

## Departmental Minute

### **Departmental Minute dated 2 June 2020 reporting contingent liabilities in relation to the activation of a previously approved £4 million Government Guarantee backing a borrowing facility and a new additional partially guaranteed borrowing facility of up to £26 million for Historic Royal Palaces (HRP)**

1. It is normal practice, when a government department proposes to undertake a contingent liability in excess of £300,000 for which there is no specific statutory authority, for the Minister concerned to present a Departmental Minute to Parliament giving particulars of the liability created and explaining the circumstances; and to refrain from incurring the liability until fourteen parliamentary sitting days after the issue of the Minute, except in cases of special urgency.
2. The above process has not been followed on this occasion because DCMS and HM Treasury judged that urgent action was required to support HRP following the Covid-19 outbreak. The Department has duly authorised HRP to draw down the existing guaranteed overdraft facility of £4 million and provided a contingent guarantee of up to 80% for an additional borrowing facility of £26 million. The guarantee will be available for a period of two years and HRP will only enter into borrowing facilities at such times and within such monetary limits as the Department shall agree. If the liabilities are called, provision for any payment will be sought through the normal Supply procedure.
3. Historic Royal Palaces is a charity established by Royal Charter. By virtue of a contract entered into on 1 April 1998 it carries out the functions of the Secretary of State for Digital, Culture, Media and Sport under Section 21 of the Crown Lands Act 1851 of managing the unoccupied Royal Palaces. HRP does not receive any grant-in-aid from the Government, relying instead on income from visitors and other commercial activities within the palaces it manages. As a result of COVID-19, HRP closed all of the palaces in its care on 20 March 2020 and have therefore lost their main source of income.
4. Whilst HRP currently have reserves of c.£33 million, these are not readily available without incurring financial penalties and loss of interest. HRP expects their reserves to be exhausted by the current crisis. The new guaranteed borrowing facility of up to an additional £26 million will enable HRP to allow their reserves to mature. Under the terms of the Royal Charter HRP cannot borrow without our Secretary of State's permission.
5. This statement is to notify parliament of a new borrowing facility of up to £26m, whereby the Government guarantees 80% of the borrowing, will go live before the expiration of 14 parliamentary sitting days due to the urgency involved. The previously approved £4m overdraft has now also been called upon and thus the guarantee has been activated, as a result of COVID-19.

**Department for Digital, Culture, Media and Sport 2 June 2020**