



Ministry of Housing,
Communities &
Local Government

James Blythe
*Deputy Director, Local Government
Stewardship and Interventions*

**Ministry of Housing, Communities and
Local Government**
2 Marsham Street
London SW1P 4DF

Daniel Mouawad
Chief Executive
Spelthorne Borough Council
By email

www.gov.uk/mhclg

17 March 2025

Dear Mr Mouawad,

Lesley Seary, having undertaken an inspection of your Authority's compliance with its Best Value Duty, issued a Report to the Secretary of State setting out the Inspection Team's findings, and subsequently sent your Authority a copy of that Report on 24 February 2025, in confidence, in accordance with section 13(3) of the Local Government Act 1999 (the '1999 Act').

The Secretary of State has carefully considered the Report and other relevant materials, including findings from the government-commissioned CIPFA review, published in May 2024, Local Government Association's (LGA) Corporate Peer Challenge (CPC), and Grant Thornton's 2023/24 Interim Audit report, and is satisfied that your Authority is failing to comply with the requirements of Part 1 of the 1999 Act, namely failing to comply with the Best Value Duty under section 3. The Best Value Duty is defined as "A best value authority must 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". This is described in more detail in the statutory guidance issued under section 26 of the 1999 Act and published in May 2024. The Secretary of State is satisfied that your Authority is failing to comply with its Best Value Duty, specifically the themes of Continuous Improvement, Leadership, Governance, Culture and Use of Resources, as described in the statutory guidance.

On that basis, the Secretary of State is minded to exercise powers of direction under section 15(5) and 15(6) of the 1999 Act in relation to your Authority to secure its compliance with the Best Value Duty. The proposed package of measures, which would be implemented through appropriate Directions, is set out in the attached Annex and would be overseen by appointed Commissioners. As is explained in the Annex, the package of intervention measures has been designed to accelerate your Authority's existing work to make improvements, including those in response to the recommendations made in the CIPFA review, LGA CPC, and Grant Thornton's 2023/24 Interim Audit report.

Your Authority is now invited to make such representations as it wishes about the Report and the Secretary of State's proposed Directions, in line with section 15(9) of the 1999 Act. All such representations should be sent by email to

interventions@communities.gov.uk on or before 28 March 2025. All representations will be carefully considered by the Secretary of State in making a decision as to whether to make any and, if so, what Directions.

I am copying this letter to your Authority's Section 151 Officer and Monitoring Officer.

Yours sincerely,

James Blythe
Deputy Director, Local Government Stewardship and Interventions

PROPOSED INTERVENTION PACKAGE

1. The Secretary of State is considering exercising powers of direction under section 15(5) and 15(6) of the Local Government Act 1999 ('the 1999 Act') in relation to Spelthorne Borough Council ('the Authority') to secure its compliance with the Best Value Duty. This is on the basis of Lesley Seary and her Assistant Inspectors, Mervyn Greer, Peter Robinson and Deborah McLaughlin, having conducted a thorough investigation and produced a detailed report ('the Report'), which was submitted to the Secretary of State on 31 January 2025.
2. The Report describes some positive features in the Authority, such as strong resident engagement, positive local partnerships, and enthusiasm shown by officers and members for serving the Borough. The Report also notes that the Authority has already taken some positive steps to make improvements, including against recommendations made in CIPFA's Capital Assurance Review of July 2023, including the suspension of the planned housing developments and cessation of further borrowing for this initiative after determining it was no longer viable.
3. However, the Report documents serious concerns across a number of areas which the Secretary of State considers amount to failings by the Authority of its Best Value Duty under Part 1 of the 1999 Act. These concerns have been identified in five of the seven best value themes described in statutory guidance issued on 8 May 2024 under section 26 of the 1999 Act in relation to: Continuous Improvement, Leadership, Governance, Culture, and Use of Resources.
4. The Inspectors noted that the Authority demonstrated a limited track record in proactively driving meaningful change and effectively implementing external recommendations and have not taken opportunities to self-improve. They found insufficient evidence that the Authority is open and transparent, or that it values the constructive criticism required to drive improvement. The Inspectors therefore express serious concern that there is a lack of realistic understanding by the Authority of the current challenges it faces and they do not have the confidence that the Authority has the capacity and capability to make urgent, adequate changes without significant external support.
5. The Inspectors consider that there are also concerns in the remaining two themes of Service Delivery and Partnerships and Community Engagement due to the likely impact of financial pressures on delivering services and difficulties in working relationships with partners outside of the borough.
6. In light of the conclusions and evidence in the Report and other relevant materials, the Secretary of State is minded to implement the statutory intervention package set out below. The Secretary of State believes the proposed statutory intervention package is necessary and expedient for the Authority to secure compliance with its Best Value Duty. The proposed statutory intervention package has been designed to accelerate and strengthen the improvement work that has been stalled at the Authority, and to set in motion a cultural reset that ensures the

Authority is compliant with its Best Value Duty and achieves the best outcomes for its residents and service users.

