

# Annual Governance Statement 2024-25

## Executive Summary: Annual Governance Statement 2024–25

Spelthorne Borough Council's Annual Governance Statement (AGS) for 2024–25 outlines the Council's governance framework, key challenges, and the actions taken in response to significant external scrutiny. The AGS reflects findings from external auditors and the Government's Best Value Inspection (BVI).

### Key Drivers for Governance Reform

- **External Audit and BVI Reports:** The Council received critical feedback from Grant Thornton and the BVI, which identified 13 key recommendations covering governance, finance, commercial strategy, and organisational culture.
- **Commissioner Intervention:** Commissioners were appointed in May 2025 to oversee the Council's recovery, with a focus on implementing a comprehensive Improvement and Recovery Plan (IRP).
- **Local Government Reorganisation:** Anticipated transition to a unitary authority by April 2027 necessitates robust governance and financial controls.

### Improvement and Recovery Plan (IRP)

- The IRP consolidates recommendations from the BVI, CIPFA, KPMG, LGA, and external auditors.
- It is structured around five themes: Housing & Regeneration, Local Government Reorganisation, Finance, Commercial, and Governance.
- Progress will be monitored by the Improvement and Recovery Board and reported quarterly to the Corporate Policy and Resources Committee and MHCLG.

### Governance Enhancements

- **Audit Committee:** Expanded to six meetings annually, with the addition of a second independent member to strengthen oversight.
- **Internal Audit:** Transitioned to the Southern Internal Audit Partnership (SIAP), with a 'limited assurance' opinion anticipated for 2024–25.
- **Risk Management:** A refreshed Corporate Risk Register and updated strategy is being put in place, with training and structural improvements underway.

### Financial Management

- The Council is addressing underfunded Minimum Revenue Provision (MRP), updating its Medium-Term Financial Strategy (MTFS), and developing a debt reduction strategy.
- Sinking fund reserves were refreshed, with balances at £34.3m, supporting financial resilience amid tenant churn and lease renewals. Further modelling and assessment of the sinking funds approach is to be undertaken.
- A balanced budget was achieved for 2025–26, but an initial projected £4m gap for 2026–27, was identified when 2025-26 Budget was set in February 2025-26, this will have increased by the time the revised MFTP is firmed up in autumn 2025 and is planned to be addressed through transformation and asset disposals.

### Subsidiary Companies

- **Knowle Green Estates (KGE):** Governance strengthened with independent leadership of Board put in place and clean external audit opinion for 2023–24, opinion for 2024-25 accounts expected shortly..

- **Spelthorne Direct Services (SDS):** Continued clean external audits and expanded governance with councillor representation.

### **Commercial Property Portfolio**

- Investment properties contribute 38% of Council income. Governance and risk management have been enhanced, with a focus on strategic disposals and performance monitoring. A review of Commercial assets is a key focus of the Improvement and Recovery Plan.

### **Transparency and Engagement**

- The Council has improved public access to information, enhanced stakeholder engagement, and achieved high satisfaction in resident and staff surveys.
- A new engagement strategy and digital tools have expanded reach and inclusivity.

### **Significant Governance Issues to be Addressed**

- Actions taken in 2024–25 include:
  - Initial steps taken at end of 2024-25 to be followed through with the Improvement and Recovery Plan to strengthen financial and risk management.
  - Enhancing housing delivery and sustainability- good progress made in advancing Local Plan.
  - Improving procurement practices and audit trails.

### **Conclusion**

The Council is committed to rebuilding trust and ensuring effective governance as it prepares for structural reorganisation. The AGS reflects a proactive response to external scrutiny and a clear roadmap for recovery and improvement.

# Annual Governance Statement 2024-2025

## Introduction

As Leader and Chief Executive, we are acutely aware that everything the Council does relies upon a foundation of solid governance. During 2024-25 we have received critical and challenging feedback on our governance and financial arrangements from firstly our external auditors and secondly from the publication of the [Best Value Inspection Report](#) on the Council. The Council is focused on making improvements in the coming financial year which address the recommendations of the external reviews. We now have a set of Commissioners, with whom the Council is actively working with to progress and deliver an Improvement and Recovery Plan. Each of the five themes in the emerging Improvement and Recovery Plan (Local Government Reorganisation; Finance; Commercial; Regeneration & Housing; and Governance & Assurance) will have a lead officer, lead commissioner and lead councillor, and update reports will be presented at the Improvement and Recovery Board and Corporate Policy and Resources Committee to ensure transparency and accountability. The Improvement and Recovery Plan will be a key document moving forwards in addressing all 13 recommendations in the Best Value Inspection Report. The Audit Committee (in parallel with the Corporate Policy and Resources Committee, and the Improvement and Recovery Board) will be monitoring progress against the recommendations, primarily through the progress reports on the Improvement and Recovery Plan.

As a result of Local Government Reorganisation, Spelthorne, as well as all Surrey councils, will be replaced by either two or three unitary authorities in April 2027. This reinforces the need for us to demonstrate high standards of controls and governance as we move towards passing on our assets and liabilities to a new authority.

This statement provides a review of how the Council's controls and governance arrangements operate, and an assessment against the seven principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" (2016); it also outlines progress against issues identified in the last year's Annual Governance Statement and set out key areas of focus for 2025/26.

## The Purpose of the Annual Governance Statement

The Annual Governance Statement considers the effectiveness of our governance arrangements throughout 2024/25. It is an objective and honest appraisal of the effectiveness of our governance framework. It highlights where we have identified any governance weaknesses, particularly having regard to recent external reviews and external audit reports, but also where we want to further develop and improve them to ensure that we have as effective governance arrangements.

