

Thursday 29th May 2025

Dear James

I write in response to your offer to follow up our conversation. You also suggested that it would be helpful to send this to colleagues we are meeting this Friday.

Our conversation focused upon the 25 April 2025 letter sent to the Secretary of State for Housing, Communities and Local Government from the Improvement and Assurance Panel (IAP).

While it is recognised that there is no formal mechanism to comment on the advice from the IAP, you welcomed any comments that the Council wished to make.

As this is the final letter of the IAP, its commentary may carry more significance. Therefore these comments are sent in the spirit of wishing to ensure the Department is fully apprised.

The process followed for the IAP's April 2025 letter differed from their established practice. Previously, an opportunity to comment on a draft letter was given, then dialogue ensued, correction of any factual errors and a discussion of perspectives. This collaborative approach often led to changes and ensured that the letter and its advice to the Department was based on a shared and rounded understanding.

In this instance, the Council was afforded a few hours to comment, with no opportunity for discussion. It submitted corrections on some factual matters; not all were incorporated. There has been no subsequent engagement on its content.

Confusion and factual error

The letter contains a confusing proposal regarding the resolution of the Council's financial challenges.

The Council has demonstrated openness, collaboration, and transparency. It has taken robust action to restore sound governance and financial management, implementing disciplined control and fostering a culture of accountability, taking a number of difficult decisions.

Over the past four years the Council has made £167m of savings in the revenue budget and plans on delivering a further £50m savings in 2025/26. The Council has

also generated £210m in capital receipts including £130m in asset sales and plans on a further £68m in the coming year.

The IAP's April letter identifies the *'good deal of success'* that the Council has had in becoming a *'properly functioning local authority'*, noting the Council now *'stands in comparison with authorities elsewhere in most respects.'*

The letter also states, *'the Council is unable to meet its Best Value Duty as it continues to present an unbalanced financial position. The substantial projected overspend in 2024/25 together with an MTFS that increasingly relies on EFS, makes it inescapable that the Council will remain financially unsustainable for the foreseeable future'.*

The Council fully recognises that this is an unacceptable position and notes the IAP's advice that this is not a position the Council can resolve *'within its own means'*.

The IAP then advise that the Council must resolve its financial challenges, via some form of statutory intervention with an *"increasing focus upon where challenges are most acute"*. It is unclear what this means.

If this advice is followed, the Council fears it will be in a further breach of its duty of Best Value. The scale of the savings required to remedy the unsustainability of the finances would then render Council functions and services unsustainable.

Any assessment of the Council's record of reducing costs and delivering savings whilst meeting statutory obligations, will show that it is not reasonable to advise that the Council can make £200m sustainable annual savings over the next four years and eradicate entirely the need for EFS; in addition to the already planned MTFS savings of £87m.

Factual errors and misinterpretations

The Council wishes to express its concern regarding the completeness of the IAP's April letter. The letter does not reflect the Council's progress on its finances nor the complexity of the financial position. (Please see Appendix 1).

It does not appear to offer advice on a sustainable solution.

The IAP's April 2024 letter describes our 2023/24 financial position as *"credible"* and *"a notable achievement"*. The Council's path to a sustainable financial budget was challenged.

Despite the best efforts of the Department and Council; the lack of a solution to the revenue cost of the debt, and the sector-wide significant increase in the demand and cost of services in 2024/25, meant the financial year ended with an overspend of £34m.

By omitting any comparative analysis or context of what took place in 2024/25, the letter does not provide balanced commentary. In any assessment, that is a necessary precursor for an objective approach.

There are also factual errors and misinterpretation that require correction (see Appendix 2).

