

Improvement and Assurance Panel

London Borough of Croydon

Rt Hon Angela Rayner MP
Secretary of State
Ministry of Housing, Communities & Local Government
2 Marsham Street
London SW1P 4DF

25 April 2025

Dear Secretary of State,

We write to give you our latest summary of progress in the intervention at Croydon.

Context

As this is our last scheduled letter, we believe it is appropriate to reflect on and summarise the journey that the Council has undertaken.

The intervention was put in place by your predecessor following a Non-Statutory Review of the Authority instituted by MHCLG on 29 October 2020 after the Council's auditors had issued a Report in the Public Interest. The Council issued a s114 report while the Review was in progress.

The Review's report offered '*assurance that Croydon Council recognises the perilousness of its position and ... saw lots of evidence of Officers and Members working energetically to mount an effective recovery.*' but noted that '*The recovery effort is in its early stages and therefore the Review Team cannot offer full assurance or confidence that the task can be achieved*'. It recommended that '*the Council should create an independent Board of non-executives, to advise and oversee their progress, reporting back to the MHCLG on a regular basis.*'

The Council initially took steps to create this Board, but the SoS determined instead to appoint a non-statutory Improvement and Assurance Panel.

It quickly became apparent to those of us on the Panel at that time that the challenges facing the Council were very considerable indeed. While much could be done to meet many of the failings identified in the Review and by the auditors, no confidence could be expressed in respect of the Council's financial recovery. We commented on this in our first letter, on 5 February 2021, in that '*there is much that the Council needs to do to become a properly functioning local authority. It is also clear that it is not capable of doing so at present within its own means.*'

In April 2021 we related that the Council was engaging and cooperating, and that it understood that change was necessary. Our report also expanded upon the range and scale of change that would need to be made. Regrettably, it also had to relate the state of dysfunction that had been uncovered in the Council's landlord services by a national television news investigation. This revealed that council flats at Regina

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Road had for some years been inhabited in a state of disrepair known to the Council, and which posed a severe threat to the health and safety of residents.

The Council responded through taking immediate steps to rehouse the tenants affected, carry out the necessary repairs and check for potential problems in similar blocks. The incident served however to indicate a lack of self-awareness and of non-responsiveness to issues that had set in over many years. A subsequent independent investigation found that the Council was unable to deliver the most basic of housing services and that this was *'likely to be symptomatic of a poorly performing service which lacks the capacity for self-improvement.'*

Although becoming increasingly involved at an earlier stage in the consideration of matters of emerging concern, we began also - in the absence of any formal powers - to issue our advice in writing so as to influence the Council in circumstances where we believed such influence to be necessary. In the event, we issued six 'advice notes' in as many weeks. Our influence came to be incorporated through improved informal processes for our engagement on issues as they emerged thereafter.

By August 2021 we were able to reflect progress in that *'the Council is continuing to say and do all of the right things'* and that the range of changes that had taken place were *'notable improvements'*. We also reflected on the pace of these changes in that *'actions are taking longer than we believe they should.'*

A referendum in October 2021 determined to change the Council's governance to an 'Executive Mayor' model and the first mayoral election was scheduled for May 2022.

Progress meanwhile continued to be made on arrangements for addressing priorities such as major property disposals, many of which had been high-profile features of the Council's failure, such as Brick By Brick, the Croydon Park Hotel, and other commercial investments, although Fairfield Halls, another notable matter of financial concern, continued to require attention. We were able to report improvements in the Housing Department, in the restoration of financial systems, in service operational performance and in an enhanced operating culture in the organisation. Indeed, by March 2022, we reflected no major concerns in respect of the operational quality of the major areas of children's and adults' services, nor indeed of some of the smaller service areas. Our foremost concerns related to the stubborn issues of financial management and resilience, and the ongoing work to recover the Housing function.

The Borough's first Executive Mayor was elected in May 2022. In November we noted the clear intentions and ambitions that he had set out, with financial recovery prime amongst these. To this end he had commissioned an 'Opening the Books' exercise which had uncovered yet further structural inadequacies in the Council's financial base.

