the pandemic developed. We complemented this monitoring with ongoing engagement with LAs.
- **Additional unringfenced funding support** — As councils continued to see higher costs for new activities created by the pandemic and to maintain core services, we provided further unringfenced financial support. Tranche 2 of unringfenced funding was announced in April 2020, amounting to £1.6 billion, (NH/003 — INQ000104709 - DLUHC000667289). Tranche 3 was announced, on 2 July 2020, amounting to £500m, (NH/004 — INQ000104708 - DLUHC000667290). For this tranche, a new Covid-19 Relative Needs Formula ("RNF") was adopted to determine the distribution of this funding. In developing the formula, the Department tested various demographic groups, deprivation, Covid-19 case rises, shielding, density and sparsity, for their significance in terms of driving costs. Tranche 4, in October 2020, provided £919m in further unringfenced funding for all LAs, (NH/005 — INQ000104711 - DLUHC000667291). The RNF again used to allocate funding. In addition, adjustments were made to account for the different methodology initially used for the first two tranches, but with all LAs receiving at least £100,000. Technical notes on the RNF were published alongside the third and fourth tranches, (NH/006 — INQ000104673 - DLUHC000667292).
- **Sales, Fees, and Charges Scheme** — The economic effects of the pandemic included a significant reduction on LA sales, fees, and charges income streams, such as leisure centre charges and parking income. A co-payment scheme for irrecoverable losses in 2020/21 was introduced to mitigate this impact. Under the Scheme, LAs would bear the first 5% of losses compared to their budgeted income, and central government would cover 75p in every £1 of losses beyond that.
- **Collection Fund Deficits** — The Department anticipated that the economic effects of the pandemic could lead to a one-off increase in irrecoverable losses in Council Tax and/or Business Rates income, and therefore introduced measures to help LAs manage such losses by spreading them across three years, rather than the usual one year. Provision was, therefore, made for LAs to spread deficits in their Collection Fund ("CE) in 2020/21 across three years. The CF is the account through which local tax payments are collected. This decision was announced by SoS (Robert Jenrick) following agreement from HMT, (NH/007 - INQ000104691

DLUHC000667293). The change required promulgation of legislation, and regulations were subsequently laid on 5 November 2020.

- **Exceptional Financial Support ("EFS") scheme** - Due to the unpredictable and exceptional circumstances, the Department developed a scheme for providing exceptional financial support to LAs experiencing localised pressures. This was to ensure that LAs facing specific challenges were able to access support to continue to deliver services and to ensure that Covid-19 expenditure was not curtailed. This was raised in the 30 March 2020 ministerial submission referenced above, which recommended developing a mechanism for providing such support. The EFS scheme was created and was underpinned by a set of principles against which the Department could consider requests from LAs. Government consistently emphasised in its communications that LAs concerned about being able to keep their budgets in balance should approach the Department. Through the EFS scheme, Government provided direct support and financial flexibilities to LAs subject to a set of conditions which reflected the principles of the scheme, in particular securing value for money and financial sustainability. In structuring that support, the Department's aim was to ensure that LAs concerned could continue to set balanced budgets and that service delivery, including of Covid-19 related services, were appropriately maintained.

In addition to the measures set out above there was a wide range of smaller funding streams led by other departments, for example:

- **Contain Outbreak Management Fund ("COMF")** — This was a DHSC fund set up to support LAs to carry out their responsibilities during the pandemic. On 16 October 2020, DHSC issued a letter to LAs informing them about changes to the fund which included a series of payments to be made available to LAs depending on their Local Covid-19 Alert Level to support proactive containment and intervention measures.
- **Infection Control Fund ("CF")** — The Adult Social Care Infection Control Fund was introduced by DHSC in May 2020, to support ASC providers in England to reduce the rate of Covid-19 transmission within and between care settings.
- **Infection Control Fund ("ICF")** — The Adult Social Care Infection Control Fund was introduced by DHSC in May 2020, to support ASC providers in England to reduce the rate of Covid-19 transmission within and between care settings. **Module 2 Tranche 3: Paragraphs 60-68 of (Jeremy Pocklington's third corporate statement) (INQ000252592)**

#### **Funding Support for Local Authorities**

*This section sets out the package of measures introduced to support LAs and on ASC, the help provided to ensure adequate funding to meet additional costs. The main point at which financial support for LAs in the 2021/22 financial year was agreed was at the SR which concluded in November 2020 ("SR20"). Negotiations between Departmental Ministers and HMT saw the following agreed at SR20:*

- A fifth tranche of unringfenced funding for LAs, worth £1.55 billion;*
- Extending the Sales, Fees and Charges income replacement ("SFC") scheme to cover Quarter 1 of 2021/22;*
- Creating the Tax Income Guarantee scheme to compensate LAs for irrecoverable losses in 2020/21; and*
- Providing £670 million in funding for additional Local Council Tax Support ("LCTS") caseloads for 2021/22.*

*The SoS (Robert Jenrick) and Minister Luke Hall had advice from officials on 8 December 2020 seeking approval for an announcement of the details of the package of measures (NH/008 — INQ000137046 - DLUHC000128422).*

#### ***Additional unringfenced funding***

*The Department anticipated that councils would continue to experience higher costs for delivering services due to the pandemic. On 17 December 2020, the Department published a consultative paper to seek feedback (NH/009 — INQ000137047 DLUHC000128425) (NH/010 — INQ000137048 - DLUHC000128426) in February 2021, which confirmed that:*

- The additional LCTS funding would be distributed as set out in the consultative paper.*
- For the Tax Income Guarantee scheme, front-loaded on-account cash payments would be made early in financial year 2021/22 before being reconciled against final outturn data; and*
- The SFC scheme would be extended into Quarter 1 of 2021/22 on the same basis as the 2020/21 scheme.*

#### **Vulnerabilities and inequalities**

14. Where vulnerabilities and inequalities were considered by the Department in relation to the workstreams in scope of Module 9, these are included within the body of the witness statement.

## **Data**

15. References to the Department's role regarding the collection of data, or raising and addressing issues with data, are included as relevant throughout the body of the statement.

## **B. DEPARTMENTAL ROLES AND RESPONSIBILITIES**

16. As of March 2020, the Department was responsible for the following areas in England, as relevant to the Module 9 scope:

- i. Local Government Finance;
- ii. Local Government – stewardship; local government engagement;
- iii. Joint responsibility for the Cities and Local Growth Unit alongside the Department for Business and Trade;
- iv. Planning;
- v. Homelessness and Rough Sleeping;
- vi. Safe accommodation support for victims of domestic abuse.

17. Below, I will outline the roles and responsibilities the Department held pre and during the pandemic for Local Government Finance, Local Government Stewardship, and Local Government Engagement.

### **Local Government Finance**

18. LAs provide more than 800 services to their local communities, most of which are mandatory and set out in law. This includes universal services for housing and planning and waste collection. Alongside this, LAs also deliver targeted services for vulnerable people, including adult and children's social care.

19. The Department is responsible for funding LAs via the local government finance settlement. The local government finance settlement is an annual determination which distributes core resources to LAs consisting of grants, retained business rates and council tax. The local government finance settlement sets out the majority of the resources available to local government. The SoS lays the finance settlement before the House of Commons in accordance with paragraph 5 of Schedule 7B to the Local Government Finance Act 1988.

20. The Department's responsibility for the overall financial framework within which LAs operate includes:

- a. Distributing the majority of funding voted by Parliament to support LAs to deliver services, through the local government finance settlement;

- b. Taking the lead across government in supporting His Majesty's Treasury ("HMT") on decisions about local government funding at major fiscal events (such as a Spending Review); and
  - c. Maintaining a system of local accountability that assures Parliament about how LAs use their resources, including preventing and responding to financial and governance failure in the Best Value Duty, as set out in the statutory guidance.
21. This work falls within the Local Government, Growth and Communities Group, with the Department's Local Government Finance Directorate leading on points (a) and (b) above.
22. The Accounting Officer for the Department is responsible for the core Local Government Accountability Framework, which maintains the overall statutory framework of legal duties and financial controls on LAs. In practice, this means the Accounting Officer is responsible for the financial framework in which LAs operate, as well as assuring the framework has the correct checks and balances in place to ensure service expenditure is value for money and ensure local democratic accountability.
23. Policy responsibility over specific services sits with service owning departments, such as the Department of Health and Social Care ("DHSC") for Adult Social Care ("ASC"), the Department for Education for children's social care, and the Department for Transport ("DfT") for highways and roads. In practice, the Department works very closely across government in its role to oversee the local government finance system as a whole.
24. During the pandemic, the Department provided additional unringfenced funding to support LAs with Covid-19-related costs (separate to the local government finance settlement). In 2020/21 and 2021/22 respectively, MHCLG provided £4.5 billion and £1.55 billion. LAs were able to spend this how they saw fit to meet local spending pressures. Further information on this is included at paragraphs 71-114.

### **Local Government Stewardship**

25. The Department does not supervise LAs in the exercise of their functions but has an overarching stewardship role of LAs in England. The Department's stewardship responsibility is set out in the Local Government Act 1999. The 'best value duty' in the Act states that all authorities must make arrangements to secure continuous improvement, having regard to their efficiency, economy and effectiveness. The Department does not supervise LAs in the day to day running of the LA but has powers to intervene if significant issues are identified. For example, should there be a suggestion that a LA is failing to deliver adequate services or value for money in their local communities in line with their

statutory requirements, the Department has powers to investigate and intervene based on councils' best value duty.

26. Indicators that may signal challenges or potential failures include, but are not limited to, issues identified through external inspections, adverse audit findings, persistent financial instability, poor service outcomes, and public complaints or discourse.
27. If an inspection identifies a failure or very high risk of failure, to comply with the best value duty, under section 15 of the Local Government Act 1999, the Department's Secretary of State has powers to intervene and/or direct the authority to take specified actions. Under section 15(5) the Secretary of State can direct an authority to take any action necessary to secure compliance with the best value duty. Under section 15(6) the Secretary of State may direct that any (or all) functions of the authority be exercised by them or a nominee (e.g. a commissioner) to support the council's improvement efforts. There are no relevant instances of this covered within this witness statement.
28. The Department's Permanent Secretary, as the Accounting Officer for Local Government in England, is responsible for ensuring that LAs operate effectively, transparently, and in the public interest. The Department fulfils this responsibility through monitoring financial sustainability and governance, intervening when councils fail to meet their statutory duties or deliver value for money and conducting 'best value' inspections to assess performance and compliance.

### **Local Government Engagement**

29. The Department has established networks in which to engage and communicate with local government. The Department has regular engagement with local government sector bodies including the Local Government Association ("LGA"), the Society of Local Authority Chief Executives, the County Councils Network, and the District Councils Network, alongside ad hoc day-to-day engagement as required.
30. In the context of this module, the Department's role was: (i) to work with other government departments to ensure LAs received adequate funding for the additional costs LAs faced; and (ii) to support communication and joint work between other government departments and LAs.
31. During the pandemic the Department used its pre-established engagement framework to engage and communicate with local government, including through the daily bulletins providing updates to recipients across the sector, a dedicated web page, regular webinars and political roundtables with senior leaders, and meetings with LA chief executives. This allowed cross-government access (at ministerial and senior official level) to LAs, and

access by LA leaders to central government. The engagement framework did not replace relationships other departments already had with their own LA contacts. Relationship Managers in the Department's Local Government Engagement team shared emerging local intelligence they were picking up from discussions with LAs, with officials across government. Where LAs raise issues within these forums for which other government departments are the policy lead, the engagement team will feed this back. This does not replace the relationships other government departments have with LAs. Other government departments lead on engagement with LAs for policy areas in which they have responsibility, however, the Department's Local Government Engagement team may provide advice and support where necessary.

32. In addition to these channels, the Department set up additional structures and bespoke working groups to work through specific operational or policy challenges. For example, the LA webinars and meetings with LAs are described in further detail at paragraph 58. New structures were also put in place elsewhere in government which aimed to improve other departments' understanding of LAs and issues they were facing. For example, the Cabinet Office Covid-19 Taskforce set up a central LA Delivery board with representation from this Department, DHSC, Department for Environment, Food and Rural Affairs ("DEFRA"), Department for Business, Energy and Industrial Strategy ("BEIS" now replaced by the Department for Energy Security and Net Zero, Department for Science, Innovation and Technology, and Department for Business and Trade), HMT, Ministry of Defence, DfT, the Department for Education, the Home Office, the Department for Digital, Culture, Media & Sport, the Cabinet Office and local government representatives. The first meeting took place on 13 January 2021, and the board set out a coherent picture of the requests being made of LAs in relation to Covid-19. To note the board was not specific to the economic interventions in scope for Module 9 and covered various aspects of the pandemic response.

33. Over time the relationship between lead departments, such as Cabinet Office and DHSC, and LAs developed such that the Department could take a step back from supporting engagement directly. References to the Department's role in engaging LAs and key stakeholders, as relevant to the scope of Module 9, are included as relevant throughout the body of the statement.

#### **Cities and Local Growth Unit**

34. The Cities and Local Growth Unit was established in 2014 and was involved in coordinating the government's devolution agenda and local growth initiatives. The Cities and Local Growth Unit was made up of officials from this Department and the Department for

Business, Energy and Industrial Strategy (“BEIS”). Officials reported jointly into the Department’s and BEIS’ Secretaries of State and had joint-ownership over the relationship with LAs and funding within local government on local growth matters. During the pandemic BEIS led on business grants and acted as accounting officer for these, whilst MHCLG was responsible for delivering business rates measures including relief. In 2023, BEIS was split to form the Department for Business and Trade, the Department for Energy Security and Net Zero and the Department for Science, Innovation and Technology. At the end of March 2025, the joint Cities and Local Growth Unit closed, so that each Department could focus their people and resources on delivery of their respective Departmental agendas.

35. The role of the Cities and Local Growth Unit was to boost local growth in England by devolving powers and budgets, enabling more decisions to be taken at a local level. The Cities and Local Growth Unit was established prior to the pandemic, however, during the period in scope for Module 9 one of its key objectives was to respond to and mitigate the impact of losses on businesses and LAs, with the Department leading on delivering business rates measures including relief. Further information on the Department’s role in providing support to businesses can be found in Section D of this witness statement.

#### **Analysis and Data Directorate**

36. Until 1 April 2025, the Department’s analysis function was largely centralised. The Department’s Analysis and Data Directorate provided a modelling and analysis support function which informed the Department’s policy development or operational activity. The analysis cell carried out a range of tasks from design to implementation and production of outputs. The work of the Analysis and Data Directorate included producing reports, briefings and outputs from evidence and analysis to enhance debate and decision-making process. From 1 April 2025, the Department has moved analysis teams working on policy making to within the policy groups in the Department. For example, analysis to do with local government is now within the Local Government, Growth and Communities group. The substance, professional capability and nature of analytical work is largely unchanged.
37. During the pandemic, the Analysis and Data Directorate continued to provide data and analysis, supporting various Covid-19 related workstreams within the Department. This helped the Department to respond as the pandemic developed and to assess the needs of LAs. The Analysis and Data Directorate role was largely centred on providing data and analysis, rather than data modelling. Tasks included:

38. Data collection (largely from Local Resilience Forums and LAs), acquisition and management; and data processing, including working with other government departments and the LGA to bring in relevant data, and agreeing memoranda of understanding;
- Producing reports, briefings and outputs from evidence and analysis to enhance discussion and decision-making process and to meet user needs;
  - Developing and maintaining data products (including data dashboards for Local Resilience Forums), using data collected from Local Resilience Forums, and tools for sharing textual comments for briefing purposes; and
  - Being an integral part of the strategic and policy thinking and development of the Situational Awareness function.
39. With the Covid-19 outbreak emerging, the Department rapidly established a multidisciplinary Situational Awareness team to support central government and local areas in shaping response actions. The Analysis and Data Directorate brought together new data from local areas and across government, delivering it via an interactive dashboard to provide the latest daily data on over 130 metrics. This was shared with other Government departments such as DHSC, the Cabinet Office, and DEFRA, tracking data such as mortality management, shielding, PPE, and workforce capacity. Local Resilience Forums were provided with the dashboard which presented data for their area together with appropriate national aggregations. The dashboard was focused on preparedness and response at the Local Resilience Forum-level, rather than being a source of economic decision making, and evolved in response to the pandemic.
40. I exhibit an example of the dashboard as [\(NH/011 - INQ000226496 - DLUHC000667377\)](#). I also exhibit a document that outlines the overview, handling instructions and data sources used for the dashboard, as well as limitations with the data. [\(NH/012 - INQ000531378 - DLUHC001830752\)](#). Alongside this, the Analysis and Data Directorate developed a tool to 'mine' text comments, combining qualitative intelligence alongside the quantitative data to provide valuable insight. This was used to generate daily briefings for Ministers in this Department and across government, and to inform cross-government local situational awareness.
41. Gold structures operated at both Ministerial and Official level, to provide strategic oversight and direction of high-priority work. At a Ministerial GOLD meeting on 26 March 2020, SoS (Robert Jenrick) requested a comprehensive overview of all data feeds across government that related to the readiness of the local tier that could be shared across government. With assistance from the management consultancy organisation Bain & Company on a goodwill

basis, a Local Resilience Forum Dashboard was created for this purpose and became fully operational on 30 March 2020.

42. Examples of how the various data streams and analysis were used in practice include:

- To understand how significantly businesses were being impacted, data on rent arrears and real-time footfall data was used.
- To understand which LAs were susceptible to income changes due to a loss of Sales, Fees, and Charges income as outlined in paragraphs 122-125.
- To endeavour to ensure that funding was allocated to communities which had been impacted disproportionately as a result of Covid-19.

43. References to the Department's role regarding the collection of data, or raising and addressing issues with data, are included as relevant throughout the statement.

#### **The Department's relationship with key government departments and stakeholders**

44. In relation to the scope of Module 9, the Department worked closely with various government departments and stakeholders. This includes, but is not limited to:

- a. DHSC
- b. Cabinet Office
- c. No.10
- d. HMT
- e. BEIS
- f. LAs
- g. Local Resilience Forums

45. References to the Department's collaboration and engagement with these organisations and other key stakeholders are included as relevant throughout the body of the statement.

### **C. ACTIONS TAKEN BY THE DEPARTMENT IN RELATION TO FUNDING LOCAL AUTHORITIES BETWEEN JANUARY 2020 AND JUNE 2022**

#### **The Department's strategy regarding local government finance in the pandemic**

46. Covid-19 impacted local government finance in a significant, and exceptionally wide-ranging way. LAs faced the prospect of considerable income loss; their core functions came under major pressure; and they were asked to take on new roles in the local response to, and recovery from, the pandemic.

47. Prior to the pandemic, the Department had considered the potential impact of an economic shock on the local government finance system, primarily in the context of EU Exit. The Department's response had been discussed on multiple occasions prior to the pandemic at Board meetings in the Department (NH/013 - INQ000608987 - DLUHC002382165).
48. The Department did not have a ready-made pandemic plan with relation to local government finance. Initiatives in February, March and April 2020 were developed prioritising the need for quick action to respond to emerging pressures, utilising data and evidence already available to the Department within the overall local government finance framework. Waiting for further information to be available or developing new mechanisms could have enabled a more finely targeted response but would have been slower. The sector welcomed the Department's approach, and the Department maintains the view that using existing formulae and mechanisms to distribute funding to begin with, and then adapting as the pandemic progressed, was the right approach. Further details of the formulae are referenced from paragraph 71. As the evidence base improved with respect to Covid-specific pressures, by July 2020, the Department's response to the pandemic had evolved into a multi-stranded approach. In March 2021 the National Audit Office published its report on 'Local government finance in the pandemic' which outlined that whilst the Department did not have a ready-made strategy framework prior to the pandemic, action by the Department and wider government to support the sector averted system-wide financial failure.
49. The Department's core objective remained constant, to help ensure that LAs had the resources they needed to manage the crisis, which it successfully delivered. Throughout the pandemic, the Department continually focussed on strengthening its understanding of the position LAs were in. The National Audit Office report highlighted that the Department's and HMT's aim throughout the pandemic was to support the sector to respond to the unprecedented challenge caused by Covid-19 while delivering mainstream services. The central part of the local government financial framework is the annual local government finance settlement. This lays out to Parliament the Department's proposed approach for funding LAs in England in a given year and reflects the architecture that is in place for funding LAs. The finance settlement sets out a mix of grant provision, council tax and retained business rates, as well as specific policies and approaches. For example, a capital financing framework which sets out the policy and practice on use of capital resources. The local government finance settlement for 2020/21 was published in February 2020, prior to the pandemic (NH/014 - INQ000609028 - DLUHC010172081).
50. Across the course of the pandemic, the Department deployed a series of interventions based on this framework. These interventions balanced the need to deliver support quickly

with its obligations to manage public money appropriately, and were developed alongside new Covid-19 specific related spend and income data, alongside extensive engagement with sector representatives and individual LAs. More detail on these approaches can be found throughout Sections C and D of this witness statement. In summary, these interventions included:

- Unringfenced funding to meet expenditure pressures;
- A sales, fees and charges scheme to support irrecoverable income losses;
- A set of measures to help councils manage the impact of the pandemic on their cashflow;
- Tax measures to support an apportionment of irrecoverable Council Tax and Business Rates losses; and
- An exceptional financial support framework for those councils whose needs could not be met by generalised packages of support because of the unique pressures they were facing.

51. Following the initial measures of support to LAs in March and April 2020, through unringfenced grant and cashflow support, the Department outlined in a series of papers the strategic approach it would take to supporting local government financial sustainability going forwards. On 28 April 2020, a paper was submitted to Simon Clarke, Minister of State in the Department, highlighting options and considerations for how to use data and funding mechanisms to refine future Covid-19 support. The paper also set out the Department's approach for continuing to ensure value for money in any future support, as it is obligated to as part of its usual functions in managing the local government finance framework, including holding LAs to closer account for their spending by using future data monitoring (NH/015 - INQ000608929 - DLUHC001824717).

52. An updated version of this paper was provided to SoS (Robert Jenrick) on 5 May 2020. (NH/016 - INQ000608933 - DLUHC000011450) The paper outlined the Department's evidence-based approach focusing on (i) getting better data, (ii) using this data to inform the shape of further funding support; and (iii) the long-term impacts of any decisions. The paper also provided details of the steps being taken to ensure the Department had a good understanding of expenditure and pressures facing LAs. The paper also highlighted a hybrid model for support which included understanding LA expenditure, managing income risks and assessing specific risks and needs for individual LAs. Following steers from the SoS that the slides should contain more information, (NH/017 - INQ000608935 - DLUHC009004959), officials advised Ministers on 22 May 2020 on the shape of this

comprehensive package, alongside the most up to date data received from the sector and a summary of requests from local government. More detail on these packages are set out below (NH/018 - INQ000608940 - DLUHC000054686)..

### **Engagement with the local government sector on financial support**

53. The Department works closely with local government as a matter of course. During the Covid-19 response, the Department's assessment is that this close working continued, and engagement with local government was transparent and effective. In their 2021 report 'Local Government Finance in the Pandemic', the National Audit Office outlined that the Department engaged with LAs more closely and constructively than ever before. The report outlined that engagement with councils was felt to be a two-way process, with feedback and information from the sector informing decision-making in the Department.

54. Close working with local government was key to the Department's approach to supporting local government with financial pressures, and the Department used information and data from local government to develop its approach to financial support over the course of 2020.

The Department engaged with local government through:

- Ministerial correspondence;
- LA webinars; and
- Meetings with LAs and sector representatives (such as the LGA).

55. Further information on these engagement channels can be found below. In addition, individual LAs were able to approach the Department with specific feedback or escalations. As per the 2021 report by the National Audit Office 'Local Government Finance in the Pandemic', the Department engaged with more than one-third of LAs about their situations. The Department also collected data from individual LAs on expenditure and income to help inform its funding offer and LA support packages, as covered in paragraph 62-70 below.