## Reviewing our Effectiveness and the Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the Council is enabled, directed, and controlled and through which it accounts to, engages with, and leads the community. Part of that framework involves the management of risk. No risk management process can eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness. The Council's risk management approach in response to feedback from the Best Value Inspection and external audit reports is being significantly refreshed in 2025-26. The Corporate Risk Register is subject to regular review by the corporate Management Team (MAT), at Audit Committee, Corporate Policy and Resources Committee, and the Officer Corporate Risk Management Group throughout the year. The Audit Committee review all strategic risks at every meeting of the Committee.

To support the development of the AGS, the following sections reflect the activity undertaken to review the effectiveness of governance across the Council:

- An annual self-assessment assurance process by Group Heads and MAT members to prompt consideration of the existence and adequacy of governance arrangements during 2024/25.

- Corporate Risk Register which monitors the management of threats, concerns, and issues across the Council.
- The Joint Annual Report on effectiveness of Internal Audit from the Monitoring Officer, and the Chief Finance Officer which provides an opinion on the adequacy and effectiveness of the Council's risk management, control, and governance processes.
- The work of the designated Data Protection Officer (DPO).
- The work of the Audit Committee which includes responsibility for monitoring the development and operation of corporate governance in the Council.
- The Council's internal management processes, such as performance monitoring and reporting; the staff continuous performance management framework; employee awareness of corporate policies; monitoring of policies such as the corporate complaints and health and safety policies and budget management systems, which is regularly refreshed at staff meetings
- The report of the Council's External Auditor
- The consideration of any significant matters arising in the year, which are discussed and monitored by various Committees.
- Recommendations from external review agencies and inspectorates, such as Best Value Inspectors. Specific governance assurance statements are provided from the following statutory officers.

#### **a) Head of Paid Service**

As Chief Executive and the Head of Paid Service, I am responsible for the overall corporate and operational management of the council.

As I look back on 2024/25, I am delighted that the Council has continued to serve its residents well; our Residents Survey attracted over 1,700 responses in which Spelthorne scored particularly well corporately in relation to service delivery, value for money, trust, keeping residents informed and acting on residents' views (as benchmarked against Local Government Association national figures).

Moreover, Spelthorne achieved the best score ever recorded by any council on how satisfied staff feel with their 'employment deal' - the balance between corporate support and employee empowerment to deliver their responsibilities - since the LGA / Kinetiq started the survey in 2012. I would like to thank colleagues here at the Council whose hard work, professionalism and drive to deliver excellent services for residents for that is what is behind our positive results.

Despite the challenging time for local government, especially in Surrey as we work towards implementing Local Government reorganisation by April 2027, we continue to be bold, brave and innovative. During 2024-25 we opened the world's largest Passivhaus Leisure Centre and have already secured national recognition for its design and commitment to reducing our carbon footprint alongside our corporate Carbon Literacy bronze accreditation.

However, despite the achievements set out above, I and the senior management team of the Council, recognise that the Council needs to take on board and own addressing the improvement recommendations set out in External Audit and Best Value Inspection Reports delivered during 2024-25. This AGS sets out in full the Best Value Recommendations and references the external audit recommendations. These recommendations were uncomfortable reading, and we are focused on addressing them before we hand on responsibility to the successor unitary. Moving forwards, the Council is working collaboratively with the Commissioners to deliver an Improvement and Recovery Plan due to be presented to Council in October 2025. The plan will be owned by senior councillors and officers and will be monitored on a regular basis by the Improvement and Recovery Board chaired by the Lead Commissioner, Corporate Policy and Resources Committee and Audit Committee.

Like most councils, we face a challenging medium-term future and the uncertainties of local government funding reform. The Council is looking to drive transformation and savings across many

areas of the Council to assist in closing the budget gap we face for 2026-27. The government's Local Government Reorganisation White Paper and Surrey's accelerated devolution timeline will necessitate significant ramping up of the transformation processes.

Along with our Corporate Risk Register, which assists the Council in maintaining efficient and effective corporate governance, the Council recognises the imperative to manage risk and provide MHCLG assurance that we are actively supporting the areas for improvement presented in this Annual Governance Statement and look forward to another year putting our residents at the very heart of everything we do.

#### **b) Section 151 Officer**

As the Council's designated S151 Officer, I am responsible for the Council's financial governance, risk and control frameworks which ensure that the Council's financial decision-making is both lawful and prudent. I am also responsible, in accordance with the statutory requirements set out in the Local Government Act 1972, for the proper administration of the Council's financial affairs.

I am satisfied that the Council's arrangements are robust and more than meet the minimum thresholds set out under statute. However, I recognise the need to address the recommendations of both the external auditors' Annual Audit and Audit Findings reports and the Best Value Inspection report with respect to financial governance and processes. Before the end of 2024-25, the Council took steps to begin to refresh and strengthen the Finance team including appointing a new Interim Deputy Chief Finance Officer, and Council approving budget growth of £160k for 2025-26. During 2024-25, we commenced a new internal audit partnership arrangement working with the Southern Internal Audit Partnership. As to be expected in the first year of operation of the partnership, there have been some challenges in the pace of delivery of audit reports and the Council's senior management is working with SIAP to ensure improvement in 2025-26.

To address the Best Value Inspection and external audit financial related recommendations, within the Improvement and Recovery Plan, due to be presented to Council in October 2025, there is a Finance theme for which I am the Senior Responsible Officer for ensuring delivery of the improvement deliverables. Progress on this theme, as with the other Best Value themes, will be monitored by the Improvement and Recovery Board, Corporate Policy and Resources Committee and Audit Committee, with regular reports to the Ministry of Housing Communities and Local Government (MHCLG). In this theme, I work alongside the Finance Commissioner and the lead Councillor for the theme, Councillor Nichols.

