Improvement and Assurance Panel

London Borough of Croydon

Rt. Hon. Michael Gove MP
Secretary of State
Department of Levelling Up, Housing and Communities (DLUHC)
2 Marsham Street
London SW1P 4DF

Ref: Report 4

Date: 7 December 2021

Dear Secretary of State,

We write to give you a progress update on our work in Croydon since our last report in August 2021.

In our previous reports, we have made regular reference to the positive approach being taken by the Council in respect of the steps necessary to effect recovery. This has continued, but we are aware of the considerable burden that is being steadily borne by the senior management of the Authority in taking forward the very many changes that are needed. To help support the Council, we have agreed to their request that the processes that we engage in should be subject to some change so as to streamline activity, but nonetheless enable us to properly undertake our roles and responsibilities. We are in the process of making that change at present and hope it will address some of the Council's pressures as well as the difficulties that we have sometimes experienced in obtaining the information that we need in order to able to offer our advice in a timely manner.

Since this time last year, when it published the Croydon Renewal Plan, the Council has essentially made progress on three broad fronts. First, it has stopped making poor, opaque, and expensive decisions that were unsupported by sound evidence or by feasible business plans. Given the history of the past few years and which precipitated the crisis, the absence of such failings is worthy of remark. Secondly, the Council has accepted that it must radically reform to adopt modern business processes, embed sustainable financial disciplines and deliver the right outcomes for its residents. Tough decisions will have to be taken in order to make that reform possible. Finally, the Council has begun the task of making changes to its culture, financial planning, and operational procedures to provide a route into this reform.

All of those things are creditable, but they are not outcomes in themselves. We have consistently observed that the task of recovery would become harder before it could become easier. One year in, we are at a point where things are indeed becoming harder. One unhappy example of this which emerged during the year was the shock that the Council received through the exposure of housing maintenance failures in a block of flats in Regina

Road which subsequently led to the uncovering of hitherto unknown systemic, critical failures in its Housing Service. Other challenges, such as those concerning asylum-seekers, the organisation of service delivery contracts and around property development are better understood but no less demanding to resolve.

This report is therefore written at a critical juncture for the Council. The extraction from its expensive foray into property development is under way, with some notable progress, but with much still to do, and naturally subject to market conditions over which it has no control. The Cabinet will shortly be considering some budget proposals for an extremely challenging budget which will need to be seen through to decision-making in the New Year, and of course, to be delivered throughout next year. It does this against the backdrop of making a significant change in its governance arrangements with the election of a Mayor for the first time in May. It will also face all-out elections at the same time. Irrespective of the outcome of the elections, there will be a high level of turnover in council membership given the number of current councillors who have indicated that they are not seeking re-election. There will be ample, and welcome, scope for further energising reform.

The Council is at an early stage in service reconfiguration and improvement, and much will depend on the recruitment, currently underway, of a team of Chief Officers to lead staff through a programme of significant change in the way in which they must work in future. In order for the Council to be able to make coherent change, and to sustain it – including financially – such stability in the senior management arrangements is of fundamental importance, and we look forward to this recruitment accordingly.

While naturally reflecting that many changes will produce results over a considerable timescale, it is nonetheless reasonable to expect some outcomes to have now become evident and which can provide tangible evidence of progress. It is also reasonable at this point to observe and comment on how the good intent is holding up. This report therefore concentrates on those expected outcomes and that commentary.

You will be aware that we have been focussing our attention on four broad areas of critical activity and we continue to do so in arranging our comments below.

1. **The viability of the Council's plans for resolving its challenges in property ventures, and the progress of those plans.**

Brick by Brick Croydon Ltd (BBB)
Construction activity has continued on a number of the incomplete developments, but of the 23 sites that were agreed to be built out, 21 are now either complete or rapidly approaching completion. These 21 sites comprise of 466 units of which 246 are affordable homes including shared ownership (AH/SO) and at the end of October, 183 had been sold or were under offer. The cash flow forecasts assume 431 properties will have been sold by the end of 2021/22 and 466 by the end of 2022/23. The two remaining sites contain a further 285 units, of which 139 are AH/SO and these are due for completion in May 2022 and Feb 2023 There are a further six sites that were originally due to comprise of a further 156 units,

but as construction had not commenced, works were paused to limit the risk to the Council. Of these six sites, five are currently being prepared for sale for development by others, and one requires further feasibility work to explore possible wider regeneration opportunities.

