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Commissioners' second progress report on the intervention at the London Borough of Croydon

1. The Executive Mayor of the London Borough of Croydon, Jason Perry wrote to you on the 7th September providing his views about Croydon's progress since his last letter and his ambitions and aspirations for the future.
2. This letter should be read alongside his, which I attach at Annex 1 for ease of reference. It contains the views of your Commissioners on the same topics. It is intended to help you form a rounded view about the issues in Croydon and to assist the Council in assessing the risks it faces in making the progress it strives to achieve, as part of our ongoing dialogue and feedback to the Council.
3. We have provided a summary of the position followed by detailed comments on the financial position and the transformation programme and projects.

Summary

4. When the government responded to the Commissioners' first letter sent in February 2026, it highlighted the need to inject pace into Croydon's planned improvements. It also underlined the need to connect the organisation to the Council's clearly stated ambitions. Both issues have proved significant challenges for the Council in the past, and this has continued to be the case over the 8 months since the Commissioners' letter.
5. There have been successes and these are set out in the Executive Mayor's letter. Notably the Council kept within the agreed 2025/26 budget. It has developed a

new financial strategy which repeats the ambition to reduce spend to the London average and is working on its implementation. The weaknesses in the Transformation Plan have been acknowledged and this plan has been abandoned. The Scrutiny and Audit committees have functioned well, providing appropriate challenge to the organisation. Working relationships with the Commissioners have been collaborative in the main. There have been challenges at times. This is to be expected and when this occurs, Commissioners welcome members' and officers' openness and honesty about disagreements so they can be addressed constructively.

6. There is no doubt that the Executive Mayor and indeed all the political parties are highly ambitious for Croydon the place. The Executive Mayor has a clear and very strong desire to see the changes and plans outlined in his letter succeed.

7. However there are significant risks in achieving this. Not all of the risks have been identified and few of the mitigations for the risks have been articulated and implemented. Many of the ambitions and plans were part of the Council's approach to recovery in 2021 and featured in the Exit Strategy in 2023. The authority will need to properly understand the obstacles that thwarted those previous attempts and take action to overcome them this time.

8. The cornerstone of the financial strategy is to improve economy and efficiency so that costs equal or are less than the London average. The authority expects only to start realising savings from this strategy in 2027/2028. The immediate test of financial grip is the ability of the Council to remain within the 2026/2027 budget. It is optimistic that it will, though the detailed basis for this optimism has not been seen by the Commissioners.

9. The centralised Transformation Plan has been abandoned and the programme is being redrawn to focus on those things which are most likely to deliver savings in the short and medium term. These are to be driven and owned by service departments. Much of the architecture for this new approach is in development and carries risks of slippage and loss of focus. Significant costs have been lost in the unsuccessful centralised approach.

10. The senior management's influence on the organisation is patchy. Key organisational disciplines are weak and the Council compares poorly with others in this regard. When these problems are acknowledged and a plan of action agreed, the Council struggles to follow the matters through to a successful and timely conclusion.

11. The Council recognises that its Human Resources and Organisational Design function is weak. It is developing a wide ranging Organisational Development Strategy which has been agreed in principle but requires further work to bring forward clear proposals and detailed plans.

12. Recruitment of a permanent chief executive was delayed by the mayoral election in May. The Council is currently supported by an experienced interim chief executive and a new interim assistant chief executive. They have both been influential in helping the Council to face up to its challenges. The Council is now

seeking to appoint a permanent chief executive. The optimum position would be to have a competent permanent chief executive committed to seeing the organisation through to the successful realisation of its ambitions. The current situation brings the potential for further delays to delivery as the organisation transitions to new leadership.

13. The Council can do this. Its ambitions and plans are, in large part, the correct ones. It needs to understand and own the obstacles that have hampered previous attempts to improve. The Executive Mayor's recognition of this and the lessons the Council has learnt from its experience set out in his letter to you is a positive step towards this. Most of all the Council needs to keep a relentless focus on delivery.

Political context

14. As he notes in his letter to you, Executive Mayor Jason Perry was re-elected in May 2026. This has given him a renewed mandate and the opportunity to refresh his Cabinet to reflect his priorities over the next four years.

15. He has also used this opportunity to review how members hold officers to account, specifically through the Executive Mayor's Advisory Board (MAB). This review demonstrates the thoughtfulness of Croydon's leading politicians around process, and their recognition of the need to strengthen the Council's assurance framework with appropriate input from senior officers. This has included establishing a specific finance MAB, enabled by the appointment of a permanent s151 officer earlier this year, which recognises the importance of financial assurance for the Executive Mayor and his Cabinet. We welcome the Council's commitment to review and evolve the rigour of this body.

