

## **ANNEX 1**

### **DETAILED REPRESENTATION BY LONDON BOROUGH OF CROYDON IN RESPONSE TO THE SOS LETTER DATED 12<sup>TH</sup> JUNE 2025**

The London Borough of Croydon (the Council) understands that following consideration of the Improvement and Assurance Panel Progress (“IAP”) letter dated 25 April 2025 and the Local Government Association Corporate Peer Review Challenge Report (LGA CPC) (attached as appendix E) on 8<sup>th</sup> January 2025, the Secretary of State for Housing, Communities and Local Government (SoS) has concluded that the Council is not meeting its best value (BV) duty requirements in the themes of Continuous Improvement, Leadership, and Use of Resources as described in the Best Value Standards and Intervention: A Statutory Guide for Best Value Authorities published 8<sup>th</sup> May 2024.

The SoS is minded to exercise her power under Section 15 of the 1999 Local Government Act, to secure compliance with the BV duty by issuing Directions to the Council and by the appointment of Commissioners to undertake certain Council functions (i.e., finance, governance and appointments).

The Council welcomes this opportunity to make representations before the SoS makes her final decision. The Council’s representations are set out in the paragraphs below and numbered for ease of reference.

#### **Context and Background**

##### **July 2023 Directions**

1. On 20<sup>th</sup> July 2023 the SoS issued Directions to the Council on the actions to be taken to comply with its BV duty.
2. The SoS appointed the Improvement & Assurance Panel (IAP) with the power to direct or instruct the Council to act if they deem it is failing to comply with the Best Value Duty. The IAP in their October 2023 letter, described this as a power to intervene by way of issuing such instructions as may be necessary to secure adherence to the duty of best value.

##### **Exit Strategy**

3. In October 2023, the IAP in collaboration with the Council published the London Borough of Croydon Intervention Exit Strategy (attached as appendix A) which sets out the actions required of the Council to evidence compliance with the SoS Directions, the BV duty and exit statutory intervention. The Exit Strategy contains 171 actions expected of the Council and covers the following areas: governance; culture and leadership; financial stability; service performance; and capacity and capability to improve. These themes largely mirror the best value themes in the Statutory Guidance that requires the IAP and the Council to develop a “*clear road map to identify the route the Council should take to exit intervention .... It will identify measurable criteria – proxies for success – in*

*relation to individual functions and service areas which are specific and capable of being evidenced.”- London Borough of Croydon Intervention*

*Exit Strategy.* The actions in the Exit Strategy relate to the themes of the Statutory Guidance and the characteristics of a well-functioning authority delivering its best value duty. The Statutory Guidance defines the actions as “proxies of success” for the successful exiting of an intervention.

### **Working arrangements with the IAP**

4. There is in place a robust monitoring and oversight arrangement with the IAP to ensure that the Council is delivering on all elements of the 171 actions in the Exit Strategy. This includes a monthly cycle of meetings with the Executive Mayor, Cabinet members, Leader of the Opposition, Scrutiny Chairs, the Chief Executive, Corporate Directors, partners, MPs, Directors, their attendance at any Committee and Board Meetings they choose, and access to any documents and provision of briefings, draft and final reports and other relevant documents relating to key strategies and decisions of the Council.
5. The IAP were fully informed and involved in key strategic decisions of the Council including budget setting and had the opportunity to direct the Council at any time to ensure delivery of the requirements of the Exit Strategy.
6. The exercise of this power never took place as the Council continued to work as required by the IAP, delivering the actions in the Exit Strategy. It was the understanding of the IAP and the Council that the Exit Strategy was the yardstick for determining whether and how the Council was meeting its BV duty in the context of finance, housing, transformation and services performance (i.e., the subject areas of the SoS July 2023 Directions) and the overall themes of the Statutory Guidance.

### **IAP Progress Letters**

7. The IAP Progress letters to the SoS reflected concerns across several themes, including governance, leadership and culture. The IAP had an established practice of consulting with the Council on its draft progress letter to the SoS and allowed a reasonable time for consideration, comments and corrections.
8. All the IAP letters except for the last (25<sup>th</sup> April 2025) have fairly assessed and reported on the progress of the Council in meeting the actions in the Exit Strategy. For completeness and ease of reference, it is important that the SoS is reminded of some crucial parts of the IAP previous Progress letters as their recent April 25 letter contradicts and is discordant with previous statements and assessments.
9. The **IAP Progress Letter on 27<sup>th</sup> October 2023** concludes that:  
  
***“The Council continues to improve, and the pace of this improvement has moved up a gear. Our recently completed Exit Strategy sets out the realisable ambitions that the Council must achieve by the projected date of our departure in July 2025. Some of these will be particularly challenging, and other such challenges will doubtless appear along the way which will have to be dealt with. The Panel aims to assist the Council in meeting all such challenges to the best degree possible. There are risks. The Council must set and achieve its budgets***

*in difficult circumstances. It must come through inspections anticipated from Ofsted and Care Quality Commission creditably. The Housing Service in particular will take time to work through its backlog of investment needs. The Council must refine and deliver its Transformation Plans energetically and in full. **If the Council achieves all of those things, to this scale and at an increasing pace so as to establish a trajectory for improvement that can confidently be assessed as being likely to be maintained, then it is the expectation of the Panel that in all respects bar one (its extraordinary level of debt, and the consequential pressure of that on its revenue budget) the Council will be recognisable as operating in a similar manner and to a comparable standard as other local authorities.***

***Understanding and exploring options for the treatment of the level of accumulated debt is a matter upon which your officials have been in regular contact with the Council and with us over recent months. These discussions continue and depending upon their outcome, we will be ready to assist the Council in reviewing its forward plans accordingly.***

10. The IAP Progress Letter 25<sup>th</sup> April 2024:

***“Since our last letter, the Council has approved its 2024/25 Budget and Medium-Term Financial Strategy (MTFS) (attached as appendix F) following a timely and well-engaged process of consultation and scrutiny. The 2024/25 Budget includes savings of £23.7m plus a further saving of £6.7m in reduced borrowing costs from asset disposals giving total savings of £30.4m. The proposed savings have been through a robust process of development and challenge and have been subject to review by the Scrutiny and Overview Committee.... To be able to set a balanced budget for 2024/25 the Council, with our support, requested a capitalisation directive of £38m which was approved in principle. In terms of its MTFS the Council continues to include a need for a capitalisation direction of £38m per annum beyond 2024/25.”***

*Conclusions*

***The Council continues to make firm progress in its improvement journey. It has balanced its budget for the year just passed and has set a sound one for the current year. Its plans for containing demand pressures so as to maintain budget integrity and balance are admirable, but it must also address the means of making inroads into the £38m annual deficit and this will continue to be a focus of on-going discussions between the Council and the Panel. While it has to be accepted that this deficit is not capable of being eradicated in the short to medium term, progress in this direction is nonetheless possible. It has produced the framework of a transformation plan which is wellconstructed, and when populated, should be capable of taking the Council to its declared objective of being London's most cost-effective council. It should, in doing so, outlive the existence of the Panel and of our Exit Strategy.***

*The Council is, we believe, steadily improving service delivery across all areas, although objective testing of this is awaited in key services. While lessons are*

being and must be learned, individual errors still occur, sometimes of scale. There must be a focus of ensuring that reflection is built into long-running disputes, with corporate attention and firm decision-making being applied as necessary at the appropriate point. **The Exit Strategy, which has been agreed with the Council, is being advanced well and the Panel is comfortable that it is either being met or, where there is a delay, there is a reason for this and that plans are in place to make up the ground.**

11. **IAP Progress Letter 15 November 2024:**

*“Progress made by the Council against the Exit Strategy*

***The majority of actions set out in the Exit Strategy have been met to time and to the necessary quality. An exception is the objective for financial sustainability, which is at risk. You will be fully aware of the current challenging external environment facing the sector. The substantial overspend projected in the current year (details below) reflects this, with a limited number of unit cost reductions being evidenced. The Council is likely to require a greater level of exceptional financial support in 2025/26 than in the current year. The ability of the Council to meet its asset disposal target this year is also at risk.***

*Financial Governance and Sustainability*

***In respect of the current year the Council’s financial performance as at the end of July (month 4) was reported to Cabinet in October. The General Fund Revenue forecast outturn at financial year-end is an overall overspend of £33.6m (9.3%), following the budgeted utilisation of the £38m capitalisation directions provided by the Government. At this stage of the year the Council is also proposing to utilise £13m of corporate earmarked reserves, reducing the overspend to £20.6m. Over the summer the Council prepared a Financial Recovery Plan with a range of initiatives designed to reduce expenditure over the remainder of the year to reduce the level of overspend by the year end. The key areas of overspend are in the rising costs in children’s placements (£10.4m), placements for homeless families (£15.1m) and home to school transport for children with special educational needs and disabilities (£6.1m). In addition, there is a forecast underachievement of £6.0m (24.9%) in planned savings.***

*The Council’s Cabinet has approved its draft 2025-29 Medium Term Financial Strategy (MTFS) for public consultation. A final MTFS will be considered by Full Council in February 2025. The current MTFS (approved in February 2024) projected a budget gap of £40m for 2025/26 (assumed capital direction of £38m plus £2m deficit). In the draft MTFS, the gap has increased to £83m (assumed capital direction of £38m plus £45m deficit).*

***The increase in the budget gap for 2025/26 is a consequence of the Council’s financial position having significantly deteriorated during 2024, in large part because of spending pressures in the areas highlighted above that had not been identified at the time of budget setting. In addition to the Transformation Plan the Council is reviewing areas of non or low***

**priority and higher spend and considering the capacity to increase income including Council Tax. The cumulative deficit is projected to grow in the following three years of the draft MTFS.**

Given the significant forecast overspend in the current year, the estimated budget gaps for 2025/26 onwards and the possible use of earmarked reserves in the current year, the Council remains financially unsustainable without significant government support. **In terms of financial governance, the Council prepared a Financial Improvement Plan supported by a detailed delivery plan which was approved by the Panel in May (Attached as Appendix M). This builds on the improvements in financial management that have been made in the last twelve months. The Plan recognises that there remains a considerable amount yet to do, including making improvements to its core financial (Oracle) system.** The Council has continued its steady progress on its asset disposal programme and in winding up its housebuilding subsidiary (Brick by Brick), generating in excess of £157m of capital receipts and loan repayments by the end of 2023/24. An additional £115m of receipts and loan repayments were forecast in the current year, but due to the increased volume of smaller asset disposals and delays by purchasers in completing transactions the Council is likely to fall short of its forecast. **Work is ongoing to identify opportunities to further rationalise its asset portfolio including exploring the potential to better utilise the Town Hall complex, together with options for the main Council office (Bernard Weatherill House) and decisions are anticipated on both elements. This will be informed by the output of the Target Operating Model strategic review currently being undertaken by external consultants.**

