



**COUNCIL
AGENDA**
for the meeting
on
29 March 2021 at
6.30 pm

To: To All Members of the Council

Date: 19 March 2021

A meeting of the **COUNCIL** which you are hereby summoned to attend, will be held on **Monday, 29 March 2021** at **6.30 pm**. **This meeting will be held remotely**

PLEASE NOTE: Members of the public are welcome to remotely attend this meeting via the following link: <https://webcasting.croydon.gov.uk/meetings/11902>

JACQUELINE HARRIS BAKER
Council Solicitor and Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Democratic Services
Democratic.Services@croydon.gov.uk
www.croydon.gov.uk/meetings
19 March 2021

The agenda papers for all Council meetings are available on the Council website www.croydon.gov.uk/meetings

If you require any assistance, please contact officer as detailed above.

AGENDA

1. Apologies for Absence

To receive any apologies for absence from any Members.

2. Disclosure of Interests

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

3. Urgent Business (if any)

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

4. Announcements

To receive Announcements, if any, from the Mayor, the Leader, Head of Paid Service and Returning Officer.

5. Croydon Question Time (Pages 7 - 10)

a) Public Questions (30 minutes)

To receive questions from the public gallery and questions submitted by residents in advance of the meeting.

b) Leader and Cabinet Member Questions (105 minutes)

To receive questions from Councillors.

6. Member Petitions (Pages 11 - 12)

To receive notice of petitions presented by Members on behalf of local residents.

7. Council Debate Motions

To debate any motions submitted in accordance with Council Procedure Rules.

8. Recommendations of Cabinet or Committees to Council for decision (Pages 13 - 28)

To consider the recommendations made by Cabinet or Committees since the last Council meeting relating to the following matters:

Cabinet – 22 March 2021

- i. Revocation of Section 114 Notice

9. Vote of Thanks

To pass a vote of thanks to The Mayor in the following terms:

- a) The Members of Council tender their grateful thanks to The Worshipful, The Mayor, Councillor Maddie Henson, for the courteous and efficient manner in which she presided over the Council's deliberations during the past year;
- b) The Members of Council record their sincere appreciation of the dignified manner in which Councillor Maddie Henson has carried out the traditional duties of the office of Mayor, of the support and encouragement which she and her Consort, Mr Mark Henson, have given to local organisations and of the prominent part they have taken in the social life of the Borough during the Mayor's period of office; and
- c) That this resolution be sealed and presented to the Mayor at the Annual Council Meeting in a suitable form.

10. Exclusion of the Press and Public

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

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| REPORT TO: | COUNCIL 29 MARCH 2021 |
| SUBJECT: | CROYDON QUESTION TIME: A) PUBLIC QUESTIONS B) LEADER AND CABINET QUESTIONS |
| LEAD OFFICER: | Jacqueline Harris Baker, Executive Director Resources and Monitoring Officer |
| WARDS: | ALL |
| CORPORATE PRIORITY/POLICY CONTEXT: The business reports of the Leader and Cabinet are prepared in accordance with the Council Procedure Rules at Part 4A of the Constitution. | |

1. EXECUTIVE SUMMARY

- 1.1 This report outlines the process for:
- a) public questions; and
 - b) questions to the Leader and Cabinet from Councillors.

2. BACKGROUND

- 2.1 Part 4A of the Constitution details the process that allows for the Leader and Cabinet Members to take oral questions. Question Time is split into two part; public questions and Councillors' questions to the Leader and Cabinet.

Public Questions

- 2.2 Public questions can be asked of the Leader or Cabinet Members on issues of policy at the Meeting as set out within the Constitution Part 4A, Sections 3.12 – 3.15. Any questions of a purely factual or of a detailed nature that cannot be answered on the evening shall be noted and shall receive a written response within three weeks following the meeting. The responses shall be published on the Council's website.
- 2.3 Public Questions shall only be taken at Ordinary Council meetings and shall be allocated a total time of 30 minutes. This timeframe shall include both the questions and responses by the relevant Cabinet Members or Leader.
- 2.4 The Mayor has absolute discretion to decline to allow any question to be dealt with under this procedure on the grounds that it addresses matters that would be inappropriate to consider at the meeting, including where the questions being asked are repetitive or have already been addressed.

