Meg Hillier
Public Accounts Committee
House of Parliament

By email

22 March 2019

Dear Chair,

I agreed to write in response to an outstanding question from the 11 March 2019 Public Accounts Committee session on the Disclosure and Barring Service (DBS).

In the earlier part of the session, you asked about Home Office funding:

Q18-20. You sought £500 million from the contingency fund to meet a shortfall in March. You have not said what that was for. You have indicated that you will pay that back. Are you able to give us any information about how that has been spent and where you are going to get the money from to pay it back?

The request for an advance of £500m from the Contingency Fund is a usual part of Government business. All budgets are liable to revision and this advance covers a short period of increased outlay. This year, we understand that 13 other departments also received advances from the Contingency Fund.

At the Home Office, the Department comes under usual cash funding pressure at the start of March, because nearly 70% of our monthly cash outflow is paid out within the first week of the month. We are normally able to manage through this pressure. However, this year the pressure was greater because of the £900m additional Net Cash Requirement that was agreed as necessary in the 2018-19 Supplementary Estimate. The timing of the Supplementary Estimate meant that although agreed the Department does not have access to the additional Net Cash Requirement until the end of March, although cash outflows have to be made throughout the month.

A Contingencies Fund advance is the only mechanism through which the Department can meet its financial obligations in March, ahead of the conclusion of the Supplementary process.

We have confirmed to HM Treasury that we will repay the advance before the end of the financial year, once the additional funds, secured as part of the Supplementary process, become accessible to the Department.
HM Treasury’s ‘Supply Estimates: a guidance manual’ confirms departments should notify Parliament, by way of a Ministerial Statement agreed with HM Treasury, where an advance of supply is required (paragraph 5.12). The Ministerial Statement was made accordingly and the advance has been received.

Despite a number of uncertainties, our Departmental cash management has been effective this year. The year to date variance between cash drawn down and actual cash required is within the 5% target. With the correct management of the Contingencies Fund advance, we expect to report similar performance for the whole of the financial year.

We have kept the National Audit Office informed about the need for the advance and they are content.

Yours sincerely,

Sir Philip Rutnam
Permanent Secretary