7. The Secretary of State has set out the proposals to assist the Authority to formulate any representations it may choose to make. The Secretary of State acknowledges that, save in cases of urgency, the Authority has a statutory right to make representations if the Secretary of State is considering making Directions. The Secretary of State will carefully consider those representations in deciding whether to make any and, if so, what Directions. The Secretary of State specifically reserves the ability to make further or revised Directions after implementing this, or any, intervention package (if that is what the Secretary of State decides to do).

Overall purpose and approach

8. The starting point is the evidence, which highlights serious concerns. In particular, the Report includes the following:
 - On **Continuous Improvement**: The Report describes the Authority as having a “poor record” of adequately addressing recommendations from external reviews and the inspectors have no confidence in the Authority’s ability to make the changes “without significant external support”. There is a culture of optimism bias in which senior officers lack awareness to identify issues or areas for improvement within the Authority. The Authority does not have a comprehensive performance management framework that links together its plans, strategies, MTFs, appraisals and performance indicators. Performance is also not benchmarked against statistically near neighbours, and the lack of transparency, regular reporting, and accessible performance information publicly reduces the effectiveness of performance monitoring for improvement.
 - On **Leadership**: The Report highlights that the Authority lacks consistent leadership, strategic direction, constructive challenge and a robust corporate plan. Optimism bias clouds officer’s awareness of risks, and to some degree the Authority has been “blindsided” by the financial situation. There has been significant officer and political turnover, including seven Monitoring Officers in five years, and the Authority relies heavily on external consultants and interim officers. Relationships between senior management and political leadership is strained and deteriorating, and the lack of trust has created barriers to effective collaboration and decision-making, with a high number of complaints against members. There is a perception by members that officers are not being transparent with them. The Authority’s approach to risk management is ineffective and officers have not fully grasped the concerns related to the Authority’s approach to financial management and value for money.
 - On **Governance**: The Report concludes that the Authority’s “poor, late and incomplete reporting, together with a lack of audit and a reluctance to accept and act on challenge” has “severely undermined informed decision-making” and there is a culture of secrecy. The Authority has historically shown an ineffective approach to risk management, particularly in its investment and regeneration portfolios and its finance function. The inspection found inconsistencies in transparency and treatment of confidential information. It

also found inadequate standards of report-writing, with reports often lacking critical information, containing errors, being late or incomplete, thereby limiting members' ability to review challenging decisions. The internal audit function was also described as "inadequate", failing to identify major risks due to a small and inexperienced team. The Audit Committee has lacked critical external assurance and governance practices for Knowle Green Estates (KGE Ltd) have been poor, with conflicts of interest and financial mismanagement. The Authority's self-assessments were outdated and overly optimistic, failing to identify key concerns. The procurement team is understaffed, leading to reactive and inefficient contract management.

- On **Culture**: The Report describes Member and officer relationships as poor and deteriorating, with both sides describing a culture of mistrust and broken relationships which are hindering constructive discussions" on key financial, housing and asset issues. The Report found that Members and officers do not share an understanding of their respective roles. Inspectors consider the Authority to be insular and in denial of the situation it faces. The latest staff survey indicated a lack of confidence in the political leadership, with staff feeling under resourced and that personal development opportunities are often overridden by organisational priorities. Senior officers acknowledge the strained relationships describing the environment as hostile. A complaint filed against the current Leader by a Group Head resulted in a Standards Committee hearing, causing considerable upset.
 - On **Use of Resources**: The Report concludes that a lack of long-term planning, risk management and an "overly-optimistic reliance" on property markets has led to the Authority's financial strategy being unsustainable. The Council's commercial activities are fragmented and lack a unified strategy, leading to uncoordinated decisions that do not align with broader objectives. The Council's large-scale property investments, driven by concerns over funding shortfalls, have exposed it to significant financial risks, especially post-Covid. The decision-making process was short-sighted and overly optimistic, with risks not fully understood or mitigated. Investments are disproportionate to the size of the Authority, raising concerns about risk and return considerations. The Authority has not fully adhered to statutory guidance on local authority investments, and decision-making reports have been inadequate, often lacking key elements and clear financial implications. The finance function lacks the structure, staffing, and expertise to manage the Authority's property portfolios effectively. The Authority financed its property acquisitions with over £1 billion in loans from the Public Works Loan Board, with terms up to 50 years and fixed rates averaging 2.58 per cent. This debt is greater than the Authority's core funding equating to over £10,000 per resident. While senior officers believe the Authority can service this debt using property revenues, there are significant issues such as property voids, high maintenance costs, and no clear long-term exit strategy.
9. The Grant Thornton report, covering the 2023/24 financial year, identified significant weaknesses including inadequate medium-term financial planning, poor relationships between members and officers, poor governance

arrangements, and lack of performance monitoring. Auditors concluded that they do not consider the Authority have appropriate arrangements in place to manage most of the identified risks. They made eight recommendations and are considering issuing statutory recommendations using their powers from the Local Audit and Accountability Act 2014.

