



Department for Levelling Up,
Housing & Communities

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LOCAL GOVERNMENT ACT 2003 SECTIONS 16(2)(B) AND 20: TREATMENT OF COSTS AS CAPITAL EXPENDITURE

Dear Steven,


1. I refer to your letter of 2 September 2020 (“the application”), applying for a capitalisation direction to fund revenue expenditure incurred by the Council in respect of the pressures or income losses outlined in your request for exceptional financial support.
2. I can now confirm that the application is given approval at a total not exceeding £1.5m with respect to the financial year 2021/22, subject to the conditions outlined below. This direction takes immediate effect.
3. Accordingly, the Secretary of State directs, in exercise of his powers under sections 16(2)(b) and 20 of the Local Government Act 2003 (“the Act”), that Copeland Borough Council (“the Council”) treat as capital expenditure, expenditure which:
 - i. is either:
 - a. revenue expenditure and meets the definition of an additional cost pressure as identified and agreed with the Department for Levelling Up, Housing and Communities (DLUHC) through the Council’s formal request for exceptional financial support; or
 - b. any revenue expenditure not exceeding the value of income losses in the financial period 2021/22 as identified and agreed with DLUHC through the Council’s application;
 - ii. is properly incurred during the financial period 2021/22; and

- iii. does not exceed a total of £1.5m.
4. In a further exercise of the Secretary of State's powers under section 20 of the Act, it is a condition of this direction that:
- i. The Council may only capitalise expenditure when it is incurred.
 - ii. Where the Council's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction:
 - a. 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 PWLB (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.
 - b. The Council 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 the Department's Statutory Guidance on Minimum Revenue Provision issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.
 - iii. That the Council provide quarterly progress reports to both the department and the Cumberland Shadow Authority on the timetable which has been agreed with auditors for the completion of fully audited and signed off accounts for 18/19, 19/20, 20/21 and 21/22. The agreed timetable is as follows:

Financial year	Completion date
18/19	July 2022
19/20	December 2022
20/21	April 2023
21/22	October 2023

- iv. That the Council agrees to fund £1.6m contribution towards the local government restructuring process.
 - v. That the Council incorporates the recommendations of the external assurance review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2021, the s24 statutory recommendations issued by Grant Thornton in 2020 and the 2022 statutory recommendations from Grant Thornton Auditors into an integrated action plan and makes good progress towards responding to these, engaging with and providing quarterly updates to the Department for Levelling Up, Housing and Communities on their progress towards fulfilling these recommendations.
5. This direction is given for the purposes of Chapter 1 of Part 1 of the Act only. It does not convey any other consent that may be required or any view as to the propriety of the expenditure. It is for the Council to be satisfied that any amount to which this direction is applied is properly incurred in the financial years concerned.

Yours sincerely,



Suzanne Clarke

Authorised to sign this direction by the Secretary of State for Levelling Up, Housing and Communities.