The Council, along with the rest of the sector, continues to experience financial challenges, having identified in February a significant Budget gap for 2026-27. This was factoring in the potential adverse impact of the Local Government Funding reform changes starting to take effect in 2026-27 and also the need to take a more cautious view with respect to the amount of funds required to be set aside over time to ensure that, over the longer term, the Council has sufficiently robust reserves to mitigate income stream risks associated with its investment assets. The Council during 2024-25 received the Best Value Inspection report and Directions which include a requirement to reduce the level of external debt the Council holds. This is a key focus of the Improvement and Recovery Plan and, amongst other things, will be linked to a medium term assets disposal programme. During 2024-25, the Government placed Surrey councils on an accelerated path towards Local Government Reorganisation which meant work began during 2024-25 to start to model unitary permutations with joint working across the Surrey Councils. In the context of Local Government Reorganisation and addressing the BVI Directions, the Council is focused on putting its 2026-27 Budget on a sustainable financial budget.

### c) Monitoring Officer

As the Group Head for Corporate Governance and the Monitoring Officer, I am responsible for ensuring both elected Members and Officers uphold high standards of behaviour and conduct in adherence of the law, good governance and high standards in public life. The need to maintain absolute transparency and confidence in our governance arrangements was and remains critical to maintaining public support and confidence.

The areas of improvement set out in this Annual Governance Statement are noted and councillors, Commissioners and officers of the Council are working together to secure the required improvements. We will build on the work undertaken to date with a view to ensuring that good governance is embedded in day-to-day operational practice.

### **Best Value Inspection**

In May 2024, following on from the Chartered Institute of Public Finance and Accountancy (CIPFA) review in the previous year, the Minister announced a Best Value Inspection (BVI) to review the extent to which the Council was delivering against the Best Value standards. The Review concluded at the end of January 2025, and the Government published the BVI report in March 2025. The BVI Report sets out 13 Recommendations as follows:

1. **Commissioner-led intervention:** The Secretary of State should consider appointing Commissioners with expertise in finance, commercial investments, property, and transformation to oversee the Council's recovery process and ensure effective governance.
2. **Comprehensive commercial strategy:** The Council should, with Commissioners' support, develop a comprehensive commercial strategy, with clear approaches to its investment and regeneration portfolios, including exit strategies for the commercial investments and realistic and deliverable strategies for the regeneration sites. Progress should be reported regularly to Committees, alongside an annual report to full Council. The sinking fund should be updated with more accurate income and expenditure forecasts, with adequate provisions made for future costs.
3. **Review and strengthen assets function:** The Council should, with Commissioners' support, review its assets function, ensuring that it has the necessary skills and experience to manage the high risks associated with its investment and regeneration portfolios. Consultants should be used more effectively.
4. **Review of MRP provision and accounts treatment for suspended capital projects:** The Council should urgently review its current MRP provision with its external auditors, Grant Thornton, as it is underfunded. Additionally, revenue costs associated with suspended capital projects should be charged to the 2024/25 accounts.
5. **Revised Medium-Term Financial Strategy (MTFS):** The Council, with Commissioners' support, should update its MTFS to reflect the costs and risks identified in this report and by their external auditors. The MTFS should align with the new commercial strategy, and include proactive measures to reduce costs and improve financial viability.
6. **Debt reduction strategy:** The Council should, with Commissioners' support, develop a comprehensive debt reduction strategy to achieve a prudent level of debt within a realistic timeframe to ensure long-term financial stability.
7. **Transformation strategy development:** The Council should, with Commissioners' support, secure additional expertise to develop a comprehensive transformation strategy to deliver the savings outlined in its MTFS.
8. **Review and strengthen finance function:** The Council should, with Commissioners' support, review its finance function, identifying gaps in skills and ensuring the recruitment of individuals with the necessary skills and experience to address the high financial risks.

9. **Improvement and recovery plan:** The Council should develop a comprehensive improvement and recovery plan, integrating recommendations from KPMG, CIPFA, the LGA, and the external auditor as per their January 2025 reports, with quarterly progress reports to both the Audit Committee and the Corporate Policy and Resources Committee, alongside an annual report to full Council.
10. **Revised Corporate Plan:** The Council should revise its Corporate Plan to ensure it is achievable and supported by a performance framework, establishing a golden thread between the Corporate Plan, the budget, service plans, and individual appraisals. Quarterly progress updates should be made to Committees, alongside an annual report to full Council.
11. **Audit Committee structure:** The Council should review the structure and reporting processes of its Audit Committee. This could include recruiting a second independent member who acts as chair, in line with CIPFA guidance, and ensuring annual reports to Council.
12. **Culture reset and relationship building:** The Council should, with Commissioners' support, reset its culture and rebuild relationships between members and senior officers.

**Housing delivery:** The Council should, with Commissioners' support, develop a realistic plan to deliver housing numbers outlined in its Local Plan and assess the viability of Knowle Green Estates, developing a business case and future options for the company and the housing it currently manages. The Council is pro-actively engaging and working with the Commissioners to implement an Improvement and Recovery Plan (IRP) to deliver all the recommendations in the BVI report. Progress will be reported quarterly to the Improvement and Recovery Board and to MHCLG. The IRP is now being refined and will go to Council in October 2025 for approval. The Council is putting in place, in collaboration with the Commissioners, a Programme Coordinator to ensure that the Improvement and Recovery Plan is effectively monitored and implemented.

## **Governance arrangements**

### **How we run the Council and its subsidiary companies**

The Council is governed by democratically elected councillors and managed by professional staff. There is a clear demarcation of roles and numerous systems and processes in place to make sure that things get done properly:

**Constitution.** This [document](#) remains modern and effective. It has been reviewed during the course of the year as amendments have been made to the committee system, recent events and changes in legislation. The most recent update to the Constitution was agreed by Council on 17 July 2025.

**Policy Framework.** We have a number of important policies which are approved by a majority of all councillors. These are reviewed regularly. One of our key policies is the Local Plan which has completed Public Examination and is now at Main Modifications stage (and waiting a final decision from the Inspector).

