



Department for Levelling Up, Housing & Communities

Simon Hoare MP
Minister for Local Government

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

Mayor Jason Perry
London Borough of Croydon
By email

27 February 2024

Dear Mayor Perry,

EXCEPTIONAL FINANCIAL SUPPORT FOR LONDON BOROUGH OF CROYDON

I write in relation to the London Borough of Croydon's request of 12 January 2024 for exceptional financial support in respect of the 2019-20 and 2024-25 financial years.

As a result of the Council's continued financial challenges you have made a request for exceptional financial support for 2019-20 and 2024-25. While I welcome the steps that have been taken thus far by the Council overseen by the Improvement and Assurance Panel, it is important to recognise that there is still significant work to be done given the extent of the financial issues. Government's view continues to be that councils requiring exceptional financial support, particularly where it is apparent that several concurrent years of support will be needed, should take all possible steps locally to manage their budget pressures and restore long-term financial sustainability.

It is within this context that the Secretary of State has considered very carefully the Council's position including the interest of local people in Croydon and the need to provide sufficient stability to the Council and to make sure that service delivery, especially for the most vulnerable citizens, is not disrupted.

This letter sets out the Department's current position but does not constitute a capitalisation direction.

The consideration of your request has been based on the estimates that the Council has provided to date of its budget position. The Improvement and Assurance Panel have provided assurance, as far as possible, that these estimates are reasonable and appropriate. I recognise, however, that these estimates are based in significant part on assumptions, and that the final amount of the required capitalisation direction will only be confirmed when the Council's financial accounts for previous years are closed.

With respect to the financial years 2019-20 and 2024-25 the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £47.439 million. The total is broken down by each financial year as follows, as per your request:

- 2019-20 - £9.439 million
- 2024-25 - £38 million

Before the capitalisation direction can be approved, your Council will need to demonstrate that it continues to take all necessary steps towards improvement. The Secretary of State will require assurance from the Panel that you are making good progress against the London Borough of Croydon Renewal Plan, as per the Best Value Directions issued to your Council on the 20 July 2023. If the Secretary of State decides to approve any capitalisation directions, he would confirm in due course any conditions that would be applied. This is fully addressed in the attached annex.

You will be aware that on 24 January, the Secretary of State announced the expectation for all councils to produce a productivity plan focused on improving service performance and reducing wasteful expenditure. I wish to emphasise that this productivity plan should be completed alongside your ongoing improvement and recovery work.

I would be grateful if the Council could confirm in writing by 28 February that it wishes to proceed in accordance with the position set out in this letter. I am copying this letter to Chair of the Improvement and Assurance Panel, your Chief Executive and Section 151 Officer. This letter will also be published on GOV.UK.

SIMON HOARE MP
Minister for Local Government

Annex – Assurance required for approving exceptional financial support

Assurance

If the Secretary of State decides to give any directions, he would confirm in due course the final amount of capitalisation support and any conditions that would be applied. The Department's consideration will include evidence from the Improvement and Assurance Panel of the Council's progress against the actions it is required to take, as per the Secretary of State's Best Value Directions (dated 20 July 2023) made under section 15(5) of the Local Government Act 1999. This will include evidence of the Council's:

- continued delivery of the agreed Exit Strategy, progress of which will be reported to the Department via the Improvement and Assurance Panel in their regular reports to the Secretary of State;
- progress in identifying assets for disposal to increase the generation of capital receipts to reduce future borrowing requirements;
- development and approval of a Transformation Programme that sets out plans to deliver significant efficiency savings and minimises the need for future Exceptional Financial Support. This should be developed working with the Improvement and Assurance Panel and completed within three months of the in-principle capitalisation direction.

Conditions

Such directions may be subject to conditions, which would be set out in any capitalisation directions should the Secretary of State decide to exercise his powers under sections 16(2)(b) and 20 of the Local Government Act 2003.

If the Secretary of State decides to give any directions, he is minded to attach the following conditions:

- the Authority may only capitalise expenditure when it is incurred;
- where expenditure is capitalised, that the Authority shall charge Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with relevant guidance;
- where the Authority's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction, any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the Public Works Loan Board and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not apply to borrowing in relation to your Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing;
- the Authority makes good progress against the London Borough of Croydon Renewal Plan, as assessed by the Improvement and Assurance Panel, in their regular reports to the Secretary of State.

With this in mind the Secretary of State may also attach additional bespoke conditions to any directions issued in respect of the financial years above, depending on the Council's individual circumstances.

Confirming final amounts

Although the Secretary of State is minded to approve a capitalisation direction for the 2019-20 and 2024-25 financial years this would be contingent on the Council reporting to the Department the final

amount identified for which it requires capitalisation for this year, with the agreement of the Council's external auditors and endorsed by the Improvement and Assurance Panel.