



# Ministry of Housing, Communities & Local Government

**Jim McMahon OBE MP**  
*Minister of State for Local Government and English Devolution*  
2 Marsham Street  
London  
SW1P 4DF

Mayor Jason Perry  
Leader of London Borough of Croydon  
*By email*  
Dear Mayor Perry,

20 February 2025

I am writing in relation to the London Borough of Croydon's request of 13 December 2024 for Exceptional Financial Support in respect of financial years 2023-24, 2024-25, and 2025-26.

The Exceptional Financial Support process exists to support those councils facing unmanageable financial pressures. This government understands that fragility in the system has left some councils in difficult positions and recognises that support is required in exceptional circumstances to balance budgets. Going forward, as set out as part of the Local Government Finance Settlement, we are clear that we will continue to work to support local services and put the system back on a sustainable footing.

The Deputy Prime Minister has considered the council's position including all the measures that have been taken locally to support the continued delivery of sustainable services for residents, particularly for those who are most vulnerable.

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

With respect to the financial year 2025-26, the Deputy Prime Minister is minded to approve a capitalisation direction of a total not exceeding £136.0 million.

The Deputy Prime Minister is minded to approve revisions to previously agreed in-principle capitalisation directions of £63.0 million to £50.0m for 2023-24, and £38.0 million to £51.0 million for 2024-25.

We will continue to work with you on the final amount of support required for 2024-25 and previous financial years ahead of issuing any capitalisation directions. Officials will discuss this with officers at your council in due course.

## Requirements

Government's agreement to provide the Exceptional Financial Support outlined in this letter and any future support is subject to the council providing assurance of its position, and ongoing action to improve its financial position.

At all stages the department's consideration will also include evidence from the Improvement and Assurance Panel of the actions the council is required to take, as per the Secretary of State's directions (dated 20 July 2023) made under section 15(5) and (6) of the Local Government Act 1999. This will include evidence of the council's delivery of:

- That by the end of the 2025-26 financial year the council:
  - i. Must, before any decision to release its uncommitted sum of £25m of the agreed EFS (£136m), secure the prior agreement of the Improvement and Assurance Panel while the Panel is in place.

- ii. Develops and implements a resourcing plan, to be agreed with the Improvement and Assurance Panel, to deliver its transformation plans at an accelerated pace and with sustainable and long-term savings.
- iii. Progresses the actions in its Stabilisation Plan, as agreed with the Improvement and Assurance Panel.
- iv. Reviews its current asset disposal strategy, identifying new opportunities to expedite existing and further disposals where possible, and agrees this strategy with the Improvement and Assurance Panel.

### Conditions

Capitalisation directions may be subject to conditions, which would be set out in any directions should the Deputy Prime Minister decide to exercise her powers as Secretary of State under sections 16(2)(b) and 20 of the Local Government Act 2003. If the Deputy Prime Minister decides to give any directions, she is minded to attach the following conditions:

- i. The authority may only capitalise expenditure when it is incurred.
- ii. Where expenditure is capitalised, the authority shall charge annual MRP using the asset life method with a proxy 'asset life' of no more than 20 years.
- iii. the Authority makes good progress against its Improvement and Recovery Plan, as assessed by the Improvement and Assurance Panel, in their regular reports to the Deputy Prime Minister.

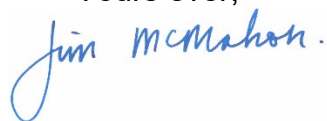
If the Deputy Prime Minister gives any directions, she will confirm the final amount of capitalisation support and any conditions that will apply in due course. The approval of any capitalisation directions will also be contingent on the council reporting to the department the final amounts identified for which it requires capitalisation for each year, with the agreement of the council's external auditors, and endorsed by the Improvement and Assurance Panel.

If you are considering financing capitalisation support through capital receipts, I want to make clear at this stage that it is my expectation that councils should avoid the disposal of community heritage assets where possible to protect the public ownership of locally significant sites to ensure residents can continue to benefit from them.

The department recognises that there is further work to be done to restore the council to long-term financial sustainability and that this should be a priority area of action for the council moving forward. The Minister for Local Government and English Devolution has asked the Panel to provide a further update on the intervention's progress in April 2025, with particular attention to the council's budget-setting process and delivery of its Transformation Plan, in which it aims to become the most cost-efficient authority in London.

Thank you for your continued support and the support of your officers whilst we have considered your request for Exceptional Financial Support. Officials will continue to closely support you through the next steps of the process.

Yours ever,

A handwritten signature in blue ink that reads "Jim McMahon". The signature is written in a cursive style with a large initial "J".

**JIM MCMAHON OBE MP**

Minister of State for Local Government and English Devolution