**Governance Framework.** We adhere to standards jointly published by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). We ensure that these are kept under review. Corporate Governance refers to the arrangements and processes by which an organisation is directed, controlled, led and held to account. In the public sector it is important to achieve agreed outcomes whilst meeting the public interest. Our [Corporate Governance Code](#) is set out in the Constitution.

**Scrutiny of decisions.** During the period to which this Annual Governance Statement covers, the majority of decisions were made by the Committees or delegated to officers. There are structures and processes in place to hold these to account. We have an Audit Committee which have cross party representation to review our risk management arrangements, performance, influence certain areas of

policy decisions. Moving forwards the Audit Committee is going to increase its frequency of meetings to six per annum. This will assist the Committee in monitoring progress of the Action Plans designed to address the Annual Audit Report and Audit Findings Report for 2023-24. In addition, the Council is actively attempting to appoint another lay member to the Audit Committee to further enhance the Audit Committee's oversight of the Council's reporting and processes.

The structure of the Committee system was reviewed in 2024; the number of the committees and their terms of reference have been revised, and the updated structure has been in place since May 2024. Internal audit of the Council's decision making and accountability is currently in train, and this will test the effectiveness of the revised Committee system.

In the course of the revisions to the Committee System, the sub-committee of the Corporate Policy and Resources Committee was replaced with a new sub-committee to provide leadership, decision making and accountability for the management of the Council's investment properties and commercial assets. The Council's strategic property investments (that the authority made up to 2018) which generate a commercial revenue stream that supports many community focused services, continue to be a focus on how decisions around the management of these assets are made and how risks are mitigated and managed. The new sub-committee allows for timely decision making and where appropriate recommendations to the Corporate Policy and Resources Committee which ensures appropriate democratic oversight of matters relating to the Council's strategic property portfolio.

The Improvement and Recovery Plan will address the risks relating to our investment assets such as refreshing our Sinking Fund Reserves modelling and a considered assets disposal programme of the sites held for housing and regeneration purposes. Ahead of this, two sites, a housing site (Ashford Victory Place) and a regeneration site (The Summit Centre), were approved by Council on 18<sup>th</sup> March 2025 to be sold, generating receipts which will enable the early repayment of some debt held by the Council.

**Knowle Green Estates Ltd (KGE).** We have ensured that KGE has independent auditors and that such audits feed into the Council's overall Statement of Accounts. Since December 2020, two experienced Non-Executive Directors have been in post to provide independent challenge and scrutiny. The 2023-24 [annual report](#) can be read here. KGE accounts are independently audited, as well as being reviewed by the Council's external auditors when they audit the Council's consolidated Group Accounts. The independently audited accounts for 2023-24 received a clean audit opinion and show on the Total Comprehensive Income and Expenditure statement a £1.2m total comprehensive income for the year, and net equity in the company of £5.6m. The acquisition of TA units during 2024-25 significantly improved the financial resilience of the company.

Both the Annual Audit Report and the Best Value Inspection report, following on from the CIPFA Assurance report highlighted the potential conflict of interest of having the Council's Chief Finance Officer (S151 officer) as a member of the KGE Board and the Council's Monitoring Officer as KGE Company Secretary. This has been addressed with the S151 Officer stepping off the Board in January 2025. The Board is also now chaired by an independent Non-Executive Director. During January to March 2025, the Members Task and Finish Group focused on KGE began reviewing Governance arrangements for the company together with the Business Plan, which is being fully updated.

**Spelthorne Direct Services Ltd (SDS):** During 2020-21, the Council set up SDS to provide new local commercial waste services to businesses in the Borough and to help them more effectively recycle and minimise waste. SDS accounts are independently audited, and the auditors have issued a clean audit opinion for the 2023-24 Accounts. Work has now started on preparing for the audit of the 2024-25 Accounts. The 2023–2024 annual report can be read here [SDS 2024 Financial Statements.pdf](#) The Council has now appointed a councillor representative to sit on the SDS Board.

## **Commercial Property Investments**

Thirty eight percent of the money we need to run the Council and provide services for residents now comes from our investment properties. It is essential that these investments work for us and deliver



best value for the Council. We have a range of measures in hand to ensure that this happens. We have already strengthened our staff resources and implemented changes to our governance systems to ensure that we are proactively and professionally managing this multi million pounds portfolio. We will continue to do this. The Council's portfolio performed well with more than 98.8% of the commercial rent invoiced for 2024-25 collected (2023-24- 99.1%).

The Council has continued its strategy of mitigating future risk by setting aside a proportion of rental income into sinking funds to ensure that, if required, the Council has funds to offset short-term dips in rental income. At the end of 2024-25 the Sinking Funds Reserves balances stood at £34.3m. The Council had however been anticipating the need to make some use of the sinking funds reserves to offset the impact of some churn of tenants across the portfolio in-year (occupancy rate at the year-end 90%). During 2024-25, we did a major refresh of our sinking fund modelling which in turn informed our medium term financial projections which identified the need over time to put more funds into the reserves to ensure that in future years that we have a sufficient safety cushion when leases for key tenants come up for renewal.

## **Systems of internal control**

Apart from the specific overview of the Council's investments and housing schemes, we have established systems and control processes in place to effectively manage risks, ensuring the day-to-day running of the business and the sound management of cash-flow. Managers are responsible and accountable for operating adequate systems of internal control to effectively manage risks within their Services, giving due consideration to fraud, bribery and corruption risks. We have a Chief Finance Officer (CFO), also known as the S151 Officer, who oversees these systems, and they are regularly audited proportionate to the level of risk. Internal Audit findings are raised with management, and recommendations reported to the Audit Committee. There is regular budget monitoring by the Corporate Policy and Resources Committee and these papers are published on our website for you to read. We have a Medium-Term Financial Plan, and we review our finances against this. The CFO is a member of the Council's senior Management Team.