56. Whilst the Department was able to draw on pre-existing relationships, engagement was not limited to a pool of existing contacts. The Department's engagement channels had representation across all regions and representatives of all authority class types (including for example, London Boroughs and Metropolitan authorities, District and County Councils). The Department undertook this through a range of channels at official and ministerial levels.

#### ***Ministerial and official level correspondence***

57. During the pandemic the Department and its ministers issued letters to LAs or their leaders to convey government policy or decisions; respond to issues raised by LAs or their

representatives; provide clarification or guidance on specific matters affecting local government; and request action or information from LAs. These letters are part of the formal communication channels between central and local government, ensuring accountability, transparency, and coordination on public matters. For example the SoS (Robert Jenrick) sent a letter to Council leaders on 30 April 2020, following the announcement of £1.6 billion in unringfenced funding to support LAs on 18 April. Several organisations responded to this letter, including to outline the cost pressures local government were under (NH/019 - INQ000608934 - DLUHC008998132) (NH/020 - INQ000608939 - DLUHC003108955). The Department's Director of Local Government Finance, Alex Skinner, sent a letter to Council leaders on 28 May 2020 outlining funding delivered to date and the importance of the monthly data collections in helping to understand the financial pressures LAs were facing (NH/021 - INQ000588528 - DLUHC000035381). The letter encouraged any LA with concerns to contact the Department, recognising that there had already been several informative discussions with LAs particularly affected by Covid-19. The Department received further correspondence on this letter, detail of which is laid out at paragraph 148.

***Ministerial calls and webinars with sector representatives.***

58. During the pandemic ministerial calls and webinars hosted by the Department provided a platform for ministers and senior officials to explain new or evolving government policies, and to allow LAs and stakeholders to ask questions, raise concerns, and share feedback and best practices. They served as a key communication channel between central government and LAs, ensuring alignment on emergency response strategies. They also helped the Department to gather intelligence from local government. For example, on 5 April 2020 SoS (Robert Jenrick), alongside Minister Simon Clarke, chaired the Covid-19 Local Delivery Board with sector representatives, including the LGA which represents all LAs in England. A readout of the discussion highlighted SoS' invitation to work jointly with the sector on how to support LAs with financial pressures in the short and medium term (NH/022 - INQ000608921 - DLUHC008542807).

***Official level meetings with LAs and sector representatives***

59. The Department held regular sector calls with a variety of stakeholders including regional chief executives and Financial Officers, the Society of District Council Treasurers, the LGA, the County Councils Network, and the District Councils' Network. Chaired by senior officials, examples of these groups included:

- A group convening a representative Chief Financial Officer from each of the sector representative groups listed above. This group comprised a small group

of local authority finance experts to discuss funding and financial aspects in relation to the pandemic response. The meetings were chaired by the Department, and on occasion included officials from other government departments, where relevant to the items being discussed. Those attending included the LGA, President of the Society of District Council Treasurers, President of the Society of County Treasurers, President of Association of Local Authority Treasurers, President of the Society of Municipal Treasurers, and the President of the Society of London Treasurers. This group enabled the Department to consult and test relevant policy proposals and thinking with finance representatives and provided an opportunity for the group to feed in their expert views, raise any concerns and make suggestions.

- A group convening a representative chief executive from each of the nine geographic regions in England. Prior to, and during the pandemic, the Department held weekly calls with a group of LA chief executives representing the nine regions in England. The Inquiry should note that these meetings were not specific to the pandemic response, nor to the economic interventions in scope for examination in Module 9. During the pandemic, as with many areas of the Departments work, the subject of these meetings became largely focussed on the pandemic response, however, other matters of importance to local government were also discussed. These meetings served as a platform to facilitate direct communication between central government and regional leaders, allowing the exchange of insights, challenges, and best practices across regions, and to allow the Department to gather feedback on the impact of national policies. These meetings were also attended by other government departments, depending on the subject matter of the meeting. The nine regions in England for this purpose are: North East, North West, Yorkshire and the Humber, East Midlands, West Midlands, East of England, London, South East, and South West.

60. The Department also maintained a mailbox that was used to gather questions from authorities regarding the financial pressures of the pandemic; the Department would then triage answers and communicate those back to authorities.

61. Further references to the Department's role regarding engagement with LAs and key stakeholders are included as relevant throughout the body of the statement.

## **Collection of financial monitoring information**

62. In the early stages of the pandemic the Department's information on the impact of Covid-19 came from feedback gathered from LAs, representative bodies, other government departments, and information flowing from the local tier via Local Resilience Forums. To supplement these sources of information, the Department introduced a new monthly data collection on the additional spending pressures and lost income for councils. The Department complemented this monitoring with ongoing engagement with LAs as outlined within the local government engagement section above. This section outlines the Department's financial monitoring activities in more detail.
63. Data sources were used to model the expected financial pressures on LAs arising from the pandemic on an ongoing basis. As the response progressed and more evidence became available, it was possible to have more confidence in that modelling. With each completed round of monitoring, new analysis was produced of the latest estimates of (i) pressures realised in the year to date; (ii) forecast pressures for the remainder of the financial year in question; and (iii) a comparison of these pressures with funding awarded to each LA. Further information on the quality and checks on this data is at paragraphs 68 - 69.
64. In April 2020, to gain a better understanding of LA spending and income pressures, to help inform policy decisions on funding support, the Department started collecting monthly data from LAs on a range of issues through a monitoring survey. This included information on additional Covid-19 related costs, lost income from services like parking and leisure, use of financial reserves, and forecasts of financial sustainability (examples of the surveys are also exhibited below at paragraph 65). The survey was designed with the LGA and LAs and whilst being voluntary was issued to all 339 LAs (excluding fire authorities and the Greater London Authority) to build a representative picture of the local government sector. Through the survey LAs provided monthly returns and annual forecast data on Covid-19 related spending costs. The National Audit Office recognised the Department's actions in introducing the survey in its 2021 report 'Local government finance in the pandemic', outlining that it was an important and powerful data set.
65. In total 20 surveys were circulated within the relevant period; with all LAs responding to initial surveys, maintaining an above 80% response rate throughout the duration of the survey. The survey asked LAs for information regarding: (i) spending pressures due to Covid-19; (ii) income reduction due to Covid-19; (iii) use of reserves and cash flow difficulties; and (iv) the allocation of the £3.2 billion emergency unringfenced funding which

had been announced in two £1.6 billion tranches in March and April 2020. I exhibit here some examples of the surveys:

- The Department collected a second round of data from 7 to 15 May 2020, with a response rate of 99.7% (NH/023 - INQ000588628 - DLUHC001829692).
- The Department collected the eleventh round of data from 18 to 26 March 2021, with a response rate of 96.2% (NH/024 - INQ000588629 - DLUHC003084130).
- The eighteenth round of data was collected from 14 to 28 January 2022, with a response rate of 82% (NH/025 - INQ000588630 - DLUHC004867693).

66. To support LAs with completing the survey, the Department provided detailed guidance within the forms. For example, the Department included information on how additional spending pressures and income losses should be reported.

67. The Department continued to refine questions and guidance on the collection as it progressed. This included engaging with representative groups such as the LGA to improve the survey questions and design of the form. For example, following sector feedback on an early survey round citing the lack of clarity on the treatment of reliefs, the question was refined to separate out Covid-19 reliefs, deferrals and other losses, and reissued the following month together with detailed guidance on how to complete each category. Additionally, the survey was pre-populated with the value of additional reliefs from published national non-domestic rates data to encourage consistent and plausible returns from each billing authority. Billing authorities across England are responsible for collecting council tax and business rates income in their areas. As part of its engagement, the Department engaged with a range of expert stakeholders to refine the design of the form. For example, the LGA provided feedback on the second round of monitoring where they agreed that clearly stated assumptions would aid with consistency of the data in the return and provided suggestions (NH/026 - INQ000608932 - DLUHC010172055). The sector provided further feedback in January 2021. This included feedback on the frequency of returns where some councils requested that the request for data in April/May be pushed back to account for end of financial year work that councils needed to undertake, and a request for an advanced timetable so they could plan for data collection (NH/027 - INQ000608989 - DLUHC010172060).

68. The Inquiry should note that survey returns were voluntary. In line with other local government finance data returns to the Department, the data was self-reported by LAs, with LA Chief Finance Officers responsible for accuracy. As set out at paragraph 65, a total of 20 surveys were circulated, and a response rate of above 80% was maintained throughout the relevant period. The Inquiry should note that the Department ran a process

of validation after the returns were assured by Section 151 Officers, as set out in the list below. A Section 151 Officer is a statutory role in LAs, established under Section 151 of the Local Government Act 1972. Every LA must appoint a Section 151 Officer to ensure the proper administration of its financial affairs, including financial reporting. Further information on the validation checks carried out by the Department is provided below.

69. The Department took several further steps to ensure the robustness of the data. These included the following:

- Each return requested LAs to confirm their input for the previous round, in addition to reporting in-month pressures. This gave LAs a second opportunity to validate their returns and change as necessary.
- The Department avoided creating an overreliance on the LA returns when distributing funding through the distribution of the Covid-19 Relative Needs Formula, used from the third tranche of unringfenced funding, to guard against inflated reporting and to collect data that accurately reflected pressures on LAs. Further information on the Covid-19 Relative Needs Formula is set out at paragraph 76.
- The Department undertook routine validation checks and as necessary follow-up conversations with individual LAs.
- When aggregated and used as part of England level analysis, outliers were adjusted for, and missing returns were imputed using the Department's standard imputation methodology which allows for reliable national totals even where there are missing values.
- The Department undertook proportionate high-level checks and cleaning of the data e.g. following up with LAs with specific queries and checking and adjusting for outliers.

70. On 17 December 2020, the Department published a consultative policy paper setting out Covid-19 funding for local government in 2021 to 2022 (NH/028 - INQ000582637 - DLUHC003074390). LAs were informed that the financial impact monitoring survey would continue and the Department would reduce the burden of this by streamlining the process. The consultation also asked for views on the priority areas for data collection and how it could refine the process going forward.

### **The Department's role in the provision of unringfenced grant funding**

71. As laid out in paragraph 24, one of the ways the Department supported LAs with Covid-19 pressures was with unringfenced grant funding. This funding, in line with funding in the

local government finance settlement, was allocated to LAs based on the Department's assessment of their individual needs. The needs of LAs are assessed using 'Relative Needs Formulae' Relative Needs Formulae calculate a share of need for each LA for a particular service or group of services, estimating demand for a service compared to other authorities based on a LA's particular characteristics. Relative Needs Formulae can be adjusted for factors which affect the relative costs of service delivery (such as labour or property costs) using 'Area Cost Adjustments'. The use of Relative Needs Formulae during the pandemic was aligned with the Department's standard approach for local government finance. There was concern that using different methodologies during the pandemic would increase complexity, and as per paragraph 48, the Department prioritised speed using methodology familiar to LAs, evolving this as the pandemic progressed. Unringfenced refers to funding which does not have any particular restrictions attached to it, for example, on how it should be spent.

72. Unringfenced grant funding was one element of support, alongside significant measures that supported councils with their cashflow and loss in income including tax and business rates. These support arrangements were designed and tailored to respond to new pressures as the Department understood them. Over the course of the pandemic, and as it became clearer where and how the pressures were being experienced by LAs, the Department developed a new formula for distributing funding according to Covid-related need (see paragraph 76 below). This was used from the third tranche of unringfenced funding issued to LAs (see paragraphs 99-106) and the Department undertook an exercise to net the allocations from previous Covid-19 tranches against this new formula. This meant that in practice all payments of Covid grant funding were allocated in line with this new formula, and by the end none were allocated using the pre-existing 2013/14 formula.
73. The over £6 billion of unringfenced funding issued to LAs was intended to meet the additional costs of the activities that LAs had been asked to deliver as a result of the pandemic, including on: ASC, children's services, public health services, fire and rescue services, waste collection services, shielding clinically extremely vulnerable people, homelessness and rough sleeping, domestic abuse, supporting the NHS and managing excess deaths.

#### **Distribution of unringfenced grant funding**

74. At each stage, new grants were distributed using the most up to date formula available. To allocate the first tranche of funding (£1.6 billion) at pace in March 2020, the Department acted within the existing local government finance framework and used distribution methodology familiar to councils, which had been consulted on as part of successive years

of the local government finance settlement – the Adult Social Care Relative Needs Formula and the Settlement Funding Assessment (NH/029 - INQ000090769 - DLUHC000667380). Allocations through the local government finance settlement have not been updated since 2013-14. In 2018, the previous government consulted on a “Review of Local Authorities’ Relative Needs and Resources” also known as the ‘fair funding review’. The previous government did not implement the proposals consulted on.

75. Updating funding formulae is a significant exercise, necessitating detailed consultation with the sector and cross-government engagement. The government is currently undertaking extensive consultation on its approach to local government funding reform, a complex process that will take over a year of preparatory work to deliver in time for the 2026-27 multi-year finance settlement. At the point of the pandemic, the Department was part way through a programme of reform to the local government finance system of which formula change was part. In the early weeks of the pandemic, noting the trade-off between reforming the system and providing critical financial support to local government in an emergency response, the Department decided that it would be unrealistic to continue this work, and these reforms should be paused. This pause was welcomed by the sector.

76. The Department worked rapidly to develop a specific formula for Covid-related pressures. This formula was operational by July 2020, known as the Covid-19 Relative Needs Formula, and reflected the most significant drivers of expenditure and costs reported to the Department by LAs in their financial returns. The formula used data based on actual expenditure on Covid-19 response over a three-month period, from April to June 2020. Three months of expenditure was needed in order for the data to be of sufficient value. I exhibit a technical note which sets out the data used. (NH/006 - INQ000104673 - DLUHC000667292). The Department also undertook an exercise to reassess all allocations of tranches 1-3 using this formula. In October 2020, the Department allocated £919 million in unringfenced funding to bring individual authority funding across tranches 1-4 as close as possible to what it would be if the total amount from all four tranches had been allocated using the Covid-19 Relative Needs Formula in place by tranche 3. This meant that by October 2020, all grant funding had been distributed according to the Covid-19 Relative Needs Formula. The Department had also developed separate schemes to support councils with tax and income losses, as well as bespoke arrangements for councils requiring Exceptional Financial Support.

77. Further details of the Department’s approach to the allocation of each tranche of funding is outlined below.

***Tranche 1 (19 March 2020, £1.6 billion)***

78. In March 2020 the Department became aware that LAs were facing additional cost pressures as a result of Covid-19. Between 13 and 15 March 2020, senior officials from this Department engaged in phone calls with a range of LA chief executives, to hear directly how Covid-19 was affecting their work. In these calls, LAs raised a number of requests and issues regarding ASC, including concerns on the stability of the ASC sector, and the need for clear central government messaging on support and funding for ASC (NH/030 - INQ000531540 - DLUHC009426026).
79. In advice to SoS (Robert Jenrick) on 15 March 2020, following discussions with DHSC, the Department noted that Covid-19 was increasing LA costs, with ASC having a significant impact through extra demand and higher business as usual costs.
80. This was coupled with concern about potential reduction of income for LAs through discretionary income from parking and leisure services, council tax and business rates. As a result, the advice recommended bidding into HMT's £5 billion emergency response fund, requesting £1.7 billion to cover the £1.3 billion estimated cost of addressing breakdowns in informal care and backfilling staff in ASC, alongside additional costs for children's social care and non-social care priorities (NH/031 - INQ000582555 - DLUHC000086100). The advice noted this would be initial funding to cover the immediate needs of LAs, and more funding should be made available if needed at a later point.
81. On 16 March 2020 SoS (Robert Jenrick) sent a letter to the Chancellor of the Exchequer (Rishi Sunak), seeking agreement for £1.7 billion to be made available to LAs to meet increased social care costs, as well as pressures on other services (NH/032 - INQ000582557 - DLUHC006323639). The letter outlined that the Department would continue to monitor LA income and that a fall in business rates or council tax could require further government support.
82. The rationale behind this recommendation, as outlined in the letter from SoS (Robert Jenrick), was based on the urgent and multifaceted pressures LAs were facing. The £1.7 billion figure was derived by aggregating estimated costs across three main areas of LA responsibility; £1.3 billion for Adult Social Care; £190 million for Children's Social Care; and £250 million for non-social care services such as management of excess deaths, Homelessness and Rough Sleeping services and waste management. These figures were based on a national assessment of the proportions of pressures, but in practice different LAs faced different pressures which were highly localised. Therefore the funding was proposed as unringfenced to give LAs the flexibility to respond to local needs, and the ability to redirect resources quickly to where they were most needed, across services. The letter from SoS stated that LAs were best placed to commission services locally. By making

the funding unringfenced, the Department signalled confidence in councils' ability to prioritise spending based on their unique circumstances. On 17 March 2020 the Department were notified by HMT that they would be advising their ministers to agree £1.6 billion of this, noting that there had been remodelling of ASC pressures by DHSC colleagues.(NH/033 - INQ000582560 - DLUHC001813306).

83. A further submission to SoS (Robert Jenrick) on 18 March 2020 highlighted that HMT had agreed to provide £1.6 billion in funding to LAs to maintain services whilst responding to the pandemic and sought final approval for this funding. I exhibit this submission as (NH/029 - INQ000090769 - DLUHC000667380). The submission proposed to use the ASC Relative Needs Formula to distribute the funding to individual LAs, noting that refreshed formulae were still being developed and tested with the sector. The submission confirmed that DHSC and the Department for Education were content with the approach.
84. The submission also set out SoS's duty to comply with the Public Sector Equality Duty, however as the funding was not ringfenced, and due to the devolved nature of local government funding, the advice set out that LAs have due regard for the Public Sector Equality Duty, understood the needs of their communities best, and had discretion about how to allocate the funding. As such, the submission set out that it would be difficult to measure how the funding would impact upon people with protected characteristics, though the funding might be expected to improve LAs' abilities to provide services to such persons. The advice also set out that LAs must have due regard to the Public Sector Equality Duty when exercising their functions.
85. SoS (Robert Jenrick) approval was received on 18 March 2020 (NH/034 - INQ000582565 - DLUHC006318067), and the funding was confirmed to LAs in a letter sent from the SoS on 20 March 2020 (NH/035 - INQ000090746 - DLUHC000667257). The total quantum consisted of two elements, each of which required a decision around the distribution formula to be used: (i) £1.4 billion distributed to upper tier LAs to support social care expenditure via the ASC Relative Needs Formula; and (ii) £0.2 billion distributed to all LAs to reflect other pressures via the Settlement Funding Assessment.
86. In order to support LA cashflow, this funding was brought forward and paid on 27 March 2020, in the financial year 2019/2020, following a Ministerial Direction on 23 March 2020 made by SoS (Robert Jenrick) as outlined in paragraph 244.

***Tranche 2 (18 April 2020, £1.6 billion)***

87. Following the announcement of the tranche 1 funding, the Department continued to engage with LAs to understand what further resources were needed to support LA service pressures. As part of the engagement that MHCLG undertook with LAs in March and April

2020, the Department was made aware of the additional funding required to address the risk of a reduction in income for LAs. LAs were citing a need for additional funding, so that they could allocate funding to target local needs, and the Department was asked to provide clarity around when future funding tranches would be made available.

88. In March 2020, the LGA conducted a survey with LAs on Covid-19 pressures. A summary of the survey suggested LAs were continuing to experience exceptional costs, had an increased service demand for ASC, and were suffering loss of income through a fall in council tax collection and rental/commercial income (NH/036 - INQ000582570 - DLUHC001812045).
89. On 30 March 2020, the Department provided advice to SoS (Robert Jenrick), as well as local government ministers Simon Clarke, Luke Hall and Christopher Pincher, which outlined the Department's assumption of between £1.5 billion and £2 billion of additional spending need over the following three months (NH/001 - INQ000104664 - DLUHC000667286). This was based on projections on spending pressures from policy teams across government for the following three months, driven by increased workforce costs and service demand.
90. Ahead of proposed engagement with the Chief Secretary to the Treasury on local government finance pressures, the Department provided advice to Minister Simon Clarke on 6 April 2020 on a proposed package of measures to support local government. The advice, which I exhibit as (NH/037 - INQ000536041 - DLUHC009669186) set out the Department's refined assessment of Covid-19-related financial pressures on local government. The package aimed to strike a balance between providing certainty to LAs and maintaining flexibility and value for money. Although the funding was based on a cautious estimate, it was intended to reassure councils so that they could continue delivering services during the next phase of the pandemic response. On 7 April 2020 following a meeting with Department officials and Minister Simon Clarke, SoS (Robert Jenrick) approved the proposals on cash flow and income modelling. SoS also supported delaying local government finance reforms, due to capacity constraints. Two actions were set: drafting a letter for SoS and Minister Clarke, and scheduling a call with HMT I exhibit the readout from this meeting as (NH/038 - INQ000582573 - DLUHC001820026).
91. On 12 April 2020 the Department received a paper from the LGA setting out an overview of Covid-19 issues facing councils which included the need for immediate support to help with cashflow issues, and guaranteed funding to meet additional costs (NH/039 - INQ000582578 - DLUHC000400492).

92. On 17 April 2020 HMT granted approval for the Department to provide an additional £1.6 billion of unringfenced funding to LAs, setting out conditions, including that the funding should be unringfenced and should be used to meet pressures across all services (including Adult and Children's Social Care, fire authorities and all homelessness and rough sleeping pressures) (NH/040 - INQ000582583 - DLUHC000011033).
93. The Department announced tranche 2 of unringfenced funding on 18 April 2020 (NH/003 - INQ000104709 - DLUHC000667289) with a follow up letter on 20 April 2020 to LA leaders from Minister Simon Clarke setting out further detail on the funding, and reiterating the importance of LAs providing monitoring to ensure that government understood where LAs were allocating this additional funding (NH/041 - INQ000582585 - DLUHC000010662). A further LGA note on 28 April 2020 welcomed the second tranche of funding for LAs, as it provided additional certainties for LAs in the short term (NH/042 - INQ000582594 - DLUHC006744679). However, the LGA made clear that government would need to continue to help councils with their immediate cash flow issues, to guarantee funding to meet additional costs as they arose and to ensure that LAs did not need to act to constrain necessary spending, as well as to set out how councils would be compensated for the wider impact of the crisis on the viability of their financial plans.
94. Between 21 and 27 April 2020, the Department provided advice to SoS (Robert Jenrick) and Minister Simon Clarke with options of how to distribute the £1.6 billion funding, including the allocations to individual LAs. Following tranche 1 of the unringfenced Covid-19 funding the Department revised the allocation of funding, determining that the best option was basing it per capita across the country, based on Office for National Statistics population figures at the time. The advice which I exhibit as (NH/043 - INQ000582586 - DLUHC004367927) recommended distributing the tranche 2 funding on a per capita basis as it was deemed to strike a strong balance between efficiency and sustainability. The advice set out that the approach was 90% efficient in aligning with assessed Covid-19 pressures, while avoiding the risks of more uncertain income-based estimates. It also ensured that no authorities were left with a funding gap beyond reserves and supported at-risk councils. Additionally the approach was deemed to be simple, transparent and targeted at the Department's best assessment of where Covid-19 spending pressures were falling on LAs.
95. The advice also set out equalities considerations and the requirement for SoS (Robert Jenrick) to have due regard to the Public Sector Equality Duty. The advice set out that distributing funding on a per capita basis would not have a disproportionate impact on persons sharing any particular set of protected characteristics. However the Inquiry should note as with the tranche 1 funding as set out in paragraphs 78-86, the advice to SoS set

out that the analysis was limited as the funding allocations did not directly translate into services for the different groups of people with protected characteristics (as LAs could choose how it was spent), and as a result it was not possible to see the exact relationship between the allocation options and the impact on protected groups. The advice also considered how funding allocations under the range of methods considered might translate to more or less funding going towards areas with more or less people with certain characteristics, by looking at area allocations alongside Census data about who lived in those areas.

