



Please reply to:

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Date: 07 July 2023

Notice of meeting

Corporate Policy and Resources Committee

Date: Monday, 17 July 2023

Time: 7.00 pm

Place: Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

To the members of the Corporate Policy and Resources Committee

Councillors:

J.R. Sexton (Chair)

C. Bateson (Vice-Chair)

M.M. Attewell

M. Beecher

J.R. Boughtflower

J. Button

J.T.F. Doran

S.M. Doran

M. Gibson

K.M. Grant

K. Howkins

M. Lee

L. E. Nichols

O. Rybinski

K. Rutherford

H.R.D. Williams

Substitute Members: Councillors D. Clarke, N. Islam, M. Bing Dong, S.A. Dunn, A. Gale, S.N. Beatty and M. Buck

Councillors are reminded that the Gifts and Hospitality Declaration book will be available outside the meeting room for you to record any gifts or hospitality offered to you since the last Committee meeting.

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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Agenda

Page nos.

1. Apologies and Substitutes

To receive apologies for absence and notification of substitutions.

2. Minutes

To confirm the minutes of the meeting held on 26 June 2023 and the carry-over meeting held 29 June 2023 as a correct record.

Minutes to follow.

3. Disclosures of Interest

To receive any disclosures of interest from councillors in accordance with the Council's Code of Conduct for members.

4. Questions from members of the Public

The Chair, or his nominee, to answer any questions raised by members of the public in accordance with Standing Order 40.

At the time of publication of this agenda no questions were received.

5. Establishment Review

5 - 52

Committee are asked to note the report on the Corporate Establishment Review and consider any further actions required.

6. LGA Corporate Peer Challenge Outline Action Plan

53 - 82

Committee is asked to agree the proposed Outline Action Plan as outlined in Appendix A, to address the 12 recommendations from the Local Government Association following the completion of their Corporate Peer Challenge (CPC), and to agree to the subsequent development of a Detailed Action Plan as outlined in the report.

7. Commercial Assets Sub-Committee

83 - 92

Committee is asked to consider and approve the creation of a Commercial Assets Sub-Committee.

8. Treasury Management Outturn

93 - 114

Committee is asked to note the Treasury Management Outturn position for 2022/23.

- 9. Forward Plan** **115 - 118**
- To consider the Forward Plan for committee business.
- 10. Urgent Actions**
- To note those urgent actions which have been taken by the Chief Executive in consultation with the Leader since the last Corporate Policy and Resources meeting on 29 June 2023.
- 11. Exclusion of Public & 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.
- 12. Knowle Green Estates Limited** **119 - 136**
- Committee is asked to consider an exempt report in respect of Knowle Green Estates.
- 13. Housing In Multiple Occupation Licensing Fees** **137 - 162**
- Committee is asked to approve the revisions to the Housing in Multiple Occupation Policy.

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Corporate Policy and Resources Committee



17 July 2023

Title	Corporate Establishment Review
Purpose of the report	To note
Report Author	<i>Daniel Mouawad Chief Executive, Sandy Muirhead Group Head Commissioning and Transformation</i>
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	
Corporate Priority	Service delivery
Recommendations	Committee is asked to: <i>To note the report and its contents</i>
Reason for Recommendation	<i>In January 2023 CPRC requested a review of the establishment and terms of reference were agreed. This report provides a summary of the detailed report which attached as Appendix B.</i>

1. Summary of the report

- 1.1 This report seeks to inform the Corporate Policy and Resources Committee (CPRC) of the conclusion on the Corporate Establishment Review in line with the terms of reference (TOR).
- 1.2 South-East Employers (SEE) have delivered the review and this covering report provides a summary of their conclusions.

2. Key issues

- 2.1 At a meeting of Corporate Policy and Resources Committee on 16 January 2023, the Committee considered a report that outlined the Terms of Reference for a Corporate Establishment Review that had been requested at a previous meeting of this Committee. The Committee resolved to agree:
 1. The Terms of Reference for the Corporate Establishment Review
 2. Delegation of any expenditure to the Chair and Vice-Chair of the Corporate Policy & Resources Committee; and
 3. To secure through a procurement process additional HR capacity resource to accelerate the Corporate Establishment Review.
- 2.2 To secure additional Human Resources (HR) capacity and seek an independent analysis, SEE were selected in February 2023 to undertake the

review after obtaining details of other consultants in line with procurement guidance.

- 2.3 The TOR agreed by CPRC for the review were as follows:
- 1) Review the complete organisational structure and consider realignment of services under the senior management team.
 - 2) Consider current vacant posts and impact on relevant service areas if vacant posts were to be removed from the establishment list.
 - 3) Review use of all temporary staff including interims and consultants.
 - 4) Review rate of recruitment and retention.
 - 5) Consider any recommendations from staff audits and Peer Reviews.
 - 6) Consider scope for creating shared services with local authorities.
 - 7) Consider scope for making staff efficiency savings by automating services and progressing digital transformation.
 - 8) Consider feedback from member and staff surveys regarding capacity issues.
- 2.4 SEE were asked to complete the work between February and June 2023. The Council has ensured that all material necessary for the review has been supplied to SEE for analysis as they requested/required. SEE, as part of the review requirements, have evaluated and benchmarked Spelthorne's salaries and structures with comparable authorities in the southeast.
- 2.5 An update on the review was provided to CPRC via an e-mail from the Chief Executive in April 2023. Attached to this note was a contextual report providing a summary of the journey to date in terms of staff changes since a major restructure in 2015/16. There has been a continuum of staff restructuring since then to maximise efficiency and effectiveness along with transformational activities undertaken over recent years in terms of service delivery (see **Appendix A**).
- 2.6 The Establishment Review has now been completed by SEE and the full report can be found at **Appendix B**. Key points from the conclusions of the report are summarised below in line with the TOR.
- 2.7 Under the first TOR, to *'Review the complete organisational structure and consider realignment of services under the senior management team-*, SEE conclude that having reviewed the 2015 structure and ongoing revisions through to the 2023 structure, it is clear that the Council structure is not static, there is on-going review and realignment. SEE found no areas that would benefit from further re-alignment within the senior management structure that are not already being reviewed, or where changes are currently underway. SEE state in the report that SBC is not an organisation that shows complacency in its structure, nor in its focus on achieving the stated priorities in the Corporate Plan.
- 2.8 Under the second TOR, *'Consider current vacant posts and impact on relevant service areas if vacant posts were to be removed from the establishment list'*, SEE state that SBC demonstrates management control over vacancy administration, that options are being considered, with a focus on achieving efficiencies not only in cost but in the management of resources. Reviews are on-going as evidenced in the responses to the loss of contracts

