



Department for Levelling Up,  
Housing & Communities

**Simon Hoare MP**  
*Minister for Local Government*

**Department for Levelling Up, Housing and  
Communities**  
2 Marsham Street  
London  
SW1P 4DF

Councillor John Cotton  
Leader of Birmingham City Council  
By email

27 February 2024

Dear Councillor Cotton

## **EXCEPTIONAL FINANCIAL SUPPORT FOR BIRMINGHAM CITY COUNCIL**

I write in relation to Birmingham City Council's request of 23 January 2024 for exceptional financial support in respect of 2020-21, 2021-22, 2022-23, and 2024-25.

As a result of the Council's continued financial challenges, you have made a request for exceptional financial support for 2020-21, 2021-22, 2022-23, and 2024-25. While I welcome the steps that have been taken thus far by the Council overseen by Commissioners, it is important to recognise that there is still significant work to be done given the extent of the financial issues. Government's view continues to be that councils requiring exceptional financial support, particularly where it is apparent that several concurrent years of support will be needed, should take all possible steps locally to manage their budget pressures and restore long-term financial sustainability.

It is within this context that the Secretary of State has considered very carefully the Council's position including the interest of local people in Birmingham, 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.

This letter sets out the Department's current position but does not constitute a capitalisation direction.

The consideration of your request has been based on the estimates that the Council has provided to date of its budget position. 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 the final amount of the required capitalisation direction will only be confirmed when the Council's financial accounts for previous years are closed.

With respect to the financial years 2020-21, 2021-22, 2022-23, and 2024-25, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £1,255.1 million. The total is broken down by each financial year as follows, as per your request:

- 2020-21, £288.4 million;
- 2021-22, £109.5 million;
- 2022-23, £172.2 million;
- 2024-25, £685.0 million.

Before the capitalisation direction can be approved, your Council will need to demonstrate that it continues to take all necessary steps towards improvement. The Secretary of State will require

assurance from the Commissioners that you are making good progress against the Improvement and Recovery Plan, as per the Best Value Directions issued to your Council on 5 October 2023. If the Secretary of State decides to approve any capitalisation directions, he would confirm in due course any conditions that would be applied. This is fully addressed in the attached annex.

You will be aware that on 24 January, the Secretary of State announced the expectation for all councils to produce a productivity plan focused on improving service performance and reducing wasteful expenditure. I wish to emphasise that this productivity plan should be completed alongside your ongoing improvement and recovery work.

I should be grateful if the Council could confirm in writing by 28 February that it wishes to proceed in accordance with the position set out in this letter. I am copying this letter to the Lead Commissioner, your Chief Executive and Section 151 Officer. This letter will also be published on GOV.UK.

**SIMON HOARE MP**  
Minister for Local Government

## **Annex – Assurance required for approving exceptional financial support**

### 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 Best Value Directions (dated 5 October 2023) made under section 15(5) and (6) of the Local Government Act 1999. This will include evidence of the Council's:

- progress of the delivery of the proposed savings identified in the 2024-25 budget. This should include:
  - clear ownership and accountability for the savings at member and officer level;
  - the Authority developing, within three months, the infrastructure, people and plans to deliver the savings plans;
- rebuilding capacity and capability at its core to manage interdependencies in the savings plan, including ensuring that there is the right balance between the corporate core and the service departments. There should be clear lines of accountability from Departments to the chief executive and the corporate leadership team.

### 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 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 and Recovery 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 may also 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 2020-21, 2021-22, 2022-23, and 2024-25, 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.