96. In areas where there were two tiers of council, such as shire areas where there were both a county council and a district council, the per capita population allocation was split 65:35 between the county and each district, reflecting the relative differences in expenditure and income across tiers. The 65:35 split in allocations between county councils and district councils in two-tier areas was recommended to better reflect the financial pressures each tier was facing during the COVID-19 pandemic. This was a policy decision agreed by Ministers, informed by financial monitoring data and aimed at rebalancing support across local government tiers, reflecting both tiers' distinct financial pressures and ensuring a fairer, more responsive allocation of resources.
97. In a written ministerial statement on 29 April 2020, SoS (Robert Jenrick) provided further details on the £1.6 billion to support LAs in their continued response to the pandemic. The statement explained that additional allocations had been made on a per capita basis as outlined in paragraph 94. The statement also set out that in two-tier areas, the split of the funding between county and district authorities would be 65:35, and this would provide significantly more funding to district councils than the first round of allocations reflecting the impact that a reduction in incomes from sales, fees and charges had, particularly on these councils (NH/044 - INQ000608931 - DLUHC001720924).
98. SoS (Robert Jenrick) communicated the agreed allocations in a letter to all council leaders and LA chief executives in England on 30 April 2020 (NH/045 - INQ000531354 - DLUHC000243059). The letter also emphasised the Department's commitment to supporting LAs with the additional cost pressures arising from Covid-19 and asked LAs to prioritise spending to provide immediate support to care providers, including for providers with whom the LA did not have a pre-existing contract if their finances were under strain. The £1.6 billion tranche 2 funding was allocated on a per capita basis as set out at paragraph 94.

***Tranche 3 (2 July 2020, £500 million)***

99. Ahead of an announcement proposed for 2 July 2020 on a new funding package for LAs to help address Covid-19 pressures and lost income, the Department provided advice to SoS (Robert Jenrick) on 30 June 2020 which gave an update on the proposed allocations for an additional £500 million of LA funding (NH/046 - INQ000582606 - DLUHC001837364).
100. When providing advice to SoS (Robert Jenrick) on the third tranche of unringfenced funding, the Department set out that it had completed equalities analysis based on the proposed set of allocations using the newly developed Covid-19 Relative Needs Formula, and found no basis to advise that there were adverse equalities impacts from this allocation methodology, further information is in paragraph 104.
101. The advice set out that since the tranche 1 and tranche 2 funding allocations the Department had refined its approach to reflect the costs that LAs were reporting, therefore, a new Covid-19 Relative Needs Formula was recommended. In developing this formula, the Department tested various demographic groups, deprivation, Covid-19 case rates, shielding rates, density and sparsity for their statistical significance in driving costs. It was found that total population and deprivation were the most significant cost drivers. This formula was used for Tranches 3, 4 and 5 of unringfenced funding (as set out below).
102. The Department announced a further £500 million in unringfenced funding as part of a third tranche of financial support to support LAs' pandemic response on 2 July 2020. (NH/007 - INQ000104691 - DLUHC000667293)
103. This third tranche of funding was to help LAs deal with spending pressures and to continue to provide the tasks which the government had asked LAs to carry out, including ASC. A letter communicating this to council leaders and LA chief executives was sent on 2 July 2020 (NH/047 - INQ000582616 - DLUHC005089881). The letter noted that with the benefit of better data, and to address income shortfalls separately to expenditure, a new formula had been developed to reflect the factors which correlated most closely to expenditure, and would take account of population, deprivation and the way that service costs vary across the country. This also included further measures to support cashflow which are covered below.
104. On 3 July 2020, advice was provided to ministers on the third tranche of funding which contained equalities analysis based on the proposed allocations to LAs. The analysis found that the chosen allocation methodology would not have adverse equalities impacts. There were only weak or negligible correlations (other than for male/female characteristics) and therefore no basis to advise that there were adverse equalities impacts from the chosen allocation methodology. The advice noted that as the funding

was not ringfenced, LAs could allocate this how they saw fit, and therefore it was difficult to measure how the funding would impact those with protected characteristics, although it was expected to improve authorities' abilities to provide services to such persons. (NH/048 - INQ000582611 - DLUHC000026431).

105. Furthermore, the advice to SoS (Robert Jenrick) set out that as the funding was not ringfenced, it was for LAs to allocate the funding towards specific services. How LAs choose to allocate funding to services may impact people with protected characteristics (noting that there are nine protected characteristics as set out under the Equality Act 2010). The advice therefore explained that it would be difficult to measure how the funding would impact upon people with protected characteristics, though it may have been expected to improve LAs' abilities to provide services to such people. The advice also highlighted that further analysis would be carried out to understand any links to the protected characteristics, and that officials would provide further Public Sector Equality Duty advice following confirmation of the final package from HMT.

106. On 16 July 2020 the Department announced the funding allocation for the tranche 3 funding (NH/004 - INQ000104708 - DLUHC000667290). As set out at paragraph 76, for this tranche, the new Covid-19 Relative Needs Formula was adopted to determine the distribution of this funding. Technical notes on this Relative Needs Formula were published alongside the third and fourth tranches of funding announcements and included further detail on the distribution of the individual tranches. As set out in the advice provided to SoS (Robert Jenrick) at paragraph 99, and in the published technical note for the third tranche of funding, which I exhibit as [\(NH/006 - INQ000104673 - DLUHC000667292\)](#), the decision to allocate £500 million in unringfenced grant support was informed by financial monitoring returns submitted by LAs, which highlighted spending pressures in key service areas (including adult social care, children's services, and public health). In his statement of 16 July 2020, SoS confirmed that the funding was based on the pressures that LAs had told government that they were facing.

***Tranche 4 (22 October 2020, £919 million)***

107. On 12 October 2020, the Prime Minister (Boris Johnson) announced 'around £1 billion' of funding for local government so that LAs could protect vital services whilst responding to Covid-19. Prior to this announcement, Department officials considered a proposed bid of approximately £1.2 billion, which would have been subject to HMT approval. This comprised a further £600 million unringfenced grant, as well as a targeted support bundle totalling £660 million, aimed at specific Covid-19-related pressures beyond general funding. Following the Prime Minister's announcement, Department officials

provided advice to the SoS (Robert Jenrick) on 14 October 2020, to agree the approach of distributing the funding, noting the Department's assumption that the funding would be agreed by HMT at the level of £1 billion, rather than the larger quantum of £1.2 billion as previously mentioned. It was recommended that the Covid-19 Relative Needs Formula be used for distribution, and LAs that were in financial difficulty should be targeted. The advice which I exhibit as [\(NH/049 - INQ000582623 - DLUHC004367765\)](#) recommended this approach as it would allow funding to be targeted effectively at those LAs most in need, balancing financial sustainability and value for money. This approach supported LAs facing the most severe pressures and prioritised those just below the exceptional support threshold and in high alert areas. The approach also ensured a needs-based distribution while avoiding over-allocation to less-affected authorities. This was the Department's best assessment of pressures which Ministers agreed with. On 15 October 2020 SoS agreed with the recommendations but also requested that all LAs receive at least a minimum payment [\(NH/050 - INQ000608984 - DLUHC009167342\)](#). A minimum payment was requested for every LA to ensure that all areas received support for Covid-19 pressures, regardless of their assessed relative need. This safeguarded councils facing smaller but still significant challenges, especially heading into winter, and ensured national coverage while maintaining a needs-based, efficient distribution overall. Further information is set out in the letter sent by SoS to council leaders, and the technical note on the allocation methodology as set out below at paragraph 109.

108. In October 2020, in advance of tranche 4 of the funding, the Department undertook further analysis determining that LAs were spending an additional £500 million per month on Covid-19 related pressures. It anticipated the position would worsen with a number of issues outstanding from tranche 3, coupled with new issues that needed resolving, for example rough sleeping pressures (NH/051 - INQ000608983 - DLUHC000023922).

109. Following HMT agreement on 19 October 2020 (NH/052 - INQ000582625 - DLUHC000011080), the Department announced a £919 million fourth tranche of unringfenced grant funding to LAs on 22 October 2020 (NH/053 - INQ000582627 - DLUHC000017448). The Covid-19 Relative Needs Formula was again used to allocate funding. In addition, adjustments were made to account for the different methodology initially used for the first two tranches, but with all LAs receiving at least £100,000, known as a 'funding floor'. A technical note on the Relative Needs Formula which set out the allocation methodology was published alongside the fourth tranche (NH/054 - INQ000582650 - DLUHC002323154). As laid out in paragraph 76, the Department also undertook an exercise to reassess all allocations of tranches 1-3 using this formula. In October 2020, the Department allocated £919 million in unringfenced funding to bring

individual authority funding across tranches 1-4 as close as possible to what it would have been if the total amount from these tranches had been allocated using the Covid-19 Relative Needs Formula from tranche 3. This meant that by October 2020, all grant funding had been distributed according to the Covid-19 Relative Needs Formula.

***Tranche 5 (5 April 2021, £1.55 billion)***

110. An additional £1.55 billion in unringfenced funding was first announced in the Spending Review 2020 as part of a wider £3 billion support package to help councils manage the immediate and long-term impacts of Covid-19. The funding amount was agreed by the Department with HMT as part of the Spending Review process with HMT determining the overall Departmental settlement. The £1.55 billion of unringfenced funding was based on forecasted pressures on local government services, informed by previous funding rounds and the scale of ongoing needs across public health, adult social care, children's services, and support for vulnerable people. Consistent with earlier tranches of unringfenced Covid-19 funding, the grant provided councils with flexibility to allocate resources according to local priorities and emerging challenges. Anticipating that LAs would continue to experience higher cost pressures to deliver services, the Department launched a consultation on 17 December 2020 (NH/009 - INQ000137047 - DLUHC000128425) for the provisional financial settlement for 2021/22 seeking views on £1.55 billion of additional unringfenced Covid-19 support for LAs.

111. Departmental ministers agreed to allocating this using the Covid-19 Relative Needs Formula. As set out at paragraphs 74-77, new grants were distributed using the most up to date formula available for each tranche of unringfenced funding. For tranche 5, this remained the Covid-19 Relative Needs Formula, which reflected the most significant drivers of expenditure and costs reported to the Department by LAs in their financial returns. As with previous tranches of unringfenced funding, the consultative paper set out details of the priority areas for use of this expenditure, which focused on vulnerable groups, especially in ASC.

112. On 9 February 2021 SoS (Robert Jenrick) wrote to colleagues setting out details of the final local government settlement for 2021/22 including the £1.55 billion tranche 5 funding. On 10 February 2021, the Department also published its impact assessment and equality statement on the local government finance settlement for 2021/22, which I exhibit as (NH/055 - INQ000582698 - DLUHC009882949).

113. The equality statement referred to the £1.55 billion of unringfenced funding as part of a package of measures for 2021/22 to help mitigate any potential adverse equalities impacts of service pressures or reduced income on LAs. The equality statement set out

that as local government funding is largely unringfenced and LAs are responsible for the distribution and allocation of resources to meet local priorities, it was not possible to accurately predict how the changes in funding would impact on specific groups of people with protected characteristics.

114. On 19 April 2021, a submission was sent to Minister Luke Hall to seek his agreement to the signing of the Grant Determination for the £1.55 billion unringfenced grant to support LA Covid-19 expenditure pressures and to make payments to billing authorities by the end of April (NH/056 - INQ000608993 - DLUHC004370702).

### **Wider Local Authority Support**

115. In this section I set out the other financial interventions, cashflow support measures and additional funding made available to LAs in recognition of the pressures and additional responsibilities they were taking on to respond to the pandemic.

### ***Local Government Cashflow Support***

116. Alongside the tranches of unringfenced funding set out above, the Department also introduced measures worth over £5 billion to ease LA cashflow pressures. These measures included:

- The deferral of LA payments of the central share of retained business rates, valued at £2.6 billion;
- Up-front payments of £1.8 billion of business rates reliefs which is processed by LAs; and
- Consolidation of £850 million of social care grants payments.

117. Both the deferral of LA payments of the central share and the consolidation of social care grants were interventions developed alongside the Department's provision of tranche 2 of unringfenced Covid-19 funding as set out at paragraphs 87-98. The Department was concerned that interruptions to LA income as a result of the pandemic would have a short-term impact on their cashflow. Issues identified as being of particular concern to councils which may have impacted on cashflow included non-payment of council tax and business rates, and immediate losses of income from car parking and leisure and tourism activity. Mayoral combined authorities were also facing pressures as a result of Covid-19 through falling transport revenues, business rates and council tax precept.

118. To help manage this, the Department made arrangements to defer payments that LAs were due to pay central government under the 'Business Rates Retention' system. Some LAs (unitary and lower tier councils, which are known as 'billing authorities') collect

all business rates, but under the Business Rates Retention system, that income is shared between local government and central government.

119. There are requirements set out in regulations for LAs to make payments to central government and to other authorities at particular points. The amount paid to central government is called the 'central share'. Billing authorities were due to make £877 million of central share payments to government in April and May 2020. On 30 March 2020, advice was sent to SoS (Robert Jenrick) proposing to defer these payments to later in the financial year. (NH/001 - INQ000104664 - DLUHC000667286). The deferral was to mitigate against the loss of income LAs were experiencing. It did not give LAs additional resources but supported their immediate cashflow.

120. On 6 April 2020, further advice submitted to SoS (Robert Jenrick) recommended a six-month deferral of the central share payments. (NH/037 - INQ000536041 - DLUHC009669186). Following agreement with HMT, the deferral of the central share payments was set at three months and delivered via regulations laid on 23 April 2020. This advice also recommended bringing forward the payment of grants covering April 2020 to June 2020, worth £850 million in total, to April 2020 to ease cash flow concerns. This was agreed with HMT (NH/040 - INQ000582583 - DLUHC000011033) and paid in mid-April 2020, as LAs' immediate needs had largely been met from the new £1.6 billion of tranche 2 funding paid on 17 April 2020.

121. Some of these payments were brought forward through a ministerial direction from the SoS (Robert Jenrick) which authorised the bringing forward of payments, following the Permanent Secretary's request to do so in his letter to the SoS on 23 March 2020. (NH/057 - INQ000582567 - DLUHC000041755) (NH/058 - INQ000582568 - DLUHC009330367). The request for a direction for advancing payments from the 2020/21 financial year to 2019/20 was made because taking that action would result in the Department breaching the spending limits set by Parliament for MHCLG in 2019/20, and as such would not be in line with the rules of Managing Public Money; thus, it needed a specific ministerial direction.

#### ***Sales, fees and charges income compensation scheme***

122. The economic effects of the pandemic included a significant reduction on LA sales, fees, and charges income streams, such as parking income.

123. On 24 August 2020 the Department announced an income compensation scheme to be paid to LAs for a share of irrecoverable losses through relevant sales, fees and charges income streams (NH/059 - INQ000582684 - DLUHC000081814).

124. The scheme was initially announced to cover losses in the financial year 2020/21 and was extended to cover the first three months of the 2021/22 financial year (April to June 2021).
125. The scheme compensated LAs for 75% of irrecoverable relevant income losses after a 5% deductible, which was determined to be an appropriate balance of providing support for unexpected losses and recognising a normal level of volatility associated with forecasting and collection of these income streams. The design of the scheme was intended to provide substantial relief for extraordinary pandemic related losses, while protecting value for money and ensuring that councils took action to recover income where possible. For example, the inclusion of a deductible reflected a level of income fluctuation that LAs would be expected to manage as part of normal budgetary planning, providing a threshold to distinguish between normal operational risk and extraordinary pandemic-related losses. By covering 75% of losses beyond the deductible, the scheme provided substantial relief while expecting councils to manage a smaller portion of loss. The operation of the scheme was set out in the announcement. This included information about eligible costs, time periods covered, grant payment and reconciliation arrangements.

#### ***Collection Fund Deficits***

126. Billing authorities across England are responsible for collecting council tax and business rates income in their areas and place this income into a separate pot called the Collection Fund. LAs are then paid fixed amounts from the Collection Fund on the basis of the billing authorities' forecast business rates income as at the start of the financial year. Where there is a shortfall in tax receipts (compared to expected levels), this leads to a deficit on the Collection Fund.
127. During the Covid-19 response, the Department anticipated that the economic effects of the pandemic could lead to a one-off increase in irrecoverable losses in Council Tax and/or Business Rates income and therefore introduced measures to help LAs manage such losses by spreading them across three years, rather than the usual one year.
128. Provision was therefore made for LAs to spread deficits in their Collection Fund in 2020/21 across three years. This decision was announced on 2 July 2020 by SoS (Robert Jenrick) following agreement from HMT (NH/007 - INQ000104691 - DLUHC000667293). The change required promulgation of legislation, and regulations were subsequently laid on 5 November 2020.

#### ***Exceptional Financial Support Scheme***

129. The Department developed a process and policy principles for providing exceptional financial support to LAs experiencing localised pressures that would not be met by the generalised support packages outlined in this statement, and in anticipation of the Department receiving more requests than it had in previous years due to the pandemic. This became known as the Exceptional Financial Support scheme. This was to ensure that LAs facing specific challenges were able to meet their legal duty to maintain a balanced budget, access support to continue to deliver services, and ensure that Covid-19 expenditure was not curtailed.
130. The Exceptional Financial Support process was not a competitive scheme, with competing bids. It was a framework that was underpinned by a set of principles against which the Department could consider requests from LAs. Government consistently emphasised in its communications that LAs concerned about being able to keep their budgets in balance should approach the Department.
131. Through the Exceptional Financial Support process, government provided support and financial flexibilities to LAs subject to a set of conditions which reflected the principles of the scheme, in particular securing value for money and financial sustainability. In structuring that support, the Department's aim was to ensure that LAs concerned could continue to set balanced budgets and that service delivery, including of Covid-19 related services, would be appropriately maintained.
132. To access Exceptional Financial Support, LAs would make an application to the Department setting out why they needed financial support and how this funding would be used. LAs would request Exceptional Financial Support funding to manage immediate revenue pressures. The Department would then assess this against a range of criteria. This included value for money and the long-term financial stability of the LA. As a condition of clearance for the financial year 2020/21, successful LAs would have to agree to an external financial review undertaken by the Chartered Institute of Public Finance and Accountancy which would be published on gov.uk. Support was subject to agreement by MHCLG and HMT Ministers, after consideration of material submitted by the LAs including external scrutiny. The Department did not make public the names of LAs applying for Exceptional Financial Support while requests were being considered. This was to help ensure that LAs could approach the Department in confidence and avoid speculation about their position, which might otherwise cause concern, for example, among residents or suppliers. The Department did publish details where support was agreed. 11 LAs received Exceptional Financial Support in respect of financial year 20/21 (two of these councils later withdrew their request) and 10 councils received Exceptional Financial Support in respect

of financial year 21/22 (four of these LAs later withdrew their request). A list of these cases is published on gov.uk (NH/060 – INQ000625659 - DLUHC010172744).

133. This includes two councils that had support agreed in respect of 20/21 and 21/22 retrospectively at a later date (Birmingham and Slough), as part of a wider package of support (NH/061 - INQ000582695 - DLUHC009882946) (NH/062 - INQ000582699 - DLUHC009882950).

134. There were two authorities for whom Ministers did not agree to requests for Exceptional Financial Support – Woking for 2020/21 and 2021/22, and Runnymede for 2020/21. Although these decisions were not published by the Department at the time given commitments on confidentiality, both are now in the public domain. In those cases, following assessment of the material provided, Ministers did not consider that there was a case for providing exceptional support at that time given there was more action that could be taken locally to manage pressures.

### **Council Tax Support**

135. Council tax is charged to households and is an income source for LAs to fund local services. During the pandemic, issues relating to council tax were twofold. Firstly, some households were unable to pay their council tax bills; and secondly, as a result, LAs saw a reduction in the amount of council tax they were able to collect.

136. The Department introduced schemes to address the impact of the pandemic by providing support to council taxpayers and to LAs. For the year 2020/21, the government introduced a £500 million Hardship Fund to help working-age people in the lowest income households pay their council tax bills.

137. In addition, due to the anticipated decline in LA council tax receipts in 2020/21, the local tax income guarantee scheme was introduced. As part of this scheme, central government covered 75% of the income council tax authorities were not going to be able to collect or recover from taxpayers. The design of the scheme was intended to provide LAs with support as well as reflect value for money, covering a substantial part of an LAs losses but also ensuring LAs took steps to recover income.

138. In 2021/22 HMT acknowledged ongoing pressures on LAs but did not want to repeat previous schemes as it was determined they were not the most appropriate way of addressing the financial challenges likely to be facing taxpayers and local government; however, it did accept that there would continue to be pressures. HMT therefore agreed to fund the Local Council Tax Support Scheme which was a one-off £670 million support package for LAs to deal with the financial impact of an expected increase in claims for their

individual council tax support schemes that they are obliged to deliver. This would provide financial certainty to LAs through an upfront payment and was less complex than the local tax guarantee scheme which reimbursed irrecoverable income. Further information on the Local Council Tax Support Scheme is set out from paragraph 162.

139. All three of these schemes aimed to provide LAs with as much certainty about their finances as possible, to assist them with their financial planning, as well as offering support to taxpayers.

### ***Council Tax Hardship Fund***

140. In response to LA concerns that significant numbers of households might be unable to pay their council tax as a result of the pandemic, the Department discussed the matter and possible options with HMT ahead of the 2020 budget. An initial figure of £400 million of funding was proposed which Departmental analysis estimated could benefit roughly 850,000 working-age individuals (NH/063 - INQ000608908 - DLUHC001778858). However, following a review this was increased to £500 million.

141. On 10 March 2020, officials in HMT sought to agree a scheme to provide LAs with new grant funding to support economically vulnerable individuals and households with the expectation that most of this funding would be used to provide more council tax relief, either through existing LCT schemes, or through similar measures. The Department provided factual background and rationale to support this which outlined that £500 million was roughly the amount due in minimum payments from the majority of working-age Local Council Tax Support recipients in 2020/21 (NH/064 - INQ000608911 - DLUHC001810659).

142. This scheme became known as the Hardship Fund and was announced at the budget on 11 March 2020. The government confirmed it intended to provide LAs in England with £500 million of new grant funding to support economically vulnerable people and households in their local area. Specifically, the government was to provide the money to LAs to enable them to reduce the 2020/21 council tax bills of working age people receiving Local Council Tax Support (NH/065 - INQ000609011 - DLUHC010172047).

143. On 17 March 2020 Departmental officials wrote to the LGA, the Chartered Institute of Public Finance and Accountancy, and several Chief Finance Officers of LAs seeking their expertise on the proposed operational design of the Hardship Fund (NH/066 - INQ000608913 - DLUHC009180347). Feedback from the group would inform the Department's advice to Ministers on delivery of the funding. The Department received comments from a range of LA Chief Finance Officers and the LGA, with the general consensus that the allocation methodology based on council tax claimant numbers was sufficient and that a claim form for applicants was not required (NH/067 - INQ000608915

- DLUHC009180361} (NH/068 - INQ000608914 - DLUHC009180360} (NH/069 - INQ000608918 - DLUHC010172120). The Department subsequently wrote back to the group on 24 March 2020 to confirm that guidance on the Hardship Fund had been issued, and to note that the Department was in the process of writing out to LA Chief Finance Officers about it (NH/070 - INQ000608920 - DLUHC009169600).

144. The Department engaged with a cross section of LAs and stakeholder groups as part of its regular engagement on council tax. Support mechanisms were discussed as part of this. Quarterly meetings were also held between officials, LAs and representative bodies through a group called the "Partnership Forum". This involved a mix of LA types including London boroughs, more rural LAs and metropolitan districts. Such engagement allowed a range of perspectives to be shared in a short amount of time, helping the Department to quickly design policy responses against the backdrop of the pandemic (NH/071 - INQ000608992 - DLUHC002991009).