(from SCC taking work back), or the creative use of agency or interim staff to meet defined needs. A recent review has been undertaken of the Market Supplement Policy and is on-going for the Retention Allowance Policy.

- 2.9 The third TOR covered *A review of the use of all temporary staff including interims and consultants*. It is apparent that SBC is experiencing difficulties in recruitment and retention in some areas, (Section 5 of SEE's report expands on this and is linked to some of the findings of the Corporate Peer Challenge). Therefore, this necessitates short term, or interim, cover to help manage the vacancies and maintain service delivery in accordance with the Corporate Plan.
- 2.10 Under the fourth TOR, '*Review rate of recruitment and retention*', SEE conclude that SBC's response to Covid provided evidence of its adaptability and a high level of resilience in how the Council was able to deploy staff at short notice, transition to remote working and continue to deliver services.
- 2.11 Under the fifth TOR, '*Consider any recommendations from staff audits and Peer Reviews*', information used came from the recent Corporate Peer Challenge Review and staff surveys which recognised the tensions between officers and Councillors. It is recognised that post-election, with 22 new Councillors, there is an opportunity to build new positive working relationships and time this to re-set with an Action Plan following the Peer Challenge.
- 2.12 Under the sixth TOR, '*Consider scope for creating shared services with local authorities*', SEE conclude that currently, shared services are being undertaken, or discussions are underway to develop options. From SEE's experience of working with Councillors and chief officers in seeking to create shared services, a key ingredient required for success is the trust and close working between Officers and Councillors, and between the officers and Councillors across the potential partners.
- 2.13 Under the seventh TOR, '*Consider scope for making staff efficiency savings by automating services and progressing digital transformation*', SEE evaluated the material available on our digital transformation journey and conclude that SBC is cited, with a case study, in this national research as one such Council being at the forefront (2012/14) of technological innovation in how customers were provided with access to services, news, transactional tasks and updates. In 2020 the Council received an iESE bronze award for its transformation programme. SEE, consider that the innovation and forward thinking the Council shows continues today.
- 2.14 Under the eighth TOR. '*Consider feedback from member and staff surveys regarding capacity issues*', SEE conclude that the findings of the staff survey indicate a high level of trust in their senior managers in creating a safe environment to thrive and a sense of being 'one council'. Of concern were the criticisms raised by Councillors while performing their role regarding their experience of 'personal attacks and aggressive behaviour across the chamber, disrespect, and hostility between the political parties'.
- 2.15 Overall SEE conclude that the Council is:-
 - Constantly reviewing, refining and innovating to meet the objectives of the Corporate Plan,

- Achieve cost efficiencies and generate income to invest back into communities to improve lives of residents and businesses.
- Staff have a sense of collective purpose and have trust in their senior managers.
- Pay and opportunities for career progression, are impacting on the on-going viability of some services, reflected by recruitment and retention difficulties in particular professions or operatives.
- SBC is consistently in the lower quartile of pay across Surrey, exacerbated by its proximity to London. Nationally, public services have already seen cuts, particularly at the local level, morale has been hit with several years of relatively low pay increases.
- SBC staff have indicated that other (non-monetary) aspects of a culture and work environment that values and motivates them to be high performing is important. Successful and insightful leaders and managers are aware that workforce morale and goodwill is essential for achieving productivity.
- Hybrid working has also assisted in retaining staff.

2.16 SEE also state that unfortunately, goodwill, trust and motivation of some Councillors and some staff, is ebbing for reasons that are documented in the LGA Corporate Peer Challenge. Relationships between staff and some Councillors has been dysfunctional and damaging in terms of workforce wellbeing, productivity, reputation, and potential opportunities to achieve further synergies through broader collaborative working. There is now an opportunity for the Council to build on the recommendations provided by the Peer Challenge and 're-set' the roles, responsibilities and working relationships between Councillors and senior managers, refine communications and generate a more joined up approach to delivering services to the communities of the borough building on the significant strengths and opportunities identified.

2.17 The above is a summary of conclusions from the establishment review and more details are provided in the SEE report (**Appendix B**).

3. Options analysis and proposal

- 3.1 Option 1 Recommended that the Committee notes the report and its contents.
- 3.2 Option 2 Not to accept the report.

4. Financial implications

- 4.1 The review cost £10k and if further actions are considered there may be a future financial cost.

5. Risk considerations

- 5.1 At the outset of the work Internal Audit were consulted to ensure any risks could be mitigated. If the Council does not maintain morale and motivation of its workforce there is a risk that it will become even harder to recruit and retain staff. Therefore this issue is recorded on the corporate risk register.

