

Appendix A

Thank you for the opportunity to respond to the Best Value Report. We understand the seriousness of the report's recommendations and acknowledge the full implications for our authority and the opportunity to work in partnership with your Ministry to address these.

We believe that there are a number of inaccuracies and omissions in the BVI report, and these are set out below for the Ministry's consideration. For ease of reference, we have followed the structure of the report.

Executive summary

Paragraph 1.4: Minimum Reserves Provision (MRP) is highlighted in the report as being underprovided. By aligning the debt repayment with MRP the Council took the prudent approach of ensuring its investment debt is being paid down steadily on a year-by-year basis. The Council has regularly sought the advice of its treasury management advisers on its policy, and on the 14 March 2025, Spelthorne Council received the latest MRP review report, which concluded that "Spelthorne's MRP policy is in line with government guidance and best practice".

Use of resources

Paragraph 1.8 and Paragraph 1.11: We have identified the need to step-up contributions to the sinking funds so that by 2031 an additional £5m per annum would be being retained.

Continuous improvement

Paragraph 1.13: Council like other Councils has dealt with the challenges of COVID-19 pandemic (identified as an 'LGA exemplar authority' and in Corporate Peer Challenge as 'brilliant') and cost of living crisis, on the latter pro-actively acquiring Temporary Accommodation units to mitigate one of the most significant pressures on its budget, that of rising homelessness demand. Spelthorne has delivered the largest government (LAHF) housing programme of any District or Borough Council in the UK, with a total of 82 homes for those in need.

Paragraph 1.14: Key performance indicators are already compared on a quarterly basis against other Surrey councils which includes 4 of the councils in the "Nearest Neighbours" statistical family. We benchmark our commercial portfolio against regional industry indices and use external valuers.

A report has been approved at Committee setting out a new set of corporate Key Performance Indicators which will be reported on a quarterly basis.

Paragraph 1.15: Action plans are being put in place to address the Grant Thornton external audit recommendations [Audit 2023 - 24 Key Recommendations Appendix A final.pdf](#)

Leadership

Paragraph 1.16: The greatest impact on the Corporate Plan will be the changes brought about by Local Government Reorganisation. This could not have been anticipated in 2023 when the plan was written.

Governance

Paragraph 1.21: We recognise that there is more to be done to embed performance management across the Council and we are addressing this as part of the Action Plan in response to Grant Thornton's Annual Audit Report for 2023-24. [Audit 2023 - 24 Key Recommendations Appendix A final.pdf](#). Separately options have already been explored for KGE Ltd statutory compliance work to be audited externally during 2025/26.

Paragraph 1.23: The Council has had an independent member on the Committee since 2021 and, as a response to one of Grant Thornton's Improvement Recommendations, the Council has commenced a recruitment process to appoint a second independent member. The Audit Committee has recognised the need for increased scrutiny and so has agreed to increase the number of meetings from 4 to 6 per year.

Culture

Paragraph 1.24: Our positive culture was recognised in the Kiniteq/LGA staff survey as the best outcome in over 12 years, across 70 authorities.

Service delivery

Paragraph 1.29: Since 2016 the portfolio has generated £60 million which has directly subsidised the running of key services, we recognise that the current contribution to the revenue budget cannot be maintained. The £8.6m budget gap for 28/29 is not due to a fall in income but is a recognition of the need to better protect our future financial resilience by committing more future funding to the sinking fund reserve.

Conclusions

Paragraph 1.35: The existing joint finance services initiative which was designed to strengthen resilience in the finance team fell significantly short of the mark as registered by the Best Value Report. It has subsequently been ended and a wholesale refresh of the finance team is actively being pursued.

Paragraph 1.38: Surrey is on an accelerated timeline of Local Government Reorganisation which will see Spelthorne's sovereignty extinguished in April 2027. In practise, a Section 24 notice will bestow the new shadow unitary authority with oversight of all existing authorities in 2026.

Recommendations

1. **Commissioner intervention:** The Council recognises that external advice will be to the benefit of residents.
2. **Comprehensive Commercial Strategy:** The Council already has an Investments Assets Strategy with Key Performance Indicators. Action plans have been putting in place and will be reported to every Audit Committee with an Annual Report to full Council.
3. **Assets function:** The authority has always engaged relevant commercial expertise both at the time of acquisition, and subsequently to help manage our commercial portfolio. The authority would be seriously negligent if it did not utilise external expertise to supplement internal resources.
4. **MRP:** We have met all the criteria according to the advice of our Treasury Management advisers, Arlingclose. We will work with our external auditors to reconcile their view of our MRP, and take whatever action is required to address any misstatement.
5. **The MFTS:** We recognise the need to address the deficits identified in the MFTS and this will be by a strategic focus for the Reorganisation and Transformation Board.
6. **Debt Reduction Strategy:** The Council has a development Delivery Strategy approved by councillors to reduce the debt associated with the regeneration properties. On the 18 March, Councillors voted to dispose of two assets, which will generate £25m of capital receipts which could be used to pay down debt and reduce future liabilities.
7. **Transformation Strategy Development:** The Reorganisation and Transformation Board will be setting out the priorities for the authority for the remaining two years before local government reorganisation takes effect, including identifying necessary savings and efficiencies.
8. **Review and strengthen Finance Function:** a wholesale refresh of the finance team is actively being pursued, including the appointment of a new Chief Accountant, who is already in post.
9. **Improvement and Recovery Plan:** All the individual action plans will be drawn together and reported to the May Audit Committee for approval.

