



Ministry of Housing,  
Communities &  
Local Government

**Catherine Frances**  
Director General, Local Government,  
Strategy & Analysis  
**Ministry of Housing, Communities  
& Local Government**  
2 Marsham Street  
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Chris Wood

26 October 2020

Dear Chris,

I am writing to thank you for agreeing to lead a rapid non-statutory review at the London Borough of Croydon. The review is in order to provide support to the Council as well as assurance to the Secretary of State, and of particular relevance is the Council's request for exceptional financial support. The review will also look specifically at the Council's commercial and investment operation. This letter formally appoints you on behalf of the Secretary of State and confirms the terms of reference that we have agreed for your work.

As you are aware, Alan Gay OBE has been appointed to work with you focusing in particular on the financial aspects of the review and you will also be supported by a private sector consultant, Boris Adlam, in respect of the council's commercial operation. We have agreed that you will submit your report by late November.

The current situation at the London Borough of Croydon has been cause for concern for some time. Their papers and the debate at the Council meeting on 28 September set out all too clearly how serious the position is. In summary, the Council is currently forecasting a shortfall of over £50m for the current financial year (2020-21). Their medium term forecast financial planning also points to significant reoccurring shortfalls in future years and there have also been persistent criticisms of the council's approach to commercial investment. In line with recent communications from the Government, the Council has contacted the Department to express concerns with regard to their financial position as well as indicating that Government support will likely be necessary to recover.

I welcome their openness and agree that the time has come for an independent non-statutory review, into not only what is necessary to support the Council as they seek to improve, but also to understand better any broader issues underlying the current position. I am grateful to the Council for agreeing to this as a way of demonstrating their commitment to addressing these challenges and starting their improvement journey.

We have agreed a range of themes for the review, reflecting the lessons we have learnt and published about organisational culture and governance from recent interventions. The themes are also aligned with Best Value principles:

- *Governance* e.g. sense of strategic vision and direction, adequate internal processes; key senior posts filled with permanent appointments;
- *Culture and leadership*, e.g. positive and open relationships between councillors and officers, and openness to challenge;
- *Financial stability*, e.g. ability to stick to budget plans; clear plans for closing identified budget gaps;
- *Services*, e.g. reports from inspectorates/regulators/ombudsman;
- *Capacity and/or capability to improve*, e.g. acknowledging problems and engaging with sector support; evidence that attempts at improvement (possibly with sector support) have been effective.

In Croydon's case, in view of the specific concerns outlined above and in the context of the council's request to the Department for financial support, we have also identified some questions that would particularly like you to explore:

- What level of confidence can the department have on the Council's assessment of its financial position, particularly its estimate of their budget gap, for 2020/21 and 2021/22?
- What level of confidence can the department have in the Council's plan to mitigate pressures; including the delivery of necessary savings, the existing resources that can be deployed, and their ability to afford borrowing?
- A view on the Council's assessment of future financial risks and adequacy of their plan (or ability to plan) to manage those risks.
- A view on the Council's approach to mitigating their budget gap under different scenarios for how much financial support is provided.
- What level of confidence the department can have on the Council's assessment of wholly owned companies, including the viability of companies to continue without any additional Council funding or loans?
- How adequate or achievable is the council's response to the recently commissioned 'Strategic Review of Group Companies'?
- How robust are any forward-looking commercial strategies/plans and their longer term approach to borrowing and investment?
- A view on whether the Council's oversight and management of commercial and investment risk feels adequate or fit for purpose.

We have agreed that your work will be carried out by means of conversations with key players both within and outside the council. Alongside general background reading, you are going to draw on work which is already been carried out at the council by their Finance Review Panel, the Strategic Review of Companies commissioned from PWC, the Croydon Finance Review commissioned from Ian O'Donnell, the external auditors and the Local Government Association. At the end of your work you will provide a report to the Secretary of State setting out recommendations for next steps including possible further action by the Department. If appropriate, your recommendations will underpin a package of targeted support lasting up to two years. The latter should be supported by a robust improvement plan owned by the Council, which will help the London Borough of Croydon to address the concerns you have identified and ensure they are meeting their Best Value duty.

You will want to note that I have agreed with the Chief Executive that you should have access to any document or information, whether by hard copy or electronically, relating to Croydon which appears to you to be necessary for the purposes of your work at the council. This includes documents that may be considered confidential from a public perspective.

My team will provide support in collating background information and providing a secretariat function. We will also provide press support to help manage any press interest in your work with the council. Because of the independent nature of this review, we will not provide IT and you will wish to work with your secretariat to keep separate records of your work.

My team is available to discuss your role and how you intend to proceed in more detail. If you have any questions, please do feel free to get in touch at any time. Max Soule, Deputy Director for Local Government Stewardship, will be the lead official in my team for your work.

I am copying this letter to the Leader and Interim Chief Executive of the London Borough of Croydon.

Yours,

**CATHERINE FRANCES**