



Department for Levelling Up, Housing & Communities

Paul Scully MP

*Minister of State at the Department for
Levelling Up, Housing and Communities,
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**Department for Levelling up, Housing
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Councillor Drew Mellor
Leader, Bournemouth, Christchurch and Poole Council
BCP Council Civic Centre
Bourne Avenue
Bournemouth
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www.gov.uk/dluhc

29 July 2022

Dear Cllr Mellor,

EXCEPTIONAL FINANCIAL SUPPORT APPLICATION

Thank you for our meeting today. As discussed, I am writing to you in relation to Bournemouth, Christchurch and Poole (BCP) Council's proposal to sell beach huts to a wholly owned company and use the proceeds to fund revenue costs under the Flexible Use of Capital Receipts direction (the Direction) and about the manner by which we will progress your request for capitalisation. My predecessor wrote to you on 16 June in relation to this proposal. That letter set out that the Council's proposal is not in line with the intended use of the Direction, and that the government would review both the Direction and associated guidance to make changes as needed to make this explicit.

Following on from this correspondence, and as I explained in our call, we will shortly be publishing an updated Direction and associated guidance. We have made this change to ensure that the flexibility is only available for use where councils have capital receipts from a genuine asset disposal. The proposal that the Council was considering in relation to its beach huts is not in line with the amended Direction, and any future proposals of a similar nature should be carefully considered.

My officials have been in discussion with your officers on this matter and the implications that not being able to proceed with your proposals will have for the Council's budget for 2022/23 and in future years. In this context, on 15 July, your Chief Executive wrote and indicated that the Council wishes to apply for a capitalisation direction. Your officers have indicated that the Council will need support totalling £75.9m over the next three-years.

The government considers any request for support from a local authority through the exceptional financial support process. This is so we can assess the need for support against an agreed set of principles, including value for money, consistent with the approach taken with other councils. As you will know, using capital receipts or borrowing for revenue purposes is not in line with normal local government accounting practice. Given this, government only agrees to it in exceptional circumstances where it is clear that a council can use no other reasonable means to manage its financial pressures. Any decision to provide exceptional financial support must have agreement from Ministers here and in HM Treasury.

Under the exceptional financial support process, the government may attach conditions to any support provided – for example, that a council undergo an external assurance review of its finances. In some circumstances, a council's governance arrangements may also be in scope for such a review. This is an important part of the process and helps ensure that a council seeking exceptional support has a plan for financial sustainability and policies and procedures are in place for robust decision making and accountability. In addition, and as we discussed, the focus will be on the amount and nature of support that the Council needs to maintain a balanced budget for the current year. As you will understand, we are likely to need to consider the detail of requests for future years after the Local Government Finance Settlement.

I know that my officials have already discussed this process with your officers, and that there is very positive work underway to ensure that we understand the Council's financial position and transformation ambitions more fully, and to progress your request quickly. It is a detailed process, and we will need to continue to work the Council over the coming months. I am very happy to work closely with you to help move through these discussions in a sensible way.

I hope this letter clarifies the position and next steps in considering BCP's request for additional support.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Scully', is centered below the closing text.

PAUL SCULLY MP