Based on the latest financial projections, BBB anticipate making loan repayments of £139.6m against the outstanding consolidated loan balance of £161.6m, leaving a shortfall of just under £22m. Assuming no further improvement in the outturn position, this shortfall is slightly better than the range of losses forecast in the reports produced by PricewaterhouseCoopers (PwC) and Savills of £25.6 - £52.m at the time of the proposed potential sale of BBB during the Spring of this year. It is also considerably better than the return forecast from that sale option, with the same reports estimating losses of £54 - £68.4m. Of the predicted £139.6m loan repayments, approximately £114m should be repaid by the end of 2022/23.

We continue to emphasise to Officers and Members that every effort should be made to reduce the deficit but have not had sight of any further practical steps being taken to achieve that, either through cost reduction or initiatives to enhance revenue. We would expect to see all options explored to accelerate completion of the two remaining sites to reduce any time related costs and limit the risks from market volatility. The level and duration of overheads requires scrutiny as these remain close to current levels for three years, despite site activity being concentrated on just two live sites. There is also an opportunity for the Council to review the 40 plus sites where development proposals were suspended, but where considerable feasibility activity had taken place and recouping some of that expenditure through disposing of sites for development by others. These are all matters that need to be driven by the Council if the financial outcome is to be improved, with a clear target of eliminating the loss currently forecast.

There remain a number of planning related issues that need to be resolved between the Council and BBB as these are delaying the sale of completed properties. Some progress has been made and the communication lines between the parties is improved.

We are disappointed that despite commencing discussions with suitable third parties to support the build out back in May and acknowledgement by the BBB Directors of the need for specialist development and marketing expertise, this (in whatever form) is still not in place. A process is underway to recruit additional expertise to the Board of BBB, but this concern was highlighted in our last report and the longer this situation continues, the opportunity to improve the outturn position diminishes.

Governance arrangements for monitoring BBB performance are in the process of being amended, with the Shareholder and Investment Board oversight being replaced by a BBB Shareholder Cabinet Advisory Board. The role of the new Advisory Board is to help the Council actively supervise and monitor its investment in and relationship with BBB, including all financial transactions and in particular, lending arrangements. The Advisory Board will be Member only with any Officer attendance in an advisory capacity. Care will need to be taken to ensure that the Advisory Board includes Members with appropriate knowledge and experience to provide suitable oversight and challenge (both now and post-election)

Fairfield Halls

Despite the significant overspend on the refurbishment works at the venue, there remain several outstanding items to be completed. Some are legitimate defects from the project that will require rectification through the normal contract mechanisms, but others will require further funding, in particular the car park where some enhancement works to the lighting system are underway. The full scope and cost for the outstanding works is currently being developed. We have been assured that all high-risk safety defects identified during the Fire Risk Assessment have been rectified and the Council have advised that they have received independent assurance that the venue is safe to operate. The Fire Risk Assessment also highlighted concerns around evacuation procedures and ongoing training of the operator's staff that need to be monitored.

Our previous report commented on concerns discovered by the external auditor during their preliminary work for a Value for Money review they undertook on the refurbishment, which related to the approvals and governance of the project. The external auditor is considering their position further regarding this matter.

Croydon Park Hotel and College Green Disposals

Following an extensive marketing exercise conducted by Savills, approval was given at the Cabinet meeting on 18 October to proceed with the disposal of the Croydon Park Hotel and the College Green site for development. The sales process for the Hotel did consider whether the current climate was the right one in which to seek to sell a hotel. Given the level of the offer and the significant ongoing holding costs, it was felt that the risk of further downside outweighed the potential upside possible by taking it back to market at some point in the future. Although this will result in a significant loss on the purchase cost in 2018, the sale price achieved is beyond the upper end of the valuation ranges advised previously and redevelopment proposals are deemed compatible with the Borough's requirements to deliver much needed housing. Contracts have been exchanged on the College Green site with exchange expected shortly for the Hotel. Completion is anticipated before the end of the year which should generate capital receipts approaching £50m.