6. Procurement considerations

- 6.1 Procurement guidelines under Contract Standing Orders were followed in appointing SEE.
- 7. Legal considerations**
- 7.1 SEE have a contractual arrangement with us for the work they undertake to ensure we are covered for data sharing and GDPR.
- 8. Other considerations**
- 8.1 None
- 9. Equality and Diversity**
- 9.1 In recruitment, retention and throughout the employment lifecycle, considerations of equality and diversity are always included in the process.
- 10. Sustainability/Climate Change Implications**
- 10.1 By continuing to pursue hybrid working policies and thus reduced travelling we are reducing the Council's carbon footprint and also assisting staff in maintaining their well-being through a better work-life balance.
- 11. Timetable for implementation**
- 11.1 N/A.
- 12. Contact**
- 12.1 Daniel Mouawad DCM.CEX@spelthorne.gov.uk; Sandy Muirhead s.muirhead@spelthorne.gov.uk.

Background papers: , There are none.

Appendices:

Appendix A Contextual report

Appendix B Corporate Establishment Review

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Corporate Establishment Review - Context

The Corporate Policy and Resources Committee (CPRC) have agreed to the Council undertaking an establishment review focused on a number of key objectives (**Appendix 1**). This review will not only cover the establishment, but also include LGA Peer Review outcomes and the transformation programme which looks at operational and financial efficiencies.

Spelthorne Borough Council has had a long-term focus on maximising delivery and efficiency. This document sets out the key activities undertaken to date, which have moved us forward on delivering successfully to meet our communities' needs whilst ensuring we can fund those activities and maintain efficiency.

Background pre 2017

In 2015, in common with the majority of local authorities, Spelthorne was facing some significant financial challenges primarily because of the national public sector austerity programme having commenced at the start of the decade. It was anticipated that by 2016/17 not only would the Council not receive any central government grant support, (with the exception of New Homes Bonus Grant which was being significantly reduced) but it also faced the prospect of having to pay negative Revenue Support Grant to the Government.

In order to meet these challenges, in 2015/16 the Council developed and implemented a major transformation programme it called 'Towards a Sustainable Future' (TASF). This focused on three main areas:

- Long term sustainable Income generation, including acquisition of investment assets.
- Structural review; seeking to better align political and managerial accountabilities.
- Relocation and new ways of working.

Structural review: At that time the main aims of the structural review of the Council's organisational structure was to:

- Align services to consider synergies between operational areas and support functions in line with corporate priorities and better alignment between managerial responsibilities and with Cabinet portfolio holders.
- Deliver greater resilience in some service areas.
- Deliver savings, some of which could be used to provide additional support to priority areas and other areas of high/rising costs.
- Take account of new alternative delivery models available for the provision of services, implementing these where this could lead to ongoing cost savings and/or improved resilience.

In terms of the establishment, there was a wholesale review and reduction in senior management posts resulting in cashable savings, with MAT reducing from four to three posts, five Group Head positions created to replace a larger number of Heads of Service and a realignment of services under each role grouped together where synergies existed, e.g. waste and recycling and car parking transferring to Neighbourhood Services. Deputy Group Heads were also created at this point, with a view to building resilience and providing such development opportunities, though only one of these positions now remains, as different ways of working were put forward in subsequent service realignments as Deputy Group Heads left the organisation.

One of the other key strands of the TASF programme was to reduce costs by developing new ways of working (including possible local authority trading companies), with our emergency planning function 'spinning out' as a trading company joint venture with Runnymede Borough Council, forming Applied Resilience, which now successfully delivers emergency planning and business continuity functions to 7 local authorities in Surrey, and other organisations e.g. schools and the NHS.

Post 2017 Actions

Relocation/office consolidation: Consideration was previously given under TASF to potentially relocating the Council to smaller, more cost-effective offices, which would enable the Knowle Green office site to be redeveloped into affordable housing which would generate a rental stream and ease pressures on the Homelessness Revenue Budget. Councillors subsequently decided that they wished to stay at Knowle Green. It was therefore decided to consolidate our office space into a smaller footprint within Knowle Green in order to develop one wing into affordable housing, whilst also delivering greater efficiencies (including reducing business rates and heating costs) and improved working conditions. The enabling project to deliver these changes, called Project Lima, decreased staff space by 43% and freed up the West Wing of Knowle Green for conversion into 25 affordable apartments for residents on the housing waiting list. Additionally better use of space was made at the Depot and the Nursery, especially for the environment maintenance and JET teams.

More efficient working: The consolidation of space included upgrading ICT, more open plan offices and introduction of hot desking with savings in a number of areas including: -

- reduced number of printers,
- energy efficient LED lighting and equipment,
- double glazing for windows, thus reducing heat loss and saving energy.

Appendix A

- Consolidation of corporate storage, and
- more compact and faster ICT installed.

A better and healthier working environment, including sit/stand desks, and collaborative working space was provided for staff through the office refurbishment, whilst also reducing business rates and running costs.

Project Lima set the platform for future transformation and created a culture which aligned more closely with the true definition of agile working, giving staff options and flexibility in terms of how and where to conduct business. Although teams are well set in their zones and environments, there is an openness to future reshuffling and change to continue to make best use of the space. The reception area was also made more welcoming, and the customer experience enhanced. Due to the innovative nature of the project and efficiencies gained, the Council was awarded in 2020 an iESE national award for its approach and delivery on transformation.