16. This represents steady progress, but there is more to do. A Corporate Programme Management Office (CPMO) is needed to support these governance arrangements and to oversee an appropriate performance framework. As the Executive Mayor sets out in his letter, the Council is planning to put in place a CPMO and it will take time to be fully established. The new performance management arrangements will also need to include clarity about the differing roles of members and officers.

17. A good working relationship between the two largest political groups (Labour and Conservatives) has been a significant strength in Croydon, and this has continued following the May elections. The elections also saw the growth of the Green group and the arrival of several other smaller political groups (Liberal Democrat and Reform) who appear to have settled well. Council officers are supporting new members and groups appropriately, including the s151 meeting with political groups to discuss the Council Tax Support Scheme consultation, and it is important that they continue to do so through other key moments. Respectful and intelligent dialogue in Council meetings continues, with a high quality of debate. The Council made constitutional changes prior to the May elections and should review their effectiveness.

18. It is also important to strengthen wider support to all members in fulfilling their roles, whether casework for backbench members or appropriate support for the Executive Mayor and Cabinet in their leadership roles. The Council has acknowledged this and is working to address it.

19. The Executive Mayor is taking up a London wide role as London Councils' Executive Committee Member for Planning, Infrastructure and Regeneration. Croydon can make a significant contribution to London and in the wider region. This will require more thought being given to the support the Executive Mayor receives to fulfil these ambitions.

Finances

20. As the consultation draft of the interim External Auditor's annual report for the year ending 31st March 2026, dated 10th August 2026 sets out, since the start of 2019/20, the Council has received access to more than £500 million in Exceptional Financial Support (EFS). MHCLG approved EFS of £119 million for 2026/27 and on current plans the Council is projecting to request EFS of £99.713 million for 2027/28; £77.681 million for 2028/29; and £69.024 million for 2029/30. Without further action, this means that the Council's debt burden is going to go on growing, because EFS has largely been in the form of new borrowing. The Council had external General Fund Public Works Loan Board and market debt of £1,222 million on 31 March 2026. £82 million was required to service debt in 2025/26 from the General Fund (including PFIs but excluding IFRS16 lease adjustments) which represents 22% of the Council's net budget. The cumulative interest and minimum revenue provision costs of EFS received are expected to reach £54.661 million per annum by the end of 2029/30, as reported in the Council's July 2026 report to Cabinet. The Council's financial position remains extremely severe with significant projected reliance on EFS into future years. It is important that the Council takes all reasonable steps to reduce its reliance on EFS and its growing reliance on external borrowing.

2025/26 financial year

21. As the Executive Mayor points out in his letter to you, Croydon reported an underspend of £27.3 million in the 2025/26 financial year, delivering the savings requirement set out in the Council's agreed Stabilisation Plan. However, as the letter acknowledges, these savings were primarily delivered through unused growth and risk budgets, rather than the delivery of planned projects, in particular the Accelerated Target Operating Model (TOM), which would have delivered a further £3.7 million saving had it been delivered as planned. It is to be welcomed that the Council reports that it has reflected on this during the current budgetsetting process and is taking steps to ensure that future budgets are based on more robust and realistic assumptions. This includes removing savings from implementation of the TOM from its paper to the July Cabinet meeting on the Council's Financial Strategy 2027-30. The implementation of the new benefits realisation methodology will help with this.

The Current Year 2026/27 – a transitional year

22. Croydon's budget setting report of February 2026 moved Transformation savings to be made through delivery of the TOM of £15.82 million out of 2026/27 into future years to create a transitional budget year in 2026/27. Of those approximately £7.5 million Transformation savings that remained in the budget for 2026/27, over £3 million have not yet been delivered, and the balance of delivery has come from alternative actions, for example holding posts vacant. Mitigations will be required for the outstanding balance.

23. The budget monitor tabled for the Cabinet meeting of 23rd September showed a net £2.3 million overspend for this financial year. This includes an overspend of £3.4 million on children's placements and £2 million of lost income following the High Court ruling against a number of Croydon's Low Traffic Neighbourhood (LTN) schemes in March 2026. While it is positive that the Finance MAB held in August considered further mitigations, it remains the case that not all budget pressures currently have clearly evidenced plans to mitigate them in place.

24. Expenditure on Special Educational Needs and Disabilities (SEND) is of particular concern, as the Executive Mayor points out in his letter. He highlights an overspend of £32.7 million in provisional outturn expenditure for the High Needs Block in 2025/26, the third highest reported overspend across London, and an initial forecast overspend in 2026/27 of approximately £45 million. The Local Government Association (LGA) conducted a peer review in September 2026. The results are not yet available but initial feedback has suggested there are significant savings to be made in home to school transport.

