



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 Homira,

1. I refer to your email of 11 September 2020, as well as your recent letter of 10 January 2022 (“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 £4.4m 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 Eastbourne 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 £4.4m.

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 within three months of this capitalisation direction, the Council develops and shares with the Department a plan for the generation of additional capital receipts (either through asset disposals or changes to its capital programme). To help reduce the Council's future borrowing requirement the plan should, as far as possible, aim to reduce the Council's capital financing requirement by an amount at least equal to the total revenue expenditure treated as capital under this direction (in addition to revenue capitalised under the Council's 2020/21 direction).
 - iv. That within three months of a capitalisation direction the Council will produce a revised Recovery and Reset plan which fully addresses the recommendations of the external assurance review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2021.
 - v. The Council will be subject to a further external assurance review process, beginning with an external review in summer 2022. This review will have a particular focus on the improvement plan referenced above; and the work of the Authority to address its reliance on tourism and leisure income. Following this, the Council will present progress reports to the Department every six months. The frequency of progress reporting will be reassessed after one

year.

- vi. The Council will make good progress towards completing the actions outlined in its updated Recovery and Reset plan as well as the plan required by condition 4(iii), as demonstrated by the progress reports outlined above.
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,

A handwritten signature in black ink, appearing to read "Suzanne Clarke".

Suzanne Clarke

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