

Briefing Note to Secretary of State for Housing, Communities and Local Government Office

Dear Colleagues

Please find below a briefing note from Executive Mayor Jason Perry's Office to accompany his letter to the Secretary of State. This is offered as a supporting document to further expand on the points in the letter and context of Croydon Council.

1. Croydon Context

Since the autumn of 2020, the Council has worked hard to address the legacy of the governance, financial and operational failures that resulted in two Reports in the Public Interest, three S114 (bankruptcy) notices, and government statutory intervention from 2023 in the form of the Improvement and Assurance Panel.

The two Reports in the Public Interest (RIPI) and the Kroll report demonstrated the scale of these challenges. Published in October 2020, the RIPI exposed the Council's "deteriorating financial resilience," driven by rising social care costs, low reserves, and risky investments. Similarly, the Kroll report, an independent review into the refurbishment of Fairfield Halls, revealed decision-making and governance failures that caused the project to significantly exceed schedule and budget by over £25m.

Croydon is also London's largest borough, home to nearly 400,000 residents, making it the country's 8th largest unitary authority (15th largest overall).

2. More Detailed Progress Overview

Since 2021, Croydon Council has implemented an extensive programme of reforms to address its legacy challenges and drive recovery:

- **Difficult and Necessary Decisions:**

- Raised council tax by 10% above the cap in 2023/24, yielding an additional £20m in income and have made a minimum of £167m in savings over the last 4 years.
- Shutdown the Council's loss-making housing company, Brick by Brick and closed day centres and four libraries.
- Reduced back-office services to bare minimum and increased density of office space, bringing in other public (including London Ambulance Service) and private sector organisations to rent floor spaces, working with the principle of one public estate.
- Cut back the capital programme, reduced the council tax support scheme, instated daily financial spend control panels and weekly cost challenges to all social care packages.

- Removed the general community grant to the voluntary, community and faith sector and have sought to commission more contracts with them.
 - Removed Councillor ward budgets.
- **The IAP's Exit Strategy:** This set out the conditions for the conclusion of the IAP's tenure with the Council in July 2025. 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". The IAP have commented positively on our progress to deliver the Strategy.
- **Asset Disposals:** Generated over £200m in capital receipts. The Council has achieved on average 23% higher than book values for its asset sales to date.
- **Accountability Measures:** Disciplinary and fraud actions were taken against those responsible for previous financial mismanagement. The Council removed the previous political leadership and the Corporate Management Team from the organisation.
- **Governance Overhaul:** The Council has transitioned to a Mayoral governance model, appointed new political and senior leadership, and recruited an entirely new Corporate Management Team.
- **Delivered London Borough of Culture:** Croydon supported the Mayor of London's Borough of Culture, hosting the London Borough of Culture 2023. This was successfully delivered with no call on the general fund and represented a £1.5m investment in culture. In addition, this led to an increase in funding for Croydon-based Arts Council England National Portfolio Organisations, with £4.8m awarded to six organisations for future delivery.
- **Transformation Programme:** The Council has embedded a sector-leading programme modernising service delivery, driving efficiencies, and aligning services with residents' needs, which is projected to deliver over £56m in savings.
- **Children's Services:** Rated 'Good' by Ofsted in October 2024, demonstrating improvements across most areas since 2020.
- **Corporate Peer Review:** Recognised progress in leadership, financial management, and culture by the MHCLG-sponsored LGA Corporate Peer Challenge.
- **Delivery of Oracle Programme:** Delivery of the Oracle programme, within time and budget.
- **External Audit:** Positive findings from Grant Thornton, Croydon's external auditors, who commended the Council's recovery efforts in November 2024. The 2023-24 Value for Money Assessment showed the governance rating changed from "red" to "amber" and the Council has been bringing the historic annual

accounts up to date following successful agreement of the necessary changes to the 2019-20 accounts. The 2019-20 accounts are completely concluded, and the Council is waiting on MHCLG final agreement to the capitalisation directions to complete the backstop for the 2020-21, 2021-22 and 2022-23 accounts.

