Spelthorne Borough Council

Council Meeting

Thursday, 11 December 2025

SPELTHORNE
BOROUGH COUNCIL

3 December 2025

Please reply to:
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To the Councillors of Spelthorne Borough Council

I hereby summon you to attend a meeting of the Council to be held at The Council's Offices, Knowle Green, Staines-upon-Thames on **Thursday, 11 December 2025** commencing **on the rising of** the Extraordinary Council meeting for the transaction of the following business.

Daniel Mouawad
Chief Executive

Councillors are encouraged to wear their badge of past office at the Council meeting.

Councillors are reminded to notify Committee Services of any Gifts and Hospitality offered to you since the last Council meeting so that these may be entered in the Gifts and Hospitality Declaration book.

AGENDA

12. Asset Rationalisation to underpin the revised Medium-Term Financial Strategy

This item was deferred from the Extraordinary Council Meeting held 17 November. 177 - 190

13. Revised Proportionality Figures for Committees

Following the two by-elections and the make-up of some political groups changing, Council is asked to approve the new proportionality figures for the remainder of the municipal year as follows:

A) Main proportionality figures
B) Allocation of seats
C) Allocation of Chair and Vice-Chairs Positions on Committees
D) Appointment of members to Committees
E) Appointment of names substitutes

14. Q2 Capital Programme Monitoring 2025-26

Council is asked to approve a supplementary capital estimate to the Capital Programme for 2025/26 of up to £1.9m, for acquiring housing units to be part funded by Local Authority Housing Fund Grant Funding. This would create a borrowing need of £1.05m and an annual financing requirement of about £70k per annum. 191 - 228

15. Voluntary Joint Committee

Council is asked to: 229 - 252

- note the updates for LGR in Surrey;
- agree to the establishment of a voluntary West Surrey Joint Committee;
- note its Terms of Reference in Appendix B;
- nominate one member and one substitute of the Council as the Spelthorne Borough Council appointed representatives; and
- note that when the Surrey (Structural Changes) Order 2026 are enacted this will become the Joint Committee.

16. Reports from the Committee Chairs

To receive and agree the reports from the Committee Chairs. 253 - 274

17. Motions

To receive any motions from Councillors in accordance with Standing Order 16.

Note: The deadline for motions to be considered at this meeting was Monday month year ***and none were received****.*

18. General questions

The Leader, or their nominee, to answer questions from Councillors on matters affecting the Borough, in accordance with Standing Order 14.

Note: the deadline for questions to be considered at this meeting is 12 noon on Thursday month year.

19. Exclusion of Public and Press (Exempt Business)

To move the exclusion of the Press/Public for the following items, in view of the likely disclosure of exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006.

20. Sunbury Leisure Centre

Council is asked to agree an additional budget for the boiler replacement and consultants' fees to be available to progress this project. 275 - 286

Minutes of the Council
23 October 2025

Present:

Councillors:

J.T.F. Doran	J.R. Boughtflower	N. Islam
M. Arnold	J. Button	M.J. Lee
M.M. Attewell	J.P. Caplin	S.C. Mooney
Barker	R. Chandler	G. Neall
C. Bateson	D.C. Clarke	K.E. Rutherford
S.N. Beatty	S.M. Doran	D. Saliagopoulos
M. Beecher	R.V. Geach	J.R. Sexton
S. Bhadye	D.L. Geraci	J.A. Turner
H.S. Boparai	M. Gibson	B. Weerasinghe
M. Buck	K.M. Grant	H.R.D. Williams
T. Burrell	S. Gyawali	

Apologies: Councillors S.A. Dunn, M. Bing Dong, L.H. Brennan, K. Howkins, A. Mathur, L. E. Nichols and P.N. Woodward

93/25 Minutes

The minutes of the Council meeting held on 09 October 2025 were agreed as a correct record.

94/25 Disclosures of Interest

Councillors Attewell, Boparai, Mooney, Sexton and Weerasinghe advised they were also Surrey County Councillors.

95/25 Announcements from the Mayor

The Mayor made the following announcements:

“I would like to begin my announcements by extending our deepest sympathies to my Deputy Mayor, Sandra Dunn, on the recent loss of her husband, Richard. It was an honour to work alongside him during my own Mayoral year. His kindness, commitment, and warmth touched many, and he will be deeply missed by all who knew him.

On to my Mayoral duties and it has been a busy and rewarding few months as I continue to represent our borough as your Mayor.

In July, we attended the Weybridge Male Voice Choir’s Summer Concert, featuring a mix of new songs and old favourites in honour of the VE80 commemorations. We also joined fellow civic leaders at the Surrey Mayors’ Association AGM and Garden Party in Epsom - always a wonderful opportunity to share ideas and strengthen links across the county. Later that month, I was delighted to attend the Chertsey and Shepperton Regatta, meeting the competitors, supporters, and organisers who make this long-standing event such a success. We also celebrated the 50th anniversary of Squire’s Shepperton, a warm and memorable occasion hosted by Colin and Sarah Squire.

August brought more community highlights, beginning with the annual mayoral lunch at Sunbury Cricket Club, organised by Paul Watts, a relaxed afternoon spent watching local cricket and enjoying good company. The Sunbury Regatta followed soon after, another great success this year, where I was honoured to present prizes to the winners. Later in the month, I attended the Burma Star Memorial Service at St Peter’s Church in Staines, a moving tribute to those who served, joined by relatives and members of the local community.

September offered moments of both celebration and reflection. We marked the 100th birthday of Mr Bill Jones, a much-loved local resident and World War II Royal Navy veteran, at the Staines Community Centre. I then attended the High Sheriff’s Summer Celebration at Brooklands Museum, before hosting our Mayor’s Race Night at Kempton Park, a fun evening that raised £290 for charity. The month concluded with the impressive RAFAC Surrey Wing Parade at Brooklands, where over 1,000 cadets from 22 squadrons showcased their skills and teamwork.

October has been another highlight-filled month. I was honoured to visit our twin town of Melun for their annual Brie Festival Weekend, marking the 30th anniversary of the marriage of Brie de Melun cheese with the wine of Gaillac - and was deeply honoured to be inducted as a Knight of the Brotherhood of Brie de Melun! We hosted the Duke of Edinburgh Awards Ceremony in the Council Chambers, celebrating around 100 young people who achieved their bronze and silver awards. We also enjoyed the Steel Magnolias Charity Theatre Night at the Riverside Arts Centre in Sunbury, a wonderful evening of community and fundraising and finished the month celebrating the first anniversary of the Eclipse Leisure Centre, marking a year of fitness, fun, and family activity.

96/25 Announcements from the Leader

The Leader made the following announcements:

“I would like to start by extending a very warm welcome to Laura Barker who has just been elected as a councillor for the Staines ward. Congratulations Laura, I look forward to working with you.

I have written again to the Home Office regarding Stanwell Hotel as unfortunately my previous letters still remain unanswered. I have expressed disappointment at the lack of response and urged them to explain the decision to change the cohort at Stanwell Hotel and the long-term plans for the site. It is important that we understand the rationale behind this decision, particularly in light of the reversal of a similar proposal in Northallerton.

The Local Plan Examination Hearings concluded in February. Following the Main Modifications consultation, we submitted the representations received to the Inspector in early June and now await his decision.

As we head into the time of year when fireworks are more common, we would like to remind everyone that they can cause significant distress for many residents, pets and wildlife. Please remain considerate and respectful of your neighbours. If you choose to use fireworks, kindly avoid doing so late at night.

Just a reminder that Remembrances services are being held on Sunday 9 November in Ashford, Laleham, Littleton, Shepperton, Staines, Stanwell and Sunbury. Do please come along if you can. More details are on our website”.

97/25 Announcements from the Chief Executive

The Chief Executive made the following announcements:

“Mr Mayor, I was honoured to recently welcome His Royal Highness The Duke of Gloucester to commemorate the success and innovation of the Eclipse Leisure Centre in Staines-upon-Thames. During the visit, The Duke toured the state-of-the-art facility, and engaged with both the Deputy Leader, Cllr Chris Bateson and the Vice Chair of the Community, Housing & Wellbeing Committee, Cllr Maureen Attewell alongside the Lord Lieutenant and High Sherrif of the County. The visit concluded with the unveiling of a commemorative plaque by The Duke.

Despite challenging times for local government, Spelthorne Borough Council has remained bold, brave, and innovative as demonstrated by the opening of the world’s largest Passivhaus Leisure Centre, which has already earned a number of national awards for its design and environmental excellence, most recently securing the accolade of Leisure Centre of the Year 2025.

The first anniversary of the Eclipse Leisure Centre was celebrated with a community open day last Saturday (18 October) where the iconic ‘Green Goddess’ fitness expert, aka Diana Moran BEM joined the Mayor and the Leader in meeting residents, and staff for the day’s celebrations. The event concluded with the unveiling of another commemorative plaque. In the context of Local Government Reorganisation, I truly believe the Eclipse is a lasting legacy for the residents of Spelthorne.

The by-election for the Staines Borough Ward was held last Thursday (16 October). The electorate turnout was 30.3%. Laura Barker, now Cllr Barker of the Liberal Democrats won by a decisive margin – on behalf of the Executive, may I extend my congratulations. Our constitution now requires the proportionality figures for the various parties to be recalculated and that will inevitably bring about some modifications. The calculations require all Group Leaders to agree before it gets placed before Council for ratification and that is scheduled to take place on the 17th November 2025. As Returning Officer, permit me to place on record my thanks to all colleagues that helped deliver this by-election.

Members will have undoubtedly registered my Improvement & Recovery Plan report on the agenda tonight. It would be remiss of me not to give credit where credit is due. To the Lead Commissioner, Lesley Seary, who is with us tonight, thank you for your assistance and for prescribing Councillor engaged in the process. The Report details some very significant workstreams, particularly for the financial workstreams around MRP, Debt Reduction and Asset Disposal which have yet to be presented to Council. To the Finance Commissioner, Peter Robinson, who is not with us tonight, an acknowledgement for orchestrating the interpretation of guidance, the application of new financial targets and the acceleration of asset disposals – naturally all subject to Council ratification in due course”.

98/25 Questions from members of the public

The Mayor reported that, under Standing Order 14, one question had been received from a member of the public.

Question from Stella Smith:

“Besides Article 4 and the Action plan the council have said they intend to publish in January, what other legislative powers do the council intend to use or bring in to stop and control HMOs including smaller unlicensed HMOs and those operating illegally within Spelthorne to the detrimental effect on existing Spelthorne residents?”

The Leader provided the following response:

"The Council's Planning, Community Safety and Environmental Health Teams work closely together to co-ordinate appropriate action against unlicensed and unlawful Houses in Multiple Occupation (HMOs) and any anti-social behaviour that may arise from those properties.

The Planning Team continues to identify and take enforcement action in respect of any HMO that is operating without the benefit of any required planning permission. The community's ongoing help in identifying such properties is greatly welcomed.

The Council are preparing a Supplementary Planning Document (SPD) in respect of HMOs as part of a wider action plan. This will set out criteria for assessing the impact of proposed HMOs at both the neighbourhood and street level and will greatly assist us in determining planning applications once the whole Borough benefits from an Article 4 Direction in March. It is anticipated that the SPD will be subject to public consultation early in the New Year, with adoption following in March 2026.

Once in place, the implementation of the policies in the SPD will also help in identifying those HMOs that are operating without the necessary licence or planning permission.

The Community Safety Team works with Environmental Health when receiving complaints from members of the community that relate to HMOs. If there are reports indicating that crime, disorder or anti-social behaviour are taking place, these properties are placed on the Tasking & Coordinating Group Agenda for discussion with partners, including the police. Information sharing takes place at those meetings and a joint partnership solution is discussed.

Powers available to tackle anti-social behaviour (ASB) are drawn from the Anti-Social, Crime & Policing Act 2014 which empowers both the police and the local authority to issue:

- Closure Notices
- ASB Injunctions
- Community Protection Warnings, and
- Community Protection Notices.

These place requirements on either the offender or in some cases the landlord, where it is clear that they have been negligent in exercising their lawful duties.

The main legislation used by Environmental Health for housing standards, including HMO licensing, is the Housing Act 2004. This Act provides for mandatory licensing for HMOs. Where certain conditions are met, the Act also allows for licensing of HMOs that are not subject to mandatory licensing and selective licensing of private rented properties. Like most local authorities, Spelthorne currently only implements mandatory licensing and, following an increase in the number of HMOs requiring such licensing, we are taking steps to ensure that we are adequately resourced and able to tackle those properties fully before considering the introduction of further licensing controls.

In addition to the Housing Act 2004, Environmental Health have other powers under legislation such as the Environmental Protection Act 1990, the Prevention of Damage by Pests Act 1949 and the Anti-social Behaviour, Crime and Policing Act 2014. These powers apply to all residential properties in the Borough, including licensed and unlicensed HMOs. There are also requirements under The Management of Houses in Multiple Occupation (England) Regulations 2006 that apply to all HMOs, which cover such matters as rubbish disposal and untidy gardens, as well as conditions within the property.

Environmental Health must issue an HMO licence with appropriate conditions where:

- The house is reasonably suitable for occupation having regard to amenity levels, available living space and general health and safety considerations.
- Management arrangements are satisfactory.
- The licensee, manager and others involved in the running of the property are fit and proper persons.

Spelthorne's HMO licence condition for ASB has recently been revised and strengthened following discussion with our Community Safety team, where it was agreed that HMO landlords should be taking more responsibility to manage anti-social behaviour from the residents of their HMO, and we shall take enforcement action where appropriate to ensure this happens. A landlord guide to ASB has also been produced and is available on our website".

99/25 Petitions

There were none.

100/25 Improvement and Recovery Plan

Councillor Bateson proposed and Councillor Sexton seconded an amendment to Recommendation No. 2 as follows:

The Reorganisation and Transformation Board be formally disbanded, the Improvement and Recovery Board be set up and the Terms of Reference in Appendix C of the report, subject to adding in the Leader of the Opposition and the Chair of the Audit Committee to the list within the section entitled SROs, be approved.

Council **resolved** the following:

1. The Improvement and Recovery Plan be approved,

2. The Reorganisation and Transformation Board be formally disbanded, the Improvement and Recovery Board be set up and the Terms of Reference in Appendix C of the report, subject to adding the Leader of the Opposition and the Chair of the Audit Committee to the list within the section entitled SROs, be approved,

3. The reporting mechanism be approved; and

4. Authority be delegated to the Corporate Policy and Resources Committee to approve changes to the Improvement and Recovery Plan as part of regular reporting arrangements.

101/25 The Spelthorne Borough Council (Off-Street Parking Places Order) Amendment No.3) Order 2026

It was proposed by Councillor Sexton and seconded by Councillor Bateson that recommendation no. 3 be amended to the following:

Before the Order is made, the Group Head Neighbourhood Services will report on the outcome of the consultation and any necessary proposed amendments to the relevant Committees (Environment and Sustainability, Corporate Policy and Resources and Council)

Council **resolved** to approve the revised recommendation.

Council **resolved** to:

1. Authorise the Group Head Neighbourhood Services to proceed with the proposals made in this report and to implement the Spelthorne Borough Council Off-street Parking Places (Amendment no. 3) Order 2026,

2. Authorise the Group Head Corporate Governance to publish all notices required to implement the Spelthorne Borough Council Off-street Parking Places (Amendment no. 3) Order 2026; and

3. Before the order is made, the Group Head Neighbourhood Services will report on the outcome of the consultation and any necessary proposed amendments to the relevant Committees (Environment and Sustainability, Corporate Policy and Resources and Council).

102/25 Additional Annual Grant Application 2025/26

Council **resolved** to:

1. Consider the recommendation of the Grants Panel and the Community Wellbeing and Housing Committee in relation to Spelthorne Museum; and

2. Approve the award of £588 to Spelthorne Museum.

103/25 HSR/SLR Working Group Recommendation

Council **resolved** to:

1. Consider the findings of the all-party working group set up by the Business Infrastructure and Growth Committee contained within the report; and

2. Approve the recommendation that this Council supports the Heathrow Southern Rail (HSR) link proposal conditional upon:

   a) Trains stopping at Staines,

   b) Evidence that the proposal will not harm Staines Moor nor increase the groundwater flood risk in the area; and

   c) Reviewing and agreeing detailed terms of the HSR link proposal.

104/25 Changes to the Constitution

105/25 Amendments to Contract Standing Orders

Council **resolved** to:

1. Consider the updated Contract Standing Orders; and

2. Approve the updated Contract Standing Orders as set out in the report.

106/25 Change of Name and Terms of Reference of the Climate Change Working Group

Council **resolved** to:

1. Approve the change in name of the Climate Change Working Group to the Climate and Nature Working Group; and

2. Approve the revised Terms of Reference as set out in Appendix A of the report.

107/25 Approval of Chair and Vice-Chair of the Commercial Assets Sub-Committee

Council **resolved** to approve the following appointments:

Councillor Nichols – Chair of the Commercial Assets Sub-Committee
Councillor Beatty – Vice-Chair of the Commercial Assets Sub-Committee

108/25 Reports from the Committee Chairs

The Chairs of the Committees presented reports which outlined the matters their Committees had considered since the last Council meeting.

Council **resolved** to note the Chair's reports.

109/25 Motions

No motions were received.

110/25 General questions

No general questions had been received.

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Minutes of the Council
17 November 2025

Present:

Councillors:

J.T.F. Doran	T. Burrell	N. Islam
S.A. Dunn	J.R. Boughtflower	M.J. Lee
M.M. Attewell	J. Button	A. Mathur
Barker	J.P. Caplin	S.C. Mooney
C. Bateson	R. Chandler	L. E. Nichols
S.N. Beatty	D.C. Clarke	K.E. Rutherford
M. Beecher	S.M. Doran	D. Saliagopoulos
S. Bhadye	D.L. Geraci	J.A. Turner
M. Bing Dong	M. Gibson	B. Weerasinghe
H.S. Boparai	K.M. Grant	H.R.D. Williams
L.H. Brennan	S. Gyawali	P.N. Woodward
M. Buck	K. Howkins	

Apologies: Councillors M. Arnold, R.V. Geach, G. Neall and J.R. Sexton

111/25 Disclosures of Interest

Councillors Attewell, Boparai, Mooney and Weerasinghe advised they were also Surrey County Councillors.

Councillor Nichols declared that he sits on the Knowle Green Estate Board of Directors and Councillor Woodward advised that he is on the Spelthorne Director Services Board.

112/25 Revised Policy Statement on Minimum Revenue Provision (MRP) for 2025/26

Council considered the following amended motion proposed by Councillor Boughtflower and seconded by Councillor Lee:

That the Council commissions further independent external advice from no fewer than two suitably qualified experts or specialist firms with demonstrable expertise in Minimum Revenue Provision (MRP) and Local Government debt management. Such experts shall be appointed following approval by a cross-party member panel. The appointed advisors shall report back to the Council in early 2026 with a comprehensive set of options and recommendations to enable the Council to determine the most appropriate and sustainable approach going forward subject to Budget setting provision in consultation with the Council's Section 151 Officer.

Councillor Boughtflower requested a recorded vote.

For	Councillors Attewell, Bhadye, Bing Dong, Boughtflower, Brennan, Buck, Chandler, Clarke, Howkins, Islam, Lee, Mathur, Mooney, Saliagopoulos, Weerasinghe, Woodward – **16 votes**
Against	Councillors J Doran, Dunn, Barker, Bateson, Beatty, Beecher, Boparai, Burrell, Button, Caplin, S Doran, Geraci, Gibson, Grant, Gyawali, Nichols, Rutherford, Turner, Williams – **19 votes**
Abstain	**0 votes**

The amended motion **FELL**

Council considered the main motion.

Councillor Clarke requested a recorded vote

For	Councillors J Doran, Dunn, Barker, Bateson, Beatty, Beecher, Boparai, Burrell, Button, Caplin, S Doran, Geraci, Gibson, Grant, Gyawali, Nichols, Rutherford, Turner, Williams – **19 votes**
Against	Councillors Attewell, Bhadye, Bing Dong, Boughtflower, Brennan, Buck, Chandler, Clarke, Howkins, Islam, Lee, Mathur, Mooney, Saliagopoulos, Weerasinghe, Woodward – **16 votes**
Abstain	**0 votes**

Council **resolved** to approve the proposed new MRP Policy Statement for 2025/26 as set out in Appendix A of the report.

113/25 Debt Rescheduling proposals 2025/26

Council considered a report that sought approval of the Debt Rescheduling Proposal for implementation during 2025/26 subject to the Chairs of the Business, Infrastructure and Growth Committee, the Commercial Assets Sub-Committee and the Corporate Policy and Resources Committee being consulted and approving before a re-financing transaction is initiated if PWLB rates movements result in the discount benefit to the Council falling below £320m.

Council considered the following amended motion proposed by Councillor Boughtflower and seconded by Councillor Lee:

That the Council commissions further independent external advice from no fewer than two suitably qualified experts or specialist firms with demonstrable expertise in Local Government debt management. Such experts shall be appointed following approval by a cross-party member panel. The appointed advisors shall report back to the Council in early 2026 with a comprehensive set of options and recommendations to enable the Council to determine the most appropriate and sustainable approach going forward subject to Budget setting provision in consultation with the Council's Section 151 Officer.

Councillor Boughtflower requested a recorded vote.

For	Councillors Attewell, Bhadye, Bing Dong, Boughtflower, Brennan, Buck, Chandler, Clarke, Howkins, Islam, Lee, Matthur, Mooney, Saliagopoulos, Weerasinghe, Woodward – **16 votes**
Against	Councillors J Doran, Dunn, Barker, Bateson, Beatty, Beecher, Boparai, Burrell, Button, Caplin, S Doran, Geraci, Gibson, Grant, Gyawali, Nichols, Rutherford, Turner, Williams – **19 Votes**
Abstain	**0 Votes**

The amended motion **FELL**

Council considered the main motion.

Councillor Boughtflower requested recorded vote.

For	Councillors J Doran, Dunn, Barker, Bateson, Beatty, Beecher, Boparai, Burrell, Button, Caplin, S Doran, Geraci, Gibson, Grant, Gyawali, Nichols, Rutherford, Turner, Woodward – **19 votes**
Against	Councillor Attewell, Bhadye, Bing Dong, Boughtflower, Brennan, Buck, Chandler, Clarke, Howkins, Islam, Lee, Mathur, Mooney, Saliagopoulos, Weerasinghe, Woodward – **16 votes**
Abstain	**0 votes**

Council **resolved** to approve the debt rescheduling proposal for implementation during 2025/26 subject to the Chairs of the Business, Infrastructure and Growth Committee, the Commercial Assets Sub-Committee and the Corporate Policy and Resources Committee being consulted and approving before a re-financing transaction is initiated if PWLB rates movements result in the discount benefit to the Council falling below £320m.

114/25 Asset Rationalisation to underpin the revised Medium-Term Financial Strategy

This item was deferred to the next Council meeting to be held on 11 December 2025.

115/25 Reserves Strategy 2026-27

This item was deferred to the next Council meeting to be held on 11 December 2025.

116/25 Medium-Term Financial Strategy 2026-27

This item was deferred to the next Council meeting to be held on 11 December 2025.

117/25 Treasury Management Annual Outturn 2024/25

This item was deferred to the next Council meeting to be held on 11 December 2025.

118/25 Treasury Management Half Yearly Report

This item was deferred to the next Council meeting to be held on 11 December 2025.

Extraordinary Council Meeting – Monday 17 November 2025

Revised Recommendations - Agenda Items 6

Item 6 – Reserves Strategy 2026/27

Council is asked to:

1. be informed and assured by the draft Reserves Strategy noting that the forward projected figures will change when a Detailed Budget Report is brought to the Corporate Policy and Resources Committee in January 2026; and

2. Acknowledge the proposed repurposing of the earmarked Sinking Fund reserves as a revenue budget equalisation reserve.

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Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing		**27/10/25 & 28/10/35**
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	**Yes**	**03/12/25**
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)	**OO**	**21/10/25**
Risk comments (circulate to Lee O'Neil)	**LO**	**24/10/25**
Legal comments (circulate to Legal team)	**LH**	**24/10/25**
HR comments (if applicable)		

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**24/10/25**
S151 Officer commentary – at least **5 working days before MAT**	**T. Collier**	**21/10/25 & 3/12/25**
Confirm final report cleared by MAT		

Council Addendum

11 December 2025

Title	Reserves Strategy 2026/27
Purpose of the report	To make a recommendation
Report Author	Terry Collier, Deputy Chief Executive (s.151 Officer)
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	
Corporate Priority	Resilience
Recommendations	**Committee is asked to:** Recommend to Council that it approves the: • Reserves Strategy for 2026/27; • Repurposing of the earmarked Sinking Fund reserves as a revenue budget equalisation reserve
Reason for Recommendation	Effective and sustainable use of reserves is a key element of the Council's Medium Term Financial Strategy and ensuring the Council's continued financial sustainability

1. Executive summary of the report

What is the situation	Why we want to do something
• The risks the Council are facing have changed significantly • The Council is no longer looking to hold the majority of its investment assets on a long term basis • The Council has had to use £15m of reserves to write off accumulated costs spent on preparing assets for development that were originally acquired for regeneration. This strategy was ended by Full Council in October 2023 as no longer financially viable (para 2.3)	• As risks change the Reserves Strategy should be reviewed and refreshed to ensure that they are appropriate for the risks being faced • Having a clear Reserves Strategy is particularly important because 2026/27 is the last year before the balances in those reserves will be passed across to the new West Surrey Unitary Council • There are Budget gaps across the MTFS period which can be eased with the use of reserves

• Future funding uncertainty as a result of Fair Funding and the Business Rates Reset	
This is what we want to do about it	**These are the next steps**
• Repurpose the Sinking Fund earmarked reserves to support the managed transition to the new Unitary Council and the longer-term process of offsetting the disappearance of the net subsidy from the investment assets portfolio. This will help smooth the impacts of the increased costs of MRP in the Medium-Term Financial Strategy	• For Corporate Policy and Resources Committee to recommend the Reserves Strategy to Council for approval

2. Key issues

2.1 The focus of this report is to set out the estimated level of reserves in the MTFP after offsetting the impact of significantly higher Minimum Revenue Provision (MRP) being charged to Revenue. It also proposes that the current sinking funds reserves are re-purposed to help smooth these impacts.

2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA), in its Financial Management Code, states that "the aim of the authority's financial reserves is to provide funding for investment in future activities and to act as a safety net in case of short-term financial challenges."

2.3 During the 2023/24 financial year, the Council applied £15.8m from reserves to mitigate the impact of accumulated capitalised costs associated with abortive housing sites that needed to be charged to revenue. In addition, £6.5m of reserves were applied in 2024/25 to offset the impact of the Minimum Revenue Provision (MRP) on regeneration assets reclassified as surplus with effect from 1 April 2024.

2.4 Despite these applications, the Council retained a reasonable level of reserves. As at 31 March 2025, total usable reserves stood at £60.4m these include some reserves that can't be used for revenue purposes that are set out below. This shows that only £40.4m from beginning of 2025/26 onwards, could be used flexibly to help balance the MTFS.

Summary of types of reserves and balances as at 31/3/25 and net balance available to support Revenue Budget pressures:

	£m	£m
Total Reserves		**60.4**
Less Capital Reserves:		
Unapplied Capital Grants	(1.8)	
Capital Receipts Reserve	(2.7)	(4.5)
Total Revenue Reserves		**55.9**
Less :		
General Fund Revenue Reserve		(3.9)
Total Earmarked Revenue Reserves (as per Table 5 of MTFS)		**52.0***
Less Ringfenced Reserves		
Business Rate and Building Control Reserve	(4.0)	
Developer Contributions Reserves	(7.6)	(11.6)
Total Earmarked Revenue Reserves Useable by the Council		**40.4**
2025/26 Approved Usage	(5.4)	
Q2 Projected Outturn at 30 September 2025	(14.6)	(20.0)
Total Available Reserves at 31st March 2026 (Projected)		**20.4**

*the draft published accounts show a reserve as £50,106k, which has now been adjusted by £1,902k to £52,008k.

2.5 As shown above, earmarked (i.e. set aside for specific purposes) revenue reserves, available for application by the Council (excluding Developers' CIL Contributions and Business Rate and Building Control reserves which are unavailable to support general Revenue Budget expenditure) totalled £40.4m at the end of 2024/25. However, this figure must be viewed in the context of the Council's outstanding loan debt, which is £715m following the refinancing of PWLB debt completed on 25th November. Appendix 3 provides a summary of reserve balances as at 31 March 2025.

2.6 For the purposes of the MTFS some of the above useable reserves in the Earmarked Revenue Reserves are treated as already committed or not available to support Council's Revenue Budget this includes:

	£m
CIL Reserves	7.600
Part of the Business Rates Equalisation Reserve	3.792
Bronzefield Reserves (commuted sum for grounds Maintenance)	0.065
Building Control (required to be used to offset Deficits	0.149
Total	**11.606**

2.7 Useable Earmarked Reserves of £52m less £11.6m of committed earmarked reserves equals earmarked reserves available to offset Revenue Budget Gaps at 31/3/25 of £40.4m (as per MTFS Table 5).

2.8 Not all reserves are available for use. Some arise from statutory and accounting requirements and are therefore classified as *"unusable reserves"*. These reserves cannot be used for any other purpose and are excluded from the Reserves Strategy, as their creation, purpose, and application are prescribed and not subject to local discretion.

2.9 An effective Reserves Strategy must be regularly reviewed and adapted to reflect the evolving risks faced by the Council.

2.10 The context within which the Council holds reserves has changed significantly in recent years. Previously, the focus was on retaining investment assets on a long-term basis and managing associated risks by building up earmarked *sinking fund* reserves to support the sustainability of rental income streams.

2.11 However, in May 2025, the Council received a set of *Statutory Directions* requiring the implementation of a strict debt reduction programme and the disposal of a substantial proportion of its investment assets. Under the *Improvement and Recovery Plan*, the majority of these assets are expected to be sold over the medium term. Consequently, the original rationale for maintaining sinking fund reserves has materially altered.

2.12 Linked to these Statutory Directions, the Council has revised its Minimum Revenue Provision (MRP) policy. This revision has significantly increased the annual MRP charge to the Revenue Budget, placing additional pressure on overall finances.

2.13 To mitigate these pressures, the Council undertook a debt rescheduling exercise, and will be undertaking an asset rationalisation programme. While these measures will help, they will not fully offset the Budget pressures.

In 2025/26 £20m of reserves are estimated to be required to fund the projected overspend, see Table 1 below.

Table 1 - Movement in Earmarked Reserves Summary		
	£'000	**£'000**
Total Earmarked Revenue Reserves as at 1st April 2025 (adjusted)		**52,008***
Ringfenced Reserves		
Developer Contributions (CIL) Reserves	(7,606)	
Ring fenced Reserves: **Business Rates (element to cover future deficits, Bronzefield and Building Control Reserves**	(4,000)	11,606
Available Useable Earmarked Reserves as at 1st April 2025 (adjusted)		**40,403**
2025/26 Approved Usage	(5,452)	
Q2 Projected Outturn at 30 September 2025	(14,555)	
Projected use of reserve – 2025/26		(20,007)
Earmarked Reserves at 31st March 2026 (Projected)		**20,395**

*the draft published accounts show a reserve as £50,106k, which has now been adjusted by £1,902k to £52,008k.

3. Options appraisal and proposal

3.1 ***Option 1 (Preferred)*** *– recommend to Council the proposed Reserves Strategy. If the proposed approach is adopted it is estimated that the projected total balances in the earmarked revenue reserves would be as set out in the table below:*

Total Estimated Balances in Useable Earmarked Revenue Reserves (excluding General Fund Contingency and Government Grants unapplied) as at 31st March assuming £7.6m use of reserves (£320k to offset specific pressures (MTFS Table 6) to smooth budget in 2026/27

	25-26	**26-27**	**27-28**	**28-29**
	£m	**£m**	**£m**	**£m**
Opening Balance	**40.4**	**20.4**	**12.5**	**7.4**
In-year usage of available reserves to close budget gap	(20.0)	(7.6)	(5.1)	(12.6)
Use of specific reserves		(0.3)		
Closing Balance	**20.4**	**12.5**	**7.4**	**(5.2)**

Above highlights that if additional savings are not found, and uncommitted available useable reserves were used to close the projected budget gaps (as per MTFS Table 3) the Council would run out of reserves during 2028/29.

3.2 ***Option 2*** – suggest amendments to the proposed Reserves Strategy.

3.3 ***Option 3*** – do not approve a Reserves Strategy. Not recommended as this would undermine the ability to set an informed and sustainable Medium Term Financial Strategy.

4. Risk implications

4.1 As the Strategy sets out, reserves are a key risk mitigation tool. The key risks are:

4.2 that the risks faced by the Council are not sufficiently understood to inform correctly the level of reserves balances required to act as an appropriate risk buffer.

4.3 The purposes for which reserves are set aside are not clearly enough defined or understood.

5. Financial implications

5.1 The accumulation of usable reserves involved setting aside resources over time, which in turn enabled the Council to earn interest on these balances. Building up reserves therefore provides greater opportunities to generate investment income, whereas drawing them down reduces this potential. As noted above, the targeted use of reserves can also provide the Council with the necessary time for savings programmes to achieve their intended outcomes. Particularly in the context of the significant resource focus on Local Government Reorganisation it will be important that savings targets are realistically set to be capable of delivering savings by 31st March 2027. Beyond 31/3/27 further transformation savings will then be delivered by the new West Surrey Council.

6. Legal comments

6.1 The Council is under a statutory duty to make proper arrangements for the administration of its financial affairs (section 151 of the Local Government Act 1972).

6.2 Under Section 25 of the Local Government Act 2003 (LGA 2003) the Council's Chief Finance Officer is required to report on the adequacy of the financial reserves in budget calculations. Section 28 of the LGA 2003 requires the Council to review its budget calculations from time to time during the financial year and take appropriate action in the event such review reveals that there is a deterioration in the Council's financial position.

6.3 This report assists the Council to comply with the statutory requirements.

7. Corporate implications

7.1 S151 Officer comments

The S151 Officer as part of the Annual Budget process has a statutory responsibility to comment on the robustness and appropriateness of reserves balances. So having an up-to-date Reserves Strategy to inform that judgement is particularly important. As one tool in the Medium-Term Financial toolkit, use of reserves plays a key role.

8. Monitoring Officer comments

8.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

9. Procurement comments

9.1 Not applicable.

10. Equality and Diversity

10.1 Targeted use of reserves potentially can help ease the impact of implementing savings delivery which may help with addressing equalities impacts.

11. Sustainability/Climate Change Implications

11.1 The earmarked reserves includes the Green Initiatives Fund which is used to pump prime initiatives which will deliver environmental benefits and will assist the Council in addressing its Climate Emergency priorities.

12. Other considerations

12.1 None identified.

13. Timetable for implementation

13.1 The Reserves Strategy to be considered alongside the Medium-Term Financial Strategy and will underpin the Detailed Revenue Budget to be approved on 26th February 2026.

14. Contact

14.1 Terry Collier, Chief Finance Officer

Please submit any material questions to the Committee Chair and Officer Contact by two days in advance of the meeting.

Background papers:, There are none.

Appendices:
Appendix 1 – Reserves Balances as at 31/3/25
Appendix 2 – Draft Reserves Strategy 2026/27
Appendix 3 - Summary of the purposes reserves are held for at 31.3.25

APPENDIX 1
Summary of Earmarked Revenue Reserves at 31.03.25

	Balance 31/3/25	Proposal	
Reserves Description	**£000**	**£000**	**Comments**
Revenue Grants Unapplied	6,213	6,213	
Insurance Fund	50	50	
Planned Spending Funds	6,140		Combine with Planned Spending to make
Acquired Properties Fund	26,261	32,401	available to support budget.
Youth Council Fund	20	20	
Local Environmental Assessment Fund	154	154	
Green Belt Fund	619	619	
Harper & White House Accommodation Fund	153	153	
Shared Prosperity Fund	-	-	
Woodthorpe Recreation Ground & Fordbridge Park Fund	80	80	
Contributions from Developers (non-ringfenced)	713	713	
	40,403	**40,403**	

APPENDIX 2

Spelthorne Borough Council's Reserves Strategy for 2026/27

What are Reserves?

Reserves are revenue resources the Council has accumulated over time and set aside for a particular purpose as part of an integrated approach to the financial management of the Authority over the short, medium and long-term.

What the Law and the Chartered Institute of Public Finance and Accountancy (CIPFA) say about reserves:

The Local Government Act 2003 (section 25) requires local authorities, when setting their budgets and the level of Council tax, to have regard to the advice of the Chief Financial Officer, namely the officer appointed under s.151 of the Local Government Act 1972 ("the CFO"), on the adequacy of the proposed financial reserves.

The CIPFA Financial Management (FM) Code states that

- Local authorities are directed to have regard to the level of reserves when considering their budget requirement. Consequently, reserves are a recognised and intrinsic part of financial planning and budget setting. The assessment of 'adequate' and 'necessary' levels of reserves is a matter for local authorities to determine. It is the responsibility (with statutory backing in England and Wales) of the CFO to advise the local authority on the appropriate level of reserves and the robustness of the estimates.
- A well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed.
- These should be maintained at a level appropriate for the profile of the authority's cash flow and the prospect of having to meet unexpected events from within its own resources.
- The budget report should include details of the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions/withdrawals and the estimated closing balances
- The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves

What is a Reserves Strategy?

A reserves strategy sets out the choices we make in relation to the level and purposes for which we hold the reserves we have accumulated. It is made up of three key elements:

1. Our strategic intent – what we are seeking to achieve through holding reserves;
2. Our programme – the level of reserves we hold and our plans for their use over in 2026/27 and in 2027/28 onwards when the reserves will be passed across to the successor unitary and
3. Our framework – the way we will determine the level of reserves we need, manage

those reserves and plan for their use in line with best practice and statutory requirements. Together these elements set out our ambition for reserves, the nature of that ambition and how we provide assurance.

Usable and Unusable Reserves

In accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) our reserves are categorised in the Statement of Accounts as either usable or unusable.

The Code describes usable reserves as those that represent resources that the authority might use to support service delivery at the reporting date. Some usable reserves may have restrictions upon their use dependent upon the relevant legislative requirements.

Unusable reserves are not available to use to support service delivery at the reporting date. These reserves arise from either:

a) statutory adjustments required to reconcile balances to the amounts chargeable to council tax (or rents) for the year, in order to comply with legislation, or

b) accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services

This strategy relates to usable reserves only.

Why do we need a Reserves Strategy?

The Council needs to keep up to date a Reserves Strategy to understand the purposes for which it is holding reserves and the risks those reserves are seeking to mitigate, and ensure that the levels of those reserves are appropriate for the risks the Council is facing

Whilst the Council, at the time of setting the Strategy, may only have a year and half of existence left as a sovereign council it has a responsibility to be mindful of the risks it will be passing on the successor unitary and how a Reserves Strategy can help mitigate some of those risks.

The Council is operating in a complex and uncertain world and faces many of the same risks as other councils. These include:

- Unforeseen events, emergencies
- General economic impacts on both the council and its residents as a result of higher inflation or higher interest rates resulting in more households presenting in need of housing support, or tenants in the Council's assets becoming less willing to pay current rental levels
- Uncertainty of business rates income streams due to complexities and timing issues around appeals
- Fluctuations in investment returns including from investment assets

The above risks can be related to the different purposes for which the Council holds reserves:

General Contingency – the General Fund Reserve acts as a general contingency or buffer again impact of unforeseen events or emergencies

Equalisation Reserves- the Business Rates Equalisation Reserve or the Interest Rate Equalisation reserve are examples. The Sinking Funds Reserves were originally designed to equalise or smooth out the impact of dips in investment income rental streams on the Revenue Budget

Reserves to deal with timing differences between the receipt of funds and the application of funds – for example grants unapplied where the Council may receive grants in advance of meeting the criteria for applying those funds. The UK Shared Prosperity Reserve was an example of this.

Reserves to supplement risk mitigation arrangements – for example the Insurance fund reserve.

Reserves to fund future anticipated spending requirements – for example, setting aside of service charge income for Harper House and White House to build up funds which can be applied in future to assist in funding maintenance costs. Similarly, the Environmental Impact Reserve, Social Housing Initiatives Fund, and Green Belt Fighting Reserve represent funds which have been set aside or earmarked to address future specific spending requirements.

Mitigating risk relating to investment and commercial activity -

The Council through its reliance on investment assets income streams is exposed to the risk of future decline in those net income streams, potentially due to greater voids, higher rent-free incentives, increased refurbishment costs etc. The potential risk is that income reduces below financing costs and not only would the Council be able to rely on a subsidy from the income stream to support the Revenue Budget but a financing shortfall would squeeze the Revenue Budget. It was in anticipation of this risk that the Council established Sinking Funds earmarked reserves at the time of acquisition of the investment assets to seek to build up sufficient funds to offset the risk of future dips in rental income.

The Best Value intervention has directed the Council to reduce this risk for itself and the successor unitary by undertaking a comprehensive investment assets disposal programme. This means that that over the medium term the reliance on this income stream will be removed and the exposure to the risk of voids or maintaining those assets will cease. Therefore, the need to hold earmarked sinking funds reserves for the original long-term reasons has fallen away. Instead, there is now a short to medium term period of additional Revenue Budget pressure, part of which could be eased by apply some use of re-purposed Sinking Funds reserves.

How does it fit with our other strategies?

The Reserves Strategy is a key underpinning strategy for the Medium-Term Financial Strategy which identifies over the medium-term Revenue Budget pressures. Having a clear Reserves Strategy helps identify how Reserves can be used to help allow the

Council and its successor unitary time to make transformational change to help close budget gaps.

Our Reserves

General Fund Balance Reserve (£3.895m as at 31/3/25)- The General Fund Balance Reserve acts as a corporate contingency to cushion the impact of unexpected events or emergencies. It also provides a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

There is no statutory minimum for the level of General Fund Balance to be held although it is widely accepted that a minimum of 5% of net budget is best practice. In making a recommendation as to the level of General Fund Balance Reserve which should be maintained, the Section 151 Officer considers.

Useable Earmarked Reserves

As at the end of 2024/25 these totalled (including Revenue Grants balances unapplied)£36.8m with the largest component being earmarked sinking fund reserves (£26.3m) set aside to smooth potential future dips in investment income rental.

Developer's Contributions
As at end of 2024/25 these totalled £8.3million. These are received in relation to Section 106 affordable housing agreements and Community Infrastructure Levy agreements. These funds can only be used to support expenditure agreed under the agreements and are therefore not available to the Council to use for other purposes.

Capital Receipts (£2.681m as at 31/3/25)

Balance of capital receipts as at 31/3/25 was £2.7m.

Capital Receipts can only be used to fund capital expenditure or eligible expenditure under the Flexible Use of Capital Receipts Strateg**y**

Unapplied Capital Grants
As at 31/3/25 these totalled £1.8m and are only used to fund capital expenditure in accordance with the terms of the grants. The funds are not available to support the Revenue Budget.

Use of the Reserves

In 2025/26 there is an additional £7m of MRP being applied to Revenue relating to MRP on surplus assets (in line with accounting requirements that once capital projects are aborted that MRP starts to be applied). This had not been anticipated in the original budget for 2025/26 and it is proposed to make use of repurposed Sinking Funds Reserves to offset the impact on the Revenue Budget. **Movement on Usable Revenue Reserves from £41.5m to £34m.**

The Medium-Term Financial Strategy is currently projected budget gaps for 2026/27 to 2028/29 as shown in the Table below.