- 2.5 Following advice from the Government and Public Health England to enforce social distancing and prevent the spread of Coronavirus, it is not possible at the current time to hold public meetings in the Town Hall. The Coronavirus Act 2020 passed on 25 March 2020 and subsequent regulations have made it possible for Councils to hold virtual meetings. As a result, Members of the Public are unable to ask questions from the public gallery in the Council Chamber.
- 2.6 However, in accordance with Part 4A, paragraph 3.15(ii), the Mayor may also accept questions from Members of the Public submitted by email to the designated email address by 12 noon on the Friday prior to an ordinary Council meeting. The Mayor will put questions received by email to the Leader or the relevant Cabinet Member and, where a number of questions are received on the same subject, the Mayor may put a summary of those questions instead.

Leader and Cabinet Questions:

- 2.7 This item is to enable Members to ask questions of the Leader and Cabinet on issues of policy. Any questions of a purely factual or of a detailed nature that cannot be answered on the evening shall be noted and shall receive a written response within three weeks following the meeting. The responses shall be published on the Council's website.
- 2.8 Questions which relate to a current planning or licensing matter or any matter relating to an individual or entity in respect of which that individual or entity has a right of recourse to a review or right of appeal conferred by or under any enactment shall not be permitted. In addition, questions shall not be received or responded to where they pertain to anticipated or ongoing litigation, conciliation or mediation or any employment or personnel related issues or disputes.
- 2.9 The Leader shall be the first to respond to questions under this item and the total time allocated to questions by Members to, and responses from the Leader, shall be 15 minutes. The first two minutes of the Leader's 15 minute slot may be used by the Leader to make any announcements.
- 2.10 Cabinet Members, divided up into three 'pools' of three Members each, shall thereafter respond to questions by other Members of the Council. The total time allocated to each 'pool' of Cabinet Members shall be 30 minutes. The three Cabinet Members shall each be permitted to use two minutes of this 30 minute slot to make announcements.
- 2.11 The 'pools' for this meeting will be as follows:

Pool 1

| Name | Portfolio |
|----------------|--|
| Oliver Lewis | Cabinet Member for Culture & Regeneration |
| Alisa Flemming | Cabinet Member for Children, Young People & Learning |
| Janet Campbell | Cabinet Member for Families, Health & Social Care |

Pool 2

| Name | Portfolio |
|----------------------|--|
| Patricia Hay-Justice | Cabinet Member for Homes |
| Manju Shahul-Hameed | Cabinet Member for Communities, Safety & Business Recovery |

Pool 3

| Name | Portfolio |
|---------------|--|
| Stuart King | Deputy Leader and Cabinet Member for Croydon Renewal |
| Muhammad Ali | Cabinet Member for Sustainable Croydon |
| Callton Young | Cabinet Member for Resources & Financial Governance |

- 2.12 Representatives of political groups may give advance notice to the Council Solicitor by 12 noon on the Friday preceding an ordinary Council Meeting, the names of the first two Members of their respective political group that they wish the Mayor to call to ask a question of each Member of the Cabinet, including the Leader of the Council.
- 2.13 After those Members have been called, the Mayor will call Members that indicate they have a question, with a presumption of inviting questions from as many different Members as possible. Each Member asking a question will also be allowed to ask a supplementary questions.

CONTACT OFFICER:

Victoria Lower
Senior Democratic Services and Governance Officer –
Cabinet & Executive
Ext 14773

BACKGROUND DOCUMENTS: None

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For General Release

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| REPORT TO: | COUNCIL 29 MARCH 2021 |
| SUBJECT: | MEMBER PETITIONS |
| LEAD OFFICER: | Stephen Rowan, Head of Democratic Services and Scrutiny |
| WARDS: | ALL |
| CORPORATE PRIORITY/POLICY CONTEXT: This report is prepared in keeping with paragraphs 3.26 to 3.31 of the Council Procedure Rules at Part 4A of the Constitution. | |

1. **RECOMMENDATIONS**

- 1.1 The Council is asked to note the petitions presented by Councillors at the meeting as listed in paragraph four of the report.

2. **EXECUTIVE SUMMARY**

- 2.1 In accordance with Part 4A of the Council's Constitution up to three Members of the Council can present petitions to any ordinary meeting of the Council, with the exception of any meeting of the Council reserved for the setting of Council Tax.