10. The July 2023 CIPFA Capital Review found 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.
11. The LGA CPC report conducted in November 2022 and published in February 2023 highlighted concerns about the effectiveness of the Authority's committee system and the relationship between councillors and officers. Twelve recommendations were made.
12. The Secretary of State considers that given the evidence of serious concerns in relation to these areas, as revealed by the Report and other relevant materials, a broad and supportive intervention package is necessary and expedient to address the circumstances of the Authority.

Statutory intervention package

13. The proposed statutory intervention package is designed to accelerate the improvement progress that has stalled at the Authority. The package recognises the need to tackle deeply rooted and persistent issues throughout the Authority and mitigate the risk of further failure, particularly with regards to its financial footing. The aims of the proposed intervention package are to:
 - a. Provide the additional scrutiny, external challenge, advice and monitoring needed to oversee the improvements.
 - b. Address systemic weaknesses in the Authority's governance functions, to secure improvements in transparency and formal decision making.
 - c. Deliver financial sustainability by closing any short- or long-term budget gaps and reducing the Authority's exceptionally high level of external borrowing.
 - d. Increase corporate grip of the Authority's risk management and ensure compliance with all relevant rules and guidelines relating to the financial and debt management of the Authority.
 - e. Strengthen the commercial decision-making, regeneration, property management and procurement functions of the Authority to address the serious failings in these areas over recent years and ensure conformity with the Best Value Duty, thereby delivering improvements in outcomes for the people of Spelthorne and the public purse.
 - f. Agree as necessary any changes needed to the Authority's operating model and transformation of council services to achieve value for money and financial sustainability, taking account of any decisions relating to proposals for unitary local government in the Surrey area.
 - g. Rebuild trust and reset the organisational culture.
14. In order to assist the Authority in achieving the necessary improvements, the Secretary of State is minded to appoint a team of Commissioners under 15(6) of the 1999 Act to work intensively with the Authority, and who will exercise specific

functions of the Authority. These powers are to be used as a last resort, with the primary decision-making still undertaken by the Authority.

15. The intervention package is formed of actions your Authority would be directed to take, and powers over Authority functions that would be enacted by Commissioners. The proposed Directions would be in place for five years, reflecting the severity of the challenge at Spelthorne.

Directions to the Authority

16. The proposed Directions set out actions which the Authority must undertake to effect the changes needed as well as supporting and facilitating the work of the Commissioners.
 - a. Prepare and agree an Improvement and Recovery Plan to the satisfaction of the Commissioners, within six months, with resource allocated accordingly. This should integrate relevant contents and recommendations of the Best Value Inspection, published on 17 March, the Grant Thornton 2023/24 audit report and July 2023 CIPFA Capital assurance review. The plan should feature a comprehensive performance management framework that sets out measures to be undertaken, together with milestones and delivery targets against which to measure performance, to deliver rapid and sustainable improvements in governance, finance, property, housing, and commercial functions, thereby securing compliance with the best value duty. This programme should build on existing work to reset the culture of the organisation. The Improvement and Recovery Plan should include at a minimum:
 - i. A plan to achieve financial sustainability and to identify and close any short and long-term budget gaps across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan that reflects the costs and risks identified in the BVI report and by external auditors.
 - ii. A plan to ensure the Authority's capital, investment and treasury management strategies are sustainable and affordable, including an asset rationalisation programme for assets and commercial investments.
 - iii. A comprehensive and strict debt reduction plan, demonstrating how overall capital financing requirement and external borrowing will be reduced over a realistic but expedient timescale, reducing debt servicing costs.
 - iv. A plan to overhaul the governance arrangements within the Authority with regards to decision-making, capacity and skills, aiming to increase transparency, scrutiny and effectiveness of the committee system to ensure that collective responsibility is taken for the Authority's decision-making.
 - v. A plan to review and update the sinking fund, taking a long-term view of potential risks and financial consequences with accurate income and expenditure forecasts, and with adequate provisions made for future costs.
 - vi. A plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority, including updating the minimum revenue provision (MRP) policy.
 - vii. A plan to reconfigure the Authority's services commensurate with the Authority's available financial resources.