Estimated Budget Gaps

	26-27	27-28	28-29
	£m	£m	£m
Budget Gaps	7.6	5.1	12.6

It is proposed that the repurposed sinking reserves are applied to close two thirds of the gaps outlined above. The balances of the useable reserves are in this scenario anticipated to be as follows:

Estimated End of Year Useable Revenue Reserves

	25-26	26-27	27-28	28-29
	£m	£m	£m	£m
Opening Balance	**40.4**	**20.4**	**12.48**	**7.38**
In-year usage of available reserves to close budget gap	20	7.6	5.1	12.6
Use of specific reserves		0.32		
Closing Balance	**20.4**	**12.48**	**7.38**	**(5.22)**

APPENDIX 3

Summary of the purposes reserves are currently held for at 31.03.25

Name of Earmarked Reserve	Purpose of Earmarked Reserve	Value of the reserve at 31/03/2025
		£000
Revenue Grants Unapplied	These are grants received by the council but not yet used. They are held in reserve to be applied in future years, often for specific services or projects they were awarded for.	6,438
Insurance Fund	A reserve for covering insurance claims, premiums, or self-insured liabilities. It provides a financial buffer for unexpected events (e.g. property damage, legal claims).	50
Planned Spending Funds	Money set aside for specific future projects or known upcoming costs, i.e,Housing Initiatives Fund, New Schemes Revenue Projects, Interest Equalisation, Bridge Street Reserve, etc. This helps the council manage financial planning and avoids sudden funding gaps.	8,012
Acquired Properties Fund	Sinking Funds related to the management, maintenance, or development of the Council's investment properties. There are properties the council has acquired for regeneration, housing, and investment purposes	26,261
Youth Council Fund	Supports activities, initiatives, or projects led by or for the youth council, engaging young people in local democracy and decision-making.	20
Local Environmental Assessment Fund	Reserved for environmental assessments or studies, often in relation to development projects, or conservation efforts.	154
Green Belt Fund	Supports the protection, enhancement, or management of green belt areas, open spaces meant to prevent urban sprawl and preserve nature.	619
Harper & White House Accommodation Fund	Earmarked for accommodation-related services or improvements in specific properties (Harper & White House).	152
Woodthorpe Recreation Ground & Fordbridge Park I	Funds set aside specifically for the upkeep, improvement, or development of these two local parks and recreation grounds.	80
Contributions from Developers	These are Section 106 and Community Infrastructure Levy (CIL) funds contributions made by developers to support infrastructure and community projects, e.g., Local Plan, Planning Develop Appeal, Open Stanwell Play Facility, etc.	8,319
	Earmarked Reserves at 31 March	**50,106**
	Carry forward reserves audit adjustment	1,902
	***Total Earmarked Reserves at 31 March (adjusted)**	**52,008**
	Plus	
	General Fund Revenue Reserve	3,895
	Total Revenue Reserves	**55,903**
	Plus Capital Reserves:	
	Capital Receipts Reserve	2,681
	Unapplied Capital Grants	1,800
	Total Usable Revenue Reserves	**60,384**

**The draft published accounts reported total earmarked reserves of £50,106k, which have subsequently been adjusted by £1,902k to £52,008k.*

Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1

Report checklist – responsibility of report owner

ITEM	**Yes / No**	**Date**
Councillor engagement / input from Chair prior to briefing		**27/10/25 & 28/10/35**
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	**Yes**	**21/10/25**
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)	**OO**	**21/10/25**
Risk comments (circulate to Lee O'Neil)	**LO**	**24/10/25**
Legal comments (circulate to Legal team)	**LH**	**24/10/25**
HR comments (if applicable)		

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	**Completed by**	**Date**
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**24/10/25**
S151 Officer commentary – at least **5 working days before MAT**	**T. Collier**	**21/10/25**
Confirm final report cleared by MAT		

Corporate Policy and Resources Committee

11 November 2025

Title	Reserves Strategy 2026-27
Purpose of the report	To make a recommendation
Report Author	Terry Collier, Deputy Chief Executive (s.151 Officer)
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	
Corporate Priority	Resilience
Recommendations	**Committee is asked to:** Recommend to Council that it approves the: • Reserves Strategy for 2026-27; • Repurposing of the earmarked Sinking Fund reserves as a revenue budget equalisation reserve
Reason for Recommendation	Effective and sustainable use of reserves is a key element of the Council's Medium Term Financial Strategy and ensuring the Council's continued financial sustainability

1. Executive summary of the report

What is the situation	Why we want to do something
• The context of the risks the Council are facing have changed significantly • The Council is no longer looking to hold the majority of its investment assets on a long term basis • The Council has had to use £15m of reserves to write off accumulated costs spent on preparing assets for development that were originally acquired for regeneration. This strategy was ended by Full Council in October	• As risks change so the Reserves Strategy should be reviewed and refreshed to ensure that the reserves and their balances are appropriate for the risks being faced • Having a clear Reserves Strategy is particularly important in context that 2026-27 is the last year before the balances in those reserves will be passed across to the new West Surrey Unitary Council • There are Budget gaps across the MTFS period which can be eased with the use of reserves

2023 as no longer financially viable (para 2.2) • Future funding uncertainty as a result of Fair Funding and the Business Rates Reset	
This is what we want to do about it	**These are the next steps**
• Repurpose the Sinking Fund earmarked reserves to support the managed transition to the new Unitary Council and the longer-term process of offsetting the disappearance of the net subsidy from the investment assets portfolio. This will help smooth the impacts of the Medium-Term Financial Strategy • The other reserves will continue to be held for the purposes they have been earmarked for	• For Corporate Policy and Resources Committee to recommend the Reserves Strategy to Council for approval

2. Key issues

2.1 The focus of this report is on a further mitigation or transitional adjustment measure to offset the impact of significantly higher Minimum Revenue Provision (MRP) being charged to Revenue as set out in the earlier report on this Agenda, and proposes that within the available earmarked reserves, the current sinking funds reserves are re-purposed to help smooth out impacts arising from the increased MRP and other aspects of the Medium Term Financial Strategy. The report is not proposing re-purposing other earmarked reserves.

2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA), in its Financial Management Code, states that “the aim of the authority’s financial reserves is to provide funding for investment in future activities and to act as a safety net in case of short-term financial challenges.”

2.3 During the 2023–24 financial year, the Council applied £15.8m from reserves to mitigate the impact of clearing accumulated capitalised costs associated with abortive housing sites. In addition, £6.5m and £7.5m are planned to be applied in 2024–25 and 2025–26 respectively to offset the impact of the Minimum Revenue Provision (MRP) on regeneration assets reclassified as surplus with effect from 1 April 2024.

Despite these applications, the Council retains a reasonable level of reserves. As at 31 March 2025, total usable (Revenue and Capital) reserves stood at ***£58.5m*** (as reported in the draft 2024–25 Statement of Accounts Balance Sheet), broken down as follows:

Summary of types of reserves and balances as at 31/3/25:

	£m
Total Earmarked Revenue Reserves Useable by the Council	35.3
Plus:	
Developer Contributions	8.4
Unapplied Revenue Grants	6.4
Total Earmarked Revenue Reserves	**50.1**
Plus :	
General Fund Revenue Reserve	3.9
Total Revenue Reserves	**54.0**
Plus Capital Reserves:	
Capital Receipts Reserve	2.7
Unapplied Capital Grants	1.8
Total Reserves	**58.5**

2.4 As shown above, earmarked (i.e. set aside for specific purposes) revenue reserves, available for application by the Council (excluding Developers' Contributions and Unapplied Revenue Grants neither of which are available to support general Revenue Budget expenditure) totalled *£35.3m* at the end of 2024–25. However, this figure must be viewed in the context of the Council's outstanding loan debt, which exceeds *£1 billion*. Appendix 1 provides a summary of reserve balances as at 31 March 2025.

2.5 Not all reserves are available for use. Some arise from statutory and accounting requirements and are therefore classified as *"unusable reserves"*. These reserves cannot be used for any other purpose and are excluded from the Reserves Strategy, as their creation, purpose, and application are prescribed and not subject to local discretion.

2.6 An effective Reserves Strategy must be regularly reviewed and adapted to reflect the evolving risks faced by the Council.

2.7 The context within which the Council holds reserves has changed significantly in recent years. Previously, the focus was on retaining investment assets on a long-term basis and managing associated risks by building up earmarked *sinking fund* reserves to support the sustainability of rental income streams.

2.8 However, in May 2025, the Council received a set of *Best Value Directions* requiring the implementation of a strict debt reduction programme and the disposal of a substantial proportion of its investment assets. Under the *Improvement and Recovery Plan*, the majority of these assets are expected to be sold over the medium term. Consequently, the original rationale for maintaining sinking fund reserves has materially altered.

2.9 Linked to these Best Value Directions, the Council is also revising its Minimum Revenue Provision (MRP) policy. This revision will significantly increase the annual MRP charge to the Revenue Budget, placing additional pressure on overall finances.

2.10 To mitigate these pressures, the Council plans to undertake a debt rescheduling exercise and implement a medium-term investment and regeneration asset disposal programme. While these measures will help, they will not fully offset the Budget pressures. Over time, the net subsidy from investment assets will reduce and eventually cease.

2.11 To bridge the short-term funding gap and allow time for the delivery of transformational savings—particularly those expected following Local Government Reorganisation (LGR)—the Council may consider using part of the re-purposed Sinking Fund Reserve balances (this is based on the assumption that Asset Rationalisation Strategy progresses in accordance with timescales anticipated). For example, if two-thirds of the 2026–27 Budget gap (currently just under £2m) were met from reserves, approximately ***£1.33m*** would be funded from reserves and ***£0.67m*** from in-year savings.

3. Options appraisal and proposal

3.1 ***Option 1 (Preferred)*** *– recommend to Council the proposed Reserves Strategy. If the proposed approach is adopted it is estimated that the projected total balances in the earmarked revenue reserves would be as set out in the table below:*

Total Estimated Balances in Useable Earmarked Revenue Reserves as at 31st March

	24-25	*25-26*	*26-27*	*27-28*	*28-29*
	£m	*£m*	*£m*	*£m*	*£m*
Estimated Balance	35.3	30	21.1	18.6	14.8

3.2 ***Option 2*** – suggest amendments to the proposed Reserves Strategy.

3.3 ***Option 3*** – do not approve a Reserves Strategy. Not recommended as this would undermine the ability to set an informed and sustainable Medium Term Financial Strategy.

4. Risk implications

4.1 As the Strategy sets out, reserves are a key risk mitigation tool. The key risks are:

- that the risks faced by the Council are not sufficiently understood to inform correctly the level of reserves balances required to act as an appropriate risk buffer.
- The purposes for which reserves are set aside are not clearly enough defined or understood.

5. Financial implications

5.1 The accumulation of usable reserves involved setting aside resources over time, which in turn enabled the Council to earn interest on these balances. Building up reserves therefore provides greater opportunities to generate investment income, whereas drawing them down reduces this potential. As noted above, the targeted use of reserves can also provide the Council with the necessary time for savings programmes to achieve their intended outcomes. Particularly in the context of the significant resource focus on Local Government Reorganisation it will be important that savings targets are realistically set to be capable of delivering savings by 31st March 2027. Beyond 31/3/27 further transformation savings will then be delivered by the new West Surrey unitary council.

6. Legal comments

6.1 The Council is under a statutory duty to make proper arrangements for the administration of its financial affairs (section 151 of the Local Government Act 1972).

6.2 Under Section 25 of the Local Government Act 2003 (LGA 2003) the Council's Chief Finance Officer is required to report on the adequacy of the financial reserves in budget calculations. Section 28 of the LGA 2003 requires the Council to review its budget calculations from time to time during the financial year and take appropriate action in the event such review reveals that there is a deterioration in the Council's financial position.

6.3 This report assists the Council to comply with the statutory requirements.

7. Corporate implications

7.1 S151 Officer comments

The S151 Officer as part of the Annual Budget process has a statutory responsibility to comment on the robustness and appropriateness of reserves balances. So having an up-to-date Reserves Strategy to inform that judgement is particularly important. As one tool in the Medium-Term Financial toolkit, use of reserves plays a key role.

8. Monitoring Officer comments

8.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

9. Procurement comments

9.1 Not applicable.

10. Equality and Diversity

10.1 Targeted use of reserves potentially can help ease the impact of implementing savings delivery which may help with addressing equalities impacts.

11. Sustainability/Climate Change Implications

11.1 The earmarked reserves includes the Green Initiatives Fund which is used to pump prime initiatives which will deliver environmental benefits and will assist the Council in addressing its Climate Emergency priorities.

12. Other considerations

12.1 None identified.

13. Timetable for implementation

13.1 The Reserves Strategy to be considered alongside the Medium-Term Financial Strategy and will underpin the Detailed Revenue Budget to be approved on 26th February 2026.

14. Contact

14.1 Terry Collier, Chief Finance Officer

Please submit any material questions to the Committee Chair and Officer Contact by two days in advance of the meeting.

Background papers:, There are none.

Appendices:
Appendix 1 – Reserves Balances as at 31/3/25
Appendix 2 – Draft Reserves Strategy 2026-27

APPENDIX 1
Summary of Earmarked Revenue Reserves at 31.03.25

Reserves Description	Balance at 31 March 2025	Proposal	Proposal
	£'000	£'000	
Insurance Fund	50	50	
Planned Spending Funds	8,012		
Sinking Fund Earmarked Reserves	26,261	34,273	Combine with Planned Spending to make available to support Budget
Youth Council Fund	20	20	
Local Environmental Assessment Fund	154	154	
Green Belt Fund	619	619	
Harper & White House Accommodation Fund	152	152	
Woodthorpe Recreation Ground & Fordbridge Park Fund	80	80	
Useable Earmarked Reserves at 31 March 2025	**35,348**	**35,348**	

APPENDIX 2

Spelthorne Borough Council's Reserves Strategy for 2026-27

What are Reserves?

Reserves are revenue resources the Council has accumulated over time and set aside for a particular purpose as part of an integrated approach to the financial management of the Authority over the short, medium and long-term.

What the Law and the Chartered Institute of Public Finance and Accountancy (CIPFA) say about reserves:

The Local Government Act 2003 (section 25) requires local authorities, when setting their budgets and the level of Council tax, to have regard to the advice of the Chief Financial Officer, namely the officer appointed under s.151 of the Local Government Act 1972 ("the CFO"), on the adequacy of the proposed financial reserves.

The CIPFA Financial Management (FM) Code states that

- Local authorities are directed to have regard to the level of reserves when considering their budget requirement. Consequently, reserves are a recognised and intrinsic part of financial planning and budget setting. The assessment of 'adequate' and 'necessary' levels of reserves is a matter for local authorities to determine. It is the responsibility (with statutory backing in England and Wales) of the CFO to advise the local authority on the appropriate level of reserves and the robustness of the estimates.
- A well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed.
- These should be maintained at a level appropriate for the profile of the authority's cash flow and the prospect of having to meet unexpected events from within its own resources.
- The budget report should include details of the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions/withdrawals and the estimated closing balances
- The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves

What is a Reserves Strategy?

A reserves strategy sets out the choices we make in relation to the level and purposes for which we hold the reserves we have accumulated. It is made up of three key elements:

1. Our strategic intent – what we are seeking to achieve through holding reserves;
2. Our programme – the level of reserves we hold and our plans for their use over in 2026-27 and in 2027-28 onwards when the reserves will be passed across to the successor unitary and
3. Our framework – the way we will determine the level of reserves we need, manage those reserves and plan for their use in line with best practice and statutory requirements. Together these elements set out our ambition for reserves, the nature of

that ambition and how we provide assurance.

Usable and Unusable Reserves

In accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) our reserves are categorised in the Statement of Accounts as either usable or unusable.

The Code describes usable reserves as those that represent resources that the authority might use to support service delivery at the reporting date. Some usable reserves may have restrictions upon their use dependent upon the relevant legislative requirements.

Unusable reserves are not available to use to support service delivery at the reporting date. These reserves arise from either:

a) statutory adjustments required to reconcile balances to the amounts chargeable to council tax (or rents) for the year, in order to comply with legislation, or

b) accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services

This strategy relates to usable reserves only.

Why do we need a Reserves Strategy?

The Council needs to keep up to date a Reserves Strategy to understand the purposes for which it is holding reserves and the risks those reserves are seeking to mitigate, and ensure that the levels of those reserves are appropriate for the risks the Council is facing

Whilst the Council, at the time of setting the Strategy, may only have a year and half of existence left as a sovereign council it has a responsibility to be mindful of the risks it will be passing on the successor unitary and how a Reserves Strategy can help mitigate some of those risks.

The Council is operating in a complex and uncertain world and faces many of the same risks as other councils. These include:

- Unforeseen events, emergencies
- General economic impacts on both the council and its residents as a result of higher inflation or higher interest rates resulting in more households presenting in need of housing support, or tenants in the Council’s assets becoming less willing to pay current rental levels
- Uncertainty of business rates income streams due to complexities and timing issues around appeals
- Fluctuations in investment returns including from investment assets

The above risks can be related to the different purposes for which the Council holds reserves:

General Contingency – the General Fund Reserve acts as a general contingency or buffer again impact of unforeseen events or emergencies

Equalisation Reserves- the Business Rates Equalisation Reserve or the Interest Rate Equalisation reserve are examples. The Sinking Funds Reserves were originally designed to equalise or smooth out the impact of dips in investment income rental streams on the Revenue Budget

Reserves to deal with timing differences between the receipt of funds and the application of funds – for example grants unapplied where the Council may receive grants in advance of meeting the criteria for applying those funds. The UK Shared Prosperity Reserve was an example of this.

Reserves to supplement risk mitigation arrangements – for example the Insurance fund reserve.

Reserves to fund future anticipated spending requirements – for example, setting aside of service charge income for Harper House and White House to build up funds which can be applied in future to assist in funding maintenance costs. Similarly, the Environmental Impact Reserve, Social Housing Initiatives Fund, and Green Belt Fighting Reserve represent funds which have been set aside or earmarked to address future specific spending requirements.

Mitigating risk relating to investment and commercial activity -

The Council through its reliance on investment assets income streams is exposed to the risk of future decline in those net income streams, potentially due to greater voids, higher rent-free incentives, increased refurbishment costs etc. The potential risk is that income reduces below financing costs and not only would the Council be able to rely on a subsidy from the income stream to support the Revenue Budget but a financing shortfall would squeeze the Revenue Budget. It was in anticipation of this risk that the Council established Sinking Funds earmarked reserves at the time of acquisition of the investment assets to seek to build up sufficient funds to offset the risk of future dips in rental income.

The Best Value intervention has directed the Council to reduce this risk for itself and the successor unitary by undertaking a comprehensive investment assets disposal programme. This means that that over the medium term the reliance on this income stream will be removed and the exposure to the risk of voids or maintaining those assets will cease. Therefore, the need to hold earmarked sinking funds reserves for the original long-term reasons has fallen away. Instead, there is now a short to medium term period of additional Revenue Budget pressure, part of which could be eased by apply some use of re-purposed Sinking Funds reserves.

How does it fit with our other strategies?

The Reserves Strategy is a key underpinning strategy for the Medium-Term Financial Strategy which identifies over the medium-term Revenue Budget pressures. Having a clear Reserves Strategy helps identify how Reserves can be used to help allow the Council and its successor unitary time to make transformational change to help close budget gaps.

Our Reserves

General Fund Balance Reserve (£3.895m as at 31/3/25)- The General Fund Balance Reserve acts as a corporate contingency to cushion the impact of unexpected events or emergencies. It also provides a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

There is no statutory minimum for the level of General Fund Balance to be held although it is widely accepted that a minimum of 5% of net budget is best practice. In making a recommendation as to the level of General Fund Balance Reserve which should be maintained, the Section 151 Officer considers.

Useable Earmarked Reserves

As at the end of 2024-25 these totalled £47.8m with the largest component being earmarked sinking fund reserves (£26.3m) set aside to smooth potential future dips in investment income rental.

Developer's Contributions

As at end of 2024-25 these totalled £8.3million. These are received in relation to Section 106 affordable housing agreements and Community Infrastructure Levy agreements. These funds can only be used to support expenditure agreed under the agreements and are therefore not available to the Council to use for other purposes.

Capital Receipts (£2.681m as at 31/3/25)

Balance of capital receipts as at 31/3/25 was £2.7m.

Capital Receipts can only be used to fund capital expenditure or eligible expenditure under the Flexible Use of Capital Receipts Strateg**y**

Unapplied Capital Grants

As at 31/3/25 these totalled £1.8m and are only used to fund capital expenditure in accordance with the terms of the grants. The funds are not available to support the Revenue Budget.

Use of the Reserves

In 2025-26 there is an additional £7m of MRP being applied to Revenue relating to MRP on surplus assets (in line with accounting requirements that once capital projects are aborted that MRP starts to be applied). This had not been anticipated in the original budget for 2025-26 and it is proposed to make use of repurposed Sinking Funds Reserves to offset the impact on the Revenue Budget. **Movement on Usable Revenue Reserves from £41.5m to £34m.**

The Medium-Term Financial Strategy is currently projected budget gaps for 2026-27 to 2028-29 as shown in the Table below

Estimated Budget Gaps

	26-27	27-28	28-29
	£m	£m	£m
Estimated Budget Gap	2.2	2.5	8.2

It is proposed that the repurposed sinking reserves are applied to close two thirds of the gaps outlined above. The balances of the useable reserves are in this scenario anticipated to be as follows:

Estimated End of Year Useable Revenue Reserves

	24-25	25-26	26-27	27-28	28-29
	£m	£m	£m	£m	£m
Estimated Balance	35.3	30	21.1	18.6	14.8

APPENDIX 1
Summary of the purposes Reserves are currently held for

Name of Earmarked Reserve	Purpose of Earmarked Reserve	Value of Balance of Reserve as at 31/3/25 £000
Insurance Fund	A reserve for covering insurance claims, premiums, or self-insured liabilities. It provides a financial buffer for unexpected events (e.g. property damage, legal claims).	50
Planned Spending Funds	Money set aside for specific future projects or known upcoming costs, i.e, Housing Initiatives Fund, New Schemes Revenue Projects, Interest Equalisation, Bridge Street Reserve, etc. This helps the council manage financial planning and avoids sudden funding gaps. (To be combined with Sinking Funds Reserves under the revision to the Reserves Strategy)	8,012
Sinking Funds Reserves	Sinking Funds related to the management, maintenance, or development of the Council's investment properties. There are properties the Council has acquired for regeneration, housing, and investment purposes	26,261
Youth Council Fund	Supports activities, initiatives, or projects led by or for the youth council, engaging young people in local democracy and decision-making.	20
Local Environmental Assessment Fund	Reserved for environmental assessments or studies, often in relation to development projects, or conservation efforts.	154
Green Belt Fund	Supports the protection, enhancement, or management of green belt areas, open spaces meant to prevent urban sprawl and preserve nature.	619
Harper & White House Accommodation Fund	Earmarked for accommodation-related services or improvements in specific properties (Harper & White House).	152
Woodthorpe Recreation Ground & Fordbridge Park Fund	Funds set aside specifically for the upkeep, improvement, or development of these two local parks and recreation grounds.	80
	Total	**35,348**
	Plus	
	Developer Contributions	8,319
	Unapplied Revenue Grants	6,438
	Total Earmarked Revenue Reserves	**50,105**
	Plus :	
	General Fund Revenue Reserve	3,895
	Equals:	
	Total Revenue Reserves	54,000
	Plus Capital Reserves:	
	Capital Receipts Reserve	2,681
	Unapplied Capital Grants	1,800
	Total Usable Earmarked Revenue Reserves	**58,481**

Note that it is only proposed to repurpose the Sinking Fund Reserves, the other reserves will continue to be held for the earmarked purposes set aside.

Extraordinary Council Meeting – Monday 17 November 2025

Revised Recommendations - Agenda Item 7

Item 7 – Medium Term Financial Strategy 2026-27

Council is asked to:

1. Be informed and assured by the Draft Medium Term Financial Strategy set out in the report and that an updated strategy (reflecting impact of actual debt discount and refinancing rates achieved, and the outcome of the Fair Funding Review), as part of a Detailed Budget Report will come to the Corporate Policy and Resources Committee in January 2026 for consideration and approval; and

2. Approve the proposed Flexible Use of Capital Receipts Strategy.

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Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1
Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing	**yes**	**27/10/25 & 28/10/25**
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	**Yes**	**03/12/25**
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)	**OO**	**21/10/25**
Risk comments (circulate to Lee O'Neil)	**LO**	**24/10/25**
Legal comments (circulate to Legal team)	**LH**	**24/10/25**
HR comments (if applicable)	**N/A**	

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**24/10/25**
S151 Officer commentary – at least **5 working days before MAT**	**T. Collier**	**22/10/25 & 3/12/25**
Confirm final report cleared by MAT		

Council

Addendum to original report, figures changed since original report highlighted yellow.

11th December 2025

Title	Draft Medium-Term Financial Strategy 2026/27 and Flexible Capital Receipts Strategy
Purpose of the report	To make a decision
Report Author	***Terry Collier Chief Finance Officer***
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Resilience
Recommendations	**Council is asked to approve:** 1) Draft Medium Term Financial Strategy 2) Proposed Flexible Use of Capital Receipts Strategy as set out in Appendix B
Reason for Recommendation	Changes to the Medium-Term Financial Strategy are reserved to Council.

1. Executive summary of the report

What is the situation	Why we want to do something
The Council is facing a challenging financial future with an estimated Revenue Budget gap for 2026/27 after taking into factors set out below and the use of reserves of £7.6m (para 2.42). Reasons (paragraph 2.18 - 2.26 for this include: • Impact of applying a compliant Minimum Revenue Provision (MRP) policy which has now also been applied to surplus housing/regeneration sites • No longer being able to rely on a net income stream from investment assets to subsidise services • Uncertainty caused by Local Government Funding reform	• Council has a statutory responsibility to set a balanced budget, and councillors need to ensure agreement is reached on a set of strategies which will deliver a sustainable financial position. • Statutory Directions issued by MHCLG in May 2025 require the Council to implement "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 Best Value Inspection report and by external auditors.*"* (paragraph 2.9)

• Demand pressures such as need for temporary accommodation • Medium Term Financial planning is complicated by the Surrey Local Government Reorganisation process with Spelthorne due to be replaced with a new West Surrey Unitary Council in April 2027. • Council as at 31.03.25 had uncommitted (excluding developer's contributions) available useable reserves of £40.4m (Paragraph 2.60 and Table 5) • Uncommitted Reserves are projected to be £20.4m at 31.03.26 of which £7.6m are proposed to be used to balance the 2026/27 revenue budget.	• To ensure a sustainable financial legacy to the successor unitary authority, it needs to understand the medium-term financial challenges and agree a strategy for addressing them
This is what we want to do about it	**These are the next steps**
• To implement a coordinated set of strategies to mitigate the impact of increased MRP, to de-risk the longer-term financial exposure of the Council and the successor unitary authority and to put the Council's finances on a sustainable basis • Progressing Debt Restructuring • Assets rationalisation programme to reduce debt and MRP charges and reduce risks. • Progressing the deletion of vacant posts • Aligning service arrangements and fees and charges with the other component authorities of the unitary • A robust savings programme including review of benchmarked unit costs, with specialist resources brought in to assist • Revised Reserves strategy applying some reserves to assist in managing the process of moving towards financial resilience • Appropriate capitalisation of one-off transformation expenditure relating to	• Approval for the steps and strategy (paragraph 2.71) proposed to address both the Budget Gap for 2026/27 and for the medium term • Approve the proposed Flexible Use of Receipts Strategy (paragraph 2.68 and Appendix B)

LGR, and the Improvement and Recovery transformation strands	

2. Background, what is a MTFS and what are the elements of a MTFS?

2.1 The MTFS provides a financial framework over a medium-term period within which financial stability can be achieved and sustained, setting out the financial strategies to support the delivery of the Council's Vision, key strategic outcomes, priorities and sustainable services for both the Council and the successor unitary authority.

2.2 This report sets out a revised Medium Term Financial Strategy (MTFS) for the Council. It addresses the requirements of the Statutory Directions and actions in the Finance Improvement Plan.

2.3 The report is informed by the changes to the Minimum Revenue Provision (MRP) policy and Debt Rescheduling approved at 17.11.25 Full Council and Asset Rationalisation to further mitigate MRP charges and reduce risks. The MTFS draws together the implications to the Council of these changes together with changes to grants, business rates, cost pressures and other demands on the Council.

2.4 Surrey Local Government Reorganisation (LGR) will take effect from 01.04.27 which means Spelthorne will cease to exist as an independent sovereign body from that date. However, so that the estimates can be passed to a new shadow unitary authority to be considered as part of its budget setting process for 2027/28 onwards as a MTFS will still be produced.

2.5 The Strategy brings together key issues affecting the:

- Revenue Budget
- Capital Strategy
- Capital Programme
- A new Flexible Use of Capital Receipts Strategy (Appendix B)
- Debt Re-Scheduling
- Treasury Management Strategy, including Revised Minimum Revenue Provision (MRP) Policy- see separate reports on this Agenda
- Reserves Strategy – see separate report on this Agenda
- Assets Rationalisation Strategy as per the Best Value Direction, see separate report on this Agenda

2.6 **Structure** of this report - this report will:

- Show our starting point
- Set out how the MTFS needs to adapt to the current context including the statutory directions and external auditor recommendations and a range of pressures and changed circumstances; set out the actions we propose that we will take to mitigate those

- Summarise how the key components are designed to ensure a sustainable financial future for the remainder of Spelthorne's time and to pass on a viable financial inheritance for the unitary authority.

Budget Starting Point

2.7 When the Council set its Revenue Budget for 2025/26 and the Outline Budget for period 2026/27 to 2028/29 in February 2025, the identified budget gaps were as set out in the table below.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Budget gap	Balanced	3.9	6.9	8.6

2.8 So, from the start of 2025/26 we have been aware that we were facing a significant budget gap for 2026/27, and this was before factoring in the additional costs of MRP.

Context for the MTFS

Impact of complying with Statutory Directions and External Auditor Recommendations

2.9 The Statutory Directions included a number of requirements in respect of financial management that are addressed in the MTFS:

- 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 Best Value Inspection report and by external auditors.
- 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.
- 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.
- 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.
- A plan to reconfigure the Authority's services commensurate with the Authority's available financial resources.

- The External Auditor recommendations set out in their 2023/24 Annual Audit report recommendations included:

- Robust plans are approved to address the medium-term budget gaps and reinstate it transformation programme as a matter of urgency
- Urgently review the options for the suspended housing projects

- Root causes of budget growth are identified and explained to Members to ensure the accuracy of financial plans

2.10 The External Auditor in their 2024/25 Annual Audit report recommendations included:

(a) The Medium-Term Financial Plan should be updated to reflect new costs and risks identified by the best value inspection; appointment of Commissioners; and adoption of an Improvement and Recovery Plan.

(b) To update the Medium-Term Financial Plan, the Council should include all relevant additional costs associated with changes to minimum revenue provision (MRP); with asset valuations, refurbishments and upgrades; with breaks in commercial income as tenancies come up for renewal; and with the recruitment of skilled resources to lead recovery and improvement.

2.11 Best value inspectors recommended a comprehensive debt reduction strategy. We agree with this recommendation. The Council should work with commissioners to agree a comprehensive debt reduction strategy that includes consideration of asset lives and length of time over which it is realistic to carry debt.

2.12 The External Auditor's Audit Findings Report for 2023-24 included as recommendations

2.13 There is a risk that the Council's MRP charge is not fairly stated.

2.14 The financial impact of the Directions is set out below. The additional cost of complying with statutory MRP guidelines are mitigated by debt rescheduling and an asset rationalisation strategy. The three areas when implemented will achieve a significant reduction in debt and risk to the Council.

Pressures on the Budget

Impact of complying with rules and guidelines on MRP

2.15 Our MRP policy and calculations have been updated using revised asset lives. The implication of compliance, as set out in the MRP Policy report to Full Council on 17.11.25, is approximately a £40m per annum increase in the MRP charge to Revenue. Without mitigating action would use all available revenue reserves and prompt a s114 notice and a request for Exceptional Financial Support from government. (Exceptional Financial Support merely allows the Council to borrow for revenue purposes which would in turn add additional MRP and interest charges.) Mitigating actions include debt rescheduling approved at Full Council on 17.11.25 and a managed investment and regeneration asset rationalisation programme. It is important to put in place measures to mitigate the impact of the increased MRP charge as otherwise the Council would not be able to set a balanced Budget.

2.16 In order to address the concerns of External Auditors and the Statutory Directions, significant changes have been made to the Council's MRP policy. These will have a significant impact on the Revenue Budget. The first MRP change flows from the decision of Council in October 2023 to abort the housing delivery projects on sites owned by the Council. This meant that those assets in accounting terms are now treated as surplus assets which resulted in the need to charge MRP on the assets from the following year, 2024/25. Given the nature of the assets and the fact that the Council is intending to dispose of those assets in the medium term, the assets were determined as having a useful life of five years for calculating MRP. This has resulted in an additional MRP charge of approximately £6.6m per annum to be applied to the Revenue Budget see the breakdown in Table 1 below.

Table 1: Showing Additional MRP per surplus Asset

Surplus Asset	**£000**
Oast House	3,836
Thameside House	1,712
Benwell House Phase 2	9
Whitehouse Residential	9
Victory Place	996
Total	**6,561**

2.17 The MRP Policy report approved by Council on 17th November 2025 set out following discussions with Commissioners, external auditors and other experts that the Council will now be applying MRP on a straight-line basis on its investment assets over, in most cases, 20 years. This results in a significant increase in annual MRP of approximately £40m increasing from £13m per annum to approximately £58m per annum in 2025/26 and £51m in 2026/27 reducing going forward based on an estimated asset rationalisation programme. These estimates will be refined as the asset rationalisation programme is developed and agreed by Councillors. More detail is set out in the separate MRP Policy report which went to Council on 17th November 2025. See **Table 2** below.

2.18 The medium-term Budget projections have been updated for a number of variables, pressures and impacts and the below summarise the key parameters and assumptions:

2.19 Council Tax – assumed Spelthorne will maximise its taxbase and increase council tax rate by maximum allowed which is currently which is 2.99%. For indicative purposes a similar rate of increase has been assumed for year 2 to 4 (although the unitary authority is also likely to have an additional 2% headroom for Adult Social Care precept, and there will be a one-off transitional alignment of council tax rates in 2027/28 across the component areas of the new unitary)

2.20 Pay – an increase of 4% (plus 0.2% retrospective adjustment for 2025/26) for 2026/27, 2.5 % per annum for years 2 to 3.

2.21 Pension - based on advice from the actuaries it is anticipated employer contribution rates for the period 2026/27 to 2028/29 will fall from 24.6% to 23.1%. This is a budget saving of approximately £0.5m.

2.22 As highlighted above Application of revised MRP policy changes relating to both surplus assets and investment assets.

2.23 Fees and charges a default 5% has been assumed (but see comments later in the report on fees and charges)

2.24 Savings – an indicative assumption of £1m deleted posts savings has been built into the projection for 2026/27. Additional targeted savings of £0.5m assumed as deliverable as part year savings in 2025/26 and a further £0.67m assumed as deliverable in 2026/27 as part/full year savings.

2.25 Grant funding changes- significant changes to the local government funding system are being phased in from 2026/27, the figures in the projection reflect modelling advice from sector experts- this will be subject to change when the Provisional Funding Settlement is announced in late December. Currently we are projecting a small net increase in grant funding of £0.245m (4.9%).

2.26 Business Rates Reset in 2026/27, assumptions around the impact of this has been built into the projection with an increase in net retained business rates assumed of £1.871m.

Local Government Funding Reform

2.27 Planning for 2026/27 and medium-term financial planning beyond that is made particularly challenging as there will be a significant revision to the distribution of central government revenue grants to local government commencing in 2026/27, this is referred to by the Government as “Fair Funding Review 2.0”, and which will be phased in over a three year period. The Government has consulted on indicative principles and based on those local government funding specialists have made projections. Council officers have reviewed the projections from the two leading sector funding specialist consultancies and has decided to base its projections using this information. These figures need to be treated with a very heavy caveat, as firstly they are based on an interpretation on the principles the Government has consulted on and secondly up until the Provisional Funding Settlement is announced (expected in late December just before Christmas) the underlying methodology is still subject to change. In particular there is a risk that in response to lobbying from certain parts of the local government community that the Government will be making further amendments to the funding formulae.

2.28 In late October/early November MHCLG has indicated that it will be publishing a statement of funding principles which will provide some clarification around some of the settlement principles, for example possibly confirming the council tax limits for different categories of council.

2.29 Whilst the provisional funding settlement is again relatively late this year, in part due to the lateness of the Chancellor’s Budget on 26th November, one longer term positive is that there will be a three-year settlement which once released will give councils some greater medium-term certainty. This will aid the financial planning for the new unitary authorities in Surrey (their funding allocations will be made up from combining their constituent district and boroughs’ allocations, and more challenging agreeing locally a split of the funding allocations of Surrey County Council).

Business Rates Reset and Business Rates Pooling

2.30 In 2026/27 the Government is undertaking a full reset of business rates. A business rates reset establishes new baseline funding levels and business rates baselines for local authorities. The next reset is planned for 2026/27 and will be reset on basis of gross rateable values on 31/3/26 and will involve an updated assessment of need to redistribute business rates income. This process is separate from the 2026 revaluation of properties, which adjusts the rateable value of individual properties to ensure fair redistribution of liabilities among ratepayers. The details of the Business Rates reset will be confirmed as part of the Provisional Local Government Funding Settlement expected just before Christmas.

2.31 The timing of the business rates reset means that it is expected that majority of councils would be at their business rates baseline in 2026/27 and therefore there would be limited potential for gains above baseline requiring protection through a business rates retention pool. At the same time if most councils are near their baseline there is greater risk that more may fall below baseline and require safety net support. So, there is little to gain from pooling and potentially risks from so doing. So, the Surrey districts and boroughs and County Council have agreed not to create a business rates pool for 2026/27.

Pay and Pensions

2.32 In 2024-25 and 2025/26 the Council agreed with the local Unison Branch under the Local Pay Agreement a two-year deal with a 2.8% increase in each of 2024-25 and 2025/26. In comparison the National Pay Agreement for 2024-25 was 2.5% and for 2025/26 was 3.2%. So, in recognition that over the two years the local agreement did not keep pace with the national agreement, it is proposed that a 0.2% retrospective uplift is applied from 1st April 2025. Looking ahead to 2026/27, the last pay settlement to be negotiated by the Council, the current assumption, subject to both approval by Councillors and acceptance by union members, is that a local settlement of 4% for 2026/27 will be agreed. This will add £0.9m to the Revenue Budget.

2.33 The triennial Pensions valuation revalued the Surrey Pension Fund and identified that the Fund overall is now in surplus. This is enabling the Fund for the years 2026/27 to 2028/29 to reduce employer contribution rates. In case of Spelthorne the contribution rate will fall from 24.6% to 23.1% resulting in an annual reduction of approximately £0.5m.

The Budget Gap Challenge

2.34 All of the above pressures, particularly the increased MRP exceeding the income contribution from the investment assets results in a significant set of potential budget gaps which need to be mitigated to ensure that a balanced and sustained Budget can be set.

Mitigations and solutions available to the Council

Debt reduction and debt rescheduling

2.35 As set out in previous reports on this agenda the first two key mitigation measures are to reschedule the debt in order to apply a significant early repayment discount.

2.36 The Council borrowed over £1bn to purchase its investment and regeneration asset portfolio, with the intention of delivering a sustainable income stream which would exceed financing costs. It borrowed these funds over varying periods up to fifty years using fixed, low interest loans from the Public Works Loan Board (PWLB) which is part of the Debt Management Office in HM Treasury.

2.37 The increase in MRP, if not mitigated would undermine the viability of the Council and require exceptional financial support and the Council would not be able to set a balanced budget for 2026/27. The two key elements for mitigating this impact are set out in separate reports (Debt Rescheduling and Asset Rationalisation) on this Agenda: a significant restructuring of debt taking advantage of the discounts (equivalent to approx. 35%) available to the Council on its PWLB debt to reduce outstanding debt from £1,057m to an estimated £696m (a reduction in debt outstanding of an estimated £360m based on gilt rates on 14/10/25). This report sets out the actual level of discount achievable will be dependent on the gilt rates prevailing at the time the redemption is implemented.

Managed Asset Rationalisation Strategy

2.38 The second key mitigation measure is to progress an Asset Rationalisation Strategy, as set out in the Asset Rationalisation report earlier on this Agenda.

2.39 The refinanced debt, arising from the first mitigation measure above of re-financing, will be at higher interest rates (4.5 to 5%) and will therefore require to be aligned with a comprehensive investment and regeneration assets rationalisation programme as required by the Statutory Directions. This is set out in the Assets Rationalisation Strategy Report separately on this Agenda. This Strategy will be worked up into a more detailed plan to come back to CPRC in January. In turn any proposals to dispose of specific assets would in each instance be subject to Councillor approval at appropriate Committee and Council. The aim would be to achieve a long-term sustainable level of debt and Capital Financing Requirement. With these mitigations it is believed that the Council (and the successor West Surrey unitary authority with respect to the financial assets and liabilities it will inherit from Spelthorne) can avoid the need for Exceptional Financial Support from Government.

2.40 Complying with the Best Value Direction to rationalise assets will reduce debt levels, MRP and consequently the cost of interest. **Table 2** below shows estimated impact of the proposed programme of assets rationalisations.

2.41 Changing the assumption of a £10m benefit from investment properties, albeit £4m in 2025/26, to a surplus of £1m in 2026/27.

Table 2 showing impact of further mitigating through Assets Rationalisation programme

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
MRP	58	51	36	36	32	33	33	33	34	34	11	391
Interest	27	30	27	26	26	25	25	25	24	24	9	268
Discount £343m in total	(34)	(34)	(34)	(34)	(34)	(34)	(34)	(34)	(34)	(34)	0	(343)
Net operating inc/exp on Investment Property	(43)	(48)	(31)	(25)	(23)	(22)	(24)	(25)	(24)	(24)	(1)	(290)
Net (surplus)/deficit to General Fund	**7**	**(1)**	**(3)**	**3**	**1**	**1**	**0**	**(1)**	**(1)**	**(0)**	**19**	**26**

2.42 Once other changes are fed into the budget, set out in the report below, results in a budget gap of £7.6m for 2026/27.

Medium Term Financial Strategy

2.43 The proposed MTFS incorporates the mitigation steps of debt refinancing and assets rationalisation.

2.44 The objectives of the MTFS are:

- To set a path to financial sustainability for the new unitary authority
- To reach comparable debt levels to other districts, ideally circa £100m
- A measured approach to property rationalisations, ensuring that best value is achieved
- Remove risks for the future unitary authority in respect of investment and regeneration property risks
- A compliant MRP Strategy addressing the recommendations of the Best Value Inspection report, the Statutory Directions and the recommendations of the external auditor
- To have a plan to reduce service costs to comparable levels of other district councils
- To have unqualified accounts in 2026/27
- To satisfy MHCLG that the Council has complied with all of the Statutory Directions by end of 2026/27.

2.45 Since 2019/20 Spelthorne has assumed a £10m contribution to its revenue budget from investment property surpluses. With increased costs and reducing returns, explained later in this report this benefit can no longer be assumed. The £10m contribution represents approximately 30% of the Council's gross expenditure, excluding Housing Benefits. Spending is also on average 30% higher in comparison to statistically similar councils.

2.46 An element of this additional spending is in relation to the cost of homelessness in Spelthorne, due to the Council's proximity to London. In other areas, similar to other Surrey boroughs, it provides preventative services to adults in the community (Independent Living Services including Community Centres, Meals on Wheels, and Community Alarms) that in other parts of the Country are provided by County Councils.

2.47 The only way the Council would be able to make such significant reductions in its expenditure is to consolidate its service provision with other district councils and with upper tier service provision which Local Government Reorganisation in West Surrey will help to achieve.

2.48 The Council's overall MTFS will therefore help facilitate a smooth transition to Unitary Local Government in Surrey, working with other councils who will form the new council to consolidate and harmonise service provision within the overall budget envelope. The budget for 2026/27 is therefore a transitional one. Where possible the Council will identify efficiency savings and identify areas where it is charging less than others to smooth the transition for service users. In order to do this, it will use reserves, previously set aside for future spending on investment properties. It is also able to benefit in the short term from a loan discount, which in the medium term should be set aside for reducing debt levels and the impact of minimum revenue provision (MRP).

- **Table 3** below summarises the current projected budget position across the MTFS period.

	2025/26 original £000		2025/26 Revised £000	2026/27 £000	2027/28 £000	2028/29 £000
Gross Expenditure	64,955		64,464	56,832	-	-
Less: Fees/Charges and Specific Grants	(16,618)		(16,679)	(17,698)	-	-
Less: Housing Benefits Grant	(21,556)		(21,556)	(14,522)	-	-
Net Expenditure	**26,781**		**26,229**	**24,613**	**25,897**	**26,606**
Net Service Expenditure						
Assets Mgt.	2,086		2,001	2,122	-	-
Commissioning & Transformation	5,742		5,358	5,516	-	-
Community & Wellbeing	3,994		3,837	3,951	-	-
Finance & Corporate Services	5,269		5,752	3,819	-	-
Legal and Elections	1,974		1,912	1,958	258	-
Neighbourhood Services	3,806		3,457	3,333	(90)	(90)
Place, Protection & Prosperity	3,911		3,912	3,915	-	-
Net Expenditure	**26,781**		**26,229**	**24,613**	**26,065**	**26,516**
Inflation and Pay	-		-	1,012	541	777
Savings	-		-	(276)	-	-
Unavoidable Expenditure	-		-	548	-	-
Total Expenditure at Service Level	**26,781**		**26,229**	**25,897**	**26,606**	**27,292**
Investment & Regeneration property	(45,581)		(45,581)	(41,381)	(30,534)	(24,088)
Minimum Revenue Provision	13,025		57,645	51,428	35,520	35,936
Loan Interest	25,425		26,882	29,782	26,875	26,062
Loan Discount	-		(34,261)	(34,261)	(34,261)	(34,261)
Prior yr exp on Housing Schemes write-off	8,710		-	-	-	-
Other Interest	(2,112)		(2,112)	(2,056)	(1,679)	(1,568)
Budget Requirement	**26,247**		**28,801**	**29,408**	**22,527**	**29,373**
General Government Grants	(2,053)		(2,053)	(5,970)	(5,056)	(3,953)
Business Rates	(4,910)		(4,917)	(3,800)	(2,322)	(2,358)
Appropriation to/(from) Reserves:	(9,111)		(11,658)	(2,342)	(54)	(54)
Net Budget Requirement	**10,173**		**10,173**	**17,296**	**15,095**	**23,009**
Collection Fund Surplus/(deficit)	(877)		(877)	-	180	180
Income from Council Tax	(9,296)		(9,296)	(9,721)	(10,153)	(10,604)
Net Position - Over/ (Under) budget	**(0)**		**(0)**	**7,575**	**5,122**	**12,585**

Unavoidable expenditure of £548k is broken down in appendix A.

The total expenditure at service level is broken down into more detail in appendix C

2.49 The estimated remaining budget gap for 2026/27 of £7.6m, if not addressed by savings would rise to £12.6m by 2028/29 which would not be a sustainable position for the successor unitary Council. If the Council sought to solely close the Budget gap by use of reserves this would consume £25.3m of reserves over the MTFS period (exceeding the balance of available reserves by £4.9m- see Reserves Strategy 3.1). So, it will be important to seek to identify savings in 2026/27 and beyond to assist in closing this. By 2028/29, the post vesting day transformation savings should be beginning to be benefitted by the new Council.

2.50 The budget deficit is after assuming the use of a PWLB loan discount for early repayment of loans which is then spread equally over the next 10 years. The expiry of this will need to be factored into future financial planning.

2.51 Paragraph 2.22 above sets out the key assumptions feeding into the above projections.

2.53 As highlighted above, under Surrey Local Government Reorganisation, Spelthorne is due to cease to exist on 1st April 2027. This complicates the medium-term financial modelling and also creates both constraints on savings and opportunities. A key constraint is the tight timescale for the lead into "Vesting Day" on 1/4/27 as this rules out the ability of the Council acting alone to implement savings initiatives such, reducing its office footprint or outsourcing services, which take a significant amount of time to implement. The opportunities are that in the medium term the process of unitarisation will be a major efficiency and savings driver, but these will be reaped by the successor unitary.

2.54 The contents of this strategy are the Council's response to the significant financial and service challenges that it faces, taking on board the critical feedback received from the Best Value Inspection process and external auditors, and the need to plan ahead for the future with fewer resources.