#### *Transformation activity*

The Council has declared an ambition to be the most cost-effective local authority in London. The achievement of this aim is reliant upon its ability to operate on a day-by-day basis through activities and services that are significantly more streamlined and modernised in operation from those currently in place. The Council's transformation holds out the promise of this, and the past few months have seen the engagement of significant external advice and support. This external support, drawing as it does on experience accumulated in other councils is concluding in the production of a set of programmes which anticipate significant cost savings and operating efficiencies through the adoption of revised structures and operating methods, and the deployment of innovative technologies. The engagement of staff in the development of these programmes has been made a feature of this work since it will be in the implementation by these staff that the prospects of success lie. Some external support will be retained in order to assist with this. The roll-out of these programmes will be major programmes of work for the Council in the medium term

#### *Conclusions*

*This is a report on material changes that have taken place since our last report or are anticipated in the near future, rather than a qualitative analysis. **The Panel does, however, regard the majority of changes reported to be further evidence of positive progress by the Council, and in line with our expectations. The deteriorating financial position is naturally of greatest concern and is commanding the fullest attention of members and managers in the immediate term, with our support. We remain positive in our view that the Council continues to make substantial progress in eliminating the failings that precipitated this intervention in 2021.***

12. For completeness, it is important to mention the **Minister response** to the November 2024 Letter and in the form of a **Written Statement to Parliament on 12<sup>th</sup> December 2024** and as follows:

***“.... Overall, there have been significant developments in the Council’s progress towards reform and recovery, particularly improved governance, leadership and service delivery.***

***Despite this progress, the Council remains one of the most financially distressed in the country. The Council’s General Fund debt sits at £1.3 billion, and it relies on the allocation of exceptional financial support (EFS) through inprinciple capitalisation directions to balance their budget. The Council have produced a Transformation Plan and a Medium-Term Financial Strategy (MTFS) to attempt to reduce their large deficit and debt to a more manageable level. I recognise 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.”***

13. We have referred to parts of these letters and statement in verbatim as they demonstrate the contradiction and inconsistency in the position adopted in the IAP April 25 letter and relied on in the SoS minded to decision letter on issues including pace, budget setting process, and response to deteriorating financial position. The following can be surmised from the IAP’s previous letters.

14. They consistently evidence an authority: a) with effective arrangements to secure continuous improvements in the areas of concern; b) that is working at pace; c) that is meeting the requirements of the Exit Strategy (including in leadership, governance and service performance); d) that delivered a sound process for and budget in 24/25 and with active involvement of the IAP; e) that took concrete steps to deal with the emerging deterioration in its financial position in November 24; f) that has in place a strategic MTFS (attached as Appendix F) and the Future Croydon Transformation Plan (attached as Appendix C) to achieve significant cost savings and operational efficiencies. It appears that these letters have not been given due consideration in the drafting of the comments in the “minded to” letter and in the Written Ministerial Statement (WMS) and with the statement that there has been “*a lack of pace throughout the intervention*” and “serious concerns on the ability to improve, aspects of leadership and use of resources”.

## **IAP Progress Letter 25<sup>th</sup> April 2025**

15. The SoS “minded to” decision that the Council is not meeting its BV requirements (in the themes of Continuous Improvement, Leadership, and Use of Resources) and to appoint Commissioners to exercise functions relating to finance, governance and appointments, is largely based on the IAP’s letter of 25<sup>th</sup> April 2025.

16. Therefore, it is imperative that the IAP’s April 25 letter on the Council’s progress against the Exit Strategy is accurate, fair, balanced and contains all the relevant metrics and comparators for assessing and determining performance against the specific BV duty. Also, the letter must have due regard to the SoS BV Statutory Guidance and explain with good reasons any departure from the Guidance. The letter is by far, much more significant compared to previous ones. It should be a culmination of the work of the Council to date and all external assessments, to properly inform the SoS decision making.

17. By letter dated 29 May 2025, the Council wrote to MHCLG expressing serious concerns about the IAP letter (attached as appendix L). There is no evidence to suggest that the SoS considered these serious concerns in the “minded to” decision making letter. Therefore, it is important that they are raised again as part of this representation. As mentioned above, the process followed for the IAP’s April 2025 letter differed from their established practice. In this instance, the Council was afforded a few hours to comment, with no opportunity for discussion. It submitted corrections on some factual matters; not all were incorporated. There has been no subsequent engagement on its content.

### **Material Factual Errors, Misinterpretation and Contradictions**

18. There are material factual errors, misinterpretation and contradictions in the IAP letter that the Council believes have either unduly shaped, influenced or were disproportionately relied upon by the SoS in her minded to decision as follows:

- a) *“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 (March 2023), the Council had focussed its improvements on responding to statutory recommendations or those resulting from external reviews...an approach which, while necessary, was largely reactive in nature.” (Croydon Renewal Programme)*

This assertion that early efforts were “*largely reactive*” is incorrect. The Croydon Renewal and Improvement Plan agreed in September 2020, was proactive and secured the support of DLUHC and a Capitalisation Direction in December 2020. This descriptor negatively infers the Council is not proactive in delivering the changes needed and lacks the required leadership to do so. It would not have been accepted by the Department if that had been the case.

- b) *“At this point (March 2023), 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.” (Executive Mayor’s Opening the Books)*

The Executive Mayor’s “Opening the Books” exercise was undertaken in 2022 by Worth Technical Accounting Solutions Ltd (attached as appendix J) and as

expected by the Council, uncovered significant legacy issues that needed rectification to the tune of over £161m in additional EFS. The legacy issues were uncovered by the Council's own initiative, not by the external auditor. This is acknowledged in the IAP Exit Strategy.

This description negatively infers that the Council was unaware of such significant issues in its operation and the External Auditor had to uncover them and therefore the Council has a failing system of financial control. The External Auditor described the need for their report as regularising the situation that had been uncovered by the "Opening the Books" programme and the requirement for more EFS.

- c) *"We continued to push for progress against the stubborn assumption of a £38 million pa running deficit." And "an aversion to risk such as in taking measures beyond those necessary to meet the £38m pa 'threshold' that it had assumed" (Financial Assumptions)*

The Council's Future Croydon Transformation Programme (attached as appendix B) was developed to tackle the 2024/28 £100m MTFs gap. This sum did not include the £38m p.a. cost of the Council's debt covered by EFS. This was being tackled through joint debt treatment work with MHCLG, as agreed necessary by the IAP in October 202 and in the 2023 Exit Strategy

The Council's analysis showed it was not possible to take £138m in sustainable savings out of the budget over 4 years and still meet its statutory obligations. The "*stubborn*" descriptor negatively infers a culture of denial and lack of openness to constructive challenge and advice and ignores the IAP's own position on the way debt had to be resolved by Government. The reference to a "*stubborn assumption*" of a £38m p.a. running deficit misrepresents the Council's position.

- d) *"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". (Budget Setting (2024/25))*

The IAP's commentary on the 2024/25 budget-setting process fails to acknowledge the IAP's involvement in and positive endorsement of that process. Due to the emerging budget gap for the 2024/25 budget, the Council suggested an increase in its request for EFS. Following discussions with the IAP, it agreed not to do this. The Council's annual Economic Demand and Pressures Budget had to be removed to balance the gap which increased the risk for the budget. This was supported by the IAP.

To describe the outcome of the budget process as a "*misjudgement*" and infer it was made solely by the Council is inaccurate. The SoS could be forgiven for not appreciating that the IAP were fully involved in the budget setting process, and that they supported the budget and the amount of EFS as appropriate.

The IAP's April 2024 letter also described this same budget process as "*a robust process of development and challenge*" with a "*timely and well-engaged*



*process of consultation and scrutiny*". The IAP's April letter also said of this budget *"The Council continues to make firm progress in its improvement journey. It has balanced its budget for the year just passed and has set a sound one for the current year."*

- e) *"It is our view that a robust budget process should identify spending pressures by no later than September in any year."* *"As with the 2024/25 budget process, this raised serious concerns with us about the overall effectiveness of the Council's budgeting approach."* (Budget Setting (2025/26).

The Council published its MTFS and forecast budget savings for consultation in October 2024 following a summer and September of analysis as to what the budget for 2025/26 would need. Later in the autumn, more demand and cost data emerged, so changes were made.

The escalating demand in key services crystallised in November 2024. The Council responded holding additional Star Chamber meetings in response to this changing demand, which the IAP attended and praised. The IAP were further briefed in January 2025 on the full details behind the increased demand and changes to the EFS. As a result, they supported the Council's EFS request.

The criticism implied in the suggestion that a robust budget should be fixed by September does not recognise the need for ongoing adjustments in a volatile environment, nor the responsiveness of the Council to the IAP's concerns about more accurately forecasting demand and cost pressures in the 2025/26 budgets.

- f) *"runaway position of the Council's finances", seemingly excessively by comparison", "outlier".* (Budget Management)

Descriptions such as *"runaway position"* and *"outlier"* are not supported by comparative data. Croydon's financial pressures are comparative to and consistent with those of many London boroughs. The letter states that Croydon's financial position has deteriorated relative to other councils. This is not supported by data when measured against core spending power.

The Council has requested the IAP to assess its performance both comparatively and normatively. It is not clear how robust advice can be provided to MHCLG without such data and context. Despite the requests, the IAP has declined, citing a remit limited to Croydon alone.

- g) *"We required the Council to acknowledge that its financial position had not only worsened considerably over the past year..."* (Recognition of Financial Deterioration)

This infers that the IAP had to require the Council to acknowledge its financial position had worsened as if it was denying this. This is incorrect. The Council's leadership has publicly acknowledged the seriousness of its financial position on many occasions.

The IAP's November 2024 letter acknowledges the action being taken by the Council to address its deteriorating financial position and concludes that *"The deteriorating financial position is naturally of greatest concern and is*

*commanding the fullest attention of members and managers in the immediate term, with our support. We remain positive in our view that the Council continues to make substantial progress in eliminating the failings that precipitated this intervention in 2021.”*

- h) *“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.”* (Performance & Cost)

The Council has committed to becoming the most cost-efficient and efficient council in London. This published commitment does not detail delivering upperquartile performance in its key services for bottom quartile cost.