1. **Croydon Renewal Programme:** The assertion that early efforts were “*largely reactive*” is incorrect.
2. **Opening the Books Exercise:** The legacy issues were identified through the Council’s own initiative, not by external auditors.
3. **Financial Assumptions:** The misinterpretation of the Council’s position as a “*stubborn assumption*”.
4. **Budget Setting (2024/25):** The description of the Council’s budget setting process as “*a misjudgement*” with no explanation of the IAP’s involvement and positive endorsement of that process. The IAP’s April 2024 letter described this same budget process as “*a robust process of development and challenge*”.
5. **Budget Setting (2025/26):** The suggestion that budgets should be fixed “*no later than September*” disregards the need for ongoing adjustments in a volatile environment.
6. **Budget Management:** Descriptions such as “*runaway position*” and “*outlier*” are not supported by comparative data. Croydon’s revenue financial pressures are consistent with those of many London boroughs.
7. **Recognition of Financial Deterioration:** The Council’s leadership has publicly acknowledged the seriousness of its financial position on many occasions.
8. **Performance & Cost:** The Council’s published commitment to becoming the most cost-efficient and effective council in London does not detail “*delivering upper-quartile performance in its key services for bottom quartile cost*”.

Omissions

The IAP’s letter omits several important elements, that could provide more complete advice to the Department:

- **Exit Strategy Achievement:** Over 96% of the Exit Strategy has been delivered. The scale of the delivery is unacknowledged despite the Exit Strategy being a requirement for the conclusion of the Panel’s tenure.
- **Transformation Plan Details:** The scale and detail of the Transformation Plan is not described despite being a fundamental part of the resolution for the MTFS.
- **MHCLG supported LGA Corporate Peer Challenge:** The October 2024 peer challenge report recognised significant progress in leadership and financial management. This is unacknowledged despite being a requirement of the IAP’s Exit Strategy.
- **Stabilisation Plan:** The IAP’s letter contains minimal detail on the plan and offers no comment on the Council’s capability to deliver the plan despite the Council’s positive record of delivering complex programmes and transformation. E.g. the delivery of the Ofsted rating of 'Good', the delivery of the Housing Improvement Plan, the lifting of the voluntary undertaking by the

Regulator of Social Housing, and nationally one of the very few successful programmes delivering the DfE Safety Valve process.

Conclusion

A growing number of councils are requesting exceptional financial support, while many others are finding their medium-term financial strategies are not sustainable.

As a result, the equitable treatment of councils in similar financial circumstances will come under greater scrutiny in the coming months. The IAP recognise that Croydon no longer operates as a Council that is failing and is “*a proper functioning local authority*”. Any form of future intervention must reflect that and be proportional in approach.

Considering the IAP’s view, that the Council is unable to resolve its finances ‘*within its means*’, the reasonableness of the IAP’s advice should be further considered.

The IAP’s letter does not accurately represent the Council’s position and provides confusing advice. It is unclear how this advice supports the Department to determine the future for Croydon Council.

As currently written, the letter could also damage staff morale, recruitment and retention, the confidence of investors in Croydon’s Growth plan – linked to the Mayor of London’s Growth Plan and raise questions of rationality and fairness.

The decision on Croydon’s future should reflect the reality of its progress, be proportionate and in alignment with the Department’s reset relationship with councils in intervention.

The Council would like to suggest a different solution from a ‘version of the same’, to tackle its now unique position amongst councils with unsustainable finances.

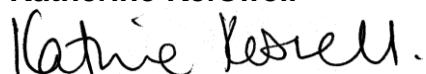
There is a genuine opportunity for a creative conversation on an alternative solution for a sustainable future, some of which is suggested in the Executive Mayor’s recent letter.

It is recognised that there is no formal mechanism to comment on the completeness or accuracy of IAP advice. Therefore, this feedback is offered in the spirit of wishing to fulfil the terms of the reset relationship and in a partnership of improvement.

The Council would welcome a discussion to seek to resolve the matters raised in this letter and its appendices. If the IAP’s letter remains unchanged, the Council asks that it is given an opportunity to provide the Secretary of State with a separate advice note prior to any final decision.

Yours sincerely

Katherine Kerswell



Chief Executive Officer, London Borough of Croydon