Root and Branch/Continuous Improvement Programme: Project Lima also laid the foundations for the development of new efficiencies in the way we deliver services, with a comprehensive 'root and branch' review undertaken of services across the Council to identify the 'way we did things' and then find new efficiencies and ways of delivering services that could improve the customer journey and deliver both cashable and non-cashable savings. Through our Root and Branch and ongoing continuous improvement programmes we have improved processes and ensured productivity gains over the year 2019 to 2021(Q2) of £140k and from Q3 2021 to Q1 2023 of £284k.

We have reduced our paper consumption dramatically by purposefully introducing a paper-free strategy. We used to print two million sheets of paper per year for Council meetings and incur mailing costs to send these to Councillors, but since 2019 all Councillors have been using a surface pro and access modern.gov for meeting agendas. These efficiencies have delivered savings of at least £30k per year (£17k from savings on paper and £13k from postage savings per year), contributing to our role in addressing the climate emergency and reducing our carbon footprint.

In the context of challenging Budget gaps over the medium term we are continuing that transformation programme both corporately and at service level to achieve further productivity savings and over the next 4 years a cashable savings target of £800k has been identified. An officer working group has been set up and has already identified a few quick wins. Our digital transformation programme see **Appendix 2** is expected to deliver savings in the short, and medium-term of around £100k as a contribution to the cashable savings target.

COVID/Hybrid Working: The ability of the Council to deploy staff and make a significant contribution to support the needs of residents throughout COVID became

Appendix A

an LGA exemplar as demonstrated by the report (see link)

<https://democracy.spelthorne.gov.uk/ieListDocuments.aspx?CId=133&MId=1951>

The LGA Corporate Peer Challenge review undertaken in November 2022 also recognised this when they stated that ‘in the final report: -

“Spelthorne Borough Council has done many unique things of which it can be rightly proud, these range from the high profile and strategic to the very local and small scale. This was illustrated by the fact that ‘the Council’s response to Covid was brilliant and is clearly evidenced through the Council’s own report that explains in detail how the Council showed leadership and foresight to respond to the pandemic creatively. The peer team would like to commend Spelthorne Borough Council on this response and the way it supported its local communities in so many positive ways”.

As Spelthorne emerged from the acute aspects of the COVID experience, the Council spent time and effort looking at what recovery work needed to be completed and as a result implemented a detailed Recovery Action Plan. This outlined a wide range of actions the Council has now undertaken to assist residents and businesses to address future need. It was evident that the new ways of working and COVID gave employees in many organisations a different perspective on how to work yet still deliver their required outcomes.

COVID has nationally changed expectations of work-life balance, with significant implications for recruitment and retention of staff. The recovery plan assisted in implementing the new ways of working post COVID to maximise flexibility whilst still focusing on productivity and meeting employee expectations. The reduced travel from working at home and more online meetings with colleagues in other local authorities further contributes to reducing our carbon footprint. The recovery plan can be found at:

<https://democracy.spelthorne.gov.uk/documents/s46840/Recovery%20Action%20Plan%20-%20progress%20updated.pdf>

Our approach to dealing with COVID clearly demonstrated our adaptability and resilience as staff were redeployed at short notice, provided within two weeks with ICT equipment at home and transitioned well to working at home whilst being supported through surveys and a safety net of support on mental health through CareFirst and mental first aiders. The success in terms of delivering for our residents during COVID demonstrated productivity did not need to suffer if people were working from home.

This ability to successfully deliver services whilst remote working led to the Council (like many other local authorities) introducing a hybrid working approach ([Hybrid Working Policy \(sharepoint.com\)](#)) for many of our staff once the pandemic was over. Given the difficulties in recruiting and retaining staff (which is an issue within all of Local Government) offering hybrid working as part of the recruitment package not only assists but is increasingly expected.

Staffing

The 'salami-slicing' of services to balance the Council's budgets prior to TASF resulted in a lack of resilience in several areas. Since that time, additional resourcing for these areas has been made possible through a combination of income generation, cost savings/efficiencies, alternative funding sources and collaborative working.

In particular, income from the Council's assets has enabled the Council to not only build a larger assets team to reflect the skills, expertise and volume of work required to manage and develop the Council's £1bn asset portfolio, but also to support the delivery of other essential services delivered by the Council and then to have the capacity to address the Council's aspiration to ensure sufficient affordable housing is delivered for its residents. Additional resource was put into Legal and Finance to assist with supporting the increased assets portfolio.

The Council's Management Team continually keep under review the management structure of the organisation and has recently undertaken a realignment of some service areas to bring more of these under the remit of Group Heads, to further enhance synergies, communication and joined up working between services, whilst also reducing the number of managers reporting directly to Management Team.

This realignment has resulted in a restructure of Finance, with Environmental Health and Building Control realigned to the Group Head Place, Protection and Prosperity, and Customer Services to the Group Head for Commissioning and Transformation. This will allow further efficiencies to be driven in these services and will free up more of Management Team's time to focus on some of the strategic priorities and political matters and drive forward the Council's corporate objectives, during increasingly challenging financial circumstances.

The current senior management structure is shown in **Appendix 3**.

Individual service managers are required to adapt their teams/structures when necessary to maintain delivery in line with the needs of residents and businesses, new statutory responsibilities (e.g. tackling climate change) and increased workloads in specific service areas (e.g. housing, committees and grounds maintenance). External funding is used to support functions wherever possible/appropriate, e.g. our Family Support team (12 FTE equivalents), four posts in Independent Living and five posts in housing options. Other posts are supported by the business rates retention reserve, planning performance agreement funding and the Heathrow Environment Fund. In the Assets team some staff salaries have been capitalised against developments and others are recharged to Knowle Green Estates.

Appendix A

In some instances, vacant posts may be deleted where functions can be delivered in a different way and savings can be made, whilst in other cases managers may decide to remodel a vacant role to enable delivery of other priority work, provided the costs can be met within existing budgets.

