



London Borough of Croydon Council

Auditor's Annual Report
Year ending 31 March 2025



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for London Borough of Croydon Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The Council is a unitary council, and one of London's largest boroughs, with a population of 390,000 residents. The Council operates under a directly elected Executive Mayor decision-making model. The Mayor appoints the Cabinet, who support the Council in overseeing the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure. Further support is provided by a series of non-executive committees for specific operations or services, and Overview and Scrutiny Committees, who hold the Mayor and Cabinet to account. Following a period of non-statutory intervention between January 2021-May 2023, the Council's Government appointed Improvement and Assurance Panel was placed onto a statutory footing in May 2023, giving them the power to direct the Council if they felt this appropriate. The Government has now appointed Commissioners as of July 2025, who have the ability to influence and override Council decisions. The Council has 70 councillors, and the Council is elected every four years. The most recent elections were in May 2022, there were subsequent by-elections in May 2024, both resulted in a Council of no overall control, Labour holding 34 seats, Conservatives holding 34 (including the Executive Mayor), 2 Green Party and 1 Liberal Democrat. **It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.**

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness identified due to reliance on financial support from government, Key Recommendation raised.	One risk of significant weakness identified in relation to continued reliance on financial support from government.	R Significant weakness in arrangements identified and a statutory recommendation made relating to continued reliance on government financial support, resulting in an unsustainable debt burden and a government appointed commissioner led model being implemented. We also raise four improvement recommendations.
Governance	A No significant weaknesses identified and prior year improvement recommendations being progressed.	One risk of significant weakness identified in relation to a lack of audited financial information.	A No significant weaknesses in arrangements identified, an improvement recommendation is made to support the Council in improving arrangements for finance team capacity and resilience, in respect of the production and audit of financial information.
Improving economy, efficiency and effectiveness	R Significant weakness identified in relation to the quality of the Council’s Housing Service, Key Recommendation raised.	One risk of significant weakness identified in relation to our prior year Key Recommendation related to the Housing Service.	A No significant weaknesses in arrangements identified, prior year recommendation has been partially addressed and an improvement recommendation raised to ensure continued progress in the response. A further two improvement recommendations made to support the Council in improving arrangements for complaints handling and benefits realisation.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council has a history of weaknesses in achieving financial sustainability, we continue to observe these weaknesses for 2024/25. For 2024/25 the Council set a breakeven budget, which included the use of £38m Exceptional Financial Support (EFS). The Council achieved a General Fund provisional outturn underspend of £0.7m. However, to achieve this position, in total, the Council used £51m of EFS (for which it needed to borrow £19.6m) and £20.6m of reserves and contingencies. Therefore, it's underlying deficit for the year is in excess of £70m. The Council has been reliant of Exceptional Financial Support (EFS) from the Government, in the form of Capitalisation Directions, to balance its budgets since 2019/20. The 2025/26 budget and Medium Term Financial Strategy (MTFS), continue to rely on this support. For 2025/26 the Council requires £136m of EFS, the second largest in the country in absolute terms (reducing to 6th highest based on EFS to Core Spending Power), to balance its position, increasing each year over the MTFS. In total, by 2028/29 the Council expects to have required support totalling £1.077bn since 2019/20. Of this £888.2m is the amount that could be funded by borrowing, with the remaining £188.8m from capital receipts from the Council's asset disposal programme. The Council has used asset sales, where possible, until now and will continue to explore all solutions, however should these not be identified in future years borrowing will likely be the predominant source of financial support.

The impact has resulted in an unsustainable debt burden, with an estimated cumulative revenue cost of servicing this borrowing (using interest rates and average MRP) forecast to be £230m, by 2028/29, and the inability to achieve exit from existing statutory intervention from the Government appointed Improvement and Assurance Panel (IAP). The Council has produced a Stabilisation Plan which seeks additional savings of £27.3m, to reduce the initial estimate of EFS required for 2025/26. However, due to the deteriorating financial position, the Secretary of State believes the Council is failing to meet its Best Value Duty, and has placed the Council under Government Directions and Commissioner-led model to seek to respond to the significant financial challenge. Due to the significance of this matter and deterioration in arrangements from prior year, we have raised a Statutory Recommendation.

Excluding the increasing debt burden, the pressures the Council is experiencing, which are adding to the challenged financial position, are common place across the sector and relate to Adult Social Care, Children's Social Care and Homelessness. The Council has developed the Future Croydon Transformation Programme, alongside its existing savings programme, to seek new ways of working to deliver efficiencies on a much larger scale. The Programme is newly developed and therefore there is limited evidence of successful delivery at this stage, although the Council has engaged a Transformation Management Office to support delivery and monitoring, to maximise success. The process has been supported by Strategic Partners in key areas such as Children's and Adults Services.

The Council has also experienced overspends in relation to its Housing Revenue Accounts and Dedicated Schools Grant, although in the context of the general fund position these are much less significant in magnitude and can be managed within existing resources.

Overall, the Council is unable to achieve financial sustainability in the medium term under current arrangements. The continued reliance on EFS has placed the Council in a 'vicious cycle' whereby the increased revenue cost it creates, from additional borrowing, causes budget gaps which require EFS at an increasing rate each year, exacerbating the problem year on year. The Council's ability to achieve financial sustainability now requires identification of an alternative solution, in collaboration with Central Government.

Executive Summary (continued)



Governance

The Head of Internal Audit opinion gave Substantial Assurance on controls, this recognises the improvement that the Council has made in terms of its response rate to recommendations and reduced number of 'No Assurance' and Limited Assurance' reviews. The Head of Internal Audit has emphasised the relative nature of this improvement.

Risk management arrangements have remained consistent with prior year, and although they meet the basic standards we would expect the Council has the opportunity to identify best practice at similar organisations which could strengthen existing arrangements.

In recent years the Council has experienced challenges with capacity, which has led to a backlog in published, and audited accounts. Having taken advantage of the Government backstop legislation, restructured and recruited, the Council has now produced all prior year accounts up to and including 2024/25. It will be important that the resilience built into the Finance Team is protected and maintained to support the audit process and future years accounts production. The 2024/25 audit will be the first substantive full audit since 2019/20 and will be key to rebuilding assurance.

Scrutiny and decision-making processes are effective. The Council monitors and ensures appropriate standards around legislative, regulatory requirements and member behaviour.

Overall, governance arrangements at the Council are increasingly robust, although we have noted opportunities where these could be reviewed and strengthened.



Improving economy, efficiency and effectiveness

Actions have been taken to improve the quality of Housing Services, a weakness identified in the prior year. This has led to the lifting of a Regulatory Judgement by the Housing Regulator in that area, although Internal Audit continue to find weaknesses across several housing related reviews. As such, we make an improvement recommendation to ensure the Council continue its improvement trajectory.

The Council monitors its non-financial performance through internal KPI monitoring, as well as being subject to external reviews in specific activities. Overall, performance across a range of these reviews and KPIs is adequate although the opportunity to improve complaints handling processes has been identified.

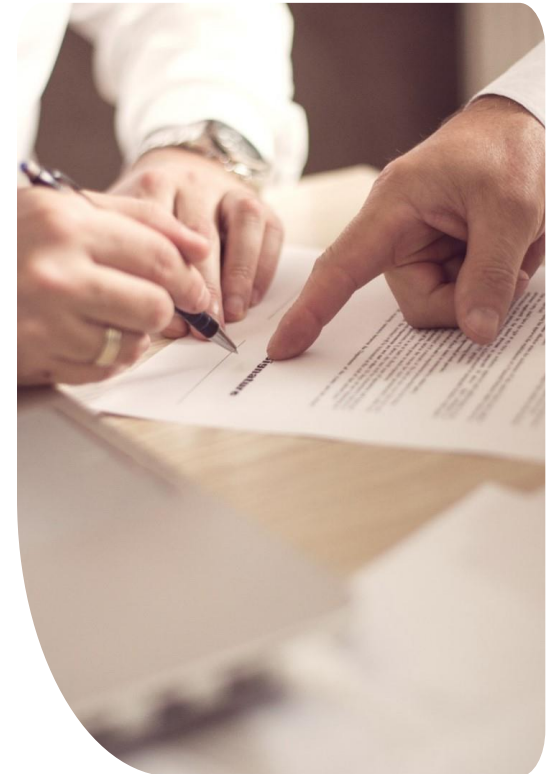
The Council entered into two key strategic partnerships, with the aim of delivering significant efficiencies in Children's and Adults Services. The contracts are subject to performance management arrangements, specifically through incentive-based payments, which the Council have effectively deployed or withheld as required. Both programmes have completed the identification and design phase. Adult's Service work has now moved to delivery phase, supported by the Strategic Partner, while the Council is exploring alternative methods to take the Children's services work to the same phase. Arrangements, therefore, remain in their infancy.

