

Dear Cllr Davis,

I write in response to the Scrutiny and Overview Committee's report on my Administration's Budget proposals for 2024/25.

I want to thank the Committee for their balanced consideration of the proposals and for your report setting out your conclusions.

The Committee have made three recommendations to which I will respond directly. I will also respond to the broader conclusions offered.

Recommendations

Recommendation 1: The Scrutiny & Overview Committee recommends that further work is undertaken to raise awareness of the availability of the Hardship Scheme, targeted toward groups identified in the Equalities Impact Assessments as potentially being most affected by the proposed Council Tax increase.

The Council has undertaken a range of activity to promote the scheme:

- The hardship scheme was introduced in the letter from me that was included with all Council Tax bills at the start of April 2024. The Council Tax booklet also reiterated this.
- On the back of Council Tax bills we are promoting to residents how to “get help with the rising cost of living” which includes getting help paying Council Tax and “get money off your bill”. You can find these details [here](#).
- We have updated the website with the new hardship scheme [here](#) and linked the Hardship Fund to the [cost of living web page](#).
- Throughout the month we send out various Council Tax campaigns to prompt residents via email or SMS, and we include a link to the hardship scheme and the cost of living crisis web pages within each. The campaigns are directed at residents who:
 - do not pay by direct debit, i.e. cash payers. We send out a pre 5th of the month reminder that the monthly instalment is due on or before the 5th of the month.
 - are going to receive a reminder notice for not paying a monthly instalment in full. They receive a nudge that the monthly instalment is outstanding and this needs to be paid to avoid a reminder notice being issued.
 - are about to receive a summons. They are advised what to do to avoid a summons being issued.
 - pay by direct debit but for some reason the direct debit has not been paid, i.e. they need to pay the missed instalment to keep up to date.
 - have a special payment arrangement with us but it is not kept up to date and the arrangement fails. They are advised about the broken arrangement and what they need to do to get it reinstated.
- We shared a Council Tax Hardship information pack with over 500 third sector partners to encourage take up of the fund.
- We have changed the back of the Council Tax Reminder Notices and Summons notifications to include a link to the new hardship scheme.
- Officers in the revenues service meet with Citizens Advice Bureau (CAB), South West London Law Centre (SWLLC), and Money and Pension Service (MAPS) on a monthly basis to agree how best we can collectively support Croydon residents, and from listening to their advice and feedback we have changed the front of all Council

Tax bills which includes Adhoc Bills and Annual Bills to promote the hardship scheme.

- Again working with CAB, SWLLC and MAPs, Croydon residents can access face to face support via a referral system 2 days per week Access Croydon (CAB) Tuesday and Davis House (SWLLC) on a Wednesday. This referral system is working well.
- CAB, SWLLC and MAPs also promote Croydon's hardship scheme.

This successful campaign has resulted in an increased number of residents receiving Council Tax Support, to the value of £1m deducted from bills in the last year.

I hope the Committee will agree this reflects a sizeable effort to promote the scheme, but officers will continue to keep this in review to ensure its effectiveness.

Recommendation 2: Given it was noted that the removal of Economic Demand Pressures Fund presented a greater risk, the Scrutiny & Overview Committee recommends that an updated version of Appendix L – Financial Risks is presented as part of the budget papers for the consideration of Council. This should include potential mitigation being provided for each risk and all financial risks for 2024-25 being quantified. The Committee would also recommend that the Financial Risks document is scheduled for review by the Audit & Governance Committee at the earliest possible opportunity.

Agreed, this will be provided for Full Council.

Recommendation 3: In the interests of transparency, the Scrutiny & Overview Committee would recommend that additional information is included in the final budget report to Council to explain the further legacy Capitalisation Direction of £9.4m for 2019-20.

This will be explored by officers subject to considerations around commercial sensitivity.

Comments and conclusions

Budget preparations

I welcome and support the Committee's comments about the hard work of colleagues across the Council that has enabled us to present a balanced budget for 2024/25. The Committee note the early and detailed preparations that have gone into this, with information provided to colleagues at an early stage to enable due and thoughtful scrutiny.

This budget demonstrates clear financial rigour and reflects a whole Council effort to get Croydon's finances back on track. The Committee note the significantly financially constrained environment the wider local government sector is currently operating in, on top of the unique challenges faced in Croydon.

As the Committee note, when I was elected in May 2022, I inherited a Council recovering from significant financial collapse. The first Report in the Public Interest in in 2020 had identified wide-ranging and significant failures in leadership, governance and financial management, and serious weaknesses in the authority's strategy around commercial investment and residential development, and in November 2020, the Council issued its first S114 notice, indicating that it was in a position whereby it could not continue to deliver a balanced budget without exceptional financial support. A second S114 notice was issued in December 2020.