Where the need for an additional post is identified which would add to the budget requirements of the service, and this cannot be met from any alternative funding source, the manager would normally be required to put this forward as a growth bid as part of the normal annual budget setting process. Since 2022 MAT introduced a moratorium on new unfunded posts. Though there can be occasions when there is a need to recruit urgently in year if Government, for example, introduce a new statutory duty because of legislation.

On staffing issues consultation takes place with Unison (as the representative Union for all members of staff at Spelthorne Borough Council) and the positive constructive dialogue with the union assists us in dealing with sensitive staffing issues and the annual local pay negotiations, thus contributing further to the supportive nature of Spelthorne and well-being of staff. That supportive nature in Spelthorne is also reflected in achieving a gold award in 2021 under the employer recognition scheme as part of the Armed Forces Covenant and prior to the legislation introduced in 2022. Additionally, staff surveys have been undertaken to help understand the “mood” of the organisation and any issues arising amongst staff. The LGA peer review also involved speaking to many staff and understanding their views as well as identifying where improvements could be made.

Flexible working patterns/arrangements

Many people work in the public sector because they wish to support the community and local environment and enjoy a supportive working environment, which they have at Spelthorne. That positivity helps counteract the negatives of salary limitations, especially as Spelthorne is ‘next door’ to several London authorities and other private sector opportunities which can offer better benefit packages and salary in addition to hybrid working. Given the recruitment issues the Council also offer part time or job-share opportunities, where appropriate.

As a result of increasing difficulties in recruiting and retaining staff especially in certain fields e.g, Environmental Health, Planning and Building Control, we have increased use of market supplements to keep up with other authorities’ salaries. Market supplements are used in exceptional circumstances only for people in posts difficult to recruit too if they became vacant. This is currently a particular problem in a number of professional areas but can also apply to others, including administration. The level of market supplement applied is based on comparisons with several other authorities (especially Surrey authorities) salaries for a particular role and they run for a period of three years, after which time they are reviewed to establish whether there is justification for them to continue or be adjusted.

Continuous Performance Management

To ensure staff feel engaged and are productive in the new ways of working since COVID, we introduced a Continuous Performance Management process to ensure staff are fully engaged and focused on delivery. Quarterly KPIs benchmarked across Surrey demonstrate how we continue to successfully deliver services compared to other Surrey authorities.

Annually when producing service plans, Group Heads review their structures and establishments to ensure they are fit for purpose. Considering service structures and established posts is a continuous process of looking for opportunities to improve service, meet new demands as services evolve and retain and recruit staff into posts that are right for the team. The process of producing service plans has been brought forward to enable them to feed into the Budget planning process and to be reviewed by councillors on relevant committees.

Collaboration/partnerships with other local authorities

The Peer Review recognised that partnership working is generally a strength for the Council and is outlined in the current Corporate Plan where it lays out the aim of developing strong partnerships in all sectors of the community, businesses and with other authorities and health, so that knowledge, skills and expertise can be shared to help shape priorities and effectively deliver on them.

As an authority we continue to critically evaluate whether we can deliver more for our residents and communities by working differently or in partnership with others. We recognize moving forward we are going to need to become better at prioritizing. Spelthorne has a number of current partnerships with other authorities including insurance with London Borough of Sutton (we are moving into phase 2 of this partnership from April which will save at least £50k per annum for the Council), counter-fraud with Reigate and Banstead Council, Spelride with Elmbridge, and Supporting Families with Elmbridge, Epsom and Ewell and Surrey County Council, as well as a recent partnership formed with Mole Valley Borough Council on SPAN (Spelthorne Personal Alarm Network) for our elderly community.

The Council continues to look for opportunities for collaborative working with other local authorities where this can deliver financial savings and/or improved resilience. Group Heads and service managers look at potential opportunities on a regular basis, but not all are progressed (if the business case or the benefits do not stack up for example). We would only enter a partnership when the outcomes are clear and where there is a willing partner. On a number of occasions our senior managers have approached neighbouring authorities and other Councils across Surrey where they have become aware of potential opportunities to join up services/share managers due to senior management vacancies arising (either at Spelthorne or the

Appendix A

other authority) but have often not received a positive response to the idea of exploring any partnership arrangement.

Across Surrey, Councils continue to explore opportunities for collaboration. In response to Surrey County Council's failed bid to the Government for a single unitary authority for the whole of Surrey, the Boroughs and Districts in Surrey worked with KPMG on developing several ideas for alternative unitary structures for the county and areas where collaborative working could potentially deliver savings. Unfortunately, the level of collaborative working with Surrey County Council will be reducing in some areas from April 2023, with the County Council ending agency agreements with Boroughs/Districts in relation to highways verge maintenance and on-street parking enforcement.

In order to assess such opportunities in a structured way, Spelthorne established a Collaborative Working Group (comprising of a number of Councillors and senior managers) to assist in assessing and filtering potential opportunities, especially those that emerged from the work done with other Surrey District and Boroughs.

One example of a collaboration/partnership opportunity that we are currently progressing (and which has been through the Working Group) is the Financial Services Partnership with Mole Valley, the key aims of which are to align systems, build resilience and eventually deliver financial savings. A two-phase approach is being pursued. We are currently in Phase 1 - the initial systems review and alignment, with Phase 2 - closer alignment of services, systems, and processes under one senior manager to follow, subject to further evaluation and approval by the Council.

