



Ministry of Housing,
Communities &
Local Government

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Suzanne Clarke
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**Ministry of Housing, Communities &
Local Government**
4th Floor, Fry Building
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18 February 2025

Dear Zena,

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

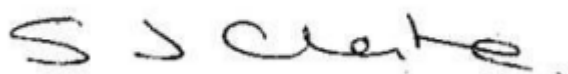
1. I refer to Lambeth Council's request to apply for an extension to its capitalisation direction ("the application") to fund revenue expenditure incurred in respect of the pressures or income losses outlined in your request for exceptional financial support relating to costs from the council's Redress Scheme for the financial years 2022-23 to 2024-25.
2. I can now confirm that the application is given approval at a total not exceeding £50m with respect to the financial years of the Redress Scheme between 2022-23 to 2024-25, subject to the conditions outlined below. This direction takes immediate effect and replaces the previous 2023-24 capitalisation direction letter issued 15 May 2024. The capitalisation directions dated 30 November 2017 and 23 December 2020 remain unchanged allowing the council to capitalise to an aggregate total of £125m between 2017-18 to 2022-23. The extended £50m will additionally apply to 2022-23 and between 2023-24 to 2024-25.
3. Accordingly, the Secretary of State directs, in exercise of her powers under sections 16(2)(b) and 20 of the Local Government Act 2003 ("the Act"), that Lambeth London Borough Council ("the Council") treat as capital expenditure, expenditure which:
 - i. is revenue expenditure and meets the definition of an additional cost pressure as identified and agreed with the Ministry of Housing, Communities and Local Government (MHCLG) through the Council's formal request for exceptional financial support; and
 - ii. is properly incurred during the financial years that begin 1 April 2022, 1 April 2023 and 1 April 2024; and
 - iii. does not exceed a total of £50m.

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. 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.
5. I can confirm that in exercise of her powers under section 20 of the Act, the Secretary of State directs that the following condition within your capitalisation direction will no longer apply to any future borrowing undertaken by the Council from 18 February 2025.

"where the Council'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."

6. 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 Deputy Prime Minister, and Secretary of State for Housing, Communities and Local Government