



Ministry of Housing,
Communities &
Local Government

Katherine Kerswell
Chief Executive
London Borough of Croydon
By email

James Blythe

*Deputy Director, Local Government
Stewardship and Interventions*

**Ministry of Housing, Communities &
Local Government**

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12 June 2025

Dear Katherine,

I am writing to invite your Authority, if it wishes, to make representations to the Secretary of State about the proposed intervention, following the publication of the latest progress report from the London Borough of Croydon Improvement and Assurance Panel. This letter will be published on www.gov.uk.

The Secretary of State has carefully considered the findings and evidence contained in the latest progress reports from the Improvement and Assurance Panel and other relevant information. On balance, the Secretary of State agrees with the Panel's latest assessment, which acknowledges and welcomes the hard work of the Council's members and staff and notes that there has been some progress over the course of the intervention. However, the Secretary of State, having considered the Panel's assessment, is satisfied that the scale of the financial difficulties facing Croydon, the failure of the Council to adequately respond to these difficulties and the assurance required moving forward means that a short and sharp reset, with fast action, is required to shift the dial on the Council's recovery. The Secretary of State has concluded that the Authority is not meeting its Best Value Duty requirements; in the themes of Continuous Improvement, Leadership, and Use of Resources as described in the statutory guidance published in May 2024.

Therefore, having considered all the evidence the Secretary of State is satisfied that the Authority is failing to comply with its Best Value Duty as required under Part I of the Local Government Act 1999 (the "1999 Act"). The Secretary of State recognises your Authority is currently under statutory Directions until 20 July and is considering exercising the

powers of direction in the 1999 Act in relation to your Authority to secure its compliance with the Best Value Duty. The package of measures which the Secretary of State is proposing to implement through appropriate Directions is set out in the attached Annex.

In summary, the proposed new package is centred on the Authority continuing to make the necessary improvements to the satisfaction of Commissioners. Under this proposal Directions would be issued to the Authority, directing the Authority to take various actions and setting out the functions that the Commissioners can exercise. Commissioners will report to the Secretary of State on the delivery of the London Borough of Croydon's improvement plans after a six-month period, with a second report to follow a few months later. You will see the proposed Directions are put in place for two years, but Ministers intend that the Commissioners' two progress reports would inform their decision as to whether to step down from a Commissioner model after a year. This change reflects the scale and nature of the challenges facing the Authority. You will wish to reflect on the impact the proposed intervention package could have on your improvement plans and the way you would work with Commissioners moving forward.

Your Authority is now invited to make such representations as it wishes about the Secretary of State's proposals. All such representations should be sent by email to interventions@communities.gov.uk or in hard copy to the address above marked for my attention, so as to be received on or before 25 June. They will then be carefully considered by the Secretary of State when deciding whether to make any and, if so, what Directions.

I am copying this letter to the Authority's Section 151 Officer and Monitoring Officer.

Yours sincerely,

James Blythe

Deputy Director, Local Government Stewardship and Interventions

ANNEX

PROPOSED INTERVENTION PACKAGE

1. The Secretary of State is considering exercising powers of direction under section 15(5) and 15(6) of the Local Government Act 1999 (the '1999 Act') in relation to the London Borough of Croydon ('the Authority') to secure its compliance with the Best Value Duty. This follows the submission of the latest progress report (the 'Report') from the London Borough of Croydon Improvement and Assurance Panel, chaired by Tony McArdle OBE, to the Secretary of State on 25 April 2025.
2. The Report has a significant focus on the declining financial sustainability of the Council. The Panel set out that Croydon's operating costs are "unreasonably high", and that the Council failed to mitigate in-year overspends, leading to one of the largest Exceptional Financial Support (EFS) requests in the country. The Medium Term Financial Strategy (MTFS) is projecting a downward trajectory, with the General Fund debt set to rise to c.£2bn by 2029. The Panel concludes that, whilst there has been "a good deal of success" in addressing the challenges, the Council "must travel further and faster to regain the absolute minimum position of meeting its duty of Best Value." The Council continues to present "an unbalanced financial position" and that a "significant risk will inevitably be posed to both delivery and quality of services" if corrective action is not taken. Concerns remain "over the Council's ability to sustain improvement by working at pace and over an aversion to risk" and that it will be "enormously challenging to deploy the capacity needed to simultaneously deliver the transformation required and reduce spending to a sustainable level while maintaining day-to-day service delivery." The Panel recommends "continuing a form of statutory intervention beyond July 2025, to ensure its movement towards compliance with the Best Value Duty."
3. The LGA's CPC report published on 8 January 2025, concluded that widespread improvement had been displayed, particularly in leadership, governance and organisational culture. It said that Croydon is "now in a position where external assurance and oversight from the [Panel] may no longer be necessary" and the CPC team saying that MHCLG and the Treasury should "engage with the Council in a meaningful way to identify how the structural debt issue can be addressed satisfactorily."
4. In light of the conclusions and evidence in the Report, and other relevant information including the LGA CPC report, the Secretary of State is minded to implement the statutory intervention package set out below. The Secretary of State believes the proposed intervention package is necessary and expedient for the Authority to secure compliance with its Best Value Duty. The proposed package has been designed to accelerate and strengthen the improvement work needed at the Authority, and to set in motion a rapid reset of the current statutory intervention that ensures the Authority