Following the rejection of their proposals for a unitary authority Surrey County Council have been actively pursuing a County Deal for Surrey, which could have a number of potentially significant implications for realignment and future funding of some functions/services across the county. The following link provides more details on Surrey's proposals:

<https://mycouncil.surreycc.gov.uk/mgConvert2PDF.aspx?ID=86352>

At a meeting of the Corporate Policy and Resources Committee on 20 April 2022 it was agreed that this Council should provide full active engagement in exploring the potential benefits of a future County Deal (in accordance with Option 1 of the report presented to the Committee) - see following link:

<http://sbclocalgov/documents/s43016/CPRC%20County%20Deal%2020.04.22%20final.pdf>

Appendix 1

CORPORATE ESTABLISHMENT REVIEW

Terms of Reference

Objective

To review the effectiveness of existing organisational structure, functions, roles and responsibilities to deliver the Council's Corporate Priorities with a view to establishing potential efficiency savings.

Specific

1. Review the complete organisational structure and consider realignment of services under the senior management team.
2. Consider current vacant posts and impact on relevant service areas if vacant posts were to be removed from the establishment.
3. Review use of all temporary staff including interims and consultants.
4. Consider any recommendations from staff audits and Peer Reviews.
5. Review rate of recruitment and retention.
6. Consider scope for creating shared services with other local authorities.
7. Consider scope for making staff efficiency savings by automating services and progressing digital transformation.
8. Consider feedback from member and staff surveys regarding capacity issues.

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**Report for Spelthorne Borough Council
Corporate Establishment Review – 14 June 2023
Confidential**

The Brief

I have been asked by the Corporate Policy & Resources Committee, Spelthorne Borough Council (SBC) 16 January 2023 to review the effectiveness of existing organisational structure, functions, roles and responsibilities to deliver the Council's Corporate Priorities with a view to establishing potential efficiency savings by undertaking the following:

1. Review the organisational structure and consider realignment of services under the senior management team.
2. Consider current vacant posts and impact on relevant service areas if vacant posts were to be removed from the establishment.
3. Review use of all temporary staff including interims and consultants.
4. Review rate of recruitment and retention.
5. Consider any recommendations from staff audits and Peer Reviews.
6. Consider scope for creating shared services with other local authorities.
7. Consider scope for making staff efficiency savings by automating services and progressing digital transformation.
8. Consider feedback from member and staff surveys regarding capacity issues.

The above areas do not specify any particular focus required or aspects of concern. I have therefore taken into account the Council's Corporate Plan 2021/23 to understand the SBC priorities and published expectations of councillors and communities. The stated vision of the Council's leadership - Councillors and Chief Officers, are relevant in achieving the Council's aspirations.

The Corporate Plan 2021/23 makes reference to the unprecedented impact of the Coronavirus pandemic and the pivotal role played by SBC staff and management to respond to the crisis and assist the most vulnerable people, as well as provide support across communities. The significant role undertaken here by SBC staff during highly challenging circumstances is well documented.

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Council priorities identified include:

- Community - Building strong relationships with communities and businesses, providing a safe and inclusive environment.
- Affordable housing – meeting housing needs across all sections of communities.
- Recovery - A 'Recovery Action Plan', in response to longer term effects and impacts of the pandemic, managing commercial investments and assets, stimulating economic recovery, building back income streams, resilience and new ways of living and working.
- Environment - tackling threats by responding to the climate emergency, protect biodiversity, support green initiatives and be a sustainable Council through energy efficiencies.
- Service Delivery - to improve lives as well as achieve aspirations for the future through efficient, effective, responsive and flexible service provision.

Council Values reflect behaviours expected from staff and councillors in having pride in the council as service providers to their communities; being responsive; accountable; providing value for money, acting with integrity, being dependable and empowering others.

I will refer to the above where relevant in the areas under review.

1. Review the organisational structure and consider realignment of services under the senior management team.

Background

- 1.1 In 2015, SBC conducted a programme of major transformation, 'Towards a Sustainable Future' (TaSF). This was in anticipation of additional significant financial challenges faced by SBC and many local authorities. This included the anticipated cessation of most central government general grant support, and significant reductions in central government grants, which would be on-going.
- 1.2 SBC recognised the need to plan to become self-sustaining through income from council tax, business rates apportionment, fees and charges, and assets. Additional cost pressures identified included such areas as housing and pensions costs. This places an increased reliance on Council assets to increase housing supply and generate rental income.
- 1.3 This transformation programme focused on three key areas:
 - Structure review
 - Income generation
 - More efficient working
- 1.4 TaSF Structure review 2015/16 – for more efficient alignment of political and managerial accountabilities to achieve improvements was achieved by:
 - alignment and synergies for service and support functions and between stakeholders
 - looking for opportunities to build resilience
 - savings – to include mitigation for high priority areas
 - exploring a range of delivery models

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1.5 Income generation - from 2016 onwards income generation was achieved by:

- Acquisition of investment assets
- Relocation of office accommodation to release site for development for affordable housing and rent generation to ease pressures on Homelessness Revenue budget was proposed. However, this was not agreed to by SBC councillors so the project had to be downsized. Reduced efficiency savings were then sought through 'Project Lima'
- Built up significant investment portfolio

1.6 Other efficiency savings – Project Lima

These were found through relocation and efficiencies by more agile, flexible and efficient ways of working by SBC staff, achieved by:

- Consolidating space resulting in 43% office space saving, hot-desking, collaborative working
- upgrading ICT
- energy efficiency measures

Organisational structure and services

1.7 Under TaSF, senior management posts were reduced, and service areas were realigned. Joint ventures were explored with other councils, for example, to deliver emergency planning and business continuity functions across a number of partner organisations. This resulted in the development of Applied Resilience (emergency planning and business continuity) with Runnymede Borough Council.