The Committee will be aware that in 2022, I embarked on an 'Opening the Books' exercise. This identified a range of additional challenges, including the need to rectify significant legacy budget errors. The Council subsequently issued a third S114 notice in November 2022 and we were forced to request a further Capitalisation Direction from Government.

The historic financial issues uncovered have left the Council with a recurring budget gap, a significant amount of which relates to the exceptional costs of servicing the Council's £1.4bn debt. Last year, I took the difficult decision to reduce this by £22m a year by proposing an above the cap increase in Council tax of 14.99%. Further capitalisation directions from Government, along with the Council agreeing to make 2023-24 savings of £36m, enabled us to set a balanced budget for 2023-24. The Council is therefore no longer subject to the S114 issued in November 2022.

I am pleased therefore that through hard work and financial discipline we are now able to deliver a balanced budget again, with no additional burden to Croydon taxpayers above the London borough Council Tax cap of 4.99%. I committed last year to not raise Council Tax above the threshold limit and I am pleased that through a rigorous and prudent budget setting process we have been able to uphold this pledge.

A key part of how we will achieve this is through our commitment to deliver £30.9m in savings this year, with further to be identified for future budget years. In order to do this, it will require a wholesale transformation of the way the Council works, creating a more efficient and resilient Council for the future.

Capitalisation

The Committee notes the current situation for the Council with regards to continuing capitalisation support from Government. The Committee will be aware that the on-going impact of the legacy issues facing Croydon means that extraordinary government support is still necessary, and this is budgeted at £38m for 2024-25 with the same in future years of the MTFS.

As detailed in the report to Cabinet, Croydon's historic financial legacy has resulted in a debt burden that is not sustainable, and will require Government support to resolve. As the report notes, for 2024-25 debt servicing costs for Croydon, after allowance for the Council's asset disposal programme, are estimated at 15% of our core spending power. As such, the current expectation is that a further Capitalisation Direction of £38m will be approved by Government for 2024-25 with an additional legacy capitalisation direction of £9.4m for 2019-20.

I do not believe that the continued use of Capitalisation Directions provides a sustainable way for Croydon Council to manage our finances and I continue to engage in dialogue with Government to agree a longer-term solution.

My ambition is that the Council will soon be able to deliver balanced budgets that do not rely on future exceptional government financial support and do not put additional pressure on Croydon's taxpayers.

Savings

The Committee notes that the proposed savings set out in this Budget are "deliverable" whilst still meeting the statutory needs of our most vulnerable residents.

The Committee will note that at Period 8, our financial position showed an overall underspend of £1.3m, despite the wider inflationary and demand pressures facing the sector

currently. The MTFs also sets out how Croydon's financial position has stabilised in the past 12 months, as the Council continues to make progress in tackling its financial challenges.

The Committee also note that the scale, pace and wide-ranging nature of these savings mean that they will need to be closely monitored. I can assure them that we will continue to apply the rigour and financial discipline we have shown within this financial year, with ongoing monthly monitoring enabling us to identify risk of slippage and to take remedial action at an early stage.

Transformation

As noted in the Cabinet report for this budget, given Croydon's financial challenges, the Council must reduce its expenditure significantly over the medium-term. My Business Plan makes it clear that I see our wholesale transformation as fundamental to how we achieve this.

Croydon Council must become more efficient and better-run. We must be more effective in the work that we do: we must do less, but what we do, we must do well. We must make services more efficient and seek to get value for money from every penny of taxpayers' money we spend. As such, this budget includes investment in modernising and improving the way we work.

We have already appointed a dedicated Transformation Director and a detailed Transformation Strategy for the Council will be coming to Cabinet in due course.

Risk

As the Committee has noted, and the S151 Officer has reported in her statutory Section 25 Statement, removing the £5m Economic Demands Pressures Fund from the 2024-25 budget increases the overall level of risk in the Council's 2024-25 budget. Many councils are experiencing similar increases in risk profile and this is recognised by Government.

Councils are being asked by Government to balance shortfalls with reserves and capitalisation in 2024/25. With inflation currently down from levels experienced in 2023 and better budget control in place across the Council, I share the Committee's view that on balance, the increased risk is manageable and that contingencies and reserves are sufficient.

Support to residents

The recent survey we undertook to this budget showed that residents see our services for vulnerable residents as a top priority. We will continue to reflect this whilst ensuring best value for money for them as taxpayers.

There is a range of support in place for residents struggling to pay their Council Tax. The lower a resident's income the high the support provided, and pensioners and disabled residents may be entitled to receive up to 100% support and working age residents up to 80%. This sits alongside a broader offer of support available for residents struggling with the current cost of living which is detailed on our website [here](#).

Conclusion

Whilst we are making clear progress, as recognised by the Improvement and Assurance Panel and the Secretary of State, Croydon has a huge journey of transformation ahead, and

I look forward to working with members and all our partners to deliver a bright future for Croydon.

Yours sincerely

Mayor Jason Perry

Executive Mayor of Croydon