This update also reflected that while the nature of the changes that had taken place across the Council was sound, the pace of change remained slow. The Council had

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however determined that changes of a transformational nature were now necessary as most of the profound problems that had led to its difficulties had been resolved. Progress also continued to be made in the recovery of the Housing service which, though still fragile, had identified its own transformational priorities.

In parallel with this activity the Council continued to require Capital Directions to address legacy issues and to achieve a legally balanced budget. The value of Capital Directions, both confirmed and in principle, for the period 2019/20 to 2025/26 amount to £533 million. In addition, for 2023/24 the Council was granted the ability to increase council tax from 4.99% to 14.99% without the need for a referendum.

In March 2023, your officials wrote to the Council, highlighting the need to '*continue to address the culture of poor financial management at the Authority*'. Up to that point, the Council had focussed its improvements on responding to statutory recommendations or those resulting from external reviews, with progress reported to the Audit and Governance Committee, an approach which, while necessary, was largely reactive in nature.

As in any council, a well-functioning financial service is critical to service improvement, as it influences how resources are allocated to deliver priorities, ensures cost-effective service delivery, and provides a stable framework for transformation. To this end, the Panel at this point required the Council to develop a Financial Improvement Plan (FIP). The Council has made progress on the FIP in several areas, including restructuring and strengthening Strategic Finance, updating its financial regulations, addressing legacy financial issues, and responding to Public Interest and external review recommendations. It has also been undertaking implementation of the Annual Governance Statement action plan throughout the year. However, several important areas still require improvement, including budget-setting processes, enhancing budget monitoring, completing the improvements to core financial systems, strengthening financial skills across the finance team and with budget holders, reducing service costs to sustainable and affordable levels, and in procurement and contract management. The Council is one of only seven still to publish its 2023-24 accounts. The latest projection is the draft accounts will be available for public inspection in May.

At this point, however, the Authority's auditors uncovered further legacy issues requiring considerable technical adjustments, which had the effect of significantly worsening the Council's revenue position. In response to a substantial additional requirement for Exceptional Financial Support (EFS), your predecessor in July 2023 raised the status of the Panel to that of a statutory body. The Authority at the same time entered into discussions with your Department over options for reduction in the level of its General Fund external debt (£1.3 billion) to the amount which the Council estimated would put it 'on a par' with other councils (£540 million, or its annual equivalent of £38 million) and which in its own view would enable it to set balanced budgets thereafter.

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The Panel agreed a strategy for its planned exit from the Council at the scheduled date of July 2025. This Exit Strategy was heavily dependent upon improvements brought about through the adoption of a transformation programme and subject to the continuing positive external validation of progress by such regulatory bodies as Ofsted, CQC and the Regulator of Social Housing. We were pleased that the pace of change also began to pick up. In our letter of October 2023, we observed that if its plans were achieved in all respects, then, other than its extraordinary level of debt and the consequential pressure of that on its revenue budget, the Council would be recognisable as similar in manner and operating to a comparable standard as with other local authorities. The transformation programme would be key to this, and the Panel accordingly endorsed a substantial investment in securing support to construct this and its resultant action plans to a high standard.

In April 2024 we reported that the Council had operated within its budget for the preceding year, albeit that this was with its EFS subvention built into it. We also reflected that the core formal governance arrangements of the Council continued to operate soundly. We welcomed the new transformation programme, although noted its early stage of development. We saw financial governance improving with stable political and managerial leadership. Service quality continued to present as being sound, with further improvements made in housing. We were, however, concerned over the Council's judgement over the failed or abandoned pursuit of some judicial and quasi-judicial actions. We continued to push for progress against the stubborn assumption of a £38 million pa running deficit. We particularly welcomed the Council's ambition in declaring its objective to become London's most cost-effective authority – an essential ambition in the circumstances.

In November 2024, we reported via a factual update letter the continuing positive progress against the Exit Strategy, with the exception of a significant deterioration in the Council's financial position.