Overall, the Council performs effectively in its use of resources, with some opportunities for continued improvement.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
<p>Opinion on the Financial Statements</p>	<p>Work is still ongoing, having received the 2024/25 draft accounts at the end of July 2025.</p>
<p>Use of auditor’s powers</p>	<p>We made written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>



03 Other reporting requirements and use of auditor's powers

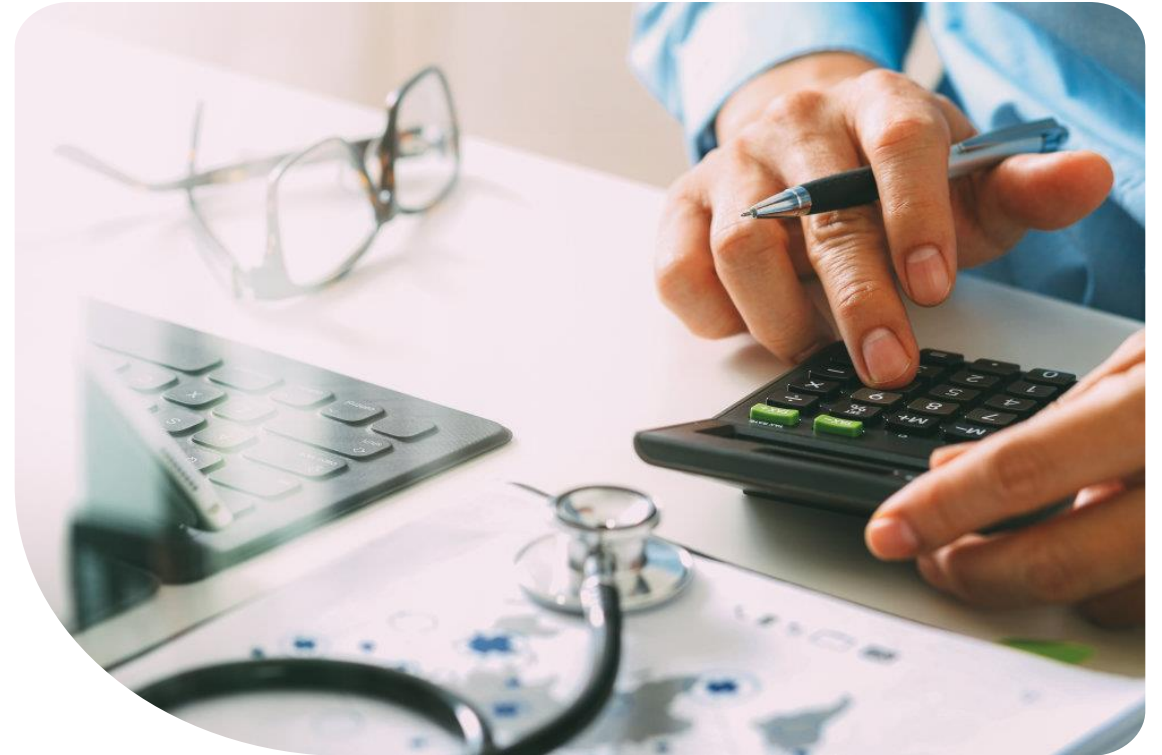
Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body. We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24 of the Act. We have, therefore, issued a Statutory Recommendation to the Council in 2024/25. This was due to concerns regarding the Council's financial sustainability due to continued reliance on government Exceptional Financial Support (EFS), as well as recent enforcement of a statutory commissioner-led model to direct financial management at the Council. These arrangements replace previous statutory arrangements (in place since May 2023), due to unsuccessful exit from those arrangements by the agreed target date (July 2025). Further details are included in the following report.

What does the Council need to do next?

Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:

The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council.

At that public meeting the Council must decide:

- *whether the recommendations are to be accepted; and*
- *what, if any, action to take in response to these recommendations.*

Schedule 7 of the Act specifies the meeting publication requirements that the Council must comply with.

04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

General Fund - The Council achieved a General Fund revenue budget provisional outturn underspend of £0.7m. However, to achieve this position, in total, the Council used £51m of EFS (for which it needed to borrow £19.6m) and £20.6m of reserves and contingencies. Therefore it's underlying deficit for the year is in excess of £70m. Pressures continue to be observed in demand-led services, specifically Housing (due to homelessness) and Children and Young People.

The Council has set a balanced budget for 2025/26, however it has only achieved this by assuming continued government support via a £136m Capitalisation Direction. This demonstrates a continued, and increasing, reliance on this support, which has created an unsustainable debt burden for the Council, having relied on this support each year since 2019/20. The Council has undertaken a series of asset disposals under EFS arrangements, since 2019/20, to reduce the need to fund the full amount through borrowing. However, with assets being a finite resource, going forwards the Council may need to rely on borrowing to fund its future EFS. The impact of this is that borrowing could increase from £135m in 2019/20 to £888.2m by 2028/29 (reduced from £1.077bn in total due to £188.8m in asset sales), from EFS alone, excluding any further borrowing for capital projects. Forecasts estimate that the Council will need to fund £230m of borrowing costs, cumulatively, by 2028/29 (see Table 1 page 18). This is not sustainable and an urgent solution is needed to the Council's increasing levels of debt.

In addition to financial support from Government, the Council has also been supported via an Improvement and Assurance Panel (IAP) since January 2021 (which was given statutory powers in May 2023) to advise, support and monitor progress against recommendations from previous external reviews. An Exit Strategy was in place, with the aim of ceasing this support at the end of 2024/25. Although substantial progress was made in other areas of the strategy, continued financial challenges prevented the Council from successfully completing the Financial Stability section of the Strategy in full (4 of 27 actions in this area were not met). Government has, therefore, made the decision to implement a Commissioner-led model at the Council. It is not clear to us how the Council will maintain statutory services, work within the Council tax referendum cap and balance its Medium Term Financial Strategy (MTFS), within the context of its historic toxic debt and its new EFS driven debt position. Therefore, there is evidence that arrangements in relation to achieving financial sustainability have deteriorated, as such we deem it appropriate to raise a Statutory Recommendation (SR1) to reflect the increased weakness, in place of our prior year Key Recommendation. Detailed commentary on the recommendation, including background to the challenges, are provided on the proceeding pages.

R

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability resulting in a Statutory Recommendation

Historic Financial Challenge:

Grant Thornton, as Croydon Council's external auditors, published a Report in the Public Interest on 23 October 2020, expressing our serious concerns about the Council's financial situation, its financial decision-making and governance and made 20 recommendations. Subsequently the Council issued two 'Section 114 reports' in November and December 2020. Such reports are issued under the Local Government Finance Act 1988, and represent a formal notification by a Local Authority's Chief Finance Officer (Section 151 Officer) that the Council is facing a significant financial crisis, specifically that its predicted expenditure exceeds its available resources. This signifies that the Council is at risk of not being able to balance its budget. The Council identified that it would only be able to balance its budget with Exceptional Financial Support (EFS) and requested this from central government, a total of £150m spread over four years from 2020/21. This was provided by government through the award of Capitalisation Directions that gave Croydon permission to fund revenue expenditure from capital receipts and/or borrowing.

Further budget issues emerged during the 'Opening the Books' exercise launched by the Executive Mayor in June 2022. This ultimately led to budget corrections of £49m for 2023/24 and prior year adjustments of £161.6m. Due to the significance of the adjustments, and their impact on the budget, the Council's Section 151 Officer to issue Croydon's third Section 114 report on 22 November 2022 as it was unable to fund financial deficits forecast from 2023/24 onwards.

Specific areas of pressure which have contributed to the financial challenges being faced, align with pressures observed nationally, due to escalating demand-related costs in Adult Social Care, Children's Social Care and Homelessness.

Government Support - Financial:

Support has been provided to Croydon in several forms. This has predominantly consisted of EFS, in the form of Capitalisation Directions. The total value of Capitalisation Directions, confirmed and in principle agreed, from 2019/20 to 2024/25 amount to £417m required to balance the Council's budget. The Council has since developed, and approved, the 2025/26 annual budget. In order to balance the position the Council continues to be reliant on Capitalisation Directions, requesting £136m for the 2025/26 year. This is a significant increase in the level of support required, compared to previous years, as well as being the second highest value requested by any Local Authority nationally (this reduces to 6th highest when comparing EFS to Core Spending Power). Further reliance, and increasing rate, is observed within the Council's Medium Term Financial Strategy (MTFS) which projects further Capitalisation Directions of £153m in 2026/27, £168m in 2027/28, and £203m in 2028/29 – a total of £660 million over the four-year period (including 2025/26). This support is approved on annual basis and therefore is not guaranteed from 2025/26 onwards. The Council held reserves at the start of 2024/25 of £135m, therefore would not be financially viable in the medium-term without this support, if it had to rely on its own reserves to balance the budget.

Financial sustainability (continued)

Government Support – Financial (continued):

As the mechanism by which support has been provided is Capitalisation Directions, this has led to increased borrowing, and therefore an increased debt burden to the Council. This has a revenue impact within the budget. In context, the Council has estimated, based on an average 5% MRP over the 20 MRP period of each capitalisation direction and 3.5% average interest rate on external debt, that for every £1m of Capitalisation there is a £85k per annum revenue cost. Although MRP will remain stable, interest rates could change. If the Council were unable to support this cost through their revenue budget and had to use their reserves, per Table 1, reserves would be depleted before the end of 2027/28, based on the opening balance of general fund and earmarked reserves at the start of 2024/25 of £135m.

The Council also approached Government for permission to raise Council Tax in 2023/24, above the referendum cap of 4.99%, and this was granted to 14.99%, to balance the budget alongside its Capitalisation Directions. This generated additional income of £21m, however this was a one-off decision that has not since received Mayor and Member support.