is compliant with its Best Value Duty and achieves the best outcomes for its residents and service users.

5. The Secretary of State has set out the proposals to assist the Authority to formulate any representations it may choose to make. The Secretary of State acknowledges that, save in cases of urgency, the Authority has a statutory right to make representations if the Secretary of State is considering making a Direction. The Secretary of State will carefully consider those representations in deciding whether to make any and, if so, what Directions. The Secretary of State specifically reserves the ability to make further or revised Directions after implementing this, or any, intervention package (if that is what the Secretary of State decides to do).

Overall purpose and approach

6. The starting point is the evidence, which highlights serious concerns. In particular, the following:
 - a) On **Continuous Improvement**: The Report focuses on the declining financial sustainability of the Authority, with operating costs continuing to be “unreasonably high” and an MTFs projecting the General Fund debt to rise to c. £2bn by 2029. The Panel are “very supportive of [the] transformation programme” which it sees as “the platform for that change” and which “can be discerned in its initial Stabilisation Plan” but that “at this stage, they are essentially plans.” The Panel are concerned that the Council will find it “enormously challenging” to deliver the necessary transformation and reduce spending whilst maintaining day-to-day delivery.
 - b) On **Leadership**: Financial management that remains poor in key respects at the Council has contributed to the deterioration of the financial position referenced in the report. The Panel note of the 2024-25 budget, “serious concerns ... about the robustness of the budget process and the accuracy of demand and inflation forecasts.” And regarding 2025-26 budget setting, that “little time was left to scrutinise the pressures and to develop mitigating strategies,” which “raised serious concerns ... about the overall effectiveness of the Council’s budgeting approach.” The Panel also note that “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.”
 - c) On **Use of Resources**: The Panel note that the Council faces a “financial crisis” that they are unable to control themselves, describing it as a “runaway

position.” The report also notes that, “operating costs remain unreasonably high.” Croydon remains one of the most financially distressed councils in the country. The Council’s General Fund debt sits at c.£1.4 billion and it relies on the allocation of EFS through in-principle capitalisation directions to balance their budget. The dramatic increase in the Council’s EFS for 2025-26, from a projected £38m to £136m, is highly concerning and without parallel. The Council has received approximately £553m in total EFS since March 2021. The Secretary of State is satisfied that the scale of the financial difficulties facing Croydon, the failure of the Council to adequately respond to these difficulties and the assurance required moving forward means that a short and sharp reset, with fast action, is required to shift the dial on the Council’s improvement.

7. The Secretary of State considers that given the evidence of serious concerns in relation to these areas, as revealed by the Report and other relevant materials, a broad and supportive intervention package is necessary and expedient to address the circumstances of the Authority.

Statutory intervention package

8. The proposed intervention package is designed to accelerate and strengthen the improvement work needed at the Authority. It recognises the scale of the challenge and how much improvement is necessary at pace for the Authority to deliver its Best Value Duty. The aims of the proposed intervention package are to support the Authority to:
 - a) Provide the additional scrutiny, external challenge, advice and monitoring needed to oversee the improvements.
 - b) To stabilise Croydon’s finances and to ensure that Croydon is able to continue to deliver services for the benefit of Croydon residents.
 - c) Deliver financial sustainability, including by closing any short or long-term budget gaps and reducing the Authority’s exceptionally high level of external borrowing.
 - d) Increase corporate grip of the Authority’s risk management and provide assurance of compliance with all relevant rules and guidelines relating to the financial and debt management of the Authority.
 - e) Agree as necessary any changes needed to the Authority’s operating model and redesign of council services to achieve value for money and financial sustainability.
9. In order to assist the Authority in achieving the necessary improvements, the Secretary of State is minded to use powers within s 15(5) and s15(6) of the 1999 Act to appoint a team of Commissioners who the Authority will be directed to work with, some of whom would have the power to exercise specific functions of the Authority.