Financial Governance and Sustainability

The 2024/25 budget which was approved by the Council in March 2024 set a net revenue figure of £361.3 million which required a £38 million Capital Direction to achieve balance. At the same time the Council adopted its 2024-28 Medium Term Financial Plan (MTFS). The plan assumed ongoing Capitalisation Directions of £38 million per year over the four-year period. This would provide the foundation for developing the 2025/26 budget and for updating the MTFS.

The first budget monitoring report on expenditure however, covering the period to the end of May 2024 and presented to Cabinet in September 2024, projected a £28.6 million overspend (7.9%) for the year. This represented a remarkable deterioration in the Council's finances at a very early point in the financial year and raised serious

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concerns with us about the robustness of the budget process and the accuracy of demand and inflation forecasts.

In response to the forecast overspend, the Council developed a Financial Recovery Plan aimed at reducing the projected deficit over the remainder of the year. However, despite these efforts, the budget monitoring report presented to Cabinet in March 2025, projected an overspend of £35.4 million (9.7%) by year-end, marking a further increase of £6.5 million from the May 2024 forecast. We understand that the projection in the following month, although as yet unreported to Cabinet, records a small decrease in this overspend figure, to £34.2 million. The Council proposes to fund the projected overspend through a combination of reserves and borrowing (utilising unneeded Capital Directions for 2023/24), which, while appropriate as a response measure, further undermines the Council's financial resilience.

The 2025/26 budget process therefore also had to account for the significant spending pressures in 2024/25, which had contributed to the large projected overspend, as well as other growth pressures, balanced against planned savings. Budget development began in the spring and continued through December.

It is our view that a robust budget process should identify spending pressures by no later than September in any year. Doing so allows sufficient time for services to explore mitigating actions and to identify additional savings for addressing any budget gap. Although services were aware of demand and cost pressures, the full extent of these challenges did not begin to emerge through the budget process until November/December. As a consequence, little time was left to scrutinise the pressures and to develop mitigating strategies. As with the 2024/25 budget process, this raised serious concerns with us about the overall effectiveness of the Council's budgeting approach.

The impact of the late identification of spending pressures is evident when comparing the draft budget and MTFS approved by Cabinet for consultation in October 2024 with the final budget approved by the Council in February 2025. In October, the draft budget projected a funding gap of £83 million. However, by February, this was projected at £136 million – an increase of £53 million – driven by rising service demands for additional funding, notwithstanding government funding being £13.3 million higher than the amount assumed in the October report. As a result, the Council submitted an EFS request for 2025/26 of £136 million.

The impact of these spending pressures is spelt out in a yet more pronounced manner in the 2025-29 MTFS, which projects further Capitalisation Directions of £153 million in 2026/27, £168 million in 2027/28, and £203 million in 2028/29 – a total of £660 million over the four-year period. Such Capitalisation Directions will add to the Council's debt (the Authority's Capital Financing Requirement is expected to increase to nearly £2 billion by April 2029), further increasing pressure on the

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revenue budget in the years ahead. More critically, the projections reveal a widening funding gap through to 2028/29, indicating a downward financial trajectory with no clear plan to reverse it.

We wrote to the Council following the Government's confirmation of the substantially increased EFS of £136 million for 2025/26. Our letter was clear in that EFS was only intended to be a short-term measure and an MTFS which, as the Council's does, assumed EFS for each of its four years was an impossible position. If it was not addressed the Council would face collapse. We required the Council to acknowledge that its financial position had not only worsened considerably over the past year but had done so seemingly excessively by comparison with other councils. We further noted that the Council continued to fail in its legal requirement to balance its finances and that further failure was projected – it was our view that the Authority must address this as an absolute priority. It was for these reasons that we moved from describing what was originally an overbearing debt issue to describing this runaway expenditure as a financial crisis. The first step we required the Council to take was to significantly reduce its reliance on EFS in 2025/26 through the development of a Stabilisation Plan.

Service Performance

We will outline here progress across each of the major service areas. While steady improvement has been achieved in most areas, it is relevant to recognise that operating costs remain unreasonably high.