19. These substantive points of concern remain unaddressed by MHCLG and the SoS and should be.

20. The Council is recommending in its letter of representation, that a rapid Best Value review is undertaken to accurately ascertain from a review of all evidence and its triangulation, what the most effective course of action to restore financial sustainability should be for Croydon. It is hoped that if this is accepted, that the issues raised above and, in the letter, sent to MHCLG on 29 May 2025 could be responded to as part of that process.

### **Material Omissions**

21. The IAP's letter either omits or fails to adequately consider and report on several important elements of the Exit Strategy Action Plan as follows :

- a) Achievements against Exit Strategy: The Council's achievements against the Exit Strategy, which is described in the Statutory Guidance as the *“proxies for success”*, is not sufficiently addressed. The IAP letter appears to minimise the achievements of the Council and maximise its challenges and difficulties, without the required context and how it is being addressed. This is a marked departure from previous letters. It is also not clear whether the Department has received the Council's delivery report on the Exit Strategy which has been submitted to the IAP.

22. Under the heading 'Progress Made Against the Exit Strategy', the IAP letter states:

*“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 IAP letter does not adequately or at all address, the areas of governance and culture and leadership in the Exit Strategy. This is a departure from previous letters which acknowledged significant progress or achievements in these areas. This is important as the SoS Letter identifies the areas of continuous improvement and leadership as of serious concerns and the basis for escalating statutory intervention, wrongly in our view. Over 96% of the Exit

Strategy has been delivered, as documented in the Exit Strategy progress report (as attached as Appendix B). The scale of the delivery is unacknowledged despite the Exit Strategy being a requirement for the conclusion of the Panel's tenure.

There are 4 actions from the Exit Strategy that were outstanding at the end of the delivery period, under the stabilising the finances' objective and they are to:

- deliver a resilience review - the IAP agreed to change this
- publish annual accounts – this work was overtaken by the national backstop agreement, although all accounts up to and including 2023/24 have now been published by the Council
- deliver 2024/25 budget to outturn with no overspend – this did not happen • maximise assets sales – we have sold 68% of target but also achieved a 21% increase on book price.

- b) Transformation Plan Details: The scale and detail of the Transformation Plan is not described despite being a fundamental part of the resolution of the MTFS. The Council with the full support of the IAP agreed that a programme to transform the operating model of the council and reduce its operating costs should be commenced. Boston Consulting Group were employed to develop this plan during 2024 and this was built with a significant level of engagement with residents, staff, elected members, businesses, voluntary, community and faith groups and statutory partners. The fully funded four-year Transformation Plan has prevention at its heart. It aims to simplify business processes, contract more cost-effectively and deploy digital and AI technology to modernise services. This has fundamentally challenged all standing assumptions and reset the operating model with detailed plans to reduce the cost base and support the restoration of the sustainability of the Council's budget.

The plan is bold and has been described by the Chair of the IAP as pioneering. The plan will lead on new ways of working for the sector that will reduce annual operating costs by a minimum of £26m. This is what residents have told us they expect from a Council fit for the future. In addition, the Adult Social Care service and the Children's service are working with Newton and Impower to transform these services and remove significant operating costs annually (£15.3m and £12.7m respectively).

In response to the IAP's request to review the Council's risk appetite, this four-year programme has been redesigned to deliver over 2 years. This 4/2 year programme is in active implementation to deliver the £100m savings required in the MTFS. By omitting this detail, the IAP has not provided adequate advice to the SoS on progress at the Council over their period of intervention.

- c) MHCLG supported LGA Corporate Peer Challenge Report (LGA CPC): The January 2025 LGA CPC report recognised significant progress in leadership and financial management. This is unacknowledged in the IAP's letter despite being a requirement of the IAP's Exit Strategy and the Statutory Guidance. By omitting this detail, the IAP has not provided adequate advice to the SoS on progress at the Council over their period of intervention.

- d) Stabilisation Plan: The IAP's letter contains minimal detail on the Stabilisation Plan. The letter offers no comment on the Council's capability to deliver the plan and its delivery track record, despite the Council's delivering complex programmes and transformation. E.g. the delivery of the Ofsted rating of 'Good', the delivery of the Housing Improvement Plan and the lifting of the voluntary undertaking by the Regulator of Social Housing, and what the Chair of the IAP described as one of the top two national programmes delivering the DfE Safety Valve process.

The Stabilisation Plan was developed in 3 months as a one-year solution to offset £25m growth in the 2025/26 budget and should deliver £27.3m savings. As this was proposed to be funded via EFS borrowing in the MTFS, this will very helpfully reduce the increase in debt in 2025/26.

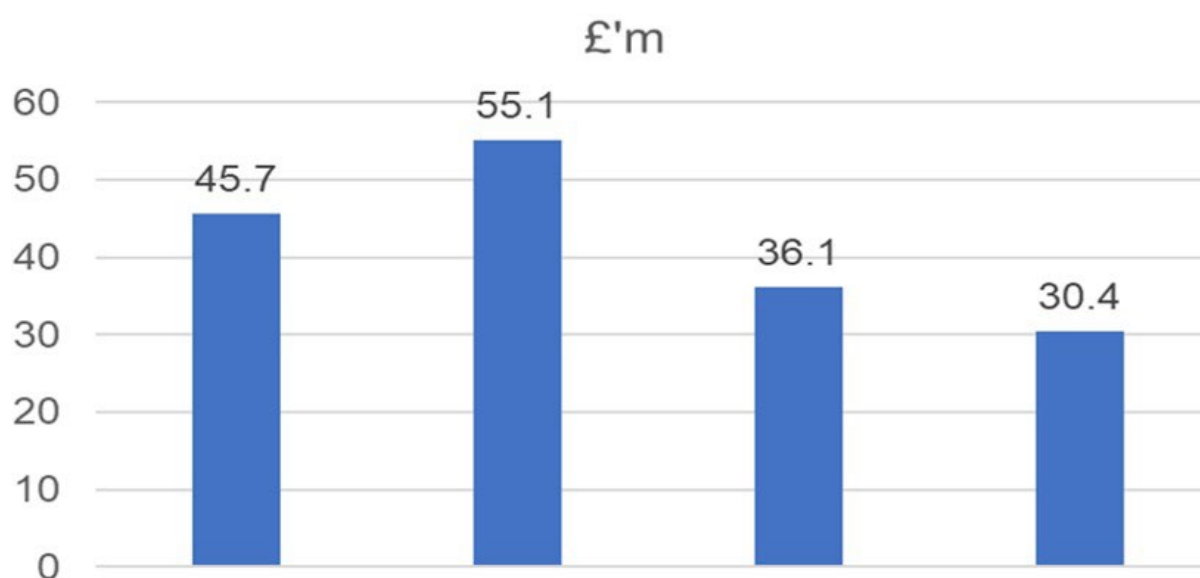
It does not replace the Transformation plan and needs to be seen as a vital subset to that plan. It has resulted in the delivery plan for the Transformation Plan being shortened to 2 years from 4. The Panel have encouraged the Council to lay out the risks to delivery of the Stabilisation Plan and the consequential risks to the Transformation plan. By omitting this detail, the IAP has not provided adequate advice to the SoS on progress at the Council over their period of intervention.

### **Lack of a Fair and balanced Position on Council's Finances**

23. The IAP's letter does not and ought to have presented a balanced position on the Council's finances. The letter does not reflect the Council's progress on its finances and the complexity of the financial position which is acknowledged by the IAP in the Exit Strategy and their earlier letters. By omitting this detail, the IAP has not provided adequate advice to the SoS on progress at the Council over their period of intervention.

### **Moving to financial sustainability – Capital receipts and EFS**

24. The Council has delivered savings and balanced budgets (using a declining amount of Exceptional Financial Support (EFS) from 2020/21 to 2022/23), making £167m in savings over this period. In 2025/26 it is aiming to deliver nearly £50m of savings.



2021/22

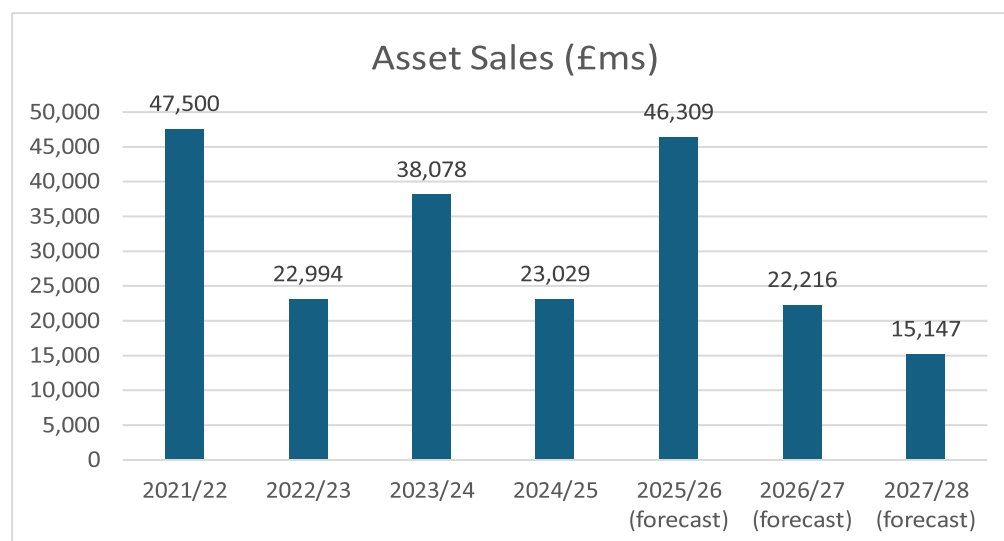
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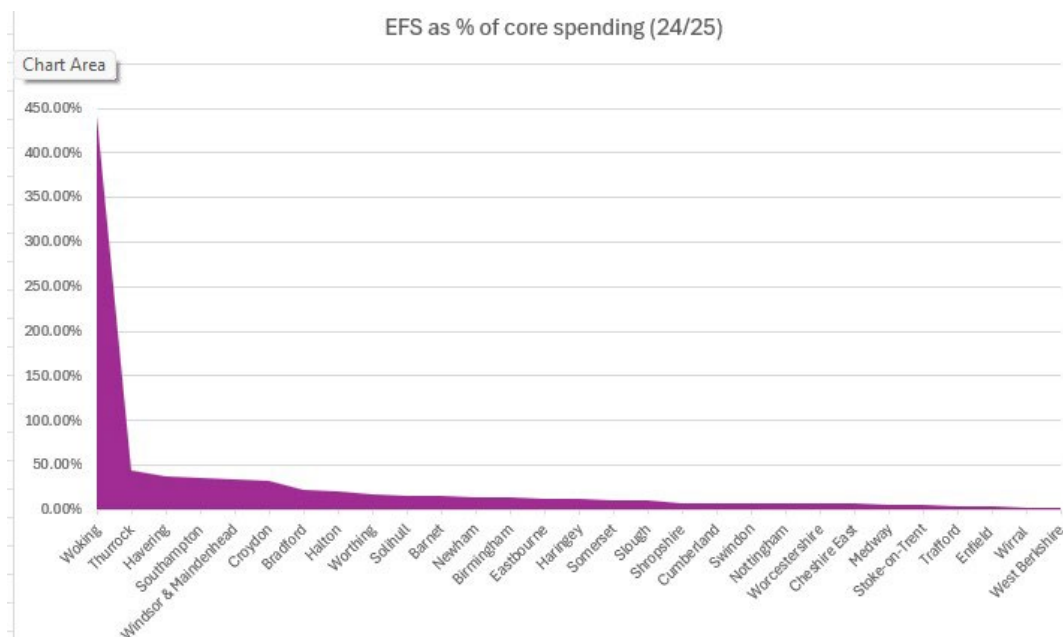
25. The Council was on track by the end of 2023/24 to remove the need for £38m EFS to balance its budget, subject to a successful conclusion to the discussions with DLUHC on the Council's debt treatment and revenue cost of debt.