2.55 **Table 4** summarising changes between 2025/26 revised budget and 2026/27 budget at net service expenditure level:

Table 4: Summary of Changes from 2025/26 to Draft 2026/27 Budget

	2025/26 Revised £000	2026/27 £000	Differences £000	%
Gross Expenditure	64,464	56,832	(7,632)	-12%
Less: Fees/Charges and Specific Grants	(16,679)	(17,698)	(1,019)	6%
Less: Housing Benefits Grant	(21,556)	(14,522)	7,034	-33%
Net Expenditure	**26,229**	**24,613**	**(1,616)**	**(0.1)**
Net Service Expenditure				
Assets Mgt.	2,001	2,122	121	6%
Commissioning & Transformation	5,358	5,516	158	3%
Community & Wellbeing	3,837	3,951	113	3%
Finance & Corporate Services	5,752	3,819	(1,934)	-34%
Legal and Elections	1,912	1,958	46	2%
Neighbourhood Services	3,457	3,333	(124)	-4%
Place, Protection & Prosperity	3,912	3,915	3	0%
Net Expenditure	**26,229**	**24,613**	**(1,616)**	**(0.1)**
Inflation and Pay	-	1,012	1,012	
Savings	-	(276)	(276)	
Unavoidable Expenditure	-	548	548	
Total Expenditure at Service Level	**26,229**	**25,897**	**(333)**	**(0.0)**
Investment & Regeneration property	(45,581)	(41,381)	4,200	-9%
Minimum Revenue Provision	57,645	51,428	(6,217)	-11%
Loan Interest	26,882	29,782	2,900	11%
Loan Discount	(34,261)	(34,261)	-	0%
Other Interest	(2,112)	(2,056)	56	-3%
Budget Requirement	**28,801**	**29,408**	**607**	**0.0**
General Government Grants	(2,053)	(5,970)	(3,917)	191%
Business Rates	(4,917)	(3,800)	1,117	-23%
Appropriation to/(from) Reserves:	(11,658)	(2,342)	9,315	-80%
Net Budget Requirement	**10,173**	**17,296**	**7,123**	**0.7**
Collection Fund Surplus/(deficit)	(877)	-	877	-100%
Income from Council Tax	(9,296)	(9,721)	(425)	5%
Net Position - Over/ (Under) budget	**(0)**	**7,575**	**7,575**	

Reserves

2.56 A key strand of the MTFS will be to use the reserves the Council has available to help smooth the impacts of the financial challenges across the MTFS period.

2.57 Reserves should be maintained above a minimum level as assessed by the S151 officer as part of their Section 25 Statement on the Budget. This is the minimum level that, if there is a risk that reserves are projected to fall below, immediate corrective actions will need to be taken to bring the level of reserves back to that level.

2.58 As set out in the proposals for Local Government re-organisation in Surrey, the new unitary authorities are likely to face significant costs to implement the re-organisation and significant budget pressures going forward, as such, it is important for the future sustainability of the new unitary authorities and the services that they need to deliver that reserves in existing councils are maintained at current levels as far as possible and are not reduced unnecessarily before the implementation of local government re-organisation in Surrey.

2.59 As at 31 March 2025, the Council held £52m in revenue reserves. Of this total, £7.6m relates to developer contributions (CIL), £4m forms part of the Business Rates Equalisation Reserve set aside to fund future deficits, and £0.065m and £0.149m have been earmarked in the Bronzefield and Building Control reserves respectively to meet future commitments.

2.60 This leaves £40.4m available at the start of 2025/26 that the Council could use to support its budget.

2.61 The separate Reserves Strategy report on this agenda proposes repurposing the Sinking Funds and other uncommitted earmarked reserves, reflecting the fact that the Council is no longer planning to hold its investment assets long term in line with the Statutory Directions. As a result, these reserves can be released to support the transition period and help close the MTFS budget gaps.

2.62 The budget gap of £7.6m for 2026/27 already assumes £1m of savings (£0.5m from vacancies and £0.5m from efficiency measures). As shown in Table 5 below, using £20m of reserves in 2025/26 to cover the originally planned £5.5m use of reserves plus the projected overspend of £14.6m (based on Q2 monitoring) would leave an estimated balance of £20.4m in available earmarked reserves as at 31 March 2026.

2.63 The budget gap of £7.6m for 2026/27 already assumes £1m of savings (£0.5m from vacancies and £0.5m from efficiency measures). As shown in Table 5 below, using £20m of reserves in 2025/26 to cover the originally planned £5.5m use of reserves plus the projected overspend of £14.6m (based on Q2 monitoring) would leave an estimated balance of £20.4m in available earmarked reserves as at 31 March 2026.

Total Estimated Balances in Earmarked Revenue Reserves as at 31st March

Table 5 - Movement in Earmarked Reserves Summary		
	£'000	**£'000**
Total Earmarked Revenue Reserves as at 1st April 2025 (adjusted)*		**52,008**
Ringfenced Reserves		
Developer Contributions (CIL) Reserves	(7,606)	
Ring fenced Reserves: Business Rates (element to cover future deficits, Bronzefield and Building Control Reserves	(4,000)	11,606
Available Earmarked Reserves as at 1st April 2025 (adjusted)		**40,403**
2025/26 Approved Usage	(5,452)	
Q2 Projected Outturn at 30 September 2025	(14,555)	
Projected use of reserves – 2025/26		(20,007)
Earmarked Reserves at 31st March 2026 (Projected)		**20,395**
General Fund Reserve		**3,895**
Total Available Reserves		**24,290**

*the draft published accounts show a reserve as £50,106k, which has now been adjusted by £1,902k to £52,008k.

2.64 In order to manage anticipated financial pressures in 2026/27, £320k has been identified by the Strategic Planning Service as a specific allocation from reserves and grants. This funding will be utilised to meet unavoidable expenditure pressures that cannot be absorbed within the existing base budget. Further details of this allocation and its application are outlined within

Table 6 below.

Table 6 - Use of Specific Reserve/Grants	
Strategic Planning	**£000**
Environmental Impact Reserve	154
MHCLG – Custom Build Grant Local Authority	90
MHCLG – New Burdens funding for the Brownfield Register	26
Funding for Masterplan from Assets	50
Total	**320**

Savings

2.65 A key strand of the MTFS will be progressing over the remaining year and half of the Council's existence a programme to deliver savings which are achievable in that timescale, and in the context of Local Government Reorganisation process. The Finance team will be working with Group Heads and Budget heads, with some external expertise to scrutinise and drill down into unit cost benchmarking against the other councils that will form West Surrey and relevant “nearest neighbours” to better understand the Council’s cost base and to identify opportunities for reducing net cost i.e. through reducing cost or increasing income. The focus will be measures which can be implemented and generated benefits within the time remaining before vesting day of the new council. This rules out significant IT systems changes, changing office footprint etc. The MTFS builds in a target assumption of additional £0.67m part year savings to be delivered in 2026/27.

2.66 Significant work has been undertaken to find upfront savings which can be built into the 2026/27. These are listed in Table 9 below and total £0.276m. This is before taking into account £1m savings relating to the deletion of vacant posts.

Table 7 - Savings Identified - 2026/27	**£000**
Supported Housing Team	
Increase In income	(12)
Increase In income	(24)
Staffing provision mainly covers White House	(76)
Out of hours call is done on a rota at a set weekly cost	(107)
Assets	
Increase in income from municipal portfolio, old library letting	(20)
Increase in income from municipal portfolio, uplifts in rent from rent reviews/lease expiries etc.	(3)
Increase in income from Knowle Green Nursery	(34)
Total Savings	**(276)**

Fees and Charges

2.67 As highlighted earlier in the report the default assumption is that for those fees and charges over which the Council has discretion to set the fee level, the fees and charges will rise by at least 5% in 2026/27. As part of the LGR transition process the Council, as part of its benchmarking analysis will be comparing its fees with the other component districts and boroughs in the new unitary authority. Where fees in the other councils for specific services differ, the Council will look to align our fees to move towards those of the other councils. This is in the expectation that when the new unitary authority sets its fees and charges it will level up rather than down the fees which will apply across its area. The Council by taking steps to align will be helping residents to adjust to the higher rates which are likely to be applicable as a result of LGR. One option which could be considered is having an additional mid-year review and have an additional revision to the Fees and Charges schedule to further move towards alignment with the likely fees and charges structure of the new unitary.

Table 8 - Services	Fees & Charges Inflation @ 5% £'000
Community & Wellbeing	22
Legal and Elections	1
Neighbourhood Services	84
Place, Protection & Prosperity	85
Total	**192**

Flexible Use of Capital Receipts

2.68 It is proposed that the Council puts in place a Flexible Use of Capital Receipts Policy (see Appendix B), In accordance with Section 15(1) of the Local Government Finance Act 2003, the Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations. This will then allow the Council to capitalise as eligible expenditure, transformation expenditure relating to IRP and LGR.

2.69 It is proposed that transitional costs incurred as part of the process of moving towards the unitary authority can be treated as qualifying expenditure. The Council's share of the estimated £35m pre-vesting Surrey LGR costs is £550k. It is proposed that this is capitalised and funded from receipt. Equally elements of the Improvement and Recovery Plan which are driving transformation are potentially qualifying expenditure.

Capital Strategy

2.70 A full Capital Strategy for 2026/27 will come to Council in February 2026. In the context of local government reorganisation and Best Value Intervention, the strategy will reflect the following.

- A minimal Capital Programme will be maintained with no major multi-year capital projects being commenced which would extend beyond March 2027.
- Capital Programme to be financed mainly from grants and capital receipts; the Council is not looking to incur additional borrowing.
- Some transformation costs will be capitalised and funded from receipts.

Summary of Key strands of the Medium-Term Financial Strategy

2.71 To summarise the key strands of the revised Medium Term Financial Strategy are:

- Revised MRP policy
- Debt Restructuring and application of the significant discount available to the Council on early repayment of its PWLB loans

2.72 A medium term and comprehensive Investment Assets and Housing and Regeneration assets rationalisation programme

- Aligning the refinanced loans maturities with the assets rationalisations expected timescales

- A robust and comprehensive review of operation costs across the organisation, including targeted use of benchmarked unit costs, with managers being supported by external expertise. Target to deliver £0.67m of savings
- Deletion of vacant posts (£1m)
- Capitalisation of transformation and LGR costs and applying the new Flexible Receipts Strategy to finance these capitalised costs from an element of the capital receipts being realised
- Balance of the Budget gap for 2026/27 to be funded from repurposed Sinking Funds Reserves as Transformation Equalisation Reserves

2.73 A minimal and sustainable Capital Programme for 2026/27 largely to be financed from grants and receipts. Once a Shadow Authority is set up and the Structural Change Order enacted it would normally have powers, under "Section 24" to potentially be able to veto revenue expenditure on new items in excess of £100k, however in case of Spelthorne and Woking because they are under statutory intervention the Government has clarified the Section 24 rules will not apply to these two councils.

3. Options appraisal and proposal

3.1 **Option 1: Accept the proposed MTFS, approve the proposed flexible use of Capital Receipts Strategy.** The recommended option is to accept the proposed MTFS, in so doing the Council would be complying with the Best Value statutory directions and implementing one of the Finance IRP theme workstreams. The MTFS in turn provides the parameters for then working up a balanced Budget for 2026/27.

3.2 **Option 2:** Make modifications to the proposed MTFS, or to the proposed flexible use of capital receipts, or do not approve the appointment of consultants

3.3 **Option 3:** Reject the proposed MTFS. This is not recommended as would not be good financial and budget planning, would be contrary to CIPFA guidance and would be non-compliant with external audit and Best Value recommendations.

3.4 With respect to the savings strand within the proposed MTFS proposals will be reported back to Councillors on options for consideration, setting out impacts on services.

4. Risk implications

4.1 Key financial risks are included on Corporate Risk Register: The following risks should be considered when agreeing the recommendations of this report:

Risk Description	*Mitigations*	*RAG status*
The final MTFS is based on the informed sector experts	There will still be three months from the Provisional Funding Settlement and setting of the Budget in	Amber

Risk Description	*Mitigations*	*RAG status*
modelling of the impacts of Fair Funding Review and Business Rates. Provisional Finance Settlement expected late December could have unanticipated impacts	February to refine the Council's Budget and if necessary, make additional savings. With estimated uncommitted usable reserve balances of £20.4m at 31.03.26 the Council could use a greater level of reserves if necessary	
The impact of Devolution and Local Government Reorganisation	Currently the Council has a £0.5m budget for LGR costs. As the MTFS sets out the Council will seek to capitalise transformation costs related to LGR and fund from capital receipts	Amber
External factors, outside of the control of the Council, will be subject to volatility with upward volatility creating a financial risk on the final budget and MTFS.	Demand and inflationary growth evidence based on the most up today date information at the time of budget setting Robust monthly in year monitoring to capture volatility / potential volatility to ensure mitigating actions can be implemented Monitoring reported through the governance channels including Corporate Risk Register/scrutiny to ensure areas of risk are transparent and addressed Significant reserve balances which could be applied	Amber
The assets rationalisations programme led by the Commercial Theme of the IRP, on which financial modelling underpinning the MTFS, proceeds more slowly and or rationalisation values prove less than anticipated	The Council is appointing through a framework a specialist that has the skills to assist with an asset rationalisation programme.	Amber

5. Financial implications

5.1 Financial implications are set out in the report above.

6. Legal comments

6.1 Section 31A of the Local Government Finance Act 1992 ("the 1992 Act") requires billing authorities to calculate their Council Tax requirements in accordance with the prescribed requirements of that section. The function of setting the Council Tax is the responsibility of Full Council. The Council is required by the 1992 Act to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget to ensure proper discharge of the Council's statutory duties and to lead to a balanced budget. The budget should include sufficient allowances for contingencies and financial reserves.

6.2 Local authorities owe a fiduciary duty to Council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of Council tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.

6.3 Section 25 of the Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (section 151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored.

6.4 Full Council is responsible for setting the overall budget framework. However, some of the proposed savings will be subject to further analysis and decision making and as such the savings are an estimate. Individual service decisions will be subject to Committee approval, taking account of the statutory framework, any requirement to consult and consideration of overarching duties, such as the public sector equality duty.

6.5 The Local Government Act 2003 and associated regulations set out rules in relation to use of capital reserves. S.15 requires local authorities to have regard to relevant statutory guidance. The statutory guidance on flexible use of capital receipts confirms that local authorities cannot borrow to finance service delivery, however they can use capital receipts from sale of assets to finance the revenue costs of reforming services. The guidance states that qualifying expenditure is expenditure on a project that is designed to generate ongoing revenue savings in the delivery of public services or transform service delivery in a way that reduces costs or demand for services in future years. The Council is expected to publish an annual Flexible Use of Capital Receipts Strategy, although this can be included in wider strategy documents.

Corporate implications

7. S151 Officer comments

7.1 The focus of this report is to pull together the pressures and uncertainties the Council is facing in setting a MTFS and to set out a set of strategies and parameters which will help ensure an ongoing sustainable future both for the Council and the successor unitary. The report sets out the parameters within which the detailed Budget for 2026/27 will need to be balanced.

8. Monitoring Officer comments

8.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

9. Procurement comments

9.1 There are no procurement implications arising directly from this report.

10. Equality and Diversity

10.1 There are no direct diversity implications identified in this report. Moving forwards where savings are being evaluated have the potential to impact on equality and diversity, equality impact assessments will be undertaken.

11. Sustainability/Climate Change Implications

11.1 Addressing climate change priorities continues to be a priority of the Council and is likely to be priority for the new unitary. Potentially there are significant overlaps between reducing running costs and reducing use of resources such as heating, energy, materials and reducing emissions and moving towards the Council's goal of reaching net-zero. In reviewing savings opportunities, it therefore it will be important to look at alignment with climate change objectives.

12. Other considerations

12.1 There are none.

13. Timetable for implementation

13.1 Council's Budget to be set for 2026/27 on 26th February 2026.

14. Contact

Terry Collier, Chief Finance Officer

Please submit any material questions to the Committee Chair and Officer Contact by two days in advance of the meeting.

Background papers: There are none.

Appendices:

Appendix A- Unavoidable Expenditure Pressures 2026/27
Appendix B- Flexible Use of Capital Receipts Strategy
Appendix C - Net Expenditure Budget 2025/26 – 2026/27 by Group Head's Remit

Appendix A

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost	Comments
			£000	
Strategic Planning	Staines Masterplan (as required by IRP)	Consultant	82.5	Cost of consultancy will depend on the final output required, which will be developed through work with Members and Commissioners.
		1x FTE Senior Officer (Contractor)	40	The Officer time required to deliver the Masterplan is beyond the capacity of the Team. Resource requirements (in time and experience) for the development of the Design Code indicate that delivery of the masterplan at pace will require 1x fte at a senior level. In the current LGR environment and as evidenced by recent challenges with recruitment to fixed term roles, the most expedient route to fill this role is through the use of a contractor.
				The IRP requires an extensive community engagement programme for the masterplan work. As far as possible this will be managed through existing budgets and resources but may be subject to change depending on the requirements agreed in the final programme.
	Heathrow Expansion Project	1x FTE Senor Officer (Contractor)	40	The current capacity within the team is not sufficient to manage the DCO process regarding Heathrow Expansion. Based on the experience gained through the last DCO process, this will require an officer of senior level in the Strategic Planning team to oversee the day-to-day management through the process and to coordinate the input from teams across the Council. The resource requirement is likely to be greater than the previous DCO as a result of the two proposals being put forward on this occasion.

Appendix A

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost	Comments
			£000	
	(DCO process, to submission/Examination. Further resources will be required for Examination Phase)			It is likely that this funding will be met in part through cost recovery from the applicant(s), but the mechanism for this has not yet been agreed, and we must budget accordingly. This is an area where discussions are ongoing, and it is not possible to expand further at this time.
				There will also be a requirement to use external experts for some areas, but the cost of this is not yet known and therefore not included at this time.
			100	This bid relates only to the additional resource required by the Environmental Health (£100k) and there is also a Planning Enforcement element which will kick in once we have the Article 4 Direction covering the whole Borough in March 2026 and when we adopt a planned SPD controlling HMO growth in the Borough. Also £60k to cover increased work, which cannot be absorbed by the existing team.
				Any costs incurred through the Examination of the DCO will need to be funded by the LPA’s and will not be subject to cost recovery.
	Affordable Housing SPD	Funding for consultant to produce SPD	37.5	The production of an Affordable Housing SPD has been in the future plan for the Strategic Planning team to produce in house, however, in light of the accelerated timescale set out in the IRP the team does not have capacity to produce this SPD.

Appendix A

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost	Comments
			£000	
Environmental Health	Planning Enforcement	Planning Enforcement element which will kick in once we have the Article 4 Direction covering the whole Borough in March 2026 and when we adopt a planned SPD controlling HMO growth in the Borough	60	to cover increased work, which cannot be absorbed by the existing team planning enforcement team
Supported Housing Team	Solar film – Harper	Protection measures for H&S due to excess summer temps in resident rooms	7	
	Staffing Costs –White House	Increase in staff costs to include NI & Pension & overtime	60	
	Harper House – operational contracts inc Voids/ R&M	Previous budgets did not allow for void works and/or the full cost of service contracts	29	
	White House – operational contracts inc Voids/ R&M	Previous budgets did not allow for void works and/or the full cost of service contracts	59	

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost	Comments
			£000	
Assets	New municipal valuation contract		25	Entire municipal estate to be revalued for finance and LGR purposes
	Legal fees for municipal portfolio		5	Legal fees for adverse possession and boundary disputes. This has been unbudgeted to date and Finance have requested contained within budget
	Business rates for municipal portfolio		3	Old Library void pre-letting/obtaining planning. Mitigation will be implemented
	Charter Building		150	Refurbishment of reception
	Roundwood Avenue		65	Floor box and carpet allowance (dependent upon letting)
	Thames Tower		41	Floor box and carpet allowance (dependent upon letting)
	Refurbishment - Sinking Fund		-256	Charter Building, Roundwood Avenue, Thames Tower - Refurbishment funding
Total Unavoidable Expenditure Pressure - Revenue			**548**	

Appendix B

<u>Flexible Use of Capital Receipts Strategy 2025/26</u>

This strategy applies from the **1st April 2025** until **31st March 2030** but will be reviewed on an annual basis as part of the budget setting process.

1. Background and Rules of Qualification

- This strategy sets out Spelthorne Borough Council's approach to the use of the Government's Direction for the Flexible Use of Capital Receipts, in accordance with Section 15(1) of the Local Government Act 2003.
- The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to spend up to 100% of capital receipts from the disposal of property, plant, and equipment assets on the revenue costs of reform projects. This flexibility is limited to the application of those capital receipts received in the years to which this direction applies and <u>does not</u> allow borrowing to finance the revenue costs of service reform.
- From 2016/17 Local Authorities were given the power to use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform; therefore, capital receipts realised before 2016/17 cannot be used flexibly under these arrangements.
- The Council has the flexibility to apply capital receipts to fund transformation projects as enabled by the Secretary of State's Direction and outlined in the Government's Statutory Guidance on the flexible use of capital receipts. The current extension of flexibility would have ceased in March 2025, but it was announced by Government alongside the Provisional Settlement on 18 December 2023 that the current scheme, which currently applies to expenditure and receipts incurred between 1st April 2022 and 31st March 2025, has been extended to 31st March 2030. Therefore, to make eligible use of the scheme the capital receipts, and any qualifying revenue expenditure, need to be incurred between **1st April 2022** and **31st March 2030**.
- The authority should prepare an annual strategy that includes separate disclosure of the individual projects that will be funded, or part funded through capital receipts flexibility and that the strategy is approved by Full Council or the equivalent.
- This initial Strategy may be replaced by another Strategy ("the revised Strategy") at any time during the year, on one or more occasions. The initial Strategy should specify the circumstances in which a revised Strategy is to be prepared, but a revised Strategy may be prepared in other circumstances, if at any time it is considered to be appropriate. When setting a revised Strategy its impact on the local authority's Prudential Indicators shall be considered and whether it is necessary to amend the Prudential Indicators at the same time
- Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings

in the delivery of public services and/or transform service delivery to reduce costs or demand for services in future years for any of the public sector delivery partners. Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.

- An important feature of this flexibility requires the Council to demonstrate the highest standards of accountability and transparency and each individual project that will be funded or part-funded in this way must be disclosed and approved by a meeting of the Council.
- For 2025/26 and through to the current available extended period (31st March 2030), the Council initially proposes to use the flexibility to fund up to **£2.222m** of qualifying transformation expenditure. **Table 2** below sets out specific projects which could qualify for the use of capital receipts. Further schemes may be identified during the year which meet the use of capital receipts criteria. In this case, these schemes will be reported to a meeting of the Committee.
- The Council's use of capital receipts to fund transformation projects will continue to be subject to development and approval of robust business cases. The business cases will need to demonstrate that:

  (a) The initiative will transform services, generate future savings, or reduce future costs; and

  (b) The costs being funded are implementation or set up costs and not on-going operational revenue costs.

2. Flexible Use of Capital Receipts Process

- Flexible use of capital receipts is a means to fund one-off project costs which enable the process of transformation and the resulting benefit realisation. In applying this funding, several measures have been applied to ensure that the qualifying funding criteria are met. These include a robust approval process that is applied whenever the use of capital receipts is considered and to ensure that this funding source is only applied to qualifying expenditure.
- Governance includes reporting accountability to the Committee and regular performance reporting with detailed monitoring undertaken to provide assurance over the value of qualifying spend benefits realisation and the delivery of anticipated outcomes.
- This strategy seeks to allow the flexible use of capital receipts but does not determine they have to be used for the purpose set out. It provides flexibility to use capital receipts to fund the expenditure detailed if it is determined that is the best funding stream to use.
- Approval of projects and allocation of funds arising from the use of flexible capital receipts will be at the discretion of the Committee in consultation with the Deputy Chief Executive (S151 officer), in accordance with this strategy.
- There are a wide range of projects that could generate qualifying expenditure, and the list below is not prescriptive. Examples of projects include:
  - Funding the cost of service, implementing the Council Best Value Inspection recommendations and the Improvement and Recovery Plan actions.
  - Sharing back-office and administrative services with one or more other council or public sector bodies.

- Investment in service reform feasibility work, e.g., setting up pilot schemes.
- Collaboration between local authorities and central government departments to free up land for economic use.
- Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training.
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and Integrating public facing services across two or more public sector bodies (for example children's social care or trading standards) to generate savings or to transform service delivery.

3. Impact on Affordability of Prudential Borrowing

- The Council will have due regard to the requirements of the Prudential Code and the impact on the prudential indicators. Capital receipts from the sale of assets are used to finance the Council's Capital Strategy. The Council currently has unallocated capital receipts which can be used to fund this Strategy, therefore the utilisation of receipts for capital receipts flexibility will not have an impact on the Council's prudential indicators.

- The incremental impact on the Council's Prudential Indicators of **£2.222m** additional Capital Expenditure in 2025/26 due to its Flexible use of Capital Receipts Strategy might slightly change the CFR balances set out in Table 1 below:

Table 1 – Flexible Use of Capital Receipts change to Prudential Indicators

Prudential Indicators	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Capital Financing Requirement	991.3	898.0	696.4	667.4
Operational Boundary	1,170	700	600	530
Authorised Borrowing Limited	1,270	900	700	700

4. **Projects to be Funded from Flexible Use of Capital Receipts**

4.1 The Council intends to apply capital receipts of up to **£2.222m** in 2025/26. Projects which are likely to qualify for the capital receipts flexibility include:

Table 2 – 2025/26 Projects to be Funded from Flexible Use of Capital Receipts

Project	**Description of Project**	**Qualifying Expenditure**	**Service Transformation**	**Planned use of Capital Receipts £000**	**Committee**
Surrey LGR	Contribution towards creation of new unitary and estimated cost of £35m across Surrey pre-vesting day	Contribution towards the Surrey LGR	As set out in LGR business case	500	**CPRC**
Finance Theme	To achieve financial sustainability through disciplined planning, effective governance, and transparent porting. Reducing operating costs	Costs relating to the Financial Accounts quality assurance, MRP and technical accounting, commercial accounting, Statement of Accounts, financial accounting, Statement of Accounts- capital accounting and fixed assets register, Grant, and Funding Analysis. Savings identification and delivery	As set out in the Improvement and Recovery Plan (IRP)	165	**CPRC**
Commercial Theme	To prepare the council for unitarisation by reducing its exposure to commercial risks whilst maximising the value of its property assets and protecting the public purse.	Specific consultant work on various projects including the work re Oast House and Assets Rationalisation advisers	As set out in the Improvement and Recovery Plan (IRP)	1,100	**CPRC**

Project	Description of Project	Qualifying Expenditure	Service Transformation	Planned use of Capital Receipts £000	Committee
	Evaluation of individual assets and working up disposal programme. Social Value Portal - working up social value measures for regeneration assets Assets Rationalisation advisers				
Regeneration and Housing Theme	To develop a strategy for the council's regeneration sites which provide realistic and credible plans for the sites, increases the provision of housing, reduces homelessness, and minimises the use of temporary accommodation and assessing the viability of Knowle Green Estates company	Costs re the review and options analysis of KGE- report by end of September 2025, Commuted sum expenditure on properties, work on surveys, red book valuations Backfill elements of Head of Independent Living postholders role so that he can assist with the homelessness review elements	As set out in the Improvement and Recovery Plan (IRP)	264	**CPRC**
Improvement and Recovery Plan	Coordinate, direct, and deliver the Council improvement and recovery plan as a result of a best value inspection and Government intervention. Spelthorne has to achieve challenging targets internally and to meet future requirements as we enter Local Government Reorganisation. This	Including Programme Director/Coordinator (£108k) and the Interim Programme Director support (£60k) and support training and assist audit office with CIPFA self-assessment (£25k).	As set out in the Improvement and Recovery Plan (IRP)	193	**CPRC**

Project	Description of Project	Qualifying Expenditure	Service Transformation	Planned use of Capital Receipts £000	Committee
	role provides an opportunity to lead on moving the Council to a position where we fulfil the "directions" as specified by the Government from the best value review.				
Total				**2,222**	

Appendix C

Net Expenditure Budget 2025/26 by Group Head's Remit			
Services	**Revised 2025/26 £000s**	**Proposed 2026/27 £000s**	**Revised Change from 2025/26 £000s**
Assets			
Asset Mgn Administration	273	317	44
Development Properties	67	189	122
Facilities Management	699	683	(16)
General Property Expenses	(81)	(132)	(51)
Parks Properties Project	3	5	2
Planned Maintenance Programme	1,413	1,516	102
Staines Town Centre Management	(373)	(385)	(12)
Total	**2,001**	**2,193**	**192**
Community & Wellbeing			
Arts Development	29	32	3
Assets Homelessness	(60)	154	214
Community Care Administration	356	488	133
Community Centres	547	562	15
Community Development	39	39	0
General Grants	239	231	(8)
Home Improvement Agency	4	(42)	(46)
Homelessness	1,360	2,066	706
Housing Benefits Admin	395	535	140
Housing Benefits Payments	113	113	0
Housing Needs	1,736	1,853	118
Leisure Administration	379	418	39
Leisure Centres	64	(656)	(720)
Meals on Wheels	120	98	(22)
Museum	(5)	(5)	0
Opal High Needs	55	113	58
Refugee Schemes	128	(325)	(453)
Resource Centre	14	13	(0)
Social Prescribing	(135)	95	230
Sports and Active Lifestyle	13	13	0
Step-Down Accommodation	0	(0)	(0)
Sunbury Golf Club	(50)	(50)	0
Youth	19	19	0
Total	**5,358**	**5,764**	**406**
Commissioning & Transformation			
CServ Management & Support	1,236	1,363	126
Emergency Planning	76	76	0
Energy Initiatives	10	11	0
HR	454	489	36
Information & Comms Technology	1,234	1,272	38
Payroll	80	85	5
Project Management	721	785	63

Appendix C

Net Expenditure Budget 2025/26 by Group Head's Remit

Services	Revised 2025/26 £000s	Proposed 2026/27 £000s	Revised Change from 2025/26 £000s
Water Courses & Land Drainage	26	27	1
Total	**3,837**	**4,105**	**268**
Finance & Corporate Services			
Accountancy	1,048	1,228	181
Chief Executive	245	262	17
Corporate Management	1,202	1,243	41
Corporate Publicity	443	428	(15)
Democratic Rep & Management	424	455	31
Deputy Chief Executives	320	351	31
Insurance	368	395	26
MAT Secretariat & Support	109	118	9
Unapportionable CentralO/heads	1,596	(506)	(2,102)
Total	**5,752**	**3,971**	**(1,781)**
Legal and Elections			
Audit	253	300	46
Committee Services	339	319	(20)
Corporate Governance	335	356	21
Elections	11	36	25
Electoral Registration	295	290	(5)
Legal	679	731	52
Total	**1,912**	**2,032**	**119**
Neighbourhood Services			
SAT	162	174	12
Abandoned Vehicles	4	4	0
Allotments	(22)	(24)	(2)
Bus Station	24	24	0
Car Parks	(484)	(419)	65
Cemeteries	(411)	(433)	(22)
Community Safety	325	342	17
Depot	121	123	2
Environmental Enhancements	14	14	0
Grounds Maintenance	1,832	1,853	21
Neighbourhood Serv Mgt Support	1,337	1,520	184
Parks Strategy	(12)	(12)	0
Public Halls	(22)	(24)	(2)
Refuse Collection	984	1,120	136
Staines Market	(61)	(59)	3
Street Cleaning	842	858	16
Waste Recycling	(1,174)	(1,623)	(449)
Total	**3,457**	**3,438**	**(19)**
Place, Protection & Prosperity			

Appendix C

Net Expenditure Budget 2025/26 by Group Head's Remit

Services	**Revised 2025/26 £000s**	**Proposed 2026/27 £000s**	**Revised Change from 2025/26 £000s**
Building Control	21	110	89
Economic Development	230	296	66
Environmental Health Admin	1,506	1,664	158
Environmental Protection Act	145	97	(48)
Food Safety	1	1	0
Incubator	19	23	4
Land Charges	(28)	(3)	24
Licensing	95	38	(57)
Planning Development Control	888	1,025	136
Planning Policy	960	998	38
Public Health	5	14	10
Rodent & Pest Control	17	17	0
Taxi Licensing	(67)	(54)	14
Youth Hub	120	170	50
Total	**3,912**	**4,394**	**482**
Total Net Expenditure	**26,229**	**25,897**	**(333)**

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<u>**Committee Report Checklist**</u>

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1
Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing	**yes**	**27/10/25 & 28/10/25**
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	**Yes**	**21/10/25**
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)	**OO**	**21/10/25**
Risk comments (circulate to Lee O'Neil)	**LO**	**24/10/25**
Legal comments (circulate to Legal team)	**LH**	**24/10/25**
HR comments (if applicable)	**N/A**	

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**24/10/25**
S151 Officer commentary – at least **5 working days before MAT**	**T. Collier**	**22/10/25**
Confirm final report cleared by MAT		

Corporate Policy and Resources Committee

11th November 2025

Title	Medium-Term Financial Strategy 2026-27
Purpose of the report	To make a decision and a recommendation to Council
Report Author	***Terry Collier Chief Finance Officer***
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Resilience
Recommendations	**Committee is asked to:** To recommend that Council approve the: 1) Draft Medium Term Financial Strategy 2) Proposed Flexible Use of Capital Receipts Strategy
Reason for Recommendation	Any recommendations relating to financial strategies are considered and approved by the Corporate Policy & Resources Committee before approval by Full Council

1. Executive summary of the report

What is the situation	Why we want to do something
The Council is facing a challenging financial future with an estimated Revenue Budget gap for 2026-27 after taking into factors set out below of £2.2m (para 2.57). Reasons (paragraph 2.26- 2.42) for this include: • Impact of applying a compliant Minimum Revenue Provision (MRP) policy which has now also been applied to surplus housing/regeneration sites • No longer being able to rely on a net income stream from investment assets to subsidise services	• Council has a statutory responsibility to set a balanced budget and councillors need to ensure agreement is reached on a set of strategies which will deliver a sustainable financial position. • Statutory Directions issued by MHCLG in May 2025 require the Council to implement "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.*"* (paragraph 2.11)

- Uncertainty caused by Local Government Funding reform - Demand pressures such as need for temporary accommodation - Medium Term Financial planning is complicated by the Surrey Local Government Reorganisation process with Spelthorne due to be replaced with a new West Surrey Unitary Council in April 2027. - Council as at 31/3/25 had uncommitted (excluding developer's contributions and Unapplied Grants) available useable reserves of £35.3m	To ensure a sustainable financial legacy to the successor unitary authority, it needs to understand the medium-term financial challenges and agree a strategy for addressing them
This is what we want to do about it	**These are the next steps**
- To implement a coordinated set of strategies to mitigate the impact of increased MRP, to de-risk the longer-term financial exposure of the Council and the successor unitary authority and to put the Council's finances on a sustainable basis - Progressing Debt Restructuring - Assets rationalisation programme - Progressing the deletion of vacant posts - Aligning service arrangements and fees and charges with the other component authorities of the unitary - A robust savings programme including review of benchmarked unit costs, with specialist resources brought in to assist - Revised Reserves strategy applying some reserves to assist in managing the process of moving towards financial resilience - Appropriate capitalisation of one-off transformation expenditure relating to LGR, and the Improvement and Recovery transformation strands	- Approval for the steps and strategy (paragraph 2.75) proposed to address both the Budget Gap for 2026-27 and for the medium term - Approve the proposed Flexible Use of Receipts Strategy (paragraph 2.70 and Appendix B)

2. Background, what is a MTFS and what are the elements of a MTFS?

2.1 This report sets out a revised Medium Term Financial Strategy (MTFS) for the Council. It addresses the requirements of the Best Value Directions and actions in the Finance Improvement Plan.

2.2 The report is informed by the previous reports on the agenda: Changes to Minimum Revenue Provision (MRP) policy, Debt Rescheduling to mitigate the impact the increased MRP charge and Asset Rationalisation to further mitigate MRP charges and reduce risks. The MTFS draws together the implications to the Council of these changes together with changes to grants, business rates, cost pressures and other demands on the Council.

2.3 The MTFS provides a financial framework over a medium-term period within which financial stability can be achieved and sustained, setting out the financial strategies to support the delivery of the Council's Vision, key strategic outcomes, priorities and sustainable services for both the Council and the successor unitary authority.

2.4 Surrey Local Government Reorganisation (LGR) will take effect from 01.04.27 which means Spelthorne will cease to exist as an independent sovereign body from that date. However, so that the estimates can be passed to a new shadow unitary authority to be considered as part of its budget setting process for 2027/28 onwards a MTFS will still be produced.

2.5 The Strategy brings together key issues affecting the:

- Revenue Budget
- Capital Strategy
- Capital Programme

2.6 A new Flexible Use of Capital Receipts Strategy (Appendix B)

- Debt Re-Scheduling
- Treasury Management Strategy, including Revised Minimum Revenue Provision (MRP) Policy- see separate reports on this Agenda
- Reserves Strategy – see separate report on this Agenda
- Assets Rationalisation Strategy as per the Best Value Direction, see separate report on this Agenda

2.7 **Structure** of this report - this report will:

- Show our starting point

2.8 Set out how the MTFS needs to adapt to the current context including the statutory directions and external auditor recommendations and a range of pressures and changed circumstances; set out the actions we propose that we will take to mitigate those

- Summarise how the key components are designed to ensure a sustainable financial future for the remainder of Spelthorne's time and to pass on a viable financial inheritance for the unitary authority.

Budget Starting Point

2.9 When the Council set its Revenue Budget for 2025-26 and the Outline Budget for period 2026-27 to 2028-29 in February 2025, the identified budget gaps were as set out in the table below.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Budget gap	Balanced	3.9	6.9	8.6

2.10 So, from the start of 2025-26 we have been aware that we were facing a significant budget gap for 2026-27, and this was before factoring in the additional costs of MRP.

Context for the MTFS

Impact of complying with Best Value Directions and External Auditor Recommendations

2.11 The Best Value Directions included a number of requirements in respect of financial management that are addressed in the MTFS:

- 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.
- 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.
- 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.
- 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.
- A plan to reconfigure the Authority's services commensurate with the Authority's available financial resources.

2.12 The External Auditor recommendations set out in their 2023/24 Annual Audit report recommendations included:

2.13 Robust plans are approved to address the medium-term budget gaps and reinstate it transformation programme as a matter of urgency

2.14 Urgently review the options for the suspended housing projects

2.15 Root causes of budget growth are identified and explained to Members to ensure the accuracy of financial plans

2.16 The External Auditor in their 2024/25 Annual Audit report recommendations included:

2.17 The Medium-Term Financial Plan should be updated to reflect new costs and risks identified by the best value inspection; appointment of Commissioners; and adoption of an Improvement and Recovery Plan.

2.18 To update the Medium-Term Financial Plan, the Council should include all relevant additional costs associated with changes to minimum revenue provision (MRP); with asset valuations, refurbishments and upgrades; with breaks in commercial income as tenancies come up for renewal; and with the recruitment of skilled resources to lead recovery and improvement.

2.19 Best value inspectors recommended a comprehensive debt reduction strategy. We agree with this recommendation. The Council should work with commissioners to agree a comprehensive debt reduction strategy that includes consideration of asset lives and length of time over which it is realistic to carry debt.

2.20 The External Auditor's Audit Findings Report for 2023-24 included as recommendations

2.21 There is a risk that the Council's MRP charge is not fairly stated.

2.22 The financial impact of the Directions is set out below. The additional cost of complying with statutory MRP guidelines are mitigated by debt rescheduling and an asset rationalisation strategy. The three areas when implemented will achieve a significant reduction in debt and risk to the Council.

Pressures on the Budget

Impact of complying with rules and guidelines on MRP

2.23 Our MRP policy and calculations have been updated using revised asset lives, these are subject to a separate report (Revised MRP Policy) on this Agenda. The implication of compliance, as set out in the MRP Policy report, is approximately a £40m per annum increase in the MRP charge to Revenue, which without mitigating action would use all available revenue reserves and prompt a s114 notice and a request for Exceptional Financial Support from government. (Exceptional Financial Support merely allows the Council to borrow for revenue purposes which would in turn add additional MRP and interest charges.) Mitigating actions include debt rescheduling and a managed investment and regeneration asset rationalisation programme, as set out in separate reports on this agenda. It is important to put in place measures to mitigate the impact of the increased MRP charge as otherwise the Council would not be able to set a balanced Budget.

2.24 In order to address the concerns of External Auditors and the Best Value Directions, significant changes have been made to the Council's MRP policy. These will have a significant impact on the Revenue Budget. The first MRP change flows from the decision of Council in October 2023 to abort the housing delivery projects on sites owned by the Council. This meant that those assets in accounting terms are now treated as surplus assets which resulted in the need to charge MRP on the assets from the following year, 2024/25. Given the nature of the assets and the fact that the Council is intending to dispose of those assets in the medium term, the assets were determined as having a useful life of five years for calculating MRP. This has resulted in an additional MRP charge of approximately £6.6m per annum to be applied to the Revenue Budget see the breakdown in Table 1 below.

Table 1: Showing Additional MRP per surplus Asset

Surplus Asset	**£000**
Oast House	3,836
Thameside House	1,712
Benwell House Phase 2	9
Whitehouse Residential	9
Victory Place	996
Total	**6,561**

2.25 The MRP Policy paper sets out following discussions with Commissioners, external auditors and other experts that the Council will now be applying MRP on a straight-line basis on its investment assets over in most cases 20 years. This results in a significant increase in annual MRP of approximately £44m increasing from £13m per annum to approximately £57m per annum in 2025/26 reducing going forward based on estimated asset rationalisation. These estimates will be refined as the asset rationalisation programme is developed and agreed. More detail is set out in the separate MRP Policy report on this Agenda. See **Table 2** below:

Table 2

	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s
Existing MRP budget (Option 3b with 50 yr asset lives)	13,024	13,350	13,684	14,027	14,378
MRP as % of CFR	1.10%	1.14%	1.18%	1.23%	1.27%
MRP based on straight-line approach (Option 3a) for investment property and annuity (Option 3b) for OLB	57,222	53,029	47,925	47,994	48,065
MRP as % of CFR	4.83%	4.78%	4.59%	4.81%	5.06%

2.26 The medium-term Budget projections have been updated for a number of variables, pressures and impacts and the below summarise the key parameters and assumptions:

2.27 Council Tax – assumed Spelthorne will maximise its taxbase and increase council tax rate by maximum allowed which is currently which is 2.99%. For indicative purposes a similar rate of increase has been assumed for year 2 to 4 (although the unitary authority is also likely to have an additional 2% headroom for Adult Social Care precept, and there will be a one-off transitional alignment of council tax rates in 2027-28 across the component areas of the new unitary)

2.28 Pay – an increase of 4% (plus 0.2% retrospective adjustment for 2025-26) for 2026-27, 2.5 % per annum for years 2 to 3, 2.29 Pension - based on advice from the actuaries it is anticipated employer contribution rates for the period 2026-27 to 2028-29 will fall from 24.6% to 21.6%. This is a budget saving of approximately £0.5m.

2.30 As highlighted above Application of revised MRP policy changes relating to both surplus assets and investment assets.

2.31 Fees and charges a default 5% has been assumed (but see comments later in the report on fees and charges)

2.32 Savings – an indicative assumption of £1m deleted posts savings has been built into the projection for 2026-27. Additional targeted savings of £0.5m assumed as deliverable as part year savings in 2025-26 and a further £0.67m assumed as deliverable in 2026-27 as part/full year savings.

2.33 Grant funding changes- significant changes to the local government funding system are being phased in from 2026-27, the figures in the projection reflect modelling advice from sector experts- this will be subject to change when the Provisional Funding Settlement is announced in late December. Currently we are projecting a small net increase in grant funding of £245k (4.9%).

2.34 Business Rates Reset in 2026-27, assumptions around the impact of this has been built into the projection with an increase in net retained business rates assumed of £1.871m.

Local Government Funding Reform

2.35 Planning for 2026-27 and medium-term financial planning beyond that is made particularly challenging as there will be a significant revision to the distribution of central government revenue grants to local government commencing in 2026-27, this is referred to by the Government as “Fair Funding Review 2.0”, and which will be phased in over a three year period. The Government has consulted on indicative principles and based on those local government funding specialists have made projections. Council officers have reviewed the projections from the two leading sector funding specialist consultancies and has decided to base its projections on one of those specialist’s projections. These figures need to be treated with a very heavy caveat, as firstly they are based on an interpretation on the principles the Government has consulted on and secondly up until the Provisional Funding Settlement is announced (expected in late December just before Christmas) the underlying methodology is still subject to change. In particular there is a risk that in response to lobbying from certain parts of the local government community that the Government will be making further amendments to the funding formulae.

2.36 In late October/early November MHCLG has indicated that it will be publishing a statement of funding principles which will provide some clarification around some of the settlement principles, for example possibly confirming the council tax limits for different categories of council.

2.37 Whilst the provisional funding settlement is again relatively late this year, in part due to the lateness of the Chancellor’s Budget on 26th November, one longer term positive is that there will be a three-year settlement which once released will give councils some greater medium-term certainty. This will aid the financial planning for the new unitary authorities in Surrey (their funding allocations will be made up from combining their constituent district and boroughs' allocations, and more challenging agreeing locally a split of the funding allocations of Surrey County Council).

Business Rates Reset and Business Rates Pooling

2.38 In 2026-27 the Government is undertaking a full reset of business rates. A business rates reset establishes new baseline funding levels and business rates baselines for local authorities. The next reset is planned for 2026-27 and will be reset on basis of gross rateable values on 31/3/26 and will involve an updated assessment of need to redistribute business rates income. This process is separate from the 2026 revaluation of properties, which adjusts the rateable value of individual properties to ensure fair redistribution of liabilities among ratepayers. The details of the Business Rates reset will be confirmed as part of the Provisional Local Government Funding Settlement expected just before Christmas.

2.39 The timing of the business rates reset means that it is expected that majority of councils would be at their business rates baseline in 2026-27 and therefore there would be limited potential for gains above baseline requiring protection through a business rates retention pool. At the same time if most councils are near their baseline there is greater risk that more may fall below baseline and require safety net support. So, there is little to gain from pooling and potentially risks from so doing. So, the Surrey districts and boroughs and County Council have agreed not to create a business rates pool for 2026-27.

2.40 **Pay and Pensions**

2.41 In 2024-25 and 2025-26 the Council agreed with the local Unison Branch under the Local Pay Agreement a two-year deal with a 2.8% increase in each of 2024-25 and 2025-26. In comparison the National Pay Agreement for 2024-25 was 2.5% and for 2025-26 was 3.2%. So, in recognition that over the two years the local agreement did not keep pace with the national agreement, it is proposed that a 0.2% retrospective uplift is applied from 1st April 2025. Looking ahead to 2026-27, the last pay settlement to be negotiated by the Council, the current assumption, subject to both approval by Councillors and acceptance by union members, is that a local settlement of 4% for 2026-27 will be agreed. This will add £0.9m to the Revenue Budget.