There are several sources available for benchmarking Croydon's expenditure against that of its nearest neighbours. One such exercise was carried out by LG Futures, which compared unit costs using budgeted expenditure from local authorities' 2024/25 Revenue Account (RA) returns. The analysis showed that Croydon's overall expenditure per resident is 16.1% higher than the average of its nearest neighbours, with all major services exceeding the average.

Other benchmarking data presents a more favourable picture, with Croydon placed closer to the average for some services. In any event, all benchmarking data indicates scope to further reduce costs in order to align with the lowest 20% of comparable councils.

Reducing these costs will require substantial further change leading to operational efficiency improvement. This represents a significant risk that must be actively managed, as it is likely to place further pressure on the capacity and capability of operational staff.

Commercial Investments and Capability

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Between 2014 and 2019 the Council invested heavily in a number of commercial properties and ventures, most of which failed to deliver financially in line with their expectations. The property company Brick by Brick was established to deliver new housing stock in Croydon in a commercially efficient manner to maximise the net benefit to the Council through accelerated delivery of affordable housing and generating a long-term surplus to the General Fund. Failings by management (which had largely transferred from within the Council and lacked property development or commercial expertise), compounded by poor oversight of the venture on the Authority's part, resulted in considerable loan write offs and was a serious distraction for several years. All activities are now virtually complete with the business on the point of being closed down.

The properties that were acquired, including a hotel and shopping complex have now mostly been disposed of at a significant discount to the purchase price. A wider asset disposal programme of surplus properties that are not essential to the delivery of Council services is also underway although firm plans still need to be developed around the future of some remaining major assets including Bernard Weatherill House and the Town Hall complex. Difficult decisions will be required to maximise capital receipts from the remainder of the disposal programme, some of which could have a disruptive impact on some communities in Croydon. The financial position of the Council, however, leaves it with little choice if it is to minimise the additional borrowing required to fund the deficit.

Progress has been made in enhancing commercial and contract management capability within the Council, but this remains work in progress. For example, there have been 159 contract waivers issued in the last twelve months. The central procurement function has recently been strengthened and is starting to play a greater role in high value and critical procurements. This needs to be further embedded in consolidation of the supply chain, more use of established frameworks, collaborative arrangements with the Voluntary, Community and Social Enterprise sector and through exploring shared service opportunities with other councils, as these all offer scope for savings. There are also some activities carried out in-house that are more typically outsourced elsewhere in the public sector and such opportunities for cost reduction need to be assessed on an individual basis.

Adult Social Care and Health

Since the Adult Social Care and Health Directorate budget was 'right sized' in 2021 it has made progress in managing the overall demand for adult social care services. The Directorate set itself a target to have its performance comparable to the London local authority average for working age adults and to the England average for people aged 65 and over. These targets have proved challenging to meet. Croydon is now aligned to average spending in London (although not yet England) for older adults but for the younger adult client groups Croydon remains a high spending authority.

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Over the last year, a substantial risk has been identified in the increase in provider market costs which are impacting on the Council's ability to manage within budget. Whilst Croydon has managed costs, particularly in older adult services, the rate at which people are commencing access to services does appear to be higher in Croydon than in comparable councils which are similarly impacted.

Notwithstanding that significant savings have been made year on year to meet the Council MTFS requirement, the Directorate's budget position is currently under some strain with a forecast year-end overspend of £5.8 million as at the end of December made up of an overspend of £11 million on social care placement and care packages, offset by underspends on staffing and contracts.

Despite this notable progress made there remains further work to do to bring the Council in line with regional and national averages in terms of numbers of people served and overall costs of care.

Given the Council's ambition (and indeed necessity) of becoming substantially more cost-effective, considerable further savings can be achieved. The Council has commissioned a strategic partner to support a large-scale transformation programme in Adult Social Care. This work has identified the potential to transform services, improve outcomes for residents and make savings of £15 million over the next four years. The programme has commenced delivery and will move into full implementation this year.