1.8 Key aims were to:

- Achieve synergies
- Improve resilience
- Deliver savings
- Consider new delivery models

1.9 It was noted that the earlier structure review achieved savings through deleting senior manager posts.

1.10 Emphasis was placed on achieving greater strategic focus and being 'fit for the future'. Two Deputy Chief Executive posts managed the new roles of Group Heads who, in turn, managed professional, operational and service areas.

1.11 For greater resilience, and to reduce silo working, the roles of Deputy Chief Executive were generic with joint management of the Group Heads, developing a 'one team approach'. One Deputy Chief Executive also holds the statutory role of Section 151 Officer. At that time, the creation of five new Group Head posts were to replace a larger number of former Head of Service posts.

1.12 In addition, increased flexibility and resilience was provided through proposed partnership working with neighbouring local authorities as an option, should posts not be appointed to.

1.13 Senior posts were moved from Local Government Services (LGS) 'Green Book' terms and conditions to Joint National Council (JNC) Chief Officer terms and conditions as part of creating new salary scales. This reflected increased levels of responsibilities and enabled additional

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cover to be provided outside 'normal' working hours as part of the role, such as attending evening meetings.

- 1.14 The further statutory role of Monitoring Officer, reporting to the Chief Executive, is the Group Head Corporate Governance. The Deputy Chief Executives also report to the Chief Executive.
- 1.15 Group Heads report to the Deputy Chief Executives. Their responsibilities are mainly outward, community and business-focused, designed to be fit for the future:
- Commissioning & Transformation
 - Neighbourhood Services
 - Regeneration & Growth (post restructured in January 2023 and replaced with 'Place, Protection and Prosperity')
 - Community Wellbeing
 - Corporate Governance and Monitoring Officer (from 2020)
 - Assets (established to maintain focus on the Council's assets programme and recognise the importance of this area - from 2023)
- 1.16 Internal-focused posts, necessary for ensuring compliance, governance and scrutiny are the Group Head, Governance & Monitoring and the Chief Accountant.
- 1.17 The Group Head Commissioning & Transformation contains a number of internally focused professions such as Human Resources; Information & Communications Technology; Information Governance, Projects / Transformation and Data Protection.
- 1.18 The most recent revised Senior Manager Structure Chart, March 2023, **Appendix A**, evidences further steps taken by SBC to align related services. Customer Services moved to Commissioning and Transformation. The Deputy Group Head post previously running the service was removed. Building Control and Environmental Health realigned under the Group Head of Place, Protection and Prosperity. A new Head of Assets was appointed to maintain focus on the Council's Assets Programme.
- 1.19 The most recent Senior Manager structure chart reflects revisions or additional areas of responsibility that have been added to Group Head portfolios since 2015. These additional areas are:

Commissioning & Transformation:

- Climate Change
- Customer Services
- Information Governance / Data Protection

Group Head Corporate Governance

- Procurement
- Committee Services

Neighbourhood Services

- Waste & Recycling Strategy

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- 1.20 'Asset Management' has become a stand alone Group taking over 'assets' and 'facilities management'. This recognises the strategic importance to the Council, and the extent of workload this area generates. A new Group Head for Asset Management has recently taken up post. It would be normal practice to review the structure within Assets in due course to ensure that requirements for the future of this area of work are appropriately resourced.
- 1.21 Assets became more aligned with Finance, with both sections now reporting to the Deputy Chief Executive and Section 151 Officer, to realise additional synergies.
- 1.22 Additional areas of responsibility for Group Head Place, Protection and Prosperity, are:
- Environmental Health
 - Building Control
- 1.23 This demonstrates on-going realignments of the management team to enhance efficiencies since 2015. The programme of transformation is continuing.

Spans of control and management reporting lines

- 1.24 I have reviewed information provided by councils on their websites regarding spans of control and number of posts managed by Tier 1 and Tier 2 managers. (**Appendix B**) The information provided is broad but provides a basis for comparison. There are some differentials between councils, for example, where the Head of Paid Service is also a Corporate Director and manages discrete business areas as well as Tier 2 managers (Canterbury, Dartford).
- 1.25 The number of direct reports to Tier 1 varies from 2 to 8 across the region, and SBC sits at 5.
- 1.26 Three senior managers directly report to the Chief Executive - two Deputy Chief Executives and one Group Head (Monitoring Officer), of whom two are Statutory Officers. The Head of Communications and Customer Experience is not a senior post but reports to the Chief Executive due to the nature of this work.
- 1.27 The number of professional areas and services reporting to the Group Heads at SBC range from two to nine. Each Group Head has a significant number of professional or service areas to manage in comparison with other local authorities listed.
- 1.28 The Group Head of Neighbourhood Services is also a Director of Spelthorne Direct Services (SDS), which was established as a commercial waste company, wholly owned by SBC. The Chief Accountant is also a Director for SDS. This is an area with potential to expand and diversify.
- 1.29 The Council created Knowle Green Estates Ltd (KGE Ltd) as a housing company, to help provide new homes for local residents. It is controlled by the Council and provides the specific tools and skills needed to manage a portfolio of housing.
- 1.30 KGE Ltd also manages the residential properties, lettings and tenant agreements that the Council develops. The company's primary purpose is to help the Council meet the housing needs of local residents by managing a range of different types of housing, including affordable rented and private rented accommodation and key worker homes.