2.42 The triennial Pensions valuation revalued the Surrey Pension Fund and identified that the Fund overall is now in surplus. This is enabling the Fund for the years 2026-27 to 2028-29 to reduce employer contribution rates. In case of Spelthorne the contribution rate will fall from 24.6% to 23.1% resulting in an annual reduction of approximately £0.5m.

The Budget Gap Challenge

2.43 All of the above pressures, particularly the increased MRP exceeding the income contribution from the investment assets results in a significant set of potential budget gaps which need to be mitigated to ensure that a balanced and sustained Budget can be set.

Mitigations and solutions available to the Council

Debt reduction and debt rescheduling

2.44 As set out in previous reports on this agenda the first two key mitigation measures are to reschedule the debt in order to apply a significant early repayment discount.

2.45 The Council borrowed over £1bn to purchase its investment and regeneration asset portfolio, with the intention of delivering a sustainable income stream which would exceed financing costs. It borrowed these funds over varying periods up to fifty years using fixed, low interest loans from the Public Works Loan Board (PWLB) which is part of the Debt Management Office in HM Treasury.

2.46 The increase in MRP, if not mitigated would undermine the viability of the Council and require exceptional financial support and the Council would not be able to set a balanced budget for 2026-27. The two key elements for mitigating this impact are set out in separate reports (Debt Rescheduling and Asset Rationalisation) on this Agenda: a significant restructuring of debt taking advantage of the discounts (equivalent to approx. 35%) available to the Council on its PWLB debt to reduce outstanding debt from £1,057m to an estimated £696m (a reduction in debt outstanding of an estimated £360m based on gilt rates on 14/10/25). This report sets out the actual level of discount achievable will be dependent on the gilt rates prevailing at the time the redemption is implemented. Table 3 below summarises the estimated impact of the debt restructuring.

Table 3: Impact of mitigating increased MRP through debt rescheduling

	Gen Fund @ 31/03/2025 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	2031/32 £m	2032/33 £m	2033/34 £m	2034/35 £m	2035/36 £m
MRP		60	56	51	51	52	47	47	48	48	49	48
Interest		29	32	34	31	31	31	31	31	31	30	29
Discount £360m in total		(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	0
Net operating inc/exp on Investment Property		(39)	(46)	(45)	(42)	(41)	(39)	(37)	(35)	(29)	(26)	(24)
Net (surplus)/deficit to General Fund	**(34)**	**14**	**6**	**4**	**4**	**6**	**3**	**5**	**8**	**14**	**17**	**53**
Impact on Revenue Reserves at year-end		**(20)**	**(14)**	**(10)**	**(6)**	**0**	**3**	**8**	**16**	**30**	**47**	**100**

Managed Asset Rationalisation Strategy

2.47 The second key mitigation measure is to progress an Asset Rationalisation Strategy, as set out in the Asset Rationalisation report earlier on this Agenda.

2.48 The refinanced debt, arising from the first mitigation measure above of re-financing, will be at higher interest rates (4.5 to 5%) and will therefore require to be aligned with a comprehensive investment and regeneration assets rationalisation programme as required by the Best Value Directions. This is set out in the Assets Rationalisation Strategy Report separately on this

Agenda. This Strategy will be worked up into a more detailed plan to come back to CPRC in January. In turn any proposals to dispose of specific assets would in each instance be subject to Councillor approval at appropriate Committee and Council. The aim would be to achieve a long-term sustainable level of debt and Capital Financing Requirement. With these mitigations it is believed that the Council (and the successor West Surrey unitary authority with respect to the financial assets and liabilities it will inherit from Spelthorne) can avoid the need for Exceptional Financial Support from Government.

2.49 Complying with the Best Value Direction to rationalise assets will reduce debt levels, MRP and consequently the cost of interest. **Table 4** below shows estimated impact of the proposed programme of assets rationalisations.

Table 4 showing impact of further mitigating through Assets Rationalisation programme

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
MRP	59	41	39	30	30	30	31	31	32	32	9	364
Interest	29	26	26	22	21	20	20	20	20	20	6	230
Discount £361m in total	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	0	(360)
Net operating inc/exp on Investment Property	(44)	(38)	(36)	(22)	(20)	(20)	(22)	(23)	(23)	(23)	0	(271)
Net (surplus)/deficit to General Fund	**8**	**(7)**	**(7)**	**(6)**	**(5)**	**(6)**	**(7)**	**(8)**	**(7)**	**(7)**	**15**	**(37)**

Once other pressures are fed into the budget this results in the Budget gap of £2.2m for 2026-27 rather than the £7m surplus shown above.

Medium Term Financial Strategy

2.50 The proposed MTFS incorporates the mitigation steps of debt refinancing and assets rationalisation.

2.51 The objectives of the MTFS are:

- To set a path to financial sustainability for the new unitary authority
- To reach comparable debt levels to other districts, ideally circa £100m
- A measured approach to property rationalisations, ensuring that best value is achieved
- Remove risks for the future unitary authority in respect of investment and regeneration property risks
- A compliant MRP Strategy addressing the recommendations of the Best Value Inspection report, the Best Value Directions and the recommendations of the external auditor
- To have a plan to reduce service costs to comparable levels of other district councils
- To have unqualified accounts in 2026/27
- To satisfy MHCLG that the Council has complied with all of the Best Value directions by end of 2026/27.

2.52 Since 2019/20 Spelthorne has assumed a £10m contribution to its revenue budget from investment property surpluses. With increased costs and reducing returns, explained later in this report this benefit can no longer be assumed. The £10m contribution represents approximately 30% of the Council's gross expenditure, excluding Housing Benefits. Spending is also on average 30% higher in comparison to statistically similar councils.

2.53 An element of this additional spending is in relation to the cost of homelessness in Spelthorne, due to the Council's proximity to London. In other areas, similar to other Surrey boroughs, it provides preventative services to adults in the community (Independent Living Services including Community Centres, Meals on Wheels, and Community Alarms) that in other parts of the Country are provided by County Councils.

2.54 The only way the Council would be able to make such significant reductions in its expenditure is to consolidate its service provision with other district councils and with upper tier service provision which Local Government Reorganisation in West Surrey will help to achieve.

2.55 The Council's overall MTFS will therefore help facilitate a smooth transition to Unitary Local Government in Surrey, working with other councils who will form the new council to consolidate and harmonise service provision within the overall budget envelope. The budget for 2026/27 is therefore a transitional one. Where possible the Council will identify efficiency savings and identify areas where it is charging less than others to smooth the transition for service users. In order to do this, it will use reserves, previously set aside for future spending on investment properties. It is also able to benefit in the short term from a loan discount, which in the medium term should be set aside for reducing debt levels and the impact of minimum revenue provision (MRP).

2.56 **Table 5** below summarises the current projected budget position across the MTFS period.

	2025-26 original £000		2025-26 Revised £000	2026-27 £000	2027-28 £000	2028-29 £000
Gross Expenditure	64,955		64,464	57,411	-	-
Less: Fees/Charges and Specific Grants	(16,618)		(16,679)	(17,851)	-	-
Less: Housing Benefits Grant	(21,556)		(21,556)	(14,522)	-	-
Net Expenditure	**26,781**		**26,229**	**25,038**	**26,382**	**27,113**
Net Service Expenditure						
Assets Mgt.	2,086		2,086	2,229	-	-
Commissioning & Transformation	5,742		5,738	4,889	-	-
Community & Wellbeing	3,994		3,981	3,991	-	-
Finance & Corporate Services	5,269		5,034	4,848	-	-
Legal and Elections	1,974		1,913	1,994	258	-
Neighbourhood Services	3,806		3,566	3,341	(90)	(90)
Place, Protection & Prosperity	3,911		3,913	3,746	-	-
Net Expenditure	**26,781**		**26,229**	**25,038**	**26,550**	**27,023**
Inflation and Pay	-		-	1,012	563	799
Savings	-		-	(276)	-	-
Unavoidable Expenditure	-		-	608	-	-
Total Expenditure at Service Level	**26,781**		**26,229**	**26,382**	**27,113**	**27,822**
Investment & Regeneration property	(45,581)		(41,581)	(34,564)	(32,046)	(17,456)
Minimum Revenue Provision	13,025		59,025	41,693	38,968	29,590
Loan Interest	25,425		29,425	26,254	24,218	23,866
Loan Discount	-		(36,168)	(36,168)	(36,168)	(36,168)
Prior yr exp on Housing Schemes write-off	8,710		-	-	-	-
Other Interest	(2,112)		(2,112)	(2,056)	(1,679)	(1,568)
Budget Requirement	**26,247**		**34,817**	**21,541**	**20,405**	**26,086**
General government grants	(2,053)		(2,053)	(5,279)	(5,031)	(4,559)
Business Rates	(4,910)		(4,917)	(3,800)	(2,822)	(2,858)
Appropriation to/(from) Reserves:	(9,111)		(17,674	(545)	(54)	(54)
Net Budget Requirement	**10,173**		**10,173**	**11,917**	**12,498**	**18,616**
Collection Fund Surplus/(deficit)	(877)		(877)	-	180	180
Income from Council Tax	(9,296)		(9,296)	(9,709)	(10,141)	(10,591)
Net Position - Over/ (Under) budget	**(0)**		**(0)**	**2,207**	**2,538**	**8,204**

Unavoidable expenditure of £608k is broken down in appendix A

Service expenditure is broken down into more detail in appendix C

2.57 Whist the estimated remaining gap is relatively small for 2026-27 (£2.2m), by 2028-29 the annual gap, if not addressed, rises to £8.2m (and a cumulative gap of £12.9m if the gaps are not addressed on a sustainable basis) which would not be a sustainable position for the successor unitary. If the Council sought to solely close the Budget gap by use of reserves this would consume £12.9m of reserves over the MFTS period. So, it will be important to seek to maximise savings in year 2026-27 to assist in closing that future gap. By 2028-29, the post vesting day transformation savings should be beginning to be benefitted by the new unitary.

The budget deficit is also after assuming the use of a PWLB loan discount for early repayment of loans which is then spread equally over the next 10 years, something that will need to be factored into future planning.

2.58 Paragraph 2.19 above sets out the key assumptions feeding into the above projections.

2.59 As highlighted above, under Surrey Local Government Reorganisation, Spelthorne is due to cease to exist on 1st April 2027. This complicates the medium-term financial modelling and also creates both constraints on savings and opportunities. A key constraint is the tight timescales for the lead into "Vesting Day" on 1/4/27 as this rules out the ability of the Council acting alone to implement savings initiatives such as new IT systems, reducing its office footprint, outsourcing services etc, which take a significant amount of time to implement. The opportunities are that in the medium term the process of unitarization will be a major efficiency and savings driver, but these will be reaped by the successor unitary.

2.60 The contents of this strategy are the Council's response to the significant financial and service challenges that it faces, taking on board the critical feedback received from the Best Value Inspection process and external auditors, and the need to plan ahead for the future with fewer resources.

2.61 **Table 6** summarising changes between 2025/26 revised budget and 2026/27 budget at net service expenditure level:

Table 6: Summary of Changes from 2025-26 to Draft 2026-27 Budget

	2025-26 Revised £000	2026-27 £000	Differences	%
Gross Expenditure	64,464	57,411	(7,053)	-11%
Less: Fees and Charges and Specific Grants	(16,679)	(17,851)	(1,172)	7%
Less: Housing Benefits Grant	(21,556)	(14,522)	7,034	-33%
Net Expenditure - broken down as below	**26,229**	**25,038**	**(1,191)**	**-5%**
Net Service Expenditure				
Assets Mgt.	2,086	2,229	143	7%
Commissioning & Transformation	5,738	4,889	(849)	-15%
Community & Wellbeing	3,981	3,991	10	0%
Finance & Corporate Services	5,034	4,848	(185)	-4%
Legal and Elections	1,913	1,994	81	4%
Neighbourhood Services	3,566	3,341	(225)	-6%
Place, Protection & Prosperity	3,913	3,746	(167)	-4%
	26,229	**25,038**	**(1,191)**	**-5%**
Inflation and Pay	-	1,012	1,012	
Savings	-	(276)	(276)	
Unavoidable Expenditure	-	608	608	
Total Expenditure at Service Level	**26,229**	**26,382**	**153**	**1%**
Investment & Regeneration property	(41,581)	(34,564)	7,017	-17%
Minimum Revenue Provison	59,025	41,693	(17,332)	-29%
Loan Interest	29,425	26,254	(3,171)	-11%
Loan Discount	(36,168)	(36,168)	-	0%
Prior yr exp on Housing Schemes write-off	-	-	-	
Other Interest	(2,112)	(2,056)	56	-3%
Budget Requirement	**34,817**	**21,541**	**(13,277)**	**-38%**
Revenue support and other government grants	(2,053)	(5,279)	(3,226)	157%
Business Rates	(4,917)	(3,800)	1,117	-23%
Appropriation to/(from) Reserves:	(17,674)	(545)	17,129	-97%
Net Budget Requirement	**10,173**	**11,917**	**1,744**	**17%**
Collection Fund Surplus/(deficit)	(877)	-	877	-100%
Income from Council Tax	(9,296)	(9,709)	(413)	4%
Net Position - Over/ (Under) budget	**(0)**	**2,207**	**2,207**	

Reserves

2.62 A key strand of the MTFS will be to use the Reserves the Council has available to help smooth the impacts of the MTFS.

2.63 Reserves should be maintained above a minimum level as assessed by the S151 officer as part of their Section 25 Statement on the Budget. This is the minimum level that, if there is a risk that reserves are projected to fall below, immediate corrective actions will need to be taken to bring the level of reserves back to that level.

2.64 As set out in the proposals for Local Government re-organisation in Surrey, the new unitary authorities are likely to face significant costs to implement the re-organisation and significant budget pressures going forward, as such, it is important for the future sustainability of the new unitary authorities and the services that they need to deliver that reserves in existing councils are maintained at current levels as far as possible and are not reduced unnecessarily before the implementation of local government re-organisation in Surrey.

2.65 As at 31st March 2025 the Council had £50m of useable reserves of which £8m relate to developer contributions and £6.4m related to specific unapplied Revenue Grants leaving £35.3m as Reserves generally useable by the Council. The separate Reserves Strategy report on this agenda is proposing that the Sinking Funds earmarked reserves are re-purposed, in the context that the Council is no longer looking to hold its investment assets long term, as directed by the Best Value Directions, and therefore the reserve can be made available to aid the transitional period in closing the MTFS budget gaps. Of the Budget gap of £1.9m for 2026-27 it is proposed that two thirds of the gap is funded by application of reserves and one third from additional savings to be found in-year.

2.66 *Total Estimated Balances in Earmarked Revenue Reserves as at 31st March*

	24-25	*25-26*	*26-27*	*27-28*	*28-29*
	£m	*£m*	*£m*	*£m*	*£m*
Estimated Balance	35.3	30	21.1	18.6	14.8

In order to manage anticipated financial pressures in 2026/27, £320,000 has been identified by the Strategic Planning Service as a specific allocation from reserves and grants. This funding will be utilised to meet unavoidable expenditure pressures that cannot be absorbed within the existing base budget. Further details of this allocation and its application are outlined within

Table 7 below.

Table 7 - Use of Specific Reserve/Grants	
Strategic Planning	**£000**
Environmental Impact Reserve	154
MHCLG – Custom Build Grant Local Authority	90
MHCLG – New Burdens funding for the Brownfield Register	26
Funding for Masterplan from Assets	50
Total	**320**

Savings

2.67 A key strand of the MTFS will be progressing over the remaining year and half of the Council's existence a programme to deliver savings which are achievable in that timescale, and in the context of Local Government Reorganisation process. The Finance team will be working with Group Heads and Budget heads, with some external expertise to scrutinise and drill down into unit cost benchmarking against the other councils that will form West Surrey and relevant "nearest neighbours" to better understand the Council's cost base and to identify opportunities for reducing net cost i.e. through reducing cost or increasing income. The focus will be measures which can be implemented and generated benefits within the time remaining before vesting day of the new council. This rules out significant IT systems changes, changing office footprint etc. The MTFS builds in a target assumption of additional £0.67m part year savings to be delivered in 2026-27.

2.68 Significant work has been undertaken to find upfront savings which can be built into the 2026-27. These are listed in Table 9 below and total £0.276m. This is before taking into account £1m savings relating to the deletion of vacant posts.

Table 9 - Savings Identified - 2026/27	**£000**
<u>Supported Housing Team</u>	
Increase In income	(12)
Increase In income	(24)
Staffing provision mainly covers White House	(76)
Out of hours call is done on a rota at a set weekly cost	(107)
<u>Assets</u>	
Increase in income from municipal portfolio, old library letting	(20)
Increase in income from municipal portfolio, uplifts in rent from rent reviews/lease expiries etc.	(3)
Increase in income from Knowle Green Nursery	(34)
Total Savings	**(276)**

Fees and Charges

2.69 As highlighted earlier in the report the default assumption is that for those fees and charges over which the Council has discretion to set the fee level, the fees and charges will rise by at least 5% in 2026-27. As part of the LGR transition process the Council, as part of its benchmarking analysis will be comparing its fees with the other component districts and boroughs in the new unitary authority. Where fees in the other councils for specific services differ, the Council will look to align our fees to move towards those of the other councils. This is in the expectation that when the new unitary authority sets its fees and charges it will level up rather than down the fees which will apply across its area. The Council by taking steps to align will be helping residents to adjust to the higher rates which are likely to be applicable as a result of LGR. One option which could be considered is having an additional mid-year review and have an additional revision to the Fees and Charges schedule to further move towards alignment with the likely fees and charges structure of the new unitary.

Table 10 - Services	**Fees & Charges Inflation @ 5% £'000**
Community & Wellbeing	22
Legal and Elections	1
Neighbourhood Services	84
Place, Protection & Prosperity	85
Total	**192**

Flexible Use of Capital Receipts

2.70 It is proposed that the Council puts in place a Flexible Use of Capital Receipts Policy (see Appendix B) , In accordance with Section 15(1) of the Local Government Finance Act 2003, the Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations. This will then allow the Council to capitalise as eligible expenditure, transformation expenditure relating to IRP and LGR.

2.71 It is proposed that transitional costs incurred as part of the process of moving towards the unitary authority can be treated as qualifying expenditure. The Council's share of the estimated £35m pre-vesting Surrey LGR costs is £550k. It is proposed that this is capitalised and funded from receipt. Equally elements of the Improvement and Recovery Plan which are driving transformation are potentially qualifying expenditure.

Capital Strategy

2.72 A full Capital Strategy for 2026-27 will come to Council in February 2026. In the context of local government reorganisation and Best Value Intervention, the strategy will reflect the following.

2.73 A minimal Capital Programme will be maintained with no major multi-year capital projects being commenced which would extend beyond March 2027.

2.74 Capital Programme to be financed mainly from grants and capital receipts; the Council is not looking to incur additional borrowing.

Some transformation costs will be capitalised and funded from receipts.

Summary of Key strands of the Medium-Term Financial Strategy

2.75 To summarise the key strands of the revised Medium Term Financial Strategy are:

2.76 Revised MRP policy

2.77 Debt Restructuring and application of the significant discount available to the Council on early repayment of its PWLB loans

2.78 A medium term and comprehensive Investment Assets and Housing and Regeneration assets rationalisation programme

2.79 Aligning the refinanced loans maturities with the assets rationalisations expected timescales

2.80 A robust and comprehensive review of operation costs across the organisation, including targeted use of benchmarked unit costs, with managers being supported by external expertise. Target to deliver £0.67m of savings

2.81 Deletion of vacant posts (£1m)

2.82 Capitalisation of transformation and LGR costs and applying the new Flexible Receipts Strategy to finance these capitalised costs from an element of the capital receipts being realised

2.83 Balance of the Budget gap for 2026-27 to be funded from repurposed Sinking Funds Reserves as Transformation Equalisation Reserves

2.84 A minimal and sustainable Capital Programme for 2026-27 largely to be financed from grants and receipts. Once a Shadow Authority is set up and the Structural Change Order enacted it would normally have powers, under "Section 24" to potentially be able to veto revenue expenditure on new items in excess of £100k, however in case of Spelthorne and Woking because they are under statutory intervention the Government has clarified the Section 24 rules will not apply to these two councils.

3. Options appraisal and proposal

3.1 **Option 1: Accept the proposed MTFS, approve the proposed flexible use of Capital Receipts Strategy.** The recommended option is to accept the proposed MTFS, in so doing the Council would be complying with the Best Value statutory directions and implementing one of the Finance IRP theme workstreams. The MTFS in turn provides the parameters for then working up a balanced Budget for 2026-27.

3.2 **Option 2:** Make modifications to the proposed MTFS, or to the proposed flexible use of capital receipts, or do not approve the appointment of consultants

3.3 **Option 3:** Reject the proposed MTFS. This is not recommended as would not be good financial and budget planning, would be contrary to CIPFA guidance and would be non-compliant with external audit and Best Value recommendations.

3.4 With respect to the savings strand within the proposed MTFS proposals will be reported back to Councillors on options for consideration, setting out impacts on services.

4. Risk implications

4.1 Key financial risks are included on Corporate Risk Register: The following risks should be considered when agreeing the recommendations of this report:

Risk Description	*Mitigations*	*RAG status*
The final MTFS is based on the informed sector experts modelling of the impacts of Fair Funding Review and Business Rates. Provisional Finance Settlement expected late December could have unanticipated impacts	There will still be three months from the Provisional Funding Settlement and setting of the Budget in February to refine the Council's Budget and if necessary make additional savings. With uncommitted usable reserve balances of £42m the Council could use a greater level of reserves if necessary	Amber
The impact of Devolution and Local Government Reorganisation	Currently the Council has a £0.5m budget for LGR costs. As the MTFS sets out the Council will seek to capitalise transformation costs related to LGR and fund from receipts	Amber
External factors, outside of the control of the Council, will be subject to volatility with upward volatility creating a financial risk on the final budget and MTFS.	Demand and inflationary growth evidence based, on the most up today date information at the time of budget setting Robust monthly in year monitoring to capture volatility / potential volatility to ensure mitigating actions can be implemented Monitoring reported through the governance channels including Corporate Risk Register/scrutiny to ensure areas of risk are transparent and addressed	Amber

	Significant reserve balances which could be applied	
The Debt Rescheduling and application of PWLB discounts delayed beyond the Budget on 26th November and gilt rates drop if Budget well received reducing the discount	Preparation underway to liaise with Debt Management Office (the body which manages the PWLB) to ensure that it will be possible to redeem all the relevant loans between Council approving on 17th November and 26th November	Amber
The assets rationalisations programme led by the Commercial Theme of the IRP, on which financial modelling underpinning the MTFS, proceeds more slowly and or rationalisation values prove less than anticipated	The Council is appointing through a framework its existing valuer for investment assets who is already familiar with the assets and has the specialist skills to assist with a rationalisation programme.	Amber

5. Financial implications

5.1 Financial implications are set out in the report above.

6. Legal comments

7. Section 31A of the Local Government Finance Act 1992 ("the 1992 Act") requires billing authorities to calculate their Council Tax requirements in accordance with the prescribed requirements of that section. The function of setting the Council Tax is the responsibility of Full Council. The Council is required by the 1992 Act to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget to ensure proper discharge of the Council's statutory duties and to lead to a balanced budget. The budget should include sufficient allowances for contingencies and financial reserves**.**

6.1 Local authorities owe a fiduciary duty to Council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of Council tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.

6.2 Section 25 of the Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (section 151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored.

6.3 Full Council is responsible for setting the overall budget framework. However, some of the proposed savings will be subject to further analysis and decision making and as such the savings are an estimate. Individual service decisions will be subject to Committee approval, taking account of the statutory framework, any requirement to consult and consideration of overarching duties, such as the public sector equality duty.

6.4 The Local Government Act 2003 and associated regulations set out rules in relation to use of capital reserves. S.15 requires local authorities to have regard to relevant statutory guidance. The statutory guidance on flexible use of capital receipts confirms that local authorities cannot borrow to finance service delivery, however they can use capital receipts from sale of assets to finance the revenue costs of reforming services. The guidance states that qualifying expenditure is expenditure on a project that is designed to generate ongoing revenue savings in the delivery of public services or transform service delivery in a way that reduces costs or demand for services in future years. The Council is expected to publish an annual Flexible Use of Capital Receipts Strategy, although this can be included in wider strategy documents.

Corporate implications

8. S151 Officer comments

8.1 The focus of this report is to pull together the pressures and uncertainties the Council is facing in setting a MTFS and to set out a set of strategies and parameters which will help ensure an ongoing sustainable future both for the Council and the successor unitary. The report sets out the parameters within which the detailed Budget for 2026-27 will need to be balanced.

9. Monitoring Officer comments

9.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

10. Procurement comments

10.1 There are no procurement implications arising directly from this report.

11. Equality and Diversity

11.1 There are no direct diversity implications identified in this report. Moving forwards where savings are being evaluated have the potential to impact on equality and diversity, equality impact assessments will be undertaken.

12. Sustainability/Climate Change Implications

12.1 Addressing climate change priorities continues to be a priority of the Council and is likely to be priority for the new unitary. Potentially there are significant overlaps between reducing running costs and reducing use of resources such as heating, energy, materials and reducing emissions and moving towards the Council's goal of reaching net-zero. In reviewing savings opportunities, it therefore it will be important to look at alignment with climate change objectives.

13. Other considerations

13.1 There are none.

14. Timetable for implementation

14.1 Between 18th November and 25th November 2025, officers to complete the proposed redemption of longer term PWLB maturities.

14.2 Council's Budget to be set for 2026-27 on 27th February 2026.

15. Contact

Terry Collier, Chief Finance Officer

Please submit any material questions to the Committee Chair and Officer Contact by two days in advance of the meeting.

Background papers: There are none.

Appendices:

Appendix A- Unavoidable Expenditure Pressures 2026-27
Appendix B- Flexible Use of Capital Receipts Strategy
Appendix C - Net Expenditure Budget 2025/26 – 2026/27 by Group Head's Remit

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost £000	Comments
Strategic Planning	Staines Masterplan (as required by IRP)	Consultant	50	Cost of consultancy will depend on the final output required, which will be developed through work with Members and Commissioners.
		1x FTE Senior Officer (Contractor)	80	The Officer time required to deliver the Masterplan is beyond the capacity of the Team. Resource requirements (in time and experience) for the development of the Design Code indicate that delivery of the masterplan at pace will require 1x fte at a senior level. In the current LGR environment and as evidenced by recent challenges with recruitment to fixed term roles, the most expedient route to fill this role is through the use of a contractor. The IRP requires an extensive community engagement programme for the masterplan work. As far as possible this will be managed through existing budgets and resources but may be subject to change depending on the requirements agreed in the final programme.
	Heathrow Expansion Project	1x FTE Senor Officer (Contractor)	80	The current capacity within the team is not sufficient to manage the DCO process regarding Heathrow Expansion. Based on the experience gained through the last DCO process, this will require an officer of senior level in the Strategic Planning team to oversee the day-to-day management through the process and to coordinate the input from teams across the Council. The resource requirement is likely to be greater than the previous DCO as a result of the two proposals being put forward on this occasion.

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost £000	Comments
	(DCO process, to submission/Examination. Further resources will be required for Examination Phase)			It is likely that this funding will be met in part through cost recovery from the applicant(s), but the mechanism for this has not yet been agreed, and we must budget accordingly. This is an area where discussions are ongoing, and it is not possible to expand further at this time. There will also be a requirement to use external experts for some areas, but the cost of this is not yet known and therefore not included at this time.
			160	This bid relates only to the additional resource required by the Environmental Health (£100k) and there is also a Planning Enforcement element which will kick in once we have the Article 4 Direction covering the whole Borough in March 2026 and when we adopt a planned SPD controlling HMO growth in the Borough. Also £60k to cover increased work, which cannot be absorbed by the existing team. Any costs incurred through the Examination of the DCO will need to be funded by the LPA's and will not be subject to cost recovery.
	Affordable Housing SPD	Funding for consultant to produce SPD	50	The production of an Affordable Housing SPD has been in the future plan for the Strategic Planning team to produce in house, however, in light of the accelerated timescale set out in the IRP the team does not have capacity to produce this SPD.

Appendix A

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost £000	Comments
Supported Housing Team	Solar film – Harper	Protection measures for H&S due to excess summer temps in resident rooms	7	
	Staffing Costs –White House	Increase in staff costs to include NI & Pension & overtime	60	
	Harper House – operational contracts inc Voids/ R&M	Previous budgets did not allow for void works and/or the full cost of service contracts	29	
	White House – operational contracts inc Voids/ R&M	Previous budgets did not allow for void works and/or the full cost of service contracts	59	
Assets	New municipal valuation contract		25	Entire municipal estate to be revalued for finance and LGR purposes
	Legal fees for municipal portfolio		5	Legal fees for adverse possession and boundary disputes. This has been unbudgeted to date and Finance have requested contained within budget
	Business rates for municipal portfolio		3	Old Library void pre-letting/obtaining planning. Mitigation will be implemented
	Charter Building		150	Refurbishment of reception

Appendix A

Unavoidable Expenditure Pressure - Revenue Bids

Service	Descriptions	Additional Resource Required	Cost £000	Comments
	Roundwood Avenue		65	Floor box and carpet allowance (dependent upon letting)
	Thames Tower		41	Floor box and carpet allowance (dependent upon letting)
	Refurbishment - Sinking Fund		-256	Charter Building, Roundwood Avenue, Thames Tower - Refurbishment funding
Total Unavoidable Expenditure Pressure - Revenue			**608**	

Appendix B

Flexible Use of Capital Receipts Strategy 2025/26

This strategy applies from the **1st April 2025** until **31st March 2030** but will be reviewed on an annual basis as part of the budget setting process.

1. Background and Rules of Qualification

1.1 This strategy sets out Spelthorne Borough Council's approach to the use of the Government's Direction for the Flexible Use of Capital Receipts, in accordance with Section 15(1) of the Local Government Act 2003.

1.2 The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to spend up to 100% of capital receipts from the disposal of property, plant, and equipment assets on the revenue costs of reform projects. This flexibility is limited to the application of those capital receipts received in the years to which this direction applies and does not allow borrowing to finance the revenue costs of service reform.

1.3 From 2016/17 Local Authorities were given the power to use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform; therefore capital receipts realised before 2016/17 cannot be used flexibly under these arrangements.

1.4 The Council has the flexibility to apply capital receipts to fund transformation projects as enabled by the Secretary of State's Direction and outlined in the Government's Statutory Guidance on the flexible use of capital receipts. The current extension of flexibility would have ceased in March 2025, but it was announced by Government alongside the Provisional Settlement on 18 December 2023 that the current scheme, which currently applies to expenditure and receipts incurred between 1st April 2022 and 31st March 2025, has been extended to 31st March 2030. Therefore, to make eligible use of the scheme the capital receipts, and any qualifying revenue expenditure, need to be incurred between **1st April 2022** and **31st March 2030**.

1.5 The authority should prepare an annual strategy that includes separate disclosure of the individual projects that will be funded, or part funded through capital receipts flexibility and that the strategy is approved by Full Council or the equivalent.

1.6 This initial Strategy may be replaced by another Strategy ("the revised Strategy") at any time during the year, on one or more occasions. The initial Strategy should specify the circumstances in which a revised Strategy is to be prepared, but a revised Strategy may be prepared in other circumstances, if at any time it is considered to be appropriate. When setting a revised Strategy its impact on the local authority's Prudential Indicators shall be considered and whether it is necessary to amend the Prudential Indicators at the same time

1.7 Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or demand for services in future years for any of the public sector delivery partners. Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.

1.8 An important feature of this flexibility requires the Council to demonstrate the highest standards of accountability and transparency and each individual project that will be funded or part-funded in this way must be disclosed and approved by a meeting of the Council.

1.9 For 2025/26 and through to the current available extended period (31st March 2030), the Council initially proposes to use the flexibility to fund up to **£2.222m** of qualifying transformation expenditure. **Table 2** below sets out specific projects which could qualify for the use of capital receipts. Further schemes may be identified during the year which meet the use of capital receipts criteria. In this case, these schemes will be reported to a meeting of the Committee.

1.10 The Council's use of capital receipts to fund transformation projects will continue to be subject to development and approval of robust business cases. The business cases will need to demonstrate that:

(a) The initiative will transform services, generate future savings, or reduce future costs; and

(b) The costs being funded are implementation or set up costs and not on-going operational revenue costs.

2. Flexible Use of Capital Receipts Process

2.1 Flexible use of capital receipts is a means to fund one-off project costs which enable the process of transformation and the resulting benefit realisation. In applying this funding, several measures have been applied to ensure that the qualifying funding criteria are met. These include a robust approval process that is applied whenever the use of capital receipts is considered and to ensure that this funding source is only applied to qualifying expenditure.

2.2 Governance includes reporting accountability to the Committee and regular performance reporting with detailed monitoring undertaken to provide assurance over the value of qualifying spend benefits realisation and the delivery of anticipated outcomes.

2.3 This strategy seeks to allow the flexible use of capital receipts but does not determine they have to be used for the purpose set out. It provides flexibility to use capital receipts to fund the expenditure detailed if it is determined that is the best funding stream to use.

2.4 Approval of projects and allocation of funds arising from the use of flexible capital receipts will be at the discretion of the Committee in consultation with the Deputy Chief Executive (S151 officer), in accordance with this strategy.

2.5 There are a wide range of projects that could generate qualifying expenditure, and the list below is not prescriptive. Examples of projects include:

- Funding the cost of service, implementing the Council Best Value Inspection recommendations and the Improvement and Recovery Plan actions.
- Sharing back-office and administrative services with one or more other council or public sector bodies.
- Investment in service reform feasibility work, e.g., setting up pilot schemes.

- Collaboration between local authorities and central government departments to free up land for economic use.
- Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training.
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and Integrating public facing services across two or more public sector bodies (for example children's social care or trading standards) to generate savings or to transform service delivery.

3. Impact on Affordability of Prudential Borrowing

3.1 The Council will have due regard to the requirements of the Prudential Code and the impact on the prudential indicators. Capital receipts from the sale of assets are used to finance the Council's Capital Strategy. The Council currently has unallocated capital receipts which can be used to fund this Strategy, therefore the utilisation of receipts for capital receipts flexibility will not have an impact on the Council's prudential indicators.

3.2 The incremental impact on the Council's Prudential Indicators of **£2.222m** additional Capital Expenditure in 2025/26 due to its Flexible use of Capital Receipts Strategy might slightly change the CFR balances set out in Table 1 below:

Table 1 – Flexible Use of Capital Receipts change to Prudential Indicators

Prudential Indicators	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Capital Financing Requirement	991.3	898.0	696.4	667.4
Operational Boundary	1,170	700	600	530
Authorised Borrowing Limited	1,270	900	700	700

4. **Projects to be Funded from Flexible Use of Capital Receipts**

4.1 The Council intends to apply capital receipts of up to **£2.222m** in 2025/26. Projects which are likely to qualify for the capital receipts flexibility include:

Table 2 – 2025/26 Projects to be Funded from Flexible Use of Capital Receipts

Project	**Description of Project**	**Qualifying Expenditure**	**Service Transformation**	**Planned use of Capital Receipts £000**	**Committee**
Surrey LGR	Contribution towards creation of new unitary and estimated cost of £35m across Surrey pre-vesting day	Contribution towards the Surrey LGR	As set out in LGR business case	500	**CPRC**
Finance Theme	To achieve financial sustainability through disciplined planning, effective governance, and transparent porting. Reducing operating costs	Costs relating to the Financial Accounts quality assurance, MRP and technical accounting, commercial accounting, Statement of Accounts, financial accounting, Statement of Accounts- capital accounting and fixed assets register, Grant, and Funding Analysis. Savings identification and delivery	As set out in the Improvement and Recovery Plan (IRP)	165	**CPRC**
Commercial Theme	To prepare the council for unitarisation by reducing its exposure to commercial risks whilst maximising the value of its property assets and protecting the public purse.	Specific consultant work on various projects including the work re Oast House and Assets Rationalisation advisers	As set out in the Improvement and Recovery Plan (IRP)	1,100	**CPRC**

Project	Description of Project	Qualifying Expenditure	Service Transformation	Planned use of Capital Receipts £000	Committee
	Evaluation of individual assets and working up disposal programme. Social Value Portal - working up social value measures for regeneration assets Assets Rationalisation advisers				
Regeneration and Housing Theme	To develop a strategy for the council's regeneration sites which provide realistic and credible plans for the sites, increases the provision of housing, reduces homelessness, and minimises the use of temporary accommodation and assessing the viability of Knowle Green Estates company	Costs re the review and options analysis of KGE- report by end of September 2025, Commuted sum expenditure on properties, work on surveys, red book valuations Backfill elements of Head of Independent Living postholder s role so that he can assist with the homelessness review elements	As set out in the Improvement and Recovery Plan (IRP)	264	**CPRC**
Improvement and Recovery Plan	Coordinate, direct, and deliver the Council improvement and recovery plan as a result of a best value inspection and Government intervention. Spelthorne has to achieve challenging targets internally and to meet future requirements as we enter Local Government Reorganisation. This	Including Programme Director/Coordinator (£108k) and the Interim Programme Director support (£60k) and support training and assist audit office with CIPFA self-assessment (£25k).	As set out in the Improvement and Recovery Plan (IRP)	193	**CPRC**

Project	Description of Project	Qualifying Expenditure	Service Transformation	Planned use of Capital Receipts £000	Committee
	role provides an opportunity to lead on moving the Council to a position where we fulfil the “directions” as specified by the Government from the best value review.				
Total				**2,222**	

Appendix C

Net Expenditure Budget 2025/26 – 2026/27 by Group Head's Remit			
Services	**Revised 2025/26 £000s**	**Proposed 2026/27 £000s**	**Change from 2025/26 £000s**
Assets			
Asset Mgn Administration	358	392	34
Development Properties	67	159	92
Facilities Management	699	686	(12)
General Property Expenses	(81)	(76)	5
Parks Properties Project	3	3	0
Planned Maintenance Programme	1,413	1,509	96
Staines Town Centre Management	(373)	(373)	0
Total	**2,086**	**2,300**	**215**
Community & Wellbeing			
Arts Development	29	29	0
Assets Homelessness	(60)	(77)	(17)
Community Care Administration	456	488	32
Community Centres	547	561	13
Community Development	39	39	0
General Grants	239	231	(8)
Home Improvement Agency	4	(42)	(46)
Homelessness	1,360	1,540	180
Housing Benefits Admin	469	535	67
Housing Benefits Payments	113	113	0
Housing Needs	1,744	1,903	159
Leisure Administration	379	418	39
Leisure Centres	64	(656)	(720)
Meals on Wheels	120	98	(22)
Museum	(5)	(5)	0
Opal High Needs	55	113	58
Refugee Schemes	128	(274)	(402)
Resource Centre	14	13	(0)
Social Prescribing	63	127	64
Sports and Active Lifestyle	13	13	0
Sunbury Golf Club	(50)	(50)	0
Youth	19	19	0
Total	**5,738**	**5,137**	**(601)**
Commissioning & Transformation			
CServ Management & Support	1,319	1,363	43
Emergency Planning	76	76	0
Energy Initiatives	10	11	0
HR	454	489	36
Information & Comms Technology	1,294	1,312	18
Payroll	80	85	5
Project Management	721	785	63
Water Courses & Land Drainage	26	27	1

Appendix C

Net Expenditure Budget 2025/26 – 2026/27 by Group Head's Remit			
Services	**Revised 2025/26 £000s**	**Proposed 2026/27 £000s**	**Change from 2025/26 £000s**
Total	**3,981**	**4,146**	**165**
Finance & Corporate Services			
Accountancy	1,048	1,228	181
Chief Executive	245	262	17
Corporate Management	1,202	1,243	41
Corporate Publicity	449	457	8
Democratic Rep & Management	424	455	31
Deputy Chief Executives	320	351	31
Insurance	368	395	26
MAT Secretariat & Support	109	118	9
Unapportionable CentralO/heads	870	494	(377)
Total	**5,034**	**5,001**	**(32)**
Legal and Elections			
Audit	253	270	16
Committee Services	340	388	48
Corporate Governance	335	356	21
Elections	11	11	0
Electoral Registration	295	313	18
Legal	679	731	52
Total	**1,913**	**2,068**	**155**
Neighbourhood Services			
SAT	178	174	(3)
Abandoned Vehicles	4	4	0
Allotments	(22)	(24)	(2)
Bus Station	24	24	0
Car Parks	(484)	(452)	32
Cemeteries	(411)	(433)	(22)
Community Safety	325	342	17
Depot	121	123	2
Environmental Enhancements	14	14	0
Grounds Maintenance	1,832	1,853	21
Neighbourhood Serv Mgt Support	1,399	1,520	121
Parks Strategy	(12)	(12)	0
Public Halls	(22)	(24)	(2)
Refuse Collection	984	1,120	136
Staines Market	(61)	(59)	3
Street Cleaning	873	858	(15)
Waste Recycling	(1,174)	(1,582)	(408)
Total	**3,566**	**3,446**	**(120)**

Appendix C

Net Expenditure Budget 2025/26 – 2026/27 by Group Head's Remit			
Services	**Revised 2025/26 £000s**	**Proposed 2026/27 £000s**	**Change from 2025/26 £000s**
Place, Protection & Prosperity			
Building Control	21	60	39
Economic Development	230	239	9
Environmental Health Admin	1,507	1,663	156
Environmental Protection Act	145	147	2
Food Safety	1	1	0
Incubator	19	17	(1)
Land Charges	(28)	(1)	27
Licensing	95	38	(57)
Planning Development Control	888	980	92
Planning Policy	960	966	7
Public Health	5	20	16
Rodent & Pest Control	17	17	0
Taxi Licensing	(67)	(54)	14
Youth Hub	120	189	68
Total	**3,913**	**4,284**	**371**
Total Net Expenditure	**26,229**	**26,382**	**153**

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SPELTHORNE
BOROUGH COUNCIL

Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1
Report checklist – responsibility of report owner

ITEM	**Yes / No**	**Date**
Councillor engagement / input from Chair prior to briefing	**Yes**	**27/10/25 & 28/10/25**
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	**Yes**	**21/10/25**
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	**Date**
Risk comments	**LO**	**24/10/25**
Legal comments	**Yes**	**24/10**
HR comments (if applicable)	N/a	N/a

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	**Completed by**	**Date**
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**24/10/25**
S151 Officer commentary – at least **5 working days before MAT**	**T.Collier**	**20/10/25**
Confirm final report cleared by MAT		

Version: 01, Last saved:

Corporate Policy and Resources Committee

11/11/2025

Title	Treasury Management Annual Outturn Report 2024/25
Purpose of the report	To make a decision
Report Author	Peter Worth, Interim Treasury Management Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Addressing Housing Need Resilience Environment Service delivery
Recommendation	**Committee is asked to:** To approve the Treasury Management outturn position for 2024/25.
Reason for Recommendation	To promote effective financial management and comply with the Code of Practice (the CIPFA Treasury Management Code), last updated in 2021 and the CIPFA Prudential Code for Capital Finance, along with meeting the requirements of the Council's Financial Regulations.

1. Executive summary of the report

What is the situation	Why we want to do something
• The Council has the statutory duty to present the Annual Treasury Management Outturn report to the Committee and the Council to show the performance of the Council's Treasury activities during the financial year. • The Council has both a significant debt portfolio (most of which is at fixed rates) of £1,069m (£1,042m long term and £27m of short term) and investment funds of £10.9m and cash balances currently averaging £9m at 31.03.25. • The Council currently has the potential benefit of a significant discount (averaging approximately 36% or roughly £360m) on any PWLB loans it	• Treasury Management is crucial to the Council's cash flow, investment and borrowing to mitigate the risk • To proactively look to manage down over time the Council's outstanding long-term borrowing.

repays early; this is a reflection of the low rates the loans were fixed at • This scale of activity creates risks which need to be proactively managed. • Officers review its liquidity and cashflow on a weekly basis. • The Council needs to seek to minimise financing costs whilst maximising returns on surplus funds whilst managing risk	
This is what we want to do about it	**These are the next steps**
• Mitigate risk by diversify Investment and borrowing. • Over time the Council will be looking to generate capital receipts to reduce its long-term debt balances. • Continuing to seek ongoing regular professional advice from our advisers	• To closely monitor and manage the treasury function in the new financial year 2025/26. • To accept this report.

2. Key Issues

2.1 The Council is required to produce a Treasury Management Strategy each year as part of the budget setting process. The content and layout of the strategy also needs to meet a number of specific requirements in terms of:

- Statutory requirements, principally the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, and the associated statutory Government guidance; and
- CIPFA's Code of Practice on Treasury Management, (the Treasury Management Code), and the Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

2.2 The Treasury Management Strategy sets out the Council's approach to ensuring cashflows are adequately planned to ensure that the capital programme and corporate investment plans are adequately funded, with cash being available when it is needed to discharge the Council's legal obligations and deliver Council services. It is also concerned with managing the debt position of the Council.

2.3 Under the Treasury Management Code (2021 edition), the minimum reporting requirements are that full Council should receive the following reports:

- an annual Treasury Management Strategy to be followed in the following year – approved by Council 22 February 2024;
- a mid-year treasury update report; and
- an annual report following the end of the year comparing performance for the year against the originally approved strategy (this report).

2.4 The Deputy Chief Executive/s151 officer confirms that the Council has complied with the above reporting requirements of the Treasury Management Code to give prior scrutiny to all of the above treasury management reports by the Corporate Policy and Resources Committee before they were reported to Full Council.

2.5 There was no training for members on treasury management during the year, although the group leaders attend the quarterly briefings provided by the Council's treasury management advisors, Arlingclose.

2.6 This report covers four areas:

Summary position including Statutory Direction

Section 1 Capital Strategy

- Capital expenditure and financing
- Overall borrowing need
- Affordability
- Minimum Revenue Provision

Section 2 Borrowing

- Borrowing strategy
- Borrowing outturn 2024/25
- Debt restructuring
- Limits on external borrowing
- Maturity structure of borrowing
- Borrowing in advance of need
- Liability benchmark

Section 3 Managing cash balances

- Investment outturn 2024/25
- Commercial activity

Section 4 Summary position

- Prudential Indicators (PIs) are reported throughout the report and summarised at Appendix A with a Red, Amber, Green notation where figures highlighted green and with a 'G' where within the PI level.
- The Council has significantly high levels of external borrowing totalling £1,069m as at 31st March 2025 (Table 4) reflecting a £18m reduction from previous year. Long term borrowing has been used to fund the acquisition of investment properties:
    - part fund the purchase of properties for resettlement of refugee families using the Local Authority Housing Fund (LAHF) provided to offset some of the (about 40% to 50%) cost of purchase,
    - part-fund Temporary Accommodation using the Local Authority Housing Fund (LAHF) provided to offset some of the (about 40% to 50%) cost of purchase,
    - part finance spend on the new Eclipse Leisure Centre (initial £10m of the financing) – the remainder was funded

by redeeming the Council's pooled investments in January 2025, thus avoiding further external borrowing to fund the Eclipse,

- purchase of buildings in Spelthorne for regeneration which are now being considered for disposal.