Alongside service transformation, assurance of the quality-of-care services has been improved through a plan being overseen by the independently chaired Adult Social Care and Health Improvement Board.

Overall, over the last 4 years the Directorate's leadership team has successfully led on the development of strategic and operational performance and culture to improve the delivery of services to the public. The Council is now much more assured in respect to service delivery, quality, performance, and data reporting is also much improved.

The Council remains committed to working in partnership with residents, voluntary sector, and statutory partners. Relationships with the NHS have a strong profile in Croydon through the One Croydon Alliance, and more recently through the Frontrunner Programme, however the extent to which these partnerships are delivering improved outcomes for the Council remains an area to be tested.

Children, Young People and Education

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Since 2021 Children's Services have continued to build on the improvements that had been made following an inadequate judgement from Ofsted in 2017. The Council initially invested over £12 million in improvements to the service and in 2020 when they were re-inspected, they were judged to be good overall. Services were considered to have been improved through strong corporate and political support, substantial investment, and the appointment of highly experienced senior managers.

Children's Services have also commissioned a strategic partner to support large scale transformation. The first stage of this programme completed in July 2024 and included analysis of comparative spend with statistical neighbours. Previous comparisons had shown spend on children's services to be in the upper quartile, but the more recent benchmarking showed that savings made, and with no additional growth in 2023/2024, has resulted in Croydon now being more in line with similar authorities, although still in the upper range of cost. With the Council's ambition of becoming substantially more cost-effective, considerable further savings can however be achieved.

Financial contributions from health are minimal and this remains a longstanding concern. Croydon is an outlier in not receiving any health contributions when compared to statistical neighbours and the other local authorities within the ICB area. The strategic partner has analysed health funding in neighbouring L.A.s and has concluded Croydon could potentially access between £900k and £3.5m annually if it were to access equivalent rates of funding. Croydon continue to challenge the ICB to appropriately fund continuing care but to date this has been without success.

Despite the impact of Covid and with rising demand for support for more children with complex needs, combined with budget savings, the service has continued to make improvements. Ofsted inspected in October 2024, with the Council retaining the judgement of 'good' overall, with noted improvements recognised in services for children in care and care leavers. This has been achieved in the context of increased demand at the front door and increasing costs particularly for placements for children in care.

Although the overall number of children in care has not increased, the cost of such placements, particularly residential care and supported accommodation, has risen substantially. Whilst this is a national problem, the service is also affected by the scale at which other local authorities are placing children in Croydon, reducing the number of local better value options for Croydon children. The latest forecast outturn for 2024/25 for the service is an overspend of over £16 million, mainly caused through increased placement costs.

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The strategic partner has been further commissioned to assist with an ambitious transformation programme focused on reducing cost whilst maintaining quality and managing risk. The programme is endeavouring to reduce the cost of placements through diminishing the use of residential care and through greater support for fostering and for keeping children at home. The service has been successful in recruiting and retaining permanent social work staff but is also committed to reducing the number of agency staff, currently about 20% of the workforce, as part of agreed savings.

The strategic partner also reviewed in detail the Council's SEND transport provision given the significant forecast overspend in 2024/25. Whilst this highlighted a growing trend in the number of Education, Health, and Care (EHC) plans allocated, the numbers qualifying for transport were relatively stable suggesting reasonably robust vetting of the service is in place. It remains important that the two directorates currently responsible for the allocation and provision of SEND transport work closely together to ensure costs are controlled. The Council needs to constantly review the service, particularly the number of out of area placements and explore how additional capacity can be provided locally. The review also suggested there was potential to increase the number of families allocated a personal travel plan, together with targeting a reduction in taxi spend, which was very high compared to other local authorities.

A new Corporate Director of Children, Young People and Education started in the role in January 2025. There is a strong experienced management team in place across social care and education. They face considerable challenges delivering on transformation, including implementing the national Family First Programme in Croydon, whilst dealing with the considerable operational pressures.

