



Ministry of Housing,
Communities &
Local Government

Alison McGovern MP
*Minister of State for Local
Government and Homelessness*
2 Marsham Street
London
SW1P 4DF

Mayor Jason Perry
Leader of the London Borough of Croydon
By email

23 February 2026

Dear Mayor Perry,

I am writing in relation to the London Borough of Croydon's request of 12 December 2025 for Exceptional Financial Support in respect of the financial years 2025-26 and 2026-27.

The Exceptional Financial Support process exists to support councils facing unmanageable financial pressures. This government is making good on long overdue promises to fundamentally update the way we fund local authorities - delivering fairer funding by targeting money where it is needed most through the first multi-year Settlement in a decade. However, the government recognises the challenging financial context for councils and the possibility that some require additional support, as they continue to deal with the legacy of the previous system, and as part of the transition to new funding allocations.

The Secretary of State for Housing, Communities and Local Government has considered the council's position including all the measures that have been taken locally to support the continued delivery of sustainable services for residents. This letter sets out the department's current position but does not constitute a capitalisation direction.

With respect to the financial year 2026-27, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £119 million.

The Secretary of State is also minded to approve a revision to the previously agreed in-principle capitalisation direction of £136 million to £110.3 million for 2025-26.

We will continue to work with you on the final amount of support required for the financial years 2022-23 to 2024-25 ahead of issuing any capitalisation directions. Officials will discuss this with officers at your council in due course.

The government will continue to take a collaborative approach to Exceptional Financial Support that recognises the challenges many local authorities are experiencing. However, we have been clear that any support provided should be a time-limited and temporary measure. My clear expectation is that councils should be taking all reasonable steps to manage financial pressures locally and deliver for their residents. All councils should have clear plans to deliver the service improvement and transformation required to help them to return to financial stability over the multi-year Settlement.

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

At all stages the department's consideration will also include evidence from the Commissioners of the actions the council is required to take, as per the Secretary of State's directions (dated 17 July 2025) made under section 15(5) and (6) of the Local Government Act 1999.

It is my expectation that councils should aim to avoid or minimise the need for new borrowing to fund Exceptional Financial Support, and should look to make use of existing or future capital receipts wherever possible. Of course, in doing so councils should avoid sales that do not represent value for money and where possible the disposal of community heritage assets, to protect the public ownership of locally significant sites and ensure residents can continue to benefit from them.

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

- i. The Council may only capitalise expenditure that has been incurred and recognised under proper practices;
- ii. Where expenditure is capitalised, the authority shall charge annual MRP using the asset life method with a proxy 'asset life' of no more than 20 years.

If the Secretary of State gives any directions, he will confirm the final amount of capitalisation support and any conditions that will apply in due course. The approval of any capitalisation directions will also be contingent on the council reporting to the department the final amounts identified for which it requires capitalisation for each year.

The government is already taking national action to deliver reform in the high-cost service areas we know are putting the most pressure on council finances, for example through the new National Plan to End Homelessness, reforms to the SEND system and through the £2.4bn investment into Families First and the Independent Commission on Social Care led by Baroness Casey.

Given the support we have agreed to today, it is my clear expectation that your council are fully engaging with these reforms and have robust plans in place to take the action needed to deliver better and more efficient services, as part of your financial recovery.

We recognise that some councils face particular barriers that make it difficult for them to deliver service reforms, for example due to a lack of capacity or expertise. We will work with these authorities to identify and provide support where possible. Officials in my department will be in touch in due course to discuss how we intend to work with your council in more detail.

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

Yours ever,

A handwritten signature in blue ink, appearing to read 'Alison McGovern', written in a cursive style.

ALISON MCGOVERN MP

Minister of State for Local Government and Homelessness