Ministers will reflect on potential Commissioner appointments during the ‘minded to’ period to ensure they are fit for purpose to support the Authority moving forward. It is proposed the Authority will be directed to cooperate with the Commissioners, and to allow them all reasonable access to the Authority’s premises, documents, employees or members in support of their work.

10. The intervention package is formed of actions your Authority would be directed to take, and powers to exercise Authority functions which Commissioners would have. The proposed Directions would be in place until 2027, reflecting the severity of the financial challenges and need for urgent action to be taken.
11. In the event that the Commissioners are dissatisfied with the progress, engagement or commitment of the Authority in relation to this intervention package, they will report this to the Secretary of State; upon which the Secretary of State will consider what further measures may be necessary to secure the Authority’s compliance with its Best Value Duty. Equally, if the Commissioners are satisfied that the Authority is improving at a rate faster than anticipated, the Secretary of State will consider de-escalation.

Directions to the Authority

The proposed Directions set out actions which the Authority must undertake to effect the changes needed as well as supporting and facilitating the work of the Commissioners.

1. To continue to develop and implement the London Borough of Croydon Stabilisation Plan and transformation programme to the satisfaction of Commissioners, and as a minimum, to implement the following components:
 - a) To continue to address the culture of financial management at the Authority that remains poor in key respects.
 - b) To continue to restore public trust and confidence in the Authority by transforming the Authority’s activities and practices, to ensure that they are compatible with the Best Value Duty.
 - c) To secure as soon as practicable that all the Authority’s functions are exercised in conformity with the Best Value Duty thereby delivering improvements in services and outcomes for the people of Croydon.
2. To report to the Secretary of State on the delivery of the London Borough of Croydon’s Stabilisation Plan and transformation programme after a six-month period, with a second report before summer 2026, or at such intervals as Commissioners may direct and adopt any recommendations from Commissioners with respect to the London Borough of Croydon Stabilisation Plan and transformation programme and their implementation.

3. To allow Commissioners at all reasonable times, such access as appears to the Commissioners to be necessary, including:
 - a) to any premises of the Authority;
 - b) to any document relating to the Authority; and
 - c) to any employee or member of the Authority.
4. To provide Commissioners, at the expense of the Authority, with such reasonable amenities and services and administrative support as Commissioners may reasonably require from time to time to carry out its functions and responsibilities under these Directions.
5. To pay the Commissioners reasonable expenses, and such fees as the Secretary of State determines are to be paid to them.
6. To provide the Commissioners with such assistance and information, including any views of the Authority on any matter, as they may reasonably request.
7. To co-operate with the Secretary of State for Housing, Communities and Local Government in relation to implementing the terms of these Directions.

Directions to the Commissioners with power to exercise functions

The proposed Directions set out the following functions to be exercised by Commissioners:

8. All functions associated with the governance, scrutiny and transparency of strategic decision making by the Authority, to include:
 - a) Overseeing the full range of the Authority's improvement activities, including its strategies to secure the medium to long term sustainability of the Authority; and
 - b) Its plans to transform front line services and the culture of the organisation.
9. All functions associated with the financial governance and scrutiny of strategic financial decision making by the Authority;
10. The requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority, to include;

- a) Providing advice and challenge to the Authority to improve its financial stability and its ability to meet future commitments without additional borrowing, including advising upon credible budget planning;
- b) Scrutiny of all in-year amendments to annual budgets;
- c) The power to propose amendments to budgets where Commissioners consider that those budgets constitute a risk to the Authority's ability to fulfil its Best Value Duty;
- d) Providing advice and challenge to the Authority on a sustainable scheme of delegations for financial decision-making; and
- e) Ensuring compliance with all relevant rules and guidelines relating to the financial management of the Authority.

11. All functions associated with the Authority's operating model and redesign of the Authority's services achieve value for money and financial sustainability;

12. All functions pertaining to the development, oversight and operation of an enhanced performance management framework for officers holding senior positions;

13. All functions relating to the appointment and dismissal of persons to positions, the holders of which are to be designated as statutory officers, and the designation of those persons as statutory officers, to include:

- a) The functions of designating a person as a statutory officer and removing a person from a statutory office;
- b) The functions under section 112 of the Local Government Act 1972 of appointing and determining the terms and conditions of employment of an officer of the Authority, insofar as those functions are exercised for the purpose of appointing a person as an officer of the Authority principally in order for that person to be designated as a statutory officer; and
- c) dismissing any person who has been designated as a statutory officer from his or her position as an officer of the Authority.

14. All functions to define the officer structure for the senior positions, to determine the recruitment processes and then to recruit the relevant staff.

15. These Directions will expire on 20 July 2027.