## **Budget Process**

The process has been reviewed to consider opportunities for improvement, including continuing to encourage collective ownership on financial management. Whilst a balanced budget was achieved for 2025-26, in 2026-27 when it is expected that all the Surrey councils will see a drop in government funding, there is a projected Budget gap of just under £4m. The Improvement and Recovery Plan will be focused on addressing this through a number of elements including a Transformation programme overseen by the Reorganisation and Transformation Board, and an assets disposals programme designed to enable debt reduction delivering financing savings reducing the Budget gap to achieve a balanced budget. This work will be agreed with the Commissioners.

## **External Audit**

In addition to the Best Value Inspection report, the External Auditors Annual Audit Report 2024-25 made challenging reading for the Council with a number of themes overlapping with the Best Value Inspection Report – [\(Public Pack\)Extraordinary Audit Committee, 25 February 2025 - Supplementary Agenda, Item 4 Agenda Supplement for Audit Committee, 25/02/2025 19:00](#) and the Audit Findings report can be found here [Audit Findings Report LG 2021-22](#).

In line with the national backstop arrangements designed to clear a backlog which at one point totalled more than 900 overdue external audit opinions across the country, the Council and its outgoing auditors BDO cleared Statements of Accounts for period 2017-18 to 2022-23 at the end of November 2024. This involved the Audit Committee accepting disclaimed audit opinions on the Accounts, in order to enable the incoming auditor Grant Thornton to conclude auditing 2023-24 Statement of Accounts, although they have yet to issue their Value for Money reports for the period 2018-19 to 2022-23. However, because Grant Thornton were unable to rely on open balances, they were obliged to issue a disclaimed opinion for 2023-24. Grant Thornton did undertake a significant amount of work on 2023-

24 and issued an Annual Audit Report with seven key recommendations covering a range of financial, governance, assets, procurement and risk management issues.

Grant Thornton also issued an Audit Findings report focused on the processes, underlying assumptions and disclosures supporting the 2023-24 Statement of Accounts. After a gap of 5 years, there was a significant learning curve for financial officers as to the requirements of auditors.

The table below summarises which audit firm is responsible for auditing different years of accounts. The firms are not appointed by the Council but by Public Sector Auditor Appointments.

Accounts years responsible for auditing	Audit Firm
2018-19 to 2022-23	BDO
2023-24 to 2028-29	Grant Thornton

The Audit Committee agreed action plans to address both Audit reports' recommendations, and progress against these actions will be reported to every meeting of the Audit Committee, although that has subsequently been superseded by the Improvement and Recovery Plan being put in place in partnership with the Commissioners. In order to closely monitor progress, the number of Audit Committee meetings has been increased from three to six for the year 2025-26.

In addition, a corporate risk model/matrix was launched in 2021 as part of the revised Risk Management Policy and risk management training delivered to managers. Given this history of openness to engaging with external reviews, the Council, as stated above, looks to positively engage with the Best Value Inspection process. Given that the Council is not acquiring any more investment assets, and indeed under the latest regulations it would not be allowed to do so, it is difficult to further diversify the portfolio through new acquisitions. It should be noted that whilst the investment assets portfolio is concentrated within the Borough and the surrounding Heathrow local economic functional area, as the Council's response to the PIR highlighted, we do have diversification across tenants in a broad range of sectors. However, when opportunities arise, such as investment premises becoming empty, we will undertake analyses to look at options, including disposal or utilisation in alternative use. A review is being undertaken as part of the Improvement and Recovery Plan to consider whether for each investment asset they should be disposed or retained and, if the former, within what timeframe.

The Council already produces and reports on KPIs relating to its assets in its Asset Management Plan and an Annual Report on Investment and Regeneration Assets. It will review these assets' KPIs to ensure they continue to be appropriate and, if necessary, we will expand and refine those KPIs – for example, we have reviewed the current KPIs against the KPIs suggested in paragraph 6.7 of the PIR. The Council in its detailed Revenue Budget has improved the transparency of the breakdown of the budgets for investment assets.

## **Internal audit**

Following a selection process, Council at its February 2024 meeting voted to join the Southern Internal Audit Partnership (SIAP) with effect from 1<sup>st</sup> April 2024. The in-house Internal Audit Manager transferred across to SIAP. The new service provided by SIAP commenced in April, and there was an initial period of SIAP working the Council to agree an Audit Plan for the year which was presented to the Audit Committee. Due to the new arrangement starting on 1<sup>st</sup> April the agreement of the Audit Plan was later than normally would be the case. This has meant audits have been backloaded towards the later part of the year. This was also compounded by an attempt to minimise duplication with the Best Value Inspection process. The Council receives assurance on the effectiveness of the delivery of internal audit through the reporting SIAP provides to the Audit Committee demonstrating compliance with Global Internal Audit Standards (GIAS) and other Internal Audit national guidance, through its Internal Audit Charter approved each year by the Committee and from the annual stakeholder survey SIAP undertake each year.

Every year, the Internal Audit function (SIAP) issues an independent opinion in an annual report concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. This comments on the risks facing the Council and the adequacy of the Council's arrangements to manage those risks. It represents one of the key assurance statements the Council receives.

Positive progress continues in the delivery of the internal audit annual plan 2024/25, however, following a delayed start to the year and challenges to officer capacity, the annual internal audit conclusion will now be presented to the September 2025 meeting of the Audit Committee.

From the work carried out to date, it is anticipated that internal audits overall conclusion on the framework of governance, risk management and control will conclude in a 'limited assurance' opinion. This position will continue to be assessed throughout the completion of the 2024/25 internal audit plan and through the continued assessment of other relevant sources of assurance.

A final internal audit opinion on the framework of governance, risk management and control for 2024/25 will be concluded for contribution to and incorporation within the final version of the Annual Governance Statement (2024/25) in September 2025 and will be reported to the Audit Committee.

