

## Appendix 2

The Council wishes to highlight several inaccuracies.

- 1. Croydon Renewal Programme:** *“Up to that point (March 2023), the Council had focussed its improvements on responding to statutory recommendations or those resulting from external reviews...an approach which, while necessary, was largely reactive in nature.”*

The assertion that early efforts were “*largely reactive*” is incorrect. The Croydon Renewal and Improvement Plan, agreed in September 2020, was proactive and secured the capitalisation direction in December 2020.

- 2. Opening the Books Exercise:** *“At this point (March 2023), however, the Authority’s auditors uncovered further legacy issues requiring considerable technical adjustments, which had the effect of significantly worsening the Council’s revenue position.”*

The Executive Mayor’s Opening the Books exercise was undertaken in 2022 by Worth Technical Accounting Solutions Ltd and as expected by the Council, uncovered significant legacy issues that needed rectification to the tune of over £161 million in additional EFS. The legacy issues were uncovered by the Council’s own initiative, not by the external auditor.

- 3. Financial Assumptions:** *“We continued to push for progress against the stubborn assumption of a £38 million pa running deficit.” And “an aversion to risk such as in taking measures beyond those necessary to meet the £38m pa ‘threshold’ that it had assumed”*

The Transformation Programme was developed to tackle the 2024/28 £100m MTFs gap. This sum did not include the £38m p.a. cost of the Council’s debt covered by EFS. This was being tackled through joint debt treatment work with the Department. The Council’s analysis showed it was not possible to take ~£138m in sustainable savings out of the budget over 4 years and still meet its statutory obligations. The reference to a “*stubborn assumption*” of a £38m p.a. running deficit misrepresents the Council’s position.

- 4. Budget Setting -1 (2024/25):** *“As the budget-setting for that year (2024/25) had followed the course of previous years, essentially of stabilising around the £38m shortfall (and thus EFS requirement) so the demand pressures being identified by service departments were expected to be containable by those services. This proved to be a misjudgement”.*

The IAP’s commentary on the 2024/25 budget-setting process fails to acknowledge the IAP’s involvement in and positive endorsement of that process.

Due to the emerging budget gap for the 2024/25 budget, the Council suggested an increase in its request for EFS. Following discussions with the IAP, it agreed not to do this. Further savings were made to balance the gap which increased the risk for the budget.

To describe the outcome of the budget process as a “*misjudgement*” and infer it was made solely by the Council is inaccurate. The Department could be forgiven for not

appreciating that the IAP were fully involved in the budget setting process, and that they supported the budget and the amount of EFS as appropriate.

The IAP's April 2024 letter also described this same budget process as "*a robust process of development and challenge*" with a "*timely and well-engaged process of consultation and scrutiny*".

5. **Budget Setting - 2 (2025/26):** "*It is our view that a robust budget process should identify spending pressures by no later than September in any year.*" "*As with the 2024/25 budget process, this raised serious concerns with us about the overall effectiveness of the Council's budgeting approach.*"

The Council did publish its MTFS and forecast budget savings for consultation in October 2024 following a summer and September of analysis as to what the budget for 2025/26 would need. In the autumn, more demand and cost data emerged, so changes were made.

The escalating demand in key services crystallised in November 2024. The Council responded holding additional star chamber meetings in response to this changing demand, which the IAP attended and praised. The IAP were fully briefed on the increased demand and changes to the EFS. As a result, they supported the Council's EFS request.

The criticism implied in the suggestion that a robust budget should be fixed by September does not recognise the need for ongoing adjustments in a volatile environment.

6. **Budget Management:** "*runaway position of the Council's finances*", "*seemingly excessively by comparison*", "*outlier*".

Descriptions such as "*runaway position*" and "*outlier*" are not supported by comparative data. Croydon's financial pressures are consistent with those of many London boroughs. The letter states that Croydon's financial position has deteriorated relative to other councils. This is not supported by data when measured against core spending power. [See Appendix 1]

The Council has requested the Panel to assess its performance both comparatively and normatively. It is not clear how robust advice can be provided to the Department without such data and context. Despite the requests, the Panel has declined, citing a remit limited to Croydon alone.

Croydon ranks sixth in terms of EFS requests as a proportion of core spending power. [See Appendix 1]

7. **Recognition of Financial Deterioration:** "*We required the Council to acknowledge that its financial position had not only worsened considerably over the past year...*"

This infers that the IAP had to require the Council to acknowledge its financial position had worsened. This is incorrect. The Council's leadership has publicly acknowledged the seriousness of its financial position on many occasions.

8. **Performance & Cost:** *“the Council will have to maintain an aim to deliver upper-quartile performance in its key services, and to do so for bottom quartile cost.”*

The Council has committed to becoming the most cost-efficient and effective council in London. This published commitment does not detail delivering upper-quartile performance in its key services for bottom quartile cost.