

LONDON BOROUGH OF CROYDON

| | |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| REPORT: | CABINET |
| DATE OF DECISION | 8 JANUARY 2025 |
| REPORT TITLE: | Report of the Corporate Peer Challenge |
| CORPORATE DIRECTOR / DIRECTOR: | Katherine Kerswell, Chief Executive Elaine Jackson, Assistant Chief Executive Jane West, Corporate Director of Resources & S.151 Officer Stuart Collins, Corporate Director of Children, Young People & Education Annette McPartland, Corporate Director of Adult Social Care & Health Nazeya Hussain, Corporate Director of Sustainable Communities, Regeneration & Economic Recovery Susmita Sen, Corporate Director of Housing |
| LEAD OFFICER: | Carol Squires, Interim Director of Policy, Programmes and Performance |
| LEAD MEMBER: | Jason Perry, Executive Mayor of Croydon |
| KEY DECISION? | NO |
| CONTAINS EXEMPT INFORMATION? | NO |
| WARDS AFFECTED: | All |

1 REPORT SUMMARY

- 1.1** The final report of the Local Government Association (LGA) Corporate Peer Challenge (CPC) presents the key findings and recommendations of the Peer Challenge Team following their visit to Croydon in October 2024. After one of the most challenging financial and governance crises in local government today, this independent report validates the work to rebuild the Council at unprecedented speed. It says, “The peer team was impressed with the scale of change the Council has achieved over the last four years,” noting the “significant progress” in responding to the issues faced. The peer team said that the Council should take pride in what has been achieved. Despite ongoing financial challenges, much of the transformation work taking place across the organisation could now be considered as an exemplar to others.
- 1.2** The peer team noted that “the Council has an ambitious vision for the borough, with clear corporate priorities – namely ‘balancing the books, listening to residents and delivering good, sustainable services’, and restoring pride in Croydon – and is delivering steadily against them, with progress made in financial management and

monitoring, attempting to reconnect with local communities and building the ‘customer voice’ into service development and provision, and efforts to improve town centres and tackle anti-social behaviour.”

1.3 The Peer Challenge Team comprising senior local government Councillors and officers undertook a comprehensive review of key finance, performance and governance information, speaking to a range of Council staff, members and external partners, with a view to providing robust, strategic, and credible challenge and support. As a next step, the Council is developing an action plan that responds to the report recommendations. This will be presented to the Scrutiny and Overview Committee and then submitted to Cabinet for approval on 22 January 2025.

1.4 The importance of this report for residents, officers and Councillors who experienced the Council’s crisis four years ago cannot be overestimated. Its recognition is a source of pride and will encourage the Council to continue working on Croydon’s recovery, guided by its recommendations.

2 WHAT THE PEER CHALLENGE TEAM FOUND

2.1 The peer team recognised that Croydon Council has made significant change and improvement over the last four years. Those involved “should be really proud” of this achievement. They said that they had “learned a lot from Croydon and will borrow with pride.”

2.2 Their overall messages and observations included:

- The Executive Mayor and Chief Executive were respected and visible in their leadership both inside and outside the organisation.
- A strong direction is set out in the Mayor’s Business Plan and the Council is delivering steadily against its priorities.
- Members of the Corporate Management Team are highly thought of internally and by external partners.
- The Council has a strong culture, with a dedicated workforce. Having worked through the last few years, they now feel proud to work for Croydon Council.
- Member-officer and member-member relationships across the Council are generally mature and respectful.
- There is widespread understanding and ownership of the Council’s financial challenges across the organisation.
- There is a range of approaches to drive down costs, make savings and generate income, but there is more to explore.
- Continuing the work to rebuild trust with residents will be key.

- Clear examples of significant transformation in parts of the business can be learned from – elsewhere in the organisation and as an exemplar to the sector.
- Croydon Council is recognised as a credible partner on the sub-regional, and regional stage.

2.3 At the end of their visit, the peer team fed back some quotations that they had heard from Croydon staff and partners. These included the following:

- “Croydon [is] starting to feel and behave like a normal partner.”
- “Croydon has a really big heart and wants to help people.”
- “This is the closest that I have felt aligned with the Council in my career.”
- “We own our past, but we are not defined by it.”
- “Members get it.”
- “Croydon has as good a leadership team as I have come across in local government.”