- The Council's Capital Programme will continue to be reviewed and reduced beyond 2025-26, which will significantly reduce the need for future long term additional borrowing. In future years, the Council will also be looking to generate capital receipts to enable paying off some of the long-term debt and reduce future capital financing charges.

3 Statutory Direction

3.1 Since the 31 March 2025, the Secretary of State issued the Council with Statutory Directions on 8 May 2025 requiring the Council to implement an Improvement and Recovery Plan which includes the following actions which impact on the Council's Treasury Management Strategy:

- 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;
- 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; and
- 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.

3.2 As a consequence of the above, the Treasury Management Strategy (TMS) for 2025/26 approved by the Council 27 February 2025 will be updated at the mid-year TMS report.

SECTION 1 CAPITAL STRATEGY

4 Capital expenditure and financing

4.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators reported below and designed to aid decision-making by Members.

4.2 Capital expenditure is expenditure generally incurred on asset which will yield a benefit to the Council over the long-term and various statutorily defined items, which would normally be charged to revenue, such as loans to third parties for a capital purpose

4.3 All capital expenditure has to be financed either:

- Immediately through the application of capital or revenue resources (i.e. capital receipts, capital grants, revenue contributions etc.). Application of these resources avoids the need to borrow; or

- Where insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need. This will be reflected in an increase in the Council's Capital Funding Requirement.

4.4 Table 1 below shows actual capital expenditure against the original plan and how this was financed. Capital expenditure was higher than originally planned largely due to slippage on the Eclipse Leisure Centre and the LAHF Properties from 2023/24. However, overall the Table shows a reduction in the total financing need compared with 2023/24.

Table 1 Capital Spending and funding (prudential Indicator 1)

		2024/25		
2023/24 Actual £m		**Original estimate £m**	**Outturn £m**	**Variance £m**
	Expenditure			
39.7	Housing and Regeneration	0.0	31.3	31.3
1.4	Other capital expenditure	4.4	1.8	(2.6)
41.1		**4.4**	**33.1**	**28.7**
	Funding			
0.0	Capital receipts	(0.3)	0.0	0.3
(4.5)	Capital grants and contributions	(0.3)	(11.8)	(11.5)
(1.6)	Revenue contributions	(0.9)	(0.4)	0.5
(6.1)		**(1.5)**	**(12.2)**	**(10.7)**
35.0	**Total financing need before MRP**	**2.9**	**20.9**	**18.0**
(12.4)	Minimum Revenue Provision (MRP)	(13.2)	(19.3)	(6.1)
22.6	**Total financing need after MRP**	**(10.3)**	**1.6**	**11.9**

5 Overall Borrowing Need

5.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR measures the extent to which capital expenditure incurred has not yet been financed from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so the underlying borrowing need. Any capital expenditure, which is not immediately paid for through a revenue or capital resource, will increase the CFR.

5.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges for the economic consumption of capital assets as they used.

5.3 This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments plans and cash flow requirements as they fall due. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

5.4 Table 2 below shows that the CFR for the year was lower than the original budget and key points are:

- The opening CFR was £38m lower than originally budgeted

- Capital expenditure was £27m higher largely due to slippage on the Eclipse Leisure Centre; and
- MRP was £6m higher than originally budgeted due to the impact of commencing MRP on abortive housing sites which are now treated as surplus assets.

Table 2 Capital Financing Requirement (Prudential Indicator 2)

	2023/24 Actual £m	2024/25 Budget £m	2024/25 Actual £m
Opening CFR	**1,128.5**	**1,189.2**	**1,151.2**
Capital investment			
Property, Plant and Equipment	39.8	4.4	31.3
Intangible assets	0.2		0.2
Revenue Expenditure funded from Capital under Statute	1.2		1.6
Total capital investment	**41.2**	**4.4**	**33.1**
Sources of Finance			
Capital Receipts	0.0	(0.3)	0.0
Government grants and contributions	(4.5)	(0.9)	(11.8)
Revenue contributions	(1.6)	(0.9)	(0.4)
Minimum Revenue Provision*	(12.4)	(13.2)	(19.3)
Total sources of finance	**(18.5)**	**(15.3)**	**(31.5)**
Closing CFR	**1,151.2**	**1,178.3**	**1,152.8**

5.5 Table 3 below shows that the Council's borrowing has remained within the constraint of the CFR.

Table 3 Borrowing compared to the CFR (Prudential Indicator 3)

	31/03/2024 Actual £m	31/3/25 Budget £m	31/03/2025 Actual £m
Capital Financing Requirement	1,151.2	1182.5	1,152.8
Gross borrowing position	1,088.1	1,072.0	1,069.2
(Under)/over borrowing	**(63.1)**	**(110.5)**	**(83.6)**

Affordability

5.6 The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and, in particular, highlight the impact of capital financing costs (i.e. MRP and interest) on the Council's "bottom line". The financing costs reflect current commitments and the capital outturn to date. The net revenue stream is defined in paragraph 96 of the

Prudential Code as taxation and non-specific grant income as reported in the Authority's Comprehensive Income and Expenditure Statement.

Table 4 Affordability indicator (Prudential Indicator 4a)

	2023/24 Outturn £m	2024/25 Estimate £m	2024/25 Outturn £m
Total capital financing costs	36.6	36.6	44.7
Net revenue stream	13.0	14.0	14.2
Affordability indicator	**282%**	**262%**	**315%**

5.7 Table 4 above shows that the ratio of capital financing costs to the net revenue stream is over 3 times the Authority's net revenue stream. However, this omits the impact of the net operating income generated from the Council's investment property portfolio.

Table 5 Affordability including investment property net income (Prudential Indicator 4b)

	2023/24 Outturn £m	2024/25 Estimate £m	2024/25 Outturn £m
Total capital financing costs	36.6	36.6	44.7
Net revenue stream	13.0	14.0	14.2
Net operating income from investment property	37.6	37.6	39.8
Affordability indicator	**72%**	**71%**	**83%**

5.8 Including the net operating income from the Authority's investment property portfolio considerably reduces the affordability indicator down to 70-80%. However, this remains well above the affordability ratio for comparable authorities which is less than 18%. This is one of the reasons for the Statutory Direction requiring the Authority to implement a treasury management strategy which is sustainable and affordable.

Minimum Revenue Provision

5.9 Full Council approved the MRP Policy as part of the 2024/25 Treasury Management Strategy on 22 February 2024. The MRP Policy was prepared under the framework of the 2018 edition of the DLUHC Statutory MRP Guidance.

- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2024 and the related Statutory MRP Guidance were revised in March 2024. The changes largely tighten the rules around the calculation of MRP and the reporting of what is meant by a "prudent" MRP charge. In the light of the Statutory Direction, recommendations raised by external audit, and the changes to the Capital

Finance Regulations in 2024, the MRP Policy for 2025/26 will be updated as part of the mid-year TMS report for 2025/26.

SECTION 2 BORROWING

6 Borrowing strategy and control of interest rate risk

6.1 Borrowing is undertaken to fund net unfinanced capital expenditure and naturally maturing debt and to maintain cash flow liquidity requirements. During 2024/25 the Council maintained an under-borrowed position. This meant that the capital borrowing need (the CFR) was not fully funded with loan debt, as cash was supporting the Council's reserves, balances and cashflow was used as an interim measure.

6.2 The Council's main objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term funding and asset management plans change.

Borrowing outturn

- At 31 March 2025, the Council's borrowing totalled £1,072m including leases as set out in Table 6 below.

Table 6 Composition of borrowing at 31 March 2025

Borrowing type	Balance at 31 March 2024 £m	Balance at 31 March 2025 £m	Movement £m
PWLB	1,057	1,061	4
Short-term - Other Local Authorities	31	8	(23)
Total Loans	**1,088**	**1,069**	**(19)**
Right of Use Leases	0	3	3
Total borrowing	**1,088**	**1,072**	**(16)**

6.3 Overall this shows a reduction in loan debt of £19m. The increase in PWLB borrowing reflect replacing £4m of short-term borrowing with a £4m maturity loan in 2024/25.

Debt restructuring

6.4 Since the rise in interest rates commencing in November 2021, the PWLB has continued to offer the Council a discount for the early repayment of these loans. As gilt rates and in turn PWLB rates (PWLB rates equal gilt rates plus 80 basis points) have risen since the period in which the Council fixed its loans interest rates, the size of the discount for early repayment of loans has risen.

- On 31 March 2025, the applicable discount rate was 4.85%, resulting in a potential reduction in the repayment liability of £377 million. Consequently, the Council could have opted to settle the outstanding £1,058 million loan balance for £681 million- i.e. the discount of £377m is equivalent to a reduction of 35.6% on the nominal outstanding debt. It should be noted that all PWLB lending, and discount rates are subject to change twice daily, in accordance with prevailing market conditions. In comparison to the theoretical cost of repaying early the entire debt portfolio of £1,058m if the investment assets were disposed of as a complete portfolio in line with their current balance sheet valuation (£583m) there would potentially be a shortfall of £86m.
- **Limits on external borrowing** The Prudential Code requires local authorities to set two limits on total external debt as set out in Table 7 below. The limits are:

6.5 **Authorised limit for external debt (Prudential Indicator 5a)** – this is the limit prescribed by section 3(1) of the Local Government Act 2003 representing the maximum level of borrowing which the Council may incur. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but may not be sustainable in the longer term. Once this has been set, the Council does not have the power to borrow above this level.

6.6 **Operational boundary (Prudential Indicator 5b)** – this is the limit which external debt is not normally to exceed from day-to-day operations.

Table 7 shows that during 2024/25, the Council has maintained gross borrowing within both its Operational Boundary and its Authorised Limit. The outturn limits reflect revisions to the limits made during 2024/25.

Table 7 Overall borrowing limits (Prudential Indicators 5a and 5b)

Limits for 2024/25	**Treasury Management Strategy approved Feb 2024**	**In year revised Treasury Management Strategy limits**
Authorised Limit	1,167	1,270
Operational Boundary	1,067	1,170
Maximum Borrowing Position during year		**1,072**

Maturity structure of borrowing (Prudential Indicator 7)

6.7 Managing the maturity profile of debt is essential for reducing the Council's exposure to large, fixed rate sums falling due for re-financing within a short period, and thus potentially exposing the Council to additional unplanned cost.

6.8 **Table 8** below shows that the Council's borrowing profile remained within the limits approved in the TMS for 2024/25 and do not highlight any issues as maturity is spread across the years.

Table 8 Debt maturity profile limits (Prudential Indicator 7)

	Lower Limit %	Upper Limit %	Actual borrowing maturity £m	 %
Under 12 Months	0%	10%	24	2%
1 – 2 Years	0%	15%	13	4%
3 -5 years	0%	20%	43	8%
6-10 years	0%	25%	82	15%
11-20 years	0%	50%	213	35%
21-30 years	0%	75%	269	60%
31-40 years	0%	90%	308	89%
41-50 years	0%	100%	117	100%
Total			**1,069**	

Borrowing in advance of need

6.9 The Council has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.

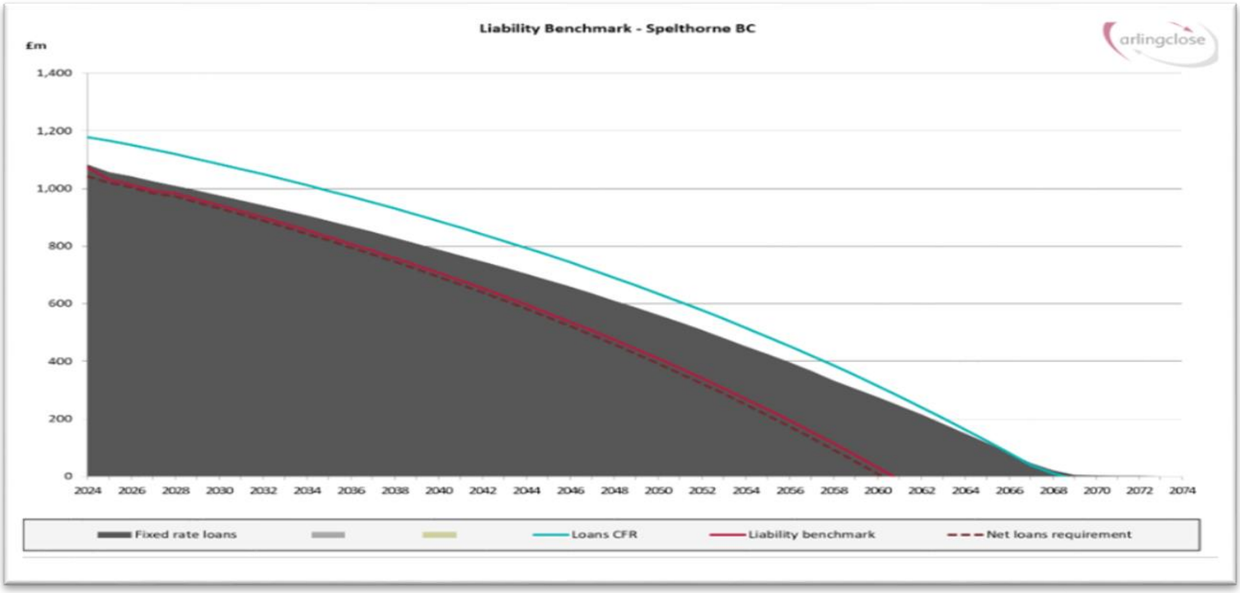
Liability Benchmark

6.10 The Treasury Management Code requires the Council to compare the existing loan portfolio against committed borrowing needs in order to understand future debt requirements. The chart covers the following four areas.

- Existing Loan Debt = current borrowing portfolio;
- Capital Financing Requirement (loans only);
- Net Loans Requirement = loan debt (less treasury management investments) forecast based on approved prudential borrowing and planned MRP;
- Liability Benchmark = Net Loans Requirement plus short-term liquidity allowance.

6.11 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing – see Chart 1 below.

Chart 1 Liability benchmark



- The liability benchmark indicates that the required level of borrowing is forecast to be £1,064.80m as at 31 March 2025 after taking into account other resources such as usable reserves and the minimum level of cash for liquidity of £32.0m. The Council's actual 2024/25 debt portfolio (most of which is at fixed rates) is £1,066m (£1,058m long term and £8m of short term) and investment funds of £10.9m and cash balances currently averaging £9m.

6.12 In the light of the Statutory Direction to adopt a strict debt reduction plan, the liability benchmark will be revisited during 2025/26.

SECTION 3 MANAGING CASH BALANCES

7 Investment outturn 2024/25

7.1 The Council's investment position at the end of 2024/25 is summarised in Table 9 below.

Table 9 Investments

	2023/24 Actual £m	2024/25 Actual £m	Movement £m
Treasury Investments:			
Pooled investment funds	35.1	2.9	(32.2)
Lending to other local authorities	0.3	8.0	7.7
Loans to Knowle Green Estates and Spelthorne Development Services	31.1	45.1	14.0
Investment property	625.4	583.1	(42.3)
Total	**691.9**	**639.1**	**(52.8)**

7.2 The Council divested of the majority of the pooled investment funds during 2024/25 to fund the completion of the Eclipse Leisure Centre, leaving a residual £2.9m invested in the CCLA LAMIT Property Fund which was liquidated in 2025/26. The pooled funds generated a return of 5.92% to end March 2025.

7.3 Pooled investment fund holdings complied with the limits set out in the TMS, namely:

- No more than £10m invested per fund at point of investment; and
- No more than £25m with any one fund manager
- The Council operates a detailed cashflow model and manages cash to ensure that no more than £50,000 is held overnight. Any surplus cash is invested overnight.

7.4 The treasury investments and loans to companies are classed as non-specified investments under the Statutory Guidance on Local Government Investments issued by the then DCLG in 2018 as they sums invested for more than 364 days. Table 9 above shows that such investments remained within the £70m limit set out in the 2024/25 TMS.

Commercial activity

7.5 As well as investing in assets owned by the Council and used in the delivery of services, the Council can also invest, where appropriate, in:

- Investment property for return
- Loans to third parties; and
- Shareholdings in companies and joint ventures.
- Such investments are statutorily defined as capital expenditure for treasury management and prudential borrowing purposes even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities are agreed as part of the Council's budget setting and ongoing monitoring processes are considered as part of the Annual Investment Strategy.

- Currently the Council is invested in the following activities which fall within the category of commercial activity under the Prudential Code:
  - An investment property portfolio valued at £583.1m at 31 March 2025 comprising 9 office blocks both within and without the borough
  - £45.1m of loans to two wholly owned Council subsidiary companies, the bulk of which is to Knowle Green Estates Ltd and

- £1 shareholdings in the two subsidiary companies, Knowle Green Estates Ltd and Spelthorne Direct Services Ltd

7.6 The Statutory Guidance on Local Government Investments issued by the then DCLG in 2018 requires local authorities to develop quantitative indicators to allow Councillors and the public to assess a local authority's total risk exposure because of its investment decisions.

- The Council received, on an accruals basis, net rental income of £45.1 million from the investment property portfolio for the financial year ending 31st March 2025 against a forecast budget of £46.5 million (This is higher than the contracted rental income stated in the valuation due to insurance reimbursements, general licence income contributions from dilapidation payments, rent top-ups and amortised lease incentives).

7.7 Overall, the investment properties provided net operational income (net income less expenditure) of £39.8 million before finance costs, management set aside and sinking fund movements. After taking account of finance costs, management set aside and sinking fund movements, the investment property portfolio generated net income of £7.6 million, which was available to the revenue budget to support the cost of Council's services. These returns do not take into account annual and cumulative movements in the valuations of the assets.

7.8 Table 10 below highlights that the Council is heavily dependent on income generated from its investment property portfolio.

Table 10 Net income from commercial investments to net budget requirement

	2024/25 Budget £000	2024/25 Actual £000	2025/26 Budget £000
Total net income from commercial investments	8,985	7,605	12,723
Net Budget Requirement	8,628	7,296	10,173
Proportion of net revenue stream	104%	104%	125%

7.9 The value of the Council's investment property portfolio declined again in 2024/25 reflecting an overall decline in value since acquisition of 43%, indicating that overall the investment property portfolio is generating a negative return.

- Over the next two years, as predicted and advised, the Council will have to withdraw funds from its Sinking Fund Reserves to support services and the vulnerable residents in the Borough. The Budget for 2025-26 approved by Council in February 2025, anticipated a net use of the sinking funds reserves of £5.052m. This was using the sinking funds for the earmarked purpose they were designed for, as set out in the original council policy.
- As reported to 20th January 2025 Corporate Policy and Resources Committee, the Council has undertaken a major refresh of its Sinking Funds modelling. This has identified the need over the medium term to build up sinking funds balances more rapidly by 2036. The Outline Budget report to the Committee on 9th December 2024 and the Budget approved in February 2025, highlighted the proposal that from 2026-27 the Council gradually increases the net contribution into sinking funds by £1m per annum, so that by 2031 each year an additional £5m per annum is being

put into the funds. This would have the effect of gradually reducing the subsidy from investment assets supporting services, which would reduce from £10m per annum to £5m per annum, i.e. it will halve over time.

7.10 The Council's investment in companies is summarised in Table 11 below:

Table 11 Council controlled companies

Net Worth 31/3/2024 £000s	Company name	Share ownership	Nominal value £	Net worth 31/3/2025 £000s
5,649	Knowle Green Estates Ltd	1	1	16,670
84	Spelthorne Direct Services Ltd	1	1	67
5,733				**16,737**

7.11 The Council is not dependant on income generated by the companies, as they are not making a substantial return and were set up to deliver service policy objectives for the Council.

7.12 The Council has continued to advance loans to its two subsidiary companies, Knowle Green Estates and Spelthorne Development Services. Loans have been advanced at a small margin over PWLB – see Table 12 below

Table 12 Loans to Council controlled companies

Balance at 31/3/2024 £000s	Company name		Average interest rate %	Balance at 31/3/2025 £000s
29,749	Knowle Green Estates Ltd - loans		3.37%	44,449
2,500	Knowle Green Estates Ltd - debenture		0.00%	2,500
268	Spelthorne Direct Services Ltd		5.00%	208
32,517				**47,157**

7.13 The Council has not recognised an expected credit losses against either counter-party as the loans are secured by charges over the properties.

8 Other Issues

IFRS 9 fair value of investments

8.1 Following the consultation undertaken by the Ministry of Housing, Communities and Local Government (MHCLG) on IFRS 9, the Government extended the statutory override under Regulation 30K of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, as amended, which requires local authorities to transfer all unrealised fair value movements resulting from pooled investment funds to an unusable reserve until the assets are realised (i.e. sold). The override has been extended to 31st March 2029, but does not apply to any new pooled investments from 1st April 2024.

8.2 The Council's long-term investments have an overall fair value unrealised gain of £0.055m against a total value of £2.9m. Had the statutory override not been in place, the unrealised gain would have had to have been recognised in the Comprehensive Income and Expenditure Statement and would have been a positive benefit to the General Fund.

IFRS 16

8.3 From 1st April 2024, a new International Financial Report Standard, IFRS 16, came into effect for Local Authorities. The main impact of IFRS 16 is to scrap the previous distinction between operating and finance leases for lessees and replace with the requirement to recognise all leases which convey a “right of use” to the underlying asset for more than 12 months.

8.4 As a result the value of the underlying asset has to be recognised on the balance sheet matched by the corresponding lease liability. The impact for the Council has been to recognise an additional £4.9m of assets on the balance sheet matched by a lease liability from 1 April 2024.

- There is no bottom-line impact to the General Fund as the lease rental payments due remain unaltered – the change is that lease rental is now allocated to different parts of the Consolidated Income and Expenditure Statement (CIES) in the Statement of Accounts and the principal element is recognised in the Movement in Reserves Statement in the Statement of Accounts.

9 Options analysis and proposal

9.1 This report deals with the Treasury Management Outturn, and the outcome plays a significant part in supporting the delivery of all the Council’s corporate priorities.

10 Financial management implications

10.1 The financial implications are as set out in this report. The ability to maximise interest returns is paramount to generate sufficient funds to support the General Fund and even a small decline in interest rates can mean a significant reduction in cash returns. Therefore, it is our aim to continue to maintain flexibility commensurate with the high level of security and liquidity and minimal risk when making investment decisions.

- In addition to supporting the Council’s Revenue Budget and Capital Programme, the Treasury Management interest budget is an important part of the revenue budget. Any savings achieved, or overspends incurred, have a direct impact on the financial performance of the budget.

11 Risk management considerations.

11.1 The Local Government Act 2003, the Prudential Code and the Treasury Management Code of Practice include a key principle that the Council’s appetite for risk is included in their annual Treasury Management Strategy, and this should include any use of financial instruments for the prudent management of those risks and should ensure that priority is given to security and liquidity when investing.

11.2 The principal risks associated with treasury management are set out below:

	Risk	Mitigation

1	Loss of investments as a result of failure of counterparties	Limiting the types of investment used, setting lending criteria for counterparties, and limiting the extent of exposure to counterparties.
2	That the Council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).	Ensuring that a minimum proportion of investments are held in short-term investments for cashflow purposes.
3	Increase in the net financing costs of the Council due to borrowing at high rates of interest.	Planning and undertaking borrowing and lending considering assessments of future interest rate movements, and by undertaking mostly long-term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).
4	Higher interest rates increase borrowing making it more difficult to self-finance capital schemes. Debt servicing becomes less affordable and less sustainable and crowds out revenue spend.	To pause, delay or defer capital schemes. Also consider opportunities to borrow in the future at current interest rates.
5	Return on non-treasury investments lower than expected.	Review and analysis of risk prior to undertaking non-treasury investments.
6	The Council's Minimum Revenue Provision policy charges an insufficient amount to the General Fund to repay debt at a prudent level.	Align the Minimum Revenue Provision policy to the service benefit derived from the Council's assets.
7	Associated with cash management, legal requirements and fraud.	These risks are managed through: 11.3 Treasury Management Practices covering all aspects of treasury management procedures, including cashflow forecasting, documentation, monitoring, reporting and division of duties 11.4 All treasury management procedures are transactions are subject to inspection by internal and external auditors. The Council also employs external treasury advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.
8	Increase in capital financing costs due to inflationary forces resulting in increased cost pressures on current capital projects and higher	Regular monitoring of the Capital Programme through comparison to budgets.

	costs compared to approved budgets.	

12 Procurement

12.1 None

13 Legal considerations

13.1 The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 (LGA 2003) and associated regulations. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment, or for the purpose of the prudent management of its financial affairs (sections 1 and 12 of LGA 2003). The Regulations in section 15 of the LGA 2003 also specify that authorities should have regard to the CIPFA Treasury Management Code, the CIPFA Prudential Code and the MHCLG Investment Guidance when carrying out their treasury management functions.

13.2 The report is in accordance with the requirements of the CIPFA Treasury Management Code, the CIPFA Prudential Code and complies with the Council's statutory obligation under the LGA 2003 to have regard to these Codes.

13.3 This report also assists the Council to monitor its investments and borrowing.

14 S151 Officer Comments

- The report addresses the requirement to report on the previous year's Treasury Outturn position. The report was intentionally delayed in order to align with the Statement of Accounts process and to agree a revised MRP approach which addressed external auditor and Best Value Inspection concerns, as set out in the earlier report on this Agenda relating to MRP.

15 Monitoring Officer Comments

15.1 The Monitoring Officer confirms that all relevant legal implications have been taken into account.

16 Other considerations

16.1 The Council fully complies with best practice as set out in CIPFA's 2023 Treasury Management and Prudential Codes and in the Government's Guidance on Investments.

16.2 Nothing in the Council's current strategy is intended to preclude or inhibit capital investment in local projects deemed beneficial to the local community and which have been approved by the Council.

17 Equality, Diversity, and Inclusion

17.1 Equality, diversity, and inclusion (EDI) are central to everything that we do and are woven throughout our Strategic Plans.

18 Sustainability/Climate Change Implications

18.1 The Council had been discussing with its advisers how to transition its portfolio of medium-term investments towards an Environmental, Social and Governance compliant basis. However, that is no longer relevant following the decision in October 2024 to draw down the medium-term investment funds.

19 Timetable for implementation.

19.1 Not applicable.

20 Contact

20.1 Peter Worth, Interim Treasury Management Accountant – P.worth@spelthorne.gov.uk .

Background papers: None

- **Appendices:**
  Appendix A – TM Prudential Indicators
  Appendix B – Glossary - Local Authority Treasury Management Terms.

Appendix A
Summary of Prudential Indicators

PI ref	Para ref	Prudential Indicator	2023/24 Actual £m	2024/25 estimate £m	2024/25 Actual £m	RAG Indicator
1	3.4	Capital expenditure	41.1	4.4	33.1	G
2	3.8	Capital Financing Requirement	1,151.2	1,182.5	1,152.6	G
3	3.10	Net debt v. CFR - (under)/over borrowed	(63.1)	(110.5)	(83.4)	G
		Ratio of financing costs to net revenue stream (Affordability):				
4a	3.11	Excluding investment property income	282%	262%	315%	R
4b	3.12	including investment property	72%	71%	83%	R
5a	4.8	Authorised limit for external debt		1,270.0	1,072.0	G
5b	4.8	Operational boundary for external debt		1,170.0	1,072.0	G
6	5.5	Limit on surplus funds held for more than 364 days (i.e. non-specified investments)	66.5	70	56	G
		Maturity structure of borrowing				
7a	4.10	Upper limit under 12 months		10%	2%	G
7b	4.10	Lower limit 10 years or more		0%	85%	G

KEY

Exceeds PI significantly	R
Near but not within PI	A
Within or at PI level	G

Appendix B

GLOSSARY

Local Authority Treasury Management Terms

Terms	Descriptions
Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets.
Borrowing	Usually refers to the stock of outstanding loans owed, and bonds issued.
CFR	Capital Financing Requirement. A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is a UK-based international accountancy membership and standard-setting body. The only such body globally dedicated to public financial management.
Collective investment scheme	Scheme in which multiple investors collectively hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment, or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Covered bond	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.

Terms	Descriptions
Diversified income fund	A collective investment scheme that invests in a range of bonds, equity, and property in order to minimise price risk, and also focuses on investments that pay income.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling councils to deposit cash at very low credit risk. Not available in Northern Ireland.
MHCLG	Ministry of Housing, Communities & Local Government - The Ministry of Housing, Communities and Local Government is central to the mission-driven government, from fixing the foundations of an affordable home to handing power back to communities and rebuilding local governments.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
Equity	An investment which usually confers ownership and voting rights
Floating rate note (FRN)	Bond where the interest rate changes at set intervals linked to a market variable, most commonly 3-month LIBOR or SONIA
FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest 250 and the FTSE 350 combines the two.
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
Income Return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
GILT	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
LIBID	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR.
LOBO	Lender's Option Borrower's option

Terms	Descriptions
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity.
MPC	The Monetary Policy Committee (MPC) decides what monetary policy action the Bank of England will take to keep inflation low and stable.
MRP	Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as **Minimum Revenue Provision ("MRP")**, although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision ("the MHCLG Guidance") most recently issued in April 2024.
OBR	The Office for Budget Responsibility was created to provide independent and authoritative analysis of the UK's public finances. It is one of a growing number of official independent fiscal watchdogs around the world.
PMI	Purchasing Managers' Index (PMI) - A composite PMI is the weighted average of manufacturing and service sector PMIs for a given geography or economy, produced by IHS Markit. Weights are derived from official data relating to each sector's contribution to GDP (value added).
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Price Risk Indicator	Price risk is the risk of a decline in the value of a security or an investment portfolio excluding a downturn in the market, due to multiple factors. Investors can employ a number of tools and techniques to hedge price risk, ranging from relatively conservative decisions (e.g., buying put options) to more aggressive strategies (e.g., short selling).
PWLB	Public Works Loan Board – a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
Quantitative easing (QE)	Process by which central banks directly increase the quantity of money in the economy to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.
SME	SME finance is the funding of small and medium-sized enterprises and represents a major function of the general business finance

Terms	Descriptions
	market – in which capital for different types of firms are supplied, acquired, and costed or priced.
SONIA	Sterling overnight interest average – a benchmark interest rate for overnight deposits.
Short-dated	Usually means less than one year.
TMSS	Approved Council’s Treasury Management Strategy Statement
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.
VRP	The Council is required to pay off an element of the accumulated general fund capital spend each year (the Capital Financing Requirement (CFR) through a revenue charge (the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments (**Voluntary Revenue Provision - VRP).**

Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

SPELTHORNE BOROUGH COUNCIL

Stage 1
Report checklist – responsibility of report owner

ITEM	**Yes / No**	**Date**
Councillor engagement / input from Chair prior to briefing		
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	**Yes**	**21/10/25**
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee	Yes	16/10/25
	Review ed by	**Date**
Risk comments	**LO**	**24/10/25**
Legal comments	**LH**	**24/10/25**
HR comments (if applicable)	NA	N/a

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	**Completed by**	**Date**
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**24/10/25**
S151 Officer commentary – at least **5 working days before MAT**	**T. Collier**	**20/10/25**
Confirm final report cleared by MAT		

Corporate Policy and Resources Committee

11 November 2025

Title	Treasury Management Half Yearly Report
Purpose of the report	To note
Report Author	Peter Worth, Interim Treasury Management Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Financial Sustainability
Recommendations	**The Committee is asked to:** Note the performance of the Treasury management team during the first six months of 2025/26
Reason for Recommendation	Not applicable

1. Executive summary of the report

What is the situation	Why we want to do something
• The Council has a statutory duty to present a half yearly, Treasury management report to show the performance of Treasury activities between 1 April 2025 - 30 September 2025. • The Council has both a significant debt portfolio (most of which is at fixed rates) of £1,094m (£1,062m long term and £32m of short term) and investment funds of £33m and cash balances currently averaging £2m. • This scale of activity creates risks which need to be proactively managed and Officers review liquidity and cashflow on a weekly basis. • The Council seeks to minimise financing costs whilst maximising returns on surplus funds whilst managing risk • The Council is under a statutory direction to reduce borrowing and set Minimum Revenue Provision at a prudent level	• To provide Councillors with an understanding of the Council's borrowing and investment position part way through the financial year.

This is what we want to do about it	**These are the next steps**
• Comply with the Statutory Direction by amending the MRP Policy and implementing a debt reduction plan. • Continuing to seek professional advice from our advisers	• To closely monitor and manage the treasury management function for the next 6 months of 2025/26 and going forward • To approve a revised Minimum Revenue Provision (MRP) Policy for 2025/26 • To approve a debt reduction plan

2. Key Issues

2.1 This report covers Treasury Management activity at Spelthorne Borough Council for the six months to the end of September 2025. Performance is reported throughout the report and summarised at Appendix A, using a RAG system (Red, Amber, Green).

2.2 The Council takes a prudent approach to Treasury Management, both in how it manages liquidity and how it mitigates operational, financial, and reputational risk.

2.3 The Council's Treasury Management performance has remained within its prudential indicators for the six months to end of September 2025 as outlined in the next section and summarised at Appendix A.

2.4 The key issues are to take action to comply with the Statutory Direction (next Section), namely:

- To approve an amended MRP Policy for 2025/26 to set MRP at a prudent level (see paragraphs 2.19-2.21 and Appendix B); and
- To approve a debt reduction policy including restructuring the Council's loan debt portfolio (para 2.24).

3. Report

Statutory Direction

3.1 On 8 May 2025, the Secretary of State issued the Council with Statutory Directions requiring the Council to implement an Improvement and Recovery Plan which includes the following actions which impact on the Council's Treasury Management Strategy:

3.2 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;

- 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; and
- 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.

3.3 To meet the above three separate reports have been prepared to recommend:

- amending the Minimum Revenue Provision (MRP) policy statement for 2025/26 to increase level of MRP to a prudent level in line with statutory guidance;

3.4 restructuring all loans maturing after 10 years, which will generate a discount, currently estimated at £360m, which will offset the increase in MRP arising from increasing to a prudent level; and

3.5 procuring additional external expertise and capacity to rationalise its investment and regeneration property portfolio.

3.6 This mid-year report has been prepared on the assumption that all three of the above key decisions will be approved in order to comply with the Statutory Direction.

SECTION 1 CAPITAL STRATEGY

Capital forecast

3.7 The Capital Programme remains on track as set out in Table 1 below. In addition, two asset sales currently in progress are expected to complete before the end of the year and are forecast to generate around £22.5m in capital receipts, which is a favourable improvement on the budget of £6.5m.

Table 1 Summary capital programme (Prudential Indicator 1)

	2024/25 Actual £m	2025/26 Estimate £m	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital programme						
Housing and regeneration	31.3	4.3	4.3	0.9	0.9	0.9
Other capital expenditure	1.8	3.1	1.8	4.2	3.4	0.6
Total capital expenditure	**33.1**	**7.4**	**6.1**	**5.1**	**4.3**	**1.5**
Financing						
Capital receipts	0.0	(6.5)	(22.5)	(4.2)	(3.4)	(0.6)
Capital grants and contributions	(11.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Revenue contributions	(0.4)	0.0				
Total financing	**(12.2)**	**(7.4)**	**(23.4)**	**(5.1)**	**(4.3)**	**(1.5)**
Net financing need	**20.9**	**0.0**	**(17.3)**	**0.0**	**0.0**	**0.0**

3.8 The £16m improvement in capital receipts will be used to repay borrowing and applied to reduce the Capital Financing Requirement and thus reduce future years' Minimum Revenue Provision.

Overall Borrowing Need

3.9 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR measures the extent to which capital expenditure incurred has not yet been financed from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure, which is not immediately paid for through a revenue or capital resource, will increase the CFR.

3.10 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges for the economic consumption of capital assets as they used.

3.11 Table 2 shows the Council's forecast CFR. The opening balance in the forecast differs from the estimate for 2025/26, because it reflects the outturn position per the Statement of Accounts.

Table 2 Capital Financing Requirement (Prudential Indicator 2)

	2024/25 Actual	2025/26 Estimate	2025/26 Forecast	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	£m	£m	£m	£m	£m	£m
Opening CFR	**1,151.2**	**1,179.8**	**1,152.8**	**991.3**	**898.0**	**696.4**
Capital investment	33.1	7.4	6.1	5.1	4.3	1.5
Financing						
Capital receipts	0.0	(6.5)	(107.1)	(55.8)	(166.1)	0.0
Government grants and contributions	(11.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Revenue contributions	(0.4)	0.0	0.0	0.0	0.0	0.0
Minimum Revenue Provision	(19.3)	(13.2)	(59.6)	(41.7)	(39.0)	(29.6)
Closing CFR	**1,152.8**	**1,166.6**	**991.3**	**898.0**	**696.4**	**667.4**

3.12 If the Council takes no action regarding the loan debt portfolio, then borrowing would remain above the CFR, which would indicate that the Council would be borrowing for a revenue purpose. However, by:

3.13 Restructuring the loans maturing after 10 years to generate an estimated discount of £360m (at August rates); and

3.14 Rationalising the investment property (except the BP site) and all the regeneration property this is estimated to be able to generate a further £329.6m (as reflected across years 25-26 to 27-28 above),

the Council's overall borrowing would reduce significantly and remain within the CFR as shown in Table 3 below.

Table 3 Borrowing compared with CFR (Prudential indicator 3)

	2024/25 Actual £m	2025/26 Estimate £m	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Financing Requirement	1,152.8	1,166.6	991.3	898.0	696.4	667.4
Gross borrowing position	1,069.2	1,020.0	588.3	532.5	475.4	460.5
(Under)/over borrowing	**(83.6)**	**(146.6)**	**(403.0)**	**(365.5)**	**(221.0)**	**(206.9)**

Affordability

3.15 The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and in particular highlight the impact of capital financing costs (i.e. MRP and interest) on the Council's "bottom line". The financing costs reflect current commitments and the capital outturn to date. The net revenue stream is defined in paragraph 96 of the Prudential Code as taxation and non-specific grant income as reported in the Authority's Comprehensive Income and Expenditure Statement.

3.16 By generating a discount from restructuring the loan debt portfolio and implementing an asset disposal strategy, the affordability ratio improves significantly as less of the net revenue stream is spent on servicing debt charges.

Table 4 Affordability indicator (Prudential Indicator 4a)

	2024/25 Actual £m	2025/26 Estimate £m	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Total capital finance charges	44.7	40.0	49.7	31.5	25.3	14.9
Net revenue stream	14.2	15.6	15.6	18.4	19.4	20.1
Affordability ratio	**315%**	**256%**	**318%**	**171%**	**131%**	**74%**

3.17 Table 4 above shows the impact of restructuring the loan debt portfolio and generating capital receipts nearly halves the ratio in 2026/27 compared with 2025/26 and the ratio further reduces to 74% by 2028/29.

3.18 **Table 5 Affordability including investment property net income (Prudential Indicator 4b)**

	2024/25 Actual £m	2025/26 Estimate £m	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Total capital finance charges	44.7	40.0	49.7	31.5	25.3	14.9
Net revenue stream	14.2	15.6	15.6	18.4	19.4	20.1
Net operating income from investment property	39.8	44.0	44.0	38.2	36.5	21.7
Affordability ratio	**83%**	**67%**	**83%**	**56%**	**45%**	**36%**

3.19 Table 5 above Including the net operating income from the Authority's investment property portfolio considerably reduces the affordability indicator down to 36% by 2028/29. However, this remains well above the affordability ratio for comparable authorities which is less than 18%.

Minimum Revenue Provision

3.20 Following comments from both the Best Value inspection team and Grant Thornton that the Council's MRP was not at a prudent level, the Chief Finance

Officer (Deputy Chief Executive) commissioned an external review of the Council's MRP arrangements.

3.21 The report identified that the Council's previous calculation method did not follow Statutory Guidance in a number of respects and recommends that these issues should be addressed by:

3.22 Increasing MRP to reflect shorter asset lives of 15 to 25 years as advised by Knight Frank LLP. Previous calculations were based on standard asset lives of 50 years without input from registered valuers, other than initial due diligence at time of acquisition with respect to expected lifespans of the assets; including MRP on surplus assets and third-party loans which previously were omitted from the Council's MRP calculations. It should be noted that surplus assets comprise regeneration assets which were treated as on-going projects until October 2023 when the Council cancelled the projects on affordability grounds. Under the Council's MRP policy such projects were not subject to MRP until the year after they became operational;
and calculating MRP on a straight-line basis for Investment Property and on an annuity basis for other asset types. Previously MRP was calculated on an annuity basis for all categories of expenditure, which did not reflect the pattern of economic benefit that the Council currently obtains from rental income and changes in the market value of commercial properties.

3.23 A revised MRP Policy is attached at Appendix B, which fully complies with the Statutory MRP Guidance and has been consulted upon with MHCLG, CIPFA and Grant Thornton.

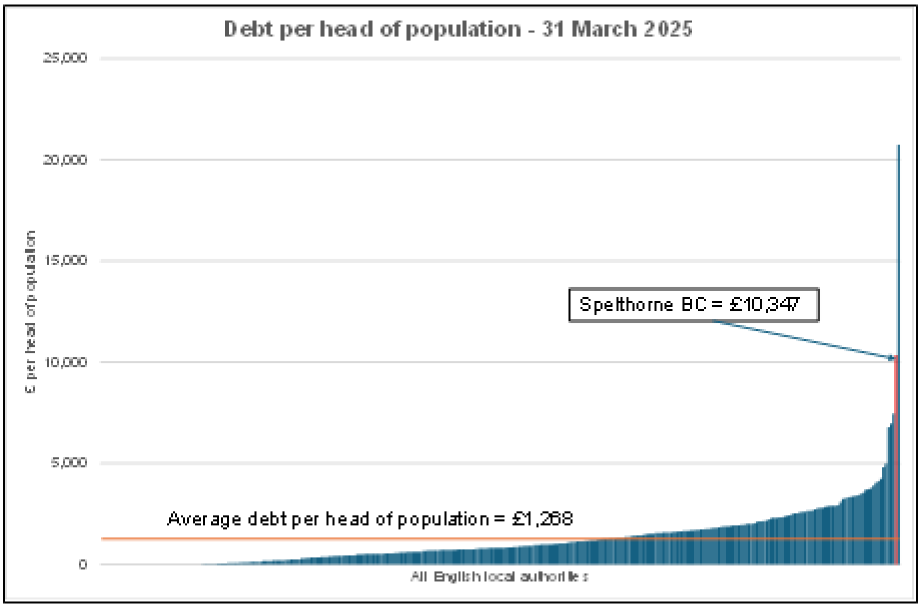
3.24 **SECTION 2 BORROWING**

Borrowing and debt restructuring

3.25 The Council's total external borrowing had reduced to £1,046.7m at 30 September 2025 – a reduction of £22.3m from the position at 31 March 2025. All borrowing is long-term fixed interest rate borrowing with the Public Works Loans Board at an average rate of 2.4%.

3.26 Nonetheless the Council's level of borrowing per head of population is the second highest amongst all English local authorities at c. £10,000, as shown in Chart 1 below.

Chart 1 Debt per head of population



Debt Reduction Strategy

3.27 In view of the unsustainably high level of borrowing highlighted in Chart 1 above and the affordability indicators at table 4 and 5 above, and to comply with the Statutory Direction to implement a strict debt reduction strategy, it is recommended that the Council:

- Restructure all loans maturing over 10 years, which will generate an estimated £360m discount; and

3.28 Use all capital receipts from the asset rationalisation strategy to repay borrowing.

3.29 The combination of the two is forecast to reduce the Council's borrowing by more than half to £460m by 31 March 2029 (see Table 3 above).

Limits on external borrowing

3.30 By implementing the debt reduction strategy set out above, the Council's borrowing limits can also be reduced from 2026/27 onwards as set out in Table 6 below.

Table 6 Borrowing Limits (Prudential indicators 5a and 5b)

	2024/25 Actual £m	2025/26 Estimate £m	2025/26 Forecast £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Authorised borrowing limit	1,270.0	1,270.0	1,270.0	900.0	700.0	700.0
Operational boundary	1,170.0	1,170.0	1,170.0	700.0	600.0	530.0
Gross borrowing position	1,069.2	1,020.0	588.3	532.5	475.4	460.5
Headroom to Operational boundary	**100.8**	**150.0**	**581.7**	**167.5**	**124.6**	**69.5**

3.31 The revised limits from 2026/27 onwards are set to provide sufficient borrowing headroom in the event that asset sales are delayed by six months. These proposed revised lower limits will be put forward, in the New Year, to Council as part of the 2026-27 Treasury Management Strategy.

Maturity structure of borrowing

3.32 Table 7 below shows that the maturity structure of the current loan debt portfolio remained within the limits set out in the 2025/26 TMS.

Table 7 Debt maturity profile limits (Prudential indicator 7)

		Lower Limit	Upper Limit	Position at 30/9/2025	
		%	%	£m	%
Under 12 months	30/09/2026	0%	10%	16	2%
1-2 Years	30/09/2027	0%	15%	16	3%
3-5 years	30/09/2030	0%	20%	51	8%
6-10 Years	30/09/2035	0%	25%	90	17%
11-20 Years	30/09/2045	0%	50%	209	36%
21-30 Years	30/09/2055	0%	75%	262	62%
31-40 Years	30/09/2065	0%	90%	314	92%
41-50 Years	30/09/2075	0%	100%	89	100%
Total				**1,046**	

SECTION 3 MANAGING CASH BALANCES

Investment position

3.33 The Council's investment position is set out in Table 8 below.

Table 8 Investment position at 30 September 2025

	31/03/2025 £m	30/09/2025 £m
Treasury investments:		
Pooled investment funds	2.9	0.0
Lending to other local authorities	8.0	14.0
Debenture with Knowle Green Estates Ltd	2.5	2.5
Treasury deposit		0.4
Loans to Knowle Green Estates and Spelthorne Direct Services Ltd	42.6	42.6
Investment property	583.1	534.8
Total	**639.1**	**594.3**

3.34 The balance of the pooled investment funds were divested in August 2025. Lending to other local authorities is generating a return of 4.1- 4.8%. The Treasury deposit is a new facility for investing overnight money.