Other Commercial Investments

The remaining significant investments that are contained within the Revolving Investment Fund and Asset Investment Fund, established to accelerate development in the Borough of Croydon, are three commercial properties and a Resonance managed social impact property fund designed to reduce homelessness. With a purchase cost of £67.5m, the Colonnades, Vulcan Way and Imperial Way generated a small surplus in 2020/21 and are forecasting a marginally better position in the current year. Although any contribution is welcome, and especially when the impact of COVID-19 is considered, the level of return is significantly lower than private sector landlords would expect to achieve on similar investments. Although these assets remain under review as to their future, they do support other council objectives and the local economy. The introduction of the new Minimum Energy Efficiency

Standards by 2030 for private landlords may also impose an additional burden in the future should any significant investment be required to achieve the standards.

The Resonance property fund comprised of two tranches of investment, £30m in 2014 and £15m in 2017. The initial tranche was due to be redeemed in 2022 but the Council agreed to extend this by 12 months as exit conditions were felt to be unsuitable due to the Brexit and COVID-19 impacts. We have had sight of some information on the dividend payments received to date but are not aware of any review being undertaken on whether the initial assumptions, both financial returns and social benefits are being met. Our third report in August did advise that no further extensions should be sought until a full benefits analysis is carried out and the rationale for continued investment is revisited. We believe this review is still outstanding.

Housing Stock

Initial condition survey works have now been carried out on all of the high-rise tower blocks built around the time of Regina Road (the block that attracted national media coverage) and are continuing on the Council's other high-rise accommodation. These surveys have confirmed that significant remedial works are required to bring some of the accommodation up to an acceptable standard. Further investigation and cost benefit analysis is underway to assess the available options. These include full reconstruction, fully vacating the block during upgrading or carrying out the works in a phased approach with partial relocation of tenants. Given the magnitude of these decisions, it is important that the right balance is struck between rectifying serious issues that can reasonably be undertaken in the short term and deferring more minor works where a longer-term solution is deemed most appropriate. Whichever option is pursued, communication with the residents is crucial in managing expectations effectively as this has been an issue in the past and remains a concern now, although the most recent meeting with Regina Road residents was more positive.

Improving the communication lines between the Council, its contractors, and its residents forms part of the Housing Improvement Plan, as it is acknowledged that the true level of complaints and escalations in housing are not being fully captured and reported upon. On a number of site visits to properties recently we experienced first-hand the degree of confusion and frustration existing amongst residents, unsure of how best to report problems and dissatisfied with the speed of response when they did get in touch. The Council housing team and its contractors are currently under considerable pressure, not helped by the number of vacancies within the team and shortages of some skilled trades in the workforce. This is not unique to Croydon, but is having an impact on the sector nationally, as is the availability and cost of many building materials. When resources are in short supply it is even more important that the works are planned effectively to get the best out of the resource that is available.

Regular engagement has continued with the Regulator of Social Housing following the Council's self-referral when the issues at Regina Road became known. A draft voluntary undertaking has recently been developed and was positively received by the Regulator, although significant further work on this will be required before sign-off. Work has also continued on the formation of the Housing Improvement Board with representation from a wide range of stakeholders, including the Improvement and Assurance Panel. An independent Chair has recently been appointed and the first meeting is scheduled for early December. The Board is expected to play an important role in the development and monitoring of the Housing Improvement Plan.

2. **The full extent of the Council's financial liabilities (subject to external audit outcomes for 2019/20 and 2020/21 accounts) and the credibility of the Council's budget for 2021/22 and future years.**

The sign-off of the 2019/20 accounts is still outstanding, although we understand the last issue relating to accounting for Croydon Affordable Homes should be resolved in the near future. Once there is clarity on this, it will be necessary to determine what changes if any are needed to the draft 2019/20 accounts, and what the impact is to the draft 2020/21 accounts and the opening balances for 2021/22. This issue should be resolved by the time of the Panel's next letter.

In the current financial year, monthly financial reports have continued to be provided to the Cabinet along with details of the risks facing the council in terms of the financial position. The latest position (period 7) reported a forecast net underspend of £0.421m on the General Fund, after allocation of one-off £3.451m COVID 19 grant (part of the £11.25m allocated as part of the current year's Local Government Finance Settlement), and assuming some £50m of capitalisation direction from DLUHC.

