



Department for Levelling Up,
Housing & Communities

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**Department for Levelling Up, Housing and
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Councillor Ray Morgon
Leader of the London Borough of Havering
By email

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EXCEPTIONAL FINANCIAL SUPPORT FOR THE LONDON BOROUGH OF HAVERING

I write in relation to the London Borough of Havering's request of 14 November 2023 for exceptional financial support in respect of 2023-24 and 2024-25.

Government's view continues to be that councils requiring exceptional financial support should take all possible steps locally to manage their budget pressures and restore long-term financial sustainability.

The Secretary of State has considered very carefully the Council's position including the interest of local people in the London Borough of Havering, 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.

With respect to the financial years 2023-24 and 2024-25, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £53.7 million. The total is broken down by each financial year as follows, as per your request:

- £21.2 million in 2023-24;
- £32.5 million in 2024-25.

Before the capitalisation direction can be approved, your Council will need to undertake certain actions. This is consistent with the approach used by the Department since 2020 to those councils that have applied for exceptional financial support. If the Secretary of State decides to approve any directions, he would confirm in due course any conditions that would be applied. The actions your Council is required to take now plus conditions the Secretary of State is minded to apply to any confirmed direction are fully addressed in the attached annex.

I am grateful for your support and the support of your officers whilst we have considered your request for exceptional financial support, and for engaging so positively with me and officials throughout. I look forward to continuing to work with you and the Council in that spirit going forward.

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. In order for the Department to provide a final capitalisation direction, the council is required:

- to undergo an external assurance review which will include, but will not be limited to, an assessment of the Council's financial position and financial management practices and the Council's work to improve its productivity and efficiency, linked to the broader work expected by the Department to produce productivity plans to improve service performance and reduce wasteful expenditure;
- to produce an improvement and transformation plan within six months of the date of this letter that is focused on delivering the Council's key objectives and securing the medium-term financial position. The plan should take into account broader work required by the Department to produce productivity plans to improve service performance and reduce wasteful expenditure. This plan should be rooted in clear deliverables and tangible, measurable outcomes over the next 12-months and beyond. The plan should incorporate any recommendations identified as part of the external assurance review once that review is completed and a commitment to ongoing reporting on the continued progress that is made.

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.

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 2023-24 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.