3. **BACKGROUND**

- 3.1 Part 4A of the Constitution allows up to three Councillors to present petitions to meetings of the Full Council.
- 3.2 The Constitution requires that a petition must contain "the signatures of at least 100 local people or 50% of the local people affected by the subject" in order to be presented at a Council meeting.
- 3.3 The full petition wording of each of the three Member petitions to be received will be included in the Council agenda (see paragraph four below). The Member petitions will be received but shall not be the subject of a debate or questions at that or a subsequent Council meeting.
- 3.4 Where possible, the Cabinet Member shall provide a response at the Council meeting at which the Member's petition is received. Where a response is not

provided at the meeting, a written response shall be provided within three weeks of the meeting.

4. PETITIONS TO BE PRESENTED TO COUNCIL AT THIS MEETING

4.1 The Monitoring Officer has received notice of the following petition to be presented to this meeting of the Council:

a) Petition presented by **Councillor Fitzsimons** on behalf of residents:

“We the undersigned, do hereby petition Croydon Council to place permits on Dominion Road, CR0 6JP. Due to some of the surrounding streets being permitted last year which has since caused a great addition of other cars parking on Dominion Road by non-residents.”

4.2 Where possible the Cabinet Member will respond to the petition at the meeting.

4.3 Where a more detailed response is required, a written response shall be provided within three weeks of the meeting.

CONTACT OFFICER:

Victoria Lower
Senior Democratic Services and Governance
Officer – Cabinet & Executive

BACKGROUND DOCUMENTS: None

| | |
|--|---|
| REPORT TO: | COUNCIL 29 March 2021 |
| SUBJECT: | RECOMMENDATIONS OF CABINET REFERRED TO THE COUNCIL FOR DECISION |
| LEAD OFFICER: | Asmat Hussain, Interim Executive Director of Resources and Deputy Monitoring Officer |
| WARDS: | ALL |
| CORPORATE PRIORITY/POLICY CONTEXT: | |
| <p>The Recommendations of Cabinet referred to the Council for decision report is prepared in accordance with the Council Procedure Rules at Part 4A of the Constitution.</p> | |

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|-----------|---|
| 1. | <p>RECOMMENDATIONS FROM CABINET HELD ON 22 MARCH 2021</p> <p>Subject to decision at the Cabinet meeting to be held on 22 March 2021, Council is expected to be asked to approve the following recommendations:</p> <p>Revocation of Section 114 Notice</p> <p>1.1 Note that the Statutory Chief Finance officer is of the view that following the receipt of the Capitalisation Directions for 2020/1 and 2021/22 that the previously issued letter under section 114 of the Local Government Finance Act 1988, no longer applies as the Council has sufficient resources to meet likely revenue costs in 2020/1 and has a balanced budget for 2021/22.</p> |
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2. EXECUTIVE SUMMARY

2.1. The Recommendations of Cabinet and Committees referred to the Council for decision report comprises of matters of business formally undertaken by the Leader and Cabinet as well as Committees since the last ordinary meeting of the Council that require Full Council approval.

3. BACKGROUND

- 3.1. Part 4A of the Constitution requires that Cabinet and Committees include any recommendations that it has made to Council within this report.
- 3.2. These rules do not apply to any recommendations contained in the Annual Report of the Scrutiny and Overview Committee.
- 3.3. The Leader or Chair of the Committee making the recommendation may exercise a right to introduce the recommendation; in so doing the Leader or

Chair of the Committee shall speak for a maximum of 3 minutes.

- 3.4. The recommendation shall be seconded without any further speakers and if not deferred for debate shall immediately be put to the vote.
- 3.5. Any Member supported by a seconder, may ask that a recommendation be deferred for debate and the recommendation shall immediately stand deferred.
- 3.6. In the event that any Cabinet or Committee recommendations have not been reached when the time limit for the meeting has expired, those recommendations shall immediately be put to the vote without further debate.
- 3.7. Attached at **Appendix 1** is the **Revocation of Section 114 Notice** report to be considered at the **Cabinet** meeting to be held on 22 March 2021. The relevant appendices to this report are also included. These are **Appendix 1A** (Capitalisation Direction letters dated 16th March 2021).