25. He reports that the Council has established a Board chaired by the Chief Executive and supported by the LGA, to better understand these costs and provide strategic leadership, oversight, challenge and assurance in relation to the Council's SEND responsibilities. It will consider the delivery of the SEND Improvement Programme, and the financial sustainability of the Dedicated Schools Grant (DSG) High Needs Block.

26. There is also the opportunity to learn from the work the Council has done to reduce spending on Temporary Accommodation, which is now bearing fruit.

2027/28 and the Medium Term Financial Strategy (MTFS)

27. The draft Budget report to be considered by Cabinet on 14th October updates on the Council's recent progress made on benchmarking the high-cost and highspend areas of the budget: children's and adults' social care and temporary accommodation. It sets a target for each of those to reduce costs to at most median over the budget period, as part of the trajectory to lower-quartile costs. The impact of these projected savings on Croydon's Exceptional Financial Support (EFS) are shown in Table 1 below.

28. While it has been the stated aim of the Council to become the most cost efficient council in London, Commissioners are not aware of previous attempts by the Council to quantify what savings would be required to deliver this and recognise

this as a significant step forward. However, Commissioners also note the Council's track record of over-optimism about its ability to deliver projects and their associated savings. We look forward to seeing the Council's detailed and realistic plans for achieving these savings.

Table 1: Overall view of Croydon's EFS and how that has changed over time

REPORTS	2027/28	2028/29	2029/30
	£ million	£ million	£ million
February 2025	168	203	
November 2025	114	102	108
February 2026	99	78	69
July 2026	107	86	49
October 2026 including agreed savings	121	83	76
October 2026 including potential savings	115-104	77-66	70-59

29. The Council's February 2026 report to Cabinet showed projected EFS had reduced (see Table 1), driven by a significant uplift of £59 million of government grant over the period.

30. In February 2026, savings targets of £57.8 million were agreed. In July 2026 the targets were increased by a further £30 million, £10 million of which was necessary for the following:

    - Minimum Revenue Provision (MRP) - £2.5 million;
    - extra pay inflation - £2 million;
    - deletion of TOM digital savings - £4.7 million, and;
    - reduced housing benefit administration grant - £0.4 million.

    The balance of £20 million was an additional target to reduce growth over the period.

31. The October 2026 draft budget report contains savings proposals of £83.69 million over the four year period to 2030/31. There is also the potential for further savings of between £6 million to £17 million from proposals including changes to the Local Council Tax Support Scheme. The draft budget has moved the Council a step further forward in beginning to articulate how it plans to deliver these savings. However, those plans are not as evolved as intended at this stage.

32. The October 2026 asset disposals report seeks agreement to the disposal of 33 further assets alongside 50 assets remaining from the previously agreed disposals. The financial outcome of these asset sales will depend upon the

decision to sell and the terms agreed for each asset. Any receipts from this process would be available to reduce the need to borrow in order to fund EFS.

Debt

33. Croydon's debt continues to rise. Current debt includes EFS debt of £526 million at an estimated cost in 2027/28 of £41 million rising to £55 million in 2029/30, exceeding the forecast deficit, as shown in the July 2026 report to Cabinet.

34. Debt is a finance resource alongside many others. It finances investment in assets and therefore the future. However, Croydon's debt is increasing because it is balancing its revenue budget through significant EFS and not because the Council is investing in its future outside of business as usual (for example, replacing refuse vehicles) and health and safety factors. The Council will want to consider whether this is its optimal approach to borrowing. Investing to save, (for example in a Council owned children's home) can be a good thing when actioned within an appropriate financial framework.

35. The Council estimates that overhanging debt linked to previous unsuccessful commercial ventures totals £545 million at an estimated annual revenue cost of approximately £41 million. This debt, unlike EFS, is fixed and not increasing.

36. The current cost of borrowing in support of these levels of debt as a share of total revenue budget is not extreme, albeit Croydon is at the higher end. With the inclusion of Private Finance Initiatives (PFIs) the overall cost of servicing debt as at 31st March 2026 represents 22% of the Council's net budget. This will worsen over the next 4 years as EFS is forecast to increase by as much as £399 million or as little as £348 million over the next 4 years. This raises the question of how much debt can the Council support going forward, and what is an affordable and sustainable debt level for Croydon. The External Auditor has stated that this position is unsustainable.

