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Dear Rt Hon Angela Rayner, Deputy Prime Minister and Secretary of State for Housing, Communities and Local Government

As is customary towards the end of an intervention period, I wish to share my thoughts on the Improvement and Assurance Panel's (IAP) letter of 25th April 2025. Furthermore, following your lead, I would like to offer some practical proposals as part of the reset of the relationship between your Department and Croydon Council.

In 2021, the IAP's letter noted *'there is much that the Council needs to do to become a properly functioning local authority. It is also clear that it is not capable of doing so at present within its own means.'* When I assumed office in May 2022, I was aware that early recovery work had been begun by the former Administration. However, Croydon was still facing unprecedented challenges, marked by £1.3 billion in General Fund debt, systemic service failures, and an inadequate governance system requiring comprehensive improvement.

Four years of delivering such improvements has seen the Council make over £167 million in savings, deliver 3 years of balanced budgets with the use of Exceptional Financial Support (EFS), generate over £200 million in capital receipts and develop a sector leading Transformation Programme which will deliver over £56 million in savings.

Over the past 12 months, all external commentary on the Council's capability and consistency in delivering change has been positive, as highlighted by our Ofsted 'Good' rating, being shortlisted as the LGC 'Most Improved Council', receiving positive endorsement through the MHCLG sponsored LGA Corporate Peer Challenge, being one of the very few councils to successfully deliver the DfE Safety Valve programme and securing the lifting of the voluntary undertaking by the Regulator of Social Housing.

The Exit Strategy developed in partnership with the IAP as their condition for the conclusion of their tenure with the Council in July is further evidence of this progress. We have delivered or remain on course to deliver 95% of the Exit Strategy by July 2025, with the Council only unable to achieve the objective which sets the "Council's finances on a sustainable footing".

In their most recent letter, the IAP reiterated that, whilst the Council has made *"a good deal of success"* into *"becoming a properly functioning local authority, standing in comparison with authorities elsewhere in most respects"*, it remains unable to balance its financial position *"within its own means."*

Whilst my Cabinet, officers and I will continue to implement our detailed savings plans to do everything we can to address our financial situation, the fact remains, that without addressing our underlying financial imbalance, the Council cannot achieve the *'firm base'* for reset *"within*

its own means". This is the only element of the Department's Best Value statutory guidance that Croydon Council is unable to meet currently.

Our debt pressure continues to grow annually owing to the ongoing reliance on EFS. This, plus the demand and cost pressures, shared with councils across the country from services such as temporary accommodation, adults and children's placements and SEND transport, continue to undermine our Medium-Term Financial Strategy (MTFS). The total General Fund debt is forecast to rise to £1.8 billion and servicing of that debt to reach £110 million per annum by 2029.

Under my leadership, this Council has made difficult and necessary decisions to try and put Croydon on the path to financial sustainability. Throughout the statutory intervention period, the IAP have commented positively on the Council's plans for transformation and savings. The IAP has not needed to use their power of direction to instruct the Council. At no point has the IAP proposed measures that would have fundamentally balanced the Council's financial position. The solutions to Croydon's financial sustainability do not lie in governance, the capacity to deliver, the new 12-month Stabilisation Plan delivering an additional £27.5m of savings, nor in the IAP's recommendation to continue statutory intervention and to produce a further Recovery Plan.

I suggest further consideration be given as to how best support the Council in meeting its Best Value Duty, through a sustainable MTFS. At present, Croydon is not eligible for the solutions available to other councils in financial distress, such as Local Government Reorganisation.

I, therefore, propose three practical ways forward:

i. ***Independent Financial Assessment***

To support the development of the Local Government Settlement following the outcome of the Comprehensive Spending Review, I am commissioning an independent review by an industry-leading consultancy. This would provide an objective assessment of the structural imbalance of the Council's finances and the impact of the EFS mechanism. It would also identify possible solutions for MHCLG, which could secure a sustainable financial future and ensure the Council meets its Best Value Duty. I welcome feedback from both the IAP and the Department on its terms of reference.

ii. **Establish an External Assurance Board**

I would suggest the future relationship between your Department and Croydon Council needs to focus on Finance and Transformation. I suggest this should be sought through an independently chaired External Assurance Board, much like other EFS councils, with a new cohort of individuals to support Croydon's continuing improvement. This would provide targeted challenge, industry leading support and advice, and oversee delivery of the Transformation Plan and the Stabilisation Plan. It would also lead the response to the proposed independent review. This new sector-led approach as an alternative to statutory intervention is being developed by your Department and the LGA. I would welcome the opportunity to pilot this new approach post-July. This would be in keeping with the reset of relationships between your Department and the sector.

iii. **Maintain and strengthen existing financial assurance mechanisms:**

The Council will continue providing the existing assurances to MHCLG directly. We are also in constant communication with HM Treasury, which includes multiple assurance responses and monthly sign off for Public Works Loan Board borrowing and EFS. The independent assurance your Department will still need could be fulfilled by a new appointed person to act as a 'non-statutory improvement adviser', as already established across Government. They will need to have the relevant experience in both finance and transformation to provide advice and challenge on the Council's finances and Transformation Programme.

It is beholden upon me to state that without a solution to the Council's structural financial imbalance, the Council will not be able to set a legal budget next year. I acknowledge the Comprehensive Spending Review is due to conclude this summer, but I am cognisant that an improved settlement for Local Government is unlikely owing to the wider economic environment.

As a proud Croydonian, I am fully committed to doing as much as we can locally to tackle our financial challenges, continuing to leave no stone unturned, but I cannot decimate this place.

Furthermore, in all good faith, I cannot see that continuing the current regime of intervention is a viable solution. A new joint approach is crucial to securing Croydon's financial sustainability and delivering the remaining element of the Best Value duty.

I would welcome discussing my proposed way forward and our continuing journey of improvement when we meet your Department Minister.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jason Perry'.

Mayor Jason Perry
Executive Mayor of Croydon