## **Review of the Governance Framework**

The Council's governance arrangements are designed to secure compliance with the principles set out in the CIPFA/SOLACE Framework for "Delivering Good Governance in Local Government" (2016). Spelthorne is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

The Council meets the standards of the framework in the following ways:

### **A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

The Council's Constitution defines the roles/responsibilities of the Council, service and regulatory committees, and statutory officers and sets out how these roles are discharged, and the delegations extended to officers and Councillors. Codes of Conduct are in place for councillors and officers and are set out in the Council's Constitution. The member/officer protocol sets out relationship expectations. All new councillors and officers receive training on the expected behaviours.

We have numerous policies and procedures in the Constitution to back up a strong ethical approach to local government, including Gifts, Hospitality and Sponsorship, Whistleblowing, Counter Fraud, Bribery and Corruption.

The Council's Standards Committee is responsible for upholding high standards of behaviour from the elected members. This Committee is guided by an Independent Chairman and Vice-Chairman.

In the year 1 April 2024 to 31 March 2025, there were 22 complaints against Members. This is an increase from 9 during the previous year. A number have been rejected by the Monitoring Officer as being politically motivated or insufficient evidence to support the complaint. The Standards Committee received update reports on the number and types of complaints.

The Council's Chief Finance Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements. The

Council's statutory officers meet with the Chief Executive monthly to discuss any emerging issues or matters of concern.

## **B – Ensuring openness and comprehensive stakeholder engagement**

All Council and Committee meetings are held in public save for instances where confidential or exempt information is being presented when the public is excluded. The Council is striving to keep such instances to a minimum, and advice is sought from the Monitoring Officer whether an exemption from public disclosure is appropriate to ensure that the decision making takes place in the public domain.

All Committee reports are published on the Council's website in advance of the relevant meeting. The Best Value Inspection Report commented on the timeliness of some of the Council's reports. The Council has reviewed internal processes to ensure that all reports are published within the required timescales to afford sufficient time for the elected members and the public to read those reports for full transparency. As a result of this review, a new report template had been devised with the view to improving transparency and decision making. The effectiveness of the new measures will be reviewed periodically and corrective action will be taken as appropriate.

The Council consults regularly with stakeholders, taxpayers, and service users. As an authority, we all need to make sure we are listening to all sections of our communities right across the borough and that there is trust and confidence in the way we make decisions. We know that the services we provide are better when we listen to the people who use them and when we work together with local communities.

During 2024-25, the Council undertook a Residents' Survey and when comparing with the Local Government Association benchmark for how well residents feel informed by the Council, 65% were satisfied, well above the average of 54%.

Our internal stakeholders are equally important to shaping our priorities and there are several opportunities for employees to have their say. We encourage them to have their say on consultations as well as informing and involving colleagues at monthly all-staff briefings, listening to issues and concerns via staff surveys and an open-door management style, which all help to deliver team collaboration and innovation. In 2024, we worked in partnership with Kinetiq UK and Local Government Association in delivering a staff survey. The results showed the highest levels of staff satisfaction and engagement out of 70 Local Authorities surveyed since 2012 and overall responses were in the top quarter for the sector.

The Council proactively engages with residents, businesses, and partners to maintain the Council's reputation, gain understanding and support for the organisation's vision and objectives and keep users informed about priorities, services and campaigns and consultations via digital, in person and social media channels. The Council's website provides a key means of communication between the Council and the public in an open and transparent form. The Council provides considerable transparency information on the website. The Council is a proactive user of social media and other online tools to ensure engagement. Responsiveness to freedom of information requests is monitored by the Data Protection Officer and the Council's Management Team.

The Council has several ways it engages and communicates with residents and businesses in the Borough. We are always reviewing the most appropriate ways to communicate, from formal statutory consultations through to the Council's use of social media, website, the Customer Portal, Borough noticeboards and direct mail.

Growing our social media audience remains a priority, and since March 2020, our followers reach has increased by 84% and is an integral engagement tool to interact with our residents. A new monitoring and scheduling tool has been purchased, and we have added Next-door as a platform to communicate digitally. Our e-news platform has also grown with the addition of a dedicated Leisure Newsletter and an Environment Newsletter for residents to subscribe. With the use of an accessibility tool on the website, all pages can change language, size or colour dependant on the user's need and personal requirements.

The Council adapted its communications over the past four years to best serve our residents. Our [engagement strategy](#) outlines this:

**Consult:** We hold frequent consultations about various issues and topics, including housing developments, health and wellbeing, arts and culture, budget setting and community safety. Consultations take on various forms, both online and in person to ensure maximum accessibility. Consultation results are then reported back to residents with an outline of next steps and decisions. During 2024-25 we undertook our residents survey which provided very positive feedback, full responses can be read here: [Residents' survey - Spelthorne Borough Council](#)

**Listen:** We will work with and listen to our communities and partners on various topics in order to improve Council services and find better ways of working. Various workshops and marketplace events are held, either in person or online with stakeholders having the opportunity to share ideas and highlight best practice. Extensive resident engagement took place in 2024 via our new Citizen Panel and Common Place (online) on the Spelthorne Design Code, which will see residents help shape the future of our towns across the Borough.

**Collaborate:** In 2024, the Spelthorne Partnership Assembly was launched which has seen residents, councillors and representatives from organisations in the Borough meet four times in a year to discuss concerns with the Leader of the Council and Council Officers. We continue to develop strong partnerships in all sectors of our community, businesses, other authorities and health, so that knowledge, skills and expertise can be shared to help shape priorities and effectively deliver on them.

**Empower:** We promote community empowerment and democracy. Council meetings are streamed live on You Tube and residents are invited to watch in person in the council chamber, and we also welcome petitions as an important way in which people can let us know their concerns.