CONTACT OFFICER: Victoria Lower,
Senior Democratic Services and Governance Officer
– Cabinet & Executive

APPENDIX 1: Revocation of Section 114 Notice report

APPENDIX 1A: Capitalisation Direction letters dated 16th March
2021

BACKGROUND DOCUMENTS: None

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| REPORT TO: | CABINET 22nd March 2021 COUNCIL 29th March 2021 |
| SUBJECT: | Revocation of Section 114 Notice |
| LEAD OFFICER: | Chris Buss Interim Director of Finance, Investment and Risk |
| CABINET MEMBER: | Cllr Hamida Ali, Leader of the Council Cllr Stuart King, Cabinet Member for Croydon Renewal |
| WARDS: | ALL |
| CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON | |
| Following the formal granting of Capitalisation Directions for 2020/1 and 2021/2 the Council has now a balanced budget. This means that the need for a section 114 notice no longer exists and has been revoked by the statutory Chief Finance officer . | |
| FINANCIAL IMPACT | |
| With the granting of the Capitalisation Direction the Council now has resources to fund expenditure in the Current financial year and has set a balanced budget for 2021/22 | |
| FORWARD PLAN KEY DECISION REFERENCE NO.: N/A | |

REASON FOR URGENCY: The Statutory Chief Finance officer (Section 151 officer) received notification that the Council's request for a Capitalisation Direction was formally confirmed by MHCLG on 16th March 2021 for 2020/21. The effect of that is that the conditions that led to the issuing of the section 114 notice in November 2020 no longer apply. Although no formal decision is required to revoke the notice, the Section 151 officer is of the view that the Cabinet and full Council should be formally advised of this change and its impact as a matter of urgency.

While this report does not contain any key decisions, and as such the Council's procedures for special urgency in relation to key decisions does not apply in this case, the Chair of the Scrutiny and Overview Committee has been consulted prior to seeking the Leader's approval to accept this report as an item of urgent business.

MHCLG also set out in their letter of the 5th March 2021 that they would be minded to additionally approve a capitalisation of up to £50m for 2021/22, but would not issue a formal Direction approval until the summer of 2021.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet recommends to full Council to:

- 1.1 Note that the Statutory Chief Finance officer is of the view that following the receipt of the Capitalisation Directions for 2020/1 and 2021/22 that the previously issued letter under section 114 of the Local Government Finance Act 1988, no longer applies as the Council has sufficient resources to meet likely revenue costs in 2020/1 and has a balanced budget for 2021/22.

2. EXECUTIVE SUMMARY

- 2.1 Since 11th November 2020, the Council has operated under a Section 114 notice issued by the former section 151 officer. The issuing of two Capitalisation directions on 16th March 2021 means that the conditions under which the section 114 notice was issued no longer apply and the section 151 officer has written to all members of the Council to that effect.

3. DETAIL

- 3.1 The former Section 151 Officer issued a notice under section 114 (3) of the Local Government Finance Act 1988 on 11th November 2020 confirming that in her view that the Council was unable to meet expenditure from within its resources in the current financial year. The Council as required by statute considered that report at its meeting on on 1st December 2020 and accepted the views contained in the report.
- 3.2 Subsequent to that meeting a second notice was issued on the 2nd December 2020 and was considered by the Council on 16th December 2020. The council has remained under the restrictions of a Section 114 notice since that date. The Council has requested a capitalisation direction both for 2020/21 of £70 million and 21/22 of £50 million. Granting of those directions would enable the Council to balance the budget for 2021/22 and enable the Council to meet the spending pressures in 2020/21.
- 3.3 When setting the budget for 2021/22, the assumption was that the directions would be awarded and indeed an offer of a Conditional capitalisation direction was received from the government on the 6th March and accepted by the Leader on March 9th 2021. The formal capitalisation directions were received by the section 151 officer on March 15th 2021 and are attached as Appendices to this report.
- 3.4 The receipt of the Capitalisation directions means that the Council is now able to fund expenditure in the forthcoming financial year (2021/22) and is able to balance the budget in 2022/23. As such the conditions under which the section 114 notice was issued falls away. In the light of this the Section 151 officer has written to all members of the Council advising them of this change in circumstances.
- 3.5 When agreeing the Council tax and budget on March 9th 2021, the budget report identified the need for a continued control environment to exist even after the expiration of the section 114 notice. As such the existing spending control panel arrangements will exist, however it is proposed to exempt with immediate

effect expenditure directly chargeable to the Pension Fund and the Housing Revenue Account (the former being a separate legal entity and not capable of being included under the powers of s114, and the latter ring-fenced and thus not impacting on the General Fund position) both of which have no direct impact on the general fund budget from the controls. Removing the Spend Control Panel ('SCP') review of Covid Relief Payments (fully grant-funded) is also proposed in terms of it being removed from requiring SCP approval as they are fully grant funded (thus meeting the s114 criteria and as such the Panel were automatically approving all of these). Further modifications to the controls will be applied in the light of experience and learning from their ongoing application.