Housing

The Council has made strong progress in the operation of its housing services following the television exposé in 2021, which highlighted the poor living conditions experienced by residents at Regina Road. This event led to the Regulator of Social Housing (RSH) issuing a Regulatory Notice that same year, citing breaches of the Home Standard and the Tenant Involvement and Empowerment Standard.

In response, the Council acted swiftly and established a Housing Directorate which brought together the dispersed housing teams from across the Authority and created a Housing Improvement Plan. The appointment of a permanent Corporate Director in 2022 provided the leadership required to drive the improvements. A transformation programme co-designed with residents and staff formed the basis of the voluntary

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undertaking agreed with the Regulator. To ensure independent oversight, the Council also established a Housing Improvement Board (HIB), comprising resident representatives, councillors, independent advisors, and members of the Improvement and Assurance Panel. Key successes included the procurement of new repairs and maintenance contractors, the development of a new Housing Strategy and HRA Business Plan, the production of improved stock condition data, and the co-creation of a Residents' Charter.

Following three and a half years of intense focus, the RSH lifted the Regulatory Notice in April 2025 and confirmed that the Council was no longer in breach of the Standards. The Housing Improvement Board played a vital role in this progress. Recognising its contribution, and notably that of its independent Chair, Martin Wheatley, the Council will now integrate the Board into its formal governance structures to continue providing robust oversight.

The Council has also strengthened its property compliance to support resident safety by improving data management leading to improved knowledge of its stock and stock condition. This has resulted in 100% compliance in key areas and significant improvements in gas and electrical safety performance.

Alongside these improvements to its landlord services, the Council has made good progress in respect of its plans for Regina Road. It has successfully rehoused all affected residents and launched a major regeneration programme, securing £54 million in funding from the Greater London Authority in support of doing so.

Despite these successes, the Council faces ongoing challenges in its homelessness service. It is experiencing a substantial increase in the number of people presenting as homeless and a consequent rise in temporary accommodation costs. This has resulted in an in-year overspend of £20 million within the service. To mitigate this financial pressure, the Council has introduced a series of measures. It has ceased the use of expensive commercial hotels, transitioned to an appointment-based system for front-of-house services, and begun acquiring additional properties and schemes for temporary accommodation.

Further action is needed however, to bring homelessness expenditure under control. The Council will have to also ensure that it sets a realistic budget for homelessness in future, addressing past issues of inaccurate forecasting. Improving data quality will also be critical to enable proactive tracking of demand. In addition, the Council must accelerate its property acquisition programme so as to house those on the homelessness waiting list more swiftly and the Council will have to continue its focus on maximising income recovery from residents in temporary accommodation. We

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have recognised that staffing levels within the homelessness service are currently low, and the Council has begun recruitment to manage the rising demand, and this should be accelerated where possible. However, given the Council's financial pressures, this recruitment must be carefully targeted. New staff will have to quickly demonstrate their ability to add value, supporting the service to operate more effectively and contributing to a reduction in the budget deficit within an agreed timeframe.

The Panel is conscious of the considerable distance that this service has had to travel since 2021, and it is to the credit of its management and staff that it has reached the point that it has.

Progress Made Against the Exit Strategy

The Exit Strategy agreed with the Panel in October 2023 outlined objectives, actions and expected outcomes across five themes: governance; culture and leadership; financial stability; service performance; and capacity and capability to improve.

As reported above steady progress has been made in the areas of governance, culture and leadership, and service performance, with most actions either completed or on track. However, the key objective under financial stability – placing the Council's finances on sustainable footing – has not been achieved.

The widespread corporately led 'transformation programme' developed in 2024 has been a feature of the Exit Strategy designed to address the continuing anticipated growth pressures and to enable cost savings to be made over a four-year period to the extent that there should be no further deterioration of the financial position in the medium term and while the long-term debt issue is addressed. This programme is the key to any sustainable long-term future for the Authority.

The Panel has been very supportive of this transformation programme, and of its management within the Council, and was keen to see it applied to achieving deficit reduction beyond the assumed £38 million pa as it was rolled out in order to fully realise the potential of cost-savings. This led to some difference of opinion in respect of the level of risk that the Council should absorb in undertaking this transformation.

