



Ministry of Housing, Communities & Local Government

Jim McMahon OBE MP
*Minister of State for Local Government and English
Devolution*
2 Marsham Street
London
SW1P 4DF

Councillor Ann-Marie Barker
Leader of Woking Borough Council
By email

20 February 2025

Dear Councillor Barker,

I am writing in relation to Woking Borough Council's request of 24 January 2025 for Exceptional Financial Support in respect of the financial years 2024-25 and 2025-26.

The Exceptional Financial Support process exists to support those councils facing unmanageable financial pressures. This government understands that fragility in the system has left some councils in difficult positions and recognises that support is required in exceptional circumstances to balance budgets. Going forward, as set out as part of the Local Government Finance Settlement, we are clear that we will continue to work to support local services and put the system back on a sustainable footing.

We recognise however that these reforms will take time. I understand that this is a difficult time for the council and that difficult decisions have been taken locally before this request for support. I appreciate your engagement in this process whilst we move towards wider reform from 2026-27. The Deputy Prime Minister has considered the council's position including all the measures that have been taken locally to support the continued delivery of sustainable services for residents, particularly for those who are most vulnerable.

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

With respect to the financial year 2025-26, the Deputy Prime Minister is minded to approve a capitalisation direction of a total not exceeding £74.6 million.

The Deputy Prime Minister is also minded to approve a revision to the previously agreed in-principle capitalisation direction of £95.6 million to £93.6 million for 2024-25.

We will continue to work with you on the final amount of your capitalisation directions for 2023-24 and 2024-25 to understand the final amount of capitalisation support ahead of issuing any capitalisation direction for these years. Officials will discuss this with officers at your council in due course.

Minimum Revenue Provision

As part of its request for Exceptional Financial Support, Woking Borough Council has also requested that government agree its assumptions in setting a prudent Minimum Revenue Provision (MRP) in accordance with statutory guidance. This allows that a council may take into account government support in considering what level of provision is prudent, and may determine a lower charge than would otherwise be required. This is only permitted where government agrees with how the assumptions with respect to support are reflected in the determination of MRP. On this basis, the council has determined not to charge £96.5 million of the £105.4 million MRP charge that, without government support, would be required for 2025-26.

In accordance with the MRP guidance and in line with the previous government's position, the government agrees with Woking Borough Council's assumption that based on its current position, there is no reasonable means by which the council can meet all its debt liabilities from its own resources. Before the government can provide the council with any long-term support relating to the council's debt position, it is imperative that the council takes all possible steps to minimise its debt.

When Commissioners are assured that all possible local steps have been taken, the government will consider the appropriate action to ensure the council can address its residual debt. It is unclear at this stage what the appropriate amount, form and structure of any such action may be. Government reserves its position to make final decisions based on all available evidence and consider what conditions would apply taking account of the impact on the public purse.

The department will continue to work with the council and Commissioners regarding the council's long-term financial position, noting the need to set a balanced budget for 2026-27 by the statutory timescales.

Requirements

Government's agreement to provide the Exceptional Financial Support outlined in this letter and any future support is subject to the council providing assurance of its position, and ongoing action to improve its financial position.

At all stages the department's consideration will also include evidence from the Commissioners of the actions the council is required to take, as per the Secretary of State's directions (dated 25 May 2023) made under section 15(5) and (6) of the Local Government Act 1999. This will include evidence of the council's delivery of:

- Continued development and delivery of a robust asset disposal plan to the satisfaction of Commissioners and government. This must be underpinned by a detailed assessment of options considering the associated risks and benefits, and a review of the council's companies' financial positions including detailed cashflows. The plan must balance appropriately the urgent imperative to reduce the levels of outstanding debt with the need to secure a managed exit from commercial arrangements and deliver optimal value for the public purse. The plan, and the council's progress against that plan, should be subject to appropriate scrutiny, for example external experts.
- Continued development and delivery of a strict debt reduction plan to the satisfaction of Commissioners and government, linked to the options appraisal and agreed asset disposal plan.
- Robust programme management of the commercial workstream to ensure timely delivery and effective risk mitigation.

The council must continue to adhere to strengthened restrictions on borrowing:

- the council can only borrow from the Public Works Loan Board (PWLB) unless otherwise agreed by government;
- the council's borrowing from the PWLB will remain under the increased operational requirements until specified by government. That is, the council must provide a schedule of borrowing at least monthly detailing the amount, timing and reason for borrowing. Commissioners will provide Government with assurance that all borrowing is necessary, kept to minimum required and not borrowed in advance of need;
- the council will agree all new capital spend with government and share any information required for government to be assured it meets the terms of borrowing. This includes agreeing the capital plan with government ahead of each financial year and any revised plans.

Conditions

Capitalisation directions may be subject to conditions, which would be set out in any directions should the Deputy Prime Minister decide to exercise her powers as Secretary of State under sections 16(2)(b) and 20 of the Local Government Act 2003. If the Deputy Prime Minister decides to give any directions, she is minded to attach the following conditions:

- i. The authority may only capitalise expenditure when it is incurred.
- ii. Where expenditure is capitalised, the authority shall charge annual MRP using the asset life method with a proxy 'asset life' of no more than 20 years.
- iii. the Authority makes good progress against its Improvement and Recovery Plan, as assessed by the Best Value Commissioners in their regular reports to the Deputy Prime Minister.

If the Deputy Prime Minister gives any directions, she will confirm the final amount of capitalisation support and any conditions that will apply in due course. The approval of any capitalisation directions will also be contingent on the council reporting to the department the final amounts identified for which it requires capitalisation for each year, with the agreement of the council's external auditors, and endorsed by Commissioners.

If you are considering financing capitalisation support through capital receipts, I want to make clear at this stage that it is my expectation that councils should avoid the disposal of community heritage assets where possible to protect the public ownership of locally significant sites to ensure residents can continue to benefit from them.

Thank you for your continued support and the support of your officers whilst we have considered your request for Exceptional Financial Support. Officials will continue to closely support you through the next steps of the process.

Yours ever,

JIM MCMAHON OBE MP

Minster of State for Local Government and English Devolution