



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 Shaer,

1. I refer to your letter of 9 October 2020, as well as your email of 16 February 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 £6.36m 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 Wirral 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 £6.36m.
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. The Council makes good progress towards completing the actions outlined in their Improvement Plan, as well as the plan required by condition 4(iii) as assessed by the Independent Assurance Panel in their regular reports to the Council that will also be provided to the Secretary of State.
 - v. It is a further condition that the Council maintains a regular dialogue with the Department and reports on progress against implementing that plan to the

Department every six months. The frequency of progress reporting will be reassessed after two years.

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 'S J Clarke'.

Suzanne Clarke

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