



Department for Levelling Up,
Housing & Communities

Tracey Lee
Chief Executive
Plymouth City Council
Plymouth
PL1 3BJ

Suzanne Clarke
*Deputy Director, Local Government
Finance Stewardship*

***Department for Levelling Up,
Housing and Communities***

Fry Building
2 Marsham Street
London SW1P 4DF

Email: Suzanne.Clarke@levellingup.gov.uk

www.gov.uk/dluhc

2 February 2024

Dear Tracey,

I wish to confirm receipt of Plymouth City Council's request for Exceptional Financial Support (EFS).

You have set out your assessment of your position to the Department and the issue in relation to the accounting treatment of the Council's 2019 pensions deficit transaction. I can assure you that government will continue to work closely with Council officers to find a way forward, i.e. by supporting the Council to set a balanced budget for 2024/25.

The Department has worked closely with a number of councils through this process since it was established in 2020. In each of these cases, councils have been able to set and maintain balanced budgets, including where support has been agreed in principle only. Full details of all support agreed are published here: [Exceptional financial support for local authorities - GOV.UK \(www.gov.uk\)](http://www.gov.uk/government/publications/exceptional-financial-support-for-local-authorities).

I understand that Department officials have spoken with Council officers in detail about the EFS framework and the stages involved in this process. A summary of the process is included in the annex. Requests are assessed against the principles of the Exceptional Financial Support framework, including value for money; longer-term financial sustainability; addressing underlying drivers of risk or fragility; avoiding moral hazard; being legally robust; and meeting eligibility requirements.

Ministers will consider the Council's request very carefully against the EFS principles, as well as various other factors including the Council's overall position, the interest of Plymouth Council's residents, and the need to provide sufficient stability to the Council to make sure that service delivery, especially for the most vulnerable citizens, is not disrupted. To be clear,

Ministers will decide the appropriate amount, form and structure (if any) of any support for the Council.

I appreciate your continued co-operation with the Department, as you continue to work through the Council's financial issues and the EFS process set out above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S J Clarke'.

Suzanne Clarke

Deputy Director, Local Government Finance

Annex: Summary of exceptional financial support (EFS) process

The summary below sets out the typical process for Government to assess requests for exceptional financial support (EFS).

1. **Formal request:** A local authority approaches the Department seeking EFS, typically via a capitalisation direction. The local authority provides the amount of capitalisation sought and the rationale behind why this is required.
2. **Assessment:** The request is considered by the Department and includes an assessment of whether the authority has taken every possible step at local level to minimise the need for support to be funded by national taxpayers.
3. **Agreement of 'in principle' support:** Subject to Ministerial decision, Ministers will write to the authority setting out that they are 'minded to' issue a capitalisation direction subject to certain conditions. These conditions typically include the authority being required to undergo an external assurance review.
4. **Confirmation and legal direction:** Confirmation of legal directions is required to enable an authority and the external auditor to close its financial accounts for that year. There is not a set time of year when directions must be formalised. Previously, subject to demonstration that the authority has progressed against the conditions set out in the 'in-principle' offer of support, directions have been formalised at the end, or just after the end of the financial year to which the capitalisation applies. When formal directions are issued, conditions are attached.

Previous standardised conditions attached to formal capitalisation directions issued through the EFS framework

1. The Council may only capitalise expenditure when it is incurred.
2. Where the Council's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction:
 - a. 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 PWLB (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 hour Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing.
 - b. The Council shall charge 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 2(A) of the Local Government Act 2003.

Publication

Details of in-principle support and formal capitalisation directions are published on gov.uk:
[Exceptional financial support for local authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/collections/exceptional-financial-support-for-local-authorities)

An example of a published in-principle agreement:
[Thurrock Council: Exceptional Financial Support request 2023-24 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000000/thurrock-council-exceptional-financial-support-request-2023-24.pdf)

An example of a published formal capitalisation direction:
[Eastbourne capitalisation direction 2021-22 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000000/eastbourne-capitalisation-direction-2021-22.pdf)