A breakdown of these figures indicates an underspend on Children's Services of £3.742m (although this is offset to some degree by an unfunded £1.615m on Unaccompanied Asylum-Seeking Children), and an underspend of £1.088m on Adults Services. Given the history of significant overspends in these two major areas and failure to deliver planned savings, it is encouraging to see these stated positions, and important that continued attention is given to ensure this can be maintained for the rest of the year. Other forecast underspends are in the Resources and Assistant Chief Executive directorates totalling £0.757m.

There are two significant areas of overspend within the General Fund which are of concern. These are Housing (non HRA) which is forecast to be £1.881m overspent and Sustainable Communities, Regeneration and Economic Recovery, which is £5.122m overspent. These areas have been forecasting overspends for several months.

There is no doubt that some of these overspends relate to Covid pressures, and with the presence of the Covid grant, they do not immediately threaten the current year position. However, some of these overspends will also have an on-going impact into 2022/23 and onwards. These pressures are being included in the growth requirements contained in the budget setting work for 2022/23 and include: £2m for Emergency Accommodation, £3.062m for Landlord Licensing Scheme, and £1.3m for SEN (Special Educational Need) Transport pressures.

A further continuing area of concern relates to Asylum Seekers and Unaccompanied Asylum-seeking Children (UASC).

Discussions held with DLUHC, Home Office and Department for Education in the summer highlighted the particular issues relating to UASC in Croydon which arose due to the presence of Lunar House. The gap in funding presented to the Home Office is £2.357m in 2021/22, £2.713m in 2022/23 and £2.079m in 2023/24. This modelling was completed on the assumption that there would be no further increases in numbers placed in Croydon, and therefore the trajectory would be a reduction in numbers until the target of 0.07% UASC of Croydon under 18 population was reached. As a result of these discussions, the Council received a one-off financial payment of £2.36m from the Home Office

At the end of October, there were 138 under 18 UASC in Croydon, and whilst this continues to reduce, there are still 72 UASC more that the target 0.07%.

In addition to the UASC pressures, circa 1000 asylum seekers have recently been placed in eight hotels in the Borough by the Home Office. Whilst the hotel costs are funded by the Home Office, the Council will be responsible for further ancillary services particularly around safeguarding, public health, children & youth provision, and broader community support. Initial work has indicated that these additional costs amount to some £500k - £600k over six months. Without commensurate funding, this will impact on the outturn.

Within this cohort, there have been, and are likely to continue to be, age disputed individuals. These must be treated as children until such time as their age is determined. These young people are being referred by the authority to the National Transfer Scheme

(NTS (National Transfer Scheme)) for transfer to other local authorities. However, until a transfer is agreed, (and there is reticence by other authorities to take these young people if their age is under dispute), they must be looked after within Croydon, and this results in additional financial liabilities to the authority. This financial situation is further exacerbated as it can take many months for disputes on age to be resolved by the Home Office.

Discussions are underway with the Home Office to determine a way forward with these issues. It is important that this is resolved as soon as possible given the pressures, both financial and non-financial, on the Council.

The Panel would be happy to work across the various government departments to help to find a suitable solution to these issues.

There is a slight overspend of £0.733m on the HRA account. If no further mitigations are found to reduce this overspend the HRA will need to drawdown reserves from HRA balances. There are sufficient funds to enable this.

On capital, there is a projected underspend of £45.472m on the General Fund against the budget of £188.688m, and £7.184m projected underspend against the HRA capital budget of £183.209m. Over the past few months, the emphasis has understandably been on the revenue account, but more attention must now be given to the capital account to ensure accurate budgets in terms of interest and MRP can be set for 2022/23 and onwards.

The monthly reports, reflecting good practice, also include analysis of the risks facing the authority that are not included in the forecast outturn which amount to some £11.777m. Risk mitigations / opportunities are also identified amounting to some £11.259m which include £7.799m of currently unallocated COVID 19 grant.

The regular financial assurance meetings continue, led by the Chief Executive and the S151. This monthly 'rhythm and beat' is embedded across the Council and is doing much to promote a good culture of financial management. These meetings review all the savings proposals in year and across the Medium-Term Financial Strategy (MTFS), the delivery of the budget in general and any risks and opportunities declared, quantified and new.

