



Department for Levelling Up,
Housing & Communities

Councillor James Swindlehurst
Leader, Slough Borough Council

Kemi Badenoch MP
*Minister of State for Equalities and Levelling
Up Communities*

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7 March 2022

Dear Councillor Swindlehurst,

SUPPORT FOR SLOUGH BOROUGH COUNCIL

I am writing in relation to your Authority's request (dated 13 January 2022) for exceptional financial support in respect of financial years across the period 2018-19 to 2022-23. I appreciate your continued co-operation with my Department throughout this process, and that of your officers, including the supplementary information and revised estimates provided on 4 and 14 February 2022.

I am grateful to you for the openness with which you have acknowledged how the Council has arrived at its current position and the commitment that you have made to the improvements needed.

As a result of the Council's serious failings, you have made a request for exceptional financial support of an unprecedented scale, relating to a number of financial years. This is deeply concerning and clearly demonstrates the gravity of the financial and leadership challenges facing the Council. As I am sure you will understand, Government will not take any of the difficult decisions on your case lightly. While I hope and expect the Council will take the lead on the long path to improvement, it is also important to recognise that this is just the start of the process of the Council's recovery, and there is significant further work to be done. In this context, I have considered very carefully the interests of local people in Slough, and the need to provide sufficient stability to the Council and to make sure that service delivery, especially for the most vulnerable citizens, is not disrupted.

The Secretary of State's Commissioners, who were appointed on 1 December 2021 and 11 January 2022, will provide in due course their initial assessment of the scale of the leadership, financial, and managerial challenges faced by the Council. It is critical that you continue to cooperate closely with the Commissioners, providing regular assurance that you are working at sufficient pace to deliver the scale of change that is needed.

It is within this context that the Department has considered your Council's capitalisation request. This letter sets out the Department's current position but does not constitute a capitalisation direction.

The Department's consideration of your request has been based on the estimates that the Council has provided to date of its significant budget gaps. The Commissioners have provided assurance, as far as possible, that these estimates are reasonable and appropriate. I recognise, however, that these estimates are based in significant part on assumptions, and

that final amounts will only be confirmed as part of the closure of the Council's financial accounts, which are significantly overdue. I am conscious that during this process some of these estimates may change and the Council's projected budget gaps could increase. I am clear, however, that the Council should take all reasonable action and necessary steps to minimise this risk, and reduce pressures where possible, without incurring additional borrowing – this is because reducing the Council's indebtedness is critically important to its long-term financial sustainability.

With respect to the period between 2018-19 to 2022-23, the Secretary of State is minded to approve capitalisation directions totalling £307.119 million. This total is broken down by each financial year as follows:

- 2018-19 - £61.709 million.
- 2019-20 - £40.158 million.
- 2020-21 - £25.932 million.
- 2021-22 - £95.265 million.
- 2022-23 - £84.055 million.

As you would expect, there is considerable process to undertake before capitalisation directions in respect of any of the above years are approved. The Council will need to demonstrate that it is taking the necessary steps towards improvement, and I will need assurance from the Commissioners that you have produced an Improvement Plan to their satisfaction, as per the directions issued to your Council on 1 December. In addition, if the Secretary of State decides to approve any directions, he would confirm in due course any conditions that would be applied. Finally, any decisions would be contingent on the Council reporting to the Department the final amounts identified for which you need capitalisation for each year, with the agreement of the Authority's external auditors and endorsed by the Commissioners. Each of these steps is addressed in more detail in the attached annex.

I also recognise that you included in your request an indication of support required for future years beyond 2022-23. As you will understand, we cannot make any spending commitments beyond the period covered by the current Local Government Finance Settlement. At this point, we are providing an indication of support to make sure that you can set a balanced budget (as required by statute) and continue to deliver services in Slough. However, we will also need to see significant ongoing progress from the Council, for example in delivering against an Improvement Plan, before we can consider the provision of any Government support for future years. My officials will continue to engage closely with your officers in the coming months to understand your position going into the financial year 2023-24.

A meeting will be scheduled with the Department and your officers to discuss the position set out in this letter.

I should be grateful if the Council would consider the Department's position concerning your request for exceptional financial support and confirm to me in writing by 10 March that you wish to proceed in accordance with the conditions outlined in this letter. I am copying this letter to the Commissioners.

Yours sincerely,

A handwritten signature in black ink that reads "Kemi Badenoch". The signature is written in a cursive, flowing style.

KEMI BADENOCH MP

Annex – Process for approving capitalisation directions

Assurance

If the Secretary of State decides to give any directions, he would confirm in due course the final amount of capitalisation support and any conditions that would be applied. The Department's consideration will include evidence from the Commissioners of the Authority's progress against the actions it is required to take, as per the Secretary of State's directions (dated 1 December) made under section 15(5) and (6) of the Local Government Act 1999. This will include evidence of the Authority's:

- Progress in delivering its Improvement Plan, including an outline action plan to achieve financial sustainability and to close the long-term budget gap identified by the Authority across the period of its Medium Term Financial Strategy (MTFS) and beyond if necessary;
- Progress in developing and / or delivering against plans for asset disposal; debt reduction; savings targets; and long-term council tax levels in Slough;
- Overall financial position and its ability to meet any or all of the identified budget gap without additional borrowing.

Your outline action plan to achieve financial sustainability, which will be a significant component of the Improvement Plan, must include an ambitious and deliverable asset disposal strategy.

Conditions

Such directions may be subject to conditions, which would be set out in any capitalisation directions should the Secretary of State decide to exercise his powers under sections 16(2)(b) and 20 of the Local Government Act 2003.

If the Secretary of State decides to give any directions, he is minded to attach the following conditions:

- The Authority may only capitalise expenditure when it is incurred;
- Where expenditure is capitalised, that the Authority shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with relevant guidance;
- Where the Authority's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction, any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the Public Works Loan Board and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not apply to borrowing in relation to your Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing;
- The Authority makes good progress against its Improvement Plan, as assessed by the Best Value Commissioners, in their regular reports to the Secretary of State.

With this in mind, the Secretary of State also reserves the right to attach additional bespoke conditions to any directions issued in respect of the financial years above, depending on the Council's individual circumstances.

Confirming final amounts

Although the Secretary of State is minded to approve capitalisation directions for the period between 2018-19 to 2022-23, this would be contingent on the Authority reporting to the Department the final amounts identified for which it requires capitalisation for each year, with the agreement of the Authority's external auditors and endorsed by the Best Value Commissioners.