

Improvement and Assurance Panel

London Borough of Croydon

Rt. Hon. Michael Gove MP
Secretary of State
Department of Levelling Up, Housing and Communities
2 Marsham Street
London SW1P 4DF

Ref: Report 8

25 April 2024

Dear Secretary of State,

We write to give you an update on the position in Croydon since our last report in October 2023.

In our last letter, we concluded that the Council had continued to improve, that the pace of this improvement had picked up, and that the Council had agreed with and was working in support of our Exit Strategy, which set out realisable ambitions for the authority in advance of our projected departure date of July 2025.

We are pleased that these characteristics and associated mechanisms for progress continue to be pursued. Most creditably, and although subject to verification once finalised figures are available, it seems that the Council has lived within its budget of the financial year just concluded. It is reasonable to observe that many upper-tier Councils are, by contrast, indicating that they have been unable to balance their budgets in the year. While it remains the case that the Council has had to be reliant on £63m of exceptional financial support (EFS) in setting the budget in the first instance, it is still a good outcome.

We also pointed out that other risks remain. Inspections by Ofsted and the Care Quality Commission (CQC) are still anticipated. The housing service, whilst making significant steps to improve, is doing so from a very low base, and embedding these improvements is reasonably taking time. The Council's new transformation plan (Future Croydon) is a core part of delivering the Exit Strategy, and as it is now in existence, a great deal of faith is reposed in it. It must be put resolutely to work.

The accumulated General Fund debt of £1.3bn also remains in place. The Minister for Local Government has made it clear to us and to the Council that any measures beyond the provision of EFS cannot be considered until the point is reached whereby it is evident that the Council has exhausted its own means of helping itself in regard to debt redemption and debt management. There are a number of aspects to that, but the new transformation plan is central to the task of maximising efficiency and productivity and its trajectory of application will closely inform those considerations.

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Whilst the political and managerial leadership understand the challenges that the Council is facing – it remains one of the most financially distressed in the country – it continues to be a significant task to transform the ‘business as usual’ application of everyday work into a widespread understanding of the changes that it remains necessary for the Council to put in place. The Council has declared an ambition to be the most cost-efficient in London, which is admirable. This must, at some point not only enable the Council to absorb the increasing demands and expectations of the population but to eat into the structural deficit of the General Fund (costed at an ongoing £38m p.a.). We will continue to focus on how to move the Council away from its current reliance on EFS.

The audit of the 2019/20 Financial Statement of Accounts is complete, and the anticipated opinion will be a ‘modified with a disclaimer’ opinion, due to the ongoing Metropolitan Police investigation following the Kroll report into Fairfield Halls. The Exit Strategy requires annual accounts to be prepared and audited for the financial years up to 2023/24. Meeting this requirement is in part dependent on the department’s response to the recent consultation on the backlog of local audits.

The Exit Strategy sits at the heart of the Council’s continued recovery. We will report against each of its main pillars.

Governance

The core governance arrangements of the Council continue to operate soundly and the growing maturity of these is in itself a valuable self-reinforcing characteristic. Everyone is, in simple terms, becoming used to doing things properly and doing them well. Relevant matters are well-considered in the appropriate forums and the timeliness of decision-making arrangements is good. The targets for governance set in the Exit Strategy are being met.

Council Tax and budget were set by Full Council following a consultation exercise and engagement with the opposition parties that was continuous and constructive.

Audit and Scrutiny arrangements both add value, and the plans for their programmes in the coming municipal year are well advanced, are derived from the Council’s stated priority activities and are related to the assessed risks facing the Council.

Financial sustainability and financial governance

The latest budget monitoring report predicts that the Council is likely to balance its 2023/24 Budget. If this proves to be the case it will be a notable achievement.

Since our last letter, the Council has approved its 2024/25 Budget and Medium-Term Financial Strategy (MTFS) following a timely and well-engaged process of consultation and scrutiny. The 2024/25 Budget includes savings of £23.7m plus a

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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. We have flagged one area of concern which is the ongoing overspend in Children's Services for placements. 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.

In March, the Council approved a new transformation plan for 2024-2029. This is an important step forward on the Council's path to meeting its Best Value Duty and providing long-term financial sustainability. The plan is ambitious and aims to deliver just under £100m over the next four years. We recognise the hard work that has gone into its development over the autumn and winter, however, we note, currently, that several key projects are in their 'discovery' phase and therefore savings are indicative only. Much detailed work needs to be completed over the coming months to firm up projects and provide assurance that the savings target of just under £100m is realistic and deliverable. In addition to the transformation plan the Council will need to continue to maximise the disposal of its assets, review areas of non-priority and higher spend and maximise income including from Council Tax. The combination of all these activities needs to aim to reduce the Council's reliance on EFS over the life of the current MTFS, a matter that is subject to further discussion with us.