It is essential that focus continues to be brought on the risks identified as these are significant and could cause serious financial problems for the authority should they be realised. In addition, it is important that the service overspends in the current year are brought back into balance, particularly those that have an on-going impact, or alternative permanent savings found so that they do not increase the budget gap for next year.

Looking ahead to 2022/23, work has continued to identify savings to deliver a balanced budget assuming a £25m capitalisation direction is granted by DLUHC.

As mentioned in our last letter, the approved MTFS sets out that in order to balance the budget, savings of £38.4m would be required. This assumes a further capitalisation direction of £25m in 2022/23. In the absence of this, the Council would need to increase the savings requirement further to £63.4m. This target does assume that the full set of 2021/22 savings will be made, and there will not be any further pressures identified.

The Council has held a series of 'star chambers' focusing on individual areas of spend aided by benchmarking data to identify opportunities for savings and efficiencies. Savings identified have been risk assessed to ensure proposals are deliverable. A progress report is to be presented to Cabinet on 6 December. Some of the savings identified require some difficult decisions to be taken by members at a time of the run up to local government elections next May.

However, at the time of writing, a gap of £13.2m remains to be identified against the £38.4m target, which includes as estimate of the unfunded UASC spend. If this sum cannot be identified, or it increases as a result of savings proposals not being agreed, the total will need to be sourced from either reserves, or contributions to reserves (£15m planned contributions in the 2022/23 budget). As this contribution is included in the base budget, this would not create an on-going deficit, but it would impact on the planned stabilisation of reserves.

There is a current balance of £27.5m in the General Reserve, with an expectation that a further £10m could be appropriated in the current year if the current position is maintained with a further planned contribution of £15m in 2022/23 (unless it is used to balance the budget). This compares very favourably to other London Boroughs in terms of a General Reserve.

However, there are a number of risks and liabilities which are not currently provided for, including insurance, inflation and pay, Economic Downturn / Business Rates, Savings delivery, redundancy, demographic changes, homelessness, adult social care Norfolk judgement etc. Other authorities would almost certainly hold funds in earmarked reserves to balance these risks (and so their need for a greater General Reserve would be reduced). The Council has recognised the need to further strengthen earmarked reserves and some of the £10m / £15m budgeted contribution may instead be used for this purpose– creating a better balance between earmarked and unearmarked reserve levels.

We are aware that the Council is reviewing the reserves strategy as part of the budget setting process and will comment further on this subject in our next letter.

Whilst the above points positively to being able to set a balanced 2022/23 budget, the delivery of it will be very challenging given the scale of the savings against the backdrop of a new management team, Mayoral and full Council elections, and a new governance model.

In its original report to the then MHCLG following its S114 notice, the Council indicated a need for government support over four years amounting to £70m in 2020/21, £50m in 2021/22, £25m in 2022/23 and £5m in 2023/24. In response, the Secretary of State granted the £70m for 2020/21 in the form of a capitalisation direction, and stated he was 'minded to' approve the request for 2021/22.

Given the progress made, the Panel support the request for 2021/22, and the £25m for 2022/23, this latter amount being approved on the basis of a 'minded to' approval subject to continuing progress in 2022/23.

The Panel has also been pleased to note the appointment of an independent chair to the Audit Committee - a departure from previous practice. Olu Olasode has already commenced in role.

3. **The credibility of the Council's plans to transform front line services and the capability of the programmes in place to do so.**

Adult Social Care

The adult social care and health directorate has developed a strategy based on promoting independence, building community assets, and working on strengths-based approaches to care; whilst working within the financial constraints of the Council. The strategy is yet to be presented for cabinet approval, which is necessary for the wider dissemination and communication of the strategy to underpin transformation and cultural change.

The directorate has made good progress in maintaining a balanced budget throughout the year and is currently (period 7) forecasting an underspend. Validated savings remain lower than projection, with less than 50% of projected savings having been achieved in the first 8 months of the year, however the department is managing demand at the front door to remain in a favourable position. Notwithstanding the current in year underspend, further traction and pace is needed in bringing through the full level of saving if the department is to fully realise both this and next year's financial requirement.