In the event, the challenges that the transformation programme was being developed to address became markedly more pressing during 2024. As the budget-setting for that year (2024/25) had followed the course of previous years, essentially of stabilising around the £38m shortfall (and thus EFS requirement) so the demand pressures being identified by service departments were expected to be containable by those services. This proved to be a misjudgement. The pressures experienced quickly overwhelmed the planned levels of service provision, most particularly in

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respect of Temporary Accommodation, Children's Social Care placements and Special Educational Needs transportation.

In light of these rapidly deepening difficulties, it was our view that the need for greater rigour in seeking efficiencies and for a bolder approach to risk management became imperative. We were particularly concerned about the Council's ability to fully deliver its transformation programme in these circumstances, since this requires the simultaneous undertaking of significant and widespread change in the structures and operating practices of the Council while reducing spending to a sustainable level and maintaining day-to-day service delivery. All of these necessary fundamentals have been put at risk through being overwhelmed by the runaway position of the Council's finances, so the Panel required that the Authority take immediate and effective steps to stabilise its operating costs with all standing assumptions being revisited through the adoption of a Stabilisation Plan for the medium-term. A robust plan of this nature should enable the Council to reset a firm base from which it can properly plan for the long-term resolution of its position. We agreed to this approach with the Local Government Minister when we met him, together with Council representatives, on 27 January 2025.

Stabilisation Plan

Given the need for immediate steps to be taken to reduce the Council's reliance on EFS we set out the areas that must be considered in the development of the plan including a sharp reduction of discretionary spend, the swift reduction of staffing levels where possible, the reduction in scope and scale of contractual commitments where feasible, the consideration of alternative delivery models, and the realisation of more asset sales as a matter of urgency. These were tough messages, but they reflected the reality of the situation the Council faced. The immediate target for the Plan is to deliver savings of £25 million in 2025/26 which is the element of EFS being held back as a central contingency.

We received the Stabilisation Plan a week ahead of the end of March deadline and we appreciate the time and effort the Council has invested in its preparation. However, the document provided at that point was high-level in nature and lacked supporting evidence detailing how the proposed actions would be delivered. In response, we shared feedback and identified additional areas we believe should be considered for inclusion in the plan.

An updated version of the plan was submitted to us on 16 April, which has given us limited time to review it before writing to you. As a consequence, our observations on the plan reflect our initial assessment, and as more detailed discussions and challenge will be necessary over the coming weeks, so we intend to ensure your officials are kept informed of progress.

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The revised plan sets out 21 actions, each accompanied by a short summary (one or two pages) outlining the action, a simple timeline, and associated risks and dependencies. While these outline briefs are a useful starting point, we will need to see them developed into full business cases in order to be able to provide sufficient assurance. The plan forecasts savings totalling £27.4 million but there are substantial challenges associated with the proposed approach to achieving this, with the vast majority of actions RAG rated by the Council as amber or red.

Following our initial discussions with individual services, we have a reasonable degree of confidence in some of the proposals submitted, which amount to approximately £6.5 million. In addition, subject to further work and the timely appointment of external support, the proposed acceleration of the transformation programme may be possible and deliver a further £3.7 million, but not without considerable risk, particularly in relation to the capacity of the Council to deliver on a more aggressive timeline. Together, these elements total £10.2 million – representing just over one-third of the overall £27.4 million plan. The three 'cross-cutting' actions – target overachievement, retention of the corporate contingency, and inflation budget being held back – are little more than targets and are not underpinned by detailed plans. These collectively represent £17 million of the forecasted savings. We view these as high-risk, both in terms of deliverability and sustainability in that they may not contribute to ongoing reductions in the Council's future budgets.

In addition, we plan to reiterate to the Council the importance of developing the other areas previously highlighted. These include reductions in discretionary spending, a further review of the capital programme (where supported by prudential borrowing), development of shared services, additional asset sales, zero-based budget exercises, and service-based initiatives to improve efficiency and productivity (this is particularly necessary as benchmarking data shows that the Council's costs for many services remain higher than those of comparable authorities).

