



Ministry of Housing, Communities & Local Government

Alison McGovern MP
*Minister of State for Local
Government and Homelessness*
2 Marsham Street
London
SW1P 4DF

Councillor John Cotton
Leader of Birmingham City Council
By email

23 February 2026

Dear Councillor Cotton,

I am writing in relation to Birmingham City Council's request of 5 February 2026 to reprofile previously agreed in-principle Exceptional Financial Support in respect of the financial years 2020-21 to 2025-26.

As you know, the government is making good on long overdue promises to fundamentally update the way we fund local authorities. We are delivering fairer funding, targeting money where it is needed most through the first multi-year Settlement in a decade. The Settlement makes available up to £2,090m in Core Spending Power for Birmingham City Council in 2028-29, which means that under this government Core Spending Power will increase 45% from 2024-25 to 2028-29.

I am pleased with the progress the council is making to strengthen its financial position and its balanced budget proposal for 2026-27 is a significant milestone.

The Secretary of State for Housing, Communities and Local Government 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. This letter sets out the department's current position.

The Secretary of State is minded to approve revisions to the previously agreed in-principle capitalisation from 2020-21 to 2025-26 to the following revised profile, which is within the existing amount of support previously agreed:

- 2020-21: £99.5m
- 2021-22: £97.4m
- 2022-23: £169.6m
- 2023-24: £188.5m
- 2024-25: £405.7m
- 2025-26: £36.7m

We will continue to work with you on the final amount of support required for these financial years ahead of issuing any capitalisation directions. Officials will discuss this with officers at your council in due course.

As set out when the in-principle capitalisation was originally confirmed, government's agreement to provide the Exceptional Financial 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 5 October 2023 made under section 15(5) and (6) of the Local Government Act 1999.

When formally issued, Capitalisation directions may be subject to conditions, which would be set out in any 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:

- i. The Council may only capitalise expenditure that has been incurred and recognised under proper practices;
- 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.

If the Secretary of State gives any directions, he 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.

It is my expectation that councils should aim to avoid or minimise the need for new borrowing to fund Exceptional Financial Support and should look to make use of existing or future capital receipts wherever possible. Of course, in doing so councils should avoid sales that do not represent value for money and where possible the disposal of community heritage assets, to protect the public ownership of locally significant sites and 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,

A handwritten signature in blue ink, appearing to read 'Alison McGovern', written in a cursive style.

ALISON MCGOVERN MP

Minister of State for Local Government and Homelessness