3 CROYDON COUNCIL’S JOURNEY TO GET HERE

3.1 In September 2020, a [Report in the Public Interest \(RIPI\)](#) uncovered catastrophic failures in leadership, governance and financial management. Two months later, the Council issued the first Section 114 Notice in London for 20 years. A second followed in December 2020. At this time, a [non-statutory government assurance review](#) found that “the Council has been poorly led by both Members and Officers over recent years... The signs of this crisis have been there for some time – the high spending departments have continued to overspend; savings targets have not been met. The signs were there, and alarm should have been noted and escalated, but the Assurance process has failed, and Governance has been poor.”

3.2 The government appointed an [Improvement and Assurance \(IAP\) Panel](#) in February 2021 to oversee Croydon’s recovery efforts. The same month, a [national ITV report](#) highlighted the need for urgent transformation of the housing service. A [further RIPI](#) followed in January 2022, relating to historical failures in the Council’s refurbishment of Fairfield Halls. Both RIPIs uncovered substantial issues in leadership, governance and financial management. They highlighted a toxic organisational culture characterised by detached leadership, silos, and widespread bullying and discrimination.

3.3 In October 2021, Croydon residents voted to change to a directly elected mayor model in a governance referendum to determine how their Council would be run. In 2022, following the election of Croydon’s first directly elected Executive Mayor, Jason Perry, and at his direction, the Council embarked on an ‘Opening the Books’ exercise. This, alongside external audit reviews of past expenditure, identified a range of additional challenges, including the need to rectify legacy budget errors totalling £161.6m in one

off costs and £49m in ongoing annual shortfalls. The Council subsequently issued a third Section 114 notice in November 2022 and was also forced to request a further significant increase in Capitalisation support from Government to balance its budget. As a result, in July 2023 the government [moved the IAP to a statutory footing](#) with a strengthened remit.

- 3.4** The Council has been left with £1.6bn in debt and reliant on exceptional Government financial support in the form of permissions to borrow £407.6m to date. £134m savings have been made over three years and asset disposals have delivered £150m to date. Nevertheless, the Council is paying £62m a year to service the debt, meaning that 17% of its core spending power is being spent on debt before providing services for residents.
- 3.5** In response, Croydon has embarked on one of the most ambitious improvement programmes in local government, with a relentless focus by elected leaders and officers on fixing the finances and getting Croydon back on track. The recommendations of an extensive range of external reviews have all been acted upon. The Council's work has been guided by corporate plans such as the [Mayor's Business Plan \(2022-26\)](#), [Improvement Plan \(2022-27\)](#), the [IAP's Intervention Exit Strategy](#) and [Future Croydon Transformation Plan 2024-29](#). These programmes are underpinned by measurable milestones and consistent monitoring. Listening to Croydon - residents, businesses and partners - is an Executive Mayoral commitment and runs throughout.

4 THE CORPORATE PEER CHALLENGE

- 4.1** The CPC is a key part of the LGA's improvement and assurance framework for local government. It assists local authorities in meeting part of their Best Value duty; with every council required to undergo a CPC every five years. It is delivered by the local government sector for the sector and complements the Council's own performance and improvement focus. It is available, at no cost, to all English councils and involves a diverse team of experienced peers, comprised of senior local government councillors and officers, visiting the host council to undertake a review of key finance, performance and governance information.
- 4.2** The peers spent the 7th to the 10th of October at the Council with a view to providing robust, strategic, and credible challenge and support. They reviewed a range of information and evidence to ensure that they were familiar with the Council, the challenges it is facing and its future plans. The peer team gathered information and views from more than 30 meetings, in addition to further research. They spoke to more than 75 people including a range of Council staff together with members and external partners.
- 4.3** As required, the Council is preparing an action plan that responds to the 10 recommendations of the CPC final report. The plan will be presented to the Scrutiny

and Overview Committee on 21 January 2025 and submitted to Cabinet on 22 January 2025 for adoption.

- 4.4** A Progress Review will need to take place at Croydon Council in 2025. Croydon Council is expected to publish the related Progress Review Report within twelve months of the CPC (by 10 October 2025).