Government Intervention:

The government appointed a non-statutory Improvement and Assurance Panel (IAP), in January 2021, to support the Council by providing external advice and challenge, as well as providing regular assurance to the Secretary of State on the Council's progress against the Croydon Renewal Plan. This Plan was implemented in 2020/21 as a direct response to our 2020 PIR, its aim was to deliver savings, strengthen governance and financial practices. The Panel was given statutory status, to use powers to direct the Council should they feel these were required, in May 2023.

Table 1

Year	Capitalisation Direction Annual	Cumulative Total	Of which Requires Borrowing	Annual Revenue Cost	Cumulative Revenue Cost
2024/25	£51m	£417m	£252.2m	£21.4m	
2025/26	£136m	£553m	£364.2m	£30.9m	£52.3m
2026/27	£153m	£706m	£517.2m	£44m	£96.3m
2027/28	£168m	£874m	£685.2m	£58.2m	£154.5m
2028/29	£203m	£1,077m	£888.2m	£75.5m	£230m

Financial sustainability (continued)

Government Intervention (continued):

The IAP developed an Exit Strategy which aimed to strengthen arrangements across the Council (including governance and service quality in specific services, as well as finances), to a point at which the Panel was satisfied it could cease its involvement with the Council. The IAP delivered its final report to the Secretary of State in April 2025.

This report acknowledged the progress made in the areas of governance, culture and leadership and service performance, with most actions either completed or on track. However, the key objective under financial stability – placing the Council’s finances on sustainable footing – had not been achieved and the Panel were concerned about the Council’s ability to fully deliver its transformation programme. As such they requested that the Council develop a Stabilisation Plan. Critically, the immediate target for the Plan was to deliver savings of £25 million in 2025/26 which is the element of EFS being held back as a central contingency. The final iteration of the Plan included 21 actions to manage demand, reduce costs, increase income, and improve productivity, which are forecast to deliver £27.3m in savings during 2025/26. However, it is clear that, despite identifying this level of savings, this does not eradicate the need for EFS or Capitalisation Directions in 2025/26 or the medium-term.

Recognising the need for an alternative solution, the Council made a request to MHCLG in January 2023, for Government funding to write-off £540m of the Council’s General Fund debt and/or treat the cost of debt in an alternative manner. To date, dialogue around this proposed solution continues with MHCLG, with a conclusion yet to be reached.

Commissioner-led Model:

Following review of the Panel’s final report, the Secretary of State concluded that the Authority is not meeting its Best Value Duty requirements; in the themes of Continuous Improvement, Leadership, and Use of Resources as described in the statutory guidance published in May 2024. As such the powers of direction in the 1999 Act, to secure compliance with the Best Value Duty, were exercised. This has resulted in a set of directions being imposed upon the Council to rectify the failure to achieve best value. Commissioners have been appointed, and any improvements must be made to the satisfaction of those Commissioners, who will report to the Secretary of State on the delivery of the Council’s improvement plans. The directions are in place for two years, although the effectiveness of progress against the directions will be re-evaluated after 12 months. This model has been in place since August 2025.

Financial sustainability (continued)

2023/24 Value for Money Work:

In our prior year Annual Auditor's Report (AAR), we identified a weakness in relation to financial sustainability and raised a Key Recommendation to enable the Council to address that weakness. The recommendation was *'With three s114 notices issued in two years, and the Council making it clear extraordinary government support is required to return to financial sustainability, it will be important that the Council continues to maintain its strict financial controls over spend and discipline over its savings and transformation plans'*

It is clear from our work that there has been further deterioration in financial sustainability since our prior year recommendation was made, and therefore it is appropriate to escalate and replace the Key Recommendation with a Statutory Recommendation. As such we make a recommendation made under section 24 schedule 7 of the Local Audit and Accountability Act 2014.

In summary, the reasons for this conclusion are due to:

- A significant, and continued, reliance on Capitalisation Directions at an unsustainable and increasing rate in 2025/26 and the medium-term
- Failure to achieve the financial sustainability elements of the IAP Exit Strategy, in full.
- An escalation of intervention arrangements to a Commissioner-led model and Government imposed directions to reflect the critical and urgent nature of the unsustainable financial position

Statutory recommendation 1

SR1: The Council should seek to work with Government (through its newly appointed Commissioners) to develop an appropriate package of measures, which enable the Council's operating costs to be reduced, affordable and sustainable. A solution to the debt issue is vital to ensure a transparent assessment of the capability and capacity of the Council in reducing its operating costs and returning to self-sufficiency in the medium to long term, with an affordable and sustainable debt burden. An effective solution to deal with the cost of the debt would facilitate a return to financial stability at the same time as the Council is held to account for delivering further savings and efficiencies, delivering the transformation programme, and maintaining appropriate quality standards within services to meet its statutory duties.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)

The Council holds both earmarked and general fund (unallocated reserves) to protect against future unanticipated financial challenges, as well as to support specific projects/activities. At the start of 2024/25 these are estimated to be £107.5m and £27.5m respectively. Despite the challenged financial position, the Council plans to maintain its unallocated general fund reserve, and use only £1.25m of earmarked reserves in 2025/26. Limited information on reserves balances and usage, in the medium term, is made available through the budget setting information provided to Members. This could be improved, further information is provided as part of our Improvement Recommendation 1.

Dedicated Schools Grant (DSG) – the final year end position is a £3.5m deficit (attributed to the High Needs Block), although originally reported at £4.7m deficit due to data collection issues within the Special Educational Needs and Disabilities (SEND) service. The Council acknowledges the ineffectiveness of arrangements leading to this issue and is working with CIPFA to investigate and respond. The in year deficit increases the Council’s existing cumulative deficit, over and above their Safety Valve support from central government and therefore we have recognised this as an area for improvement. Further details can be found under Improvement Recommendation 2.

Housing Revenue Account (HRA) – The revenue account was overspent for the year by £6.3m, and will be met from a drawdown from HRA reserves. The overspend, in comparison to the £103m budget set for 2024/25, is 6.1%, and can be supported by HRA reserves (£21.4m at the start of 2025/26). The Council has developed a 5-year and 30-year HRA Plan which demonstrates reserves being replenished following the 2025/26 financial year, remaining viable over the medium and long term. As such, despite the overspend, we have not identified a weakness in arrangements. It is predominantly attributable to responsive housing repairs, as significant attention has been paid by the Council to address damp and mould, an issue raised by Internal Audit in their latest review which received ‘Limited Assurance’. Prioritising the Council response to addressing these issues forms part of Improvement Recommendation 7, later in this report.

Alongside the Revenue Plan, the Council has also developed a 5-year HRA Capital Plan, totalling £438.1m between 2025/26 to 2029/30, with funding sources identified. Ongoing work to complete stock condition surveys has informed the plans.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

(continued)	<p>Group Interests – Of the 14 group interests noted in the draft 2024/25 accounts, 13 are dormant, have had no transactions or are immaterial to the Council. Brick by Brick remains active, however, in 2024/25 the Council began the process to formally wind down the company, with an expected completion date of March 2025. This was based on negotiating a sale, which did not complete as expected. Therefore, the Council will now wind down the company without a sale. The financial impact of the associated debt write down, with no sale, had already been accounted for in the Council’s 2025/26 budget, with Officers confirming that all remaining future liabilities have been cleared. The cost to the Council is £62m, from the transfer of this debt. Wind down is expected to be achieved by March 2026. The Council provided a Letter of Comfort to the Directors of Brick by Brick, exercising the Council’s shareholder function and acting as Lender. The purpose is to allow the company to remain solvent while its wind down is progressed. Members have received regular updates, both formally and informally, on the progress of the transaction.</p>	
plans to bridge its funding gaps and identify achievable savings	<p>The Council seeks to deliver savings and efficiencies via two programmes, the existing Council Improvement Programme 2022-2027, and the Future Croydon Transformation Plan 2024-2029, newly implemented in the 2024/25 financial year. The two run concurrently, progress is reported on through budget monitoring as well as bi-annual reports on the progress of the programmes as stand-alone updates to Cabinet Members. The nature of the Transformation Programme is different to that of the Improvement Programme, focussing on a smaller number of large, multi-year, Council wide schemes, as opposed to a larger number of small projects. As such, these schemes require different governance arrangements, the Council has identified the need for a Transformation Management Office (TMO) to effectively deliver the projects within this programme. A partner has been engaged to provide this function from July 2025, however not all business cases for the projects within the Future Croydon Programme are in place at the start of the 2025/26 year. A contributing factor to the delay in developing business plans was the priority given to developing the Stabilisation Plan, which was a requirement of the IAP by end of March 2025, and therefore diverted staff away from other priorities, including developing savings plans, to focus on the Stabilisation Plan. However, as having the required business cases in place are vital to delivering savings at the required pace, with £27.3m of savings included in the 2025/26 budget as a result of the Council’s Stabilisation Plan, we have raised an improvement recommendation in this regard, Improvement Recommendation 4.</p>	A