145. The Department submitted advice to SoS (Robert Jenrick) on 19 March 2020 to agree the design of the Hardship Fund building on the feedback from LAs and representative bodies (NH/072 - INQ000609005 - DLUHC004370826). The advice recommended that £500 million should be allocated to council tax billing authorities as soon as possible so that they could provide a council tax discount of up to £150 to working-age people who received Local Council Tax Support. Funding would be allocated to individual billing authorities based on their share of the national (England) caseload of working age Local Council Tax Support recipients. This would be with the expectation that the billing authority would determine how the reduction was provided to individuals. The advice confirmed the Department had informally consulted on the draft guidance with Chartered Institute of Public Finance and Accountancy and local government representatives, who understood the requirement to design and provide support at pace. On 24 March 2020 the Department's Secretary of State (Robert Jenrick) confirmed the Hardship Fund funding allocations were due to be paid to billing authorities on 3 April 2020 (NH/073 - INQ000090768 - DLUHC000667379).

146. Guidance for LAs on the Hardship Fund was published alongside the announcement which I exhibit here (NH/074 - INQ000581231 - DLUHC010172045). The guidance outlined that money would be allocated to LAs on the basis of their share of the national caseload of working age Local Council Tax Support recipients using the most recent published data (2019- 20, Q3). Any funding that LAs had left over could be used to support other local hardship provision as the LA thought best.

147. The Department attended a LA Information Technology suppliers' forum on the 1 April 2020, during which a range of technical implementation queries regarding the Hardship Fund were discussed. I exhibit here a readout from the forum (NH/075 - INQ000608922 - DLUHC010171999). The Department confirmed via a follow up email that it had been working through the technical queries raised with some being addressed in the Q&A published on 16 April 2020. (NH/076 - INQ000608925 - DLUHC009172234).
148. The Department circulated a letter to LAs on 28 May 2020 confirming the various different support packages the government had allocated to LAs, including the Hardship Fund, which I exhibit here (NH/021 - INQ000588528 - DLUHC000035381). This letter confirmed that the Department had continued engagement with LAs and encouraged any LAs with concerns to make contact with the Department. A number of LAs responded to the letter to raise their concerns on the general LA support packages. (NH/077 - INQ000608947 - DLUHC001830579) (NH/078 - INQ000608945 - DLUHC001911233) (NH/079 - INQ000608956 - DLUHC001911982) For example, Kent Finance Officers expressed that their concern that expenditure pressures would soon exceed the funding provided, that funding was not evenly distributed, and that a reduction in income posed a severe threat to future service delivery (NH/080 - INQ000608949 - DLUHC001830970). In his response, Alex Skinner stated that the Department were very aware of, and working actively to mitigate, the income and expenditure pressures that LAs, including those in Kent, were under (NH/081 - INQ000608950 - DLUHC001770881). He noted that the funding received of £3.2 billion was sufficient to meet the expenditure pressures that councils had recorded of £1.25 billion to date.
149. Following confirmation of tranche 4 of local government funding, as outlined in paragraphs 107-109, the Department engaged with HMT officials to discuss next steps surrounding the Hardship Fund. The Department sought a quick response to ensure that the fund was appropriately resourced to deliver against the original commitment, so that all eligible claimants received the intended discount (NH/082 - INQ000608985 - DLUHC009167134).
150. In November 2020 the Department's officials then wrote to HMT to seek a year-end guarantee to reimburse LAs for whom additional new Local Council Tax Support claimants, and less generous Local Council Tax Support schemes, meant that the cost of providing the £150 reduction in council tax exceeded their Hardship Fund allocation (NH/083 - INQ000608988 - DLUHC002378802). Following this SoS (Robert Jenrick) wrote to Chief Secretary to the Treasury, Steve Barclay, to seek an extension to the scheme. This noted that the Department's monitoring data suggested that around one-third of councils had spent at least 85% of their allocation as of October 2020, and the Department was

receiving feedback from LAs who had exhausted their allocation (NH/084 - INQ000609004 - DLUHC004370823). In an email to SoS's private office, 24 February 2021, Departmental officials confirmed that no formal response had been received from HMT and therefore it was unlikely the Hardship Fund would be included within the 2021 budget (NH/085 - INQ000608991 - DLUHC002363182). An extension to the scheme was not announced within the 2021 budget.

### ***Tax Income Guarantee Scheme***

151. LAs were anticipating losing income through reduced council tax reduction; the Department worked on how to cover this. This became the Tax Income Guarantee Scheme which compensated LAs for 75% of the council tax income that they expected to receive but which could not be collected for financial year 2020-21.

152. Lost council tax income in scope of the guarantee was measured by comparing an authority's council tax requirement for 2020-21 (the amount of council tax it included in its budget) with its share of the adjusted 'Net Collectable Debit' for 2020-21 (the amount of council tax that was actually billed and collected from taxpayers, excluding the value of discounts provided through the Hardship Fund). The Department expected LAs to continue appropriate collection and enforcement action for outstanding council tax debt, in the usual way.

153. On 3 June 2020 advice was submitted to Minister Simon Clarke and the SoS (Robert Jenrick) on the design of a comprehensive package of support for local government to address Covid-19 funding pressures. Steers were sought from SoS on the option of covering irrecoverable tax losses through a co-payment system where losses would be shared between central and local government. The advice noted that as per data from LAs, 30% of council tax losses were due to increased numbers of Local Council Tax Support claimants (NH/086 - INQ000608952 - DLUHC000741816).

154. A further note on options in relation to tax income losses was provided to Minister Simon Clarke on 16 June 2020 (the note was incorrectly dated 16 July). This set out that officials had been considering a guarantee model as an alternative option of addressing tax income, covering business rates as well as council tax, with a clearer emphasis on burden sharing with the sector. This reflected discussions with LA treasurers and their concerns about a range of potential, but highly uncertain tax losses. A broad-based guarantee was therefore being proposed, rather than a measure targeted at specific types of income loss. The advice noted two risks with this approach, including that compensation could cover costs not driven by Covid-19, and that that payments would be against local

forecasts of tax debt rather than confirmed losses (NH/087 - INQ000608964 - DLUHC000014189).

155. Ahead of a meeting with the Chief Secretary to the Treasury (Steve Barclay), officials in the Department had been working with HMT officials and the Department's Ministers to refine the details of the financial support for local government. On tax income loss support, the Department was proposing a broad approach to shortfalls in local tax income. This could take the form of a tax income guarantee which covered a significant proportion of losses in both business rates and council tax during 2020-21. It had modelled an approach in which central and local government would each share the cost of 50% of these losses. This was likely to cover up to 4% of projected local tax income for 2020-21. An HMT update note stated that using this sort of burden sharing approach would be important in helping to ensure LAs absorb at least part of any tax losses which would ordinarily arise outside of a pandemic, and which would be challenging to isolate with any certainty. The note also highlighted the importance of maintaining a strong incentive for LAs around collection and enforcement (NH/088 - INQ000608967 - DLUHC000032770) (NH/089 - INQ000608968 - DLUHC000032772).

156. On 17 September 2020, a submission (NH/090 - INQ000608981 - DLUHC000043211) was sent to the SoS (Robert Jenrick) on plans to introduce an income guarantee scheme for LAs. This recommended a 75% burden-share scheme (with 75% of losses to be borne by the exchequer), rather than 50% as previously proposed, which would be incorporated into the upcoming Spending Review bid. The reason for the change from 50% to 75% was that the projected income loss had increased significantly meaning that under a 50% scheme LAs would be shouldering a significant financial burden. It also advised that the Department does not seek specific additional funding through the wider spending process to cover the 25% of the tax income guarantees scheme not funded by government, on the basis that this should be borne by the sector (supported by plans to phase collection fund deficits and considering fluctuations in income which arise in the normal course of events). The advice also noted that the cost estimates for the scheme had been refined to include employment forecasts and the assumed impact on the cost to councils of Local Council Tax Support claimants, and that the estimated cost was approximately £1.42 billion.

157. On 10 February 2021, the SoS (Robert Jenrick) announced a policy paper for the Covid-19 2021 to 2022 funding package following up on the consultative paper from 17 December 2020. The paper did not explicitly invite views on the local tax income guarantee, but it did set out how losses in scope would be quantified for both council tax and business rates. The government expected billing authorities to continue appropriate

collection and enforcement action for any outstanding council tax debt in the usual way. It would also allow LAs to phase repayment of collection fund deficits accrued in 2020/21 over three years rather than one, to help them manage their cashflow (NH/091 - INQ000609013 - DLUHC010172044).

158. Following the decision that the government was to compensate authorities for 75% of their lost 2020-21 local tax income, the Department put together a proposal to calculate an authority's loss of tax income and the resulting compensation (NH/092 - INQ000608994 - DLUHC004374956).

159. On 19 May 2021, a submission (NH/093 - INQ000608995 - DLUHC000043281) was sent to Minister Luke Hall (updated and sent with revised figures 20 May 2021) (NH/094 - INQ000608996 - DLUHC000043180) to agree to make an on-account payment totalling £427 million, consisting of £84.6 million in respect of lost council tax income; and £342.4 million in respect of lost business rates income by the end of May 2021. This represented 50% of the estimated grant entitlement for the year to help ensure LAs would not face unmanageable cash-flow risks. The Minister agreed with this recommendation (NH/095 - INQ000608997 - DLUHC000043178).

160. On 21 May 2021, the exhibited email and calculator went out to LAs regarding the council tax element of the tax income guarantee scheme. It advised that the first instalment (50% of the estimated grant entitlement for the year) would be paid to authorities on or around the end of May 2021. The final instalment would be paid to authorities later in 2021 (NH/096 - INQ000608998 - DLUHC000043064). The email noted that the Tax Income Guarantee Scheme would be paid in two instalments – the first instalment being 50% of the estimated grant entitlement for the year (based on loss estimates already provided for council tax), with the final instalment of remaining grant to be paid later reconciled against full year calculations.

161. On 17 February 2022, a submission (NH/097 - INQ000609002 - DLUHC001796008) was sent to Minister Kemi Badenoch to agree to make final payments totalling £416 million to 293 LAs. The submission set out that on account payments would be reconciled against full year calculations on published data. This was approved by the Minister on 7 March 2022 (NH/098 - INQ000609003 - DLUHC001862940).

### ***Local Council Tax Support Scheme***

162. As mentioned in paragraph 150, no formal response had been received from HMT in relation to extending the Hardship Fund and therefore it was unlikely to be included within the 2021 budget. Instead of extending the Hardship Fund and tax income guarantee scheme (referenced above), the Department delivered a £670 million scheme to help LAs

meet anticipated continued increases in claims for Local Council Tax Support during 2021/22. This scheme was an effective means of balancing council tax-related support for taxpayers and LAs, as well as assisting councils in their financial planning by providing funding certainty for 2021/22. LAs had the flexibility to determine how best to use their allocations to meet local circumstances.

163. A submission to the Secretary of State on 11 November 2020 (NH/099 - INQ000608986 - DLUHC000043213) summarised HMT's offer on the Department's local government Spending Review bid and highlighted that HMT had confirmed an upfront grant of £670 million to be offered to meet Local Council Tax Support pressures in 2021-22. The £670 million figure was based on the latest OBR forecasts as an upfront grant to meet a proportion of the additional costs of local council tax support schemes associated with elevated unemployment levels.

164. Having considered feedback from LAs through regular engagement forums, the Department anticipated that LAs could see continued financial challenges as a result of increased claims for council tax support during 2021/22. The 2020 Spending Review announced on 25 November 2020 included £670 million of funding to address these challenges.

165. On 17 December 2020 a summary of the scheme, as well as further technical detail, was published on gov.uk as part of a publication setting out Covid-19 funding for local government in 2021 to 2022 (NH/028 - INQ000582637 - DLUHC003074390). It invited LAs to provide their feedback into the schemes. On the Local Council Tax Support Scheme, the consultation sought views on:

- The proposal for distributing the £670 million of new, unringfenced funding that would be provided to authorities in recognition of the increased costs of providing Local Council Tax Support following the pandemic; and
- The proposal to distribute the funding on the basis of each billing authority's share of the England level working-age Local Council Tax Support caseload, adjusted to reflect the average bill per dwelling in the area.

166. On 8 February 2021 the Secretary of State (Robert Jenrick) wrote to the Chancellor to confirm the final allocations for the £670 million Local Council Tax Support grant, as proposed in December 2020 (NH/100 - INQ000608990 - DLUHC000016848).

167. On the 10 February 2021, the policy paper for the Covid-19 2021 to 2022 package was published in response to the consultation in December. It noted that the majority of responses to the consultation broadly agreed with the proposed distribution methodology,

welcoming the early certainty that it provided for budget setting. The government confirmed that final payments would be made on the basis set out in the consultative paper (NH/091 - INQ000609013 - DLUHC010172044).

168. On 11 May 2021, the Local Council Tax Support Scheme grant, worth £670 million, was paid out to LAs (NH/101 - INQ000609014 - DLUHC010172048).

#### **D. ACTIONS TAKEN BY THE DEPARTMENT IN RELATION TO ECONOMIC SUPPORT FOR BUSINESSES BETWEEN JANUARY 2020 AND JUNE 2022**

##### **Business Rates**

169. The Inquiry should note that HMT holds responsibility for strategic and fiscal decision making in relation to business rates. As a major tax on business property, HMT includes this in its wider tax policy framework (alongside corporation tax, VAT, etc.). Fiscal decisions about business rates (such as reliefs) are made in HMT, usually as part of the budget process. Decisions on business rates relief in relation to Covid-19 were, therefore, primarily made in HMT; beyond this, BEIS (now the Department for Business and Trade) was responsible for policy relating to business support throughout the pandemic, and led policy development in those areas.
170. The Department implements and manages the system in practice, including dealing with operational aspects, such as providing technical advice and producing guidance for LAs. During Covid-19, this meant that decisions on the design, scope and scale of the business rates schemes sat with HMT Ministers, with Department officials supporting HMT officials on technical and operational aspects of new schemes introduced during Covid-19.
171. Given business rates are a tax, the nature of support which can be provided differs to other areas of support, such as grants. When business rates relief is awarded the government is in practice just allowing businesses to retain money which they would otherwise have paid in taxes. The business does not, through business rates relief, receive money from the government which it has not generated itself from its own activities. This constrains the degree to which business rate relief can be used to support businesses – especially in times such as the pandemic when the business may be generating little revenue themselves. This is in contrast to a grant under which the government can provide the business with new and additional money.
172. Business rates, collected by LAs, are the way that those who occupy non-domestic property contribute towards the cost of local services. Since 1 April 2013 LAs have directly retained a portion of the business rates they collect locally. Business Rates Retention was introduced with two core principles: firstly, to reward local growth with the retention of a

portion of growth in business rates, and secondly, to ensure that core funding reflected relative need for each authority. Business Rates Retention splits business rates into two shares. Local government retains a local share, and a central share is paid over to central government, but this is still used to fund local government through grants. At the start of the system, the local and central share were split equally at 50:50. Since the set-up of the system several LAs have swapped existing grant funding for an increased local share of business rates. The money retained, together with revenue from council taxpayers, locally generated income and grants from central government, is used to pay for the services provided by LAs in their local areas. Therefore, when a relief is awarded to businesses, LAs would, without further intervention, suffer a financial loss given they retain a share of business rates directly through the business rates retention system. To offset that loss the Department administers a system of compensation payments to local government as part of its responsibility for stewarding the business rates retention system. The business reliefs introduced in response to Covid-19 were accompanied by such compensation to local government. Approval is needed from HMT to pay compensation to LAs.

173. Business rates information letters are also issued by the Department to Chief Finance Officers of English billing authorities at regular intervals throughout the year. I exhibit an example letter as (NH/102 - INQ000609029 - DLUHC010172106).

174. During the pandemic, a number of measures were introduced to support businesses, including increased reliefs from business rates (sometimes referred to as discounts and sometimes reliefs). I provide further information on these measures, and the Department's involvement in this work below.

#### **Business Rates Relief**

175. As set out at paragraph 169, the Inquiry should note that HMT holds responsibility for strategic and fiscal decision making in relation to business rates. The Department implements and manages the system in practice, including dealing with operational aspects, such as providing technical advice and producing guidance for LAs. During Covid-19, this meant that decisions on the design, scope and scales of the business rates schemes sat with HMT Ministers. Department officials supported HMT on technical and operational aspects of new schemes introduced during Covid-19, as laid out in further detail in this section.

176. Depending on individual circumstances, a ratepayer may be eligible for a rate relief (i.e. a reduction in their business rates bill). There is a wide range of reliefs available. One of the most valuable is the Small Business Rate Relief, which allows a ratepayer to receive

a reduction in their rates bill if their sole or main property has a rateable value which does not exceed an amount set out in regulations.

177. During the pandemic, the government provided an additional £16 billion of business rates relief to properties in the retail, hospitality and leisure sectors.

#### **Business Rates Retail Discount**

178. At the budget on 29 October 2018 the Chancellor announced that it would provide a business rates Retail Discount scheme to support small businesses (defined in the guidance as occupied retail properties with a rateable value of less than £51,000) in each of the years 2019-20 and 2020-21. The relief was capped by virtue of state aid rules at 200,000 Euros per undertaking over a three-year period. The purpose of state aid rules was to prevent governments from using public funding to favour specific companies or industries and thereby distorting competition. In this context a “discount” is just another word for a relief. Apart from properties that are exempt from business rates, each non-domestic property has a rateable value which is set by the Valuation Office Agency, an agency of HMRC.

179. In November 2018, the Department published guidance for LAs about the operation and delivery of the policy. The guidance also set out the eligibility criteria and the types of property that would be able to receive the discount (NH/103 - INQ000609030 - DLUHC010172097). The guidance set out that the value of discount should be one third of the bill and should be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants had been applied (Section 31 of the Local Government Act 2003 provides the power to make grants to LAs).

180. In a written ministerial statement on 27 January 2020 HMT Ministers announced that it would extend the value of the Retail Discount from one third of the bill in 2019/20 to 50% of the bill in 2020/21. Following the announcement, the Department published updated guidance for LAs (NH/104 - INQ000609031 - DLUHC010172094).

181. On 27 February 2020 HMT officials made a request to the Department to provide a breakdown of the estimated costs (or ‘costing note’) associated with providing support to areas affected by Covid-19 through a business rates discount (in this case, retail premises and pubs). Costing notes are used by HMT to assess the financial viability of proposals and to ensure transparency and accountability in public spending. The Department provided a costing note to HMT for retail premises on 28 February 2020 and a costing note for pubs on 2 March 2020, as well as an explanatory note (NH/105 - INQ000608903 - DLUHC009170205).

182. On 3 March 2020 HMT shared draft advice (NH/106 - INQ000608904 - DLUHC009170226) on options to provide support to businesses affected by Covid-19 through the business rates discount proposal. On the same day the Department provided feedback (NH/107 - INQ000608905 - DLUHC009170223) and HMT officials confirmed that the advice had been sent to the Chancellor. On 4 March 2020 HMT and Department officials met to discuss business rates. Actions for the Department included confirming costings on the measures and engaging with LAs to test the deliverability of the measures. The Department was also given an action to draft a letter for LAs to be issued following the announcement of the budget. On the same day, the Department shared draft guidance for LAs with HMT officials on the business rates discount for retail, leisure and hospitality settings.

183. On 5 March 2020 HMT officials approached the Department to agree wording on the number of businesses that would benefit from the proposed business rates relief offer. In response Department officials provided estimated figures that the Chancellor would be able to announce in the budget. HMT officials confirmed that the Chancellor agreed with the recommendations. (NH/108 - INQ000608907 - DLUHC009169996). On the same day the Department also provided HMT with LA feedback on the proposal, which highlighted that there would be difficulties in identifying eligible properties, particularly those in the leisure and hospitality industry, and that guidance should be prescriptive in order to help LAs easily identify eligible properties. Between 6 March and 9 March 2020 officials continued to support HMT to develop the guidance and determine the discounts that would be made available to eligible properties and announced by the Chancellor in the budget (NH/109- INQ000608906 - DLUHC010172121). The Department also agreed that it would publish a business rates information letter following the budget announcement (which was issued on 13 March 2020 (NH/110 - INQ000609032 - DLUHC010172103), as well as guidance on the reliefs (which was published on 18 March 2020 as set out at paragraph 187).

184. On 11 March 2020 the Chancellor presented the budget to Parliament. In response to Covid-19, the government announced that it would provide additional business rate support to some small businesses. The Chancellor announced, the following changes would take effect as a temporary measure for 2020/21:

- Increasing the level of the retail discount to 100 per cent for eligible retail businesses occupying a property with a rateable value of less than £51,000;
- Expanding the retail discount to include hospitality and leisure properties, with a rateable value of less than £51,000 (such as museums, theatres, gyms and hotels);

- Removing any limitation on the grant of relief by virtue of state aid. The government concluded, in discussion with the European Union, that given the impact of Covid in the sectors the relief was no longer state aid; and
- Increasing the level of the pubs discount to £5,000 for pubs with a rateable value less than £100,000.

185. On 16 March 2020, HMT provided the Department with an update (NH/111 - INQ000609230 - DLUHC009165661) on the work that had been carried out on business rates in response to Covid-19. This included increasing the retail discount to 100%, and expanding it to include hospitality and leisure settings. The note also included an update on considerations for further response options. On 17 March 2020 the Chancellor announced further economic support in response to the pandemic. (NH/112 - INQ000086739 - DLUHC010172082). These support measures included:

- An additional cash grant of up to £25,000 per business for businesses in the retail, hospitality and leisure sectors, with a rateable value of less than £51,000.
- Extending the business rates holiday to all businesses in the retail, hospitality and leisure sectors, irrespective of their rateable value.
- Increasing the £3,000 cash grants originally announced on 11 March 2020 to £10,000 to support over 700,000 small businesses with their cash flow.

186. Following the Chancellor's announcement the Department worked with HMT to develop guidance on the business rates relief measures (NH/113 - INQ000608916 - DLUHC008948182). On 18 March 2020 HMT provided a further update note (NH/114 - INQ000608917 - DLUHC009180278) on the business rates discounts, which recapped the expanded measures as announced by the Chancellor the day before. The note confirmed that the Department would publish guidance on the expanded retail business rates discount. The note also confirmed that subject to approval, the expanded retail business rates discount scheme would become a notified state aid (as referenced at paragraph 184) as well as confirming activity being undertaken by BEIS in relation to business grants.

187. The Department published its guidance on 18 March 2020 which introduced the business rates holiday for retail, hospitality and leisure businesses. The guidance set out that eligible businesses in the retail, hospitality and leisure sectors in England would not have to pay business rates for the 2020 to 2021 tax year. The guidance also set out that the businesses did not need to apply for the relief, and that LAs would automatically apply the discount (NH/115 - INQ000609034 - DLUHC010172096).

188. In addition, on 18 March 2020, the government also announced that many childcare providers would not have to pay business rates in 2020 to 2021. On 20 March the Department published guidance (which was updated on 2 April 2020) to help LAs implement and deliver the scheme.
189. On 20 March 2020, following an announcement from the Chancellor on a further series of measures to support people, jobs and businesses, SoS (Robert Jenrick) sent a letter to LA chief executives and LA Chief Financial Officers to provide further detail on the funding package. The letter provided confirmation that the Department had published guidance to LAs on the implementation of the Expanded Business Rates Retail Discount 2020-21. In the letter SoS encouraged LAs to issue revised bills to ratepayers as quickly as possible (NH/035 - INQ000090746 - DLUHC000667257).
190. Following the Prime Minister's (Boris Johnson) announcement on 23 March 2020 introducing national restrictions to limit the spread of Covid-19, on 25 March 2020 the government confirmed that some of the exclusions for the Business Rates Retail Discount had been removed, so that all retail, leisure, and hospitality properties that had to close as a result of national restriction measures would become eligible to receive the relief. This was to ensure that some businesses that were previously excluded but had to close due to national restrictions, such as estate agents, letting agents, betting shops and bingo halls, would be eligible for the relief (NH/116 - INQ000609035 - DLUHC010172098).
191. On 26 March 2020, in its regular Business Rates Information Letter to Chief Finance Officers of English billing authorities, the Department confirmed that a data collection exercise was being undertaken to allow the Department to calculate the compensation due to LAs (NH/102 - INQ000609029 - DLUHC010172106). On 2 April 2020, the Department issued updated guidance to reflect the expansion to the scheme. The guidance provided information on the types of properties that would benefit from the expanded relief. The Inquiry, however, should note that the guidance also set out that it would not be possible to list the many and varied uses that existed within the qualifying purposes, and that LAs were to determine for themselves whether particular properties were eligible for the relief under their local scheme. The Department also encouraged LAs to issue revised bills as quickly as possible to qualifying ratepayers, and to and confirm that they would not need to pay any rates for 2020/21 (NH/117 - INQ000608927 - DLUHC001818713).
192. Also on 2 April 2020, in its regular Business Rates Information Letter to Chief Finance Officers of English billing authorities, the Department confirmed that an exercise to allow the Department to collect the necessary data to calculate the amounts of s.31 grant

compensation due had been issued. Billing authority contacts were advised to complete the form by 9 April 2020 (NH/118 - INQ000609037 - DLUHC010172100).

