



Department for Levelling Up,  
Housing & Communities

Katherine Kerswell  
Chief Executive  
By email

**Max Soule**  
*Deputy Director, Local Government  
Stewardship*

**Department for Levelling Up,  
Housing and Communities**  
2 Marsham Street  
London SW1P 4DF

Email: [maxwell.soule@levellingup.gov.uk](mailto:maxwell.soule@levellingup.gov.uk)

[www.gov.uk/dluhc](http://www.gov.uk/dluhc)

16 March 2023

Dear Katherine,

I am writing to invite your Authority, if it wishes, to make to the Secretary of State representations about the intervention he is proposing, following the publication of the latest progress reports from the London Borough of Croydon Improvement and Assurance Panel. This letter will be published on [www.gov.uk](http://www.gov.uk).

I would also like to take this opportunity to recognise the hard work of many of the staff at your Authority, including yourself, as the Council continues on its improvement journey. The Secretary of State is mindful that you and your Corporate Leadership Team have worked closely and constructively with the Improvement and Assurance Panel since their appointment in February 2021 to address the many challenges the Authority faces. We also recognise the constructive political leadership of the Council to make progress in recent months. Many difficult decisions remain and it is essential that the Authority does not lose momentum in delivering the vital improvements that are starting to be made.

The Secretary of State has carefully considered the findings and evidence contained in the latest progress reports from the Improvement and Assurance Panel. On balance, he agrees with the Panel's latest assessment, that the acknowledged and welcome work of the new leadership has made good progress, however he has concluded, including as a result of the scale of the historic problems and the extent of improvement necessary, that the Authority is not meeting its Best Value Duty. Therefore, having considered all the evidence the Secretary of State is satisfied that the Authority is failing to comply with its Best Value Duty as required under Part I of the Local Government Act 1999 (the "1999 Act"). On that basis, he is considering exercising the powers of direction in the 1999 Act in relation to your Authority to secure its compliance with the Best Value Duty. The package of measures which he is proposing to implement through appropriate Directions is set out in the attached Annex.

In summary, the proposed package is centred on the Authority continuing to make the necessary improvements to the satisfaction of the Improvement and Assurance Panel. The Panel will be backed by Directions issued to the Authority requiring them to follow the instructions of the Panel if they are not satisfied with the progress being made. The Panel will report to the Secretary of State every six months. This change reflects the constructive existing working relationship between the Panel and Authority and the Panel's understanding of the scale and nature of the challenges facing the Authority. You will wish

to reflect on the impact the proposed intervention package could have on your improvement plans and the way you would work with the Panel moving forward.

Your Authority is now invited to make such representations as it wishes about the Secretary of State's proposals. All such representations should be sent by email to [interventions@levellingup.gov.uk](mailto:interventions@levellingup.gov.uk) or in hard copy to the address above marked for my attention, so as to be received on or before 30 March. They will then be carefully considered by the Secretary of State when deciding whether to make any and, if so, what Directions.

I am copying this letter to the Authority's Section 151 Officer and Monitoring Officer.

Yours sincerely,

**Max Soule**  
Deputy Director, Local Government Stewardship

**PROPOSED INTERVENTION PACKAGE**

1. The Secretary of State is considering exercising his powers of direction under section 15 of the Local Government Act 1999 (“the 1999 Act”) in relation to the London Borough of Croydon (“the Authority”) to secure its compliance with the Best Value Duty. He is doing so following the publication of the latest reports from the London Borough of Croydon Improvement and Assurance Panel, chaired by Tony McArdle OBE, who have provided advice, expertise and challenge to the Authority following its rapid non-statutory review in November 2020. He has considered this evidence alongside the Section 114 notice issued in November 2022 following the conclusion that the Council cannot balance its budget in 2023/24 and beyond, despite Croydon benefiting from £145m of capitalisation financial support from Government since 2020/21.
2. Whilst the Panel conclude that the Authority is now on an improvement journey, and welcome progress that has been made in recent months, they provide evidence that the Authority is not meeting its Best Value Duty. In light of this evidence, the Secretary of State is minded to implement an intervention package where the Authority continues to make the necessary improvements to the satisfaction of the Panel. In line with Directions, the Panel will, if necessary, issue instructions to be followed by the Authority. Given the scale of the challenges, the Secretary of State is concerned that further serious issues may be uncovered which could have a severe impact on the Authority’s ability to maintain and increase the momentum of the required improvements that they have started to make. This lack of assurance, as highlighted in the Improvement and Assurance Panel’s latest progress report, along with the need to ensure necessary progress is ramped up further, is significant and the proposed intervention is necessary and expedient to secure compliance with the Best Value Duty.
3. The Secretary of State has set out his proposals in order to assist the Authority to formulate any representations it may choose to make. He acknowledges that, save in cases of urgency, the Authority has a statutory right to make representations if the Secretary of State is considering making a direction. He will carefully consider those representations in deciding whether to make any and if so what Directions. He specifically reserves his ability to make further or revised Directions after implementing this, or any, intervention package (if that is what he decides to do).

*Overall purpose and approach*

4. The starting point is the evidence, as set out in the assessments by the Improvement and Assurance Panel, which highlight serious financial concerns mainly emanating from historic issues. While the Secretary of State is supportive of the steps the Authority has been taking to address the many challenges it faces, he has concluded that there are significant ongoing risks both given the scale of the historic financial mismanagement and the recovery from it. It is also a concern that further serious issues may yet be uncovered and that on-going capacity constraints may hamper the Authority’s recovery. In particular, the Reports include the following:
  - On governance, there has been a delay in the Authority taking an effective grip of the key issues it has faced since 2020. There is evidence that whilst the Council is

now starting to increase the pace, the Authority has not made progress at the pace of change expected since the commencement of the intervention and appointment of the Improvement and Assurance Panel in February 2021, particularly in relation to the transformation of its housing service. The Improvement Panel, along with the Authority's independent Housing Improvement Board, are critical of the speed at which the Authority has been addressing this issue and acting on the steps recommended as urgent in the ARK report commissioned by the Authority. The most recent report from the Housing Improvement Board notes tangible progress in recent months and it is clear about the seriousness and extent of the failings that need to be addressed over a significant period of time.