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council's Mayor's Business Plan 2022-2026 remains in place for 2024/25 and 2025/26, and therefore the strategic outcomes and objectives remain relevant to the Council's activities. The Council's most significant areas of investment are in Adult Social Care, Children's Social Care and Homelessness. These are known pressures at the Council and nationally, with the investment focussing on funding demographic growth and market price pressures. At the same time, the largest areas of savings are also focussed in Adult Social Care and Children's Social Care. These aim to be achieved by working differently, aided by consultancy work to develop the transformation programmes in each of these services. Investing and saving in the same areas is complimentary, and demonstrates the Council seeking to respond to pressures from a demand and cost perspective, simultaneously.</p>	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	<p>As part of their Future Croydon Transformation Programme, the Council is seeking to redesign service delivery to achieve the necessary savings it needs to stabilise its financial position. The Council have, therefore, engaged a consultancy firm to assist in developing a new Target Operating Model (TOM). The model includes 18 individual initiatives, delivered over 4 years, to take the Council from its current state to a modern and efficient future state, driving out cost from services, acknowledging that this involves cultural shift and different ways of working. There is a significant focus on the use of digital, working with other sectors (voluntary and NHS), reducing the physical footprint of the Council and prevention methods in demand-led services, to achieve these ambitions.</p> <p>Modest net savings are sought from overall Council-wide savings in new model in 2025/26, of £0.7m with the net benefit increasing to £25.4m by 2028/29 when all schemes will have been initiated and many embedded, delivering recurrent efficiencies. Overall, the model aims to generate recurrent transformation benefits of £33m by 2028/29 (£42.1m investment, cumulative savings of £103.8m and a total benefit to cost ratio of 2.5). Further savings are sought through specific programmes in Children's and Adults Services (explored later in our report). These are factored into medium term financial plans and the Stabilisation Plan.</p> <p>Although in their early stages, appropriate foundational arrangements have been built for all 18 initiatives including development of underlying the logic models, initiatives charter, a Senior Responsible Officer (SRO) and Project Manager in place for each. The Council are working with their consultancy provider to develop individual detailed business cases for each project. A further review of arrangements, as they develop, are implemented and embed in 2025/26 will be required.</p>	G

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
(continued)	<p>The Council’s draft Capital Programme for 2024-30 expected expenditure of £554.3m (including Capitalisation Directions) across the six year period. This included expenditure financed through borrowing of £250.7m over the six years. However, this was an early draft in December 2024, which was continually updated until approval in February 2025. The approved programme increased substantially, planning expenditure of £1,314.3m (including Capitalisation Directions of £942.9m) across the six year period. It is clear that a large majority of the Capital Programme in total, and the increase since the draft programme, is related to Capitalisation Directions, which account for 72%, and the capital programme itself is far more modest. This supports our decision to raise a Statutory Recommendation regarding the reliance on these Directions, and leads to the red-rating earlier in the report. Aside from the challenges with Capital Direction reliance, the remainder in arrangements in this area are observed to be effective and so we have green-rated this area of our work.</p>	
<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>There is comprehensive identification and discussion of risk, including possible mitigations, within the budget reporting. The Council makes it clear, via sensitivity analysis and scenario planning, that there is uncertainty that could impact the financial position, and seeks to quantify this where possible. The significance of the risk of reliance on Exceptional Financial Support (EFS) is transparently reported, at length, throughout. The Council’s risk management process has successfully identified the financial risk, which has led to us green-rating arrangements in this section of our report. In terms of effectiveness of managing the financial risk, this is an area that the Council is significantly challenged, and actions taken have not prevented the Council slipping into financial crisis. We have recognised this via a red-rating earlier in our report and through our Statutory Recommendation.</p> <p>Each year of the MTFS, including 2025/26, includes £5m Corporate Risk Budget as a contingency to offset potential overspend pressures across services. The Council achieved its £0.7m overspend position, only after full use of the contingency in 2024/25, and several other mitigations such as EFS and reserves. The Council did not increase the value of the contingency in 2025/26, despite needing additional measures in excess of this in the prior year, however it has also invested in growing budgets in several areas of pressure, at the same time to provide additional solutions.</p>	<p>G</p>

Financial sustainability (continued)

Area for Improvement identified: improved reporting of reserves outlook

Key Finding: The 2025/26 budget sets out the expected reserves balance at the start of 2024/25, including general fund and earmarked reserves. Although information on the general fund reserves balance is included in monthly budget monitoring, the earmarked reserves forecast is not. Therefore Members are unable to understand the impact of the in-year position (which was an overspend) on reserves. There is no information included within the budget and MTFS of the forecast earmarked reserves balance beyond the start of 2024/25.

Evidence: The unallocated general fund reserve at the start of 2024/25 was £27.5m, the Council maintains this balance throughout its budget monitoring, 2025/26 budget, and intends to maintain in the medium term, also. It represents 7.4% of the net revenue budget for 2025/26, within the minimum balance we might expect of between 5-10%. Total usable reserves increase to £134.8m, including earmarked reserves, at the same date. No further information on actual or forecast earmarked reserves balances are provided beyond this date, despite budget setting and budget monitoring planning for the use of these reserves.

The lack of reporting and transparency in relation to reserves balances is a result of the backlog in accounts production, and external audit assurances over the accuracy of the reserves balances held. We have raised a separate recommendation later in our report in relation to accounts production.

In addition, the Council has undertaken its own benchmarking of reserves against other London Boroughs, and included this within their Reserves Strategy. The aim is to provide context and assurances to Members over the balances held. The information confirms that the Council's general and earmarked reserves below the median level for a London Borough (46% of service expenditure compared to the median for London of 59%). The Council has used data from 2021/22, using 2024/25 figures the percentage would be 36%, which indicates a declining position, although with no London Borough comparative context. The benchmarking, unless updated, is not beneficial in informing decision makers.

Impact: Reserves are a vital, but finite, resource that provide an indication of financial sustainability of the Council, outside of government support. As such, forecasting of reserves is useful, noting this would need to be regularly updated through budget monitoring to reflect the ongoing outcomes of accounts production and audit

Improvement Recommendation 1

IR1: The Council should seek to improve transparency, and benefit to decision makers, in their reporting of reserves by ensuring updated forecast balances and benchmarking are presented within budget setting, and budget monitoring, information. This will enable members to understand the sustainability of reserves and help them to make better informed financial decisions.

Financial sustainability (continued)

Area for Improvement identified: management of the DSG financial position

Key Finding: Whilst the Early Years Block of DSG has broken even, the High Needs Block was initially calculated to have overspent at the end of 2024/25, by £4.7m, increasing the cumulative deficit position to £12.9m. The Council benefits from the Government's Safety Valve Programme, whereby it receives financial support for its DSG deficit position at a level that encourages reduction of the cumulative deficit. The Council's target under this programme is set at £10.078m, and therefore the cumulative position is now above this target by £2.8m. Issues with data collection in the SEND service meant that this reported position was inaccurate. Following provision of the required information, the deficit position has reduced to £3.5m, £11.7m on a cumulative basis and an overall variance of £1.6m against the Safety Valve Target.

Evidence: The Council are already liaising with CIPFA to undertake a 'Lessons Learned' exercise in relation to the issues within data collection in the SEND Service, the outputs of this exercise will be used to develop targeted solutions to solve the causal issues and seek to avoid reoccurrence.

In the context of the Council's revenue position, and DSG deficits elsewhere in the sector, the deficit position is small. Therefore, although it still required actions from the Council to regain financial control, this is not considered a significant weakness. In addition, the extension of the Statutory Override (see below), provides the Council with time to identify ways in which it can address the issues. It has worked with IMPOWER in 2024/25 to develop a Transformation Programme which seeks efficiencies within Children's Services, including SEND, which impacts DSG related activities. This programme will now be taken forwards over the next 4 years.

Impact: A Statutory Override is currently in place, which protects the Council's revenue reserves from DSG deficit and has been extended to 31 March 2028. However, after this date, Council's will need to support existing cumulative DSG deficits from their revenue reserves, creating an additional burden on what is a finite resource, in an already unsustainable financial position for the Council (as determined by our Statutory Recommendation). Therefore action is required, now, to control the DSG position and prevent further escalation.

Improvement Recommendation 2

IR2: The Council should ensure that it can identify and rectify data quality issues in the SEND service in a timely manner to ensure accurate budget monitoring throughout the year, with full resolution achieved for outturn reporting for 2025/26. The Council should implement existing programmes, which impact DSG related services, as well as continuing to seek other potential cost and demand reducing actions, with the aim of reducing the deficit ahead of the statutory override deadline.

Financial sustainability (continued)

Area for Improvement identified: mobilisation and pace of savings programme delivery

Key Finding: Although savings from the existing Improvement Programme 2022-2027 are ongoing, business cases for the larger transformational schemes in the Future Croydon Programme were not fully developed, and in place, at the start of the 2025/26 financial year.

Evidence: The originally approved 2025/26 budget included savings of £16.1m. Since then, the Council has worked with its Government appointed Improvement and Assurance Panel to produce a Stabilisation Plan, which will now be taken forward under the Commissioner-led model imposed from August 2025. The actions set out in this Plan aim to further manage demand, reduce costs, increase income, and improve productivity, to deliver £27.3 million in savings during 2025/26. As such the Council will need to ensure arrangements are in place to maximise success of its two main savings programmes, and is reliant on the Future Croydon Programme delivering within expectation, to work towards stabilisation over the life of its Plan and Commissioner support.

Impact: The Council is already highly reliant on government support through EFS, and now a commissioner based model. Failure to deliver the savings agreed, and included within their Stabilisation Plan, will further add to the unsustainability of their financial position, potentially impacting their ability to remain financially viable. Ability to deliver the agreed savings in full, and at pace, is dependent on being able to mobilise projects from the start of the financial year, and monitor delivery effectively. Underlying business cases, as well effective management and monitoring arrangements, are required to achieve this.