Commercial activity

3.35 As well as investing in assets owned by the Council and used in the delivery of services, the Council can also invest, where appropriate, in:

- Investment property for return

- Loans to third parties; and
- Shareholdings in companies and joint ventures.

3.36 Currently the Council is invested in the following activities which fall within the category of commercial activity under the Prudential Code:

3.37 An investment property portfolio valued at £534.8m estimated market value at 31 August 2025 comprising 9 office blocks both within and without the borough. (It should be noted this is not a formal Red Book valuation but a market assessment);

3.38 £42.6m of loans to two wholly owned Council subsidiary companies, the bulk of which is to Knowle Green Estates Ltd and

3.39 £1 shareholdings in the two subsidiary companies, Knowle Green Estates Ltd and Spelthorne Direct Services Ltd

3.40 The return on loans to the Council's two subsidiaries are at a small margin over the Council's cost of borrowing and are secured on the assets of the companies.

3.41 The debenture and loans to the Council's subsidiary companies are classed as non-specified investments, under the Statutory Guidance on Local Government Investments issued by the then DCLG in 2018, as they are for a period greater than 12 months. The total of £45.1m is well within the limit of £70m for non-specified investments set out in the 2025/26 TMS. The investment property portfolio is estimated to generate £46.4m in gross rental income in 2025/26. After operating costs this reduces to £39m. The forecast is for rental income to peak at c.£49.5m in 2026/27, which after operating costs would generate net income of £45.7m.

3.42 Operational performance is good as set out in Table 9 below.

Table 9 Investment property operational performance

	2024/25 Actual %	Position to 30/9/2025 %
Void rate	9.01%	9.33%
Rent collection rate	98.84%	99.86%

4. Options analysis and proposal

4.1 Not applicable.

5. Financial implications

5.1 The financial implications are detailed in the main body of the report. The ability to maximise interest returns, whilst keeping risk within acceptable tolerances, is crucial to being able to generate sufficient income to support the General Fund and the Capital Programme. Small adverse movements in interest rates can mean a significant reduction in cash returns. Therefore, it is our aim to continue to maintain flexibility with a high level of security, liquidity and minimal risk when making investment decisions.

6. Risk considerations

6.1 The Local Government Act 2003, the Prudential Code and the Treasury Management Code of Practice include a key principle that the Council's appetite for risk is included in their annual Treasury Management Strategy and this should include any use of financial instruments for the prudent management of those risks and should ensure that priority is given to security and liquidity when investing.

6.2 The principal risks associated with treasury management are set out below:

	Risk	Mitigation
1	Loss of investments as a result of failure of counterparties.	Limiting the types of investment used, setting lending criteria for counterparties, and limiting the extent of exposure to counterparties.
2	That the Council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).	Ensuring that a minimum proportion of investments are held in short-term investments for cashflow purposes.
3	Increase in the net financing costs of the Council due to borrowing at high rates of interest.	Planning and undertaking borrowing and lending considering assessments of future interest rate movements, and by undertaking mostly long-term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).
	Risk	**Mitigation**
4	Higher interest rates increase borrowing making it more difficult to self-finance capital schemes. Debt servicing becomes less affordable and less sustainable and crowds out revenue spend.	To pause, delay or defer capital schemes. Also consider opportunities to borrow in the future at current interest rates.
5	Return on non-treasury investments lower than expected.	Review and analysis of risk prior to undertaking non-treasury investments.
6	The Council's Minimum Revenue Provision policy charges an insufficient amount to the General Fund to repay debt at a prudent level.	Align the Minimum Revenue Provision policy to the service benefit derived from the Council's assets.

7	Fraud associated with cash management.	These risks are managed through: • Treasury Management Practices covering all aspects of treasury management procedures, including cashflow forecasting, documentation, monitoring, reporting and division of duties • All treasury management procedures are transactions are subject to inspection by internal and external auditors. The Council also employs external treasury advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.
8	Increase in capital financing costs due to inflationary forces resulting in increased cost pressures on current capital projects and higher costs compared to approved budgets.	Regular monitoring of the Capital Programme through comparison to budgets.

7. Procurement considerations

7.1 None.

8. Legal considerations

8.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 impose certain obligations with regards to financial reporting by local authorities. In exercising powers under the Local Government Act 2003 the Council is required to give regard to the CIPFA Prudential Code for Capital Finance in Local Authorities.

8.2 This report assists the Council to comply with the obligations in the relevant legislation.

8 S151 Officer comments

8.1 The report complies with the regulatory requirement for a six-month Treasury Management update report to be provided to councillors and summarises Treasury Management Activity and highlights the impact of changes to Minimum Revenue Provision approach.

9 Monitoring Officer Comments

9.1 The Monitoring Officer confirms that all relevant legal implications have been taken into account.

10 Other considerations

10.1 The Council fully complies with best practice as set out in Chartered Institute of Public Finance and Accountancy (CIPFA) 2019 Treasury Management and Prudential Codes and in the Government's Guidance on Investments effective from April 2018.

10.2 Nothing in the Council's current strategy is intended to preclude or inhibit capital investment in local projects deemed beneficial to the local community, and which have been approved by the Council.

11 Equality and Diversity

11.1 No impact.

12 Sustainability/Climate Change Implications

12.1 The Council continues to review its ESG position with its advisers on a regular basis and has asked them to assist the Council to manage a transition over time towards a more environmentally sustainable portfolio.

13 Timetable for implementation

13.1 Not applicable.

Appendices:

Appendix A – Strategic Pooled Funds
Appendix B - MRP Policy

Appendix A – Summary of Prudential Indicators

PI ref	Para ref	Prudential Indicator	2024/25 Actual £m	2025/26 estimate £m	2025/26 forecast @ 30/9/2025 £m	RAG Indicator
1	2.4	Capital expenditure	33.1	7.4	7.4	G
2	2.8	Capital Financing Requirement	1,152.8	1,166.6	992.6	G
3	2.12	Net debt v. CFR - (under)/over borrowed	(83.6)	(146.6)	(404.3)	G
		Ratio of financing costs to net revenue stream (Affordability):				
4a	2.15	Excluding investment property income	315%	256%	318%	R
4b	2.16	including investment property	83%	67%	83%	R
5a	2.24	Authorised limit for external debt	1072.0	1,270.0	1,270.0	G
5b	2.24	Operational boundary for external debt	1072.0	1,170.0	1,170.0	G
6	2.29	Limit on surplus funds held for more than 364 days (i.e. non-specified investments)	56.0	70.0	70.0	G
		Maturity structure of borrowing				
7a	2.26	Upper limit under 12 months	2%	10%	2%	G
7b	2.26	Lower limit 10 years or more	85%	0%	83%	G

Appendix B – Minimum Revenue Provision Policy Statement for Spelthorne Borough Council

Introduction

1. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.

2. MRP is sometimes referred to as the mechanism for setting aside monies to repay external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the Council's own cash resources and no new external borrowing or other credit arrangement has been entered into.

3. Regulation 27 of the 2003 Regulations sets out a duty for local authorities to make a Minimum Revenue Provision (MRP) and Regulation 28 requires full Council to approve a MRP Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. This statement is designed to meet that requirement.

4. Regulation 27 (the duty to make revenue provision) was amended in April 2024 and takes effect from 7 May 2024, following a number of consultations. Key changes address some common practices used to underpay MRP, namely:

    - using proceeds from asset sales to replace the revenue charge; and
    - not making MRP on debt associated with investments.

5. In addition, the amendments to Regulation 27 include provisions for making MRP where a local authority borrows to lend the money onto a third party as a capital loan.

6. In setting a prudent level of MRP local authorities must "have regard" to guidance issued by the Secretary of State for Housing, Communities and Local Government. The latest version of this statutory MRP guidance, *Capital finance: guidance on minimum revenue provision* (5th edition), was issued by DLUHC (as it then was) in April 2024 to accompany the amendments to Capital Finance Regulations.

7. Paragraph 26 of the above statutory MRP Guidance explains that where a local authority proposes to deviate from statutory guidance and underpinning Codes of Practice, this has to be justified and agreed through the local authority's governance processes:

    Under statute, local authorities must have regard to these codes; "have regards to" has a specific meaning that local authorities should comply with the guidance unless, having duly considered the guidance, there is justifiable reason to depart from it. Decisions that do not "have regard to" relevant guidance may be susceptible to challenge.

8. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

9. The Guidance sets out four "possible" options for calculating MRP, as set out below,

Option	Calculation method	Applies to
1: Regulatory method	Formulae set out in 2003 Regulations (later revoked)	Expenditure incurred before 1 April 2008
2: CFR method	4% of Capital Financing Requirement	Expenditure incurred before 1 April 2008
3: Asset life method	Amortises MRP over the expected life of the asset	Expenditure incurred after 1 April 2008
4: Depreciation method	Charge MRP on the same basis as depreciation	Expenditure incurred after 1 April 2008

10. Two main variants of Option 3 are set out in the 2024 Guidance:

    (i) the equal instalment method and

    (ii) the annuity method.

11. The annuity method weights the MRP charge towards the later part of the asset's expected useful life. Whilst this method is increasingly becoming the most common MRP option for local authorities, paragraph 42 of the Informal Commentary on the Statutory MRP Guidance explains that this method could be used where the flow of benefits from an asset are expected to increase in later years and should not be used solely to resolve budgetary issues.

12. The 2024 Guidance also includes specific recommendations for setting MRP in respect of finance leases, investment properties and revenue expenditure which is statutorily defined as capital expenditure under the 2003 Regulations (also referred to as revenue expenditure funded from capital under statute or REFCUS). Examples of REFCUS include capitalised redundancy costs, loans or grants to third parties for capital purposes, and the purchase of shares in limited companies. Other approaches are not ruled out however they must meet the statutory duty to make prudent MRP provision each financial year.

13. With effect from 1 April 2024, MRP set aside requirements will also apply to "right of use" leased assets, following the introduction of IFRS 16.

Key changes from the 2024 amendments to Regulation 27

14. The key changes to Regulation 27 are:

    - explicit prohibition from using capital receipts in place of charging MRP to revenue,
    - a clear requirement to charge MRP on investments where these meet the statutory definitions of capital expenditure set out in Regulation 25,
    - a requirement to set aside MRP on all elements of the CFR.

15. Where loans have been advanced to third parties for a capital purpose on or after 7 May 2024, a local authority is now required to determine whether the loan is for a commercial purpose (i.e. principally advanced for financial return) or is a non-commercial loan:

    - for commercial loans MRP will be set aside using an asset life approach based on the expected useful life of the underlying assets being financed;
    - for non-commercial loans MRP will comprise:

(i) the principal element of any loan repayments received during the financial year and

(ii) the amount of any expected credit loss (ECL) recognised during the financial year. Any ECL recognised will not be spread over future years.

Minimum Revenue Provision (MRP) policy statement

16. Having regard to the new 2024 Guidance on MRP issued by DLUHC and the “options” outlined in that Guidance, the Council is recommended to approve the following MRP Statement to take effect from 1 April 2025:

MRP stream – General Fund	CFR at 31 3 2025 £000s	MRP 2025/26 £000s	Policy	Explanation	Change from previous policy?
Supported borrowing for capital expenditure incurred pre 2007/08	0	0	There is no MRP as the Council does not have any such borrowing	The Council has no such borrowing so no MRP requirement	The previous policy did not make clear that the Council did not hold any such borrowing and therefore no MRP would be due.
Unsupported capital expenditure incurred since 2007/08	1,069,757	57,644 (5.4%)	MRP will be calculated for: • Investment property on a straight-line basis. • All other asset categories on an annuity basis. Both approaches will use the expected useful lives of the assets (Option 3), subject to a maximum useful asset life of 50 years.	This complies with the Option 3 (Para 58(b)) of the Guidance and the requirement for maximum asset lives of 50 years.	The previous policy was based on an annuity approach which does not reflect the straight-line nature of the economic benefits provided by investment property to the Council.
MRP for “right of use” lease contracts.	2,692	607 (22.5%)	The amount of the MRP charge will be equal to the amount by which the balance sheet liability is written by the principal element of the annual payment (for leased assets)	This complies with para 80 of the MRP Guidance	The previous policy was to charge MRP on an annuity basis which did not reflect either the MRP Guidance or the pattern of expenditure under the contracts. The inclusion of liabilities in respect of right of use leased assets with effect from 1 April 2024 following the implementation of IFRS 16 will increase the amount of MRP charged but this will be offset by a reduction in the element of the unitary charge allocated to service cost.

MRP stream – General Fund	CFR at 31 3 2025 £000s	MRP 2025/26 £000s	Policy	Explanation	Change from previous policy?
Loans to third parties for a capital purpose advanced before 7 May 2024	44,846	950 (2.1%)	MRP will be calculated on a straight-line basis using the expected useful lives of the assets purchased by third parties (Option 3 – asset life), subject to a maximum useful asset life of 50 years and for modular/ prefabricated properties 40 years.	This complies with the Option 3 (Para 58(b)) of the MRP Guidance and the requirement for a maximum asset life of 50 years.	Hitherto MRP had not been charged and instead applied the principal element of any capital receipts received as MRP. In the years where with there was no principal repayment the policy was to charge MRP using the annuity method under Option 3. This policy did not comply with the statutory MRP Guidance then in force.
Loans to third parties for a capital purpose advanced on or after 7 May 2024	305	6 (2.0%)	**(a) Commercial loans** – MRP will be calculated on a straight-line basis using the expected useful lives of the assets purchased by third parties (Option 3 – asset life), subject to a maximum useful asset life of 50 years **(b) Non-commercial loans** – the principal element of loan repayments will be set aside as MRP. Where any expected credit loss is recognised in respect of that year or any previous year, the expected credit loss shall be charged to the General Fund as MRP.	This complies with the Option 3 (Para 58(b)) of the MRP Guidance and the requirement for a maximum asset life of 50 years. This complies with paras 72-78 of the MRP Guidance.	This makes the policy clearer in respect of commercial loans advanced. This makes the policy clearer in respect of non-commercial loans advanced.
General Fund CFR and MRP at 31 March 2025	**1,167,359**	**59,956 (5.1%)**			

17. Detailed policies applied to asset life identification, discount annuity rates and MRP commencement dates are set out below:

MRP stream – General Fund	Policy	Explanation	Change from previous policy?
Asset lives	Asset lives used for MRP calculations will be determined by the Council's RICS-registered valuers and will be consistent with the depreciation policies set out in the Council's annual Statement of Accounts. If no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life will be taken to be a maximum of 50 years	This complies with para 65 of the MRP Guidance.	Previously standard asset lives had been used which differed from those used for depreciation calculations.
Discount rate for use when applying the annuity method for calculating MRP under Option 3	MRP will be discounted using the PWLB new loan annuity rate, relevant to the asset life period, applicable on 1 April in the year when MRP commences	The MRP Guidance does not suggest what discount rate(s) to use. By specifying the PWLB new loan annuity rate at 1 April of the year in which MRP commences this provides a clearly evidenced trail to the discount rate to be used and reflects the type of borrowing undertaken by the Council.	Previously the Council had not disclosed how it selected the discount rate used in annuity calculations.
MRP commencement	MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory MRP Guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational.	This approach complies with para 63 and 64 of the MRP Guidance	No change in policy

Conclusion

18. Based on the above the Council's view is that by complying fully with the 2024 Statutory Guidance, it is making a prudent provision for MRP in line with the requirements of Regulation 28.

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Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1
Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing	**Yes**	**27/10/25 & 28/10/25**
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	**Yes**	**21/10/25**
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	**Date**
Risk comments	**LO**	**22/10/25**
Legal comments	**LH**	**21/10/25**
HR comments (if applicable)	N/a	N/a

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**21/10/25**
S151 Officer commentary – at least **5 working days before MAT**	**T.Collier**	**20/10/25**
Confirm final report cleared by MAT		

Corporate Policy & Resources Committee

Date of meeting – 11 November 2025

Title	Asset Rationalisation to underpin the revised Medium-Term Financial Strategy
Purpose of the report	To make a decision and make a recommendation to Council
Report Author	Terry Collier, Deputy Chief Executive
Ward(s) Affected	All Wards
Exempt	No Appendix 1 - Yes
Exemption Reason	Appendix 1 contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to Information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in any lease, contract or other type of negotiation with the tenant or developer, who could then know the position of the Council.
Corporate Priority	Statutory Direction issued May 2025
Recommendation	**Committee is asked to:** 1. Consider and agree the principle of Asset Rationalisation as set out in this report and recommend this to Council; 2. Approve the commencement of the procurement of a specialist adviser through an appropriate framework; 3. Delegate authority to the s.151 Officer and Group Head of Assets, in consultation with the Leader and the Deputy Leader, the Chair of the Commercial Assets Sub-Committee, and Chair of the Business Infrastructure and Growth Committee, to appoint the preferred bidder from the above procurement to assist in the implementation of an Asset Rationalisation Strategy; 4. Delegate authority to the Group Head of Corporate Governance to enter into a contract with the proposed advisers.
Reason for Recommendation	Full Council needs to approve any significant changes to the approved Treasury Management Strategy, Revenue and Capital Budgets for 2025/26, and any significant changes to Council's Medium-Term Financial Strategy. The Constitution requires that

	Corporate Policy and Resources Committee makes a recommendation on matters reserved to Council for decision.

1. Executive summary of the report

What is the situation	Why we want to do something
This report sets out proposed changes to the Council's Capital Strategy for 2025/26 which was approved by Full Council in February 2025.	Statutory Directions issued by MHCLG in May 2025 require the Council to implement *"..an asset rationalisation programme for assets and commercial investments."* (paragraph 2.2)
This is what we want to do about it	**These are the next steps**
Approve the principle of Asset rationalisation and procure specialist resource to progress its implementation	• Approve progressing an Asset Rationalisation Strategy as set out in this report • Rework the 2025/26 General Fund budget and Medium-Term Financial Plan accordingly • Conduct a procurement exercise in line with the Procurement Act 2023, to obtain specialist support for marketing and negotiating asset sales.

2 Key issues

2.1. Similar to the previous report on this Agenda, relating to Debt Rescheduling, this report is setting out a proposal to commence a strategy to both address the Best Value Directions (in this case undertaking an asset rationalisation programme) and to mitigate the impact of the proposed new Minimum Revenue Provision (MRP) policy and its associated higher annual MRP charges to the Revenue Budget.

2.2. The Council owns a substantial portfolio of commercial property which currently generates net rental income in excess of £45m per year. Until recently a programme of regeneration work was also under way with projects carried at cost in Balance Sheet and classified as Assets Under Construction. Expenditure on these projects was suspended in 2023/24 with the properties consequently reclassified as Surplus Assets and held for sale. Minimum Revenue Provision charges are now being applied to those assets.

2.3. Since May 2025 the Council has been under a Statutory Direction which requires, amongst other things, that it "implements *" an asset rationalisation programme for assets and commercial investments"* together with *" 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*". The Commercial and Regeneration themes of the Improvement and Recovery Plan are developing a programme for delivering an asset rationalisation programme. This programme informs the financial modelling.

2.4. Some asset disposals are already under way with the disposal of a commercial site in Sunbury and Thameside House in Staines under offer and approved by Council. This report seeks member approval to develop a more ambitious Asset Rationalisation Strategy with the aim of completing the rationalisation of commercial and regeneration assets by 31 March 2035.

2.5 **Capital Financing Requirement (CFR)**

This report refers to the CFR throughout. The CFR measures the extent to which a local authority has incurred capital expenditure which has not been financed. Financing is the setting aside of resources to fund capital expenditure and includes: capital receipts, capital grants, developer contributions and direct funding from revenue or earmarked revenue reserves. The CFR measures the underlying need to borrow.

2.6 When capital expenditure is incurred the CFR increases. When resources are set aside, the CFR reduces.

2.7 Paragraph 36 of the Statutory MRP Guidance states that

"the MRP charge must be calculated with respect to all capital expenditure financed by debt (and which has not yet been provided for). The appropriate measure for this is CFR as this is a complete measure of all capital expenditure which has not been funded by either capital or revenue resources."

3. Financial implications

3.1 Selling Investment Property will reduce a net revenue cost to the General Fund, particularly the MRP charge. The cash generated from asset disposals can be used to:

- repay borrowing
- reduce future interest charges, and
- reduce Minimum Revenue Provision (MRP) set aside.

3.2 The following is an example showing impact of a single asset disposal in 2026/27 following a refinancing exercise. The example assumes a reduced Capital Financing Requirement to £700m and interest payable on the refinanced debt of £700m at 4.5%.

3.3 Assuming a disposal of an asset for £50m takes place in March 2026:

Investment Asset Income and Expenditure 2025/26

2025/26 - Asset Sale in March 2026

	£m
MRP over 20 years (£1,100m / 20 years)	55.0
Interest at 5% on £700m	35.0
Landlord Costs	6.0
	96.0
Investment income of £40m	(40.0)
Early repayment discount credit spread over 10 years	(36.0)
	(76.0)
Net Revenue Budget deficit/(surplus)	**20.0**

2026/27

	£m	
MRP on reduced CFR of £1,050m (£1,050m / 20 years)	52.5	MRP Reduces by £2.5m
Interest on reduced borrowing at 5%	32.5	Interest Reduces by £2.5m
Revised landlord holding costs of £5m	5.0	Holding costs reduce by £1m
	90.5	
Investment income reduced on asset disposed £2m	(38.0)	
Early repayment discount credit spread over 10 years	(36.0)	
	(74.0)	
Net Revenue Budget deficit/(surplus)	**16.5**	

reducing the deficit by £3.5m

It can seen by from the above illustrative example that whilst income from investment assets reduces following the disposal of one asset this is more than offset by savings on interest and MRP charges.

3.4 Financial modelling suggests that a combination of debt rescheduling and asset sales could cumulatively benefit the General Fund by £37m over the next 10 years even after allowing for increased MRP set aside, as set out in Table 1 below:

Table 1 –Net impact of proposed debt restructuring, MRP changes and indicative asset sales

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	2031/32 £m	2032/33 £m	2033/34 £m	2034/35 £m	2035/36 £m	Total £m
MRP	59	41	39	30	30	30	31	31	32	32	9	364
Interest	29	26	26	22	21	20	20	20	20	20	6	230
Discount £361m in total	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	0	(360)
Net operating inc/exp on Investment Property	(44)	(38)	(36)	(22)	(20)	(20)	(22)	(23)	(23)	(23)	0	(271)
Net (surplus)/deficit to General Fund	**8**	**(7)**	**(7)**	**(6)**	**(5)**	**(6)**	**(7)**	**(8)**	**(7)**	**(7)**	**15**	**(37)**

3.5 However, it should be noted that the above modelling assumes a challenging but achievable timetable for both marketing and conveyancing process. If the timetable slips by 6 months, this would reduce the cumulative General Fund position from £37m to £12m over the same period.

3.6 Capital receipts from asset sales can also be applied to reduce the Council's CFR in line with the Statutory Direction now in place. Modelling summarised in Table 2 below, suggests that implementing the Asset Rationalisation Strategy set out above in conjunction with debt rescheduling and increased MRP set aside could reduce the Council's CFR from its current level of almost £1bn to £229m at 31 March 2036.

Table 2 - Impact of indicative asset sales on borrowing and the CFR

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Principal outstanding at year-end	588	533	475	460	445	430	415	399	383	114	114
CFR outstanding at year-end	988	892	689	662	634	605	577	547	518	236	229

MRP set aside would similarly reduce from £59m in 2025/26 to only £9m in 2035/36.

3.7 Given that the Council would still potentially have residual loan debt of £114m and CFR of £229m (see Table 2 above), it would be prudent to use all surpluses generated over the 10 year period to make additional revenue provision to reduce the CFR (over and above MRP) and to make additional repayments of loan debt. Potentially this could further reduce debt charges to c.£5m.

4 Options appraisal and proposal

4.1 A rationalisation programme of this size will be complex and will require detailed and specialist knowledge of both local and national property markets. Options available are as follows:

- **Option 1 -** Use internal resources to develop and implement an Asset Rationalisation Strategy. This is a less resilient option as increases reliance on a handful of internal skilled and experienced Assets staff

- **Option 2 recommended** – Agree the principle of implementing an Asset Rationalisation Strategy, and in order to progress this to employ the services of specialist agents to work with internal staff to market each asset and identify suitable purchasers. This is a more resilient option as reduces reliance on a handful of internal skilled and experienced assets staff and ensures the Council is achieving the best consideration for any disposals.
- **Option 3** – Agree the principle of asset and rationalisation and use internal resources to manage the process but appoint external specialists to deal with the operational aspects of rationalisation. This is a less resilient option as increases reliance on a handful of internal skilled and experienced assets staff

4.2 Using internal resources only runs the risk that the Council would be unable to achieve best consideration from asset sales because it would not have access to potential specialist markets, which a national external advisor would have and would slow the rationalisation programme through resource constraints.

4.3 Consequently, this report recommends that Option 2 is pursued and that the Council seeks external support from organisations with a successful track record of working with local authorities on asset disposal projects.

4.4 Engaging external specialist advice will incur additional cost. Regulation 23(h) of the local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, permits local authorities to charge directly attributable disposal costs (including external agents fees) against the capital receipt up to a maximum of 4% of the capital receipt. Experience at other authorities which have embarked on asset rationalisation programmes is that fees are usually less than 1% of the capital receipt.

5 Risk implications

5.1 Financial outcomes are sensitive to changes in both the timescales achieved for asset sales and to the value of disposal proceeds eventually realised. The model underpinning the proposals facilitates dynamic sensitivity analysis and scenario modelling. For example, a 25% reduction in sales values could reduce General Fund balances by up to 60% through a combination of:

- delayed reductions to MRP set aside, and
- delayed loan repayments leading to increased interest costs.

5.2 To manage and mitigate these financial risks it is recommended that the Council appoint external consultants to deal with the operational aspects of assets rationalisation. This additional capacity and specialist expertise should ensure that:

- the most favourable markets and prospective purchasers are accessed
- delays are minimised, and
- the best possible sales prices are achieved.

5.3 Further information about the proposed procurement process has been set out in Section 9.

5.4 It should also be recognised that not disposing of property that is not held for operational, or community benefit exposes the Council to some significant financial risks, as follows:

- current forecasts of future rental income assume buoyant demand for tenancies, low void levels and limited exposure to late payments or defaults. None of these factors can be guaranteed, and there are break clauses in some contracts which permit earlier termination by tenants and are likely to trigger new lease incentive arrangements.

- unanticipated future events such as pandemics, geo-political turmoil etc.
- rental income from commercial properties has historically covered interest charges and principal debt repayments as well as making a financial contribution to service delivery. Following on from the COVID-19 pandemic, this contribution has dropped considerably in recent years, and with the significant number of lease renewals and breaks coming up and is no longer being included in revenue budgets going forward.
- to remain in Grade A condition and be attractive to new and existing tenants, some properties will require extensive maintenance and improvement work, not all of which can be recovered from existing tenant service charges. These costs have yet to be fully modelled property by property (the recent business plans focused on a five year time horizon) and consequently for the purposes of the new model and are not fully reflected either in General Fund revenue and capital budgets or in the financial modelling which informs this report.
- the Council's portfolio of investment property and regeneration assets is currently estimated as having a realisable aggregate disposal value of £552m. This reflects a cumulative loss in the value of the investment property since the assets were initially purchased at a total cost (including fees and taxes) of £1.077bn. Whilst it is possible that the values of some sites might improve over time in the future, it is equally possible that some values would remain static or even reduce further, thereby creating additional revaluation losses over time. Values would remain static or even reduce further, thereby creating additional revaluation losses over time. over time. over time.
- As highlighted above, there is a risk around reliance on a small number of skilled Assets team members. Bringing in some additional external support improves resilience.
- if the rationalisation programme is not managed carefully there is a risk that the market could perceive the Council and its successor as a forced sale. To mitigate this the rationalisation programme will be delivered over the medium term, using appropriate specialist expertise and building on the experience of asset rationalisation programmes at other councils to ensure that the Council obtains best consideration from asset disposals.
- the Council's investment property portfolio contains a substantial number of voids (approximately 10.2% across the portfolio). Whilst this is below the South East regional average void rate of 18.9% (source MSCI Monthly Void Rate for Inner SE Offices 18.9% (as a % of ERV) – August 2025), it is still a substantial loss of rental income. Unless these can be re-let the Council will continue to lose potential income.
- these revaluation losses are not cash transactions, as they are taken to the Revaluation Reserve each year. However, they do affect the Council's Balance Sheet position, potentially increasing its negative net worth as currently reported at 31 March 2025.

6 Legal comments

6.1 Local authorities must follow a strict legal framework in relation to disposal of land and property. Under the Local Government Act 1972, the Council has a statutory duty to sell land at the best price reasonably obtainable, unless it has the express consent of the Secretary of State where undervalue exceeds £2m.

6.2 A “disposal” includes the sale of the freehold, granting a lease, assigning a lease and/or granting an easement. Entering into option agreements or sale and leaseback contracts are also deemed to be disposals.

6.3 In addition to the statutory framework controlling the ability to dispose of land and property, local authorities are public bodies and must follow a fair process in relation to decision-making. This must include taking account of:

- all relevant information and financial implications
- statutory duties and responsibilities
- local decision-making requirements as set out, for example, in the Council’s Constitution, Financial Regulations and other codes of practice
- the duty to act reasonably and to make decisions in line with Council policies which have been properly approved.

6.4 The proposed award of the contract to the specialist external advisor must be in accordance with the Council’s Contract Standing Orders and the Procurement Act 2023.

6.5 To ensure that these requirements are complied with in full it is recommended that in addition to approving the Asset Rationalisation Strategy set out in this report, each individual asset sale is also subject to member approval by reporting to the Corporate Policy and Resources Committee and to Council.

7 S151 Officer comments

7.1 Clearly as set out in the report, approving and implementing an Asset Rationalisation Strategy as proposed will have significant financial implications, which are set in this report and the proposal needs to be carefully considered. This is why appropriate expertise will be brought in to support the process. The Commercial Assets Sub-Committee, including input from its independent lay member will be closely involved in evaluating asset rationalisation proposals. Additionally Audit Committee will review and monitor the process to ensure appropriate risk mitigation arrangements are in place. Key to successful implementation of this plan will be delivering asset sales at current valuation level (at a minimum) and within the timescales assumed by the financial modelling.

7.2 It should also be noted that sales of Investment Property will remove a significant part of the stream of rental income which historically has been used by the Council to support service budgets as well as to cover loan interest costs. These changes will need to be reflected in the Medium-Term Financial Plan provided in the later report on this Agenda as part of the Council’s mid-year Budget review.

8 Monitoring Officer comments

8.1 The proposed approach as set out in this report represents a course of action which intends to meet the requirements of the Statutory Direction issued in May 2025.

8.2 As the proposed Asset Rationalisation Strategy will have a significant impact on 2025/26 Revenue and Capital budgets as well as the Medium-Term Financial Plan, it represents a decision which will need to be approved by Full Council. However, the proposals included in this report must first be considered by the Corporate Policy and Resources Committee in line with decision-making arrangements set out in the Council's Constitution.

9 Procurement

9.1 A rationalisation programme of this size will be complex and will require detailed and specialist knowledge of both local and national property markets. Options available are as follows:

- Option 1 - Use internal resources to develop and implement the asset rationalisation strategy
- Option 2 - Use internal resources to manage the process but following an appropriate procurement process appoint external specialists, with specific market knowledge to deal work with the Council internal resources.

9.2 This report recommends that Option 2 is pursued and that the Council seeks external support from an organisation with a successful track record of working with local authorities on asset rationalisation projects. Given the time sensitivity in achieving the most favourable outcome and the resulting urgency of progressing this workstream, in the context of Local Government Reorganisation and the Best Value Directions, it is recommended that subject to complying with the framework conditions, the Council appoints through an appropriate framework. The specialists' key tasks would include:

- advising on how best to dispose of Council assets
- arranging condition and site surveys
- advertising land and property for sale
- proactively identifying and contacting potential purchasers and completing due diligence work
- negotiating sale prices, terms and conditions on the Council's behalf
- undertaking value for money assessments
- liaising with legal advisers, valuers etc.
- liaising with, and reporting to, Council officers and elected members.

9.3 Procurement of these services will be carried out in compliance with Council's Contract Standing Orders and with the Procurement Act 2023.

9.4 Fees paid to external consultants will be determined as part of the procurement process, which will evaluate (amongst other things):

- total fees payable as a percentage of asset sale price
- incentivisation arrangements, and
- impact (if any) on revenue budgets.

9.5 Before commencing any formal procurement procedure, the Council will consult with its existing advisers, other local authorities and independent experts with a view to:

- preparing accurate and appropriate procurement documentation, and
- identifying any suitable framework contracts that might be available or already in place.

9.6 This process is an appropriate part of the procurement procedure so long as it does not violate the key principles of non-discrimination and transparency.

10 Equality and Diversity

10.1 There are no specific issues relating to equality and diversity that need to be addressed as part of this report.

11 Sustainability/Climate Change Implications

11.1 There are no climate change implications arising directly from this report.

12 Other considerations

12.1 Rationalisation of the Council's investment property and surplus assets portfolio is part of a wider strategy to implement the Statutory Direction issued by MHCLG in May 2025.

12.2 Other actions to be taken include a new MRP Policy Statement and Debt Rescheduling initiative which will be the subject of separate decision-making reports at November 17th Council meeting but need to be considered in terms of their overall impact on the Council's financial position, as set out above.

13 Timetable for implementation.

13.1 To be implemented as part of the Commercial Theme of the Improvement and Recovery Plan.

14 Contact

14.1 Terry Collier, Deputy Chief Executive

T.Collier@spelthorne.gov.uk>

15 **Background papers and Appendices**

None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Council – 11 December 2025

Capital Monitoring Report

This item was considered at the Corporate Policy and Resources Committee on 01 December 2025 and it was **resolved** to:

Recommend to Council that it approves a supplementary capital estimate to the Capital Programme for 2025/26 of up to £1.9m, for acquiring housing units to be part funded by Local Authority Housing Fund Grant Funding. This would create a borrowing need of £1.05m and an annual financing requirement of about £70k per annum.

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Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1
Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing		
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)		
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Risk comments		
Legal comments	**LH**	**27 Nov 25**
HR comments (if applicable)		

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**27/11/25**
S151 Officer commentary – at least **5 working days before MAT**	**T Collier**	**26/11/25**
Confirm final report cleared by MAT		

Corporate Policy & Resources Committee

Date of meeting – 1 December 2025

Title	Quarter 2 (30 September 2025) Capital Monitoring Report
Purpose of the report	To acknowledge
Report Author	Ola Owolabi, Deputy Chief Finance Officer (Interim)
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	**Committee is asked to:** **1. Recommend to Full Council that it approves** • A supplementary capital estimate to the Capital Programme for 2025/26 of up to £1.9m, for acquiring housing units to be part funded by Local Authority Housing Fund Grant funding. This would create a borrowing need of £1.05m, and an annual financing requirement of about £70k per annum.
Reason for Recommendation	Local authorities are required to estimate their total capital expenditure when setting prudential indicators for capital investment. This process ensures that their asset management and capital investment strategies remain affordable, prudent, and sustainable. Capital expenditure carries significant risks and uncertainties, as large and complex projects are often susceptible to cost variations, delays, and changes in scope or specification.

1 Executive summary of the report

What is the situation	Why we want to do something
• The Council is projecting an increased in gross Capital expenditure of £2.795m • £1.55m of the above is funded from Government grant • Report also reflects £0.995m of Sports England grant carried forwards from 20245 • Balance of £0.25m projected as additional internal financing required at year end from borrowing	• Ensuring the financial stability of the Council • To aid the cashflow and the Council's treasury management activities.
This is what we want to do about it	**These are the next steps**
• Regular monitoring and reporting of Capital Programme and funding enable timely decision-making, which can generate long term revenue benefits and improve the Council's financial control.	• Reassessment of 2025/26 and future Capital Programme assumptions • Council to approve requested supplementary estimates.

2 Key issues

2.1 This report provides a summary of Capital Programme expenditure as at the end of September 2025. Detailed supporting information is included in Appendix A.

2.2 Any material changes to project scope, or any forecast increase in project costs exceeding the approved budget, must receive prior approval from the Corporate Policy and Resources Committee (CPRC) before any further funds are released.

2.3 The main movements in the Programme between Q1 and Q2 relate to the proposal to deliver three additional Temporary Accommodation (TA) housing units within the borough, as well as the acquisition of one further property for an Afghan refugee family. The Urgent Action for LAHF Round 3 Extension Funding capital expenditure of £1.9m and a net cost of £1m was agreed by the Corporate Policy and Resources Committee at its meeting on 24 March 2025 to be recommended to April Council. The approval was on the basis that the acquisitions would ease pressures on the Councill Temporary Accommodation Revenue Budget, and any acquisitions proposals would be brought to Corporate Policy and Resources Committee with supporting viability analysis. Whilst this was approved by a subsequent Urgent Action, the provision had not been picked up and added to the Original Capital Programme, this report now addresses this.

2.4 Full Council, at its meeting on 27 February 2025, approved a four-year Capital Programme for 2025/26 to 2028/29 with a total value of £18.5 million, of which £7.5 million was estimated to be spent in 2025/26. The Corporate Policy and Resources Committee, at its meeting on 8 September 2025, considered and approved the Quarter 1 monitoring report, which revised the 2025/26 Capital Programme to £6.519m.

2.5 The report sets out managers' projected outturn estimates at 30 September 2025 for the completion of ongoing projects (Appendix A). The overall movements and the projections are summarised in Table 1 below.

Table 1	**£000**	**£000**
Q1 Revised Capital Programme Budget (Gross Expenditure) 2025/26		**6,519**
Q2 Movements – (para 2.8)		
Variations/Growth items		
Cost of Disabled Facilities Grants	710	
Property acquisitions for families - approved by Urgent Action and to be added in to Programme Provision	1,900	
Spelthorne Leisure Centre Development	20	
Spelthorne Leisure Centre Phase 2	73	
Sunbury Leisure Centre Decarbonisation Project	82	
EDMS Project (moving Civica to Academy)	10	
Total gross expenditure changes		2,795
Q2 Projected Capital Programme 2025/26		**9,314**
Movement in Gross Expenditure		2,795
Expenditure movement partially offset by movement in external funding:		
Local Authority Housing Fund Capital Grant	(855)	
Additional Disabled Facilities Grant (DFG) funding	(695)	
Sports England Grant carried forwards from 24-25	(995)	
		(2,545)
Underlying increase to be funded internally from borrowing/receipts		**250**

2.6 **Explanations of movements between Q1 and Q2 Monitoring**

- **Cost of Disabled Facilities Grants Gross variance £710k** –the underlying gross expenditure on the programme is now forecast to exceed the original estimate by approximately £710k, primarily due to higher levels of demand and activity. This additional spend is largely offset by an increase in external grant funding of around £695k, resulting in a net movement in internal financing impact for the Council.

- **Property acquisitions for families £1,900k –**the Council's Property Acquisitions for Families Scheme is aimed at increasing the availability of suitable housing for families in need addressing the need for Temporary Accommodation (TA). Under this scheme, the Council require additional resources approved by the committee on 24 March 2025 for the purchase of four properties (Three TA and one resettlement for an Afghan family) at a total cost of £1.9 million. Funding will be supported through the Local Authority Housing Fund (LAHF) Grant, which will contribute 45% (£855k) of the total cost. The remaining £1,045k will be financed by the Council through borrowing. This targeted investment will enhance the Council's housing portfolio, support families requiring stable accommodation, and contribute to meeting local housing demand by easing the pressure on the Council's Revenue Temporary Accommodation Budget. This Committee agreed on 24th March 2024 (following Community Wellbeing and Housing Committee on 12th March supporting the proposal) to make a recommendation to Council for £1.9m but through an oversight the recommendation was not taken to Council in April. Two housing units to date have been purchased with the support of the grant. If the grant were to be fully applied net borrowing of £1m at say 5% that would equate additional interest of approximately £50k per annum, plus Minimum Revenue Provision of approximately £21k per annum (on an assumed useful life of 50 years per unit). This would be offset by savings on the Temporary Accommodation Budget per annum of approximately £86,000.
- **Spelthorne Leisure Centre Development £20k –** the Centre itself was completed during the 2024/25 financial year the new centre represented a significant investment by the Council in enhancing local leisure and wellbeing facilities. However, following completion and handover, a number of minor but essential post-construction issues have been identified. These relate primarily to defect rectification necessary to ensure the facility operates at its intended standard. As such, additional ad hoc costs in the region of £20k will be incurred, which were not originally anticipated within the project's final budget.
- **Spelthorne Leisure Centre Phase 2 £73k -** The increased expenditure of £73k relates primarily to unforeseen ground conditions encountered following the completion of demolition works. During this stage, additional ground works were required to ensure the stability and suitability of the site for construction. Furthermore, asbestos-containing materials were identified and safely removed in full compliance with health and safety regulations. These unanticipated requirements were essential to maintain project safety standards and regulatory compliance, resulting in the necessary budget adjustment to cover the additional works.
- Electronic Document Management System (EDMS) Project (Migration from Civica to Academy) £10k - Additional expenditure has arisen due to migration delays.

Sunbury Mechanical Electric and Plant (MEP)/ Decarbonisation £82k

2.7 In March 2023, as part of the Spring Budget, the Government announced a £60 million Swimming Pool Support Fund (SPSF) to assist publicly owned leisure centres and swimming pools. Building on wider environmental improvements already implemented at Sunbury Leisure Centre, Spelthorne Borough Council engaged a specialist consultancy to prepare a bid aimed at significantly reducing the Centre's carbon footprint.

2.8 As a result of this bid, in March 2024 Spelthorne Borough Council secured £995k in grant funding from the UK Government and Sport England to support the decarbonisation of Sunbury Leisure Centre.

2.9 The Sport England grant funding must be fully spent by March 2026. This represents an extension from the original deadline of March 2025. Sport England has confirmed that no further extensions will be granted beyond March 2026. Therefore, all projects must be completed by the end of March 2026 to ensure compliance; otherwise, any unspent funds will need to be returned. The assets/project team is confident that the March 2026 deadline will be achieved. The boilers are being replaced with more efficient boilers and photo-voltaic cells are being installed on the roof.

2.10 While the project is primarily being funded by Sport England, an additional £146k in consultant costs are now required to carry out a review of the original design and specification, ensuring that the proposed solutions are robust, efficient, and deliver best value. Of this amount, £64k has already been included in the existing budget, meaning an additional £82k will be required to meet the full consultancy costs and maintain project quality and compliance with decarbonisation objectives.

3 Options appraisal and proposal

3.1 To note the Capital expenditure projected gross capital expenditure is projected to increase by £2.8m compared to original Programme provision. Additional/carried forward grant funding of £2.55m, which means the net additional projected internal financing requirement at year end is £0.25m.

3.2 To prioritise future capital expenditure to ensure it remains within the current affordability envelope. It is important to consider the potential impact on the revenue budget of any increase in borrowing that may be required to support new capital project proposals.

4 Risk implications

4.1 The key risks associated with the Council's Capital Programme relate to rising costs, as the construction industry continues to experience significant inflationary pressures on both materials and labour. Although interest rates have begun to ease, challenges remain in identifying the most cost-effective methods of funding high-value, long-term projects.

4.2 The risk of failing to deliver the Capital Programme will be mitigated through regular programme reviews led by a senior officer responsible for improving performance. Risks specific to individual schemes are identified within the original business case, and any emerging risks to deliverability will be highlighted as part of the ongoing scheme review process.

4.3 Where service project leads identify schemes facing difficulties or increased delivery risk, these will be subject to enhanced scrutiny and, where appropriate, escalated to the Management Team (MAT) for consideration and action.

4.4 There is a significant risk associated with the Sunbury Leisure Centre Decarbonisation Project in relation to project timelines. Should the project experience delays or fail to meet the agreed completion milestones, there is a possibility that the allocated £995k grant funding will be withdrawn. In this event, the grant would need to be returned to the project sponsor, Sport England, resulting in a substantial financial loss to the Council and potentially impacting the overall delivery and scope of the decarbonisation objectives.

5 Financial implications

5.1 This report provides the Quarter 2 Capital Programme Monitoring position to the end of September 2025, outlining the forecast outturn and progress against the approved Capital Programme. The Council has robust systems in place for budget reporting and forecasting, with formal quarterly reports presented to Committee. The financial position is also subject to regular review at both service level and corporately by the Management Team (MAT).

5.2 On completion of a project, any underspend within the approved Capital Programme can be reinvested by the Council either to generate additional treasury management income or to support the delivery of further capital schemes.

5.3 The Capital Programme is financed from several sources, including Council borrowing, capital receipts, grants, and revenue contributions. Where capital expenditure is funded through borrowing, the Council must set aside resources to repay the debt in future years. The amount charged to the revenue budget for this purpose is referred to as the Minimum Revenue Provision (MRP).

5.4 Approving the £1.9m supplementary estimate for Local Authority Housing Fund. Two units have been purchase to date at a combined cost of £0.769m. If 4 units were to be purchased at a cost of up to £1.9m with net borrowing of £1m at say 5% that would equate additional interest of approximately £50k per annum, plus Minimum Revenue Provision (which would commence from 1st April 2026) of approximately £21k per annum (on an assumed useful life of 50 years per unit). This would be offset by savings on the Temporary Accommodation Budget per annum of approximately £86,000. If the Council does not proceed with the purchase of a further two units, then the balance of the grant would be returned to MHCLG. The housing units financed by the LAHF grant would, as with previous LAHF acquisitions, transfer to Knowle Green Estates who would then make loan and interest repayments offsetting the Revenue financing impact for the Council

6 Legal comments

6.1 The Council has a statutory duty to make arrangements for proper administration of its financial affairs (the Local Government Act 1972).

6.2 This Committee has a responsibility to keep the budget under review and make recommendations concerning the budget to the Council.

6.3 This report provides an update on the Capital Programme and assists in the discharge of this duty.

Corporate implications

7 S151 Officer comments.

7.1 The report highlights a net projected gross increase in expenditure of ££2.795million against a revised Capital Programme budget of £6.519m million, this reflects increased demand for DFG support and the gross impact of implementing the further 4 LAHF acquisitions. £1.55m of this additional gross cost will be offset through additional Government funding resulting in an increased need for Council internal financing from borrowing of £1.245m projected at year end. As this is the second monitoring report of the financial year, the figures are subject to change and will continue to be monitored and reviewed through subsequent quarterly reports.