- On financial governance, there is evidence of poor record keeping and budget management, alongside an overall lack of strong grip on financial management. Historic legacy issues continue to be discovered, with current financial pressures made up of £161.6m of errors in historic accounts that require correction. Accounts for 2019/20, 2020/21 and 2021/22 remain open and there is a risk that further pressures may crystallise following the findings of the Mayor's Opening the Books exercise. Croydon issued another Section 114 notice in November 2022, its third since 2020, following the conclusion that it cannot balance its budget for 2023/24 and beyond. In addition to a request to increase council tax by an additional 10% above core referendum levels, the Authority have requested a significant level of financial support from Government, which the Government is 'minded to' agree. The Authority are currently unable to achieve financial sustainability on their own accord. There is viable concern, as set out by the Improvement and Assurance Panel, that additional financial pressures pose a risk to the Authority's future sustainability.
- On culture and leadership, a culture whereby difficult financial decisions were not taken and implemented has been allowed to embed within the Authority over several years. An independent report by Richard Penn from the Local Government Association, published on 24 February, into reasons for Croydon's financial collapse is particularly critical of senior management performance at the Authority in previous years. Whilst the current leadership has taken positive steps to address the Authority's failings, these deep-rooted practices will take time to resolve.
- On services, the Authority does not currently have the capacity to resolve at pace the magnitude of the financial issues it faces, and there is a risk this will significantly impact on service delivery. In particular, Croydon carries historic debt of £1.6bn and the associated servicing costs means its general revenue budget is unable to meet the needs of its residents without Government support. Furthermore, the extent of dysfunction within the Authority's housing service remains a considerable challenge.
- On capacity or capability to improve, while progress under the Chief Executive and current Leadership Team is recognised, it is noted that capacity constraints within the Authority remain, particularly with regards to the Authority's finance and housing functions. The Improvement and Assurance Panel notes that the quality of housing service across the Authority is such that it requires a credible and properly defined improvement programme, alongside substantial corporate support for the new Housing Director. The Council's Housing Transformation Programme was approved in December.

5. The Secretary of State considers that given the evidence of financial and governance concerns revealed by the Panel's latest Report, intervention is necessary and expedient to help address the circumstances of the Authority.
6. The proposed intervention package would need to, and is designed to, cement and expand on the progress that has been seen over recent months. It recognises the building blocks that have been put in place, whilst also appreciating the scale of the challenge and how much improvement is necessary for the Authority to deliver its Best Value Duty. Such an intervention package would need:
  - To ensure that the strategic and systematic approach to risk management, with appropriate scrutiny and governance of the decision-making processes and procedures, continues and becomes embedded across the Authority.
  - To continue to address the culture of poor financial management of the Authority.
  - To continue to develop the governance capacity of the Authority in respect of its commercial portfolio.
  - To restore public trust and confidence in the Authority by ensuring that the Authority's activities, practices, and omissions are compatible with the Best Value Duty.
  - To secure as soon as practicable that all the Authority's functions are exercised in conformity with the Best Value Duty thereby delivering improvements in services and outcomes for the people of Croydon.

#### *The proposed intervention*

7. It is important that the Authority leads their recovery but that it does not lose momentum in making the necessary improvements. The proposed package is centred on the Authority continuing to make the necessary improvements to the satisfaction of the Panel. The Panel will be backed by Directions issued to the Authority requiring them to follow the instructions of the Panel as a necessary and expedient action to secure compliance with their Best Value Duty if the Panel are not satisfied with the progress being made. The Directions will also require the Authority to take action to avoid, so far as practicable, incidents of poor governance or financial mismanagement that would, in the reasonable opinion of the Improvement and Assurance Panel, give rise to the risk of further failures by the Authority to comply with the Best Value Duty. The Panel will provide the Secretary of State with progress reports at six monthly intervals following the start of the intervention. As part of the representations period, Ministers will reflect on membership to ensure it is fit for purpose to support the Authority moving forward.
8. Furthermore, the Secretary of State proposes to direct the Authority:
  - a) To allow the Improvement and Assurance Panel at all reasonable times, such access as appears to the Improvement and Assurance Panel to be necessary:
    - i. to any premises of the Authority;
    - ii. to any document relating to the Authority: and
    - iii. to any employee or member of the Authority.
  - b) To provide the Improvement and Assurance Panel, at the expense of the Authority, with such reasonable amenities and services and administrative support as the Improvement and Assurance Panel may reasonably require to carry out their functions and responsibilities under these Directions.

- c) To pay the Improvement and Assurance Panel reasonable expenses, and such fees as the Secretary of State determines are to be paid to them.
- d) To provide the Improvement and Assurance Panel with such assistance and information, including any views of the Authority on any matter, as the Improvement and Assurance Board may reasonably request.
- e) To co-operate with the Secretary of State for Levelling Up, Housing and Communities in relation to implementing the terms of any directions.

*Duration of intervention*

9. The Secretary of State proposes that the Directions will be in place for two years, and that this should only be extended if the Authority fails to make satisfactory progress in implementing and embedding the changes necessary to deliver Best Value in its governance and operations.