37. The Council has also identified further asset sales – 33 new ones agreed and the delivery of 50 stalled ones already agreed – which will be included in the Capital receipts report due in October. This is expected to be a helpful but limited way to pay off further debt delivering capital receipts of £135.7 million. It is clear that Croydon needs to achieve an affordable and sustainable debt burden and a cost and debt reduction programme. This is difficult for the Council to do when its spending is high and it has yet to create a clear programme to deliver its savings targets.

38. This highlights the need for a single integrated monitoring framework, including benefits realisation tracking for the delivery of Croydon's Improvement Programme, delivered through the CPMO the Executive Mayor has committed to establishing.

Transformation

39. As stated in paragraph 9, the centralised Transformation Plan has been abandoned and the programme is being redrawn to focus on those things which

are most likely to deliver savings in the short and medium term. These projects and programmes are to be driven and owned by service departments. This is welcomed and gives Croydon the opportunity to create realistic, prioritised and resourced delivery plans which are still being developed. It also presents an opportunity for Croydon to reflect on the barriers to delivery it has experienced and urgently address them. This was highlighted in our first letter and was also reflected in the October 2024 LGA Peer Review, which included recommendations that the Council establish sustainable transformation capacity and programme management arrangements to deliver ambitious plans at the pace it desired and required. The Council must ensure that sufficient resources are in place. The CPMO was recognised then as being under-resourced and undersized for the complexity and pace of change that the council was undertaking.

40. The Council has failed in the past to adhere to strong programme management systems and processes and needs to ensure that this is not a continuing issue. Commissioners acknowledge that CPMOs can be difficult to run successfully. Senior officers will need to give this close attention and review its effectiveness in driving delivery.

41. Through the MTFS published in October, departments' approach to immediate and medium term savings is emerging, however transitioning to this much needed less centralised approach carries risks of slippage and loss of focus, which the Council should take steps to avoid. Departments should for example avoid the temptation to spend more time and energy locating drivers of growth in the costs of their services than in identifying ways to reduce costs and to become more efficient.

42. The Council has already undertaken a considerable number of reviews, audits, discovery, and diagnostic work since the Transformation Programme was established. Before the Transformation Programme and following an LGA review, the long-standing need for an effective CPMO to be established had been identified. Croydon, while accepting of Commissioners feedback and review findings of weaknesses in its previous approach, has been slow to implement and achieve sustainable change, transformation, and improvement.

43. It is vital that Croydon now translates that learning into action and delivery against a clear set of priorities that contribute to the delivery of their refreshed MTFS. It must be demonstrably evidenced that the new arrangements are materially different, support delivery and provide assurance. Confidence will depend increasingly on evidence of delivery rather than further strategies, changes to governance arrangements or statements of intent. There must be tangible results that are shared, understood and committed to by the organisation.

Human Resources and Organisational Design

44. With limited resources at its disposal, the Council's Human Resources (HR) and Organisational Design (OD) functions are critical to ensuring that directorates are

resourced appropriately and at the right time to both deliver their services and to carry out the additional work needed to deliver savings. The Council's HR function currently seems underpowered to support this function, and at times there has been a lack of clarity about the roles of HR staff and those in directorates, for example during the recruitment process. The Council recognises that corporate HR and organisational development capacity was significantly reduced as part of earlier savings programmes and accepts that this reduction went too far in some areas.

45. The Council accepts the need to significantly improve its HR function, organisational development and management practice. An organisational development strategy is being produced. Implementing it will be a significant task. Careful thought will need to be given to how this is phased and resourced.

Conclusions

46. Croydon remains a borough with great strengths and opportunities. It has highly committed members who work well together, are ambitious for their borough and who want to hold their officers to account. The Council's commitment to reduce its costs to the London median in the first instance, and to focus on delivering those things which are most likely to deliver savings in the short and medium term is to be applauded. But the Council's poor track record of delivery must be addressed if the necessary savings are to be realised.

47. The Council already has considerable evidence about what needs to improve. The next phase should therefore be characterised by getting the basics right, with fewer new intentions, clearer priorities, stronger corporate grip, earlier intervention and demonstrable delivery. This means not only delivering major savings and improvement programmes, but consistently doing the everyday things expected of a well-run council - responding to complaints and Freedom of Information requests (FOIs), implementing audit and review recommendations, maintaining reliable data, meeting agreed deadlines, completing appraisals and target setting and following through on management actions. The strongest assurance that the new arrangements are different will be evidence that the Council identifies problems earlier, acts on them faster, closes actions, learns from others and consistently delivers the financial, operational, and service outcomes it has committed to achieve.

Yours sincerely,





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