



Department for Levelling Up, Housing & Communities

To all Council Leaders in England
Copied to the Chair of the Local Government
Association

Rt Hon Michael Gove MP
*Secretary of State for Levelling Up, Housing and
Communities*
Minister for Intergovernmental Relations

**Department for Levelling Up, Housing and
Communities**

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

Email: michael.gove@levellingup.gov.uk

25th May 2022

Dear Leader,

EXPOSURE TO RUSSIAN AND BELARUSSIAN COMPANIES

In March I wrote to you condemning the invasion of Ukraine by Russia and preparing you to consider your exposure to Russian and Belarusian owned companies. I am now writing to update you on secondary legislation which has been laid in Parliament today to enable best value authorities (including county councils, district councils and London borough councils) and parish councils in England to terminate commercial relationships with companies which have strong links to the states of Russia and Belarus, where they wish to do so. This Order forms part of the Government's response to the invasion, which also includes economic, humanitarian and defensive military assistance to Ukraine, and imposing sanctions on Russia and Belarus. I enclose a copy of the Order and Explanatory Memorandum.

As you will be aware, in March the Cabinet Office issued [Procurement Policy Note 01/22 - Contracts with Suppliers from Russia and Belarus \(PPN 01/2022\)](#). In this advisory note, organisations in scope were asked to review their contract portfolios to identify Russian and Belarusian prime contractors and consider the termination of these contracts.

I am grateful to Leaders for engaging with this and contacting the Department about what action local authorities can take. After consulting with the sector, I am keen to ensure that best value authorities and parish councils in England have the same opportunities as other public bodies to take equivalent action. Section 17 of the Local Government Act 1988 prohibits these bodies from taking into account in their procurement decisions, non-commercial considerations, including the location of any country or territory of the business activities or interests of contractors, or from terminating contracts for non-commercial reasons.

The secondary legislation which has been laid today will enable best value authorities and parish councils in England, if they so wish, to terminate proposed or subsisting public supply or works contracts, in accordance with the terms of the contract where the country or territory of origin of supplies to the contractor is the Russian Federation or Republic of Belarus or where the location of the business activities or interests of a contractor is the Russian Federation or the Republic of Belarus. As is also the case for central government departments and other bodies (and as set out in PPN 01/2022), it is the Government's intention that authorities to which this Order applies may decline to consider new procurement bids from entities which are constituted or organised under the law of Russia or Belarus. The policy will not enable these bodies to instigate their own unofficial, municipal foreign or defence policies – but will not prevent them from undertaking their own divestment measures where these align with official government sanctions – as in this case.

As is the case for central government departments and other bodies, the Government is of the view that decisions to terminate such contracts by these authorities should be made in

accordance with the terms of the contract, and only where an alternative supplier can be sourced in line with value for money, affordability and with minimal disruption to public services.

As we have done since the invasion of Ukraine, this is another area in which the United Kingdom - both in central and local government - can demonstrate unified action against the Russian and Belarusian regimes, by resisting not solely existing but also potential future ties with companies which are backed by these states. In my letter in March I acknowledged that taking the type of action the new Order will enable may have a direct or indirect impact on your local authority. I reiterate here my commitment to engage with any local authority with concerns about its financial position, service delivery or where it may be facing pressures that it cannot take steps to manage locally.

I am very grateful that your officials have engaged so constructively with DLUHC officials on this matter. I encourage you to maintain this engagement over the coming weeks and months, and as guidance is issued when the provisions of this Order come into force.

Should you wish to email with any concerns or questions, or seek advice, please write to the following address: lgcommercial@levellingup.gov.uk

I am copying this letter to Councillor James Jamieson, Chairman of the Local Government Association.

With every good wish,

A handwritten signature in black ink that reads "Michael Gove". The signature is written in a cursive style with a large initial 'M'.

**Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing and Communities
and Minister for Intergovernmental Relations**