Despite an upsurge in requests for support, the directorate has managed to contain demand such that there has been a minimal level of growth in service user numbers throughout the first half of the year. The improvements made in this financial year in managing demand should be seen in reduced growth going forward. Work is ongoing to finalise the growth requirement for 2022/23. The current growth estimate is based on a notional national percentage uplift, rather than an analysis of Corydon's actual numbers which will be necessary to give a more accurate forecast. Further work, including demographic analyses, is ongoing to refine the figures as part of the corporate budget setting process.

Planning for the 2022/23 budget is underway with anticipated savings largely predicated on further promotion of independence resulting in reduction to personal budgets. This is not unsurprising, given that this is where most of the expenditure is incurred, however the continued reduction in average support plan costs is likely to be regressive and subject to diminishing returns. Transformational approaches to delivery of required savings, such as make, buy, or stop decisions, or the use of care technology have not yet been fully explored, nor has the potential for further productivity and efficiency through demand management and digital development been fully considered. Progress has been made in giving people more choice and control through the provision of Direct Payments, and work is progressing in relation to the review of in-house services although this is at an early stage.

Acknowledging the comparative lower level of NHS income received by Croydon in support of Adult social care, the Council has developed a business case and has held discussions with local NHS partners to resolve this position in the next financial year. However, this funding remains uncertain and until the funding allocation is confirmed, this presents a significant risk to the Council's MTFS in 2022/23.

The appointment of the Operations Director as Acting Corporate Director of Adult Social Care and Health has been positive in enabling the Council to deliver continuity of leadership and approach. Recruitment and retention remain a challenge at all levels, from front line posts through to senior management.

The department has established a governance structure to provide leadership and assurance to both improvement programme work and business as usual activity. The use of data and management Information is much improved following the introduction of the case management and payment systems, together with the development of Business Intelligence reporting tools and management dashboards.

Reported data demonstrates expected performance against internal measures, however, there remains work to be done to return Croydon to good performance against comparator authorities. Whilst progress has been made in managing in year demand, the overall number of people being served remains comparatively high, as does the average amount of care being commissioned per person. In addition, recent reports suggest the cost of care is high in comparison to others leading to an overall position of relatively high spend in some areas of service. Addressing these costs will need to be an area of focus going forward.

Children's Services

The Children and Young Persons Improvement plan continues to be delivered without any significant financial stress being reported at this stage. As mentioned above, at Period 7, the service is forecasting an underspend of £3.742m (although this is offset to some degree by an unfunded £1.615m on Unaccompanied Asylum-Seeking Children). £2m of this is a one-off accounting correction re 2020/21 accruals.

Some work has been undertaken by the service to benchmark its costs against those of its statistical London neighbours and the Council is working with these authorities to understand more about this data to identify areas for transformation.

Considerable time and effort are still invested in the UASC issue and Asylum Seekers more generally. Please refer to the previous section on current year financial position for detail of this issue.

In terms of performance, over the past two years, the number of children in care has fallen from 548 in September 2019 to 459 in September 2021 through increased emphasis on edge of care services and improving social work practise. There has been an increase in the number of referrals in October compared to the prior six-month average which is a similar picture to other London Boroughs. The number of Children in Need on a CIN (Child in Need) plan has fallen.

Further work is needed to stabilise the workforce, with 26 per cent of staff being interim / agency and continuing the benchmark work to identify areas where further value for money can be achieved and savings delivered – bringing costs in line with the statistical neighbours (10 London Boroughs). Overall, after adjusting for the savings in 2021/22, Croydon's Children's Social Care is the 4th highest spend out of these 10 London Borough.

Given these statistics, there are clearly further savings to be found, and these are areas that must be explored further and carefully to ensure appropriate standards are maintained.

Following the Local Area SEND (Special Educational Needs and Disabilities) Inspection in Croydon Ofsted / CQC (Care Quality Commission) have published a letter outlining the key strengths and areas for further improvement that were identified during the inspection visit in October 2021.

The Inspection team identified that SEND Local Area leaders have ensured that the pace of improvement has increased over the last 18 months and impact is now being seen of actions taken. The Local Area's self-evaluation was highlighted as being accurate meaning that there is good self- awareness and of the SEND community and that leaders are aware of what areas need further improvement and are taking appropriate action.