26. Over a 4-year period the Council raised £210m of capital assets which were used in place of borrowing to fund the EFS, so the budget balanced and most importantly debt and financing costs did not increase. Overall, the Council has achieved 21% higher than book value for its asset sales.



27. Croydon has generated over £130m in asset disposals over the past 3 years. Adding the property sales proceeds and debt repayment from Brick by Brick to the Council, the income receipts secured by the Council over this period is over £210m. As the Council concludes its asset disposal programme, with the sale of residual sites of tranches 0-3, the remaining economically advantageous assets to sell are fewer in number, lower in individual value and more time consuming to resolve. The forecast asset sales for 2025/26 are £46.309m and a further £22.216m in 2026/27, totalling £68m.

28. From 2020/21 the Council has used EFS to resolve the unsustainability of its annual budgets. The use of EFS was on a reducing trajectory subject to the resolution of the debt treatment dialogue with the Department. Following the sector wide demand and cost increases of 2024/25, the MTFS now predicts an increasing use of EFS to 2028/29. The IAP letter makes comparative comments about the Council's budget and its use of EFS. The language is of "outlier", "excessively" and "runaway", however, no comparator detail is given. The chart below gives the comparators of other councils given EFS for 2025/26. The level of EFS has been scaled as a proportion of 2024/25 Core Spending Power. Croydon is sixth in the table.



29. The Council estimates that owing to requiring EFS (whilst working on the resolution on the treatment of historic debt), the opportunity cost of the use of capital receipts to service this debt rather than pay off the debt is £19.55m. Next year, the debt servicing costs will increase by a further £12m.

30. The Council fully appreciates what a complex matter it is for MHCLG to determine a solution for the debt. Despite the best efforts of officials and the Council, the lack of a solution to the debt costs, plus the sector wide significant increase in the demand for and cost of certain services, has disrupted the Council's former path to a sustainable financial position.

#### Escalation of debt servicing costs

31. Croydon's total General Fund debt currently stands at £1.4bn and is now projected to increase to £2bn by 2029. The continuing use of EFS (which is permission to borrow and not government funding) increases the total debt of the Council, escalates the cost of servicing the debt, and is becoming a spiral of increasing cost., a debt cost doom loop. This will be an increasing proportion of the Council's budget, making the annual level of savings that Croydon would need to find within its own means impossible, whilst continuing to meet statutory duties.

32. In 2025/26, the cost of servicing this debt is £71m, 16% of Croydon's core spending power. It is already the Council's third largest General Fund budget after adults and children's social care. The annual debt cost is forecast to increase to £109m by 2029, 26% of the then budget.

33. As a comparison, this financial year the Council aims to make savings of £4.4m in adult social care and £3.7m in children's social care, a total of ~£8m. Over the same period the Council's the cost to the revenue budget of debt will rise by £12m.

34. The IAP's advice to MHCLG is for the Council to resolve its own financial unsustainability. It does not comment on the practicality of dealing with the escalating annual increase in the cost of the debt, neither do they raise the urgent need for resolution to the debt issue which the LGA CPC has raised. Nor has the IAP referenced

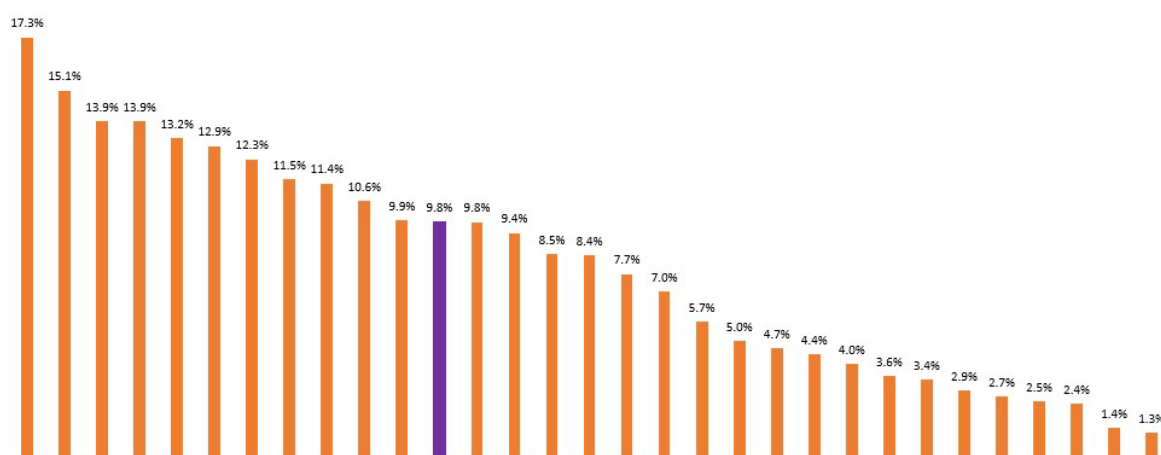
their prior commitment on the way this needs to be solved and the understanding of that in the IAP's Exit Strategy.

35. Any assessment of the Council's record of reducing costs and delivering savings whilst meeting its statutory obligations, will show that it is not reasonable to advise that the Council can make £200m sustainable annual savings over the next four years and eradicate entirely the need for EFS, in addition to the already planned MTFS annual savings of £125m by 2028/29.

#### Challenges for financial sustainability – revenue expenditure

36. Along with nearly every London Borough and many in the sector, Croydon's budget has been hit hard by the increased demand and cost increases in temporary accommodation, adults and children's placements and SEND transport. This point is not acknowledged in the IAP April 2025 letter and is a major contributor to the deterioration in the Council's financial position. In contrast, the IAP November 24 letter rightly acknowledges this position., reporting to MHCLG, *"You will be fully aware of the current challenging environment facing the sector. The substantial overspend projected in the current year reflects this"*.
37. Croydon Council understands that all London councils bar one, are in the same position of rapidly increasing overspends, leading us to overspend in 2024/25 by a forecast £34m.
38. The table below sets out the Council's overspend in 2024/25 as a proportion of its core spending power in comparison to other London Boroughs. This demonstrates that Croydon is not an *"outlier"* amongst other London Boroughs.

#### **Forecast 2024/25 overspend as a percentage of total budget, London Boroughs Comparison (Croydon in purple)**



39. Given the available data, the Council is concerned regarding the IAP's characterisation of the 2024/25 financial position as an *"outlier"* with *"runaway expenditure."* This description is inaccurate and does not reflect the comparative context and efforts undertaken by the Council. The Council has requested the IAP to assess its performance both comparatively and normatively and to comment upon context. It is not clear how robust financial

advice can be provided to the MHCLG without such comparative data and context. Despite requests to consider the wider local government context, the IAP has declined to do so, citing a remit limited to Croydon alone. By omitting this detail, the IAP has not provided adequate advice to the SoS on progress at the Council over their period of intervention.

40. Over the last four years, the Council's external operating context has changed significantly, and the Council is doing all that it can to tackle the resulting financial unsustainability of its budget and will continue to do so. During this period, the Council has subjected itself to extensive external reviews to identify further solutions for financial sustainability, including:

- PWC Strategic Review of Companies
- Kroll Review on the Fairfield Halls overspend (pre-2020)
- "Opening the Books" Exercise (Worth Technical Accounting Solutions Ltd)
- Two CIPFA reviews (including transformation programme savings)
- Methods review
- LGA Corporate Peer Challenge Review
- LGA Public Health Review
- LGA Adult Social Care and Health Review
- Care Experienced Young People Tsar Review
- MHCLG review of Homelessness Data
- MHCLG non-statutory review and 12 month follow up report.

These reviews, along with the three strategic partners, Newton, Impower and Boston Consulting Group, have reaffirmed the Council's financial position and trajectory.

41. Three further reviews by CIPFA are scheduled for 2025/26:

- Outcome-Based Budgeting Exercise (pilot in children's services)
- Discretionary Service Review (pilot in children's services)
- Treasury Management Review.

42. While these reviews may yield positive outcomes, they are unlikely to bridge the current MTFs gap, forecast to require £660m in EFS over the period 2025/26 to 2028/29. The analysis from these reviews, and the scale of the gap



in the MTFs supports the Council's premise that it cannot resolve the unsustainability of the finances by itself. Considering the IAP's view, that the Council is unable to resolve its finances '*within its means*', and its prior statements to DLUHC in their October 2022 letter and in the 2023 Exit Strategy, the reasonableness of the IAP's advice should be further considered.