- 3.6 Both capitalisation directions are conditional and should the Council fail to meet the conditions then the Government may choose to withdraw the direction. Should this occur then the Section 151 officer would almost certainly need to issue a new section 114 notice. Similarly, if the Council is unable to contain expenditure in 2021/22 within the revenue budget the conditions may exist whereby a new section 114 notice is required. It is therefore of the utmost importance that the Council meets the conditions set out in terms of the conditions in the letters whilst maintaining a much greater rigour in terms of financial discipline than has been the case hitherto. Non-achievement of savings or over spending are not options and containing spending within the Council's means is non-negotiable. The Secretary of state still has reserve powers under statute as indicated in the Capitalisation direction to appoint commissioners.

4. CONSULTATION

- 4.1 In determining that the s114 notice is formally lifted, discussion has taken place with our external auditors. The Finance Review Panel are aware that in commenting on the budget, as part of the s25 Statement, it is implied that the s114 would cease. The panel will be formally notified of its lifting by being sent this report. In addition, the Leader, Deputy Leader and the Chair of the Overview and Scrutiny Committee have been made aware of the contents of this report.

5 PRE-DECISION SCRUTINY

- 5.1 In the light of the timing of the receipt of the directions no pre decision scrutiny was possible. However , it must be noted that the issue of a notice under section 114 of the Local Government finance act 1988 is a matter of professional opinion of the section 151 officer. Similarly, it is the same officer's opinion that determines when a section 114 notice is no longer in operation.

6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 6.1 The financial and risk assessment considerations of this report are contained in the body of the report.

7. LEGAL CONSIDERATIONS

- 7.1 The Local Government Finance Act 1988 ('the Act') places certain responsibilities on the Chief Finance Officer of a relevant authority. Under section 114(3) of the Act the Chief Finance Officer shall make a report if it appears that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to the Council to meet that expenditure.
- 7.2 The Secretary of State has the power to issue a Capitalisation Direction under the Local Government Act 2003 ('2003 Act'). Section 16(2)(b) of the 2003 Act provides the means by which the government exceptionally permits councils to treat revenue costs as capital costs. The effect of such a Direction is that specified revenue expenditure becomes treated as capital expenditure so that instead of having to be charged to revenue it may be funded from capital sources. Ministers have discretion to impose other conditions under section 20 of the 2003 Act. MHCLG guidance provides further information regarding the process and procedures to be complied with.
- 7.3 Section 31A of the Local Government Finance Act 1992 places the Council under a statutory responsibility to set a balanced budget. Furthermore, additional duties have been placed by the Local Government Act 2003 on the chief finance officer in relation to the robustness of the estimates before setting the budget.
- 7.4 Having regard to these responsibilities the Chief Finance Officer has confirmed that given the issuing of the two Capitalisation directions by the MHCLG the S.114 notice is no longer applicable.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer.

8. HUMAN RESOURCES IMPACT

- 8.1 There are no immediate human resources issues arising from this report for Council employees or staff.

Approved by Gillian Bevan, Head of HR, Resources on behalf of Sue Moorman, Director of Human Resources.

9. EQUALITIES IMPACT

- 9.1 There are no immediate equality and inclusion implications arising from this report.
- 9.2 Equality analysis will need to be undertaken to ascertain the potential impact on staff, service users, vulnerable groups and wider communities groups that

share protected characteristics and take actions to mitigate any negative

- 9.3 The Council will ensure that as part of the process of delivering current and future savings, it will protect the most vulnerable in our communities and ensure when making difficult decisions about funding it maintains an absolute commitment to promoting equality for everyone who lives and works in the Borough

Approved by Yvonne Okiyo, Equalities Manager

10. ENVIRONMENTAL IMPACT

- 10.1 There is no direct environmental impact of this report.

11. CRIME AND DISORDER REDUCTION IMPACT

- 11.1 There are no direct Crime and disorder reductions impacts of this report

12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 12.1 There are no recommendations within this report, which is only for noting.