Our engagement strategy adopts a comprehensive approach to ensure that we engage with as many residents as possible, especially from communities that are more difficult to reach. We are committed to continually driving forward community engagement and look for new ways, tools and platforms so that all residents can be heard, not just those who are the easiest to reach, or the most vocal.

## **C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

### **Defining outcomes**

The Council has an approved Corporate Plan for the period 2024-28. Supported by 136 actions which are tracked on a regular basis.

## **D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

### **Interventions**

In response to the recommendations in Grant Thornton external audit report for the period 2023-24, the Council has compiled an Action Plan to address areas of improvement identified in the report. The Action Plan was presented to, and approved by, the Audit Committee. Progress updates will be presented at each Audit Committee meeting, moving forwards this will be superseded by the Improvement and Recovery Plan.

The Council has a variety of strategies, policies and procedures which underpin the delivery of the corporate strategy. Officers are in the process of implementing a more consistent approach to

reviewing and updating these documents. This includes setting up a central database of strategies, which sets out who the document owner is, when the document needs to be reviewed, and who has responsibility for sign-off.

The emerging Improvement and Recovery Plan will detail how the Council will deliver the Secretary of State's [Directions](#) as part of the Government Best Value intervention process. The high level Improvement and Recovery Plan will be presented to the Corporate Policy and Recourses Committee in September 2025 for adoption by the Council.

### **Optimise the achievement of the intended outcomes**

The Council has a robust performance management framework in place which underpins the Corporate Plan and individual service plans. The performance management framework contains key performance indicators to measure the performance of the services. There is also an organisational development framework in place including continuous performance management (CPMS) reviews, one-to-ones, and clear job descriptions. The Policy and Resources Committee is responsible for ensuring that actions approved as part of the Budget and Policy Framework are delivered in each service area. Individual Service committees undertake scrutiny relating to their service areas.

### **E – Developing the Council's capacity, including the capability of its leadership and the individuals within it**

The Council in response to the Best Value Inspection process has built in additional budget for the Finance team and with the Commissioners is reviewing the Finance team structuring. The Council working with the Commissioners is reviewing the resources in its Assets team. There is a robust learning and development programme for officers including mandatory e-learning on a wide variety of subjects and management training. Councillors also have a training and development programme in place, which consists of a comprehensive induction programme, specific committee training such as planning, licensing, financial and governance issues such as the code of conduct.

### **F – Managing risks and performance through robust internal control and strong public financial management**

A Corporate Risk Register is in place which outlines the key strategic risks faced by the Council. This is regularly reviewed by officers and Councillors, with reports provided on, at minimum, a quarterly basis at both Audit Committee and Corporate Policy and Resources Committee. The Corporate Risk Register is reviewed on an ongoing basis and is being refined to align with the recommendations made by the external auditors and the key risks highlighted by the Commissioners and links to the Council's key priorities and strategic objectives.

In order to improve and embed the Council's approach to risk management, the Council will be implementing a governance assurance based Risk Management Framework and Policy, refocusing the Corporate Risk Management Group and, commencing in September 2025, undertaking a training programme for officers and councillors provided by a sector expert in risk management. Financial Procedure Rules together with the Contract Standing Orders, set the framework of internal controls. Internal audit has a programme of work designed to assess how this framework operates in practice and reports to the Audit Committee. Partnership working is governed by agreements, memoranda of understanding or protocols relevant to the type of work or relationship involved. The Council's legal services ensure all are fit for purpose and the Council's interests are protected. The Council has strong IT security requirements which reflect hybrid and virtual ways of working. The Council's Emergency Planning and Resilience arrangements are supported by Applied Resilience and the Council undertakes regular desktop exercises and monitors the Council's range of business continuity plans.

### **G – Implementing good practices in transparency, reporting and audit, and deliver effective accountability**

All Council meetings are held in public, and minutes and webcasts are available on the Council's website. There is an Audit Committee with a terms of reference. In 2025-26 in response to a recommendation from the External Auditor the Council with an independent sector expert will undertake a self-assessment of the Audit Committee against CIPFA guidance for Audit Committees. The external Annual Audit Report is submitted to the Audit committee. Annual financial statements include a narrative summary of the Council's performance during the year as well as reporting the financial position. The Council's governance arrangements for budgeting, the accounts, financial decision making and compliance with codes of practice and legislation are in accordance with the financial management standards set out in the Financial Management code. As is highlighted elsewhere in this statement significant issues have been raised by internal and external audit and the Commissioners and are being addressed.

## How we will deal with significant governance issues

### 1. Action taken in the year to address governance issues raised in the Annual Governance Statement relating to 2023-24

Issue Identified in 2023-24	Action Taken
Wider externalities	<p>Corporate Risk Register has continued to highlight a range of ongoing external factors impacting on the Council's financial sustainability and identify mitigating actions</p> <p>Following the transfer of internal audit arrangements at the start of 2024-25 to SIAP, the Council has refreshed its approach to Corporate Risk Management. The Deputy Chief Executive (Lee O'Neil) has become the Corporate Risk Management Champion and has reshaped and focused the Corporate Risk Register. The Corporate Risk Register has been refreshed to reflect the key risks highlighted in the Annual Audit Report 2023-24. Moving forwards to place greater emphasis on risk, the Committee report template is being updated to ensure that report authors address risk upfront. The Deputy Chief Executive commissioned SIAP to undertake during 2024-25 an internal audit of risk management. This audit report is at draft stage.</p>
Financial Risk	<p>Best Value Inspection and Grant Thornton have highlighted a number of financial risks which will be addressed through Action Plans and through the Finance theme of the improvement and Recovery Plan. The Finance theme will have a Programme Board with a lead councillor, lead commissioner and Senior Responsible Officer (Chief Finance Officer) who will monitor progress on a monthly basis and report to the Improvement and Recovery Board which will produce quarterly monitoring reports.</p> <p>In March 2025 a new experienced interim Chief Accountant was appointed and since then working with the Commissioners a number of accountants have been appointed and additional external expertise has been brought in. As part of the Finance theme a major exercise is being undertaken to refresh the Medium Term Financial Planning analysis.</p>