## **The SoS Minded to Letter 12<sup>th</sup> June 25**

### **Failure to Respond to the Scale of its Financial Difficulties'**

43. The SoS "minded to" decision is largely based on the April 25 IAP letter which has the many failings described above and does not fully accord with the expectations in the BV Statutory Guidance. The SoS decision relies on, amongst others and which will be addressed in the paragraphs below, the alleged failure by the Council to adequately respond to the scale of its financial difficulties.
44. There is either no evidence or insufficient evidence to substantiate this claim.
45. The evidence from the IAP previous letters, the Ministerial previous Written Statement to Parliament, the LGA CPC Report, Exit Strategy Actions, the Future Croydon Transformation Plan, the Stabilisation Plan and MTFs, all referred to above, demonstrate real and concrete actions being taken by the Council to address its financial challenges.
46. In fact, as stated above, following a deterioration in the Council's financial position in 2024/25, the IAP letter in November 24 states "*The deteriorating financial position is naturally of greatest concern and is **commanding the fullest attention of members and managers in the immediate term**, with our support...*". and the Minister's Statement in response "*... the Council remains one of the most financially distressed in the country. The Council's General Fund debt sits at £1.3 billion, and it relies on the allocation of exceptional financial support (EFS) through in-principle capitalisation directions to balance their budget. **The Council have produced a Transformation Plan and a Medium-Term Financial Strategy (MTFS) to attempt to reduce their large deficit and debt to a more manageable level...***"

### **Focus on Declining Financial Sustainability**

47. The SoS "minded to" decision relies on a "*significant focus on the declining financial sustainability of the Council*". As indicated above at paragraphs 23 - 42, the IAP letter fails to provide a fair, balanced, accurate and broader perspective on the Council's financial position and lacks any or adequate comparative data. By omitting this detail, the IAP has not provided adequate advice to the SoS on progress at the Council over their period of intervention.
48. Also, as stated above, it fails to adequately consider the action being taken by the Council through the 96% delivery of the Exit Strategy, the level of annual savings delivered to date, the delivery of the Transformation Plan and the Stabilisation Plan to address this issue. These are set out above and acknowledged in the IAP's previous letters and in the LGA CPC Report. Consideration of these documents is fundamental to enable the SoS to make a fully informed decision.

### Unreasonably High Operating Cost and Overspends

49. The SoS decision relies on the IAP April 2025 letter's assessment that Croydon's operating costs are "*unreasonably high*" and that the Council "*failed to mitigate in-year overspends*", leading to one of the largest EFS requests in the country in 2025. This is not a fair and balanced assessment.

50. The IAP use of the 2024-25 LG Futures Financial Intelligence Toolkit report (attached as appendix K.1) is based on the budget estimates (not actuals) for 2024/25 and show the Council's operating costs at 16.1% above its nearest neighbours.

51. The budget estimates for 2024-25 are a flawed dataset as all London Boroughs bar one were forecasting an overspend for the end of that year. Any benchmarked costs quoted will be understated and inaccurate against real costs. Also, the benchmarking is against the 16 Near Neighbours that LG Futures identifies. These differ from Near Neighbours others, such as the Department for Education, use. However, its analysis is skewed by differences between boroughs in the way RO and RA forms are completed, the non-assessment of differences in grant expenditure and dated population figures. As an example, in line with guidance, for Croydon this data set is gross estimated expenditure minus sales, fees and charges with no identification of the beneficial use of grants in reducing cost. It is unknown if the forms have been completed in the same way by other London Boroughs. The LG Futures comparisons need to be triangulated with other data to enable an accurate assessment of the comparative scale of the Council's operating costs to be determined. See paragraph 132 – 138 for further on the use of bench marking data.

52. Benchmarking is available from London Council's, undertaken by EY against all London Boroughs (attached as appendix K.2), which demonstrates that the Council's costs are not out of line with other London Boroughs. There is also benchmarking from the Local Government Association (attached as appendix K.3) demonstrating the same position. The IAP's letter and the SoS's "minded to" letter both fail to mention the detailed plans in the Transformation Programme exist to bring those operating costs down.

### Overspend and failure to mitigate

53. Since 2021/22, the Council has only had one year where there was an overspend and this was the 2024/25 financial year where all bar one other London Boroughs have forecast being overspent. The Council has applied for the second highest amount of EFS in 2025 but when that is compared to core spending power it is the 6th highest. See also paragraph 36 – 39.

### Medium-Term Financial Strategy (MTFS) Projection

54. The Council fully agrees that the MTFS is projecting an unacceptable deteriorating trajectory, with the General Fund debt set to rise to c.£2bn by 2029. This is due to the Council transparently, forecasting its growth and inflation costs and the exponential increase in debt costs. Also, to, a reduction in assets available to sell to generate capital receipts to repay debt instead of increasing borrowing.

55. The Exit Strategy acknowledges the underlying structural financial challenges of the Council in the form of the debt burden and its associated cost, the reducing number of capital assets for sale and the need for real financial relief from the Government. The LGA CPC Report calls on the Government to engage with the Council to finally resolve the Council's debt.

56. This has been a longstanding issue dating back to October 2022 where this principle is endorsed and referenced in the IAP's letter as preventing the Council from being able to solve its own budget issues.

### Travel Further and Faster

57. The SoS relies on the IAP conclusion 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 notion of travelling further and faster is undefined and unmeasurable, as have been the IAP April 2025 letter comments on lack of pace (which is dealt with above) and without any known defined milestones or deadlines missed.

58. The IAP Exit Strategy ("proxies for success") have largely (96%) been met by the Council, and as acknowledged by the IAP, for the remainder there are good reasons why they have not been met, and plans are in place to deliver on them. The assessment of "*good deal of success*" is from external inspection reports such as Ofsted and the Regulator of Social Housing and the LGA CPC which the IAP letter did not either adequately cover these or report it; despite it being a requirement of the BV Statutory Guidance.

59. The Council has also had a positive inspection of its SEND service with Ofsted, an Ofsted Good rating for its Children's Services, an Ofsted Good in its Adult Education Service and seven positive Outstanding and Good CQC adult social care inspection reports. We are currently awaiting the outcome of the Council-wide CQC inspection, which was conducted recently. The External Auditor's Value for Money opinion for 2023/24 of the Council reports positive progress (attached as Appendix P). These independent inspections reflect improving leadership and service delivery across the organisation:

"Overall effectiveness: Good... The stable and committed senior leadership team is supported by elected members, who have continued to invest in services with the aim of improving outcomes for children in the borough" (*Ofsted, October 2024, p.1 & p.2 – see Appendix I.1*).

"The chief executive, lead member and the mayor, alongside the senior leadership team, advocate strongly for children, and corporate parenting is a strength..." (*Ofsted, October 2024, p.10 – see Appendix I.1*) "We are content that the evidence provided by the Council satisfactorily addresses the areas of non-compliance... We will also now remove the regulatory notice..." (*Regulator of Social Housing, 4 April 2025 – see Appendix I.2*)

### Ability to Sustain Improvement

60. The SoS letter states that 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.*” There is an inherent contradiction in the comment that is made over the challenge of transformation and simultaneous delivery of day-to-day services. It can’t be stated that “*further and faster*” must be what is done and then say this is a real challenge. The Council has been balancing this challenge by planning and phasing the work needed to transform at a pace that can be delivered effectively and yet has been criticised for “*lack of pace and risk aversion*” in managing this issue.

61. This scale of challenge also speaks further to the point that the scale of the financial gap and the exponential rise in debt costs per annum and the safe delivery of change to predominately people services (which is where the money is) means this can’t be done solely by the Council and needs the required debt solution from the Government.

62. The SoS has relied on the descriptor “*aversion to risk*” in the IAP letter to form a view of the Council failing to work at the pace needed to resolve matters at the Council. Neither the IAP nor SoS has explained or evidenced this with detail. Risk is effectively managed in the Council and to describe the approach as an aversion is a mischaracterisation.

63. Based on this mischaracterisation, the “minded to” letter references that a new direction is required to increase the corporate grip of the Council’s risk management. MHCLG appear to have used this risk aversion comment to describe the Council’s approach to risk management as meeting the BV indicator of potential failure on risk. This is refuted.

64. The Council fully acknowledges that it has been asked to address its risk appetite by the IAP and has done so with the Transformation Plan by shortening its planned implementation period from 4 years to 2 and in the actions contained in the Stabilisation Plan, increasing the savings to be delivered in 2025/26 from £21m to £49m. The IAP have criticised the Council in the April 2025 letter for the Stabilisation Plan having high risk.

65. The Council has commissioned *Zurich Resilience Solutions* to re-review its stabilisation and transformation plan risk appetite as part of the Risk Management bursary with them. This will then be used to assess the council’s risk appetite as part of the overall risk management framework.

66. There is more detail attached to this annex outlining the Council’s work on risk. The most recent Audit and Governance Committee in 3<sup>rd</sup> of March 2025 (attached as appendix N) is an example of its thorough and active grip on risk, by the Independent Chair, independent member and elected councillors.

67. It is not clear if the IAP reviewed this meeting or its minutes when drafting their letter commenting on the risk culture in the Council.

#### *Continuing and Escalating Intervention*

68. The SoS relies on the IAP recommendation of “*continuing a form of statutory intervention beyond July 2025, to ensure its movement towards compliance with the Best Value Duty.*” to form her “minded to” decision to escalate the intervention to commissioners and remove functions from the Council’s control. While the IAP’s view is broad in scope, the IAP do not specifically recommend escalating intervention by

appointment of Commissioners to exercise the Council's strategic decisions, on finance, governance and staffing functions.

69. The IAP has never had the need to exercise their very broad powers to instruct or direct the Council. The Council has met 96% of the IAP Exit Strategy Action Plan. Therefore, it is not clear on what basis the SoS decision to escalate to Commissioners has been made and how that meets the requirements of the Statutory Guidance the Council will address this point further in the paragraphs below.

#### LGA CPC Report Conclusion

70. The SoS decision relies on the LGA's CPC report published on 8 January 2025 (appendix E) which *"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."*

71. As indicated above, the IAP's letter (the basis for the SoS "minded to" decision) failed to consider or even mention the LGA CPC Report contrary to BV Statutory Guidance and the Exit Strategy. This failing is compounded by the SoS misdirecting herself by relying on the LGA CPC Report to justify escalation on intervention on grounds of leadership, continuous improvement and use of resources and appointing Commissioners. This is a material misdirection and contradiction.

72. The LGA CPC Report, a key requirement of the Exit Strategy and BV Statutory Guidance; is complimentary of the Council's leadership and continuous improvement. *"There is effective and visible political and managerial leadership in Croydon Council."* *"Together, the Mayor and Chief Executive are well-respected and provide strong, visible leadership"* *"IAP members did not have any concerns relating to leadership, governance or culture"*

#### Proposed Intervention Package / A Rapid Reset

73. The SoS states that the proposed package has been designed to accelerate and strengthen the improvement work needed at the Council and to set in motion a rapid reset of the current statutory intervention *"with fast action"*. There is nothing in the intervention package (Direction to the Council and Commissioners) that suggests it will accelerate and strengthen the improvement work at the Council other than by taking functions away from the Council. The text also does not explain how a *"rapid reset"* will be applied or what is being re-set.