13. DATA PROTECTION IMPLICATIONS

- 13.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

- 13.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO

No personal data was used in the writing of this report

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| CONTACT OFFICER: | Chris Buss – Interim Director of Finance, Investment & Risk |
| APPENDICES TO THIS REPORT: | Appendix 1 – Capitalisation Direction letters dated 16 th March 2021 |
| BACKGROUND PAPERS: | None |

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Ministry of Housing,
Communities &
Local Government

Chris Buss
Director of Finance and Section 151 Officer
Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

Suzanne Clarke
*Deputy Director, Local Government Finance
Stewardship*

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

Fry Building
2 Marsham Street
London
SW1P 4DF

16 March 2021

Dear Chris,

CAPITALISATION DIRECTION – CROYDON LONDON BOROUGH COUNCIL

I am writing in relation to your authority's request for exceptional financial support in respect of 2020/21. I appreciate your continued co-operation with the Department throughout this process.

On 5 March 2021 Minister Hall wrote to the leader of Croydon London Borough Council, Councillor Hamida Ali, to set out the Department's proposed package of support. On 8 March, Councillor Ali wrote to formally accept the Department's proposals, and confirmed that the Authority would like to proceed with the approach outlined by Minister Hall. In parallel to this letter, the Ministry of Housing, Communities and Local Government (MHCLG) has issued a capitalisation direction of a total not exceeding £70.0m in respect of the financial year 2020/21, subject to the conditions outlined in the direction.

Charging Minimum Revenue Provision and Other Accounting Standards

Government expects all local authorities to abide by robust financial management practices. Where local authorities have been issued with a capitalisation direction, it is particularly important to demonstrate robust financial management and internal controls to ensure that public money is safeguarded, properly accounted for and used with due regard to value for money. Government expects that the Authority will produce financial reporting of the highest quality and propriety, in accordance with proper accounting practices and relevant guidance, to ensure transparency and accuracy. In undertaking borrowing and investment activities, government expects Authorities should fully comply with the intent of the Prudential Framework and the four statutory codes. The external assurance review outlined in paragraph 4(iii) of the direction will examine the Authority's current financial management practices, and may make recommendations based on their findings for 2021/22 and beyond.

In relation to your charging for Minimum Revenue Provision, the condition outlined in paragraph 4(ii) of the direction states that where expenditure is capitalised under this direction, the Authority must charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, as set out in the Department's Statutory Guidance on Minimum Revenue Provision issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

Paragraph 3 of the direction outlines the Secretary of State's instructions on the definition and treatment of expenditure in the scope of the direction, which must not exceed the total set out in paragraph 3(iii). Paragraph 4(i) specifies as a condition of the direction that you may only capitalise costs as they incur. It is an expectation of the Department that you will therefore capitalise costs commensurate with the pressures or income losses specified in your application for support. I.e. if the expenditure, income losses, or budget gap specified in your application does not fully materialise, we expect that you will not capitalise expenditure in excess of your realised pressures.

External Assurance

The condition outlined in point 4(iii) of the direction states that the Authority must continue to make good progress against its Improvement Plan. I expect the Improvement Panel to provide evidence of this progress in their regular reports to the Secretary of State. The Panel have outlined that they expect to provide their next report to the Secretary of State in April 2021.

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

Borrowing

As outlined in the direction, there will also be additional conditions applied in relation to any borrowing that results from the capitalisation, which will require that this borrowing is from the PWLB (Public Works Loan Board), and must be subject to a 1 percentage point additional interest rate premium. You can make arrangements to undertake this borrowing directly with the United Kingdom Debt Management Office who operate the PWLB lending facility.

Request for financial support in the financial year 2021/22

As outlined in the letter from Minister Hall on 5 March, with respect to the financial year 2021/22, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £50.0 million. This letter does not constitute a direction in relation to the financial year 2021/22. Such a direction may be subject to conditions, which would be set out in a capitalisation direction when issued.