193. On 3 February 2021, the Financial Secretary to the Treasury (Jesse Norman) made a written ministerial statement to Parliament (NH/119 - INQ000609038 - DLUHC010172108). The written ministerial statement asked billing authorities to consider waiting until the Chancellor had set out his plans at budget on 3 March 2021, before issuing bills for 2021/22. On the same day the Department communicated this update in its regular Business Rates Information Letter to Chief Finance Officers of English billing authorities (NH/120 - INQ000609039 - DLUHC010172101).

194. At the budget on 3 March 2021, the Chancellor announced that the government would provide additional business rates support for eligible retail, hospitality, leisure, and nursery businesses in England occupying a qualifying property. As a temporary measure for 2021/22 the Chancellor announced that:

- The Expanded Retail Discount (2020/21) would be extended for three months for eligible properties, at 100% relief, uncapped, for the period 1 April 2021 to 30 June 2021.
- From 1 July 2021 to 31 March 2022, the Expanded Retail Discount would apply at 66% relief for eligible properties in the scheme, with a cash cap of £2 million for businesses that were required to close as at 5 January 2021, and up to £105,000 for business permitted to open at that date.
- The Nursery Discount 2021 would also be extended for three months, at 100%, uncapped, for the period 1 April 2021 to 30 June 2021.
- From 1 July 2021 to 31 March 2022 the Nursery Discount would apply at 66% relief for eligible properties, with a cash cap of £105,000.
- For the Expanded Retail Discount 2021/22 and Nursery Discount 2021/22, businesses would be able to choose to opt out of support by providing billing authorities notification of their request to refuse support.

195. Following the Chancellor's announcement on 3 March 2020 the Department provided guidance on business rates measures as set out in the budget 2021 in its regular Business Rates Information Letter to Chief Finance Officers of English billing authorities (NH/121 - INQ000609040 - DLUHC010172102).

196. On 25 March 2021, the government announced plans to provide an additional business rates support package, worth £1.5 billion which was targeted to support business outside of the retail, hospitality, and leisure sectors who had been ineligible and unable to

benefit from the existing business rates relief interventions. The announcement set out that the £1.5 billion would be allocated to LAs, who would use their knowledge of local businesses and the local economy to make the awards (NH/122 - INQ000609008 - DLUHC000039708). On the same day, in its regular Business Rates Information Letter to Chief Finance Officers of English billing authorities the Department confirmed that it would provide further details and guidance on the additional support (NH/123 - INQ000609041 - DLUHC010172104).

197. At the budget on 27 October 2021, the Chancellor announced that the government would provide a package of business rates measures to support businesses in England. As part of the budget for 2022/23 the Chancellor set out details of a new relief for eligible retail, hospitality and leisure properties with 50% relief on rates bills up to £110,000 per business. On 1 November 2021 in its regular Business Rates Information Letter to Chief Finance Officers of English billing authorities the Department provided an update on business rates measures announced in the Autumn budget 2021 (NH/124 - INQ000609042 - DLUHC010172099). The letter set out that the scope of the discount for 2022/23 would return to pre-Covid-19 eligibility for retail properties. Hospitality and leisure properties would continue to remain in scope. Further details on the eligibility for the scheme would be included in guidance. The letter also provided information on HMT's review of Business Rates and the publication of its findings, which committed to making improvements to the business rates system. The government committed to conduct a fundamental review of business rates and published the terms of reference for the review at budget on 11 March 2020. The Inquiry should note that the review was not specific to Covid-19.

198. On 15 December 2021 the Department published guidance to LAs about the operation and delivery of the new Covid-19 Additional Relief Fund, first announced in the budget in March 2021. Individual LA allocations, calculated on the rateable value of each LA were also published alongside the guidance (NH/125 - INQ000609001 - DLUHC009221190) (NH/126 - INQ000608999 - DLUHC005788407). The fund was made available to support businesses affected by the pandemic that were ineligible for existing support linked to business rates. The Department also provided further information in its regular Business Rates Information Letter to Chief Finance Officers of English billing authorities on 15 December 2021. The letter set out that the Department had published guidance intended to support billing authorities in administering the Covid-19 Additional Relief Fund business rates scheme, and included information on the eligibility criteria and operation of the scheme (NH/127 - INQ000609000 - DLUHC009221189).

199. On 20 December 2021 the Department published guidance to support billing authorities in administering the 2022/23 Retail, Hospitality and Leisure Business Rates Relief Scheme, announced in the budget on 27 October 2021. The guidance also provided information on the eligibility criteria for the scheme (NH/128 - INQ000609026 - DLUHC010172078).

#### **Reductions in rateable values for Material Changes of Circumstances**

200. Rateable values are updated at general revaluations with the most recent being in 2023 when rateable values were based on the rental market value at 1 April 2021 (known as the valuation date). At the time of Covid-19, the most recent revaluation was in 2017 based on the market at 1 April 2015. At the time no further revaluation was planned until 2021 which was subsequently delayed to 2023.

201. Between revaluations rateable values can only be changed to reflect material changes of circumstances including, for example, physical changes to the property or the locality. In March 2020 officials, working with HMT, considered whether Material Changes of Circumstances could provide a means of support for businesses in relation to Covid but noted concerns regarding the time taken for Material Changes of Circumstances to be resolved and the likely limited scope (see (NH/107 - INQ000608905 - DLUHC009170223). Material Changes of Circumstances reductions were not included in the package of business rates support announced – the government choosing to favour relief which it could control, target and deliver quickly.

202. During 2020 and 2021 the Valuation Office Agency, an agency of HMRC, started to receive litigation cases (commonly called appeals) from many ratepayers seeking reductions in rateable values for Material Changes of Circumstances. They suggested that the Covid-19 pandemic and the government's interventions (e.g. to require business closures and/or social distancing) should constitute Material Changes of Circumstances. On 25 March 2021 Minister Luke Hall made a written ministerial statement (NH/129 - INQ000609044 - DLUHC010172119) announcing the government's intention to legislate to ensure that the government's response to Covid-19 including restrictions on the use of property could not give rise to Material Changes of Circumstances reductions. He noted that relying upon MCCs to support businesses with the pandemic was not the right mechanism. These appeals would seek to reduce rate bills and funding for local councils, based on the estimated impact of Covid-19 on the market value of a property, and not on the economic circumstances of the business. This system was not designed to address the challenges of the pandemic and would mean significant amount of taxpayer support going to businesses based in offices – like banks, large online retailers, technology

businesses and law firms – many of whom were able to operate successfully throughout the pandemic. Instead the government continued to provide support through reliefs.

203. The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 was introduced into Parliament on 12 May 2021 and received Royal Assent on 15 December 2021. Section 1 of the Act gave effect to the Minister's announcement on 25 March 2021. Section 1 had retrospective effect for the duration of the 2017 rating list. Similar changes to legislation were subsequently made by section 14 of the Non-Domestic Rating Act 2023 to ensure that changes in legislation, guidance or similar could not generally give rise to a Material Change of Circumstances.

### **BEIS Grant Schemes**

204. During the pandemic BEIS implemented a series of grants, administered by LAs, aimed at supporting small businesses in England, with HMT determining the key features of each scheme. The schemes included (but were not limited to):

- Small Business Grant Fund
- Retail, Hospitality and Leisure Grant Fund
- Local Authority Discretionary Grant Fund

205. The Inquiry should note that HMT had fiscal responsibility for determining how government would support businesses, deciding the features of each scheme, including the eligibility criteria and the overall amount of support provided. BEIS held responsibility for the overall development and implementation of the schemes, working with LAs who were responsible for making grant payments to businesses in their areas that met the eligibility criteria. HMT and the Cabinet Office also led on when the schemes were announced and delivered, based on the developing response to pandemic. The Department provided technical advice to support HMT and BEIS in the design of the schemes and support the calculation of funding payments from BEIS to LAs to implement the schemes. The Department had no direct accountability or responsibility for the grant schemes. The Inquiry should note that references to work carried out by the Cities and Local Growth Unit — which was a unit jointly managed by BEIS and this Department, as set out at paragraphs 34–35 — relate to outputs for which BEIS ultimately held responsibility. Separately, where this section makes any further references to the work of the Department, this pertains specifically to input provided by officials from the Department's Local Government Finance Directorate.

206. To support the BEIS-led development of the schemes, Department officials provided detailed knowledge of the Business Rates system (owing to the Department's role in

managing the system as set out at paragraph 170). Working with BEIS and the Valuation Office Agency, officials in the Department's Local Government Finance Directorate helped to define the potential numbers of eligible businesses, which allowed BEIS to estimate the level of funding to be supplied to individual councils. These discussions helped inform the decisions taken by BEIS Ministers, who were ultimately accountable for the delivery and performance of the schemes, as well as helping to shape the advice that HMT gave to the Chancellor on designing grant schemes, which BEIS later implemented.

207. Officials from the Department's Local Government Finance Directorate also helped BEIS to connect with the right local leaders and invite councils to meetings about the grant schemes. This input supported BEIS's coordination of delivery and helped them in engaging councils at key stages. For example, BEIS Ministers wanted to speak with councils that were slower to distribute grants, to understand the challenges and stress the need for speed. MHCLG Ministers also shared updates on the grant schemes during their talks with councils.
208. Officials from the Cities and Local Growth Unit provided capacity to finalise scheme design, working with LAs. For example, by convening the Small Business Grant Scheme Advisory Group, the purpose of which was to support the implementation of the Small Business Grant Scheme through LAs. (NH/130 – INQ000625646 - DLUHC009327306). This brought together expert stakeholders, including local government representatives, the LGA, the Institute of Revenues Rating and Valuation, and the Chartered Institute of Public Finance & Accountancy to help develop a standardised approach that would reduce the administrative burden on councils while ensuring timely delivery of funding to businesses.
209. Officials from the Department's Local Government Finance Directorate provided input into guidance and supporting materials – including checks and controls – which were developed and published by BEIS for LAs on how the schemes should operate. Final accountabilities rested with BEIS Ministers and the BEIS Permanent Secretary. The Department provided advice to its own Ministers on bringing forward grant payments through a ministerial direction in March 2020. Further information on this is set out at paragraphs 241 – 244.
210. LAs were responsible for assessing which businesses were eligible in line with the guidance and making the payments, noting that BEIS set the rules, but councils took the decisions about which businesses fell in scope of support. Grant amounts varied depending on how many eligible businesses were in each area. For the devolved governments, the Inquiry should note that they received funding based on the Barnett formula and were not subject to the grant-scheme design for England. This allowed them

to develop schemes as they saw fit for their circumstances and use national delivery routes where these existed.

211. In total, government created eight separate schemes giving grants in 2020-21 and 2021-22. As understood by the Inquiry, these can be grouped into three separate 'cohorts', primarily corresponding to significant waves of Covid-19 restrictions. A summary of the Department's role in supporting HMT and BEIS in the development of these schemes is provided below. The Inquiry will note that this primarily related to (i) work undertaken by the Cities and Local Growth Unit, jointly managed and resourced with BEIS as outlined above; and (ii) cohort one and two schemes, with BEIS creating an internal team in the Summer of 2021 to lead on the management of legacy grants and the implementation of any new or ongoing schemes. As set out in paragraph 205, the Cities and Local Growth Unit was a jointly managed unit between the Department and BEIS. This, alongside the collaborative nature of the pandemic response, means that it is difficult to clearly define inputs to this work for each individual department. However, BEIS were ultimately responsible for the development and implementation of the business grant schemes.

***Cohort One (Schemes announced March 2020 – May 2020)***

212. Following a steer from the Chancellor, on 7 March 2020 HMT contacted the Department to request options for providing grants to support Small and Medium-sized businesses as part of a potential Covid-19 budget package. They were considering delivery through LAs and asked for initial thoughts on eligibility criteria, funding levels, and practical considerations for implementation. (NH/131 – INQ000625641 - DLUHC009326074) Following this request, the Department and BEIS through its joint Cities and Local Growth Unit, began working with HMT to develop a proposal. On 10 March, HMT met with the Chancellor to discuss business support for the Budget. Following the meeting HMT confirmed that the Chancellor wanted to offer a grant to all businesses receiving Small Business Rates Relief or Rural Rates Relief. HMT requested urgent help in shaping the proposal, ahead of the budget announcement the following day. Following the meeting, officials from the Cities and Local Growth Unit developed and submitted a draft scheme design to HMT, which I exhibit as (NH/132 - INQ000608909 - DLUHC001811130) . The draft scheme design submitted by the Cities and Local Growth Unit set out that BEIS and the Department had agreed in principle to an approach to provide support to small businesses in response to Covid-19, which would eventually be administered by BEIS, as set out below. The eligible businesses were defined as those in receipt of Small Business Rate Relief and Rural Business Rate Relief. Prior to the announcement of the budget, Cities and Local Growth Unit officials continued to work on the design of the scheme. On 11 March 2020 it was agreed that BEIS would administer

the scheme as part of their overall responsibility for business support (NH/133 - INQ000608910 - DLUHC009168967).

213. At the budget on 11 March 2020 the government announced that it would provide £2.2 billion of funding for LAs in England to support small businesses. This funding was to provide £3,000 to over 700,000 business eligible for Small Business Rate Relief or Rural Rate Relief, to help meet their ongoing business costs whilst dealing with the impact of Covid-19. On 17 March 2020, the Chancellor announced that this would increase to £10,000 per business. Further information on this increase is set out at paragraph 217 (this first scheme eventually became known as the Small Business Grant Fund).
214. Cities and Local Growth Unit officials also consulted local government in the operationalisation of the scheme. Following the budget announcement, an official-led meeting took place with the LGA, it was noted that the LGA and individual LA chief executives responded positively to the proposed financial support measures. They recognised the need for close collaboration with government and agreed that swift implementation was essential, and that government would work with LAs on implementation, to ensure funds reached the appropriate businesses.
215. Following a meeting with LA chief executives on 12 March 2020, on 13 March Cities and Local Growth Unit officials provided an update to BEIS SoS's private office, which set out that the call with local government chief executives was constructive and the announcement was positively received. There were questions regarding the practical implementation of the scheme, and officials were transparent in expressing a desire to co-design a process that minimised the administrative burden whilst ensuring rapid support to businesses. The update also set out that the Local Government Association had offered to coordinate further engagement by convening a group of experts in business rates, finance, and compliance, with follow-up discussions scheduled for the following week. In response, on 15 March Cities and Local Growth Unit officials were informed that BEIS SoS wanted LAs to be ready to release funding by 6 April, as some businesses were already thought to be in difficulty (NH/134 – INQ000625642 - DLUHC009326898).
216. On 16 March 2020, officials from the Department's Local Government Finance Directorate provided information to officials from HMT, BEIS, and the Valuation Office Agency on operational aspects of the scheme, as well as key stakeholders to engage; and advice on the number of businesses in scope, which HMT used to provide advice to the Chancellor on the overall costs of the scheme. (NH/135 – INQ000625643 - DLUHC009326395)

217. Following the Chancellor's initial announcement on 11 March 2020 that eligible small businesses would receive £3,000 (the Small Business Grant Fund), Cities and Local Growth officials were informed by HMT on 17 March that the Chancellor wanted to increase this and provide a flat rate of £10,000 per business to better support business cash flow. This was announced by the Chancellor on 17 March alongside a second scheme that would provide businesses in the retail, hospitality and leisure sectors with an additional cash grant of up to £25,000 per business. This scheme was separate to the Small Business Grant Fund, and eventually became known as the Retail, Hospitality and Leisure Grant Fund. (NH/136 – INQ000625644 - DLUHC009331641)
218. On 18 March 2020, officials from the Department's Local Government Finance Directorate provided BEIS and HMT with cost modelling advice designed to help HMT estimate the likely cost to government of the Small Business Grant Fund. (NH/137 – INQ000625645 - DLUHC009326386)
219. It used eligibility projections informed by historical take-up data to provide scenario-based estimates, supporting decisions on scheme design, affordability, and risk management. On the same day, HMT asked the Cities and Local Growth Unit, with input from the Department, to produce detailed guidance for the two grant schemes (the £10,000 Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund, which paid up to £25,000 per business). This included finalising eligibility criteria such as exclusions for private use, and grant amounts per property. The Cities and Local Growth Unit was also tasked with sharing a draft of the guidance with a group of LAs.
220. On 20 March 2020, in further discussion with BEIS and HMT regarding estimates for grant payments, the Department explained that the calculations were completed, but it was highlighted that relying on estimated data carried risks. It was noted that, regardless of which department would be operationally responsible for administering the payments — a matter still under discussion between MHCLG, BEIS, and HMT - the figures would remain estimates unless revised using actual outturn data. This operational question sat alongside the already agreed position that overall accountability for the scheme would rest with BEIS. As such, a data collection exercise from LAs would be essential to identify any discrepancies. BEIS and HMT were asked to confirm they were comfortable with this approach and understood the associated risks. In response, HMT confirmed they were content to proceed on the basis of the available estimates, given the urgency of getting funding to LAs. They stated that any underspends should be returned to government, and if the estimates proved too low, they committed to providing additional funding. (NH/138 – INQ000625647 - DLUHC008952884) On the same day, Cities and Local Growth Unit officials provided an update to SoS (Robert Jenrick) and Minister Simon Clarke which

advised that work was ongoing with LAs to deliver the grants, and the aim was to transfer the funds on or before 1 April. The submission also set out that draft guidance for both schemes had been produced. The submission also confirmed that a letter for BEIS SoS to send to LAs outlining the funds has been drafted and would be sent shortly thereafter. (NH/139 – INQ000625648 - DLUHC009330725)

221. Over the weekend of 21 March to 22 March 2020, Cities and Local Growth officials, working with officials from the Department's Local Government Finance Directorate worked at pace to finalise scheme design, and provide urgent updates requested by BEIS SoS on the work being done to ensure that LAs would be ready to make the payments to businesses.
222. Officials from the Department's Local Government Finance Directorate Department also continued to provide input into refining the draft guidance and, on 23 March 2020, provided an update to HMT and BEIS on the work being done to support LAs, as well as the efforts underway by LAs themselves. (NH/140 – INQ000625649 - DLUHC009326512). On the same day, the Department submitted an estimate to HMT of the costs of delivering the grants, which included LA-level figures and applied adjustment factors to account for uncertainties in business eligibility. (NH/141 – INQ000625650 - DLUHC009326500) In parallel, Department officials continued to feed into the development of the guidance, as well as a letter from the SoS for BEIS, which was issued to LAs on 23 March, setting out the Government's expectations and approach to delivering the grant schemes. On 24 March 2020 the Department provided an updated estimate of the costs of delivering the grants which included casinos, gambling and betting properties.
223. In its regular Business Rates Information Letter to Chief Finance Officers of English billing authorities on 26 March 2020, the Department confirmed that these schemes were being fully funded by the government, and would be administered by LAs. The letter also set out that Section 31 grant payments would be made to LAs on 1 April 2020 (NH/102 - INQ000609029 - DLUHC010172106).
224. These two initial schemes (the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund) ran until the summer of 2020. Alongside these, a discretionary scheme, formally known as the Local Authority Discretionary Grants Fund, was announced in May 2020, forming the first cohort of COVID-19 business support grants. Whilst these schemes were operational, the ongoing role of Cities and Local Growth officials included continuing to support discussions and updating guidance for LAs, as well as tracking payments and managing fraud and error risk. The most significant change introduced in Cohort One was the recognition that gaps in support were affecting parts of the supply

chain and businesses that, although not directly eligible for funding, were still impacted by the forced closure of other businesses. This included businesses that did not pay business rates directly—such as tenants in shared buildings where the landlord was the ratepayer. To address this, the Government introduced the Local Authority Discretionary Grant Fund, which gave councils the flexibility to support these types of businesses. LAs were considered best placed to understand the specific needs and challenges of businesses in their area.

225. Work on the Local Authority Discretionary Grant Fund was initiated on 20 April 2020, when HMT contacted BEIS and the Department asking for support in providing advice to the Chancellor on whether the business grants schemes could be extended to include businesses operating in shared buildings. (NH/142 – INQ000625651 - DLUHC009337333) This was in response to concerns that some small businesses, which would otherwise be eligible for the grants, were not receiving them because they rented part of a larger overall space. In response, officials from the Department’s Local Government Finance Directorate brought in the Valuation Office Agency to help advise on whether business grants could be extended to firms in shared buildings. The Department explained that the current business rates system did not cover those businesses because they did not have their own separate rating assessments (this was typically due to them not having enough control or permanence over the space) which would have made it difficult to use the existing system to identify eligible businesses. The Department noted that creating a new test to include them could have had broader implications and would need further advice from the Valuation Office Agency. The following day the Department provided further advice which explained that whether businesses in shared buildings qualified for grants depended on specific details—such as how permanent their use of the space was and how much control they had over it. The advice set out that many users of shared spaces, like short-term renters or concessions, did not meet the criteria for separate business rates, which would make it hard to include them in the scheme. The Department suggested that more detailed work with industry experts would be needed before any new approach could be considered workable. (NH/143 – INQ000625652 - DLUHC009335788)
226. On 23 April 2020, HMT confirmed that the Chancellor was considering creating a discretionary grant pot for LAs and had requested further advice on the potential design of a new scheme. The Department, as well as HMT and Cities and Local Growth colleagues, were asked to provide comments on the proposal, and to test the potential criteria with selected LAs.
227. On 24 April 2020, following conversations between departments, and with a small number of LAs, the Cities and Local Growth Unit provided initial thoughts on a scheme

design. (NH/144 – INQ000625653 - DLUHC009333856) On 28 April 2020, HMT shared a draft of the final proposed criteria, confirming that the Chancellor wanted to go ahead with the scheme. The Chancellor approved an extra £617 million (a 5% uplift) to give LAs more flexibility to support businesses that were not covered by the previous two grant schemes (the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund). Because the funding allocation to councils was based on estimated Valuation Office Agency data and some LAs were over-allocated funding, they were permitted to use the over-allocated funding to fund the Local Authority Discretionary Grant Fund up to the 5% threshold. LAs that had been under-allocated funding, or which had less than 5% of business grant fund allocation remaining, were allocated additional funding to ensure they received the full value of the extra 5%. As with the other Cohort 1 business grants, BEIS were accountable for the implementation of the scheme.

228. This funding was intended to help specific groups, such as businesses in shared offices, B&Bs paying council tax (rather than business rates), and certain charities, but as the fund was discretionary, councils could also use it to support other local cases. On 1 May 2020 HMT shared formal confirmation of the scheme, confirming that the Chancellor and BEIS SoS had approved the scheme. Guidance on the scheme was published on gov.uk on 4 May 2020.

***Cohort Two (Schemes announced September 2020 – December 2020)***

229. The schemes announced in Cohort Two were developed in alignment with the Government's broader Covid-19 control measures, particularly the tiering system. The primary aim of these schemes was to mitigate the economic impact of mandatory business closures, focusing support on areas experiencing the highest levels of Covid-19 infections and, consequently, the greatest concentration of affected businesses.