74. What it brings is a continuation of the powers to direct the Council to do an act. The IAP currently have the broadest of all powers to direct the Council to act. The fact that the IAP power has never been exercised would suggest there has been no need and that the Council has been doing all that could be required of it to tackle its challenges. The IAP's previous letters referred to above, attests to this.

75. The statutory guidance for intervention describes the situation in which the escalation of intervention can take place.

*“If an authority does not have the willingness, capability and capacity to improve without external support and, based on the evidence, the Secretary of State is satisfied that the authority is failing to comply with the best value duty, the Secretary of State’s decision to intervene pursuant to section 15 of the 1999 act will be communicated formally to the authority through a minded to letter issued by officials unless the situation is sufficiently urgent.”*

76. It is reasonable to assume that the “*other relevant information*” in addition to the Exit Strategy which has been considered by MHCLG covers the following assessments from independent external bodies. They provide evidence that the conditions for such escalation do not exist at Croydon Council.

- the 2024 Good Children’s Services ILAC Ofsted report,
- the 2025 Local Government Association Corporate Peer Challenge,
- the 2025 Lifting of the Voluntary Undertaking by the Social Housing Regulator
- the 2023 Good Ofsted Adult Learning report
- CQC reports into Adult Social Care
  - Shared Lives – Outstanding
  - Community Reablement – Good
  - Provision of personal care and support facilities – all Good
- SEND Inspection positive “no material action required” report

77. The IAP’s April 2024 letter describes the Council as “*steadily improving service delivery across all areas although objective testing of this is awaited in key services*”. The first three published reports above are very positive and represent that “*awaited objective testing*” described by the IAP.

78. These reports consistently evidence an authority that is willing to face its circumstances, takes necessary and difficult decisions, has effective leadership, acts at pace, has the capacity and capability to deliver improvement and has continuously done so over the last 3 years. There is no evidence to support the comments made by MHCLG, that there are “*serious concerns on the ability to improve, aspects of leadership and use of resources*” that the Council has “*failed to adequately respond*”, “*not gripped or tackled adequately*”, and that there has been a “*lack of pace throughout the intervention*”.

79. The statutory guidance threshold has not been met for the escalation of intervention.

## **SoS Evidence of Serious Concerns**

### **Continuous Improvement**

80. As to the evidence that the Council is failing on its BV duty the SoS relies on the following BV theme and grounds. “*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.”*

81. The SoS has failed to, and ought to have considered and applied the criteria in its BV Statutory Guidance, in respect of Continuous Improvement at Paragraphs 26 (description, characteristics of a well-functioning authority and indicators of potential failure) and is at risk of misdirecting herself on this issue.

82. The evidence for compliance with this BV theme can be gathered from the IAP Exit Strategy Action Plan which clearly demonstrates that the Council meets the characteristics of a well-functioning authority in respect of this BV theme. Also, from paragraphs 40 – 41, 58-59 and 76 above.

83. There is no material evidence that suggests that the Council is failing in this area and therefore requires escalation in intervention. It is unclear which indicator of potential failure the SoS believes the Council to be meeting under this theme and that an escalation of intervention is therefore warranted.

84. The IAP’s criticism of the Council’s four year £42.1m fully funded Future Croydon Transformation Programme, designed to deliver up to annual savings of £54m by 2029, *“at this stage they are essentially plans”* is misleading. The IAP’s April 2025 letter, whilst supportive of the Future Croydon Transformation Plan, is lacking in any detail. Their advice confuses the embryonic Stabilisation Plan developed in early 2025 which the IAP required the Council to *“deliver as many savings as it could in 2025/26”*, with the thoroughly worked up and externally tested Future Croydon Transformation Plan. It is possibly these comments that has led to a conclusion that the Council has multiple or uncoordinated improvement plans and that is the indicator of failure. Attached at Appendix D is a Progress Report on the Future Croydon Transformation Plan.

85. As the IAP does not provide any detail in its letter, the resourcing, detailed plans, risk management and governance of the Transformation Plan is unknown to MHCLG. Significant investment has been made in skilling managers and staff to have the capability to deliver these plans and bringing in new capacity. The IAP do not comment on this.

86. Risks have been raised by the IAP as to how the Council can cope with the delivery of transformation. Understandably this has been added to the conclusion that the Council is failing this theme by the SoS as there has been no accurate detail provided. The Council fully acknowledges that there are risks to the delivery of the programme but believes it has assessed those well and has put in governance and resourcing mitigations to enable it to deliver. It has been asked to expand its risk appetite by the IAP and has done so.

87. The Future Croydon Transformation Plan fully meets the statutory guidance requirements for continuous improvement. The Council can evidence that it is meeting the other characteristics of this theme, and a Best Value Review would independently assure MHCLG of this.

88. As set out above, the SoS relies on the IAP letter that: fails to present a fair, balanced and broader perspective and position on the Council’s financial position; and

contains material factual errors, misinterpretation, contradictions and omissions. **It is not reasonable nor is it rational from the evidence presented by the Council, which was omitted from the IAP April 2025 letter, to draw the conclusion that the Council has failed the continuous improvement theme of the BV duty.**

### Leadership

89. As to the evidence that the Council is failing on its BV duty the SoS relies on the following BV theme and grounds. *“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.”*

90. The SoS has failed to, and ought to have considered and applied the criteria in the BV Statutory Guidance, in respect of Leadership as set out at Paragraphs 26 (2) (description, characteristics of a well-functioning authority and indicators of potential failure) and is at risk of misdirecting herself on this issue.

91. The evidence for compliance with this BV theme can be gathered from the IAP Exit Strategy Action Plan, LGA CPC Report and the IAP previous letters. These clearly demonstrate that the Council meets the characteristics of a well-functioning authority in respect of this BV theme. Also, see paragraph 51 above. There is no material evidence that suggests that the Council is failing in this area and therefore requires intervention. In the LGA CPC report, the IAP said that they do not have any concerns relating to leadership. The IAPs April 2025 also reports steady progress in Leadership and with no concerns raised. The Council can evidence that it is meeting the other characteristics of this theme, and a rapid Best Value Review would independently assure MHCLG of this.

92. The facts and grounds relied on by the SoS under this heading are not wholly in accordance with the criteria in the BV Statutory Guidance. One element of the BV criteria is on financial management. The Council’s system and reporting is strong, very regular, challenging and transparent.

93. The narrative in the SoS decision is drawn from the IAP’s April 2025 letter, which has already been refuted by the Council in the Chief Executive’s letter to MHCLG 29<sup>th</sup> May 2025 and is repeated above at Paragraphs 18 d) and e). The IAP appears to have changed their view about the budget process that set the 2024/25 budget. Their April 2024 letter at the time, said this budget process was *“a robust process of development and challenge”* and with a *“timely and well-engaged process of consultation and scrutiny”* and that the budget set was *“a sound one for the year ahead.”* They were fully a part of it and supported it.

94. The IAP have refused to accept that in judging the Council, they have to assess the Council in its own right and also assess the Council in the context of what is



happening in local government and in London. To the knowledge of the Council, nearly all other London boroughs were affected by the changes to demand and cost pressures and overspent. Croydon cannot be singularly blamed for its inability to see what everyone else didn't. It is standard practice that assessment of future demand is informed by pan London and other shared sources. No-one predicted what occurred in 2024/25.

95. Conflating the financial gap caused by external demand and cost pressures which the whole of London has suffered from, and the impact of debt costs does not mean the Council's financial system is flawed. It means it has had to deal with a problem bigger than the Council can resolve within one financial year.

96. It is disputed that there was not sufficient time to scrutinise the pressures for the 2025/26 budget. The IAP attended all the November / December budget star chambers and were fully informed of all the information the Council had. The Council ran an additional detailed review session for the IAP in January 2025 to ensure they could challenge all the demand pressures being forecast. The IAP also independently met with corporate directors and other senior officers to challenge the demands being forecast. At the end of that process the IAP endorsed the need for the £136m EFS request.

97. If at any time the IAP felt what the Council was doing was wrong or lacking, they should have directed the Council to act differently. They did not. It is reasonable to assume therefore, they were in agreement with the Council's actions.

98. The Exit Strategy contained an action to develop and implement a financial improvement plan. This has been delivered. The Council has also implemented a major improvement plan to overhaul its Oracle financial reporting system. This has been delivered to time and to budget.

99. The Council is continuing its improvements to the financial management system and processes. It is not perfect, but it is actively being addressed and the programme to improve it, is fully resourced.

100. The SoS "minded to" letter also references the IAP's view that the Council has an aversion to risk and that a new direction is required to increase the Council's corporate grip on risk management. Although this is commented upon elsewhere in this representation, it is important to make the point here as well. MHCLG appear to have used a comment about risk aversion to describe the Council's approach to risk management as meeting the indicator of potential failure on risk. This is refuted.

101. As stated above, the Council fully acknowledges that it has been asked to address its risk appetite by the IAP and has done so in the actions contained in the Stabilisation Plan, increasing the savings to be delivered in 2025/26 from £21m to £49m and in shortening the time period to deliver the Transformation Programme from 4 years to 2. The IAP have also criticised the Council for the Stabilisation Plan having high risk. The Council has commissioned *Zurich Resilience Solutions* to review our Stabilisation Plan and Transformation Plan risk appetite as part of our Risk Management bursary with them. This will then be used to assess the Council's risk appetite as part of the overall risk management framework.

102. **It is not reasonable nor is it rational to draw the conclusion that the Council has failed the leadership theme of the BV duty based on the evidence.**

### Use of Resources

103. As evidence that the Council is failing on its BV duty, the SoS relies on the following BV theme and grounds. *“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-principal 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.”*

104. The SoS has failed to adequately consider and apply the criteria in its BV Statutory Guidance in respect of Use of Resources at Paragraph 26 (5) (description, characteristics of a well-functioning authority and indicators of potential failure). The Guidance provides as follows:

## **5. Use of resources**

### **Description**

An authority must have in place and properly deploy an effective internal control environment to safeguard the use of resources, and clear and effective processes to secure value for money. It must have appropriate financial management, reporting and regulation arrangements in place, in accordance with CIPFA's Financial Management Code, to govern the strategic and operational management of its investments, funding, assets and companies. This includes ensuring it has the appropriate skills and capacity in place, commensurate with the complexity of its finances, using specialist expertise when needed.