Monitoring of actions will then be reported regularly by both the Audit Committee and the Council.

10. **Revised Corporate Plan:** Revisions of the Corporate Plan in the context of Local Authority reorganisation is currently underway.
11. **Audit Committee Structure:** The Council are already recruiting a second Independent Member of the Audit Committee. An annual report will be presented to the Council in 2025-26. Self-Assessment using CIPFA checklist will be undertaken during the summer of 2025.
12. **Culture reset and relationship building:** Senior Officers and political Leadership are working on a set of proposals to encourage more effective working relationships with assistance from the LGA.
13. **Housing Delivery:** The Local Plan Examination process has completed, and all being equal will be adopted in September 2025. Councillors have implemented a Task and Finish Group to review the Strategic Direction of KGE Ltd.

Methodology:

Paragraph 3.3: A comprehensive document library was created for the BVI team, although this did not prevent the team requesting the same documents on subsequent occasions, on occasions this created a perception of delay.

Property and asset management

Paragraph 4.10: The reduction in asset value is consistent across the property sector, not just Spelthorne. Much of the required investment into the properties will be met by the asset's service charge rather than the council needing to bear all costs.

Loan arrangements

Paragraph 4.17: The figure quoted of £27.4m is incorrect and the actual figure is £25.4m, which is then projected to fall each subsequent year. It should also be noted that the £25.4m includes interest on housing and service projects, underlying interest on investment assets is £22.9m. Capital repayments increase each year, meaning total repayments remain fairly constant year on year.

Paragraph 4.18: Even during Covid, the greatest economic threat to this country, our portfolio property performed well and above industry standard. The report states incorrectly that we have significant voids, but our actual voids are 9.17%, when the wider South East office market is at 27.1%. It should be

remembered that approximately 60% of the portfolio value is the underlying land value, which over time is likely to appreciate.

Sinking fund

Paragraph 4.26: Factual correction sinking fund balance March 2024 was £35.7m

Decision making

Paragraph 4.39: There is no mention of a Council imposed Moratorium preventing the advancement of the development of this Town Centre site owned by the Council. However, the marketing of Thameside House has been approved.

Paragraph 4.40: Elmsleigh shopping centre is not a commercial asset relied on for income, it is a regeneration asset which helps the authority sustain the economic vibrancy of the town centre, which has recently attracted the House of Lords Environment Select Committee to visit it, commending our approach to high street management and rejuvenation. The Elmsleigh Centre is outperforming most comparable centres and demonstrates retailer demand in excess of even those larger regional destinations and is 100% let.

Revised Housing delivery policy

Paragraph 4.45: Based on the advice of our Treasury Management advisers, we do not agree that there are errors in the provision of MRP, as claimed by Grant Thornton. We will be seeking to agree the correct level of MRP and ensure this is maintained going forward.

Development Delivery Strategy

Outline revenue budget

Paragraph 4.56: States budgeted sinking funds draw down in 2025-26 is £5.8m when it is £5m.

Revenue Reserves

Paragraph 4.61: Figure is just under £10m not £18m which is unavailable for revenue spending.

Paragraph 4.62: Table incorrect

Revenue budget

Paragraph 4.67: Incorrect to state unspent Refugee Support Grant and CILs not held in reserves, the credits were appropriated to reserve.

Under provision for MRP

Paragraph 4.81: The latest MRP review report, which concluded that “1.3, in Arlingclose’s opinion, Spelthorne’s MRP policy is in line with government guidance and best practice.” Given the nature of the commercial property assets, we believe our approach to MRP has been prudent and in line government guidance.

Paragraph 4.82: High quality assets on full repairing leases which will be maintained to high standards are expected to have useful lives of more than 50 years.

LGA Corporate Peer challenge

Paragraph 5.6: A LGA Peer Review follow up Action Plan is scheduled for May Audit Committee.

CIPFA review 2023

Paragraph 5.9: External portfolio review was carried by out by JLL in Nov/Dec 2023, they considered disposals (fire sales) and advised to hold assets due to decline in property market and associated values. CFO and Deputy CFO did reach out to CIPFA on a number of issues but were rebutted.