The Council has continued to progress its asset disposal programme of investment and surplus properties with sales of £43m achieved in 2023/24. This falls short of the target of £50m, due largely to a planned sale late in the year being delayed, but which we believe will be completed early in this financial year. This takes the total capital receipts generated to date to £113m. We have not yet agreed a target disposal value for 2024-25 as work is still underway on considering how the operational estate could be further rationalised, freeing up more assets for disposal.

In terms of financial governance, the Council continues to make steady progress on improvements. The Exit Strategy required the Council to prepare, and the Panel approve, a Financial Improvement Plan by March 2024. An overarching plan is now in place and the Council has agreed to support this with a detailed delivery plan by May 2024. The detailed delivery plan will enable the Panel to monitor progress and ensure actions are on track against the agreed timetable. However, it should be noted that some of the improvements will not be completed before the planned conclusion of the statutory intervention in July 2025.

Culture and leadership

The Council continues to have stable political leadership and consistency in its objectives and the programmes designed to deliver these. The Council has

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continued to consolidate its senior manager arrangements, and this has been more stable and effective than at any time since its current challenges emerged in 2020.

The Council recently reintroduced an independent and statistically significant residents' survey. The results have been published and are being used to help shape service improvement priorities and the Council's transformation plan.

The Council has increasingly exhibited determination in pursuit of opportunities and to take advantage of its enhanced capabilities – and successfully did so also in defence of its well-considered position in a recent employment tribunal. Sometimes, however, the Council has sought to assert itself when more reflective judgement would have suggested greater caution. The Council has recently contested and lost two judicial reviews, both on operational issues contested by individual citizens, one in respect of housing adaptations and the other concerning the disputed responsibility for allocation of accommodation, with accompanying critical comments made by the judge in each case raising issues that could and should have been factored into the Council's thinking at a much earlier stage in these proceedings. The lessons learned from this have led to greater corporate and senior oversight being directed to such matters and it is important that this is applied clearly and consistently.

The Council was also unsuccessful in defending its position in a recent adjudication relating to an expired highways maintenance contract. Although it had limited time to respond to the referral, better preparation and understanding of its evidence base should have taken place and may have brought about a much more positive outcome. This matter is now the subject of a considerable amount of work and cost designed to retrieve the situation.

Exit Strategy targets are either being met or are subject to a small degree of slippage which is not of major concern.

Service performance

Housing

The Council continue to make strong progress on transforming its housing service. It has implemented a new housing management system, approved a Housing Strategy 2023-28, and secured £53m funding for the regeneration of Regina Road. The Regulator of Social Housing is also encouraged by progress against the actions in the agreed voluntary undertaking improvement plan. The Housing Improvement Board continues to perform a strong role in assurance and challenge of performance and progress, bringing to bear both the lived experience and insight of resident members and external professional expertise. Over the next year, the Council will

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need to consider how the current arrangements should evolve into standing arrangements for the monitoring and governance of the housing service.

The Housing Revenue Account (HRA) Business Plan for 2024-5 has been approved, and will be updated in June, to take account of the findings of a stock condition survey that is currently underway. This demonstrates a commitment from the Council to address the historic lack of investment in its housing stock.

It is vital that, building on these strong foundations, the Council brings about improvements in the experience of residents. Serious challenges remain, including on data accuracy, lack of historical records, and poor customer oversight, all of which serve as a reminder of the low base that the housing service started from. The newly created contact centre has seen a significant increase in call volume with circa 2,000 additional calls per month. The service has also seen an increase in repair orders of circa 1,500 per month. Whilst it appears this demand spike and associated missing of performance targets are beginning to resolve themselves, these are key areas of priority which require ongoing close attention.

Dealing with historical complaints is also a challenge for the housing service, particularly in relation to the backlog of disrepair cases and the complaints these generate. The housing service has recruited additional staff to deal with the backlog, but the lack of historical records and data, means that progress is slower than expected, and responses to complaints are not as comprehensive as they should be. Implementing phase 2 of the new IT system will be crucial if the housing service is to enhance its record keeping and provide a much-needed single view of the customer and meet the requirements of the revised Consumer Standards.

The Panel supports the comprehensive staff restructure that has taken place but note that some posts remain vacant or are occupied by interim staff which can impact the quality of delivery.

Historical backlogs in homelessness prevention and housing needs are steadily being cleared and data is beginning to inform the service. This focus needs to be sustained and will require the continued commitment of the team.

There is pressure on the housing needs service due to the growing demand for emergency and temporary accommodation in Croydon, so costs are rising in this area but are being closely monitored by the Council.

Adult social care

Since our last letter, the service has successfully negotiated a favourable position on a key contract we commented upon in our last letter, effectively managing the risk.