Authorities must comply with the Prudential Framework in making investment and borrowing decisions and not take on excessive risk. They should have effective systems for identifying, reporting, addressing and reviewing financial risk and have consideration of CIPFA's Financial Resilience Index.

Investment decisions must have a commensurate level of scrutiny, transparency and approval to make sure that officers and members fully understand the risks.

Financial management and reporting should be supported by robust financial systems, record keeping and quality assurance, with appropriate use of specialist expertise and independent assurance when needed.

Authorities should respond to audit recommendations and address issues identified in a timely way.

Capacity constraints should be identified and recruitment to fill key posts prioritised. Succession planning should be considered, with a longer-term view

as to when there might be a gap in, experienced senior officers. Special severance payments should only be considered in exceptional cases.

105. The Council has considerable improvement work underway and in accordance with the BV duty, is not claiming to be perfect. As can be seen from the table below, there are very few indicators of potential failure that are met other than that caused by the unsustainable debt level.

Absence of a deliverable medium-term financial plan, approved by Cabinet or finance committee (as appropriate) and Full Council.	This is in place and acknowledged in the IAP letters
Council staff undertaking part-time work for full-time pay without compelling justification.	This is not occurring
Consistent overspends, no credible plan to reduce unaffordable debt and maintain sustainable finances.	One financial year out of the last four (2024/25) has overspent in line with many other councils. There is still no credible plan to reduce unaffordable debt despite longstanding request for support from Government.
Frequent use of virements, recurrent nondelivery of savings	This is not occurring
Avoidance of/failure to implement difficult budget decisions.	This is not occurring
No evidence of transformation to create efficiency savings.	This is evidenced through the Council's Transformation Plan.
Lack of a regular review of the adequacy of reserves and the unplanned use of reserves in-year to balance an outturn position.	This is not occurring
Unlawful or excessively risky borrowing and investment practices with inadequate risk management strategy in place for losses.	This is not occurring
Failure to manage the risks associated with companies, joint ventures and arms-length bodies	This is not occurring

Issuance of a Section 114 Notice.	The last S114 Notice was in November 2022
Audit report identifies significant weaknesses in sustainability, and/or statutory recommendations or public interest report issued.	<p>No RIPI issued since February 2022</p> <p>No Statutory Recommendations raised since March 2023</p> <p>Significant weakness in sustainability due to debt costs</p>
Late publication of unaudited and audited financial statements, a modified audit opinion that indicates significant financial reporting or financial management issues, audit recommendations ignored.	<p>Back stop has replaced the ability to comply</p> <p>All accounts up to and including 2023/24 have been published</p>
High dependency on high-risk commercial income for service delivery and balancing budgets.	Not occurring
Non-compliance with accounting requirements, including MRP.	Not occurring
Not fit for purpose finance function with limited capacity/capability.	Not occurring
Underinvestment in corporate services, which affects capacity to deliver and succession planning.	Not occurring
Inefficient or uncompetitive procurement arrangements that do not deliver value for money.	Not occurring
IT that is not capable of doing the job for which it is designed	Not occurring
No presentation on financial performance/position to members or proper consideration of the annual financial report.	Not occurring

106. The indicator of potential failure that the Council agrees has been met is “*no credible plan to reduce unaffordable debt and maintain sustainable finances*”.

107. The other issues that are highlighted in the SoS letter are

- the use of Exceptional Financial Support (EFS) in 2025/26,
- the amount of EFS in 2025/26, and,
- the amounts and use of EFS across the 2025/29 MTFS to balance.

108. This situation has been described as “*a financial crisis*”, and “*a failure (by the Council) to adequately respond*” leading to the conclusion by the SOS that a “*short sharp reset leading to fast action is required*”. This view of ‘*a failure of the Council to adequately respond*’ is misguided based on the evidence.

#### Use of EFS in 2025/26 budget

109. Since October 2023, it was the published position of the IAP’s Exit Strategy, that the 2025/26 budget and the 2025-2029 MTFS would both require either EFS or a solution on the treatment of the Council’s debt to provide a balanced budget. There was no requirement that the Council should have removed the need for EFS in its budget by this date unless a decision by MHCLG had been reached on the debt. The IAP’s letter does not comment on their position or a need for a resolution to be found to this issue by MHCLG.

**110. It is therefore not reasonable nor accurate to describe the need to use any EFS in the 2025/26 budget as a failure by the Council to “adequately respond to its situation”.**

111. The sector wide impact of the 2024/25 demand and cost spike on the budget cannot be underestimated. The evidence, which was shared with the IAP shows, contrary to their letter, that the Council did mitigate the 2024/25 pressures, it delivered £22m savings and successfully prevented a further £20m in overspend for that year. The comparative evidence also shows that whilst the Council overspent, it did so along with almost every council in London based on current forecasts and its amount of overspending does not show it as an outlier. The Council has fully responded to the IAP’s criticism of the 2024/25 budget forecasting and ensured the 2025/26 budget had adequate growth built in. The evidence base for that growth was shared in detail with the IAP.

**112. It is therefore not reasonable nor accurate to describe the amount of EFS needed in the 2025/26 budget as a failure by the Council to “adequately respond to its situation”.**

113. The IAP acknowledged in the Exit Strategy the Council’s debt burden and the need for discussion with Government to find a resolution and return to financial sustainability.

*“The Council has amassed £1.6bn in debt (incl. £300m HRA debt), much of it unsecured, and holds significantly less value than this in terms of assets for disposal. Whilst operational improvements, including cost reductions in delivery, have and must continue, the annual charges that are required to service this debt (which by 2024/25 is projected to be 19% of core spending power*

*compared to the current median for England of 8%) mean that financial sustainability can only presently be achieved through the receipt of continuing Capitalisation Directions from the government..... The Council is in discussions with the government over the methods by which its financial sustainability may be restored. As of October 2023, these discussions are not yet concluded.” (Exit Strategy)*

The statutory guidance requires that,

*“Reasonable standards are applied that clearly relate to the nature of failure identified in that particular local authority.”*

114. The Council accepts it is unable to balance its budget without EFS. Since 2022, it has been the position of the IAP and the Council, that it is not possible to balance the budget without the Government agreeing a resolution of the treatment of the cost of debt.

**115. It is therefore not rational or reasonable to judge the Council as failing its duty of best value, as it has been agreed by the Government’s own appointees that the Council is unable to balance the budget from its own means.**

116. The inability of the Council to be able to sustainably balance its budget from its own means is not an issue of capability or willingness, but the quantum of in-year and overall savings necessary, the non-asset backed nature of the Council’s debt and the exponential rising revenue cost of servicing that debt due to the use of EFS.

117. If the solution to this problem is that different decisions should have been made by the Council to balance the budget and that is what Commissioners will do, then the power has already existed since July 2023 to direct the Council to meet its duty of BV. The IAP have had the power of direction and could have instructed the Council to balance the budget through savings and increases in council tax or other income. They did not do so.

118. The solution to restoring the sustainability of the Council’s finances would be best understood through an independent financial assessment of what is feasible in terms of the budget head room to find more savings to remove the annual need for EFS.

119. The savings plan must be able to cope with an annual cost of debt escalator that sees the cost of debt alone rising by at least £12m each year. It is the view of the Council that subject to the findings of an independent financial assessment, this is arithmetically impossible to deliver. The IAP rejected this going ahead.

#### *The amount of EFS and its increase in 2025/26*

120. Both the MHCLG “minded to” letter’s annex to the SoS letter and the WMS reference the amount of EFS that the Council has been given permission to access to date. The letter states that Croydon Council has “*received approximately £553million in total EFS since March 2021.*” This is factually incorrect.

121. The total amount of EFS received by the Council either as a permission to use capital receipts as revenue and or a permission to borrow is £417.039m.

122. MHCLG's "minded to" capitalisation direction for 2025/26 gives the Council permission to borrow up to a further £136m but the Council has not borrowed any yet and will only do so to the amount necessary. HMT and MHCLG rules for accessing EFS are strict and the permission to capitalise or borrow is only given when those rules are met. The IAP is required to agree to all requests the Council has made for EFS. They have fully supported the need for the level of EFS throughout their tenure with the Council including the £136m for 2025/26.

123. Following an initial assessment of the budget resulting in a £150m request for EFS in 2021 and an extensive independent assessment of the Council's finances through the Executive Mayor's "Opening the Books" programme; the sum required to resolve fundamental errors in the Council's accounts was determined, eventually resulting in the requirement for £417m in Capitalisation Directions by 31 March 2025.

124. The commentary in the SoS "minded to" letter and WMS of "*lack of control*" and "*failure to adequately respond*" etc., could be read as inferring the need for the £417m EFS is owing to the behaviour of the existing administration and its officers. Correcting the legacy of the pre 2021 governance, finance and service failures has generated the requirement and the amount.

125. The Council completely agrees that this amount of EFS is not acceptable, but it was a prima facie requirement to address all historical legal financial issues and rebase the balance sheet.

126. **It is not reasonable nor relevant to consider the amount of EFS needed to date by the Council as a factor when assessing the capability of the current Council and such to justify the appointment of Commissioners.**

#### £38m to £136m

127. There is a significant increase in the amount of EFS needed in 2025/26 from the previous financial year from £38m to £136m. This is described as "excessive" by the IAP in comparison with other requests for EFS from other councils. The Council fully acknowledges that the amount of EFS required is high and higher than previous years. It is the second highest request made by local authorities to MHCLG for 2025/26 and is the 6<sup>th</sup> highest when assessed by core spending power.

128. The amount of EFS required was agreed by the IAP as necessary to balance the budget. Contrary to the comments in the IAP's letter, they were fully involved in the budget processes with adequate time to consider all matters. They reviewed in detail, the mitigations that had been implemented and the impact of the demand and cost pressures in 2024/25 that lead to the overspend, that the Council had to properly account for in the size of the estimates for the 2025/26 budget.

129. As the overspend position emerged during the 2024/25 budget year, the IAP were critical of the lack of provision in that year's budget to cope with the increased demand, even though this had not been foreseen by them, the Council or the sector. In response to the criticisms made by the IAP, the Council was at pains to ensure that the 2025/26 budget was adequately provided for. Therefore the £136m EFS request covers

- the toxic debt revenue cost of £38m,

- the whole year effect of the £34m overspend in the previous year of £73m and,
- a provision for further cost and inflation growth predicted to be required for 2025/26 of £25m.

130. The new Stabilisation Plan will deliver additional savings of £27.3m in 2025/26 which will mitigate the use of that final £25m.