- viii. A plan to strengthen the Authority's financial and commercial functions, and to secure improvements in risk management, governance and the internal audit function, with the guidance and to the satisfaction of the Commissioners.
 - ix. A plan to develop a comprehensive commercial strategy, with clear approaches to its investment and regeneration portfolios, including exit strategies for the commercial investments and realistic and deliverable strategies for regeneration sites.
 - x. A realistic plan to deliver housing numbers outlined in its Local Plan and assess the viability of Knowle Green Estates, developing a business case and future options for the company and the housing it currently manages.
 - xi. A fully costed programme of cultural change to rebuild trust between officers and members and ensures both Members and Officers understand their respective roles and the way in which the Authority and its activities are regulated and governed.
 - xii. A plan to ensure that the Authority has sufficient skills, capabilities and capacity to deliver the Improvement and Recovery Plan, within a robust officer structure, including appropriate commercial expertise and capacity.
- b. To actively work with Commissioners on the work with other councils in the Surrey area on developing proposals for unitary local government and on implementing any such proposals later agreed upon.
 - c. Within one month of the date of these Directions, initiate a full and open recruitment exercise for a suitable permanent appointment to lead the improvement work in the Authority and progress against these Directions. For the avoidance of doubt, an existing employee of the Authority may be appointed to the position provided that such person is a suitable permanent appointment to that position.
 - d. To report to the Commissioners on the delivery of the Improvement and Recovery Plan after three months, six months and thereafter at six-monthly intervals, or at such intervals as Commissioners may direct.
 - e. To undertake in the exercise of any of its functions any action that the Commissioners may reasonably require to avoid, so far as practicable, incidents of poor governance, poor financial governance or financial mismanagement that would, in the reasonable opinion of the Commissioners, give rise to the risk of further failures by the Authority to comply with the best value duty.
 - f. To allow the Commissioners at all reasonable times, such access as appears to the Commissioners to be necessary:
 - i. to any premises of the Authority;
 - ii. to any document relating to the Authority; and
 to any employee or member of the Authority.
 - g. To provide the Commissioners, at the expense of the Authority, with such reasonable amenities and services and administrative support as the Commissioners may reasonably require from time to time to carry out their functions and responsibilities under these Directions.
 - h. To pay the Commissioners reasonable expenses, and such fees as the Secretary of State determines are to be paid to them.

- i. To provide the Commissioners with such assistance and information, including any views of the Authority on any matter, as the Commissioners may reasonably request.
- j. To co-operate with the Secretary of State for Housing, Communities and Local Government in relation to implementing the terms of these Directions.

Directions to the Commissioners

17. The proposed Directions set out Council functions to be exercised by Commissioners:

- a. All functions associated with the governance, scrutiny and transparency of strategic decision making by the Authority.
- b. All functions associated with the financial governance and scrutiny of strategic financial decision making by the Authority.
- c. The requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority, to include:
 - i. providing advice and challenge to the Authority on the preparation and implementation of a detailed action plan to achieve financial sustainability, and to close any short and long-term budget gaps identified by the Authority across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan;
 - ii. providing advice and challenge to the Authority in the setting of annual budgets and a robust medium term financial strategy (MTFS) for the Authority, strictly limiting future borrowing and capital spending;
 - iii. scrutiny of all in-year amendments to annual budgets;
 - iv. the power to propose amendments to budgets where Commissioners consider that those budgets constitute a risk to the Authority's ability to fulfil its best value duty;
 - v. providing advice and challenge to the Authority on the preparation of sustainable and affordable capital, investment, treasury management, and commercial strategies; a strict debt reduction plan; a revised minimum revenue provision (MRP) policy; and sinking fund review
 - vi. providing advice and challenge to the Authority on a suitable scheme of delegations for financial decision making;
 - vii. ensuring compliance with all relevant rules and guidelines relating to the financial management of the Authority.
- d. All functions associated with commercial decision-making, regeneration, property management, procurement and the management of commercial projects by the Authority.
- e. All functions associated with the Authority's operating model and redesign of the Authority's services to achieve value for money and financial sustainability.
- f. All functions relating to the appointment and dismissal of persons to positions the holders of which are to be designated as senior officers and statutory officers, and the designation of those persons as statutory officers, to include:
 - i. The functions of designating a person as a statutory officer and removing a person from a statutory office.

- ii. The functions under section 112 of the Local Government Act 1972 of:
 - i. appointing and determining the terms and conditions of employment of an officer of the Authority, insofar as those functions are exercised for the purpose of appointing a person as an officer of the Authority principally in order for that person to be designated as a statutory officer; and
 - ii. dismissing any person who has been designated as a statutory officer from his or her position as an officer of the Authority.
- g. All functions to define the officer structure for the senior positions, to determine the recruitment processes and then to recruit the relevant staff to those positions.
- h. All functions pertaining to the development, oversight and operation of an enhanced performance management framework for officers holding senior positions.