230. As with the schemes announced in Cohort One, officials from the Department's Local Government Finance Directorate supported HMT and BEIS (including Cities and Local Growth Unit colleagues) to develop the schemes. This work was carried out in parallel with the evolving tiering system and included support for HMT in assessing the overall cost of the grants. HMT provided advice to the Chancellor on grant scheme design and BEIS were financially accountable and, through the Cities and Local Growth Unit, managed the implementation of the schemes, with technical support from the Department's Local Government Finance officials.

231. On 9 September 2020, the Department was informed through Cities and Local Growth Unit colleagues that the Chancellor intended to introduce a new grant scheme to support businesses forced to close due to local lockdowns, aiming to match the support already

offered by the Scottish Government. (NH/145 – INQ000625655 - DLUHC009133204) HMT determined the details of the scheme, and BEIS was asked to take ownership of its delivery, including preparing detailed guidance to ensure it could be implemented swiftly when needed. In response officials from the Department's Local Government Finance Directorate explained that existing grant data could not reliably identify which businesses would qualify for support under a local lockdown scheme, as the available information lacked detail on business types and closures. Officials considered whether property classification data could help narrow down eligible businesses, such as pubs, but noted limitations. To explore this further, they brought in the Valuation Office Agency to advise on which property categories might be used to identify affected businesses and help assess the feasibility of making estimated payments to LAs.

232. The Department also highlighted the need to set a fixed date for determining eligibility for local lockdown grants (similar to the 11 March 2020 cut-off used in earlier schemes) to ensure consistency and avoid long delays from appeals. (NH/146 – INQ000625654 - DLUHC009133078) The Department also approached the Valuation Office Agency to help assess whether property data could identify eligible businesses. Officials also suggested considering exclusions used in earlier schemes to future-proof the guidance.

233. In partnership with the Valuation Office Agency, the Department supported BEIS in determining the appropriate level of funding to be allocated to LAs, using Valuation Office Agency data and information from the Business Rates system, consistent with the approach taken for Cohort One. This close collaboration enabled the rapid calculation and distribution of tailored grant allocations to councils. Guidance was published by BEIS on the Local Restrictions Support Grant on 24 September 2020.

234. With the announcement of a second national lockdown in November 2020, schemes reverted to the national structure of Cohort One grants, with the Additional Restrictions Grant Fund providing councils with the ability to make discretionary grants to businesses and thus to address specific circumstances in their area. The Additional Restrictions Grant was announced by the Chancellor on 31 October 2020 and designed by HMT and BEIS to support businesses not covered by other Covid-19 grant schemes or those facing severe impacts. Guidance for LAs was published by BEIS on 3 November 2020, setting out how they could use the funding to provide discretionary grants or wider business support. LAs were given flexibility to design and deliver local schemes, including setting eligibility criteria and determining the value of grants, within the framework provided.

235. Some gaps in support were also addressed through targeted measures, such as the Christmas Support Payment for “wet-led pubs” over the 2020/21 holiday period. Since wet-led pubs were not specifically identified in the business rates system, officials from the Department’s Local Government Finance Directorate provided input to help BEIS define eligibility based on the proportion of a pubs food sales, supporting efforts to ensure funding reached the intended businesses. As with the previously mentioned schemes, BEIS held overall responsibility for the design and delivery of the Christmas Support Payment.

236. The Christmas Support Payment for wet-led pubs was announced by the Chancellor on 1 December 2020 and aimed to support pubs in Tier 2 and Tier 3 areas that derived less than 50% of their income from food. The scheme offered a one-off grant of £1,000 and was administered by LAs, who were responsible for identifying eligible businesses and managing payments. Guidance was published by the BEIS on 11 December 2020, setting out eligibility criteria, grant values, and LA responsibilities.

***Cohort Three (Schemes announced March 2021 & December 2021)***

237. The Inquiry should note that BEIS took responsibility in designing and implementing Cohort Three grant schemes, creating an internal team in the summer of 2021 to lead the implementation and management of the new and legacy grants. To the best of the Department’s knowledge, the Department does not hold any material to evidence that there was a role for the Department in the design or development of these schemes, beyond signposting the guidance for LAs on the new grants.

238. The Department understands that the decision to announce the new Restart Grant was taken by HMT in the lead-up to the Spring Budget in 2021. On 28 February 2021, the Department was advised via the Cities and Local Growth Unit that the Chancellor was preparing to announce the next instalment of business support grants. An embargoed press notice confirmed that non-essential retail businesses would receive a one-off grant of up to £6,000, while hospitality, leisure, and accommodation businesses—expected to reopen later—would receive up to £18,000. Grants would be administered by LAs.

239. The Restart Grant scheme was formally announced by the Chancellor on 3 March 2021 as part of the Spring Budget. The scheme provided one-off grants of up to £6,000 for non-essential retail businesses and up to £18,000 for hospitality, leisure, accommodation, personal care, and gym businesses, with amounts tiered by rateable value. Official guidance was published by BEIS on 17 March 2021, setting out the framework for delivery. LAs were responsible for administering all grant funding, including making decisions on eligibility and the value of the grant to be paid, in line with the published guidance.

240. The Omicron Hospitality and Leisure Grant was announced by the Chancellor on 21 December 2021 in response to the impact of the Omicron Covid-19 variant on customer-facing sectors. The scheme was designed by HMT and BEIS to provide one-off grants of up to £6,000 to eligible hospitality, leisure, and accommodation businesses in England. Guidance for LAs was published by BEIS on the same day, setting out eligibility criteria, grant thresholds, and delivery expectations. LAs were responsible for administering the funding, including verifying eligibility and determining the appropriate grant amount in line with the published framework.

***Bringing forward of existing Business Rates Grants***

241. The government initially planned to begin making grant payments to LAs in April 2020. However, on 18 March 2020, the Department set out concerns in a submission to SoS (Robert Jenrick) about LA cashflow problems, related to business rates income. To address LA cashflow pressures the advice recommended to pay business relief grants up front, rather than through instalments. This advice was provided as part of the submission to SoS on the proposed approach to distributing the first tranche of unringfenced LA funding, worth £1.6 billion, as referenced at paragraphs 78-86. The advice set out that the Department was seeking HMT agreement to bring the grant forward, and that further advice would follow (NH/029 - INQ000090769 - DLUHC000667380).

242. In a letter to SoS (Robert Jenrick) on 23 March 2020, the Permanent Secretary (Jeremy Pocklington) set out that as businesses were facing cash flow issues brought on by lower than expected income and higher expenditure across services as a result of the spread of Covid-19, there was a case for providing LAs the means to make payments quicker in order to support the wider economy.

243. To address this, the Department proposed bringing forward the business rates relief compensation grant. These advanced payments would be used to support cashflow issues which businesses were facing because of the spread of Covid-19. The advance would also ensure that businesses would be able to make cash payments swiftly at the end of the month to support the wider economy (NH/057 - INQ000582567 - DLUHC000041755).

244. On the same day SoS (Robert Jenrick) agreed with the proposal and authorised the bringing forward of the payment through a ministerial direction, following the Permanent Secretary's request to do so in his letter of 23 March 2020. (NH/058 - INQ000582568 - DLUHC009330367).

245. The request for a direction for advancing payments from the 2020/21 financial year to 2019/20 was made because taking that action would have resulted in the Department breaching the agreed spending limits set by Parliament for MHCLG in 2019/20, and as

such the proposed payment required a specific ministerial direction. The effect of the ministerial direction is that the Minister is accountable to parliament for how the money is spent instead of the Permanent Secretary.

### **Business Improvement Districts**

246. A Business Improvement District is a defined area in which a levy is charged on all eligible business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area. Prior to the pandemic, the Department had a role in supporting high streets, including establishing the legislative framework for Business Improvement Districts in 2004. I do not provide further detail on the creation of Business Improvement Districts, as this falls outside the scope of the period under examination in Module 9. During the pandemic the Cities and Local Growth Unit (a team jointly managed by BEIS and the Department) drafted legislative provisions in the Coronavirus Act 2020 to enable the extension of Business Improvement District arrangements. The Department led on administering a £6.1 million funding package to help maintain local economic resilience and support Business Improvement Districts. These are set out briefly in turn.

247. On 23 March 2020, emergency legislation was introduced by the Secretary of State for Health and Social Care (Matt Hancock) in the form of the Coronavirus Act 2020. Among the provisions was a measure to support Business Improvement Districts by enabling the extension of Business Improvement District arrangements due to terminate between 25 March and 31 December 2020, allowing them to continue until 31 March 2021 (enabling businesses to focus on recovery before deciding whether to re-commit to Business Improvement District arrangements) (NH/147 - INQ000608919 - DLUHC009330274). This provision was drafted by officials from the joint Cities and Local Growth Unit (which was jointly managed by the Department and BEIS as set out at paragraph 34-35).

248. On 30 April 2020, the Department secured an agreement with HMT to repurpose some of the Resource Departmental Expenditure Limit from the Towns and Future High Streets Funds to support Business Improvement Districts in covering core costs for 3 – 6 months (information on High Street Funds is provided below from paragraph 249). Resource Departmental Expenditure Limit refers to the multi-year limits set by HMT on government departments' spending on public services, administration, and grants. On 1 May 2020, Minister Simon Clarke announced that £6.1 million of funding would be paid to LAs and dispersed to Business Improvement Districts to spend on projects, helping local economies through the uncertainty of the coronavirus pandemic (NH/148 - INQ000609025

- DLUHC010172086), and this funding was paid out to 142 LAs in June 2020 (NH/149 - INQ000608965 - DLUHC009012336).

### **High Street Funds**

249. On 26 December 2020, SoS (Robert Jenrick) announced that £830 million had been allocated from the Future High Streets Fund to 72 successful bids (57 of which received provisional funding, which was confirmed on 19 May 2021). Whilst the Future High Streets Fund had been launched in 2018 and was not designed to respond to the pandemic, these funds were used to support areas to recover, financing projects such as repurposing underutilised spaces on the high street, improving transport infrastructure and connectivity, and investing in existing community facilities, services and local landmarks.

250. On 24 May 2020 the Department announced the £50 million Reopening High Streets Safely Fund (subsequently the Welcome Back Fund, detailed below) for LAs, which used uncommitted funding from the European Regional Development Fund, managed by the Department. The Reopening High Streets Safely Fund was intended to help councils in England introduce a range of safety measures in a move to kick-start local economies, get people back to work and customers back to the shops (NH/150 - INQ000609024 - DLUHC010172085). The Department was responsible for the delivery of the programme including the distribution of grants to LAs. LAs were able to begin to deliver activities supported by the fund from 1 June 2020, with funding allocated until 31 March 2021.

251. On 29 December 2020, SoS (Robert Jenrick) approved the extension of the Reopening High Streets Safely Fund given that additional European Regional Development Funding had become available, on the basis that the scope of the fund be expanded to include events and marketing to encourage a return to areas once restrictions had been lifted. The name was therefore changed to the Welcome Back Fund. On 20 March 2021, SoS (Robert Jenrick) announced the £56 million Welcome Back Fund to help councils boost tourism, improve green spaces and provide more outdoor seating areas, markets and food stall pop-ups (NH/151 - INQ000609023 - DLUHC010172084). LAs had until March 2022 to deliver this funding with measures able to last whilst restrictions were in place.

### **Local Growth Fund and Getting Building Fund**

252. The Local Growth Fund was announced in 2013 as a £12 billion funding pot aimed at delivering a range of initiatives to support local economic growth. It brought together funds from several government departments into a single pot and was given to local areas through Local Enterprise Partnerships, who had responsibility for determining how funding should be best spent to meet local needs. There were 3 rounds of the fund between 2015

and 2021, totalling £12 billion. Of this, £7 billion was flexible funding which was overseen, managed and allocated by the Department. The remaining £5 billion was managed by other government departments/agencies including DfT. The Getting Building Fund was led by the Department and announced in 2020, aimed at supporting the economic recovery to the Covid-19 pandemic. The Getting Building Fund was designed to provide short-term economic growth at a time when the Office for Budget Responsibility was predicting a recession and high unemployment, and when the construction sector was effectively halted due to Covid-19 lockdowns. The Getting Building Fund invested in 'shovel ready' projects, meaning that it was designed primarily to get existing projects or well-developed proposals moving, with a £900 million Covid-19 recovery fund.

253. The Getting Building Fund was delivered using processes established under the Local Growth Fund. The Inquiry should note, however, that whilst both funds used the same delivery processes, and delivered similar interventions, the context and rationale for the two schemes were different. I therefore do not provide further information relating to the Local Growth Fund, as this was primarily delivered prior to the period in scope for Module 9, and it was not a specific intervention to tackle the economic impacts of Covid-19. A summary of the Getting Building Fund is set out below.

254. On 2 June 2020 SoS (Robert Jenrick) received advice following a commission from HMT for the Department to lead on the development of a process that would allow local areas to submit proposals for local infrastructure projects, that could be delivered by March 2022. The main objective was to identify strong local projects, deliverable over 18 months, which could aid the recovery from Covid-19. The advice set out that the Department would only be able to lead the process if HMT were willing to commit new funding. The advice therefore recommended that SoS ask HMT to make at least £600 million available to support the process (NH/152 - INQ000609006 - DLUHC000041371).

255. On 8 June 2020 Department officials submitted a strategic outline business case to an MHCLG Investment Sub-Committee (NH/153 - INQ000608961 - DLUHC001764898). Officials set out that funding of £600 million was being considered, and the final sum would be determined once the Department understood from Local Enterprise Partnerships what proposals the funding could support (NH/154 - INQ000608960 - DLUHC001764895). Therefore, the Investment Sub-Committee were also asked to approve a draft letter for circulation to Local Enterprise Partnerships and Mayoral Combined Authorities which would ask them to put forward projects that could potentially be supported. The strategic outline business was approved by the Investment Sub-Committee on 10 June 2020.

256. On 10 June 2020 SoS (Robert Jenrick) wrote to Mayors and LEP Chairs, seeking applications for local infrastructure projects and the criteria which would need to be demonstrated for the types of projects government would be willing to fund, emphasising that they needed to be deliverable with the funding spent within 18 months (NH/155 - INQ000609007 - DLUHC000041388).
257. On 18 June 2020 Department officials gave an update to the Investment Sub-Committee, reattaching the strategic outline business case and explaining that officials would be assessing the returns to: (i) understand what projects were deliverable; (ii) determine the allocation methodology; and (iii) recommend the potential funding level that could support the proposal (NH/156 - INQ000608972 - DLUHC009529723).
258. On the 25 June 2020 the Department undertook analysis of 39 proposals received from Mayoral Combined Authorities and Local Enterprise Partnerships. 824 projects passed the deliverability test and fitted with the strategic objectives set out in the letter from SoS (Robert Jenrick). The projects amounted to a quantum of circa £3.9 billion, with £1.54 billion in 2020/21, and £2.4 billion in 2021/22. This showed that there was a case for funding local infrastructure projects in the range of £600 million, with possibility of reviewing the case for increasing the total quantum to £1.2 billion (NH/157 - INQ000608970 - DLUHC009352673).
259. On 25 June 2020, officials sent an update to the Investment Sub-Committee to set out the overall approach to allocating funding to each of the 39 Mayoral Combined Authorities and Local Enterprise Partnerships to ensure each place received a fair share (NH/158 - INQ000608971 - DLUHC009529722). The approach to funding was based in part on a per capita allocation for each Local Enterprise Partnership or Mayoral Combined Authorities which could then be adjusted based on need, as set out in the update to prioritise funding to places most affected by Covid-19, and to provide flexibility on the allocation method, for example to give more weighting to resilience over exposure.
260. On 30 June 2020 the Prime Minister (Boris Johnson) made an announcement which laid out a number of interventions aimed at boosting economic recovery. As part of the announcement the Prime Minister set out that funding of £900 million would be made available for £900 million for a range of 'shovel ready' local growth projects in England (NH/159 - INQ000609022- DLUHC010172115).
261. On 9 July 2020 an update was provided to Minister Simon Clarke setting out how applications were progressing and a timeline for Ministers to give final approval commencing 20 July 2020 (NH/160 - INQ000608973 - DLUHC009520398). The update set out that the announcement of the £900 million in funding had been well received, and

Cities and Local Growth Unit officials were supporting Local Enterprise Partnerships and Mayoral Combined Authorities to agree final project lists. A summary of discussions with Local Enterprise Partnerships and Mayoral Combined Authorities was also provided. This included an update on the following areas:

262. In the North East and Yorkshire and the Humber all Local Enterprise Partnerships and Mayoral Combined Authorities were progressing well and not expecting any issues.

- In London and the South East most Local Enterprise Partnerships and Mayoral Combined Authorities were making good progress; it was noted that some initial worries about allocation from Thames Valley Berkshire had been addressed.
- The North West region was making good progress, however, it was noted that Liverpool City Region were disappointed with the size of the allocation given their scale of ambition, but recognised they could still fund key projects.

263. Challenges were noted in West Midlands to agree projects between the Mayoral Combined Authorities and three Local Enterprise Partnerships, however it was noted that agreement was expected to be reached:

- In the East Midlands and East of England the majority of Local Enterprise Partnerships were making good progress. It was noted that Cambridgeshire and Peterborough were likely to use the full allocation on the University of Peterborough which some LAs would be disappointed about as other projects would not be funded through this process.
- In the South West Mayoral Combined Authorities and LEP were progressing well although most had smaller allocations and were having to revisit which projects best fit their envelopes.

264. I exhibit here examples of applications submitted to the Department by the West Midland Combined Authority of 17 July 2020 (NH/161 - INQ000608977 - DLUHC009456559) and Gloucestershire LEP (NH/162 - INQ000611393 - DLUHC009528386).

265. On 21 July 2020 the Department's officials submitted advice (NH/163 - INQ000608975 - DLUHC009128530) and a list of projects submitted by Mayoral Combined Authorities and Local Enterprise Partnerships (NH/164 - INQ000608976 - DLUHC009128531) for Ministerial approval. The advice set out that based on the proposals, it was expected that the £900 million would support 314 projects, delivering 60,000 jobs, 20,000 additional construction jobs, over 1,500,000 square metres of

commercial floor space. The advice also noted further work that needed to be done due to the speed at which the process had been run, which included working with Local Enterprise Partnerships and Mayoral Combined Authorities to finalise the outputs that would be delivered and considering whether any Resource Departmental Expenditure Limit could be reprioritised from existing budgets.

266. On 23 July 2020, final conditions for the Getting Building Fund were provided by HMT, this included an agreed spend profile £450 million in the financial year 2020/21 and £450 million for financial year 2021/22 (NH/165 - INQ000608978 - DLUHC009079767).
267. The list of projects funded by the Getting Building Fund included investments in town and city centres, green infrastructure and clean energy, transport and digital connectivity improvements, unlocking housing and business sites. I exhibit relevant examples as (NH/166 - INQ000609021 - DLUHC010172114) (NH/167 - INQ000609020 - DLUHC010172112) (NH/168 - INQ000609019 - DLUHC010172111). There was a geographical spread in applications, and the Department took a national and regional press approach to publicising successful applications to the Getting Building Fund. For example, this regional press notice for the 4 August 2020, setting out successful bids in the North East of England (NH/169 - INQ000608979 - DLUHC009133602) and this national press notice on the 4 August 2020 (NH/170 - INQ000609010 - DLUHC010172023).
268. On 4 August 2020 the Department published a summary of funding allocations for the Getting Building Fund and details of allocation by area. On 18 September 2020 the Department wrote to mayors confirming details of their locally agreed projects (NH/171 - INQ000608982 - DLUHC009521513).
269. On 11 January 2024 the Department published a report it had commissioned from Steer Economic Development, evaluating the process, impact, and value for money of the Local Growth Fund and the Getting Building Fund. The report provided an initial feasibility assessment which indicated a good level of knowledge and available documentation for both the Local Growth Fund and the Getting Building Fund. It concluded that it was feasible to proceed with a process evaluation, which would offer valuable insights for future programmes. (NH/172 - INQ000609018 - DLUHC010172113).

### **Commercial Rent**

270. Because of the Department's existing responsibility for commercial property, it also led on measures seeking to minimise forfeitures during the pandemic. The rationale for this was primarily economic, but minimising the closure of businesses also had a role in avoiding unnecessary movement spreading the virus..

271. The Department worked with DHSC colleagues leading on the Coronavirus Bill, to lay the groundwork to urgently amend the draft Coronavirus Bill. On 20 March 2020, Department officials provided advice to SoS (Robert Jenrick) on how to provide protection to businesses who may have been unable to pay rent and meet the terms of their commercial leases, which I exhibit as (NH/173 - INQ000090755 - DLUHC000667266). This recommended (i) extending the announcement made on protecting residential tenants to also cover all commercial tenants; and (ii) introducing another amendment to the Coronavirus Bill to prevent forfeiture of commercial leases due to non-payment of rent for three months. Commercial leases are forfeited for non-payment of rent. Legislating to introduce a term to all leases that automatic forfeiture could not happen for three months would encourage businesses in a position to take their rent payment to do so, whilst providing three months' grace to those who were struggling. The protection period of 3 months also recognised the need for an income stream for commercial property landlords and was aimed at being proportionate to both parties. Ultimately these recommendations were reflected in the Coronavirus Bill, and the initial three-month moratorium came into force under s.82 of the Coronavirus Act on 26 March 2020. I provide a summary below of key dates in relation to the extension of the moratorium.
272. On 16 June 2020 SoS (Robert Jenrick) was presented with a signing submission to sign secondary legislation to extend the moratorium for three months to 30 September 2020, (NH/174 - INQ000104707 - DLUHC000667367).
273. On 21 August 2020, advice was put to SoS (Robert Jenrick), BEIS, the Chancellor , and the Prime Minister (Boris Johnson), on whether to extend the moratorium. The advice to the Department's SoS noted that an extension would give officials time to develop further non-fiscal options for supporting commercial tenants. (NH/175 - INQ000608980 - DLUHC003324450). BEIS' SoS provided a readout asking for a four-month extension to 31 January 2021, the Department's SoS was minded to not extend beyond three months, to 31 December 2020. On 4 September 2020 the Department's SoS' private office confirmed that BEIS agreed with a three-month extension. (NH/176 – INQ000625656 - DLUHC003322197)
274. Following the announcement of a second national lockdown, the Department announced on 9 December 2020 that business owners affected by the Covid-19 pandemic would be protected by an extension of the moratorium on eviction for three months from 31 December 2020 until 31 March 2021 following a decision made by SoS (Robert Jenrick) and the Parliamentary Under Secretary of State for BEIS (Paul Scully). (NH/177 – INQ000625657 - DLUHC009883372). (NH/178 – INQ000137124 - DLUHC000128619).

275. The impact of the second national lockdown and subsequent Tier 4 restrictions on commercial tenant businesses was particularly acute, as it came at a time of year when they would normally expect to see substantial levels of trade to support them through the leaner months of the first quarter of the new year. The Department recognised that ending the moratorium on the ability of landlords of commercial properties to evict tenants by forfeiture would have made tenant businesses vulnerable to landlords seeking recovery of rent arrears accrued during the first lockdown.
276. Whilst recognising the necessity of extending the moratorium in these circumstances, the Department's SoS (Robert Jenrick) also agreed on 5 November 2020 that further work should be done to identify potential measures to bring about an orderly end to the moratorium without creating a "cliff edge" where tenants immediately became liable for the full amount of their accrued arrears.
277. To accommodate a 'Call for Evidence' to gather rent payment and arrears data from across the sector to inform its future policy decisions and support the development of options to exit the existing arrangements, Minister Eddie Hughes signed the necessary statutory instrument on 9 March 2021 to extend the moratorium on commercial lease forfeiture to 30 June 2021. The further extension was announced by the Department on 10 March 2021 together with restrictions on the use of Commercial Rent Arrears Recovery (NH/179 - INQ000137106 - DLUHC000128620).
278. Following the analysis of the Call for Evidence responses, on 4 June 2021 the Department and BEIS submitted joint advice to ministers (NH/180 - INQ000137127 - DLUHC000128622) recommending the moratorium be further extended for a minimum of nine months to 24 March 2022. There were 508 respondents to the Call for Evidence of which 86% were either commercial tenants or landlords who were commercial property owners and commercial property investors. Over three quarters of the commercial tenants who responded to the Call for Evidence were small and medium enterprises. Of the landlords who responded to the questions on their size and turnover 87% were small and medium enterprises. The profile of the other respondents to the Call for Evidence were from sectors including legal service property surveyors, property managers, and debt enforcement and mediation dispute resolution services. Extending the moratorium provided the time needed to introduce legislation for a binding arbitration system to help resolve outstanding pandemic-related rent debt. On 8 June 2021, both SoS (Robert Jenrick) and BEIS SoS (Kwasi Kwarteng) agreed with these recommendations. The necessary secondary legislation achieved clearance on 30 July 2021.

