



Department for Levelling Up,
Housing & Communities

Councillor James Swindlehurst
Leader of Slough Borough Council

By email

Lee Rowley MP

*Parliamentary Under Secretary of State
for Local Government and Building Safety*

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

2 Marsham Street
London
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www.gov.uk/dluhc

Dear Mr Swindlehurst

1 March 2023

SUPPORT FOR SLOUGH BOROUGH COUNCIL

I am writing in relation to your Council's request for exceptional financial support in respect of 2023-24 (dated 3 February 2023).

The Secretary of State has not opposed your request for a higher council tax referendum threshold of 9.99% in 2023-24 (i.e. an additional 5% above referendum principles applied to other councils). It is within this context that the Secretary of State has considered your Council's capitalisation request for the financial year 2023-24. This letter sets out the Department's current position but does not constitute a capitalisation direction.

The consideration of your request in respect of 2023-24 has been based on the estimate that the Council has provided to date of the budget gap for this financial year. The Commissioners have provided assurance, as far as possible, that this estimate is reasonable and appropriate. I recognise, however, that this estimate is based in significant part on assumptions, and that the final amount will be subject to the closure of the Council's financial accounts for previous years, which are significantly overdue. I am conscious that during this process the Council's projected budget gap for 2023-24 could change. The Council should take all reasonable action and necessary steps to minimise this risk and reduce pressures where possible.

With respect to the financial year of 2023-24, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £31.575 million. If the Secretary of State decides to approve any directions, he would confirm in due course any conditions that would be applied. This is addressed fully in the attached annex.

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 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 Commissioner. This letter will also be published on GOV.UK.

Yours ever,

Lee Rowley

LEE ROWLEY MP

**Parliamentary Under Secretary of State
for Local Government and Building Safety**

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 Council's progress against the actions it is required to take, as per the Secretary of State's directions (dated 1 December 2021) made under section 15(5) and (6) of the Local Government Act 1999. This will include evidence of the Council's:

- Progress in delivering its Improvement Plan;
- Progress in 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.

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.

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 a capitalisation direction for 2023-24, this would be contingent on the Council reporting to the Department the final amount identified for which it requires capitalisation for this year, with the agreement of the Council's external auditors and endorsed by the Commissioners.