- **Other External Recognition:** Shortlisted for the LGC “Most Improved Council” award and received the CIPD's People Development Partner Award for staff development initiatives. We are the first Council in England to receive this.
- **Staff Development:** Improvement in governance, culture and compliance. We have significantly invested in training and development focusing on management skills, compliance, programme management, finance, contract and change management.

3. Housing Improvement

In March 2021, ITV news revealed the truly shocking state of the Council's housing service. Since then, significant changes have taken place in the service:

- A new leadership team, restructure, and culture change programme.
- Reprocurring a new repairs service and new inhouse contact centre.
- A new resident charter written by our tenants.
- New business processes and a new housing IT system to drive effective behaviour and provide essential data on the service.
- All overseen and supported by the independent Housing Improvement Board with the involvement of residents.

These changes have led to major advances in housing compliance and customer satisfaction and **in April 2025 the Regulator of Social Housing agreed to lift our voluntary undertaking.**

4. Financial Position

Despite the significant progress outlined above and the £167m savings, the Council has not been able to achieve the financial objective in the Exit Strategy which sets the “Council's finances on a sustainable footing”. The inability to balance the MTFS is the only element of the Department's Best Value statutory guidance that Croydon Council is unable to meet.

- **Balanced Budgets:** We have balanced our budgets since 2021/22 (using a declining amount of Exceptional Financial Support (EFS) from 2019/20 to 2022/23) and were on track to remove the necessity of EFS subject to the discussions with your Department and HM Treasury on the treatment of the Council's toxic debt and its annual revenue impact of £38m.
- **External Impact:** Like councils across the sector, Croydon has been hit hard by the cost-of-living crisis and the demand and cost increases in temporary accommodation, adults' and children's placements and SEND transport. This has

particularly been seen in urban areas such as London and Manchester. Sadly, this has led the 2024/25 budget to be forecast as an overspend of £34m. The EFS requirement in recent years has meant that the Council does not have the financial resilience e.g. reserves to withstand such fluctuations in demand and cost, this has resulted in the need to increase EFS to £136m for 2025/26.

- **Additional Savings:** Following the meeting with the Minister, the Council has produced a Stabilisation Plan. This has been developed in a very short period and the Council has fundamentally addressed its risk appetite, offering £27.5m of savings in addition to the £22m of savings already forecasted in the budget, totalling to nearly £50m of savings for 2025/26.
- **Debt Burden:** Croydon's total General Fund debt currently stands at £1.4bn and is projected to increase to £1.8bn by 2029. The cost of servicing this debt will be £71m in 2025/26, making up 16% of Croydon's core spending power. The annual debt cost is forecast to increase to £110m by 2029 and is already the Council's third largest General Fund budget after adult and children's social care.
- **Exceptional Financial Support (EFS):** Whilst significant, when measured as a proportion of core spending power, Croydon ranks sixth largest among local authorities requesting EFS this year. The continuing use of EFS increases the total debt of the Council, escalating the resulting cost of servicing this higher debt. This will become a higher proportion of the Council's budget, making the savings that Croydon would need to find impossible to continue to meet statutory duties. The IAP were fully involved in and supported the budget process, and the amount submitted for EFS.

5. London Context

Croydon has not been immune to national pressures on services such as temporary accommodation, children's and adult services, and SEND transport, placing substantial demands on our budget and resources. Much like many Councils this left us with unprecedented escalating demand and all London Councils bar one in the same position of rapidly increasing overspends, leading us to overspend in 2024/25.

Some of the key areas which have impacted this overspend are:

- **Homelessness presentation:** Croydon has the 3rd highest presentation of homelessness in the country.
- **Market price rises:** For example, nightly lets increased by from £54 to £81 per night during 24/25, with the Council having no control of rates which are set by private sector landlords. In addition, the gap between the costs of rents and what can be recovered through Housing Benefit is capped at 90% of 2011 LHA rates leading to an inherent gap.
- **Social Housing Waiting List:** Croydon has 8,600 households on the waiting list, with the average waiting time 8 years for a 2-bedroom property and 9 years for a 3-bedroom property.