While there has been positive progress since January, further detailed work is therefore essential – particularly to cross-cutting actions and the incorporation of the additional areas we have suggested – before we can sign off on the plan and provide assurance to you that it covers all the areas it should. We will continue to engage with the Council over the coming months to support its further development. Continuous and rigorous detailed examination will also need to take place throughout the Plan's lifetime, through engagement with Members, staff, and partner agencies as to the further potential for enhancing cost effectiveness and revision of the Plan accordingly.

The Council's stated ambition of using transformational activity to enable it to become the most cost-effective authority in London is admirable and necessary, but no timescale has been set for this aim. It is, in our view, necessary for that to become an ambition rooted in the Stabilisation Plan's activity, delivered as soon as possible and predominantly targeted for achievement within three years. Thereafter,

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the Council will have to maintain an aim to deliver upper-quartile performance in its key services, and to do so for bottom quartile cost.

It is our view that this is achievable - but it will be an inordinate challenge for the Council. The past four years have been exemplified by hard work delivering steady progress in most areas. What is needed now from a Council that is understandably weary is to embark on a programme of energetic and committed work, delivering rapid progress in all areas. It will be one of the most challenging agendas in the sector and will have to be carried out with firm political commitment. It will have to be managed through a determined approach to holding internal and external delivery mechanisms to account. It will also have to enthuse and energise a staffing cohort that will have to sustain a reduction in scale. It will have to happen without delay.

Conclusion

The sobering reflection in our first letter, in February 2021, proved to be accurate - *'there is much that the Council needs to do to become a properly functioning local authority. It is also clear that it is not capable of doing so at present within its own means.'*

A great deal of effort has been put into becoming a properly functioning local authority, with a good deal of success. This reflects creditably on the staff of the Authority, all of whom have had to work hard to make this happen. While not perfect, the Council stands comparison with authorities elsewhere in most respects. The challenge for Croydon has always been – and indeed remains – that it must travel further and faster to regain the absolute minimum position of meeting its duty of Best Value, let alone to be able to compare itself with neighbours thereafter.

Notwithstanding the progress made, the Council is unable to meet its Best Value Duty as it continues to present an unbalanced financial position. The substantial projected overspend in 2024/25 together with an MTFS that increasingly relies on EFS, makes it inescapable that the Council will remain financially unsustainable for the foreseeable future.

'Further and faster' must be the bywords for the Council's continuing improvement.

Without corrective action to stabilise the finances, taken with alacrity and on the basis of a determinedly transformative approach, significant risk will inevitably be posed to both delivery and quality of services. The Authority simply has no option but to move at pace to meet its stated aim of becoming the most cost-effective Council in London, and to accept the risks and challenges that go with achieving that. The platform for that change is its transformation programme and can be discerned in its initial Stabilisation Plan, although more work is needed before it can provide the solid foundation it needs to become in order to support moving forward. This activity offers the potential for medium-term stabilisation and downward pressure on budgets;

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however, at this stage, they are essentially plans. Delivery will be hugely challenging, and Ministers will want to assure themselves that the Council fully delivers on these commitments within the next two years.

Given that the attributes of fast pace and an appetite to take and manage risk are fundamental to the Authority's future work, it is relevant to observe that we have often reflected concerns over the Council's ability to sustain improvement by working at pace and over an aversion to risk such as in taking measures beyond those necessary to meet the £38m pa 'threshold' that it had assumed. The Council will also find it enormously challenging to deploy the capacity needed to simultaneously deliver the transformation required and reducing spending to a sustainable level while maintaining day-to-day service delivery.

The Panel therefore recommends that you consider continuing a form of statutory intervention beyond July 2025 and increasing the focus upon where challenges are most acute in order to provide the Council with sufficient support to deliver the Stabilisation Plan – and its inevitable successor, a Recovery Plan – in order to ensure its movement towards compliance with the Best Value Duty.

Yours sincerely,

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