



Department for Levelling Up,  
Housing & Communities

Max Soule  
Deputy Director, Local Government  
Stewardship

**Department for Levelling Up, Housing  
and Communities**

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Daniel Charles Mouawad  
Chief Executive  
Spelthorne Borough Council  
*By email*

[www.gov.uk/dluhc](http://www.gov.uk/dluhc)

8 May 2024

Dear Mr Mouawad,

My department has been engaging with you since May 2022 in relation to your Authority's capital risk, in advance of the passage through Parliament of measures in the Levelling Up and Regeneration Act 2023 and following the introduction of new Public Works Loan Board guidance in the same month.

As you will see from the attached letter, the Secretary of State has now, in exercise of his powers under section 10 of the Local Government Act 1999 (as amended by the Local Audit and Accountability Act 2014) ("the 1999 Act") and with regard to the statutory guidance on Best Value Standards and Intervention, appointed Lesley Seary as the person to carry out an inspection of the compliance of the authority known as Spelthorne Borough Council ("the Authority") with the requirements of Part 1 of the 1999 Act. She is able to recommend the appointment of Assistant Inspectors.

The Department is concerned with your Authority's ability to continue to comply with its Best Value Duty under Part 1 of the 1999 Act and would like direct, independent assurance that the Authority is making arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In making the appointment and commencing an inspection, the Secretary of State has had regard to, and considered, the events and issues outlined below:

- The Authority's extremely high levels of debt and borrowing. As of 31 March 2023, Spelthorne's debt was £1.096bn, which was 87.1 times the Council's core spending power (CSP) and 52.4 times its total service expenditure (TSE). In perspective, this compares to the median debt to CSP ratio of 5.65 for district councils. Spelthorne has the second highest level of debt for a district authority in England.
- The July 2023 CIPFA capital review, which found that the Authority required expert independent support to assist with its immediate and ongoing financial challenges, to put in place risk mitigations and undertake a thorough examination of the Authority's governance and decision-making culture.
- The Authority's response to the CIPFA report received in August 2023.

- Engagement with the department from June 2022 to date.
- The KMPG Public Interest Report on the 2017/18 accounts, published in November 2022, which highlighted concerns over the Authority's investments and set out the auditor's view that the Authority acted unlawfully in borrowing and then purchasing three properties in 2017/18.
- The LGA Corporate Peer Challenge conducted in November 2022 and published in February 2023 and follow-up undertaken in November 2023 and published in April 2024.

The Secretary of State has given certain directions to the Lesley Seary in relation to her undertaking of the inspection.

First, in undertaking the inspection in relation to the specified functions where we have concerns, namely governance; section 151 of the Local Government Act 1972 and the strength of associated audit, scrutiny and risk arrangements, with particular attention to the governance arrangements and decision making conducted across the Authority; the capacity and capability across the organisation, but particularly the finance function, and whether this is sufficient to meet the Best Value Duty; the adequacy of the Authority's plans and capacity to address the recommendations made by the CIPFA capital review and to control its debt levels and reduce them over time; what an appropriate level of capital risk would be for the Authority, with regard to the statutory guidance on Best Value Standards and Intervention; the Authority's capacity to implement the new housing strategy; the impact the investment portfolio and its management has had on service delivery; and the prudence of financial decision making. Given our concerns relate to broad decision-making, and whether the standards expected for effective and convenient local government are being upheld, the inspection will consider decision-making in relation to those functions, encompassing leadership, governance, organisational culture, use of resources and impact on service delivery. Without prejudice to the scope of this inspection, she is directed to consider, in the exercise of those specified functions, whether the Authority is continuing to make arrangements to secure continuous improvement in the way in which its functions are exercised.

Second, she is directed to report the findings of the inspection to the Secretary of State by 30 August 2024, or such later date as she may agree with the Secretary of State. The Secretary of State may, following receipt of the inspection report or otherwise, issue further directions to the Inspector.

Section 11 of the 1999 Act provides that an inspector has a right of access at all reasonable times to any premises of the Authority and to any document, including electronic documents, relating to the Authority which appear to the inspector to be necessary for the purposes of inspection. Statute also provides that the Authority shall provide the inspector with every facility and all information which the inspector may reasonably require for the purposes of inspection. In this context, you should ensure that, from the date of this letter, no documentation or records, whether electronic or paper, are destroyed. The Authority must pay the reasonable fees of the inspector and any assistant inspectors. You may wish to consult my team here for advice on this.

I appreciate that the Authority has already started taking some steps to address these issues and thank you for the work to date and detail you have already provided.

Yours sincerely,

**Max Soule**  
**Deputy Director, Local Government Stewardship**