Paragraph 5.12: While separate Action Plans are implemented and actively monitored, an Integrated Action Plan will be presented to the May Audit Committee. These plans will have identified responsible officers, target timescales and will have progress regularly reported to the Committee.

Performance

Paragraph 5.25: We do benchmark against 4 statistical neighbours as well as Surrey authorities, we are about to commence using Grant Thornton’s Chief Finance Officer insight tool. A new system of KPI reporting will go live in April 2025.

Transformation

Paragraph 5.27: For many of our initiatives and the consolidation of our Civic Office for homes for residents in need we were awarded a national efficiency and effectiveness iESE award for transformation.

Member capacity

Paragraph 6.4: This is incorrect. The training programme launched in 2023 was a significant programme of 37 separate training sessions covering all aspects of Members roles and responsibilities, during 2024, 33 sessions were offered and 5 in 2025 to date. In the Municipal year of 2023/24 there were 23 all Councillor briefings, increasing to 29 in the Municipal year of 2024/25. This was supplemented by enhanced Leadership briefings (17 in 2023/24 and 33 in 2024/25, additional opportunities for Committee Members. From mid-2024 the Group Administration also receive a weekly 'Newsround' of updates and information.

Corporate Plan

Paragraph 6.8: There is an omission; There is a live Corporate Plan tracker which can be accessed by all Members at any time. The [Annual report](#) communicates the performance of the authority in any given year, including KPIs and benchmarking against Council Corporate priority.

Senior Officer leadership

Paragraph 6.14: A permanent Monitoring Officer has been appointed as of February 2024. The postholder previously serviced the authority as Deputy Monitoring Officer since 2023.

Use of consultants

Paragraph 6.17: Since 2016 the authority always ensures that the necessary expertise required for managing our complex portfolio of commercial and regeneration properties are in place. The c.£10m for consultant fees on regeneration properties would have been for multi-disciplinary consultants but appointed by and paid via a single main consultant lead. Moving forwards, this figure is dropping to negligible levels as the Council no longer has a significant capital programme.

Constitution

Paragraph 7.2: The Monitoring Officer will be bringing forward refreshed guidance on Conflicts of Interest in March 2025.

Governance

Paragraph 7.22: The intention was always that once KGE Ltd was established on a sound financial footing that the S151 Officer would step away from the KGE Ltd Board... The S151 Officer is no longer a director of KGE Ltd.

Procurement

Paragraph 7.32: We have no record of this request being asked and the provision of a supplier list could have easily been provided.

Delivery of housing

Paragraph 9.6: This is incorrect. The authority has a successful track record of working with Registered Providers of housing. Both directly and indirectly. This is in addition to the authority directly developing its single homeless hostel and emergency family bed and breakfast accommodation. In the case of the most recently completed Eden Grove development in our Town Centre, the authority successfully negotiated the development of 42-unit block of affordable homes for a Registered Provider.

Paragraph 9.9: There is a clear approved Development Delivery Strategy.

Paragraph 9.10: A KGE Business will be finalised by the Board in April 2025 and will then be presented to the Council.

Engagement

Paragraph 10.3: An omission in the report relating to the successful Design Code engagement which includes a Citizen Panel which was demographically recruited and representative of the community in Spelthorne to share future visions for the Borough.

Partnerships

Paragraph 10.7: The North-West Strategic Health Alliance is a partnership beyond the Borough borders, covering half the population of Surrey and is a good example of how this Borough strategically plays its fullest role in external partnership working.

Confidential Appendix 2

Appendix 2: Incorrect, the Eclipse business case was shared with councillors.

Confidential Appendix 3

Paragraph 1.5: We have no control over this accommodation, there is no breach of lease. We have regularly spoken the tenant over the last 4/5 years about their intentions for the SW corner, it was originally envisaged from these discussions they required the space as it includes laboratories and other essential infrastructure. The tenant were also clear around their re-letting strategy of vacant space and they clearly stated they had no intention to relet space, which is why there has been no investment to upgrade the quality of fit out, which now looks dated and would classify as secondary stock. Pushing these matters further was not within our control.

Paragraph 1.8: Page 68: Incorrect assessment of assets. In a confidential Appendix which provides commentary from the BVI team on our investment portfolio. Only one asset is explicit is identified as being “a poor investment with unrealised regeneration potential.” At Full Council on the 18 March 2025, Councillors approved a deal with a counterparty to sell the asset for £20m (£5m above its red book valuation) which will enable us to pay off the full debt associated with the asset and have a healthy net receipt.

A second site referenced with a current value stated of £0.5m is incorrect and based on car park income generation only, whereas the development site is worth c. £10m.