8 Monitoring Officer comments.

8.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

9 Procurement comments

9.1 Where necessary, actions will be implemented to effectively manage any procurements that are in progress.

10 Equality and Diversity

10.1 Equality, diversity, and inclusion (EDI) are central to everything that the Council does and are woven throughout Council's Corporate Plans.

11 Sustainability/Climate Change Implications

11.1 There are no climate change implications arising directly from this report. However, prudent financial management contributes indirectly by enabling future investment in sustainability initiatives. Capital bids are welcomed that support the Council's Climate Change Plan and within the existing Capital Programme there are projects that positively contribute to environmental issues. The environmental and climate implications, both positive and negative, are reported for each scheme separately to the relevant Committee.

11.2 The Programme also includes projects that focus on environmental initiatives such as energy efficient buildings, sustainable and green infrastructure, energy efficient street lighting, etc.

12 Other considerations

12.1 Regular monitoring and reporting of the capital programme enable decisions to be taken in a timely manner, which may produce benefits and will improve financial control within the Council.

13 Timetable for implementation.

13.1 Not applicable.

14 Contact

14.1 Ola Owolabi, Deputy Chief Finance Officer (Interim) - O.Owolabi@spelthorne.gov.uk.

15 Background papers:

15.1 Detailed Capital Programme Report for 2025-26 – Council meeting on 27 February 2025.

15.2 Corporate Policy and Resources Committee 24/3/25 Local Authority Housing Fund

Appendices:

- Appendix A – 2025/26 Detailed Q2 Capital Monitoring report

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Appendix A - Detailed report

Q2 CAPITAL MONITORING REPORT FOR THE YEAR 2025/26

Portfolio / Service Head	Description	Revised Budget 2025/26 £	Actuals YTD 2025/26 £	Revised Budget vs Actuals Variance £	Managers Projected Outturn at 31 MARCH 2026 £	Budget vs Forecast Variance £	Comments
Housing Investment Programme							
Community Wellbeing & Housing- DFG Annual Programme							
Karen Sinclair	Disabled Facilities Grants Mandatory	943,000	989,978	(46,978)	1,653,344	710,344	The underlying gross expenditure on the programme is now forecast to exceed the original estimate by approximately £710k, primarily due to higher levels of demand and activity. This additional spend is largely offset by an increase in external grant funding of around £695k, resulting in a net movement of £15k overall
	Disabled Facilities Discretion	-	531		531	531	
	Cost of Disabled Facilities Grants	**943,000**	**990,509**	**(46,978)**	**1,653,875**	**710,875**	
Community Wellbeing & Housing							
Karen Sinclair	Property acquisitions for families	-	5,680	(5,680)	1,900,000	1,900,000	The projection is to purchase 4 properties under this scheme. To date, 2 properties have been acquired. There will be further spent of £500k for two 2-bed properties which will be covered in 45% by the grant .
	Cost of LAHF	**-**	**5,680**	**(5,680)**	**1,900,000**	**1,900,000**	
Environment & Sustainability							
Jackie Taylor	Car Park Management System	192,000	88,323	103,677	192,000	-	The car parks management system is currently being installed, there is likely to be little change on the proposed revised budget reported last month.
Jackie Taylor	Car Park Management & Issue System	50,000	0	50,000	50,000	-	
Jackie Taylor	Electric Van for JET	180,000	0	180,000	180,000	-	Currently going out to tender and it will be delivered and paid by the end of this financial year.
Jackie Taylor	Replacement machinery for parks maintenance	0	0	-	-	-	Resources no longer required.
Jackie Taylor	Replacement of Electric Van for Ground Maintenance	105,000	0	105,000	105,000	-	Currently going out to tender and it will be delivered and paid by the end of this financial year.
Jackie Taylor	Replacement of Recovery and Service Vehicle	38,000	0	38,000	38,000	-	Currently going out to tender and it will be delivered and paid by the end of this financial year.
Jackie Taylor	HVO/Diesel tanks Depot & Nursery	90,000	0	90,000	90,000	-	Currently going out to tender and it will be delivered and paid by the end of this financial year.
Jackie Taylor	River Ash Broadwalk	880	0	880	-	(880)	This expenditure will be transferred into revenue as it relates to routine maintenance.
Jackie Taylor	Wheelie Bins - annual programme	55,000	0	55,000	55,000	-	
Jackie Taylor	Garden Waste Bins	60,000	0	60,000	60,000	-	
	Environment & Sustainability Committee Total	**770,880**	**88,323**	**682,557**	**770,000**	**(880)**	
Corporate Policy & Resources							
Coralie Holman	Spelthorne Leisure Centre Development Phase 1	0	(693,190)	693,190	20,000	20,000	Project completed in 2024/25 but there are further ad hoc costs that were not anticipated and relate to rectifying defects.
Coralie Holman	Spelthorne Leisure Centre Phase 2	2,499,000	782,935	1,716,065	2,572,000	73,000	The increased spent is in relation to additional ground works and removal of asbestos which was discovered once the demolishing works had been completed.
Coralie Holman	Elmsleigh Centre new lifts	252,000	102,645	149,355	252,000	-	
Coralie Holman	Sunbury Leisure Centre Mechanical and Electrical Plant (MEP)	1,000,000	13,725	986,275	1,000,000	-	The M&E works project has been delayed pending resolution of decarb project issues. Therefore, works have not yet been instructed.
	Eclipse Leisure Centre Balustrade/External Walkways	50,000			50,000	-	In year Members request re the Eclipse Leisure Centre External Walkway handrails and planting.
Coralie Holman	Production of strategy to inform about disposal or redevelopment options	50,000	0	50,000	50,000	-	It relates to Staines Town Centre as part of implementation & recovery plan under the Master Plan (Planning).

Q2 CAPITAL MONITORING REPORT FOR THE YEAR 2025/26

Portfolio / Service Head	Description	Revised Budget 2025/26	Actuals YTD 2025/26	Revised Budget vs Actuals Variance	Managers Projected Outturn at 31 MARCH 2026	Budget vs Forecast Variance	Comments
		£	£	£	£	£	
Coralie Holman	Demolishing of Kingston Road	100,000	0	100,000	100,000	-	Demolition of 31 Kingston Road is delayed and demolition has resulted in the movement of associated costs to a later period.
Coralie Holman	Sandhill Meadow Bridge	180,000	0	180,000	180,000	-	
Coralie Holman	Sunbury Leisure Centre Decarbonisation Project	64,000	(9,051)	54,949	146,000	82,000	This project is funded from Sports England and expected to be completed by March 2026. However, there will be additional consultants cost of £146k to incur after carrying a peer review on the original design and specification.
	Assets	**4,195,000**	**197,065**	**3,929,833**	**4,370,000**	**175,000**	
Alistair Corkish	General Hard/Software - annual programme	442,000	240,153	201,848	442,000	-	
Alistair Corkish	Mobiles	4,000	0	4,000	4,000	-	£8000 commitment
Alistair Corkish	Members Tablets	11,000	0	11,000	11,000	-	
Alistair Corkish	Replacement of Access Points	21,000	0	21,000	21,000	-	
	ICT	**478,000**	**240,153**	**237,848**	**478,000**	**-**	
Sandy Muirhead	Solar Canopy for Eclipse Leisure Centre	0	0	-	-	-	In light of the revised design, timeline, and the contextual factors, senior officers are of the opinion that the project should be cancelled.
	EDMS Project (moving Civica to Academy)	0	0	-	10,000	10,000	The project is not yet completed. There may be further additional charges as Capita want to charge for delays (of their making) and a second import. The Council is debating the additional charges with the Capita account manager.
	Integration of document viewer in the Customer Portal	20,000			20,000	-	
Sandy Muirhead	Council website upgrade	41,800	34,000	7,800	41,800	-	
Sandy Muirhead	Capita API Webcapture Integration	70,000	15,600	54,400	70,000	-	
	Commissioning and Transformation	**131,800**	**49,600**	**62,200**	**141,800**	**10,000**	
GRAND TOTAL GROSS EXPENDITURE		**6,518,680**	**1,571,329**	**4,859,780**	**9,313,675**	**2,794,995**	

		Revised Budget	Actuals YTD	Revised Budget vs Actuals Variance	Managers Projected Outturn at	Budget vs Forecast Variance	
		£	£	£	£	£	
	Funding						
	Grants received from Central Government						
	DFG - Grants	(943,000)	(1,187,308)	244,308	(1,638,326)	(695,326)	
	Local Authority Housing Fund Grant	-	(855,000)	855,000	(855,000)	(855,000)	
	Grants received from Sports England		(994,883)	994,883	(994,883)	(994,883)	The grant of £994,590 was received in 2024/25
	Other Financing						
	Borrowing/Capital Receipts- year end	(5,575,680)			**(5,825,466)**	(249,786)	
	Total Financing	**(6,518,680)**	**(3,037,191)**	**2,094,191**	**(9,313,675)**	**(2,794,995)**	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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URGENT ACTION TO APPROVE
Local Authority Housing Fund Round 3 Extension Allocation
25 February 2025

In accordance with the Terms of Reference, the Corporate Policy and Resources Committee (CPRC) is to be responsible for decisions to adopt new policies or make changes to previously approved policies, falling outside the Policy Framework, where there are significant budgetary implications.

CPRC is also responsible for decision making where there is a conflict in respect of matters that cross the remits of two or more strategic committees.

The appropriate committee therefore for this decision would be CPRC. However, the next scheduled meeting is on 24 March 2025. Ministry of Housing, Communities and Local Government (MHCLG) have requested an acceptance decision by 5pm Wednesday 26th February 2025.

Delaying the acceptance decision until the next CPRC meeting on 24 March will mean that the Council will be placed at risk and will not receive the further funding allocation from MHCLG.

Background

Since December 2022, there have been several rounds of the Local Authority Housing Fund (LAHF) for local authorities to obtain accommodation for families who have arrived in the UK fleeing the war in Ukraine and those on Afghan resettlement and relocation schemes who supported UK efforts in Afghanistan. LAHF has also been offered to assist local authorities with acquiring more high-quality local temporary accommodation for homeless families owed a homeless duty. Properties acquired by the Council have been subsequently transferred to Knowle Green Estates Ltd (KGE), the Council's wholly owned affordable housing company

The Council has participated and been successfully allocated funding from previous rounds of LAHF, including the most recent round 3 allocation. At the end of December 2024, MHCLG announced an opportunity to reallocate funding from the existing budget (£450m) as part of an extension to round 3. The Council submitted an expression of interest to participate further.

MHCLG has assessed the application and confirmed a final funding allocation on Friday 21st February 2025 for 3 additional units of temporary accommodation (2-4+ bedrooms) and 1 large resettlement home (4+ bedroom). This is in addition to the 11 properties (9 temporary accommodation and 2 for resettlement) already acquired by the Council under LAHF round 3, bringing the overall total up to 15.

As with previous rounds of LAHF, the Council is expected to part fund or finance some of the required capital cost. To reflect on the local housing markets, the temporary accommodation base grant per property is calculated as 40% of the median property price in the council area, for large resettlement properties, the amount of grant per property is calculated as 50%. In addition, £21,000 per property is provided as revenue funding to cover the cost of delivery e.g. refurbishment. MHCLG expect all homes delivered through LAHF to be affordable housing to support wider local authority housing and homelessness responsibilities. A full financial viability analysis will be undertaken before a decision would be made to progress with acquisition, MHCLG have advised that the Council will receive an additional £847,725 in 2025/26 towards purchasing the additional 4 properties under LAHF round 3.

MHCLG have invited local authorities to make a decision of acceptance by 5pm Wednesday 26th February 2025. A signed Memorandum of Understand (MOU) for LAHF round 3 (Appendix A) must be signed and returned by 5pm Friday 28th February 2025 to ensure payment in March or by Friday 14th March 2025 to ensure payment by end of April. The deadline for LAHF round 3 delivery is 31st March 2026. Given the success of previous delivery, this deadline is considered realistic.

A report will be presented to the next CPRC meeting and will seek a recommendation to approve property acquisitions and the subsequent transfer to KGE.

The MOU is not intended to create legal or binding obligations. It describes the understanding between the parties for the use of the funding. The directors of KGE will be required to pass a resolution that KGE agree to adhere to the terms of the MOU. The agreed funds will be issued to the Council as grant payments under section 31 of the Local Government Act 2003. The Council may pass on the funding to a third party such as its housing company to purchase the properties complying with the Subsidy Control Act 2022.

It is in the best interests of the Council to utilise the grant funding offered by MHCLG to acquire local temporary accommodation as the Council faces a significant and increased homelessness demand, and private emergency accommodation placements incur substantial costs.

Proposal

The Council to approve the funding allocation from MHCLG and enter into the MOU.

Recommendation

Under Part 3(a) of the Council's Scheme of Delegations… "In order to enable an urgent decision to be made, the Chief Executive has delegated power to take any decision which is so urgent that it cannot wait until the next scheduled meeting of the Council or relevant Committee and where the decision is not in contravention of established policies. In following this procedure, the Chief Executive is required to consult with the relevant Committee Chair and Vice-Chair. The use of such urgent action must be reported to the next relevant Committee meeting".

In light of the urgent need for the MOU to be entered into this decision cannot wait until the Corporate Policy and Resources Committee on 24 March 2025.

Please could you therefore confirm that you will give approval to authorise this urgent action to enter into the MOU with MHCLG. If you are mindful to authorise this action, the Strategic Housing Lead will ensure that the action taken is noted on the Corporate Policy and Resources Committee agenda for its next meeting.

I confirm that I give my delegated authority to take urgent action to agree to the Council approving the funding allocation from MHCLG and for the Interim Group Head of Corporate Governance to enter into the MOU for the reasons summarised in this note. I can confirm that I have consulted with the Chair and Vice Chair of the relevant Committee, and they are in full agreement.

Chief Executive

26 February 2025

Date

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ADDENDUM TO THE MEMORANDUM OF UNDERSTANDING

Between

Ministry of Housing, Communities and Local Government

-and-

Spelthorne Borough Council

1. **Addendum Purpose**

1.1. This is an addendum to the Memorandum of Understanding agreed between the Ministry of Housing, Communities and Local Government ('MHCLG') and Spelthorne Borough Council ('the Council') on 11/8/2024 ('the MOU') for delivery of the Local Authority Housing Fund – third funding round ('LAHF R3'.)

1.2. This addendum outlines the agreement between MHCLG and the Council to increase the delivery target, total allocation and tranche payment allocations outlined in the MOU. This addendum should be read in conjunction with the MOU and does not make changes to any other agreements set out in the MOU.

2. **Updated Delivery Target and Funding Allocation**

2.1. MHCLG has accepted the Council's EOI plan to provide 4 homes under LAHF R3 of which 0 homes shall be new homes, and MHCLG will provide £847,725.

2.2. Therefore, the Council will provide a total of 15 homes ('the delivery target') under LAHF R3, of which 7 homes shall be new homes ('the new homes delivery target'), and MHCLG will provide a grant of £2,638,491 ('the total allocation').

2.3. The total allocation will be provided as £1,134,756 in 2024-2025 ('the Year 1 allocation') and £1,503,735 in 2025-2026 ('the Year 2 allocation'). The Year 1 allocation includes the revenue grant.

2.4. The Council agrees the following targets to deliver at least:

- 5 properties **(1 bed)** to be allocated to households that meet the **TA element** eligibility criteria outlined in section 5.1 of the Prospectus.

- 4 + 3 additional properties = 7 total properties to be allocated to households that meet the **TA element** eligibility criteria outlined in section 5.1 of the Prospectus.

- 0 properties **(1 bed)** for households that meet the **R3 resettlement element** eligibility criteria outlined in section 5.2 of the Prospectus.

- 1 + 0 additional properties = 1 total properties for households that meet the **R3 resettlement element** eligibility criteria outlined in section 5.2 of the Prospectus.

- 1 + 1 additional properties = 2 total properties (4+ bed) for households that meet the **R3 large resettlement element** eligibility criteria outlined in section 5.2 of the Prospectus.

2.5. The total allocation comprises the capital grant of £2,624,040 and the revenue grant of £14,451

2.6. The delivery target, the new homes delivery target, the total allocation, the yearly grant split, and capital and revenue grant totals set out at 2.2 to 2.5 replace the figures outlined in 3.1 - 3.5 of the MOU.

2.7. The Council agrees to deliver 5 properties in financial year 2024-25 (‘the Year 1 delivery target’) and 7 properties in financial year 2025-26 (‘the Year 2 delivery target’). The property types that the Council agrees to delivery in each year are outlined in Table 1. This delivery profile and table replace the MOU delivery profile at 5.3.

Table 1 – delivery profile

Property type	**Year 1 delivery target (2024-25)**	**Year 2 delivery target (2025-26)**	**Total delivery target**
TA element 1 bed homes	**3**	**2**	**5**
TA element 2-4+ bed homes	**2**	**5**	**7**

Resettlement element 1 bed homes	**0**	**0**	**0**
Resettlement element 2-3 bed homes	**1**	**0**	**1**
Large Resettlement 4+ bed homes	**1**	**1**	**2**
All property types	**7**	**8**	**15**

2.8. The funding provided by MHCLG in Tranches 1, 2, 3 and 4 and the EOI Year 1 allocation is set out in Table 2. This table replaces Table 2 at 6.2 in the MOU.

Table 2 – Updated funding allocation

	Tranche 1 allocation (capital and revenue)	Tranche 2 allocation	EOI Year 1 allocation	Tranche 3 allocation	Tranche 4 allocation	Total allocation
Total funding	£350,543	£784,214	£0	£751,868	£751,868	£2,638,491

2.9. Where the Council receives any Year 2 capital allocation, payments of Tranche 3 will be made once the Council demonstrates committed spend of 80% of Tranche 1, Tranche 2 and the EOI Year 1 payments in line with your existing MOU. (This updates guidance in 6.4, 9.5 and table 3 of the MOU.)

2.10. Where the Council receives any Year 2 capital allocation, payments of Tranche 4 will be made once the Council demonstrates committed spend of 80% of Tranche 1, Tranche 2, the EOI Year 1 payments, and Tranche 3 in line with your existing MOU. (This updates guidance in 6.5, 9.5 and table 3 of the MOU.)

Addendum signed for and on behalf of MHCLG

Signature:

Name:
Position: Date:

Addendum signed for and on behalf of Spelthorne Borough Council

Signature:

Name: Linda Heron
Position: Interim Group Head Corporate Governance and Monitoring Officer
Date: 26/02/2025

Equality Analysis

Directorate: Community Wellbeing **Service Area:** Housing Strategy	**Lead Officer**: Marta Imig **Date completed: 29/01/2025**
Service / Function / Policy / Procedure to be assessed: Local Authority Housing Fund extension – round 3	
Is this: New / Proposed ☑ Existing/Review ☐ Changing ☐	**Review date: n/a**

Part A – Initial Equality Analysis to determine if a full Equality Analysis is required.

What are the aims and objectives/purpose of this service, function, policy or procedure?

The aims of the fund are to deliver affordable housing as well as to relive the pressure on temporary housing demand and cost, hence the approach to fund both settled accommodation and temporary accommodation.

Please indicate its relevance to any of the equality duties (below) by selecting Yes or No?

	Yes	No
Eliminating unlawful discrimination, victimisation and harassment	✓	
Advancing equality of opportunity	✓	
Fostering good community relations	✓	

If not relevant to any of the three equality duties and this is agreed by your Head of Service, the Equality Analysis is now complete - please send a copy to NAMED OFFICER. **If relevant**, a Full Equality Analysis will need to be undertaken (PART B below).

PART B: Full Equality Analysis

Step 1 – Identifying outcomes and delivery mechanisms (in relation to what you are assessing)

What outcomes are sought and for whom?	To provide housing for the refugee families in Spelthorne and long term to boost general housing portfolio in Spelthorne. Also, to provide additional Temporary Accommodation units to assist the Council to manage the demand.
Are there any associated policies, functions, services or procedures?	Refugee Scheme Policy Corporate Plan Health and Wellbeing Strategy Housing Strategy Homelessness Strategy
If partners (including external partners) are involved in delivering the service, who are they?	The properties are to be managed by the Council's owned company, Knowle Green Estates Ltd (KGE).

Step 2 – What does the information you have collected, or that you have available, tell you?

What evidence/data already exists about the service and its users? (in terms of its impact on the 'equality strands', i.e. race, disability, gender, gender identity, age, religion or belief, sexual orientation, maternity/pregnancy, marriage/civil partnership and other socially excluded communities or groups) and **what does the data tell you?** e.g. are there any significant gaps?

<u>General Spelthorne context</u>
According to the Indices of Deprivation 2019, the most deprived borough in Surrey is Spelthorne. Spelthorne has the highest number of lone parent families and the highest level of child poverty in Surrey; it also has the highest under-18 conception rate in the county. That said, residents are largely healthy, with life expectancy for both males and females slightly above the national average.

Spelthorne has a low rate of unemployment: 1.4% of those economically active aged 16 to 64, compared to the South East (2.2%) and UK as a whole (3.5%). Heathrow Airport is a significant local employer, with 8.3% of Spelthorne's working population employed there. Significantly, 21.5% of those in work in Stanwell North are in low level employment compared to an average of 11.6% in Surrey. Average wages are slightly above regional averages at £630 per week for full-time employees.

Whilst house prices remain well above the national average, most residents are owner-occupiers (73%), followed by private rented (13%) and social rented (12%).

We're awaiting the full release of the 2021 census data so existing data is based on the 2011 census. First realease of the new census data highlights a population increase in Spelthorne by 7.7%, from around 95,600 in 2011 to 103,000 in 2021. Spelthorne is the 14th most densely populated of the South East's 64 local authority areas with 2,295 of residents per square kilometre. Initial data also provides updates to both categories of age and sex as outlined below.

Gender / gender identity
Census data from 2021 shows that 50.9% of residents in Spelthorne were female, with the remaning 49.1% being male. There is no data known to be held in relation of other gender identities.
Source: ONS Census, 2021 – Population and household estimates, England and Wales: Census 2021

A White Paper published in December 2018 (Help shape our future: the 2021 Census of population and housing in England and Wales) set out the ONS recommendation for what the census should contain and how it should operate. The White Paper recommended that the census in 2021 include a question about gender identity, asking respondents whether their gender is the same as the sex they were registered as at birth. The question is separate from the question about sex (i.e., whether the respondent is male or female), which is phrased in the same way as previous years. There is currently no official data about the size of the transgender population (the word 'transgender' is used here to describe people whose gender identity does not match the sex they were assigned at birth). The Government Equalities Office (GEO) has said that there may be 200,000 to 500,000 transgender people in the UK, but stresses that we don't know the true population because of the lack of robust data. The ONS has identified user need for official estimates in order to support policy-making and monitor equality duties and has added a voluntary question on gender identity for people age 16 years and over. The 2021 data set has not yet been published by the ONS.
Source: https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8531

Age
Spelthorne has a slightly lower population of under-30s (33%) compared to the rest of the country (36%), and a slightly higher population of 30-69 year olds (53%) compared with the national average of (51%), The number of 70+ is 14%, which is broadly in line with the rest of the nation.
Source: ONCS Census, 2021 – Population and household estimates, England and Wales: Census 2021.

Ethnicity
The ethnic make-up of Spelthorne is largely in line with the UK average, although we have more residents who identify as Asian and fewer residents who identify as Black than the national average.

	Spelthorne		Region	UK
Ethnic group	Number	%	%	%
White	83,455	87.3%	90.7%	87.2%
Mixed	2,382	2.5%	1.9%	2.0%
Asian	7,295	7.6%	5.2%	6.9%
Black	1,545	1.6%	1.6%	3.0%
Other	921	1.0%	0.6%	0.9%

Total	95,598	100.0%	100.0%	100.0%

Source: https://commonslibrary.parliament.uk/home-affairs/communities/demography/constituency-statistics-ethnicity/

Disability

As of July 2019 there were around 2,020 PIP claimants in Spelthorne constituency. In comparison, there was an average of 2,500 claimants per constituency across the South East. Within Spelthorne, psychiatric disorders were the most common reason for claiming PIP. They accounted for 37% of awards, compared to 36% in Great Britain. 'Psychiatric disorders' include anxiety and depression, learning disabilities and autism. The second most common reason for awards was musculoskeletal disease (general), which accounted for 17% of awards within the constituency and 21% in Great Britain. Musculoskeletal disease (general) includes osteoarthritis, inflammatory arthritis and chronic pain syndromes.

Source:
http://data.parliament.uk/resources/constituencystatistics/personal%20independence%20payment/PIP%20claimants%20in%20Spelthorne.pdf

Religion

Residents of Spelthorne predominately identify themselves as either Christian or having no religion. There is a smaller Muslim population compared with the national average, but a larger Hindu and Sikh population.

	Constituency		Region	UK
	Number	%	%	%
Has religion	**67,392**	**70.5%**	**65.0%**	**66.7%**
of which				
Christian	60,954	63.8%	59.8%	58.8%
Muslim	1,808	1.9%	2.3%	4.5%
Hindu	2,332	2.4%	1.1%	1.4%
Buddhist	420	0.4%	0.5%	0.4%
Jewish	206	0.2%	0.2%	0.4%
Sikh	1,325	1.4%	0.6%	0.7%
Other	347	0.4%	0.5%	0.4%
No religion	**21,511**	**22.5%**	**27.7%**	**26.1%**
Not stated	**6,695**	**7.0%**	**7.4%**	**7.2%**

Source: https://commonslibrary.parliament.uk/home-affairs/communities/constituency-data-religion/

Sexual orientation

There is no accurate dataset which can be used to reflect solely Spelthorne. The White Paper recommends asking a new question about sexual orientation. The ONS has identified a user need for better data on sexual orientation – particularly for small areas – to inform policy-making and service provision, as well as monitoring equality duties. The ONS has previously used the Annual Population Survey (APS) to

estimate the size of the lesbian, gay and bisexual (LGB) population in the UK. According to these estimates, just over 1 million people identified as LGB in 2016 (around 2% of the population). However, the sample population used in the APS isn't big enough to provide robust estimates of the LGB population in smaller areas.
Source: https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8531

Marriage / Civil Partnership
More people in Spelthorne are married compared to the rest of England and Wales, and fewer people identify as single.

Marital Status	**Spelthorne**		**England and Wales**	
All usual residents aged 16+	78,089		45,496,780	
Single (never married or never registered a same-sex civil partnership)	24,562	31%	15,730,275	35%
Married	38,984	50%	21,196,684	47%
In a registered same-sex civil partnership	153	0%	104,942	0%
Separated (but still legally married or still legally in a same-sex civil partnership)	2,042	3%	1,195,882	3%
Divorced or formerly in a same-sex civil partnership which is now legally dissolved	6,870	9%	4,099,330	9%
Widowed or surviving partner from a same-sex civil partnership	5,478	7%	3,169,667	7%

Has there been any consultation with, or input from, customers / service users or other stakeholders? If so, with whom, how were they consulted and what did they say? If you haven't consulted yet and are intending to do so, please list which specific groups or communities you are going to consult with and when.

n/a

Are there any complaints, compliments, satisfaction surveys or customer feedback that could help inform this assessment? If yes, what do these tell you?

n/a

Step 3 – Identifying the negative impact.

a. Is there any negative impact on individuals or groups in the community?

Barriers:

What are the potential or known barriers/impacts for the different 'equality strands' set out below? Consider:

- **Where** you provide your service, e.g. the facilities/premises;
- **Who** provides it, e.g. are staff trained and representative of the local population/users?
- **How** it is provided, e.g. do people come to you or do you go to them? Do any rules or requirements prevent certain people accessing the service?
- **When** it is provided, e.g. opening hours?
- **What** is provided, e.g. does the service meet everyone's needs? How do you know?

* Some barriers are justified, e.g. for health or safety reasons, or might actually be designed to promote equality, e.g. single sex swimming/exercise sessions, or cannot be removed without excessive cost. If you believe any of the barriers identified to be justified then please indicate which they are and why.

Solutions:

What can be done to minimise or remove these barriers to make sure everyone has equal access to the service or to reduce adverse impact? Consider:

- Other arrangements that can be made to ensure people's diverse needs are met;
- How your actions might help to promote good relations between communities;
- How you might prevent any unintentional future discrimination.

Equality Themes	Barriers/Impacts identified	Solutions (ways in which you could mitigate the impact)
Age (including children, young people and older people)	Significant number of children staying in the Temporary Accommodation for a long period of time. The uncertainty of living situation have detrimental impact on children's development.	The provision of settled accommodation would improve children's wellbeing. The additional Temporary Accommodation, will provide opportunity for independent living with access to private kitchen and bathroom, which will improve the quality of the accommodation offered and assist in supporting children's development.
Disability (including carers)	Anecdotally we know that physically disabled people accessing settled accommodation in Spelthorne have much more limited options available to them due to property adaptation requirements.	This programme would enable access to the settled accommodation for disabled families, without the need to compete for properties on privately rented market.

Gender (men and women)	No restrictions on gender are identified.	Access to property under this programme is enabled for both male and female.
Race (including Gypsies &Travellers and Asylum Seekers)	Recent surveys show that people face discrimination on the basis of their race when renting a property on a private rented market. Our experience in supporting Afghan refugees into privately rented sector unfortunately also confirms the same.	The properties acquired under this programme will be allocated fairly by the Council.
Religion or belief (including people of no religion or belief)	No restrictions identified	n/a
Gender Re-assignment (those that are going through transition: male to female or female to male)	No restrictions identified	n/a
Pregnancy and Maternity	No restrictions, but the seize of the property will need to be considered to meet the need of the expecting family.	n/a
Sexual orientation (including gay, lesbian, bisexual and heterosexual)	No negative impacts identified	n/a

Step 4 – Changes or mitigating actions proposed or adopted

Having undertaken the assessment are there any changes necessary to the existing service, policy, function or procedure? What changes or mitigating actions are proposed?

No changes required.

Step 5 – Monitoring

How are you going to monitor the existing service, function, policy or procedure ?

The delivery of the programme will be monitored by the Ministry of Housing, Communities and Local Government at regular intervals until the completion.

Part C - Action Plan

Barrier/s or improvement/s identified	Action Required	Lead Officer	Timescale
n/a	n/a	n/a	n/a

Equality Analysis approved by:

Group Head:	Date:

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SPELTHORNE BOROUGH COUNCIL

Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1
Report checklist – responsibility of report owner

ITEM	**Yes / No**	**Date**
Councillor engagement / input from Chair prior to briefing		
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)		
Relevant Group Head review	**N/A**	
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)	**Y**	
This item is on the Forward Plan for the relevant committee	**N**	
	Reviewed by	
Finance comments (circulate to Finance)		
Risk comments (circulate to Lee O'Neil)	**LO**	**27/11/25**
Legal comments (circulate to Legal team)	**LH**	**27/11/25**
HR comments (if applicable)	**N/A**	

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	**Completed by**	**Date**
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**27/11/25**
S151 Officer commentary – at least **5 working days before MAT**	**T. Collier**	**28/11/25**
Confirm final report cleared by MAT		

Council

11 December 2025

Title	Devolution and Local Government Reorganisation (LGR) – Voluntary Joint Committee
Purpose of the report	To make a decision
Report Author	Linda Heron, Monitoring Officer
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	All
Recommendations	**Council is asked to:** 1. Note the updates for LGR in Surrey, particularly the decision and relevant information from the Ministry of Housing Communities and Local Government (MHCLG) in Appendix A; 2. Agree to the establishment of a voluntary West Surrey Joint Committee, effective immediately, that shall be constituted and be established under the provisions of section 101(5) (arrangements for discharge of functions by local authorities) of the Local Government 1972 Act and pursuant to the requirements of the draft Surrey (Structural Changes) Order 2026; 3. Note the Terms of Reference in Appendix B; 4. Nominate one member of the Council as the Spelthorne Borough Council appointed representative on the voluntary West Surrey Joint Committee and one member of the Council as their substitute; and 5. Note that upon enactment of the Surrey (Structural Changes) Order 2026 the voluntary West Surrey Joint Committee shall become the joint committee required to be established under the provisions of that legislation and that this will be constituted and established under the provisions of section 101(5) (arrangements for discharge of functions by local authorities) of the Local Government

	1972 Act and pursuant to the requirements of the Surrey (Structural Changes) Order 2026.
Reason for Recommendation	Following the central government's announcement on 28 October 2025 to move forward with the proposal for two unitary councils, Surrey District and Borough Councils and Surrey County Council are working towards establishing respective voluntary Joint Committees to support the preparatory work ahead of the Structural Changes Order coming into force in Spring 2026.

1. Executive summary of the report

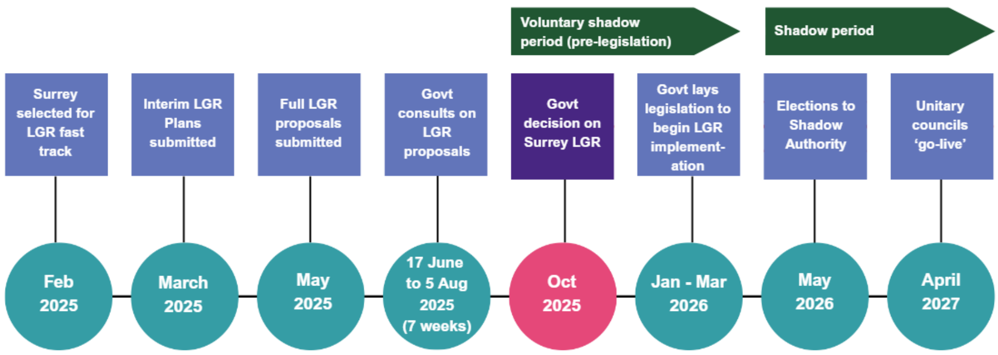
What is the situation	Why we want to do something
• This report outlines the latest developments and updates on Devolution and Local Government Reorganisation (LGR) following the decision from the Ministry of Housing, Communities and Local Government (MHCLG) on 28 October 2025 to implement the 2 unitary proposal for Surrey	• To ensure that Spelthorne Borough Council and the interests of its residents are represented at the proposed voluntary West Surrey Joint Committee and can fully participate in the preparations and decisions required in connection with the implementation of LGR in Surrey
This is what we want to do about it	**These are the next steps**
• Consider the establishment of a voluntary joint committee for the West Surrey area with immediate effect and to note that following the enactment of the Surrey (Structural Changes) Order 2026 the voluntary West Surrey Joint Committee shall become the joint committee	• To consider the recommendations in this report

2. Key issues

2.1 In May 2025 District and Borough Councils and Surrey County Council submitted their respective proposals on the approach to the LGR in Surrey. Spelthorne Borough Council's submission proposed 3 unitary authorities approach which would have positioned Spelthorne with Elmbridge Borough Council and Runnymede Borough Council.

2.2 Since then, the LGR process in Surrey has followed this timetable;

Indicative government timeline for LGR in Surrey



2.3 Spelthorne, along with other Districts and Borough Councils have facilitated a wider range of data requests and information gathering in order to support the discovery stage ahead of the Government decision. Going forward this data will play a key role in bringing services together across both unitary areas before and after vesting day.

2.4 On 28 October the Government announced its decision to implement the 2 unitary options for Surrey. MHCLG also circulated a draft Structural Changes Order (SCO) as well as a draft direction under Section 24 of the Local Government and Public Involvement in Health Act 2007 to all Surrey Councils.

2.5 The draft SCO outlines the following key aspects:

Joint Committees and Implementation Teams

2.6 The SCO envisages a 50/50 Surrey County Council and District and Borough Councils split for Joint Committees which need to be established pursuant to the SCO to bring forward the implementation, with a West Surrey Joint Committee comprising of 12 members, 6 from Surrey County Council and 6 from the West Surrey District and Borough Councils with one representative from each of Guildford, Runnymede, Spelthorne, Surrey Heath, Waverley and Woking;

2.5.1 Joint Committee functions outlined in the draft SCO are the development and agreement of an implementation plan, as well as a proposed code of conduct for the Shadow Authority, having also considered the relevant timetables for action and budgets;

2.7 Alongside this, the draft SCO confirms a single implementation team, with the Chief Executive of Surrey County Council as the named Leader of that team, supported by two Deputies – one an officer from an East Surrey council, with another from a West Surrey council;

2.5.2 In the letter from the Secretary of State to Council Leaders, MHCLG have encouraged Surrey to establish voluntary joint committees on a similar basis to those that will be created under the SCO on a voluntary basis ahead of the draft SCO being laid in Parliament.

Elections and vesting day activities

2.5.3 The draft SCO confirms the cancellation of existing District and Borough Councils and County Council elections for May 2026, and establishes that both unitary authorities will see whole council elections in 2026 and then 2031, with whole Council elections taking place every 4 years thereafter.

2.5.4 The new authorities will be using existing Surrey County Council divisions as established under the Surrey (Electoral Changes) Order 2024 with 2 Councillors per division (90 Councillors for West Surrey across 45 wards) in the 2026 elections. The Ministerial letter outlines the expectation for the Local Government Boundary Commission to conduct a review ahead of the 2031 elections.

2.5.5 The draft order also confirms two Returning Officers, the Reigate and Banstead Head of Paid Service for East Surrey, with the Runnymede Head of Paid Service as the Returning Officer for West Surrey.

2.5.6 Costs for the elections in 2026 are to be divided by the existing Surrey County Council and the District and Borough Councils, as agreed by those councils.

2.5.7 Shadow Authorities come into effect following the elections. At its first meeting, the Shadow Authorities must:

- Establish a leader and cabinet model of governance
- Adopt a code of conduct (as developed by the Joint Committee)
- Designate an interim Monitoring Officer
- Designate an interim s151 Officer
- Designate an interim Head of Paid Service

2.8 Each Shadow Authority must make permanent appointments to these roles by 31 December 2026.

2.5.8 In addition, it must:

- Formulate proposals for, prepare and adopt a scheme for members allowances
- Review and revise where necessary the Implementation Plan prepared by the relevant Joint Committee
- Prepare any budgets or plans required by the unitary councils
- Work with the existing councils to ensure delivery of public services

2.5.9 Costs for the Shadow Authorities are to be divided by the existing Surrey County Council and District and Borough Councils, as agreed by those councils.

2.5.10 On 7 November 2025, Surrey County Council and District and Borough Councils fed back factual amendments and points of clarification arising from the draft SCO to MHCLG.

Draft section 24 direction and explanatory note

2.9 The government also provided a draft section 24 (s24) direction, under the Local Government and Public Involvement in Health Act 2007 alongside the confirmation that the 2 unitary proposal was successful, subject to parliamentary approval.

2.10 The draft s24 direction requires existing councils to seek and gain consent from the relevant Shadow Authority for financial transactions over a certain value, specifically:

a) Disposal of any land if the consideration for the disposal exceeds £100,000

b) Entering into any capital contract:

   - under which the consideration payable by the authority exceeds £1,000,000, or
   - which includes a term allowing the consideration payable by the authority to be varied

c) Entering into any non-capital contract under which the consideration payable by the relevant authority exceeds £100,000, where:
   - the period of the contract extends beyond 1 April 2027, or
   - under the terms of the contract, that period may be extended beyond that date

2.11 MHCLG is seeking views on when the s24 Direction should come into force, with a suggested date of 30 June 2026. The draft s24 only refers to consent being required from the Shadow Authority, so it would not be expected to come into force until the Shadow Authorities are operational.

2.12 A draft explanatory note is also provided. This explains that a Shadow Authority may grant general consent in respect of particular contracts or types of contract (for example regular and routine contracts).

2.13 It also provides further explanation that the capital and non-capital value thresholds are cumulative where multiple contracts are entered into with the same organisation or individual or of a similar description. The cost is based on the expected value over the life of the contract.

2.14 Spelthorne Borough Council and Woking Borough Council Woking are excluded from draft s.24 direction due to the ongoing statutory intervention.

2.15 Surrey County Council and District and Borough Councils have submitted their respective comments on the draft s24 direction to MHCLG by the deadline of 21 November 2025.

Next steps

2.16 As outlined in the letter from MHCLG to Chief Executives of Surrey Councils on 28 October 2025, this is a draft order and draft direction that still need to undergo internal review processes. Subject to these, and any factual amendments from Surrey Councils, the intention is for Ministers to formally lay the draft order before Parliament in early January 2026.

2.17 At this point, the order will go through the Parliamentary process, including formal consideration by the Joint Committee on Statutory Instruments and Secondary Legislation Scrutiny Committee for the House of Lords, debates by a Committee in each House and the obtainment of approval motions in each House.

2.18 Other local authorities across Surrey indicated that they are able to support the development of the relevant voluntary structures in order to ensure a smooth transition and effective representation of their respective interests in this time. In readiness, Surrey Monitoring Officers group prepared Terms of

Reference for the Voluntary Joint Committees which have been approved by the respective leaders and chief executives (Appendix B).

3. Options appraisal and proposal

3.1 Option 1 (recommended): agree to the recommendations as set out in this report.

This will enable preparatory work by the voluntary Joint Committee to commence in a timely way and ensure that the formal Joint Committee is in a position to take over the relevant functions once the SCO is in force.

3.2 Option Two: not agree to the various recommendations as proposed.

Once the SCO is enacted the joint committee must be established within 14 days. If the agreement to establish the Joint Committee is delayed until this time, there is a risk that the Council would not be able to comply with this requirement within this time frame and so would be in breach of its obligations under the SCO.

4. Risk implications

4.1 If the Council does not agree to the establishment of the formal joint committee not later than 14 days after the coming into force of the SCO, Spelthorne Borough Council would be in breach of a statutory requirement imposed on it.

4.2 While the setting up of a joint committee in advance of the statutory prescribed date is voluntary, and agreeing not to participate in it would not constitute a breach of legislation, the Council's decision would not prevent other authorities from participating. As a result, Spelthorne Borough Council would not be represented at an elected member level in the preparatory work being carried out, so would not be able to promote the best interests of this authority and its residents/businesses in any decisions made.

5. Financial implications

5.1 Devolution and LGR will require additional one-off transitional costs, and £500,000 has been approved in the 2025/26 budget towards the cost of preparing for LGR.

5.2 The Surrey Councils are agreeing a split for contributing towards the costs of transition (costs incurred up to vesting day) focused on ensuring a safe and legal transition to the new unitary authorities. This is based on an 80:20 split between the County Council and District and Borough Councils, with the District and Borough Councils' contributions apportioned on basis of council tax base. Currently the total estimated transitional cost budget is £35m with Spelthorne's contribution estimated at £557k. This could potentially be funded by capitalising and applying flexible use of capital receipts.

5.3 Further financial implications are set out in the body of this report.

6. Legal comments

6.1 Establishment of joint committees is a function reserved to the Council (Article 4 section 4.2(j) of the Constitution).

6.2 Legal implications are set out in the body of the report.

Corporate implications

7. S151 Officer comments

7.1 The S151 Officer confirms that all financial implications have been taken into account and that the recommendations will be fully funded from within the current and 2026-27 budget.

8. Monitoring Officer comments

8.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

9. Procurement comments

9.1 There are no procurement implications arising directly from this report.

10. Equality and Diversity

10.1 There are no implications arising directly from this report.

11. Sustainability/Climate Change Implications

11.1 There are no implications arising directly from this report.

12. Other considerations

12.1 None.

13. Timetable for implementation

13.1 The timetable for implementation is set out in the body of the report.

14. Contact

14.1 Linda Heron, Group Head Corporate Governance and Monitoring Officer (l.heron@spelthorne.gov.uk

Please submit any material questions to the Committee Chair and Officer Contact by two days in advance of the meeting.

Background papers: None.

Appendices:

Appendix A – Letter from MHCLG to Chief Executives of Surrey Councils dated 28 October 2025

Appendix B – Terms of Reference for Voluntary Joint Committee

Ministry of Housing, Communities & Local Government

Ruth Miller
Deputy Director for Local Government Reorganisation
2 Marsham Street
London
SW1P 4DF

Chief Executives of Surrey Councils
By email

28 October 2025

Dear Chief Executives,

As you know, the Secretary of State has decided to move forward with implementation of the proposal for two unitary councils, subject to Parliamentary approval.

Accordingly, we will be sharing with you a draft Structural Changes Order which is needed to implement the reorganisation in Surrey. We would welcome your review of the draft Structural Changes Order for any factual amendments, such as incorrect names of councils or wards, by 7 November. This will enable the progress of the legislation to allow for the May 2026 elections.

Please note the layout of the Structural Changes Order may change following internal processes – but not its substance – to make the Order easier to follow. Drafting also needs to be further checked. We also intend sharing the draft informally with clerks to the Parliamentary Joint Committee on Statutory Instruments, for informal scrutiny and feedback from Parliamentary lawyers.

Following this informal scrutiny, we will be in a position to ask Ministers to formally lay the draft instrument before Parliament in early January. It will then go through the Parliamentary process, including formal consideration by the Joint Committee on Statutory Instruments and the Secondary Legislation Scrutiny Committee for the House of Lords, a debate by a Committee of each House, and subject to their agreement obtain approval motions in each House.

As we have previously discussed, the Structural Changes Order establishes the two new councils and abolishes the existing councils in Surrey. It provides the transitional arrangements, with the core of that being elections to 'shadow' councils that have preparatory functions, including the preparation of budgets and plan, to enable the assumption of local government functions and powers on 1 April 2027. It also provides duties to implement a Leader and Cabinet model, appoint statutory officers, and adopt codes of conduct and members allowances. Your councils will remain responsible for services in your areas until they are abolished on 1 April 2027.

The Order includes content that Ministers have decided following consideration of information in your proposals or the representations submitted in response to our letter of 6 August:

- The new unitary councils are to be named East Surrey Council and West Surrey Council.
- On transitional arrangements, the Structural Changes Order provides that all existing councils should be involved, so implementation is a shared endeavour, whist ensuring a lead role for those who understand the proposal being implemented and key services being disaggregated:
    - For each Joint Committee, 50 per cent of the membership are to be Councillors representing the County Council and 50 per cent are to be Councillors representing Districts/Boroughs collectively. The proceedings and identification of the Chair are to be determined by the Joint Committee.
    - For the Implementation Team officers from all existing councils are to be included, with the leader of the team being the Chief Executive of Surrey County Council, and deputies being from a District/Borough Council from each new unitary area.
    - To support the work of the implementation team we would encourage you to consider using your sector advisor, John Metcalfe, to act as an independent critical friend.
- On electoral arrangements, the Structural Changes Order replaces the scheduled County and District elections in May 2026 with all out elections to the new councils:
    - Schedule 1 provides that the wards for the new councils are to be the same as the county council electoral divisions as provided in the Surrey (Electoral Changes) Order 2024. It also provides that these are to be two member wards. We expect the Local Government Boundary Commission for England to undertake an electoral review in time for the subsequent election.
    - A first term of five years with the subsequent election in 2031, after which the standard four year terms will apply. This is in line with recent reorganisations and brings benefits of stability, with Councillors serving most of their first year on the 'shadow' council. From your representations that means the election cycle will align with the majority of elections to parish councils. Where that is not the case, we can, in further legislation, look to align parish elections with the 2031 election, and we will be guided by your views. Following your representations, we are not amending the 2027 parish elections.
    - Returning Officers are to be the Head of Paid Service of Reigate and Banstead Borough Council for East Surrey Council, and the Head of Paid Service of Runnymede Borough Council for West Surrey.