Ofsted and the CQC did not identify any serious concerns and as such the Local Area is not required to complete a statement of action. It has been recognised that this was a really positive achievement for the Authority and a result of the actions taken over the last 18 months.

Sustainable Communities, Regeneration and Economic Recovery Services

As referred to above, many of the Council's place-based services have been particularly affected by the COVID-19 pandemic. The economic effects of these changes have had a noticeably adverse effect (in excess of £5m on current projections) upon the Council's finances.

Car Parking has not yet recovered to pre-COVID-19 levels, and it remains to be seen whether it does, given the changes to behaviours that the pandemic has precipitated. The Council is examining the future model for its parking operations.

Building Control has seen an increase in its deficit, although this is stabilising, and it is anticipated that it will return to balance. The Service is subject to specific service transformation work which is yet to conclude

The Council has reformed or is reforming its range of enforcement activities in order to provide for a multi-disciplinary service rather than the series of separate activities that it hitherto deployed. This is expected to provide a more responsive and better-quality set of operational outcomes for less overall cost and is following a model that has become common elsewhere.

Waste Services is subject to a series of initiatives to renegotiate gate fees under its PFI contract and enhance recycling rates

The Highways service has a plan to rebalance operational priorities towards proactive planned improvements rather than reactive repairs. This is a significant although difficult shift of emphasis and investment, but it is a better model and should pay dividends in future years.

Of particular significance is the Council's failure to make the progress intended in the introduction of Low-Traffic Neighbourhoods. The budget projection anticipated delivery of additional schemes over the summer that have yet to be introduced. This means the Council is likely to fall well short of its projected budget. Work is now taking place to ensure that future projections are realistic and can be delivered. There are lessons in this for future planning of new policies that residents are unfamiliar with.

4. **Progress being made to change the culture of the organisation to become a council that delivers its services in a financially disciplined and motivated manner.**

The Council continues to make headway. The progress that has been made has been noticed by the Council’s staff and by partner organisations, who recognise that the intent to make change, and to involve them in making it, is well founded. Equally, there is a widespread understanding that much more needs to be done, that it will take time, and that it will not be easy. Amongst staff there remain fears over the evident uncertainties that remain. What will a new Mayoral model mean for the way the Council is run? What will the new Chief Officers, currently being recruited, be like, and what changes will they bring? Is the Council’s financial future (and thus their jobs and job satisfaction) secure?

Many of those questions are also relevant to partners. The NHS, community organisations and others with which the Council must work will be watching with similar concerns.

A Cultural Transformation Framework has been produced that addresses organisational and cultural transformation and seeks to put staff engagement at the heart of it. There is enthusiasm and energy evident in support of this. A range of tasks are being undertaken which together represent a programme for change which is comprehensive in scope, well-focused and founded on practical and performance-related outcomes.

This is very encouraging. Fostering that spirit and those energies at a time when continued financial restraint, service reconfiguration and the need to change operating methods will be compelling organisational priorities will be very challenging.

Critical to the success of such a programme will therefore be the disposition of the political and managerial leadership of the Council. We are clear that the Chief Executive understands the importance of this, is sponsoring it personally and is cognisant of her need to exercise committed leadership of it.

The political leadership that emerges in May, and the Chief Officers who will join at or around the same time are equally critical. The current administration and interim officers are doing well in laying the path for this, but this set of changes will be the ones that will lead Croydon Council into its future. Preparing the Council for those changes and enabling the emergent culture to become quickly and firmly embedded when they happen is a key task for the next six months, and we will be keen to support this.

Conclusion

The foundations of a sustainable future are being built, some with sound outcomes that can be measured, some more slowly and within which significant risks remain. There will be a need for political and managerial leadership to invest considerable energy and patience in the task for some time yet, and before it can be claimed that a sustainable future is secured. Not only will next year be a tough one in sticking to the budget that has been set, but it must be likely that further financial restraint will be required in the following year. Through all of this, the staff of the Council will have to be led into new ways of delivering their roles.

There is, therefore, creditable progress to report, but there is much that is difficult still to do. We will be concentrating our future efforts in supporting the Council's resolution in holding to its plans and its budgets and in stepping up the reform of its services.

Yours sincerely,

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Margaret Lee
Phil Brookes
Jon Wilson