



Department for Levelling Up,
Housing & Communities

Lesley Seary
By email

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**Department for Levelling Up, Housing
and Communities**
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8 May 2024

Dear Lesley,

The Department is concerned with Spelthorne Borough Council's ("the Authority") ability to continue to comply with its Best Value Duty under Part 1 of the Local Government Act 1999 ("the 1999 Act").

Having had regard to the information below and the statutory guidance on Best Value Standards and Intervention, the Secretary of State has decided to proceed with a Best Value Inspection to provide direct, independent assurance that the Council is continuing to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness:

- The Authority's extremely high levels of debt and borrowing. As of 31st March 2023, Spelthorne Borough Council's debt was £1.096bn, which was 87.1 times the Authority'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. The Authority has the second highest level of debt for a district council 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 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.

I am therefore writing to inform you that the Secretary of State, in exercise of his powers under section 10 of the 1999 Act, hereby appoints you as the person to carry out an inspection of the compliance of the Authority with the requirements of Part 1 of the 1999 Act.

The Secretary of State also, in exercise of his powers under section 10(4)(b) of the 1999 Act, gives you the following directions in relation to your undertaking 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, you are 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, you are directed to report the findings of the inspection to the Secretary of State by 30 August 2024, or such later date as you may agree with the Secretary of State. The Secretary of State may, following receipt of your report or otherwise, issue further directions to you.

Section 12 of the 1999 Act provides that the Authority to be inspected must pay the Inspector's reasonable fees for carrying out the inspection. The Secretary of State has set those fees as £1,200 per day together with reasonable expenses in line with the Authority's policy.

As to practicalities of your appointment as inspector, we will provide you with an appropriate administrative team to support you in your role as inspector, and any assistant inspectors whom the Secretary of State may appoint at your request.

Yours sincerely,

Max Soule
Deputy Director, Local Government Stewardship