Improvement Recommendation 3

IR3: The Council should ensure that it is able to deliver the savings from the Future Croydon Programme, in full and at pace, by prioritising development of the underlying business cases so these can be mobilised immediately, and delivery monitored, working with their TMO to achieve this.

Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of developing and reporting assumptions used within the budget, but could challenge itself to go further, based on the best arrangements we see across the sector



What the Council is already doing

- The Council includes detailed information on the assumptions made in setting the 2025/26 budget. Our work, and the S25 Statement of the S151 Officer, confirms the robustness of these estimates. We have noted an assumed increase in the Council Tax collection rate from 97.5% to 98%, which will generate additional income of £1.338m. However, actual collection rates have been around 94%, towards the end of 2024/25. Although this is the in-year observation, vs the estimated year end position, this could suggest overoptimism in the assumption.



What others do well

- Ensure that assumptions in key income streams, such as Council Tax, are based on sound analysis, including historic trends, to increase their reliability. Instead, the Council has developed an Improving Payments Project to increase income & debt collection. Consultants supported on reviewing this project in November 2024 and it is in progress



The Council could consider

- The current payments project is expected to take some time to impact collection rates, as it embeds, however the Council will need to review effectiveness of the programme and update assumptions as required through its budget monitoring to address any ongoing optimism in assumptions.

Grant Thornton insights – learning from others

The Council has taken steps to respond to pressures within homelessness, but could challenge itself to go further, based on the best arrangements we see across the sector

What the Council is already doing



- The Council has a historical reputation as a Borough where it may be easier to access homelessness service provision, and this has attracted out-of-borough individuals over several years. The Council has identified this issue, and the impact on financial pressures in the Housing Service, and has now taken steps to rectify the issue. The Council ensure they follow relevant legislation which requires presenting individuals to provide evidence of a local connection. And, most recently, in 2024/25, has moved Access Croydon to an appointment only basis.

What others do well



- Elsewhere stricter controls on out-of-borough support exists. However, despite this, homelessness is a demand-led service, with escalating demand and financial pressures, nationally. Like other Council's, Croydon is seeking external support to identify specific pressure points with the aim of more targeted resolution. The Council are currently working with Ministry for Homes, Communities and Local Government (MHCLG) on supporting analysis and modelling.

The Council could consider



- The Council's analysis and work to date has identified that Croydon has the third highest number of homelessness presentations of Local Authorities in the country. As such, there is more to be done in this area. The Council **are** at the identification stage of their work in this area and now need to move at pace to designing and implementing solutions, specifically that tackle the demand side factors they can control (such as out of borough individuals).

Governance – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Head of Internal Audit's view is that he can give Substantial Assurance that the system of internal control that has been in place at the Council accords with proper practice. There were still a number of limited assurance reports, however the positive assurance overall reflects the Council's concerted effort to address recommendations (including those from prior year where 90% of priority 1 recommendations prior to 2022/23 have been addressed), an increase in the proportion of individual Substantial and Full Assurance reports, and a reduction in the number of No Assurance. The Head of Internal Audit has referenced the relativity of the improved performance in 24/25 compared to 2023/24 as a key driver of the 2024/25 assessment. The Internal audit team delivered 100% of the audit plan.

Risk management arrangements are set out in the Council's Risk Management Policy Statement and Strategy, and supporting Practical Guidance. The Strategic Risk Register and supporting appendices, is presented sufficiently regularly, quarterly, to the Council's Audit and Governance Committee. The detailed reporting effectively focuses on the key strategic risks, with summary information on significant operational risks also provided. The risks are reflective of both sector wide issues, and those specific to the Council. The format of the risk register meets most of the minimum standards we would expect as an effective risk management tool. However, opportunities exist for the Council to achieve higher standards in its Risk Management Strategy and Risk Register reporting. More detail is provided as an insight on page 39, as areas the Council could consider, although these don't represent a formal recommendation as current arrangements are sufficient, as reflected by Internal Audit's review of arrangements receiving 'substantial assurance'. The Committee also carries out "deep dives" where it looks at a particular risk or risks in more detail, to supplement to the regular reporting received by the Committee.

The Council's Anti-Fraud and Corruption Strategy was agreed by Audit and Governance committee in March 2024. The Council's Anti-Fraud service is provided by the Counter Fraud Shared Service run jointly with London Borough of Lambeth and the Audit and Governance Committee received a report on activity and a work plan for the future in April 2025. There has been a slight decrease in caseload in 2024/25 compared to 2023/24.

The Audit and Governance committee received regular updates on issues raised under the Whistleblowing Policy. The Council investigated 4 whistleblowing issues, which is a number broadly similar to other authorities, and small in the context of the number of transactions and staff at the Council.

Overall the Council effectively monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. We have also suggested some considerations for enhancements in the Risk Management, but no recommendations have been raised.

G

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	<p>The budget setting process commenced in early in 2024/25 to allow for an initial update to the MTFS to be considered by Members in October 2024. This was a vital first step in developing the 2025/25 annual budget, and gave early sight of proposed key assumptions included within the budget. The process therefore incorporates several opportunities for challenge and scrutiny before approval, February 2025. As well as evidence of challenge from Members at the Cabinet meetings for the budget we have also observed comprehensive stakeholder engagement from the Mayor and Deputy Mayor, Executive Officers, Lead Members, Finance Team, Overview and Scrutiny Committee, Residents and the Government appointed Improvement and Assurance Panel throughout the process, specifically via the Star Chambers process which was introduced in response to growing financial risk at the Council. There is a clear, collaborative approach within the Council’s budget setting arrangements and additional external support is sought as required, such as consultancy work in the specific areas of pressure (covered later in our report).</p> <p>Despite weaknesses in the financial position itself the budget setting process remains robust and therefore no recommendations have been made in this respect.</p>	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>Budget monitoring is comprehensive in its detail, timely in its reporting and transparent in the challenges being faced, as well as actions being taken to respond. This keeps Members well informed. It is common-place for budget monitoring to take place between monthly and quarterly, the Council report monthly with this frequency reflecting the enhanced financial risk being faced. Effective reporting also extends to Capital, Treasury Management, Housing Revenue Account (HRA) and Dedicated Schools Grant (DSG) positions.</p> <p>The Council has a history of delays in meeting the national deadlines for producing draft accounts for audit. At the end of 2024/25, the latest audited financial statements date back to 2019/20. The Council have now produced and published accounts for all subsequent years, 2020/21 to 2024/25, and accounts up to 2023/24 signed off by External Audit by 18 August 2025. The Council has had to take advantage of backstop arrangements to achieve this, therefore leading to several years of a lack of audit assurances, as 2020/21 to 2023/24 accounts were not subject to audit procedures, and therefore receive disclaimed opinions under these arrangements. As the Council has now taken actions to respond to the underlying cause of the backlog and has regained control of accounts production we have recognised the opportunity for ongoing improvement, rather than a weakness in arrangements. See Improvement Recommendation 5 which is driving the Amber-rating of this element of the governance arrangements considered here, with budget monitoring considered green rating with no improvements identified.</p>	A

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council has arrangements in place to ensure that decision making is made with the appropriate information . Cabinet agendas are clear which items are for decision and which for information, and give background information including legal, HR, equality and financial implications in all cases.</p> <p>The Council's scrutiny committees are able to review the decisions of the Council via the forward plan and the Council's LGA Peer review was positive about the improvement in this area in recent years. The LGA peer review notes consistent feedback that the scrutiny function was working well and re-established its credibility, also comments positively on the internal and external perception of Councillors and Officers.</p> <p>Through our regular attendance at the Audit and Governance Committee we observe Members providing appropriate challenge and holding councillors, officers and auditors to account. The Committee's arrangements are effective in that regular agenda items effectively cover audit and risk, as per its terms of reference. The Committee meets sufficiently regularly, 6 times a year. It has 2 independent members (one of whom Chairs the meeting) which is best practice and provides an additional layer of challenge.</p> <p>No recommendations have been raised in this area.</p>	G
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>The Ethics Committee receives quarterly reports on complaints against Members of which there were 2 in 2024/25, which is low compared to other Councils. The Council provides training to members including on the Member Code of Conduct to encourage appropriate standards of behavior are applied consistently.</p> <p>The Council's LGA Peer review was generally positive but raised some concerns about the understanding and importance of governance amongst middle managers. The Council is carrying out training around this.</p> <p>The Council agreed an updated Procurement Strategy in April 2025 and the Councils Tender and Contract regulations were updated in April 2024 and are part of the Council's constitution. In preparing for the implementation of the Procurement Act 2023, which informed the Strategy update, the Council undertook a readiness review. This highlighted 28 actions to complete to be fully prepared, 14 of these are still 'red-rated' and in progress, as such they do need to be addressed at pace to ensure full compliance with the Act.</p>	G

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
(continued)	<p>The Council intends to revise the contract standing orders and the new version will set out that a report will be made to Audit and Governance Committee annually on waivers, although they do maintain a log of waivers and monitor these at Officer level. We have not identified an excessive volume of waivers being used, relative to the size and nature of the Council. Despite ongoing improvements to arrangements, issues with contract letting, monitoring and management of procurements across the organisation have been identified by Internal Audit, as well as a ‘Limited Assurance’ report in Supplier Set Up and P2P (Purchase to pay) compliance. Recommendations are being progressed and will be monitored by Internal Audit.</p> <p>The Council monitors and ensures appropriate standards around legislative, regulatory requirements and member behaviour. No recommendations have been raised in this area.</p>	

Governance (continued)

Background:

The latest audited accounts for the Council, at the end of 2024/25, were for 2019/20, these received a modified, disclaimed, opinion due to a police investigation impacting the accounts. Under government backstop arrangements, although accounts for 2020/21 to 2023/24 have been published they will not be subject to audit procedures and receive a disclaimed opinion. As such the Council has several years financial information with no external assurances. 2024/25 accounts have now also been produced and published, in July 2025 respectively, and will be subject to audit.