279. From July 2021, the Department, led by BEIS, worked to develop primary legislation on the principles for negotiation of arrears accrued during the pandemic and an arbitration system relating to the same, which came to be called the Commercial Rent (Coronavirus) Bill. While the primary legislation was in the process of being drafted and developed the Department reserved the right to extend the moratorium further.

280. Until 24 March 2022, BEIS continued to lead on progressing the primary legislation through Parliament, with officials in the Department providing support for Bill passage where required and monitoring the situation regarding the moratorium and whether it may need to be retained beyond 25 March 2022. The Commercial Rent (Coronavirus) Act received Royal Assent on 24 March 2022. As a result, the moratorium was not extended.

### **Planning amendments**

281. The Department made a number of amendments to planning and licensing to support businesses through the pandemic, and to help them recover following the pandemic. The Business and Planning Act 2020 was a key vehicle for some of these amendments. The majority of these measures were temporary to support businesses in the immediate term, allowing businesses to continue to operate legally and without concerns of planning enforcement. Significant changes to the use class order were also introduced as a permanent reform to help businesses and property owners more easily change the use of their property. I provide a summary of these measures below.

### ***Outdoor seating and stalls***

282. The Department supported cafes, restaurants, and pubs to re-open by introducing a streamlined process to allow the use of outdoor furniture as part of the Business and Planning Act 2020. This allowed businesses selling food and drink such as cafés, pubs and restaurants to apply to their LA for a "pavement licence" allowing them to put furniture such as tables and chairs outside on the highway for their customers to consume their food and drink.

283. On 5 May 2020 SoS (Robert Jenrick) asked officials to explore options to support cafés and pubs to reopen using furniture outside of their premises. Advice was provided on the 6 May 2020 noting that the main regulatory requirements for the relevant legislation were the responsibility of DfT. The advice suggested that guidance could be produced with input from both the Department and DfT (NH/181 - INQ000608937 - DLUHC000013714). On 14 May 2020 SoS wrote to DfT SoS (Grant Shapps) seeking agreement to co-produce guidance, giving strong encouragement to local highway authorities to grant permits where social distancing and safety could be maintained (NH/182 - INQ000608936 - DLUHC000012551).

284. On 22 May 2020 the SoS for DfT (Grant Shapps) wrote to the Department offering support for the measure, on the basis that consultation took place (NH/183 - INQ000608941 - DLUHC000012817). The letter also acknowledged that both SoS had discussed the Departments' proposed amendments through a Planning Bill .
285. On 27 May 2020 officials provided advice to SoS (Robert Jenrick) setting out the policy detail for outdoor stalls and seating, for which they would seek collective policy agreement (NH/184 - INQ000608942 - DLUHC000018708). There were three elements of the policy proposal: i) speeding up the process by introducing deemed consent 21 days from the application submission (allowing 14 days for consultation and 7 for processing); ii) capping the amount an LA was able to charge for processing and application; and iii) only requiring one licence for both stalls and seating.
286. On 28 May 2020 SoS (Robert Jenrick) wrote to the Prime Minister (Boris Johnson), the Domestic Affairs Committee, and the Union Committee for clearance on the policy proposals (NH/185 - INQ000608943 - DLUHC000013180). A readout from a Small Ministerial Group meeting on 29 May 2020 emphasised that the Department should pursue the most ambitious option for reducing the time taken to obtain a pavement licence for outdoor stalls, such as a 10 day period for an application (five days for processing and five for consultation) (NH/186 - INQ000608944 - DLUHC000010782). Responses to the Department's write-round from other government departments included (but was not limited to) DfT (NH/187 - INQ000608948 - DLUHC000029300), and DHSC (NH/188 - INQ000608951 - DLUHC000019427). Approval was granted on 2 June 2020.
287. Following a meeting with the LGA and a sample of LAs on 11 June 2020, concerns were raised about the proposed twelve-month period for which a licence would be granted. The view of the LGA and the LAs present was that this should be reduced to a maximum three-month period given LAs had already taken steps to pedestrianise areas in response to Covid-19 (NH/189 - INQ000608963 - DLUHC000011547). Officials agreed to reconsider the policy further to build in this flexibility. In reconsidering this policy, it was considered important to set conditions in a way that gave LAs flexibility to determine applications themselves and to then determine the length of the licence. On 18 June 2020 Emran Mian, Director General for Decentralisation & Local Growth in the Department, wrote to LA leaders in England, encouraging them to support more local businesses to apply for licences, and to accelerate decisions where possible (NH/190 - INQ000608966 - DLUHC000017798).
288. The Bill received Royal Assent on 22 July 2020 becoming the Business and Planning Act 2020, this allowed licences to be granted to 30 September 2021. A later amendment

via the Business and Planning Act 2020 (Pavement Licence) (Coronavirus) (Amendment) Regulations 2021 allowed businesses to apply for a pavement licence to be in place for an extended period to 30 September 2022. As the measures from the 2020 Act were time limited, it was announced in the 2021 Build Back Better High Streets Strategy that the streamlined pavement licensing process would be made permanent. This was enacted through the Levelling-up and Regeneration Act 2023 and brought into force on 31 March 2024.

***Extension of planning permissions and construction working hours***

289. The Business and Planning Act 2020 also introduced other temporary measures intended to help businesses, particularly in the hospitality and construction sectors, to get back to work safely and quickly. Through the Act the Department introduced provisions for planning permissions and listed building consents in England which had lapsed or were due to lapse in 2020 to be extended. In addition, the Act also allowed an extension to construction working hours. These measures aimed to support the construction industry, as well as the immediate economic response to Covid-19 and the subsequent recovery.

290. On 9 April 2020 the Department submitted a paper (NH/191 - INQ000608924 - DLUHC000025666) for discussion at a meeting of the Economic and Business Implementation Group. This paper outlined potential measures for how planning reform and other support for the housebuilding and wider development industry could support the economic response to Covid-19. Following this meeting actions were allocated to the Department to develop an implementation plan which could be considered at a future meeting of the Economic and Business Response Implementation Group. The Department submitted an updated paper prior to an Economic and Business Response Implementation Group meeting on 16 April 2020 as set out below at paragraph 292.

291. On 14 April 2020 the Department undertook analysis of data provided by external consultants to understand what the implication was of residential planning permissions which were due to lapse. It was found that without an extension to planning permissions, it was likely that a significant number of permissions would lapse, including non-residential permissions. The potential lapse was forecasted to have a negative, knock-on impact on the economy (NH/192 - INQ000609027 - DLUHC010172116).

292. The Department submitted an updated paper (NH/193 - INQ000083323 - DLUHC009230706) on 16 April 2020 ahead of an Economic and Business Response Implementation Group meeting to take place the same day. Following the meeting the Department was asked to set out its highest priority planning measures which included extending the commencement of planning permissions and relaxation of construction site

working hours (NH/194 - INQ000608926 - DLUHC008818971). On 22 April 2020 SoS (Robert Jenrick) wrote to the Prime Minister (Boris Johnson) and the Chancellor setting out potential planning easements including extensions to planning permissions and introducing legislation to amend restrictions on building sites (NH/195 - INQ000608928 - DLUHC009228033).

293. Following a meeting with SoS (Robert Jenrick) on 30 April 2020 and Minister Christopher Pincher it was agreed that the Department would seek to bring forward its planning permission changes as part of the BEIS legislation and that extensions to construction site hours should form part of the Bill (NH/196 - INQ000608930 - DLUHC006950965). The Impact Assessment carried out on 21 May 2020 concluded that these measures were expected to be of benefit to applicants and businesses using the planning system (NH/197 - INQ000608962 - DLUHC008764989). A stakeholder log which captured feedback on this measure from the LGA found them supportive of the proposal to extend planning permissions (NH/198 - INQ000608969 - DLUHC009234010).

294. On 5 June 2020 a readout from No 10 confirmed that extending planning permissions would be in an Emergency Covid-19 Bill (NH/199 - INQ000608957 - DLUHC008772063) (this was subsequently titled the Business and Planning Bill, which received Royal Assent on 22 July 2020). At a Parliamentary Business & Legislation Committee Meeting on 22 June 2020 Minister Christopher Pincher presented alongside BEIS Ministers for the MHCLG aspects of the Bill. The purpose of the meeting was to seek the Parliamentary Business & Legislation Committee's approval for immediate introduction of the 'COVID Business and Planning Bill'.

295. On 22 July 2020 the Department published guidance on the measures introduced through the Business and Planning Act 2020. This laid out that unimplemented planning permissions with time limits for implementation which were due to lapse between 19 August 2020 (when the provisions came into force) and 31 December 2020 had been extended to 1 May 2021 (NH/200 - INQ000609017 - DLUHC010172118).

#### ***Changes to the Use Classes Order***

296. The Town and Country Planning (Use Classes) Order 1987, as amended, groups common uses of land and buildings into classes. During the pandemic the Department made changes to the Use Classes Order regulations in September 2020 to provide the flexibility for businesses to adapt and diversify to meet changing demands, as town centres sought to recover from the economic impact of Covid-19. The use classes operate nationally across England in all cases, including on high streets, out of town shopping areas and in rural areas. Movement from one primary use to another within the same use

class is not development and does not require planning permission. A change of use of land or buildings requires planning permission if it constitutes a material change of use, with any changes to the Use Classes Order being made via secondary legislation. The Use Classes Order up to 2020 broadly covered:

- A classes - retail and food and drink consumption;
- B classes - places of work like offices and manufacturing;
- C classes - where people live or sleep (including prisons etc.);
- D classes - institutions like schools and hospitals and places of assembly.

297. To support the economic response to the pandemic, and following the publication in August 2020 of the Department's White Paper "Planning for the Future", changes were made to the Use Classes Order which would introduce new use classes. This was to help owners of commercial property and high street businesses to more easily diversify and rent out shops and other premises because they would have a wider range of potential tenants. I provide a summary of this work below.

298. On 22 May 2020 SoS (Robert Jenrick) commissioned advice from officials on how the existing Use Classes Order could be made more flexible (NH/201 - INQ000608938 - DLUHC008765957). On 28 May 2020 officials set out options for reform for Ministers to consider including the legislative amendments which would be necessary to bring about these changes (NH/202 - INQ000608946 - DLUHC000035144).

299. Following feedback from the SoS (Robert Jenrick) which asked for details on the scope of the powers in secondary legislation to reform use classes, officials presented updated advice on 8 June 2020. In response to SoS' feedback, the proposal set out that there would be a grouping of discrete uses for local consideration which would serve to protect pubs and a community class as a way of protecting those assets that the community valued, such as a small village shop (NH/203 - INQ000608958 - DLUHC006343940).

300. From 15 June 2020 to 8 July 2020 officials worked with lawyers to draft the statutory instrument. As part of this work, they sought to resolve policy and technical issues which would ensure that buildings and other categories of land were used for the purposes specified in the new Use Classes Order. On 20 July 2020 officials shared the draft statutory instrument for Minister Christopher Pincher to sign (NH/204 - INQ000608974 - DLUHC008762579). This included changes to the Use Classes Order and in particular, the creation of a new 'commercial, business and service' use class for a wide range of

uses – covering offices and other business uses including shops, cafés, gyms. The new class also allowed for mixed uses to reflect changing retail and business models.

301. On 21 July 2020 the Department was informed that the statutory instrument would be laid in Parliament. In parallel, a substantial amendment to the Use Classes Order was laid before Parliament and this came into effect on 1 September 2020 (The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020, SI 2020 No. 757) (NH/205 - INQ000609016 - DLUHC010172117).

302. On 21 July 2020 SoS (Robert Jenrick) wrote to colleagues to inform them of the planning changes of Use Classes Order, which gave greater freedom for buildings to change use without planning permission, allowing for businesses and services to locate freely and support economic recovery (NH/206 - INQ000609015 - DLUHC010172051).

## **E. ACTIONS TAKEN BY THE DEPARTMENT TO SUPPORT SOCIALLY AND ECONOMICALLY VULNERABLE GROUPS BETWEEN JANUARY 2020 AND JUNE 2022**

### **Test and Trace Support Payment Scheme**

303. The Test and Trace Support Payment Scheme was a DHSC funded scheme, paid by LAs, which enabled eligible individuals or households in receipt of a specified benefit to receive a discretionary support payment of £500 if they were told to isolate by NHS Test and Trace and would lose income as a result. The role of the Department was to facilitate payment of this DHSC grant to LAs, escalate LA feedback and ensure they had the guidance they needed on how to operate the fund. In early September 2020, DHSC trialled the scheme in Blackburn with Darwen, Oldham and Pendle to see how effective it was in reducing rates of transmission and supporting vulnerable people. The government then planned to identify how the scheme could be best rolled out to other areas of England with high incidence of Covid-19. Payments made as part of the trial were issued by LAs and reimbursed by DHSC.

304. On 11 September 2020, the Cabinet Office expressed that the Prime Minister (Boris Johnson) was keen to make more progress on the financial support scheme to encourage more people to self-isolate following a positive test. Officials from the Department met with officials in the Cabinet Office Covid-19 Taskforce that same day to discuss plans for progressing the scheme and strengthening the incentives for people to self-isolate. The plans included a payment to those self-isolating who were below an income threshold or receiving benefits. DHSC led on the proposals and the initial lead option was for LAs to process and make the payments, and to discuss options for progressing the scheme (NH/207 - INQ000531397 - DLUHC001850398).

305. On 18 September 2020, the Department fed back local concerns to No 10 that implementing a new payment scheme at short notice would be challenging for some LAs and that to minimise the impact on them, certainty of funding, clear guidance and access to accurate and timely data would be needed ([NH/208 - INQ000531398 - DLUHC000015563](#)).
306. Also on this day, COVID-O met to discuss; (i) an announcement to introduce the requirement to self-isolate for positive cases or those who were close contacts of positive cases from 28 September 2020; and (ii) proposals for a national self-isolation support payment scheme. It was agreed that DHSC SoS (Matt Hancock) would make an oral statement on the introduction of self-isolation measures on 21 September 2020, following a government announcement on 20 September 2020. The self-isolation support payment scheme, as proposed in a paper by the Covid-19 Taskforce, was also agreed. DHSC were asked to ensure guidance was ready for the following Monday to ensure the Department could communicate clearly with LAs. LAs were expected to have payment systems in place to administer the support payments by 12 October 2020 ([NH/209 - INQ000531400 - DLUHC001689157](#)).
307. On 19 September 2020, the Department received confirmation from HMT that £40 million of funding would be made available to fund the DHSC Test and Trace Support payment scheme in England from October 2020 which the Department would pay to LAs. This funding comprised of £25 million for general case payments which LAs would pay to applicants. £10 million was for administration which covered the costs of making payments to LAs, and £5 million was made available in discretionary funding which allowed LAs to make payments to applicants who met the main eligibility criteria of the Test and Trace Support Payment Scheme. This gave LAs flexibility to support individuals who merited the payments while falling outside strict eligibility criteria.
308. On the same day, officials from the Department shared a draft press notice, letter and guidance and Q&A for LAs with a group of LA chief executives representing the nine regions in England ([NH/210 - INQ000531402 - DLUHC002795202](#)). The LGA fed back they were pleased that the government had recognised that people on low incomes may need additional help to self-isolate, however stated that it was vital the government worked closely with LAs so they could prepare to set up the scheme.
309. On 20 September 2020, the Prime Minister's (Boris Johnson) office announced a new package to support and enforce self-isolation, which included the payment of £500 for those on lower incomes who could not work from home and had lost income as a result. ([NH/211 - INQ000517400 - DLUHC009299110](#)). The same day, the Department issued a

letter from the Health Secretary (Matt Hancock) to LA chief executives outlining the changes to self-isolation requirements and the financial support for people who are required to self-isolate, this included a Q&A which provided information on the LA role in administering the Test and Trace Support Payments (NH/212 - INQ000531403 - DLUHC000029172). The letter highlighted that government would work with LAs to implement arrangements to make the payments as quickly as possible, by 12 October 2020 at the latest, and therefore allowing eligible individuals who were notified of the need to self-isolate on or after 28 September 2020 to make backdated claims.

310. From the 22 September 2020 Cabinet Office set up daily meeting of senior officials and LAs on the delivery of the self-isolation payments scheme, which were attended by the Department

311. On 24 September 2020 the Department hosted a webinar for LAs to provide further information on the Test and Trace Payment Support Scheme. At the webinar the Department also invited LAs to provide feedback on the scheme. Areas which LAs sought clarification on included eligibility checks, the application process, any appeals process for unsuccessful applicants and interactions between this scheme and the benefits system (NH/213 - INQ000531405 - DLUHC003410626).

312. On 25 September 2020 HMT confirmed that the discretionary fund would be increased from £5 million to £15 million. It was agreed that the Department would make payments to LAs on behalf of DHSC on completion of the appropriate Memorandum of Understanding paperwork which would allow the payment of grant allocations to LAs for implementing the Test and Trace Support Scheme as the Department held the information needed to administer the payments which were authorised by the Permanent Secretary (Jeremy Pocklington).

313. On the 28 September 2020 a Memorandum of Understanding between the Department and DHSC set out that payment could be transferred from DHSC to the Department and paid out to LAs (NH/214 - INQ000531410 - DLUHC009403381).

314. On the 6 October 2020 officials provided a submission to ministers regarding the interaction of DHSC's new self-isolation incentive payment with Local Council Tax Support schemes ([NH/215 - INQ000531408 - DLUHC000018377](#)) The advice identified a risk that a person in receipt of a £500 self-isolation payment, who receives a local council tax discount, could have their council tax liability increased, reducing the benefit of the £500 payment. Additional information was provided to support the Minister on 12 October 2020. Following this, Minister Luke Hall agreed to issuing guidance to LAs on 19 October 2020.

### **Practical Support for Self-Isolation**

315. From November 2020 to April 2021, the Department worked with NHS Test & Trace to increase compliance and reduce barriers to self-isolation by developing a practical support framework.
316. On 30 November 2020, CO commissioned DHSC for a COVID-O paper on improving self-isolation rates. DHSC asked the Department to provide contributions to this paper due to its role in managing the Shielding programme and its relationship with LAs. The Department worked with DHSC on options for a non-financial support package that could be provided to those self-isolating, and whether a model similar to that operationalised through the shielding programme would work. The Department's contributions to DHSC's COVID-O paper were shared with SoS (Robert Jenrick) on 2 December 2020 (NH/216 - INQ000531420 - DLUHC000602075). DHSC's paper recommended that the government work with LAs to provide a more consistent, visible and accessible framework of practical, social and emotional support for people self-isolating, modelled on the shielding support framework (NH/217 - INQ000531432 - DLUHC000487019).
317. The framework provided LAs with information on how to support those self-isolating, such as by providing food parcels, medicine delivery and mental health support. On 9 March 2021, the Department and DHSC sent a joint letter to LA chief executives announcing the launch of the Framework of Practical Support for Self-Isolation (NH/218 - INQ000531459 - DLUHC000462310) (NH/219 - INQ000531458 - DLUHC007998097).
318. As part of the Covid-19 response Spring 2021 roadmap, the government made a commitment to provide additional funding to help LAs ensure that people self-isolating had access to practical support. On 22 March 2021, Lord Bethell, Parliamentary Under Secretary of State for Innovation at DHSC, wrote to SoS (Robert Jenrick) seeking agreement and administrative clearance to provide the funding via a ringfenced section 31 grant. In his letter Lord Bethel set out that HMT had approved funding of £12.9 million a month from the overall NHS Test and Trace budget for four months, until the end of June 2021 (NH/220 - INQ000531463 - DLUHC003154448). SoS approved the request on 25 March 2021 ([NH/221 - INQ000531464 - DLUHC003154446](#)).
319. After the framework was launched and funding was agreed, DHSC took forward the lead on updates of the framework and on a practical support review and the Department's involvement came to an end. On 27 April 2021, DHSC contacted LAs thanking them for their work on the practical support offer and issuing the next iteration of the framework. DHSC also informed LAs that MHCLG's day to day engagement role in the self-isolation practical support workstream had transferred to DHSC's Covid-19 Regional Partnerships Teams (NH/222 - INQ000531471 - DLUHC007978241).

## **Support to the Private Rented Sector**

320. Pre- and post-Covid-19, the Department has been responsible for policy and legislation to support a secure and high quality Private Rented Sector where all tenants have access to a good quality, safe, and secure home.
321. At the start of the pandemic, the Department worked to protect tenants at a time when income streams may be vulnerable, and to reduce unnecessary pressures on the healthcare, social care, and LA systems that arise from homelessness. On 25 March 2020 Section 81 and Schedule 29 of the Coronavirus Act 2020 came into force. This required landlords to give tenants at least three months' notice before seeking possession of residential property. On 27 March 2020, Practice Direction 51Z came into force, staying possession proceedings for 90 days. On 28 March 2020, the Department published guidance for landlords and tenants on these provisions, and this was updated regularly throughout the Covid-19 pandemic until being withdrawn on 25 March 2022.
322. Alongside these measures, on 27 March 2020, Minister Luke Hall wrote to caravan park owners, making it clear that they should remain open for key workers and vulnerable groups who would otherwise have nowhere to live.
323. On 5 June 2020, the Department announced that the stay on possession proceedings would be extended to 23 August 2020 (NH/223 - INQ000104687 - DLUHC000667336) by a new Civil Procedure Rules 55.29, to take effect from 25 June 2020 when the stay under Practice Direction 51Z expired.
324. The Department subsequently fed into cross-sector work, chaired by the Hon Justice Knowles, to introduce new arrangements to protect parties once the stay on possession proceedings was lifted and cases resumed. This work resulted in the implementation of a new temporary Practice Direction 55C on 17 July 2020 (NH/224 - INQ000104727 - DLUHC000667337) to inform how possession claims were to be treated upon the lifting of the stay on possession proceedings.
325. On 20 August 2020, the Lord Chancellor issued a notice to the Master of the Rolls that he thought the Civil Procedure Rules should include provision that would extend the stay on possession proceedings by four weeks. This provision was agreed by the Civil Procedure Rule Committee in a meeting on 21 August 2020 and was laid before parliament. The purpose of this short extension was to allow time for final preparations and procedural arrangements to be made ahead of the resumption of possession cases in the courts. The stay on possession proceedings was extended until 20 September 2020.

326. On 28 August 2020 the Department laid a SI to amend Schedule 29 of the Coronavirus Act 2020 to require landlords to provide tenants with six months' notice until the end of March 2021 (although this was subsequently extended until 31 May 2021). These Regulations came into force on 29th August with exemptions for certain serious cases including anti-social behaviour, extreme rent arrears, no right to rent and fraud. A Public Sector Equality Duty assessment was conducted (NH/225 - INQ000588556 - DLUHC000040054) in relation to these regulations.

327. Ahead of the resumption of possession proceedings on 20 September 2020, guidance was issued to bailiffs to set out that no enforcement of evictions should take place where local lockdown measures were in force that restricted access to premises to protect public health.

