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7<sup>th</sup> March 2022

Dear Chief Executive

## **Response to Council Budget objections**

As per the Constitution, I am writing to you to set out my response to the Council's objections to my proposed Budget.

Croydon Council faces one of the most difficult financial challenges in the history of local government. That is going to mean exceptional steps are required.

Whilst I share and understand Members' reluctance to raise Council Tax above the cap, we must be realistic that our options are incredibly limited.

This Budget proposes:

- £36m of savings next year
- £200m of capital receipts over a four year period
- £224.6m of additional Capitalisation Directions from Government
- A major transformation programme to drive down costs
- A prudent but not excessive level of contingency budgets and reserves
- A Council Tax increase of 14.99%

Such is the state of our finances that we need to do **all** of these elements in order to balance our Budget. It is not a case of choices.

I have been clear about this since November when, alongside our initial draft Budget proposals, the Section 151 Officer published a Section 114 notice for the coming year. That notice stated very clearly that without significant Government support we would not be able to balance our Budget for the 23/24 year.

The Leader of the Opposition has suggested that an alternative plan must exist in order to balance the Budget without a Council Tax rise. It does not. This is not a choice we are making because we want to raise Council Tax. It is a necessity resulting from the years of historic mismanagement which have left this authority with hundreds of millions of pounds of budget gap and over £1.6bn of toxic debt.

The only other possible solution would be to borrow another £66m over the coming three years. That would saddle the Council with even more debt, even higher yearly payments to service the debt and repeat the mistakes of the past. This would also require us to exceed the capitalisation direction granted by Government, which we are not lawfully able to do.

The Opposition knew we were asking for an above cap Council Tax increase since it was set out in the Cabinet Report in November. They have had over three months to consider their alternative, and yet no Budget amendment was put forward regarding Council Tax. A named finance officer was assigned to assist the Opposition develop their alternative Budget on 13 January and an extension was even granted for opposition parties' budget amendments to be submitted but still only one amendment was received.

That amendment was submitted by the Green Group but this is solely related to Community Infrastructure Levy (CIL) funding and would not have an impact on the General Fund and will be considered at our

coming meeting. The Leader of the Green Group also set out their reasons to refer the Budget back including a request for additional information on the criteria and operation of the proposed £2m Hardship Fund. As such I enclose an initial outline of the proposal on which we will be seeking Scrutiny feedback, before a final decision on the arrangements for the Hardship Fund is taken.

I have always been open to considering alternatives. Whilst there wasn't an amendment from the Leader of the Opposition, he did put forward three suggestions at the Council meeting which have since been explored. These were:

1. *"The anticipated capital receipt arising from the Resonance Real lettings Fund"*
2. *"The possibility of looking at the profile of capital receipts"*
3. *"Whether the Council has the capacity to fully utilise the Transformation funding as proposed in the Budget".*

I will address each in turn below.

### **1. Resonance Real Properties Fund income**

*"The anticipated capital receipt arising from the Resonance Real lettings Fund"*

There will be a one-off income from Resonance Real Properties, however the timing of this is not guaranteed and it would be a one-off capital receipt, not ongoing revenue funding.

This money cannot be used to decrease the Council Tax. The only way of doing this would be to go above the capitalisation direction limit Government has agreed, which would be unlawful.

### **2. Reprofile capital receipts**

*"The possibility of looking at the profile of capital receipts"*

Like selling a house, disposing of the Council's buildings takes time and is often reliant on the speed of the buyers and the nature of the market. Whilst I welcome the principle that we should ensure asset sales should progress as quickly as possible, often that is not in the Council's control.

The schedule of asset sales set out is what professional Officers have advised is likely to be achievable. Had the previous Administration left a pipeline of major asset disposals in process this would clearly have been a faster process.

We will of course press as hard as we can to get the best value disposals as quickly as possible, but we will not fiddle the figures and pretend assets can be disposed of faster than we know is likely to be the case. This may have been done in the past, but this Administration will not do that.

Where assets are sold, the receipts are assumed in the Budget to pay for the capitalisation direction and reduce the need to borrow. Without doing so the Council would yet again need to borrow more. That is not an answer to our problems.

Even if we were able to bring forward asset disposals, this would bring in capital funding which we are not able to use to fund everyday services. As set out above, the only way of doing this would be to go above the capitalisation direction limit Government has agreed, which would be unlawful.

### **3. Transformation funding**

*"Whether the Council has the capacity to fully utilise the Transformation funding as proposed in the Budget".*

Yes, the Council does have the capacity to use the funding. Transformation of services, as opposed to salami-slicing, is how we will make long-term, financially sustainable, change. Reducing transformation programme funding, effectively an invest-to-save budget, would reduce our capacity for change and put future transformation savings at risk. It may reduce spending, but it will also reduce savings, leaving the Council worse off overall.

Members will also have noted that the Budget report set out that it was advice from the Improvement and Assurance Panel (IAP) that led to the transformation budget being set at £10m. Given we have had clear advice that this level of capacity is required for the change Croydon needs, I would be strongly against reducing this Budget allocation.

## Summary

As has been set out, these one-off proposals are not viable alternatives, they would create new holes in the Council's Budget and perpetuate our problems by saddling the Council with millions more in debt. Had any viable and financially balanced alternatives been put forward, I would have considered them. The lack of any such amendments from the Opposition suggests that they do not have a real alternative.

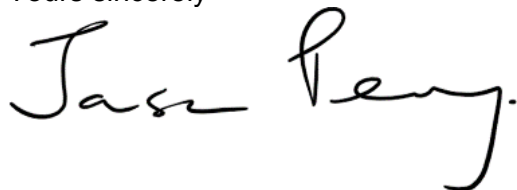
For the avoidance of doubt, I have consulted the S151 Officer on each of the amendments put forward by Cllr King and she has confirmed, for the reasons set out above, that these do not constitute viable options to reduce the proposed Council Tax level.

I recognise Members' unease about some of the measures put forward in this Budget. Whilst we have put forward proposals for a significant increase in support for residents through the enhanced £33m Council Tax Support Scheme and the additional £2m Hardship Fund, this Budget will still be difficult for many residents. There is nothing politically expedient about raising Council Tax, it is not something I want to do, but the scale of the problems I inherited mean it is necessary if we are to set a balanced budget and get our borough back on track.

I would also refer Members to the auditor letter of 3<sup>rd</sup> March which clearly sets out the duty we have to recognise the financial challenge facing Croydon and to set a balanced and prudent Budget for the coming year.

I therefore re-propose my original Budget, without amendment, to Members for further consideration at our meeting on 8<sup>th</sup> March.

Yours sincerely

A handwritten signature in black ink that reads "Jason Perry". The signature is written in a cursive, flowing style.

**Mayor Jason Perry**  
Executive Mayor of Croydon