In addition, you will also wish to note that the draft Structural Changes Order:

- Provides at article 17 the new councils in the shadow year the functions to prepare and submit a devolution proposal or consent to a government proposal, to progress the work for a Strategic Authority. We will be engaging with you on the approach to devolution for Surrey.
- Provides at article 23(3) that the West Surrey Joint Committee and shadow authority must have regard to the Spelthorne and Woking Best Value interventions, reports and directions in preparing and reviewing the implementation plan. This is in line with precedent from the Northamptonshire reorganisation.

We hope that seeing the draft Structural Changes Order will enable you to put arrangements in place voluntarily, ahead of the Order being made, to progress local government reorganisation, such as the Joint Committees and the Implementation Team. This will support the preparatory work that can be progressed prior to the Order coming in to force, recognising that the Order will place duties on your councils to cooperate.

In addition to the Structural Changes Order, the Secretary of State is also minded to issue a direction under section 24 of the Local Government and Public Involvement in Health Act. This will require the predecessor councils to obtain consent from the new councils before entering into certain contracts or for certain asset disposals. The purpose of the section 24 direction is to ensure new agreements will be in the best interests of the new councils or the residents of the area, and do not undermine or diminish the benefits or savings anticipated as a result of unitarisation, or which may have an effect on the financial position of the new councils.

We will also be sharing a draft direction and explanatory note for your council to consider and to provide representations upon. In particular, in addition to the application of the direction, I draw your attention to the effective date, which in recent examples, varied, as you can see at Cumbria, Somerset and North Yorkshire councils: direction - GOV.UK. The variation depended on whether there was a continuing council as in Somerset and North Yorkshire or as in Cumbia, two new unitaries, as envisaged for Surrey. Based on the Cumbria precedent we are minded to use 30 June as the effective date to allow the new unitary councils to be in a position to put in place the procedures to consent as needed after the May 2026 elections, but we welcome your views. Also, we are minded that Spelthorne and Woking Borough Councils are not included in the section 24 direction, given the statutory directions already in place giving related functions to Commissioners and the importance of Commissioners being able to continue in their roles unfettered until the abolition of those councils. Again, we welcome your views for 21 November

We will also work with you on the further legislation that we expect will be needed to cover matters such as local government pensions, housing revenue accounts, ceremonial issues, and matters relating to where a council is a member of a body or organisation that needs to be updated. An example is available at The Local Government (Structural Changes) (Supplementary Provision and Amendment) Order 2023. We envisage this supplementary order would come into force in time for 1 April 2027.

We are committed to continuing to work in partnership with you with a shared objective of delivering new unitary councils in Surrey that serve local residents. We will be in touch to arrange a meeting to further discuss the matters in this letter, which we will also, in the interest of transparency, publish on gov.uk. We are copying this letter to Surrey Leaders and Commissioners.

Yours sincerely,

Ruth Miller

Deputy Director for Local Government Reform and Strategy

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WEST / EAST SURREY JOINT COMMITTEE
DRAFT TERMS OF REFERENCE

1.0 Introduction

1.1 The Councils of Surrey County Council, Woking Borough Council, Guildford Borough Council, Waverley Borough Council, Surrey Heath Borough Council, Spelthorne Borough Council and Runnymede Borough Council have resolved to establish a West Surrey Joint Committee (**WSJC**).

1.2 The Councils of Surrey County Council, Elmbridge Borough Council, Epsom & Ewell Borough Council, Mole Valley District Council, Reigate & Banstead Borough Council and Tandridge District Council have resolved to establish an East Surrey Joint Committee (**ESJC**).

1.3 The WSJC / ESJC is established pursuant to section s101 and 102 Local Government Act 1972 and the section 9EB Local Government Act 2000 and Part IV of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000 and 2012.

1.4 The WSJC / ESJC will be constituted from December 2025. It shall be dissolved on the day following that on which the shadow authority for West Surrey / East Surrey Council (**WSC** / **ESC**) holds its first meeting.

1.5 It is constituted by resolution of each participating authority on a voluntary basis but is also intended to satisfy the requirements of any Structural Change Order when such legislation may come into force.

1.6 The WSJC / ESJC must have regard to any information supplied to it by the Secretary of State and is set up further to the encouragement of the Secretary of State, as set out in his letter dated 28 October 2025 to all Surrey authorities.

2.0 Purpose

2.1 The purpose of the WSJC / ESJC is to bring together local authority partners expected to comprise the West Surrey / East Surrey Council, in a formally constituted arrangement to facilitate the discharge of functions relating to preparatory and transition arrangements to that authority to include the functions referenced in any Structural Change Order when such legislation may come into force.

3.0 Membership

3.1 The WSJC consists of twelve persons:

3.1.1 Six persons nominated by Surrey County Council, each of whom is for the time being a member of that council for an electoral division whose area is within the West Surrey Districts; and

3.1.2 Six persons nominated by the District and Borough Councils within the area of the proposed West Surrey Council, with each such Council nominating one person, each of whom is for the time being a member of the nominating council.

3.2 The ESJC consists of ten persons:

3.2.1 Five persons nominated by Surrey County Council, each of whom is for the time being a member of that council for an electoral division whose area is within the East Surrey Districts; and

3.2.2 Five persons nominated by the District and Borough Councils within the area of the proposed East Surrey Council, with each such Council nominating one person, each of whom is for the time being a member of the nominating council.

4.0 Functions

4.1 The WSJC / ESJC will prepare, keep under review, and revise as necessary, an Implementation Plan which must include:

4.1.1 Such plans and timetables as are, in the opinion of the WSJC / ESJC, necessary to secure the effective, efficient and timely discharge of preparing for and facilitating the economic, effective, efficient and timely transfer to West Surrey / East Surrey Council of the constituent Council's functions, property, rights and liabilities; and

4.1.2 Such budgets and plans as it considers necessary or desirable to facilitate the economic, effective, efficient and timely discharge, on or after 1 April 2027, of the functions that, before that date, are functions of Surrey County Council or the District and Borough Councils in West Surrey / East Surrey.

4.2 In regards to the WSJC only in preparing, reviewing and revising, their Implementation Plan and discharging its functions, the WSJC must have regard to:

4.2.1 The Spelthorne Borough Council Best Value Inspection report dated 17 March 2025;

4.2.2 The Direction dated 8 May 2025 issued by the Secretary of State for Housing, Communities and Local Government to Spelthorne Borough Council under section 15(5) and (6) of the Local Government Act 1996;

4.2.3 The report dated May 2023 following an external assurance review of Woking Borough Council commissioned by the Secretary of State for Levelling Up, Housing and Communities;

4.2.4 The Direction dated 25 May 2023 issued by the Secretary of State for Housing, Communities and Local Government to Woking Borough Council under section 15(5) and (6) of the Local Government Act 1999;

4.2.5 The Woking Borough Council Commissioner's reports dated 31 August 2023, 7 December 2023, 29 May 2024, and 16 December 2024;

4.2.6 Any other Directions issued to Spelthorne Borough Council or Woking Borough Council by the Secretary of State for Housing, Communities and Local Government following the Surrey (Structural Changes) Order 2026 under section 15(5) and (6) of the Local Government Act 1999; and

4.2.7 Any other reports published by Spelthorne Borough Council Commissioners or Woking Borough Council Commissioners, whether before or after the date on which the Surrey (Structural Changes) Order 2026 comes into effect.

4.3 Prepare, facilitate and subsequently formulate proposals for the code of conduct to be recommended for adoption by the shadow authority for West Surrey / East Surrey Council at its inaugural meeting. In formulating such proposals, the WSJC / ESJC shall have regard to section 27 of the 2011 Localism Act which provides a duty to promote and maintain high standards of conduct and section 28 of that Act.

4.4 Take all preliminary steps to enable the WSJC / ESJC to be able to recommend to the first meeting of the West Surrey / East Surrey Council shadow authority designation of an interim Head of Paid Service, Chief Finance Officer and Monitoring Officer in accordance with sections 4 and 5 of the Local Government and Housing Act 1989.

5.0 Scope and Role of the Joint Committee

In addition to the functions set out in 4.0 above the WSJC / ESJC will have the following scope and role to undertake:

5.1 Prepare, facilitate and subsequently formulate proposals for a Members' Allowance Scheme in accordance with the Local Authorities (Members' Allowances)(England) Regulations 2003 for the West Surrey / East Surrey Council shadow authority, to be recommended for adoption to the shadow authority for West Surrey / East Surrey Council at its inaugural meeting.

5.2 Agree the process for an independent review of a scheme of Members' Allowances for the West Surrey / East Surrey Council shadow authority, including preparation for the setting up of an Independent Remuneration Panel.

5.3 Establish and propose a Calendar of Meetings for the West Surrey / East Surrey Shadow Council for adoption at its inaugural meeting.

5.4 Agree proposals for a West Surrey / East Surrey Council shadow authority Constitution, to be recommended to the West Surrey / East Surrey Council shadow authority, to include responsibility for executive/local choice functions, the establishment and terms of reference of various committees including a scrutiny committee and staffing committee, relevant standing orders to include council and executive procedure rules, and a scheme of delegation to be recommended for adoption at the inaugural meeting of the shadow authority.

5.5 To oversee the preparation for the smooth transition of all matters civic and ceremonial.

5.6 Take all preparatory steps to support the Returning Officers for West Surrey / East Surrey Council in calling the first meeting of the Shadow Authorities.

Only from the date of the Surrey (Structural Changes) Order 2026 coming into force until the fourteenth day after the ordinary day of election of councillors in 2026:

5.7 The WSJC / ESJC may, by written notice to the proper officer of each of the constituent councils, require the council referred to in the notice, to take such action relevant to the function of preparing for and facilitating the economic, effective, efficient and timely transfer to West Surrey / East Surrey Council of its functions, property, rights and liabilities, such functions to be discharged via the WSJC / ESJC.

6.0 Implementation Team

6.1 As soon as practicable after the establishment of the WSJC / ESJC, it will, with the ESJC / WSJC, form on a voluntary basis a single team of officers, known as the "Implementation Team" for the purpose of assisting the WSJC / ESJC in the discharge of its functions, and if required the West Surrey / East Surrey Council shadow authority.

6.2 The members of the Implementation Team shall include officers from both Surrey County Council and from each of the West Surrey / East Surrey Councils.

6.3 The Leader of the Implementation Team (to be known as Senior Responsible Officer - **SRO**) shall be the person who is for the time being the Chief Executive of Surrey County Council.

6.4 The deputy leaders of the Implementation Team are to be an officer of one of the East Surrey District & Borough Councils and an officer of one of the West Surrey District & Borough Councils.

7.0 Procedures at meetings

7.1 Meetings of the WSJC / ESJC shall be conducted in accordance with the Terms of Procedure.

WEST / EAST SURREY JOINT COMMITTEE
DRAFT TERMS OF PROCEDURE

Proceedings of the WSJC / ESJC

1.0 Appointments

1.1 Appointments to the membership of the WSJC / ESJC will be made by each constituent Council in accordance with the membership criteria set out in the terms of reference for the WSJC / ESJC.

1.2 If any member of the WSJC / ESJC ceases to be a member of the council that has nominated them, they shall, with immediate effect, cease to be a member of the WSJC / ESJC, and the nominating council shall, as soon as is reasonably practicable, make a further nomination with the seat remaining vacant until such time as it is filled.

1.3 Each constituent authority may remove its member(s) and appoint different member(s) as per that authority's Standing Orders and by providing at least 24 hours' notice to the Leader of the Implementation Team (to be known as Senior Responsible Officer - **SRO**).

2.0 Chair and Vice Chair

2.1 The WSJC / ESJC shall appoint its own Chair and Vice Chair at its first meeting from amongst its membership.

2.2 The Chair shall chair meetings of the WSJC / ESJC, or in their absence, the Vice Chair shall preside at any meeting of the WSJC / ESJC. In the absence of both the Chair and the Vice Chair, the WSJC / ESJC will elect one of its members present to preside at the meeting.

3.0 Quorum

3.1 For a meeting of the WSJC / ESJC to be quorate **there must be at least 4 members present** and **at least two members present must be from the Surrey County Council** and **at least 2 members present from the West Surrey / East Surrey District and Borough Councils**.

3.2 No business will be transacted at a meeting unless or until a quorum exists at that meeting. If at the beginning of the meeting the person presiding declares that a quorum is not present, they shall adjourn the meeting for 15 mins and if there is still no quorum, the meeting shall stand adjourned.

4.0 Voting

4.1 The WSJC / ESJC's decision making will operate on the basis of mutual co-operation and consent. A question to be decided by the WSJC / ESJC is to be decided by the majority of those members present and voting at the meeting at which the question is put. Each member shall have one vote.

4.2 In the case of an equality of votes, the person presiding at the meeting, whether or not the chair of the committee, has a casting vote, in addition to any other vote the person may have.

4.3 Voting at meetings shall be by show of hands or by an electronic system of voting where available.

4.4 Where immediately before a vote is taken, if at least 2 members request it, there shall be a recorded vote taken and the minutes of the proceedings of that meeting shall record whether each member present cast their vote for or against the matter or whether they abstained from voting.

5.0 Meetings

5.1 The WSJC / ESJC shall meet as required, with a schedule of meetings being agreed at its first meeting.

5.2 Additional meetings may be arranged with at least 5 clear working days' notice, at the request of either the Chair, any 4 members of the WSJC / ESJC or the SRO.

5.3 Meetings shall be held at such time and location as may be notified to the members of the WSJC / ESJC by the SRO.

5.4 Agendas and reports for meetings of the WSJC / ESJC shall be circulated at least five clear working days in advance of any meeting.

5.5 The agenda for any meeting shall be agreed by the Chair of the WSJC / ESJC and the SRO.

5.6 Meetings of the WSJC / ESJC shall be held in public unless the public are excluded by resolution of the Committee under s100(B) Local Government Act 1972.

5.7 The WSJC / ESJC shall, unless the person presiding at the meeting, or the WSJC / ESJC determines otherwise in respect of a meeting, conduct its business in accordance with these procedure rules.

6.0 Substitutes

6.1 Nominated substitutes will be allowed on the WSJC / ESJC and each Council when making an appointment to their seats on the WSJC / ESJC may also appoint the same number of substitute member(s) as appointed member(s). For Councils with more than one substitute, any appointed substitute may act in place of any appointed member from that Council. It is for the absent member of the WSJC / ESJC to make arrangements for the substitute to attend.

7.0 Public Engagement

7.1 The WSJC / ESJC shall not have provision for public questions nor statements, nor shall it accept petitions from the public.

8.0 Access to Information

8.1 Meetings of the WSJC / ESJC will be held in public except where confidential or exempt information, as defined in the Local Government Act 1972, is being discussed. Only members of the WSJC / ESJC and relevant advising officers from the constituent authorities and any person so invited by the Chair, shall be permitted to be present for such items.

8.2 These rules do not affect any more specific rights to information contained elsewhere under the law.

8.3 Any information requests under the Freedom of Information Act 2000, Environmental Information Regulations 2004 or Date Protection Act 2018 received by the WSJC / ESJC should be directed to the relevant constituent authority for that authority to deal with in the usual way, taking account of the relevant legislation. Where the request relates to information held by two or more constituent authorities, they will liaise with each other before replying to the request.

9.0 Order of Business

9.1 The order of business at each meeting of the WSJC / ESJC will be as follows, unless varied by the person presiding:

9.1.1 Apologies for absence

9.1.2 Declarations of interests and substitute members

9.1.3 Approval of the minutes of the last meeting

9.1.4 Matters set out in the agenda for the meeting

9.1.5 Matters set out in the agenda for the meeting which, in the opinion of the SRO, are likely to be considered in the absence of the press and public.

10.0 Discharge of Functions

10.1 The WSJC / ESJC may arrange for the discharge of their functions by the SRO (who can nominate and authorise to an officer of the Implementation Team) and in doing so will set out clearly any limits upon such delegation.

11.0 Code of Conduct and Interests

11.1 Members of WSJC / ESJC are governed by the provisions of their own Council's Codes and Protocols including the code of conduct for members and the provisions regarding interests.

12.0 Minutes

12.1 There shall be no discussion made in respect of the minutes, except as to their accuracy. If no such question is raised or if it is raised then as soon as it has been disposed of, the Chair shall sign the minutes of the previous meeting.

13.0 Role of the Chair

13.1 A member wishing to speak shall address the Chair and direct their comments to the agenda item being discussed. The Chair shall decide the order in which to take representations from members wishing to speak and shall decide all questions of order. Their ruling upon all such questions or upon matters arising in debate shall be final and shall not be open to discussion.

13.2 The Chair shall have the discretion to regulate the behaviour of all individuals present at the meeting in the interests of the efficient conduct of the meeting, including excluding members of the press and public in the event of a disturbance.

14.0 Amendment of these Procedure Rules

14.1 These procedure rules may only be amended by majority resolution of the members of the WSJC / ESJC present and voting, following consideration of the SRO's advice.

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Report of the Chairman on the work of the Audit Committee

This report gives an overview of the key items considered by the Committee at its meeting on 27 November 2025.

At the Audit Committee held on 27 November 2025, the following business was considered:

1. **Internal Audit Progress Report 2025**

1.1 The Committee received a report from the Deputy Head of Southern Internal Audit Partnership.

1.2 The Committee **resolved** to:

a) Note the Internal Audit Progress Report – October 2025,
b) Note the Internal Audit Progress Report – October 2026; and
c) Approve the adjustments to the Internal Audit Plan 2025-26

2. **Risk Management/Corporate Risk Register (new format)**

2.1 The Committee was shown worked examples of the new Risk Register that will be assurance based rather than risk based.

2.2 The Committee **resolved** to:

a) Note progress with the development of a new Risk Management Framework and Policy based on a governance assurance approach to risk management,
b) Review the worked examples shown in Appendix A which outlined how the Council's key areas of governance would be addressed under the new arrangements within the revised approach; and
c) Provided comments on any suggested improvements necessary to provide assurance that key governance areas of the Council are address effectively.

3. **2024-25 Draft unaudited Financial Statements**

3.1 The Committee considered the report and the draft unaudited financial statements, which were published on the Council's website on 16 September 2025, in accordance with the statutory deadline.

3.2 The Committee **resolved** to acknowledge the report.

4. **Annual Governance Statement 2024-25**

4.1 The Committee considered a report that had originally been brought before the Audit Committee on 25 September 2025 when amendments were requested.

4.2 The Committee **resolved** to approve the draft Annual Governance Statement at Appendix 1 of the report.

5. **Review of Effectiveness of Audit Committee**

5.1 The Committee considered a report that outlined the findings of the review of effectiveness carried out during July-September 2025

5.2 The Committee **resolved** to:

a) Endorse the findings of the assessment of effectiveness of the Audit Committee'
b) Development a plan to identify opportunities to improve and strengthen the work of the Audit Committee; and
c) Agree the revised Terms of Reference for the Audit Committee for consideration by the Committee System Working Group.

6 **Annual Review of the Confidential Reporting Code**

6.1 The Committee considered a report on the updated Confidential Reporting Code.

6.2 The Committee **resolved** to note the updated Confidential Reporting Code and agree to retain the current Confidential Reporting Code as updated.

Business, Infrastructure and Growth Committee

Decisions taken at the meeting held on Thursday, 20 November 2025.

Meeting Time:
7.00 pm

Meeting Venue:
Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

PRESENT: Councillor Howard Williams (Chair), Councillor John Boughtflower (Vice-Chair), Councillor Chris Bateson, Councillor Sean Beatty, Councillor Darren Clarke, Councillor Rebecca Geach, Councillor Michele Gibson and Councillor Suraj Gyawali

5. APPROVAL TO PROGRESS WITH THE FREEHOLD DISPOSAL OF VACANT LAND KNOWN AS PLOTS 12 & 13 ADJACENT TO REVELSTOKE, SHEPPERTON TOWPATH, SHEPPERTON TW17 9LL

The Committee **resolved** to:

a) Approve the freehold disposal of Plots 12 & 13 adj Revelstoke, Shepperton Towpath, Shepperton for a price of £350,000 to Bidder A referred to in Appendix 2;
b) Delegate authority to the Group Head of Corporate Governance to enter into transfers to complete the disposals and any ancillary legal documentation required in relation to Plots 12 and 13 adjoining Revelstoke, Shepperton Towpath, Shepperton shown edged red on plan in Appendix 1.

6. APPOINTMENT OF NEW VALUATION SURVEYORS TO UNDERTAKE THE ANNUAL MUNICIPAL VALUATION

The Committee **resolved** to:

1. Approve the appointment of Bidder C to undertake the municipal valuation programme for a period of 2 years with an option to extend for a further 1 year.
2. Delegate authority to the Group Head of Corporate Governance to enter into a contract and any ancillary legal documentation required in respect of appointment of Bidder C.

NOTES:-

(1) Members are reminded that the "call-in" procedure as set out in Part 4b of the Constitution, shall not apply to the following matters:

(a) Urgent decisions as defined in Paragraph 9. of the Call-in Scrutiny Procedure Rules;
(b) Decisions to award a contract following a lawful procurement process;
(c) Those decisions:
i. reserved to full Council
ii. on regulatory matters
iii. on member conduct issues.

(2) Those matters to which Note (1) applies, if any, are identified with an asterisk [*] in the above Minutes.

(3) Within three working days of the date on which this decision is published, not less than three members from two or more political groups by submission of the standard call-in pro-forma, may ask for that decision to be referred to a meeting of the Corporate Policy and Resources Committee for review (call-in). The completed pro-forma must be received by the Proper Officer by 5pm three working days after publication of the decision.

(1) The members exercising the right of call-in must not be members of the Committee which considered the matter.

(2) When calling in a decision for review the members doing so must demonstrate the following exceptional circumstances:

a. Evidence which suggests that the decision maker, did not take the decision in accordance with the principles set out in Article 11 (Decision Making); or

b. Evidence that the decision fails to support one or more of the Council's Corporate Plan priorities to the detriment of the majority of the Borough's residents; or

c. Evidence that explicit Council Policy or legal requirements were disregarded.

(6) Once the request for 'call-in' has been deemed valid by the Monitoring Officer the matter will be suspended until the call-in procedure has been exhausted.

(7) The Chief Executive, in consultation with the relevant officer, will determine if the interests of the Council or Borough would be prejudiced by a delay in implementing a decision such that the call-in cannot wait until the next ordinary meeting of the Corporate Policy and Resources Committee.

(8) Where the call-in cannot wait until the next ordinary meeting, the Monitoring Officer will arrange an extraordinary meeting of the Corporate Policy and Resources Committee to review the decision subject to call-in at the earliest possible opportunity.

(9) In exceptional cases, where there is clear evidence that a delay to the implementation of a decision would lead to a specific and significant financial or reputational harm to the Council, a call-in request may be refused by the Chief Executive following consultation with the Chair and Vice-Chair of Corporate Policy and Resources Committee.

(10) In reviewing a matter referred to it under the call-in scrutiny procedure rules, the Corporate Policy and Resources Committee shall follow the procedure for dealing with call-in scrutiny at its meetings as set out in Part 4b of the Constitution.

(11) The deadline of three working days for "call in" in relation to the above decisions by the Committee is the close of business on 26 November 2025.

Commercial Assets Sub-Committee

Decisions taken at the meeting held on Monday, 17 November 2025.

Meeting Time:
1.30 pm

Meeting Venue:
Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

PRESENT: Councillor Lawrence Nichols (Chair), Councillor Sean Beatty (Vice-Chair), Councillor Rose Chandler, Councillor Denise Saliagopoulos, Councillor Howard Williams and Mark Bunney

8. LEASE RENEWAL - UNIT IN ELMSLEIGH SHOPPING CENTRE, STAINES-UPON-THAMES TW18 4QB

The Sub-Committee **resolved** to:

1. Approve the lease renewal to the existing tenant as set out in the report and Appendix 1;
2. Authorise the Group Head of Assets in consultation with the Chair and Vice-Chair of the Commercial Assets Sub-Committee to agree to any variations to the proposed terms; and
3. Authorise the Group Head of Corporate Governance to enter into the Lease and any associated legal documentation.

9. LEASE REGEAR - THAMES TOWER, READING

The Sub-Committee **resolved** to:

1. Approve the proposed reversionary lease on the terms set out in the report;
2. Authorise the Group Head of Assets in consultation with the Chair and Vice-Chair of the Commercial Assets Sub-Committee to agree to any variations to the proposed terms; and
3. Authorise the Group Head of Corporate Governance to enter into the Lease and any associated legal documentation.

10. VARIATION OF LEASE TERMS

The Sub-Committee **resolved** to:

1. Approve the variation to the lease terms as set out in the report;
2. Authorise the Group Head of Assets in consultation with the Chair and Vice-Chair of the Commercial Assets Sub-Committee to agree any variations to the proposed terms (if required); and
3. Authorise the Group Head of Corporate Governance to enter into the deed of variation and any ancillary legal documentation.

NOTES:-

(1) Members are reminded that the "call-in" procedure as set out in Part 4b of the Constitution, shall not apply to the following matters:

(a) Urgent decisions as defined in Paragraph 9. of the Call-in Scrutiny Procedure Rules;
(b) Decisions to award a contract following a lawful procurement process;
(c) Those decisions:
i. reserved to full Council
ii. on regulatory matters
iii. on member conduct issues.

(1) Those matters to which Note (1) applies, if any, are identified with an asterisk [*] in the above Minutes.

(2) Within three working days of the date on which this decision is published, not less than three members from two or more political groups by submission of the standard call-in pro-forma, may ask for that decision to be referred to a meeting of the Corporate Policy and Resources Committee for review (call-in). The completed pro-forma must be received by the Proper Officer by 5pm three working days after publication of the decision.

(3) The members exercising the right of call-in must not be members of the Committee which considered the matter.

(4) When calling in a decision for review the members doing so must demonstrate the following exceptional circumstances:

a. Evidence which suggests that the decision maker, did not take the decision in accordance with the principles set out in Article 11 (Decision Making); or

b. Evidence that the decision fails to support one or more of the Council's Corporate Plan priorities to the detriment of the majority of the Borough's residents; or

c. Evidence that explicit Council Policy or legal requirements were disregarded.

(6) Once the request for 'call-in' has been deemed valid by the Monitoring Officer the matter will be suspended until the call-in procedure has been exhausted.

(7) The Chief Executive, in consultation with the relevant officer, will determine if the interests of the Council or Borough would be prejudiced by a delay in implementing a decision such that the call-in cannot wait until the next ordinary meeting of the Corporate Policy and Resources Committee.

(8) Where the call-in cannot wait until the next ordinary meeting, the Monitoring Officer will arrange an extraordinary meeting of the Corporate Policy and Resources Committee to review the decision subject to call-in at the earliest possible opportunity.

(9) In exceptional cases, where there is clear evidence that a delay to the implementation of a decision would lead to a specific and significant financial or reputational harm to the Council, a call-in request may be refused by the Chief Executive following consultation with the Chair and Vice-Chair of Corporate Policy and Resources Committee.

(10) In reviewing a matter referred to it under the call-in scrutiny procedure rules, the Corporate Policy and Resources Committee shall follow the procedure for dealing with call-in scrutiny at its meetings as set out in Part 4b of the Constitution.

(11) The deadline of three working days for "call in" in relation to the above decisions by the Committee is the close of business on 20 November 2025.

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Corporate Policy and Resources Committee

Decisions taken at the meeting held on Tuesday, 11 November 2025.

Meeting Time:
7.00 pm

Meeting Venue:
Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

PRESENT: Councillor Joanne Sexton (Chair), Councillor Chris Bateson (Vice-Chair), Councillor Malcolm Beecher, Councillor John Boughtflower, Councillor Jon Button, Councillor Darren Clarke, Councillor Sue Doran, Councillor Rebecca Geach, Councillor Michele Gibson, Councillor Kathy Grant, Councillor Matthew Lee, Councillor Sinead Mooney, Councillor Lawrence Nichols and Councillor Howard Williams

2. MINUTES

The minutes of the meeting held on 13 October 2025 were agreed as a correct record.

4. QUESTIONS FROM MEMBERS OF THE PUBLIC

The Committee were advised that no questions had been received from members of the public.

5. FORWARD PLAN

The Committee **resolved** to note the contents of the Forward Plan.

6. REVISED POLICY STATEMENT ON MINIMUM REVENUE PROVISION (MRP) FOR 2025/26*

The Committee **resolved** to:

1. Consider and agree the proposed new MRP Policy Statement for 2025/26; and

2. Recommend that Council approve the proposed new MRP Policy Statement for 2025/26 as set out in Appendix A of the report.

7. DEBT RESCHEDULING PROPOSALS 2025/26*

The Committee **resolved** to:

1. Consider and agree the proposed new Debt Rescheduling proposal for implementation during 2025/26 subject to the Chairs of the Business Infrastructure and Growth Committee, the Commercial Assets sub-Committee and the Corporate Policy and Resources Committee being consulted and approving before a re-financing transaction is initiated if PWLB rates movements result in the discount benefit to the Council falling below £320m; and

2. Recommend that Council approve the Debt Rescheduling proposal for implementation during 2025/26 subject to the Chairs of the Business Infrastructure and Growth Committee, the Commercial Assets sub-Committee and the Corporate Policy and Resources Committee being consulted and approving before a re-financing transaction is initiated if PWLB rates movements result in the discount benefit to the Council falling below £320m.

8. ASSET RATIONALISATION TO UNDERPIN THE REVISED MEDIUM-TERM FINANCIAL STRATEGY*

The Committee **resolved** to:

1. Consider and agree the principle of Asset Rationalisation as set out in the report and to recommend this to Council,

2. Approve the commencement of the procurement of a specialist advisor through an appropriate framework,

3. Delegate authority to the Section 151 Officer and Group Head of Assets, in consultation with the Leader and the Deputy Leader, the Chairs of the Commercial Assets Sub-Committee and the Business, Infrastructure and Growth Committee, to appoint the preferred bidder from the above procurement to assist in the implementation of an Asset Rationalisation Strategy; and

4. Delegate authority to the Group Head Corporate Governance to enter into a contract with the proposed advisors.

9. RESERVES STRATEGY 2026-27

The Committee **resolved** to:

1. Recommend to Council that it is informed and assured by the Draft Reserves Strategy noting that the forward projected figures will change when a detailed Budget Report is brought to the Corporate Policy and Resources Committee in January 2026; and

2. Acknowledge the proposed repurposing of the earmarked Sinking Fund reserves as a revenue budget equalisation reserve.

10. MEDIUM-TERM FINANCIAL STRATEGY 2026-27

The Committee **resolved** to:

1. Be informed and assured by the Draft Medium Term Financial Strategy set out in the report and that an updated strategy (reflecting the impact of actual debt discount and refinancing rates achieved, and the outcome of the Fair Funding Review), as part of a Detailed Budget Report will come to the Corporate Policy and Resources Committee in January 2026 for consideration and approval; and

2. Approve the proposed Flexible Use of Capital Receipts Strategy.

11. TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2024/25*

The Committee **resolved** to approve the Treasury Management Outturn position for 2025/25.

12. TREASURY MANAGEMENT HALF YEARLY REPORT

The Committee **resolved** to note the performance of the Treasury Management Team during the first six months of 2025/26.

13. URGENT ACTIONS

The Committee were advised that no urgent actions had been taken since the last meeting.

NOTES:-

(1) Members are reminded that the "call-in" procedure as set out in Part 4b of the Constitution, shall not apply to the following matters:

- *(a) Urgent decisions as defined in Paragraph 9. of the Call-in Scrutiny Procedure Rules;*
- *(b) Decisions to award a contract following a lawful procurement process;*
- *(c) Those decisions:*
  - *i. reserved to full Council*
  - *ii. on regulatory matters*
  - *iii. on member conduct issues.*

(2) Those matters to which Note (1) applies, if any, are identified with an asterisk [*] in the above Minutes.

(3) Within three working days of the date on which this decision is published, not less than three members from two or more political groups by submission of the standard call-in pro-forma, may ask for that decision to be referred to a meeting of the Corporate Policy and Resources Committee for review (call-in). The completed pro-forma must be received by the Proper Officer by 5pm three working days after publication of the decision.

(4) The members exercising the right of call-in must not be members of the Committee which considered the matter.

(5) When calling in a decision for review the members doing so must demonstrate the following exceptional circumstances:

- *a. Evidence which suggests that the decision maker, did not take the decision in accordance with the principles set out in Article 11 (Decision Making); or*
- *b. Evidence that the decision fails to support one or more of the Council's Corporate Plan priorities to the detriment of the majority of the Borough's residents; or*
- *c. Evidence that explicit Council Policy or legal requirements were disregarded.*

(6) Once the request for 'call-in' has been deemed valid by the Monitoring Officer the matter will be suspended until the call-in procedure has been exhausted.

(7) The Chief Executive, in consultation with the relevant officer, will determine if the interests of the Council or Borough would be prejudiced by a delay in implementing a decision such

that the call-in cannot wait until the next ordinary meeting of the Corporate Policy and Resources Committee.

(8) Where the call-in cannot wait until the next ordinary meeting, the Monitoring Officer will arrange an extraordinary meeting of the Corporate Policy and Resources Committee to review the decision subject to call-in at the earliest possible opportunity.

(9) In exceptional cases, where there is clear evidence that a delay to the implementation of a decision would lead to a specific and significant financial or reputational harm to the Council, a call-in request may be refused by the Chief Executive following consultation with the Chair and Vice-Chair of Corporate Policy and Resources Committee.

(10) In reviewing a matter referred to it under the call-in scrutiny procedure rules, the Corporate Policy and Resources Committee shall follow the procedure for dealing with call-in scrutiny at its meetings as set out in Part 4b of the Constitution.

*(11) The deadline of three working days for "call in" in relation to the above decisions by the Committee is the close of business on **17 November 2025.**.*

Environment and Sustainability Committee

SPELTHORNE BOROUGH COUNCIL

Decisions taken at the meeting held on Thursday, 13 November 2025.

Meeting Time:
7.00 pm

Meeting Venue:
Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

PRESENT: Councillor Malcolm Beecher (Chair), Councillor Kathy Grant (Vice-Chair), Councillor Sean Beatty, Councillor Mary Bing Dong, Councillor Tony Burrell, Councillor Jolyon Caplin, Councillor Darren Clarke, Councillor Anant Mathur, Councillor Joanne Sexton, Councillor John Turner, Councillor Howard Williams and Councillor Paul Woodward

4. VOLUNTARY PLACEMENT STIPEND GREEN INITIATIVES FUND APPLICATION

The Committee **resolved** to:

1. Approve the project to run up to 5 ‘voluntary placement’ positions for Academic Year 25/26.
2. Approve the application of funding of £1,500 from the Green Initiatives Fund (GIF) to provide a stipend of £300/voluntary placement for 5 placements.

5. GREEN INITIATIVES FUND BID ELECTRIC VEHICLE (EV) CHARGE POINTS

The Committee **resolved** to:

1. Approve the project to further develop the operational electric vehicle charge point infrastructure on the Council’s operational buildings, the Depot, the Greeno Centre and the Fordbridge Day Centre.
2. Approve the application of funding of £64,000 from the Green Initiatives Fund (GIF) for the project.
3. Recommend that Council approve amending the Capital Programme by bringing £64,000 forwards from the EV chargers provision from 2026-27 to 2025-26.
4. Delegate authority to the Group Head of Commissioning and Transformation in consultation with the Chair of the Environment and Sustainability Committee to procure an electric vehicle charge point supplier to expand the existing operational charging network for the council and to award the contract.
5. Delegate authority to the Group Head of Corporate Governance to enter into the necessary legal documentation.

6. APPROVAL OF COMMUNITY INFRASTRUCTURE LEVY (CIL) FUNDING

The Committee **resolved** to:

1. Approve CIL funding for the following applications, following consideration by the Strategic CIL Task Group and recommendation to the Environment and Sustainability Committee:
   a. Strategic CIL funding applications for:
      - Surrey Police – installation of 10 ANPR cameras
      - Play area improvements and renovations in Halliford Park, Littleton Park, and

Orchard Meadow
- Ashford Park Primary School – 3G pitch, community hub and outdoor learning area

b. Six Local Cil applications referred from Local CIL spending boards.

2. Approve the amendments to existing, agreed CIL funding allocations, also considered by the Strategic CIL Task Group and recommended to the Committee, as follows:
    a. To repurpose £21,065 unused funds from a previously approved in 2023 ANPR cameras bid to the current application for Surrey Police ANPR cameras, as set out in the report;
    b. In respect of Playing Pitch improvements, for a value of £68,050 approved in 2022. There is no change to the value agreed but the number of playing pitches included has reduced, due to the lack of availability of matched funds and based on an updated assessment of need, feasibility and potential benefits.

7. PLAY FACILITY IN MEMORIAL GARDENS, STAINES-UPON-THAMES

The Committee **resolved** to:

1. Agree for a new play facility to be built within Memorial Gardens, Staines-upon-Thames, to replace the Five Swimmers' statute, subject to planning approval.
2. Authorise the Group Head Neighbourhood Services to commence a planning application for the installation of a new play facility
3. Authorise the Group Head Neighbourhood Services to commence a consultation for the installation of a new play area in Memorial Gardens, Staines-upon-Thames.
4. Authorise the Group Head Neighbourhood Services to commence a procurement process for the construction and installation of a new play facility and safety surfacing in Memorial Gardens, Staines-upon-Thames including site preparation.
5. Authorise the Group Head Neighbourhood Services to select the preferred tenderers and award the contracts not exceeding the Community Infrastructure Levy funding of £300k set out in the report.
6. Authorise the Group Head Corporate Governance to enter the contracts and necessary legal documentation for the preparation of the site and the purchase and installation of the new play equipment and safety surfacing.

8. SPELTHORNE OPEN SPACES AND BIODIVERSITY STRATEGY

The Committee **resolved** to approve the updated Open Spaces and Biodiversity Strategy.

NOTES:-

(1) Members are reminded that the "call-in" procedure as set out in Part 4b of the Constitution, shall not apply to the following matters:

(a) Urgent decisions as defined in Paragraph 9. of the Call-in Scrutiny Procedure Rules;
(b) Decisions to award a contract following a lawful procurement process;
(c) Those decisions:
i. reserved to full Council
ii. on regulatory matters
iii. on member conduct issues.

(2) Those matters to which Note (1) applies, if any, are identified with an asterisk [*] in the above Minutes.

(3) Within three working days of the date on which this decision is published, not less than three members from two or more political groups by submission of the standard call-in pro-

forma, may ask for that decision to be referred to a meeting of the Corporate Policy and Resources Committee for review (call-in). The completed pro-forma must be received by the Proper Officer by 5pm three working days after publication of the decision.

(4) The members exercising the right of call-in must not be members of the Committee which considered the matter.

(5) When calling in a decision for review the members doing so must demonstrate the following exceptional circumstances:

a. Evidence which suggests that the decision maker, did not take the decision in accordance with the principles set out in Article 11 (Decision Making); or

b. Evidence that the decision fails to support one or more of the Council's Corporate Plan priorities to the detriment of the majority of the Borough's residents; or

c. Evidence that explicit Council Policy or legal requirements were disregarded.

(6) Once the request for 'call-in' has been deemed valid by the Monitoring Officer the matter will be suspended until the call-in procedure has been exhausted.

(7) The Chief Executive, in consultation with the relevant officer, will determine if the interests of the Council or Borough would be prejudiced by a delay in implementing a decision such that the call-in cannot wait until the next ordinary meeting of the Corporate Policy and Resources Committee.

(8) Where the call-in cannot wait until the next ordinary meeting, the Monitoring Officer will arrange an extraordinary meeting of the Corporate Policy and Resources Committee to review the decision subject to call-in at the earliest possible opportunity.

(9) In exceptional cases, where there is clear evidence that a delay to the implementation of a decision would lead to a specific and significant financial or reputational harm to the Council, a call-in request may be refused by the Chief Executive following consultation with the Chair and Vice-Chair of Corporate Policy and Resources Committee.

(10) In reviewing a matter referred to it under the call-in scrutiny procedure rules, the Corporate Policy and Resources Committee shall follow the procedure for dealing with call-in scrutiny at its meetings as set out in Part 4b of the Constitution.

(11) The deadline of three working days for "call in" in relation to the above decisions by the Committee is the close of business on 19 November 2025.

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Licensing Committee

Decisions taken at the meeting held on Monday, 24 November 2025.

Meeting Time:
7.00 pm

Meeting Venue:
Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

PRESENT:

1. **MINUTES**

   The minutes of the meeting held on 02 October was agreed as a correct record of proceedings.

2. **DISCLOSURES OF INTEREST**

   There were none.

3. **HACKNEY CARRIAGE TABLE OF FARE REVIEW 2025***

   The Committee **resolved** to approve the proposed table of fares as set out at Appendix A of the report.

4. **REVIEW AND SETTING OF FEES & CHARGES FOR THE LICENSING OF HACKNEY CARRIAGES, PRIVATE HIRE, AND PRIVATE HIRE OPERATORS***

   The Committee **resolved** to approve the proposed licensing fees and charges as set out in Appendix B for consultation purposes and statutory advertising requirements.

NOTES:-

(1) Members are reminded that the "call-in" procedure as set out in Part 4b of the Constitution, shall not apply to the following matters:

- *(a) Urgent decisions as defined in Paragraph 9. of the Call-in Scrutiny Procedure Rules;*
- *(b) Decisions to award a contract following a lawful procurement process;*
- *(c) Those decisions:*
  - *i. reserved to full Council*
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(2) Those matters to which Note (1) applies, if any, are identified with an asterisk [*] in the above Minutes.

(3) Within three working days of the date on which this decision is published, not less than three members from two or more political groups by submission of the standard call-in pro-forma, may ask for that decision to be referred to a meeting of the Corporate Policy and Resources Committee for review (call-in). The completed pro-forma must be received by the Proper Officer by 5pm three working days after publication of the decision.

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(1) When calling in a decision for review the members doing so must demonstrate the following exceptional circumstances:

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b. Evidence that the decision fails to support one or more of the Council's Corporate Plan priorities to the detriment of the majority of the Borough's residents; or

c. Evidence that explicit Council Policy or legal requirements were disregarded.

(6) Once the request for 'call-in' has been deemed valid by the Monitoring Officer the matter will be suspended until the call-in procedure has been exhausted.

(7) The Chief Executive, in consultation with the relevant officer, will determine if the interests of the Council or Borough would be prejudiced by a delay in implementing a decision such that the call-in cannot wait until the next ordinary meeting of the Corporate Policy and Resources Committee.

(8) Where the call-in cannot wait until the next ordinary meeting, the Monitoring Officer will arrange an extraordinary meeting of the Corporate Policy and Resources Committee to review the decision subject to call-in at the earliest possible opportunity.

(9) In exceptional cases, where there is clear evidence that a delay to the implementation of a decision would lead to a specific and significant financial or reputational harm to the Council, a call-in request may be refused by the Chief Executive following consultation with the Chair and Vice-Chair of Corporate Policy and Resources Committee.

(10) In reviewing a matter referred to it under the call-in scrutiny procedure rules, the Corporate Policy and Resources Committee shall follow the procedure for dealing with call-in scrutiny at its meetings as set out in Part 4b of the Constitution.

(11) The deadline of three working days for "call in" in relation to the above decisions by the Committee is the close of business on ***27 November 2025.***

Report of the Chair on the Work of the Planning Committee

This report gives an overview of the key items considered by the Committee at its meetings on 12 November and 09 December 2025.

1. **Planning Committee Meeting – 12 November 2025**

1.1 The Committee considered two applications.

1.2 **Application No. 25/01064/FUL** – Change of Use of Ground Floor from Vacant Bank to a Proposed Bingo Hall.

1.3 The application was **overturned** and **refused** for the following reasons:

the proposed use would introduce a non-Class E use in the designated primary shopping area, it will negatively affect the amenity of local residents and will not positively contribute to the viability and vitality of the high street contrary to policy TC2, EN11 of the Core Strategy and Policies DPD 2009 and the NPPF.

1.4 **Application No. 25/01088/HOU** – Garage conversion to habitable room part singe part two storey side and rear extension, loft conversion with rear dormer and hip to gable roof extension.

1.5 The application was approved subject to conditions as set out in the recommendation section of the report and the additional condition agreed by the Committee as follows:

Notwithstanding the provisions of the Town and Country Planning General Permitted Development Order 2015 as amended or any order revoking and re-enacting that order, the extended property shall be used only for purposes within use Class C3 of the scheduled of the Town and Country Planning Use Class Order 1987 as amended or in any provision equivalent to that class in any statutory instrument revoking and re-enacting that order. The reason is to ensure that the property is maintained as a dwelling house and to safeguard the amenity of the neighbouring properties.

2. **Planning Committee- 09 December 2025**

2.1 The Committee considered ? applications.

2.2 **Application No.**
2.3 **Application No.**

Chair's Report – Standards Committee Meeting 22 October 2025

1. **Update to Climate Change Working Group Terms of Reference**

   The Committee **resolved** to make a recommendation to Council to:

   a. Approve the change of name of the 'Climate Change Working Group' to the 'Climate and Nature Working Group',

   b. Approve the revised Terms of Reference as outlined in Appendix A of the report; and

   c. Adopt the changes into the Council's Constitution

2. **Review of the Members Code of Conduct (provisional)**

   The Committee **resolved** to acknowledge the update on the review of the Councillor Code of Conduct.

3. **Changes to Contract Standing Orders**

   The Committee **resolved** to:

   a. Consider the updated Contract Standing Orders; and

   b. Recommend that the Council approve the updated Contract Standing Orders as set out in the report.

4. **Update on Standards Investigation**

   The Committee voted on both recommendations outlined in the report. As both votes resulted in a deadlock of 4 votes for and 4 votes against, the Committee were advised that both recommendations **FELL**.

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of the Local Government Act 1972.

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