Although experience and staff turnover are factors in the challenge of producing accounts to national deadlines, the overriding cause has been the capacity of the finance team over several years and challenges in the accounting treatment of Croydon Affordable Homes, requiring technical expertise to address. These issues have impacted production as well as ability to respond to audit queries at the same time as producing accounts.

In order to increase capacity, as well as skills, experience, and build resilience into the team to respond to staff turnover, the Strategic Finance service area went through a restructure in September 2023. Recruitment then commenced into the new structure and this has resulted in significant recruitment activity in 2024/25 and 2025/26 to date. Although there has continued to be some turnover this has not been excessive and filled with temporary agency staff in the interim. In undertaking this recruitment the Council has been mindful of ensuring an appropriate skill mix, with recruitment at all grades, including a permanent Finance Manager, Chief Accountant and temporary supernumerary Chief Accountant. Training and skills analysis has taken place, and relevant training delivered from the findings of this work, as required.

Area for Improvement identified: Capacity and resilience of the finance team

Key Finding: The Council has a lack of independent assurances on its financial information dating back several years. The impact of this is that there is a lack of reliability that can be placed on this information in informing financial decisions. The underlying cause has been a historic lack of capacity in the finance team.

Evidence: The Council has taken actions to respond through a restructure, recruitment and training and has been able to regain control of its accounts production timeline, whilst also making use of backstop arrangements to achieve this.

Impact: Should the Council be unable to maintain the capacity and capability it has built within the finance team, and continue on its trajectory of accounts production, then further issues with the integrity of financial information to support decision making may occur. We will keep a watching brief over the resilience of the finance team in the coming year, should previous challenges re-occur a weakness in arrangements would be identified.

Improvement Recommendation 4

IR4: We recommend the Council closely monitor the capacity and capability of the finance team as new arrangements embed. The Council will need to ensure that it continue to build resilience into the team to ensure it can sustain a timely accounts production process, quality outputs and support the audit process simultaneously.

Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of Risk Management, but could challenge itself to go further, based on the best arrangements we see across the sector

What the Council is already doing



- The Council reports on risks to the Audit & Governance Committee in line with its Risk Management Strategy which details the aim of the strategy and the role of Members, Officers and Lead Members, overall, in implementing that Strategy.
- As well as reporting to this Committee, the Council publish the risk register on the Council's transparency pages.
- Within the last 12 months the Council have provided training to all Members, including Cabinet Members, on how to interpret the council's risk register and how to engage with Officers on this.
- The report shows a wide range of risks that are important to departments but also a more focused list of 12 Strategic Risks, with no obvious omissions noted.
- The Council meets the minimum standards expected in its risk reporting as it RAG rates risks, shows current and planned mitigations and allocates to responsible officers. It also seeks to provide information to Members beyond these minimum standards including quarterly trend data, a target risk score and planned dates of implementation of future mitigations. Each of these assists in achieving accountability and transparency.

What others do well



- Crucially, the Council's risk appetite is not clear from the Strategy or Risk Reporting, this could be improved to ensure that decisions, and extent to which risks are tolerated or mitigated, can be made in line with this. Discussions with Officers confirm that the Council's assessment of its risk appetite is 'Cautious' for Finance and Legal/regulatory, 'Open' for Residents Services and Pace/Workforce and lastly 'Ambitious' under the heading of Reputation (aligned with the Government's Orange Book definitions). However, these could be better articulated in the Council's formal documentation.
- Linking Strategic Risks to specific objectives in their Corporate Plan (Mayor's Business Plan), the Council has introduced a Power BI Dashboard for Risk in March 2025 which achieves this, however it is yet to be included in formal risk register reporting to Committee.
- Demonstrating the risk score before and after mitigating actions to provide assurance on their effectiveness. The Council provide this for operational risks but not for the strategic risks, within formal risk reporting.
- Formally report the Risk Register to Cabinet Members, as decision makers of the Council, at least annually.



The Council could consider

- Reviewing risk management arrangements to achieve improvements in line with best practice (as noted above)

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

uses financial and performance information to assess performance to identify areas for improvement

Reporting on performance indicators which derive from the Executive Mayor’s Business Plan objectives goes to Cabinet, quarterly. The reports show an extensive number of indicators, providing context through trends and direction of travel. As part of this work the Council benchmarks itself against other London Boroughs. The framework includes an escalation approach, which highlights areas where performance is below target. This process is intended to focus attention on indicators where performance is more than 10% below target (i.e. RAG rated red) for 3 consecutive reporting periods. Recent reporting has shown a trend of reduction in red indicators - down from 24 to 19 in June 2025.

In the AAR for 2022/23, an Improvement Recommendation was made that the Council should develop a data quality strategy. The 2023/24 AAR included management comments that indicated that a data strategy was close to complete. As of early 2025/26, a draft is close to sign off, and we raise an insight into the benefits of this on page 46.

As well as benchmarking itself against performance in other London Boroughs, as part of the regular review of Performance indicators, we have observed examples of the Council using data and performance information in reviewing its services and decision making – for example using benchmarking data regarding Ombudsman complaints to help determine the Councils approach to temporary housing placements and policy information. To align with other London Boroughs.

The Council is using financial and performance information to assess performance and to identify areas for improvement effectively. No recommendations have been made in this area.

G

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Local Government Association (LGA) undertook a Corporate Peer Review in 2024. This recognised the progress the Council has made, encouraging it to celebrate the successes due to the improvements it has implemented over the last 4 years, though the report also details a number of areas for further action. Key themes within the 10 recommendations made are: the need to improve financial sustainability, increase capacity, customer experience and learn lessons from successful projects. The Peer Review team will revisit to review progress against their recommendations in 2025.</p> <p>Where individuals do not feel complaints they have made to the Council have been dealt with effectively, they can escalate their complaint, externally, to the Local Government Ombudsman. We have observed a high volume of referrals, comparative to a selection of London Boroughs, as well as concerns raised around complaints handling processes by the Ombudsman themselves, in relation to the Council. As a result we have raised an Improvement Recommendation, Improvement Recommendation 6.</p> <p>In the prior year we identified a weakness in arrangements, and associated Key Recommendation, in relation to the need to improve the quality of Housing Services. A factor in the issues identified was a Regulator Judgement imposed by the Regulator of Social Housing, which has now been lifted. Areas of improvement remain, in the service, and therefore we replace our prior year Key recommendation with an Improvement Recommendation to encourage further actions, but acknowledge the progress achieved to date, see Improvement Recommendation 7.</p> <p>Ofsted reviewed the Council's Children's Services in the year and reported their findings in November 2024. Although four areas for improvement were identified, the Council strengthened and retained their overall rating of 'Good'. The Council is in the process of developing an action plan to take Ofsted's recommendations forwards.</p> <p>Although positive outcomes are observed from some external reviews of the Council, there is room for improvement in arrangements to achieve appropriate standards in Housing and Complaints Handling.</p> <p>.</p>	<p>A</p>

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

The Council engages with stakeholders and partners in developing and delivering services and reflects this in its governance and management of outcomes. The Croydon Companies Supervision and Monitoring Panel seeks to ensure that the work done by companies is aligned with Council objectives. The Council's Performance monitoring report to Cabinet clearly shows which measured performance outcomes are delivered in partnership. Cabinet have, for example, had updates on a number of partnerships or partnership based work eg Childrens and Adults Safeguarding Panels the Youth Justice Plan, the Connect to Work Employment Support Programme and Croydon's Multi-Agency Self-Harm & Suicide Prevention Strategy.

The Council currently has 2 major partnership arrangements in Children's and Adults Services. Arrangements involved consultants undertaking detailed analysis and working with Council staff to challenge current processes, identify specific efficiencies and focus on reducing demand in these services. The work is high value and is expected to make significant savings . Initial design and investigation phases have completed for both programmes, with the existing Partner for Adults Services now taking their model forwards with the Council. With regards to Children's Services, the relationship with that Partner has ceased prior to delivery stage, although their model will be implemented under alternative arrangements. The Council is currently working to determine the best route to achieve this. Performance management arrangements are in place, as set out in the contracts, which are being effectively followed. Adult Services work is delivering as expected at this early stage, savings are expected to be achieved in Children's despite the need to find an alternative delivery method. Both programmes are in their infancy and so success will continue to be assessed in 2025/26.

Overall, partnership arrangements are effective, and will continue to be monitored as they embed.