**131. It is not reasonable nor accurate to characterise the Council's actions on this as anything other than a Council responding adequately to its circumstances, mitigating overspending where it could and developing adequate estimates for this year's budget in response to the views of the IAP.**

#### Operating Cost and Benchmarking

132. The SoS "minded to" letter states that the IAP's April 2025 letter notes, "*operating costs remain unreasonably high*". The data referred to in the IAP's letter is from LG Futures 2024/25 Revenue Account (RA) data set which is estimated expenditure. The IAP does not make clear in its letter that this data set is gross estimated expenditure minus sales, fees and charges with no identification of the beneficial use of grants in reducing cost. Whilst it is titled unit costs, it is not a data set of actual operating costs to the Council as it includes all grant funded expenditure. The data suggests that if the Council moved to the bottom 20% of comparator councils it could notionally save £135.8m.

133. Croydon is a beneficiary of many grants from Government for its services and as part of the plan to become financially sustainable, it has actively sought out external grants to fund activity in the borough removing the pressure on Croydon taxpayers. Also, due to its size and sub-regional role it attracts specific grants that other councils do not.

134. A recent assessment to try to ascertain what operating cost headroom might be available, shows the notional £135.8m possible savings reduce by £43m due to accounting for Croydon specific grant funding. This brings the notional savings headroom down to £92.8m which is close to the current proposed level of savings in the MTFS.

135. The commentary in the IAP letter also fails to refer to the considerable work being undertaken in the Adult Social Care and Children's Services with the support of sector experts Newtons and Impower to significantly reduce operating costs.

136. Croydon engaged leading experts Boston Consulting Group, to develop a Transformation Plan, with an agreed and funded programme to deliver savings including a 10% reduction in headcount and 25% reduction in agency use. The IAP's letter fails to acknowledge the scale and ambition of this programme or its role in driving down costs and tackling the MTFS. The reduction of operating costs constitutes the majority of the £125m savings across the MTFS period.

137. The Council is mischaracterised as not having "*gripped or tackled adequately*" and there being "*serious concerns about the ability to improve, aspects of leadership*"



*and use of resources*". The WMS notes the comments that the "*Council's operating costs can be improved to be more in line with other authorities*", but the IAP failed to explain the detailed work that is underway to do just that, through the Transformation Programme, projected to deliver £54m of annual savings in the MTFS.

138. **It is not reasonable to say that the Council's "*operating costs remain unreasonably high*". The "*unreasonably*" descriptor is not an accurate conclusion to draw from this data. To infer from the IAP's comments on this point that the Council is irrational or unwilling to tackle its operating costs or lacks the capability or capacity to tackle its operating costs is not reasonable and is not accurate.**

139. The SoS's view that the Council has failed this theme and their view of the nature of that failure underscores the need for a Best Value Review to be urgently undertaken, including an independent financial assessment; to accurately advise on the fastest and most effective restoration of the financial sustainability of the Council's budget. There is a fundamental difference in the Council's factually based opinion on this point.

140. No evidence has been provided by the IAP as to where and how the level of savings to balance the budget sustainably could have been found. They have had the power to direct the Council to since 2023 and have not used that power once. They have refused to allow the Council to incur cost, commissioning an independent assessment of its finances to identify the headroom to produce more savings.

#### *Short and Sharp Reset*

141. "*The SoS 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*". The Council has responded to many of the points in the IAP's letter which has given rise to the SoS conclusions in this sentence. It is hoped that the evidence that has been provided will enable a reflection to take place and a fair and balanced view of the Council to emerge.

142. It is concerning to read the words "*short sharp reset*" as that reveals a belief that the savings at the scale required are available and the timeline may imply significant budget cuts to services in the 2026/27 budget. The Council's letter of representation details the potential scale of such action.

143. The Council agree with the Government's view of the scale of the financial difficulties facing Croydon. The basis for a future solution must be that the Council is unable to tackle the scale of this challenge on its own, not that the Council is unable to tackle it. The solution is not Commissioners but a financial rescue package resolving the debt problem.

144. It has long been the position of the IAP in their advice to DLUHC, that it is beyond the reach of this organisation to resolve, as per the Panel's first letter and assessment in 2021, and repeated again in November 2022 and in the October 2023 Exit Strategy.

145. The Government's premise for their minded to decision is wrongly cast, as it assumes that savings of a further £200m can be found over the next four years on top of the existing £125m savings required, whilst delivering statutory services.

## **Conclusion**

146. The SoS 20<sup>th</sup> July 2023 Directions set out the actions to be taken by the Council to comply with its BV duty. The Government appointed IAP published an Exit Strategy with objectives and 171 actions expected of the Council to demonstrate compliance with the SoS Direction and meeting the BV duty. These are described in the SoS Guidance as the "*proxies for success*" in determining whether the authority has met the duty and should exit intervention.

147. The Council (Members and Staff) have worked assiduously to deliver on all the actions in the Exit Strategy. The Council has met 96% of the actions in the Exit Strategy and for the remainder that are not or fully met, relating to Council's budget outturn for 2024/25 and maximising asset sales, there a good reason why this is so, in the Exit Strategy delivery report. As the BV Guidance explains, reasonable standards should be applied in respect areas of concern and authorities are "not expected to be perfect" before an intervention ends.

148. Members, Senior Leadership, and Staff have worked diligently to deliver on the objectives and actions in the Exit Strategy. It is reasonable to expect the final IAP Progress letter of April 2025 to be prepared with due diligence and be accurate, fair and balanced, and avoid material omissions, contradictions and inconsistencies and to fully report on the Exit Strategy actions, and the LGA CPC as required in the Statutory Guidance.

149. It is sufficiently clear from this representation that parts of the IAP's April 2025 letter fail to meet this standard, which in turn has detrimentally impacted on the advice to the SoS and her "minded to" decision to escalate intervention. The decision on the Council's future should reflect the reality of its progress, be proportionate, reasonable, based on evidence and in alignment with the Ministry's reset relationship and decisions on other councils in intervention.

150. It is sufficiently clear, that overall, the Council has been on a trajectory of improvement in governance, culture, leadership; financial stability (except during 2024 and for good reason); service performance improvements; and capacity and capability. The IAP Progress letters and the LGA CPC Report attest to this. The deterioration in the Council's financial position during 2024 is due to demand and budget pressures (children's placements, homeless temporary accommodation, adult social care placements and SEND school transport) and was the same across most other London Boroughs.

151. As set out in the paragraphs above and acknowledged in the previous IAP Progress Reports and December 2024 Written Ministerial Statement, the Council has taken concrete action to address the deterioration in its financial position in the form of the Transformation Programme's operational cost savings and the acceleration of those and other additional savings in the Stabilisation Plan.

152. The SoS's evidence of serious concern relies mostly on the failings identified in the April 2025 IAP letter and are consequently, tainted by the same. Further, the SoS failed to consider and apply the BV Statutory Guidance to determine accurately

whether the Council is failing in the BV themes of Continuous Improvement, Leadership and Use of Resources.

153. From our representation above, there is sufficient evidence to clearly demonstrate that the Council is meeting the characteristics of a well-functioning authority in Leadership and Continuous Improvement.

The Council accepts that due to its historical debt burden and the cost of servicing the debt, the Council has met two of the indicators of potential failure under the Use of Resources. The SoS's attention is drawn to the statutory guidance on this point, which requires that consideration is given as to the "*nature of failure identified*".

The perennial impact on the revenue budget caused by the debt cannot be resolved within the means available to the Council. This is acknowledged in the IAP letters and the Exit Strategy and was acknowledged by the IAP for resolution with Government since October 2023. To date, despite the Council's longstanding request, the debt issue is yet to be resolved and impacts significantly on the Council and its residents.

154. Taking into account the above, in particular the Council's performance against the requirements of the Exit Strategy, LGA CPC Report, the progress with Future Croydon Transformation Programme, the Stabilisation Plan, and the absence at any time since July 2023, of the need by the IAP to exercise their power to instruct or direct; the Council do not believe that the grounds for escalation of intervention by the appointment of Commissioners are met. Further, the Council does not agree that there should be a loss of democratic control from elected representatives, through Commissioners taking over key functions of the Council when evidence from the IAP letters and other external independent assessment reports all point to strong and mature corporate governance arrangement in the Council.

155. The Council wishes to ensure through its representation that the advice from officials to the SoS and her Ministers is fully a) in accordance with the BV statutory guidance; b) based on evidence with a consistency of assessment; c) accurate, and proportionate in its reasoning; c) considers all evidence from independent external bodies and d) balanced in comparison with MHCLG decisions on other interventions.

156. Further, that this representation results in a decision to conduct a rapid Best Value Review tailored to deliver an evidenced solution to the restoration of sustainability to the Council's budget and in the most expeditious manner. This would assist in determining whether the appointment of commissioners and the removal of legal authority from the Council is warranted.

157. Further that a stay to the final decision on the "minded to" position in MHCLG's 12 June letter is made. This will enable the findings of the best value review to be fully considered, the impact of the funding formula review to be considered; and to avoid unreasonable and pre-emptive action being taken.

## **Appendices**

### **Appendix A – London Borough of Croydon Intervention Exit Strategy**

**Appendix B – Exit Strategy progress report May 2025**

**Appendix C – Future Croydon Transformation Plan**

**Appendix D – Future Croydon Progress report**

**Appendix E – Stabilisation Plan**

**Appendix F – Medium-Term Financial Strategy (MTFS) 2025–2029**

**Appendix G – Medium-Term Financial Strategy (MTFS) 2025–2029 Cabinet report**

**Appendix H – LGA Corporate Peer Challenge Report (January 2025)**

**Appendix I – External Inspection Outcomes Pack**

- **Appendix I.1 – Ofsted report**
- **Appendix I.2 - Regulator of Social Housing**

**Appendix J – “Opening the Books” Report (Worth Technical Accounting Solutions Ltd)**

**Appendix K – Financial Benchmarking Pack (LG Futures, London Councils, LGA)**

- **Appendix K.1 - LG Futures Financial Intelligence Toolkit**
- **Appendix K.2 - London Boroughs Financial and Economic Benchmarking**
- **Appendix K.3 - Local Government Association benchmarking**

**Appendix L – Letter from Chief Executive to MHCLG (29 May 2025)**

**Appendix M – Financial Improvement Plan (as approved by IAP)**

**Appendix N – Audit & Governance Committee Minutes (March 2025)**

**Appendix O – Letter from the Executive Mayor to MHCLG (29 May 2025)**

**Appendix P - The External Auditor’s Value for Money report**