



Ministry of Housing,
Communities &
Local Government

Luke Hall MP

Minister for Regional Growth and Local Government

**Ministry of Housing, Communities & Local
Government**

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Councillor Hamida Ali
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By email

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Dear Councillor Ali,

FINANCIAL SUPPORT FOR LONDON BOROUGH OF CROYDON

I am writing in relation to your Council's request for exceptional financial support in respect of 2020/21 and 2021/22. I appreciate your continued co-operation with my Department throughout this process, and that of your officers.

Having reviewed the latest iteration of your Improvement Plan I am grateful to you for the openness with which you have acknowledged how the Council has arrived at its current position and the commitment that you have made to the improvements needed. As part of the Secretary of State's response to the Rapid Non-Statutory Review he appointed an Improvement and Assurance Panel, who have now provided their initial assessment of the scale of the financial challenge faced by the Council.

Within this context it is important that you continue to cooperate closely with the Improvement Panel, providing regular assurance that you are working at pace to deliver the scale of change that is needed. Future reports from the Improvement Panel will continue to inform our judgements in relation to your progress.

The Secretary of State has now fully considered the capitalisation request and although this does not constitute a capitalisation direction, this letter sets out his current position.

With respect to the financial year of 2020/21, the Secretary of State is content to approve a total capitalisation direction to fund revenue expenditure not exceeding £70 million, subject to conditions. The conditions will be set out in the capitalisation direction when issued.

The conditions are as follows:

- A. The Authority may only capitalise expenditure when it is incurred;
- B. Where expenditure is capitalised, that the Authority shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with relevant guidance;
- C. Where the Authority's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction, any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB (Public Works Loan Board) and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not

apply to borrowing in relation to your Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing;

- D. The Authority continues to make good progress against its Improvement Plan, as assessed by the Improvement Panel in their regular reports to the Secretary of State.

With respect to the financial year of 2021/22, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £50 million. Again, such a direction may be subject to conditions, which would be set out in the capitalisation direction when issued.

If the Secretary of State decides to give a direction, he expects to confirm the final amount of capitalisation support and any conditions that would be applied in summer 2021. His consideration will include taking account of the following:

- A. Evidence that the conditions set out in any capitalisation direction in respect of 2020/21 have been complied with;
- B. Evidence from the Improvement Panel of the Authority's progress against its Improvement Plan, as reflected in forthcoming progress reports from the Panel;
- C. Evidence from the Improvement Panel of the Authority's financial position and its ability to meet any or all of the identified budget gap without additional borrowing;
- D. Evidence from the Improvement Panel of the Authority's progress in developing and delivering against an asset disposal plan;
- E. Evidence of progress against the other areas of improvement that were identified in the Panel's February update to the Department: progress in resolving challenges in property ventures; a credible 2021/22 budget including a deliverable savings plan; progress in developing a plan to transform front line services; progress made to change the culture of the organisation;
- F. Evidence and recommendations from the Improvement Panel on the steps that the Authority may need to take to, for example, improve its governance arrangements, financial management, operational delivery and to reduce risk.

With this in mind, the Secretary of State also reserves the right to attach additional bespoke conditions to a direction in respect of 2021/22 depending on the Council's individual circumstances.

In the event of a failure by the Council to demonstrate progress in its recovery, the Secretary of State will consider whether it is appropriate to use the Best Value powers available, including the appointment of Commissioners.

A meeting has been scheduled with the Department and your officers to discuss the position set out in this letter on 5 March.

I should be grateful if the Council would consider the Department's position concerning your request for exceptional financial support and confirm to me in writing by 12 March that you wish to proceed in accordance with the conditions outlined in this letter. If you do proceed, my officials will issue a capitalisation direction for 2020/21.



LUKE HALL MP