G

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The Council has recognised the risk of inconsistent performance in Contract Management and is taking action to improve this work. A programme of training has been started on this. The LGA Corporate Peer Review also emphasised the importance of this area to delivering on financial savings and improvements.</p> <p>Work on shutting down the Council owned company Brick by Brick continued in 2024/25. The Council explored the possibility of a sale which would have mitigated the financial impact of Brick by Brick on the Council to some extent but this was not possible. Overall the Council have allowed for the financial impact of Brick by Brick in their Medium-Term plans.</p> <p>An area of interest is the Council's work on the Regina Road project, which is a very high value and high profile project. The project consists of refurbishing or demolishing and redeveloping the three tower blocks and other properties within the Regina Road Estate. This project is in the HRA capital programme at a value of £166m for the Phase 1 project. We reviewed the Council's governance arrangements for this project and identified that the project is overseen by a Programme Board, the Council has consulted with tenants and has commenced the project. The Council is now considering the most appropriate method to progress Phase 2 of the project, this relates to the construction of properties for sale and is not currently included in the capital programme. Our work did not identify issues with regard to the governance arrangements we reviewed, but we note that the project is at an early stage and the Council will need to ensure appropriate monitoring</p> <p>Overall the Council commissions and procures services effectively. No recommendations have been made in this area</p>	<p>G</p>

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: Complaints process

Key Finding: The Council have been contacted by the Local Government (LG) Ombudsman, highlighting a number of areas for improvement in their process for dealing with complaints. In addition, the Ombudsman have received a comparatively high number of referrals in relation to the Council, and although many did not warrant further investigation, this is suggestive of potential challenges in the Council's processes for effectively addressing complaints.

Evidence: Between 1 April 2024 to 31 March 2025, the LG Ombudsman dealt with 218 complaints in relation to the Council. Of these, 113 were not for them or not ready for them to investigate, 69 were assessed and closed, 36 complaints were investigated, of which 32 were upheld and required action from the Council to resolve. This is 8 upheld decisions per 100,000 residents, compared to the average for authorities of this type of 9.1. The number of overall referrals to the Ombudsman is high, when comparing to neighbouring Boroughs (Merton 69, Sutton 86, Bromley 173, Lambeth 306) and a cross section of other Borough (Westminster 116, Kensington and Chelsea 90, Hackney 138, Havering 118 and Hillingdon 121)

In addition to publishing annual complaints data, the Ombudsman has contacted the Council to raise concerns that include providing incorrect guidance to complainants regarding raising Ombudsman complaints and inability to implement the required resolution, in all cases, or by agreed timescales. It is noted that it is the third consecutive year the Ombudsman have had to raise such concerns about the Council. The Ombudsman has provided guidance to improve processes and communication and offered further support as required.

Impact: Inability to effectively address complaints can lead to reputational damage and intervention from the Ombudsman and/or regulator.

Improvement Recommendation 5

IR5: The Council should make further efforts to improve the process around dealing with complaints, in line with the guidance provided by the LG Ombudsman, to reduce the number of escalations to the Ombudsman. Actions should include arrangements to improve co-operation with the Ombudsman in their investigations.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: The Council's control environment for Housing

Key Finding: A Regulator Judgement imposed on the Council by the Regulator of Social Housing in 2021, due to breaches of the Home Standard and the Tenant Involvement and Empowerment Standard. The Council has taken actions to improve standards within the service and as a result, the Regulator has now lifted this Judgement, effective from April 2025. However, the Council have received a large number of 'limited assurance' Internal Audit reports that relate to Housing, demonstrating the need for continued improvements.

Evidence: The work of internal audit in 2024/25 identified a number of areas of 'limited assurance' relating to housing, for example, Tenancy Sign Ups and New Tenancy Visits, Gas Safety, Housing Disrepair : Damp and Mould and the Housing Management Systems. Many of these were undertaken in the latter half of the year and therefore the Council has yet to have the opportunity to respond to recommendations in full, or Internal Audit to review the effectiveness of the response. An Improvement Recommendation has been raised to encourage the Council to focus their efforts on improving the quality and control environment around Housing. However, we recognise improvement from a regulatory perspective, and so the prior year Key Recommendation is considered partially addressed and downgraded.

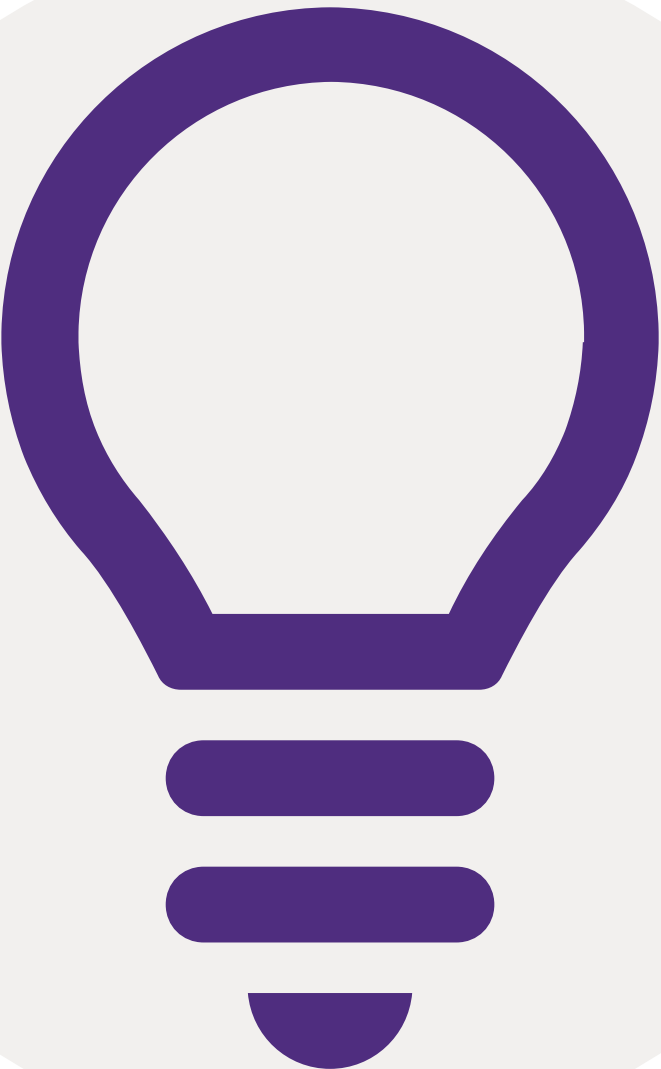
Impact: The Council has a duty to allocate social housing fairly, and uphold appropriate standards in the social housing they provide. Failure to do so could result in continued regulatory action.

Improvement Recommendation 6

IR6: The Council should ensure that it focusses resources to achieve continued improvement in the quality and control environment in the Housing Service. Actions should specifically target areas of 'limited assurance' identified by Internal Audit, as a priority.

Grant Thornton insights

The Council has the arrangements we would expect to see in respect of data quality, but could challenge itself to go even further



What the Council is already doing

- The Council has progressed arrangements to produce a data strategy. We raised a recommendation on this in our 2022/23 Auditor's Annual Report. However, at the start of 2025/26, the strategy was yet to be signed off and implemented.
- This strategy was intended to provide clear guidance support effective data quality, and set out how assurances will be gained over the quality and integrity of the data used for KPI's in the new corporate performance framework. Eventually the Council envisage including an assessment of specific data sets within performance reports.



The Council could consider

- Implementing its Data Strategy as soon as possible, ensuring it embeds effectively through training
- Ensuring that there are strong controls around data quality in place
- Obtaining regular assurances on data quality are sought, and reported, in line with the strategy.

Pension Fund

The Council is the administering authority for the London Borough of Croydon Pension Fund. As part of our VfM work we are required to consider the Council's arrangements in respect of the Pension Fund.

We considered the Pension Fund's:

Commentary on arrangements

Rating

Financial Sustainability: sufficiency of funds to meet liabilities

The Pension Fund is revalued every three years by an independent actuary, to assess future liabilities and set employers' contribution rates. The most recent formal valuation, as at 31 March 2022, assessed the whole Pension Fund as being 97% funded, with a deficit of £59m, this was an improvement on the previous 2019 valuation. The next valuation is expected as at 31 March 2025, and will be undertaken in 2025/26. The Fund's Actuary has stated that there has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities, therefore an improved position is anticipated at the next valuation.

The Fund's net asset position, in the draft unaudited accounts, demonstrate a positive trajectory. The 2023/24 net asset position improved by £205m in the year to £1.88bn, and improved further in 2024/25 to £1.963bn.

Governance: appropriateness of governance arrangements

The Fund's governance arrangements consist of a Pensions Committee and Pensions Board. The Pensions Committee has delegated responsibility to manage the pension fund and is the decision-making body and they support the Pensions Board in their role to ensure compliance with LGPS regulations and legislation and to ensure the effective and efficient governance and administration of the Fund. The two have met sufficiently regularly, quarterly, in 2024/25. Standing agenda items and ad hoc reports cover a range of issues in relation to risk, performance and compliance.

The Administration Team report to the Committee regularly on their performance against KPIs. Overall, the team performs in line with these targets over the year, with the exception of deferred benefit calculations, which still fall below expected levels. The actions being taken to respond are clear. Internal Audit have reviewed Pensions Administration processes and controls in year, which received a positive rating of 'Substantial Assurance'. The Fund is also fully compliant across all points that are applicable within the Governance Best Practice Compliance Guidance.

The Government published its 'Fit for Future' consultation response in May 2025. This confirmed that Funds should have all their assets under pool management by 31 March 2026. The fund set itself a target of 65% of funds pooled by the end of 2024/25 and has achieved 64.4% against this. A further transfer agreement has been agreed which achieve 74% by 31 March 2026. Regular updates on progress are being provided to the Pensions Committee. Strategic Plans have been formalised in line with the legislative requirements, these have been reviewed as part of the Government response, which accepts the proposals set out by the London CIV (Croydon's selected Asset Pool).