If the Secretary of State decides to give a direction for 2021/22, he expects to confirm the final amount of capitalisation support and any conditions that would be applied by summer 2021. His consideration will include taking account of the following:

- i. Evidence that the conditions set out in any capitalisation direction in respect of 2020/21 have been complied with;
- ii. Evidence from the Improvement Panel of the Authority's progress against its Improvement Plan, as reflected in forthcoming progress reports from the Panel;
- iii. Evidence from the Improvement Panel of the Authority's financial position and its ability to meet any or all of the identified budget gap without additional borrowing;
- iv. Evidence from the Improvement Panel of the Authority's progress in developing and delivering against an asset disposal plan;
- v. Evidence of progress against the other areas of improvement that were identified in the Panel's February update to the Department: progress in resolving challenges in property ventures; a credible 2021/22 budget including a

- deliverable savings plan; progress in developing a plan to transform front line services; progress made to change the culture of the organisation;
- vi. Evidence and recommendations from the Improvement Panel on the steps that the Authority may need to take to, for example, improve its governance arrangements, financial management, operational delivery and to reduce risk.
 - vii. Officials' understanding of the approach you have taken to capitalising expenditure in 2020/21, which may include assurance that you have not capitalised expenditure beyond your materialised pressures.

The Secretary of State also reserves the right to attach additional bespoke conditions to a direction in respect of 2021/22 depending on the Authority's individual circumstances.

As you will be aware, the Secretary of State has attached certain conditions to your 2020/21 capitalisation direction. We expect that there will be ongoing engagement between the Authority and MHCLG officials going forward to evaluate the progress against or fulfillment of these conditions.

If you have any queries in connection with the above, please do not hesitate to contact me: suzanne.clarke@communities.gov.uk.

Yours sincerely,



Suzanne Clarke
Deputy Director, Local Government Finance Stewardship

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Ministry of Housing,
Communities &
Local Government

Matthew Hemsley

*Head of LA Financial Control and Capital
Finance*

*Ministry of Housing, Communities & Local
Government*

Fry Building
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SW1P 4DF

Chris Buss
Director of Finance
Croydon London Borough Council
Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

Tel: 0303 444 0472

Email:

Matthew.Hemsley@communities.gov.uk

www.gov.uk/mhclg

LOCAL GOVERNMENT ACT 2003 SECTIONS 16(2)(b) AND 20: TREATMENT OF COSTS AS CAPITAL EXPENDITURE

Dear Chris,

1. I refer to the letter of 15 December 2020 (“the application”) from Councillor Hamida Ali, leader of Croydon London Borough Council, applying for a capitalisation direction to fund revenue expenditure incurred by the Council in respect of the pressures or income losses outlined in your request for exceptional financial support.
2. I can now confirm that the application is given approval at a total not exceeding £70.0m with respect to the financial year 2020/21, subject to the conditions outlined below. This direction takes immediate effect.
3. Accordingly, the Secretary of State directs, in exercise of his powers under sections 16(2)(b) and 20 of the Local Government Act 2003 (“the Act”), that Croydon London Borough Council (“the Authority”) treat as capital expenditure, expenditure which:
 - i. Is either:
 - a. revenue expenditure and meets the definition of an additional cost pressure as identified and agreed with the Ministry of Housing,

Communities and Local Government (MHCLG) through the Authority's formal request for exceptional financial support; or

b. any revenue expenditure not exceeding the value of income losses in the financial period 2020/21 as identified and agreed with MHCLG through the Authority's application;

ii. is properly incurred during the financial period 2020/21; and

iii. does not exceed a total of £70.0m.

4. In a further exercise of the Secretary of State's powers under section 20 of the Act, it is a condition of this direction that:

i. the Authority may only capitalise expenditure when it is incurred;

ii. where expenditure is capitalised, the Authority shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with the Department's Statutory Guidance on Minimum Revenue Provision issued by the Secretary of State under section 21(1A) of the Local Government Act 2003;

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

iv. where the Authority's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction, any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB (Public Works Loan Board), and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not apply to borrowing in relation to your Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing.

5. This direction is given for the purposes of Chapter 1 of Part 1 of the Act only. It does not convey any other consent that may be required or any view as to the propriety of the expenditure. It is for the Authority to be satisfied that any amount to which this direction is applied is properly incurred in the financial years concerned.

6. Approval of the total not exceeding £70.0m takes into account the Secretary of State's consideration of the effect on the national economy of granting capitalisation directions to local authorities in England for expenditure incurred in the financial year that began on 1 April 2020. It ensures that the total amount of expenditure which may be treated as capital expenditure by virtue of such capitalisation directions does not exceed a limit which the Secretary of State considers prudent.

Yours sincerely,

Matthew Hemsley

Authorised to sign this direction by the Secretary of State for Housing, Communities and Local Government

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