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The Council has procured a strategic transformation partner to take forward the transformation of the Adult Social Care and Health Directorate. Whilst the procurement process was overly protracted, leading to delays in implementation, a number of lessons have been learnt which the Council intends to apply in future procurement activity. The first phase of the transformation work will deliver a diagnostic of current operations with opportunity assessments to develop a future operating model, however the diagnostic which was due to be delivered in 2023/24, will now not be completed until the late Spring of this year.

Progress is being made on improvements and quality assurance of current practice. In preparation for a possible CQC assessment of the Council, an LGA adult social care peer review was carried out in the autumn, identifying areas of good practice alongside areas for development and an action plan is in place to take forward the improvements identified.

Sustainable Communities, Regeneration and Economic Recovery (SCRER)

A full review of the Council's parking fees and charges has been undertaken following consultation, with revised charges now being implemented for 2024-25. These are in line with the main policy drivers of the Executive Mayor's Business Plan and are intended to be fair, supportive, transparent, and efficient. Progress has also been made with the roll out of new automatic number plate recognition (ANPR) in line with the end of January target date.

The service has been adversely affected by the discovery of an IT dysfunction which led to the misapplication of more than 5,000 penalty charge notices, at an estimated cost in excess of £300,000 and associated reputational impact. Although extremely unfortunate, the issue was quickly identified by officers and refunds promptly issued to motorists where the notification process had not been correctly followed.

The procurement of a new waste, recycling, and street cleansing contract, scheduled to go live in April 2025 has proceeded to schedule with competitive dialogue currently underway with preferred bidders. A new procurement has also finally commenced following a long running challenge over the non-delivery of a suite of bus shelters throughout the Borough. The original contract - awarded in 2020 - had to be terminated with the previous proposed supplier, raising questions around the level of due diligence undertaken at the time of award.

A review of the Fairfield Halls operator's business plan has recently been undertaken to identify options for improving the performance of the venue. Delivering the objectives of the Council remains a challenge for the operator and further work is planned to help deliver a successful future for the venue. The findings of the review do suggest that the Council has also not been as proactive as it might have been

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over the contract management of the Fairfield Halls, although this is now being addressed.

Children's services

Children's services are in the process of securing a strategic partner to assist with developing and implementing their transformation programme. This programme, which is already underway, is focussed on reducing demand at the front door, improving placement value, and increasing efficiency. They have learned from the procurement process in adult's services and have been able to progress the commissioning of a strategic partner more quickly. It is intended that procurement will be completed by mid-May for an end of May start. The scope will be initially to deliver amplified analysis of options by September.

In February, the Safeguarding Children Partnership published a themed review focussed on seven perpetrators of youth violence. Croydon is an area where there are high levels of complex needs in relation to youth violence, exploitation, homelessness, and mobile families. There is a strong and stable leadership which has developed good multi-agency systems to manage this level of risk. However, the pressure on social work staff in particular service areas, such as assessment and child protection are high, and recruiting experienced staff is difficult. The level of agency staff in some parts of the service are much higher than desirable.

It is anticipated that there will be an Ofsted inspection during this year and preparations are well underway. The high level of demand, for example over 1,400 cases in the assessment service alone, creates significant risk requiring good supervision and management oversight. The main area of financial pressure remains the cost of placements for children in care, particularly the very high costs of a small number of young people with very challenging needs. This budget will report an overspend in 2023/24 and the department will be under pressure throughout this new financial year, not just to manage within budget, but to deliver agreed savings.

Capacity and capability to improve

The Council's plans for improvement, derived originally from the Croydon Renewal Plan and subsequently the Mayor's Business Plan have been predominantly either specific corporate projects or have been service focused. Future Croydon is a long-term corporate plan which seeks not to recover so much as to advance. That is something of a turning point. It will, however, require determination and pace if it is to achieve what it sets out to do.

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The Council's political leadership, both formally via the Mayor's Business Plan and in the requirements being laid upon the officer structure to deliver, continues to seek objectives that are credible, well-focused and well-paced.

The Council's management arrangements are sound in terms of scale and (through the experience and skill-base of those in post) of capability.

The Council's workforce is stable and capable, but through the application of the transformation plan, will have to be carried on a journey of change that may at times be challenging and even uncomfortable. As the Plan has recently been adopted the implementation is at an early stage. We expect to write in more detail in our next letter.

In our last update we did highlight concerns around the effectiveness and governance of the Council's procurement activities but did recognise that there were several initiatives underway to improve the function. Good progress has been made with the launch of a refreshed Procurement Strategy 2024-26, aimed at focussing more effort on strategically significant procurements and giving greater autonomy to the service lines for more transactional purchases. Comprehensive guidance in both procurement and contract management has been agreed in the form of handbooks to support this shift and are now in use. Adherence to this guidance needs to be closely monitored. To ensure this positive momentum is maintained, the Exit Strategy included the need to develop an improvement plan with performance metrics capable of benchmarking the function against established best practice. This has now been compiled and will allow progress to be measured.

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 well-constructed, 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.

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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.

Yours sincerely,

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Brian Roberts

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