5 RECOMMENDATIONS

For the reasons set out in the report the Executive Mayor and Cabinet is recommended to:

- 5.1** Note the final report of the Croydon Council Corporate Peer Challenge (Appendix 1).
- 5.2** Note that an action plan responding to the recommendations in the final report will be presented to Cabinet on 22 January 2025.

6 REASONS FOR RECOMMENDATIONS

- 6.1** The Corporate Peer Challenge (CPC) assists local authorities in meeting part of their Best Value duty. The Government expects councils to have a CPC every five years.
- 6.2** The LGA stipulates that the CPC Report should be published on the Council's website no later than 10 January 2025, three months after the CPC.
- 6.3** The Council must also prepare an action plan that responds to the report recommendations. It is expected that the action plan will be published within five months of the CPC.
- 6.4** The recommendations are for noting only.

7 CONSULTATION

- 7.1** This report is for noting only.

8 CONTRIBUTION TO EXECUTIVE MAYOR'S BUSINESS PLAN

- 8.1** The CPC assists local authorities in meeting part of their Best Value Duty. The CPC final report makes recommendations that, when implemented, will strengthen the Council's ability to deliver on the following priorities in the Mayor's Business Plan:
- Get a grip on the finances and make the Council financially sustainable.
 - Become a council which listens to, respects and works in partnership with Croydon's diverse communities and businesses.

- Strengthen collaboration and joint working with partner organisations and the voluntary, community and faith sectors.
- Ensure good governance is embedded and adopt best practice.
- Develop our workforce to deliver in a manner that respects the diversity of our communities.
- Support the local economy and enable residents to upskill and access job opportunities.

9 IMPLICATIONS

9.1 FINANCIAL IMPLICATIONS

- 9.1.1 Two recommendations in the CPC emphasise the need for the Council to demonstrate that it has taken all possible measures to bring down costs and deliver value for money, and to develop a four-year sufficiency plan to balance the Medium Term Financial Strategy.
- 9.1.2 There are no other financial implications arising from the recommendations in this report.
- 9.1.3 Comments approved by James Huggett, Head of Finance for Resources, Assistant Chief Executive and MTFS on behalf of the Director of Finance 19/11/2024.

9.2 LEGAL IMPLICATIONS

- 9.2.1 The Corporate Peer Challenge assists local authorities in meeting part of their Best Value Duty. This Duty relates to the statutory requirement for local authorities and other public bodies defined as best value authorities in Part 1 of the Local Government Act 1999 (“the 1999 Act”) to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. In practice, this covers issues such as how authorities exercise their functions to deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services, including adult social care and children’s services, and secure value for money in all spending decisions.
- 9.2.2 Statutory guidance on the Best Value Duty issued under section 26 of the 1999 Act sets out the Government’s expectation for local authorities to make their own arrangements to secure continuous improvement. This includes being open to external challenge and scrutiny, including regular peer challenges.
- 9.2.3 The guidance also provides that arranging a corporate peer challenge at least every five years, acting promptly on any recommendations given, and publishing the report of that review and progress updates, are among characteristics of a well-functioning authority.
- 9.2.4 Comments approved by Kiri Bailey Head of Commercial, Housing and Litigation and Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer. (19/11/2024).

9.3 EQUALITIES IMPLICATIONS

9.3.1 In its assessment of the Council's local priorities and outcomes, the Peer Challenge Team found that the Council had a good understanding of the diversity of the place and the needs of the borough. There are no equalities implications arising from the recommendations of this report.

9.3.2 Comments approved by Helen Reeves, Head of Strategy and Policy (12.11.2024)

9.4 HUMAN RESOURCES IMPLICATIONS

9.4.1 There are several workforce-related actions emergent from the CPC that will need focus and resource to embed alongside a refresh of the Council's People and Cultural Transformation Strategy.

9.4.2 Key actions include: completion of a skills audit; introduction of a new change model and framework; review and potential expansion of the core management development programme; review of the staff networks' terms of reference and critical role for building an inclusive workplace culture; completion of Oracle HR improvements to yield organisational efficiency; digital training and development; the building of talent pipelines supported by skills and career pathways; improvement of customer service skills; refreshment of the Council's values, reduction in agency use and spend; and the continued focus on retention and workforce stability.

9.4.3 Approved by: Dean Shoesmith, Chief People Officer. (12/11/2024)

10 APPENDICES

1. Croydon Council Corporate Peer Challenge Final Report, November 2024.