G

Pension Fund (continued)

We considered the Pension Fund's:

Commentary on arrangements

Rating

Improving Economy, Efficiency and Effectiveness: annual report findings

We considered arrangements for implementing some key work streams and the impact on the Fund Administration teams. For 2024/25 these include:

- **implementing the McCloud remedy** - implementation requires lots of complex calculations so could potentially impact heavily on administration teams. The Team is currently preparing remedy calculations ahead of the issue of Annual Benefit Statements by 31 August 2025, utilising overtime to complete the work as necessary, to meet the deadline.
- **preparing for the Pensions Dashboard** - The Department for Work and Pensions (DWP) have designed an online platform (Pension Dashboard), public sector schemes are required to be connected by October 2025 per the guidance provided, with a statutory deadline of 31 October 2026. The project is progressing effectively, with the testing phase currently underway. The Fund is currently planning for potential resource needs following the go-live phase.
- **preparing and maintaining a Funding Strategy Statement** - In January 2025 the SAB, CIPFA and MHCLG produced "Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)". The Pension Fund's updated FSS will be drafted following the 2025 actuarial valuation results. The Fund's Actuary has already provided FSS guidance for the LGPS, that the Fund has been following for a year, which aligns to the new requirements. As such the Fund is sufficiently prepared in the period between the guidance being released and formal approval of their FSS.

G

05 Summary of Value for Money Recommendations raised in 2024/25

Statutory recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
SR1	<p>The Council should seek to work with Government (through its newly appointed Commissioners) to develop an appropriate package of measures, which enable the Council's operating costs to be reduced, affordable and sustainable. A solution to the debt issue is vital to ensure a transparent assessment of the capability and capacity of the Council in reducing its operating costs and returning to self-sufficiency in the medium to long term, with an affordable and sustainable debt burden. An effective solution to deal with the cost of the debt would facilitate a return to financial stability at the same time as the Council is held to account for delivering further savings and efficiencies, delivering the transformation programme, and maintaining appropriate quality standards within services to meet its statutory duties.</p>	Financial sustainability	<p>Actions: The Council will work collaboratively with Government (through its appointed Commissioners) to develop a package of measures for the affordable and sustainable treatment of debt. The Council will also continue to deliver further savings, including through the transformation programme, while maintaining appropriate quality standards within services to meet its statutory duties.</p> <p>Responsible Officer: Corporate Director of Resources (S151 Officer)</p> <p>Due Date: March 2026</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Council should seek to improve transparency, and benefit to decision makers, in their reporting of reserves by ensuring updated forecast balances and benchmarking are presented within budget setting, and budget monitoring, information. This will enable members to understand the sustainability of reserves and help them to make better informed financial decisions	Financial sustainability	<p>Actions: Include forecast usage of General Fund revenue earmarked reserves in financial performance reporting. Include balances and benchmarking of General Fund revenue earmarked reserves in the budget setting report.</p> <p>Responsible Officer: Director of Finance (Deputy S151 Officer)</p> <p>Due Date: Financial performance reporting to October 2025 Cabinet meeting and The Council's Budget 2026-27 in February 2026.</p>
IR2	The Council should ensure that it can identify and rectify data quality issues in the SEND service in a timely manner to ensure accurate budget monitoring throughout the year, with full resolution achieved for outturn reporting for 2025/26. The Council should implement existing programmes, which impact DSG related services, as well as continuing to seek other potential cost and demand reducing actions, with the aim of reducing the deficit ahead of the statutory override deadline.	Financial sustainability	<p>Actions: Utilise the CIPFA “Lessons Learned” exercise, to inform any updates required to the internal action plan and governance improvements already underway, to develop targeted solutions to solve the data quality issues and ensure accurate budget monitoring of SEND services. Continue to develop and implement cost and demand reducing actions for DSG related services.</p> <p>Responsible Officer: Director of Education</p> <p>Due Date: March 2026</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR3	The Council should ensure that it is able to deliver the savings from the Future Croydon Programme, in full and at pace, by prioritising development of the underlying business cases so these can be mobilised immediately, and delivery monitored, working with their TMO to achieve this.	Financial sustainability	<p>Actions: Transformation Management Office (TMO), provided by KPMG, review of business cases completed in August 2025. September 2025 Star Chamber meetings review and approve delivery plans and benefits realisation plans ensuring pace is accelerated where possible, and benefits are maximised, going where possible beyond existing MTFS assumptions. The Council's MTFS updated to reflect Star Chamber output. TMO regularly monitor and report on progress. A six-monthly report will be produced in February 2026 updating progress on delivering the Future Croydon Transformation Plan.</p> <p>Responsible Officer: Director of Transformation</p> <p>Due Date: February 2026</p>
IR4	We recommend the Council closely monitor the capacity and capability of the finance team as new arrangements embed. The Council will need to ensure that it continue to build resilience into the team to ensure it can sustain a timely accounts production process, quality outputs and support the audit process simultaneously.	Governance	<p>Actions: The Council to continue six monthly reporting to Audit and Governance Committee on Revenue and Capital Monitoring Improvements, which includes updates on the permanent recruitment into the Strategic Finance structure and improvements to accounts production. Eight Graduate Trainee Accountants joined the Council on 1/9/25 and they will begin their CIPFA studies in December 2025. Recruitment campaign for eight permanent Principal Accountants to launch in Autumn 2025. Weekly monitoring by the Finance Leadership Team on response times to 2024-25 audit queries to meet February 2026 backstop date for the 2024-25 annual accounts.</p> <p>Responsible Officer: Director of Finance (Deputy S151 Officer)</p> <p>Due Date: February 2026</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR5	The Council should make further efforts to improve the process around dealing with complaints, in line with the guidance provided by the LG Ombudsman, to reduce the number of escalations to the Ombudsman. Actions should include arrangements to improve co-operation with the Ombudsman in their investigations.	3Es	<p>Actions: The Council will continue with improvements to the process around dealing with complaints, in line with the guidance provided by the LG Ombudsman, to reduce the number of escalations. Our focus is to improve the time taken to respond to complaints and seek earlier resolution. In the last financial year 2.3% of complaints were escalated to the Ombudsman and over the past three years we have seen consistent reductions in escalation across four of the six directorates. A dedicated officer is in place to improve co-operation with the Ombudsman in their investigations and we utilise the LGSCO link officer whenever needed.</p> <p>Responsible Officer: Assistant Chief Executive</p> <p>Due Date: March 2026</p>
IR6	The Council should ensure that it focusses resources to achieved continued improvement in the quality and control environment in the Housing Service. Actions should specifically target areas of 'limited assurance' identified by Internal Audit, as a priority.	Financial sustainability	<p>Actions: The housing service is reviewing the existing housing transformation plan in readiness for the inspection by the Regulator of Social Housing. The plan will include the implementation of all recommendations arising from internal audit and learning from current inspections. The improvement plan will continue to be monitored by the Transformation Steering Board, with oversight conducted by the Housing Assurance Board (which replaces the independent Housing Improvement Board that was set up to oversee the housing transformation programme and the lifting of the Regulatory Notice). The Housing Assurance Board includes residents, Members and independent board members (with professional expertise) and is chaired by an independent member. The housing service will continue to engage with residents in line with the ongoing commitment set out in the Resident Engagement Strategy.</p> <p>Responsible Officer: Corporate Director of Housing</p> <p>Due Date: March 2026</p>

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	With three s114 notices issued in two years, and the Council making it clear extraordinary government support is required to return to financial sustainability, it will be important that the Council continues to maintain its strict financial controls over spend and discipline over its savings and transformation plans	2023/24	As noted in our report, the weakness in arrangements identified in the prior year continues to exist. Arrangements to achieve financial sustainability have deteriorated, evidenced by an increased reliance on EFS of £136m in 2025/26 budget (a significant increase from £51m in 2024/25). The unsustainable nature of the financial position, alone, resulted in the Council not achieving their Exit Strategy from existing government support in the form of a Government appointed Improvement Assurance Panel. As such Government intervention arrangements have intensified, and from August 2025 the Council is now under Commissioner-led model. Meaning the Council is subject to centrally imposed directions to achieve their Best Value Duty.	Recommendation unaddressed	Prior year Key Recommendation has been replaced with a Statutory Recommendation (SR1) to reflect the escalation in the position.
KR2	The Council needs to continue to focus on improving the quality of its housing services. Additional priority actions for the Council, identified through the Council's Statutory Improvement and Assurance Panel, include strengthening the quality and accuracy of its housing data; robustly contract managing the newly appointed repairs, heating, and voids contractors to ensure that performance levels remain high; and drawing on the TPAS-led review and put in place an improved structure for tenant and resident involvement.	2023/24	The Regulatory Notice imposed by the Regulator of Social Housing (RSH) has now been lifted, with effect from April 2025, acknowledging the progress made against its findings. However, the Council has received several Internal Audit Reviews related to quality within its Housing Service, therefore there is still further work to be done to improve the quality in relation to its housing stock.	Recommendation partially addressed	Prior year Key Recommendation has been replaced with an Improvement Recommendation (IR7) to acknowledge the lifting of the Regulator Notice, whilst also acknowledging the actions required to respond to Internal Audit's findings.

07 Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

 **A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion



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