- **EHCPs:** Sustained and extraordinary rise in Education, Health and Care Plan (EHCP) requests.
- **Children's Placements:** The number of children taken into care has remained relatively stable over the last 4 years but in 24/25 the cost of the placements doubled in price.

6. Open to External Scrutiny

Over the last four years, the Council has opened to external scrutiny to find solutions for its financial position.

These reviews along with our strategic partners have all reaffirmed the Council's financial position and trajectory.

- PWC Strategic Review of Companies
- Kroll Review of Fraud
- Opening the Books Exercise – Worth Technical Accounting Solutions Ltd
- Two CIPFA reviews of all savings including transformation programme savings
- Methods
- Mazars
- LGA Corporate Peer Review, Public Health, ASCH, SEND Front Door
- Care experienced young people Tsar
- MHCLG January 2021 Non-statutory review and MHCLG Non-statutory review follow up 2022
- MHCLG of Homelessness Data

We are due to commence two further reviews.

- Zero Based Budgeting Exercise
- Treasury Management Review

7. Transformation Plan

Croydon has worked closely with industry experts, including Boston Consulting Group, Newtons, and Impower, to design and deliver a Transformation Plan aimed at achieving £56m in savings and the programme is now in delivery. We are disappointed that the Panel did not reference these savings in their recent letter.

8. Stabilisation Plan

Following a meeting with the Minister of State for Local Government and English Devolution in the United Kingdom in January 2025, it was agreed that the Council would develop a Stabilisation Plan which would aim to manage demand, reduce costs, increase income and improve productivity, in order to improve the Council's current financial outlook as 2025/2026 and as set out in its Medium-Term Financial Strategy (MTFS).

The Panel were clear that the Plan is not intended to deliver a balanced budget in 25/26 or balance the MTFS overall. However, it must demonstrate that the Council has done everything possible to address its current financial outlook whilst still delivering sustainable services to its residents

Key components include:

- **Savings Delivery:** Achieving £27.3m in additional savings for 2025/26, complementing the £22m already forecasted, for a total of nearly £50m in savings.
- **Accelerated Transformation Programme:** Driving efficiencies and positioning Croydon as the most cost-effective council in London.
- **Accelerated Savings Actions:** Introducing savings for 2025/26 ahead of schedule and bringing forward savings originally planned for 2026/27.
- **11% Reduction in Staffing.**
- **Capital Programme Reduction:** Tightening control on capital expenditure to improve financial resilience.

Delivery: The plan has been assessed based on the confidence of delivering 100% of the plan's actions and the savings associated. It will be delivered through our strategic partners as part of the Target Operating Model.

Risk Assessment: The Council has reassessed its risk appetite to account for external funding uncertainties and demand pressures. While many actions in the plan are rated amber or red, this reflects the complexity and scale of accelerated reforms rather than an inability to deliver. These ratings are predominantly influenced by external factors outside the Council's control. Although the plan alone cannot resolve all financial challenges, it represents a critical step forward in addressing the borough's structural issues.

9. Erratum

Below is a summary of points in the Panel's recent letter that contain inaccuracies or omissions that require formal corrections.

- **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."*

Further legacy issues were uncovered as part of the Mayor's Opening the Books exercise prior to March 2023, undertaken by Worth Technical Accounting Solutions Ltd. These issues were not uncovered by the Council's auditors.

- **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.”

Cabinet and Council agreed in September 2020 to the development of the Croydon Renewal and Improvement Plan which incorporated a financial recovery plan to develop a sustainable budget over the medium term. Its submission to MHCLG was necessary to secure the capitalisation direction as part of that financial recovery.

We would also like you to be aware we are writing to the Permanent Secretary with a more comprehensive chronology of the improvement over the last 4 years, which will include some further examples of inaccuracies or omissions that require formal correction.