328. A permanent rule change also came into force on 20 September 2020 by a new Civil Procedure Rule 83.8A, which aligned the process of enforcing evictions across the High Court and County Court and provided that at least 14 days' notice of an eviction was required. This had been consulted on prior to Covid-19 and was seen to take on greater importance in the context of providing an orderly return of possession cases.

329. On 16 November 2020 the Ministry of Justice laid an SI which came into force on 17 November 2020 to ensure that bailiffs did not serve eviction notices until 11 January 2021. The only exceptions were for the most egregious cases such as anti-social behaviour and perpetrators of domestic abuse in social housing.

## **F. ACTIONS TAKEN BY THE DEPARTMENT TO PROVIDE ADDITIONAL FUNDING TO THE VOLUNTARY AND COMMUNITY SECTOR BETWEEN JANUARY 2020 AND JUNE 2022**

### **Domestic Abuse Funding**

330. Prior to the pandemic, the Department had an existing role in supporting victims of domestic abuse in line with its responsibility for housing policy and relationship with local government. The Department was responsible for overseeing support services for victims of domestic abuse within safe accommodation. At the end of March 2020, due to concerns that domestic abuse might become more prevalent during lockdown and the impact domestic abuse may have on the likelihood of homelessness, the Department assessed the impact of the pandemic and Covid-19 restrictions on domestic abuse.

331. Policy initiatives were developed with the aim of ensuring that domestic abuse safe accommodation charities were able to continue to operate and expand provision to meet the rising demand.

332. In March 2020 the Department became aware of additional pressures facing domestic abuse safe accommodation providers based on information from sector partners and the domestic abuse Commissioner. For example, the Department received an email, with accompanying guidance, from the Campaigns and Public Affairs Manager for Women's Aid dated 18 March 2020 (NH/226 - INQ000224534 - DLUHC000667368) (NH/227 - INQ000224533 - DLUHC000667369). Women's Aid outlined concerns that Covid-19 would have severe impacts on refuge services. It was noted that the sector was already unable to meet pre-Covid-19 demand, and was operating in a severely challenging funding landscape. Concerns also included that in many cases domestic abuse services would not be able to meet additional demand for their help or pay overtime to staff.
333. A submission was sent to Minister Luke Hall on 25 March 2020, which recommended £5 million of a pre-existing budget be repurposed into an emergency fund for refuge services (NH/228 - INQ000104662 - DLUHC000667320). It noted concerns from the domestic abuse sector including rising demand, staff cover, long-term financial viability and the access to computer equipment to enable home working. However, the £5 million was not repurposed because Ministers decided that the information was anecdotal and were keen that solutions were evidence-based.
334. The Department worked to co-ordinate with the Home Office (as the lead government department on Violence Against Women and Girls) and the Ministry of Justice (as the lead government department on support for Victims and Witnesses). In April 2020, a weekly Ministerial Tri-lateral Group was set up across these three departments. The Department provided regular reports on refuge vacancy availability to this group. Department officials also attended Ministry of Justice -led Victim and Witness Silver Command.
335. On 8 April 2020, the Chancellor announced that a support package of £750 million would be made available to the charity sector – termed the “Charities Fund” – for UK charities impacted by the Covid-19 pandemic.
336. On 16 April 2020, a submission to SoS (Robert Jenrick) recommended that the Department bid to the Department for Digital, Culture, Media, and Sport's Charities Fund for £35.3 million for refuges and safe accommodation services (including a contribution from the Department's own budget of 20% - £7.06 million), (NH/229 - INQ000104666 - DLUHC000667321). The outcome of this was an allocation of £10 million (which included a 20% contribution from the Department's budget). In cross-Whitehall calls, chaired by DCMS, DCMS confirmed that other government departments' demand for support for the charity sector significantly outstripped the funding available and, in most cases, funding

allocated was much less than the bid amount (NH/230 - INQ000588519 - DLUHC006951727). The £10 million funding secured from the Department's bid for support for domestic abuse charities was subsequently allocated to charities to deliver safe accommodation for victims of domestic abuse and their children.

337. On 27 April 2020, whilst applications for funding were still being considered by HMT, Minister Luke Hall wrote to LAs asking them to support local domestic abuse services. This included suggested measures they could take and asking that they work closely with domestic abuse safe accommodation providers in their areas to ensure that victims of domestic abuse and their families, including those from out of their areas, could be provided with safe emergency accommodation. It was also noted that the Department published non-statutory guidance for social housing landlords, noting that both supporting victims of domestic abuse and providing move-on accommodation were included as essential moves and that these should proceed during this period where it was safe to do so.

338. At this time there was pressure from the sector for more support. On 27 April 2020, two domestic abuse charities sent a pre-action letter to bring a Judicial Review against the Department due to lack of funding provision for domestic abuse. However, the letter arrived just before the announcement of funding for domestic abuse, and thereafter the charities did not take the case any further.

339. On 2 May 2020, funding allocations from a £76 million package administered by HMT and the DCMS for the most vulnerable in society were announced. This included the £10 million noted above for this Department for domestic abuse charities. This funding came from the £750 million package of support for charities announced by the Chancellor on 8 April 2020. In order to develop a scheme to award funding to the sector, there was a submission to Minister Luke Hall on 5 May 2020 (NH/231 - INQ000104693 - DLUHC000667324). As part of the scheme design set out in this submission, a Public Sector Equality Duty assessment was conducted to consider the impact of the proposed emergency fund on victims of domestic abuse who share protected characteristics (NH/232 - INQ000588521 - DLUHC007510166).

340. On 4 June 2020, a submission to Minister Luke Hall sought approval for grant awards to a list of organisations totalling £8 million, (NH/233 - INQ000588532 - DLUHC006810312), There remained a further £1.9 million in relation to which the submission sought approval to re-open the bid process to allow further distribution.

341. On 8 June 2020, the first grants to charities were announced. There were four subsequent submissions requesting approval of additional grants dated 23 June 2020,

(NH/234 - INQ000104734 - DLUHC000667326), 30 June 2020, (NH/235 - INQ000104735 - DLUHC000667327), 7 July 2020 and 14 July 2020 (NH/236 - INQ000104736 - DLUHC000667328), and the Department continued to monitor the impact of Covid-19 on the domestic abuse refuge sector. This monitoring took place through the Department's close engagement with the sector, for example, through attending the Victims and Witness Silver and Gold Command Meetings and attending the domestic abuse Commissioner sector teams calls. Some of the Charities who received the funding acknowledged the Department's role in supporting the sector (NH/237 - INQ000608954 - DLUHC008549600) (NH/238 - INQ000608953 - DLUHC006810227) (NH/239 - INQ000608959 - DLUHC010172000).

342. On 28 April 2022, the 'Evaluation of the VCSE Covid-19 Emergency Funding Package' was published by DCMS (NH/240 - INQ000588607 - DLUHC009883386). DCMS commissioned NatCen Social Research, in partnership with RSM UK Consulting LLP, to carry out an evaluation of the £750 million funding package for the Voluntary, Community and Social Enterprise sector. The Department's domestic abuse fund formed part of the 'other government departments package' section. This evaluation aimed to assess the impact on the funding on grant holders and on people and communities in need as well as assessing how well the scheme worked and if it was implemented as intended.

### **Homelessness and Rough Sleeping Funding**

343. Central government policy responsibility for tackling homelessness and rough sleeping in England sits with the Department, and the delivery of services to support homeless people sits with LAs. Faith and community groups also provide support such as day care activities, accommodation and emergency shelter.

344. During the Covid-19 pandemic, the Department's focus was on protecting people sleeping rough, or at risk of sleeping rough, to limit the risks posed to them by Covid-19 and to reduce the spread of Covid-19. The Department also prioritised ensuring mitigations were put in place across existing accommodation to help stop the spread of Covid-19.

345. With regards to additional funding for the voluntary and charity sector, on 8 April 2020, the Chancellor announced the "Charities Fund" (as detailed in paragraph 335 above).

346. From this £750 million package of funding, on 7 June 2020, the Department announced an emergency fund of £6 million (NH/241 - INQ000609009 - DLUHC009883601) to provide relief for frontline homelessness charitable organisations. To ensure that the funds were shared fairly, the process was managed independently by Homeless Link (a charity for frontline homelessness services). Following a bidding process, a total of 132 charities across England were allocated funding, ensuring these

charities could continue to support those experiencing homelessness. In their annual report, Homeless Link stated that the funding contributed to longer-term sustainability and effectiveness for many organisations (NH/242 - INQ000608955 - DLUHC007172470).

## **G. LESSONS LEARNT**

347. I produce as Annex A to this statement a list of lessons learned reviews, exercises and initiatives conducted or participated in by the Department insofar as they relate to the Provisional Outline Scope of Module 9. The list identifies these exercises' key details and recommendations; and the Department's response to them.

348. In addition, I produce as Annex B to this statement a list of key reports which have been published, or contributed to, by the Department and the evidence the Department has given insofar as they relate to the Provisional Outline Scope of Module 9. This Annex should be read in conjunction with Annex A.

349. The lessons learned have informed the Department's planning for future pandemic responses, including the Covid-19 playbook. Lesson learning took place continuously throughout the Covid-19 response, including through specific exercises between waves, during the response and following the pandemic.

### **Covid-19 Response and Supplementary Playbooks**

350. Since April 2022, the Department has undertaken work to develop a Covid-19 Response Playbook to describe the Department's role, in the context of DHSC and UKHSA planning, in the event that a new Covid-19 variant of concern or increase in infections places pressures on systems. This is an internal document produced by the Department.

351. The aim of the Covid-19 Response Playbook is to set out arrangements and considerations for the Department's future response to a significant increase in Covid-19 infections and disease, recognising that this will depend on the circumstances at the time. The Playbook was compiled based on the experiences and lessons from the Department's response to the Covid-19 pandemic, including on areas specific to local government finance, testing and workforce absences. The Playbook sets out when and how plans will be activated across the Department's relevant workstreams, outlines roles and responsibilities within the Department, and how information will be shared with stakeholders. It sets out how the Department will work with LAs and other government departments such as DHSC and UKHSA. It describes the Department's command control and coordination arrangements and key considerations like staffing, resources, supporting the vulnerable and local government engagement and local government funding.

352. A working draft was available from May 2022. Subsequently, version 1.0 of the Covid-19 Response Playbook was issued on 31 January 2023 following consultation with relevant response directors and endorsement from the Department's Resilience Board. I exhibit this as (NH/243 - INQ000137136 - DLUHC000128418). The Covid-19 Response Playbook is subject to Departmental review on a regular basis and is currently being developed with a broader scope in order to become a pandemic playbook, rather than specific only to Covid-19. The updated playbook now called MHCLG's Pandemic Response Framework was reviewed at the resilience board in June 2025 where directors were asked to approve the latest version and their responsibilities (NH/244 – INQ000625658 - DLUHC010172743)
353. The Covid-19 Response Playbook is based on learning from previous waves of Covid-19 across a wide range of the Department's workstreams, for which individual playbooks were developed, including the Financial Shocks Playbook which I exhibit as (NH/245 - INQ000319414 - DLUHC007182797). The Financial Shocks Playbook serves as a guide in responding to a crisis with significant financial impacts on local government.
354. The Financial Shocks Playbook reflects on experience from the Covid-19 pandemic between 2020 and 2022 and provides a toolkit that can be utilised as appropriate in a future response, recognising that the nature of the crisis will affect how government responds. The playbook notes that in hindsight, there is a balance to be struck between maximising value for money and supporting LAs that are carrying out their core functions. This includes important services such as social care.

#### **Recommendations from the Public Accounts Committee**

355. The Inquiry will be aware that the Public Accounts Committee published its report on Covid-19: Local Government Finance on 4 June 2021, and that the Department subsequently accepted all the recommendations made to it. Further details are summarised at Annex B, item 2. The Public Accounts Committee ("PAC") published its report on Local Government Finance on 4 June 2021 with three witnesses from the Department giving oral evidence in March 2021.

#### **Statement of Truth**

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief of its truth.

Signed:

**Personal Data**

Dated: 12/08/2025

## ANNEX A: LESSONS LEARNED

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*This Annex contains a list and details of lessons learned exercises regarding the matters set out in the Provisional Outline for Scope of Module 9. This Annex should be read in conjunction with Annex B which details key reports.*

No.	Date or date range	Lead Dept/team and nature of exercise	Key details of review/exercise	Dept response/implementation	Exhibit references
1	Live document – latest version Jan-23	<p>The Department’s Local Government Engagement team</p> <p>Internal Playbooks to guide future response work.</p>	<p>The Department developed the “Covid-19 Response Playbook” which is to be drawn upon to support a future Department response to any pandemic, depending on the specific circumstances.</p> <p>The first working draft of the playbook was produced in April 2022 and was based on learning from previous waves of Covid-19 across a wide range of the Department’s</p>	<p>The Playbook promotes flexibility as a key principle of the Department’s response and encourages teams across the Department to ensure that a proportionate level of planning is undertaken (within the context of this Playbook) to remain prepared.</p> <p>The Playbook provides a framework of considerations for the Department in the event of a new Covid-19 Variant of Concern or an increase in infections that places pressures on systems. It does not seek to set out detailed roles, responsibilities and actions, recognising that these will depend</p>	<p>(NH/243 - INQ000137136 - DLUHC00012841 8)</p> <p>Covid-19 Response Playbook.</p> <p>(NH/245 - INQ000319414 - DLUHC00718279 7) Financial</p>

			<p>workstreams, for which individual playbooks were developed, including the supplemental playbooks mentioned below.</p> <p>Version 1.0 of the Playbook was issued on 31 January 2023 following consultation with the Department’s relevant response Directors and endorsement from the Resilience Board. This was exhibited to the Module 2 Tranche 3 statement of Jeremy Pocklington and has also been exhibited to the Module 4 statement of Catherine Frances. (NH/24349 – INQ000137136 - DLUHC000128418)</p> <p>The Covid-19 Response Playbook provides a framework of considerations for the Department in the event of a new Covid-19 Variant of Concern or an increase in</p>	<p>on the circumstances at the time of a new Variant of Concern. The measures set out in the playbook will be activated if:</p> <ul style="list-style-type: none"> <li>• UKHSA or DHSC confirm that a new Covid-19 Variant of Concern has been designated.</li> <li>• It is agreed by the Department’s Covid-19 Senior Reporting Officer that activation is appropriate due to risks or issues relating to Covid-19.</li> <li>• DHSC/UKHSA/CO activate cross-Whitehall command and control arrangements.</li> </ul> <p>The Covid-19 Response Playbook is subject to Departmental review on a regular basis and is currently being developed with a broader scope in order to become a pandemic playbook, rather than specific only to Covid-19.</p>	<p>Shocks Playbook v.1.1</p>
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			<p>infections that places pressure on systems.</p> <p>The supplemental thematic playbooks relevant to Module 8 is the Financial Shocks Playbook</p> <p>The Financial Shock playbook was created as a guide to responding to a crisis with significant financial impacts on local government. It reflects on experience from the Covid-19 pandemic between 2020 and 2022 and provides a toolkit that can be utilised as appropriate in a future response, recognising that the nature of the crisis will affect how Government responds.</p>		
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**ANNEX B: KEY REPORTS**

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*This Annex contains a summary of reviews and reports authored or published by, or in conjunction with, or contributed to by the Department and evidence it has given (for example to Parliamentary Select Committees) regarding the matters set out in the Provisional Outline for Scope of Module 9. This Annex should be read in conjunction with Annex A that details lessons learned.*

No.	Report Summary	Date of report	Key roles on report	Conclusion or key findings	Recommendations	Update on implementation
1	Public Accounts Committee report "Whole of Government response to Covid-19" Government response to Public Accounts Committee	July 2020	Author: Public Accounts Committee  Department contribution: The Department received a recommendation	Please see published report.	Please see published report.	As part of its package of financial support for LAs, the Department introduced an 'Exceptional Financial Support' scheme, the framework for which was finalised in July 2020. This was aimed at those

	“Whole of Government response to Covid-19”, page 36					LAs at serious risk to ensure early engagement with the Department.
2	National Audit Office report: “Local Government Finance in the Pandemic”  Public Accounts Committee report: “Covid-19: Local Government Finance”  Department response to	June 2021	Author: Public Accounts Committee Fourth Report of Session 2021-22: Local Government Finance  Department contribution: The Department provided a response	Please see published report.	Please see published report.	The Department’s response was published accepting all the Public Accounts Committee’s recommendations.  In addition, The Department wrote in February 2022 in specific response to the first recommendation.  The themes covered in the letter were:

<p>the Public Accounts Committee report “Covid-19: Local Government Finance”</p> <p>Department’s letter on lessons learned to Public Accounts Committee Chair for report on “Covid-19: Local Government Finance”</p> <p>Local Government Finance data</p>					<ul style="list-style-type: none"> <li>• Scaling up data gathering in an emergency</li> <li>• Engagement with LAs</li> <li>• Suitability of different means of providing financial support</li> <li>• SR and the local government finance settlement</li> </ul> <p>Relating to the second recommendation, following consultation, the</p>
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	<p>collection: Guidance to LAs  (NH/246 - INQ0001371 80 - DLUHC0001 28737 )  Department's Financial Shocks Playbook v.1.1</p>					<p>Department updated the guidance to LAs concerning finance data collection.</p> <p>The Department also has a "Financial Shocks" playbook to cover all types of impacts on the finances of LAs, this is linked within the wider Covid-19 Response Playbook.</p>
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## ANNEX C: Key Individuals Summary

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This annex identifies key individuals for areas of the Department’s work relating to this witness statement. Included are the Department’s relevant Senior Civil Servants and Ministers responsible during the period listed in the Rule 9 request – 1 January 2020 to 28 June 2022. Outlined are the relevant key individuals for all the workstreams included in the Department’s witness statement, however, the ILT should note the Department was not the lead for all of these areas.

There was a lot of movement of staff in the Department to respond to the pandemic, therefore the document captures broad estimates of dates individuals were active on particular matters. Due to the rapid changes during this period, organograms or job titles are not provided. It should be noted that some Senior Civil Servants and Ministers identified were in post before and after the period listed, denoted with an asterisk. Areas of the Department’s work relating to M9 started at various times and therefore key individuals have different active dates. Some key individuals worked on many aspects of the Department’s response and therefore appear in multiple workstreams and in some instances multiple Directors were involved in a workstream at the same time.

Although the Department has used its best endeavours to confirm the accuracy of the information below, it cannot provide a guarantee to that effect.

### **Overall responsibility and oversight for the Department**

\* Individuals identified as in post before and after the period 1 January 2020 to 28 June 2022

<b>Overall responsibility and oversight for the department</b>		
<b>Name</b>	<b>Title</b>	<b>M9 time period active</b>
Rt. Hon. Robert Jenrick MP	Secretary of State	January 2020 - September 2021*
Rt. Hon. Michael Gove MP	Secretary of State	September 2021 - June 2022*
Melanie Dawes DCB	Permanent Secretary	January 2020 - February 2020*
Jeremy Pocklington CB	Permanent Secretary	March 2020 - June 2022*

**Key areas of the Department's work relating to the Module 9 Provisional Outline of Scope**

**Local Government Finance (March 2020-April 2021)**- covering unringfenced grant funding tranches 1-5, cashflow support, sales, fees and charges income compensation scheme, collection fund deficits, exceptional financial support scheme and council tax schemes.

Name	Title	M9 time period active
Luke Hall MP	Minister for Local Government and Homelessness	January 2020 - April 2020*
Rt. Hon. Simon Clarke MP	Minister for Local Government	April 2020 - September 2020
Luke Hall MP	Minister for Regional Growth and Local Government	September 2020 - September 2021
Catherine Frances	Director General	January 2020 - June 2022*
Alex Skinner	Director	March 2020 - June 2022

**Analysis and Data Directorate (March 2020-April 2021)** – covering monthly financial monitoring for Local Government funding on tranches 1-5.

Name	Title	M9 time period active
Catherine Frances	Director General	January 2020 - June 2022*
Stephen Aldridge	Director	January 2020 – February 2022*

**Business Rates (January 2020 – December 2021)** – covering business rates relief, business rates retail discount, reductions in rateable values for Material Changes of Circumstances (“MCCs”) and BEIS grant schemes.

Name	Title	M9 time period active
Rt. Hon. Simon Clarke MP	Minister for Local Government	April 2020 - September 2020

Alex Skinner	Director	January 2020-June 2022*
Jenny Dibden	Director (Note that this included Cities and Local Growth Unit - a team managed jointly by BEIS and this Department)	February 2020 – March 2021

**Local Growth (June 2020 – August 2020) - covering Local Growth Fund, Getting Building Fund, Business Improvement Districts and High Street Funds and Commercial Rents.**

Name	Title	M9 time period active
Jake Berry MP	Minister for the Northern Powerhouse and Local Growth	July 2019 to February 2020*
Rt.Hon Simon Clarke MP	Minister for Local Growth	February 2020 to September 2020
Luke Hall MP	Minister for Regional Growth and Local Government	September 2020 - September 2021
Emran Mian	Director General	January 2020 - June 2022*
Alex Skinner	Director	March 2020 - June 2022
Jenny Dibden	Director	April 2020 – March 2022
Kate O'Neill	Director	July 2020 – June 2022*

**Planning Amendments (May 2020 - August 2020)– covering outdoor seating, planning permissions, extension of construction hours and changes to use of class order**

Name	Title	M9 time period active
Christopher Pincher MP	Minister of State for Housing and Planning	February 2020-September 2021

Tracey Waltho	Director General	April 2020 to June 2022
Simon Gallagher	Director	January 2020 – June 2022*

<b>Test and Trace Support payment scheme (September 2020 – October 2020)</b>		
<b>Name</b>	<b>Title</b>	<b>M9 time period active</b>
Catherine Frances	Director General	January 2020 - June 2022*
Alex Skinner	Director	March 2020 - June 2022

<b>Practical Support for Self Isolation (November 2020 – April 2021)</b>		
<b>Name</b>	<b>Title</b>	<b>M9 time period active</b>
Emran Mian	Director General	January 2020 – June 2022*
Ben Llewellyn	Director	March 2020 – February 2021

<b>Homelessness and Rough Sleeping (April 2020 - June 2020)</b>		
<b>Name</b>	<b>Title</b>	<b>M9 time period active</b>
Rt. Hon. Luke Hall MP	Minister for Local Government and Homelessness	January 2020 - April 2020* and
Rt. Hon. Luke Hall MP	Minister for Rough Sleeping and Housing	April 2020 - September 2020
Rt. Hon. Kelly Tolhurst MP	Minister for Rough Sleeping and Housing	September 2020 - January 2021

Rt. Hon. Eddie Hughes MP	Minister for Rough Sleeping and Housing	January 2021 - June 2022*
Tracey Waltho	Director General	March 2020 - March 2022
Catherine Frances	Director General	April 2022 - June 2022*
John Hall	Director	January 2020 - May 2020
Penny Hobman	Director	May 2020 - June 2022*

<b>Domestic Abuse (March 2020 – June 2020)</b>		
<b>Name</b>	<b>Title</b>	<b>M9 time period active</b>
Luke Hall MP	Minister for Rough Sleeping and Housing	January 2020 - April 2020*
Luke Hall MP	Minister for Domestic Abuse Safe Accommodation related work	January 2020-September 2020*
Rt. Hon. Kelly Tolhurst MP	Minister for Rough Sleeping and Housing	September 2020 - January 2021
Eddie Hughes MP	Minister for Rough Sleeping and Housing	January 2021 - September 2021
Tracy Waltho	Director General	April 2020 - September 2021
Emran Mian	Director General	August 2020 - December 2021 and September 2021 - June 2022*
Josh Goodman	Director	June 2020 - June 2022*

<b>Private Rented Sector (March 2020 - November 2020)</b>		
<b>Name</b>	<b>Title</b>	<b>M9 time period active</b>
Anne Frost	Director	Jan 2020 – May 2020*
John Hall	Director	May 2020 – June 2020

Charlotte Spencer and Caroline Crowther	Job-share Directors	July 2020 - June 2022*
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