Housing – Development and Targets	The Council refined its Local Plan and took it through the Planning Inspection process. The outcome of the assessment is expected in November 2025.
Housing Supply and Demand – addressing Need	The Council used the Local Authority Housing Fund to lever in funding to acquire 81 TA and resettlement properties. The Council responded to the increasing pressure on its homelessness budget and demand for Temporary Accommodation (TA) by leveraging in a significant amount of Local Authority Housing Fund capital grant to enable it to acquire 81 temporary and permanent housing units. These units were transferred to and are managed by Knowle Green Estates the Council's wholly owned housing management company.
Climate Change and Environmental Sustainability	Council has continued to roll out its Carbon Literacy programme achieving Bronze level accreditation and is close to achieving silver.  Council completed its Passivhaus Eclipse leisure centre in 2024 and it is estimated it will save 60% on energy compared to a conventional centre. Monitoring over the first year will confirm energy savings as compared to a conventional site.
Periodical Review of procedural practices and policy frameworks	The Council has created a central register of policies to enable close monitoring and timely reviews.
Audit Trails and Decision making	Officers have addressed the specific recommendations in audit reports produced in 2023-24
Corporate Procurement	Training for staff and elected members on the Procurement Act 2023 took place in the summer and autumn of 2024. Internal processes have been reviewed and updated addressing some recommendations in the 2023 Internal Audit of Procurement and all staff briefing took place in early 2025. In spring 2025 the Council was looking to entered into an arrangement with NHS Commercial Solutions for targeted procurement support. The Council was also exploring opportunities for joint working with another Surrey Borough Council to deliver continuous improvement through staff training, upskilling and support.

## 2. Review of significant governance issues arising during 2024-25 and how we are addressing them - a Forward Look

Note that the appointment of Commissioners

In May 2025 by the Secretary of State appointed Commissioners to lead an intervention to oversee the Council's implementation of the recommendations in the [Best Value Inspection report](#), recovery process and ensure effective governance.



As a consequence, the Council is implementing in 2025-26 a comprehensive Improvement and Recovery Plan to ensure that all significant financial, governance and risk issues identified by Best Value Inspection report and all past external reviews are addressed.

As set out above, the Council take very seriously all of the recent external reviews' recommendations on risk and governance issues. In response it will:

- 1) Ensure that officers and relevant Committee Chairs own the external review recommendations by engaging and involving officers as Senior Responsible Officers for the Improvement and Recovery Plan and ensuring that relevant Committee Chairs and lead councillors are regularly briefed on progress against the IRP.
- 2) Working with the Commissioners to put in place an Improvement and Recovery Plan addressing all the Best Value Directions, to be presented to Council in October 2025 for approval setting out the actions to address the Best Value Recommendations. An Improvement and Recovery Board to be chaired by the Lead Commissioner will meet monthly to monitor progress and will produce quarterly reports to go to Corporate Policy and Resources Committee and six monthly reports to MHCLG. That the Council works with the Commissioners, following their steer, to address the financial, governance and risk issues identified in the Best Value Report and in so doing also address the External Auditors Annual Audit Report and Audit Findings recommendations. With respect to the latter, additional resource has been brought into the Finance team to ensure that as robust as possible draft statement of Accounts for 2024-25 is published by early September 2025.
- 3) As an early action to address comments in the Best Value Inspection Report on the quality of some of the Council's reports, the Council commenced review of the Committee report template and all internal sign off processes to ensure that the elected members are presented with all the relevant information and available options to aid robust decision making. Report writing training took place in July 2025 with a follow up session planned for late 2025-early 2026.
- 4) As another early action to address recommendation 11 in the Best Value Inspection Report, the Council undertook a recruitment process for the appointment of a second independent member of the Audit Committee. This process was successful, and the Council has confirmed appointment at the meeting on 17 July 2025. This appointment will provide further independent oversight and constructive challenge.

The list below sets out the proposed core components of the Improvement and Recovery Plan and the Theme Workstream underpinning it:

## **1. Commercial Theme**

Commercial property rationalisation plan

Commercial governance

People, systems and data management

Commercial strategy

Contract management and procurement process review

## **2. Regeneration and Housing Theme**

Regeneration and housing confidence  
Knowle Green Estates Ltd future resolution  
Balanced housing mix  
Thriving communities and infrastructure  
Homelessness prevention

## **3. Finance Theme**

Minimum Revenue Position (MRP)  
Sinking fund strategy and assumptions  
Audit and accounts  
Systems and data  
Capacity and capability  
Minimum Term Financial Plan (including Treasury Management and capital strategies)

## **4. Governance Theme**

Decision making process review  
Risk culture  
Internal audit  
Reports and guidance  
Culture and continuous improvement

## **5. Local Government Reorganisation Theme**

Data collection / sharing  
HR rationalisation  
Financial rationalisation  
Systems and contracts  
Elections and governance  
Change management

Each Theme will be guided by its own Programme Board save for the Commercial Theme and Regeneration Theme which will share the same Programme Board; overall oversight will be provided by the Improvement and Recovery Board with regular progress updates presented to the Corporate Policy and Resources Committee and Full Council.

## **Conclusion**

As we deal with the challenges of the next few years moving through the Reorganisation process towards the creation of a new unitary Council, working with Commissioners and delivering the Improvement and Recovery Plan whilst still addressing the Cost of Living, cost of doing business and housing crises together with wider externalities on our economy, health and well-being, the Council is

focused on rebuilding assurance in the effectiveness of its financial, governance and risk management arrangements.

Cllr Joanne Sexton  
Leader of the Council

Daniel Charles Mouawad  
Chief Executive