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Working across Council boundaries

- 1.31 SBC provides family support for three boroughs with a total population of 300,000. This successful partnership has been in place for over a decade. This service is commissioned by Surrey County Council (SCC) who passport Government Funding. SCC is currently evaluating how it wishes to commission the service from April 2024, which may mean from that point borough councils will cease to be involved in the delivery of the service.
- 1.32 SBC provides other services on behalf of neighbouring authorities and works in partnership with a number of external organisations. The Council continues to look for ways to share services and work in partnership with other local authorities to deliver efficiencies and more effective ways of working.
- 1.33 Neighbourhood Services is one area that is impacted by external factors that are outside the Council's control. An example is the recent ending of the agency agreement in March 2023 with Surrey County Council (SCC) for grass cutting and on-street parking.
- 1.34 The loss of ground maintenance did not affect SBC financially as, until that time, SBC had subsidised the grass cutting to achieve a better quality of service to their communities. Also, SBC provided grounds maintenance services to Runnymede Council until March 2023. The quality of future services to SBC communities in these areas will now be outside SBC control.
- 1.35 Whilst the service was not designed to generate income for the Council as the focus was on providing high quality, it demonstrated the ability for councils to collaborate and work across boundaries.
- 1.36 Surrey County Council ended the parking agency agreement having decided to contract with one company to undertake on street parking enforcement across the whole of Surrey.
- 1.37 The loss of on-street car parking has impacted on SBC similarly in that service plans had to be revised accordingly resulting in the loss of one member of staff through TUPE and some staff were lost through resignation or were offered alternative employment. The longer-term impacts of the transfer are currently being evaluated by the Council.

Summary comments

- 1.38 *Having reviewed the 2015 structure and ongoing revisions to the 2023 structure, it is clear that the Council structure is not static, there is on-going review and realignment. The number of posts and spans of control at the senior level are not out of sync with other comparable local authorities (as shown in **Appendix B**).*
- 1.39 *A number of key projects being managed through the senior structure are reflected in the Corporate Plan - the ultra-low energy efficient Spelthorne Leisure Centre; energy efficient measures in Council buildings and housing developments, delivering a Climate Change Strategy; accelerated green initiatives.*
- 1.40 *SBC's response to housing challenges includes building their own housing and managing their residential properties (Knowle Green Estates Ltd); working with providers and private sector partners to promote housing development to meet community needs; management of the Council's commercial investments and assets to provide a consistent income stream to support sustainable services, through an Economic Recovery Plan.*

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- 1.41 *The restructuring of Finance has enabled SBC to fill positions with permanent staff and develop talent through the creation of two apprentice posts.*
- 1.42 *Assets and Finance have been brought closer together by aligning both areas under the Deputy Chief Executive and Section 151 Officer.*
- 1.43 *I have found no areas that I could suggest would benefit from further re-alignment within the Senior Manager structure that are not already being reviewed, or where changes are currently underway. SBC is not an organisation that shows complacency in its structure, nor in its focus on achieving the stated priorities in the Corporate Plan.*

2. Consider current vacant posts and impact on relevant service areas if vacant posts were to be removed from the establishment.

- 2.1 The Management Team proposed, and the Council endorsed a moratorium on new posts being added to the Budget (unless a statutory requirement or fully externally funded) for the year 23/24. It will be considered by the new Council as to whether this moratorium is extended. I have been advised that discussions were held with Group Heads about vacant posts and whether it was necessary to keep them as part of reviewing the establishment.
- 2.2 I have reviewed a 'snapshot' of vacant posts as at 19 May 2023. Clearly, this will change as new posts become vacant and others are recruited to, or where roles covered by alternative means.
- 2.3 Each vacant post listed is identified by its status and consideration of next steps regarding that vacancy to maintain service delivery, under the following descriptors:
- Currently being advertised
 - Plan to recruit
 - Recruitment in progress
 - Filled by an interim
 - Covered by a casual post
 - Covered by an agency worker
 - Covered by agency worker whilst considering options for a shared service
 - Unable to recruit - budget to be used for contractor
 - Failed to recruit a number of times
 - On hold – recruitment to be decided
- 2.4 The following areas are of particular note regarding type of vacant posts currently:
- 2.5 Data Protection
Information Governance Co-ordinator. This post is the only post listed as receiving a market supplement due to recruitment having failed a number of times.
- 2.6 Independent Living
A number of posts providing direct services to the community, normally sourced locally, are listed as vacant including:
- Drivers
 - Kitchen staff

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2.7 Planning

Planning Officers – Planning is widely recognised across local authorities as hard to fill, mainly due to attractive salary packages offered by private sector organisations. It is hard for local authorities to compete in this market without providing additional supplements. This is an on-going drain on experience and expertise in this area.

2.8 Customer Services

Are about to go through a re-structure (final structure to be agreed) and therefore those posts are not listed.

2.9 Assets

Following the appointment of the new Group Head, a review of the structure will be underway and will be subject to the normal process of consultation.

2.10 Legal

It has been consistently difficult to recruit to Legal professionally qualified posts.

2.11 Neighbourhood Services

Posts in Neighbourhood Services are listed as ‘carried vacancies’ even though they are mainly filled with agency workers for the express purpose of achieving greater flexibility in ensuring cover for critical front-line posts. This planned arrangement has been found to reduce the cost of carrying high levels of sickness, or other absence, previously experienced. These areas include:

- Hall Caretakers
- Support Worker/Driver
- Parks & Grounds Maintenance operatives (various roles)
- Street Cleansing Operatives
- Refuse Collection Operatives

2.12 Drivers are in short supply across all areas and many organisations at a national level. SBC has a shift of drivers. I understand from the Head of Neighbourhoods that most drivers employed are elderly, but reliable; they like the job as it is familiar to them, and that they enjoy working for SBC.

2.13 Reasons for people in Neighbourhood Services leaving are commonly cited as ‘*pay being insufficient*’. This is a recognised factor in comparison with other local authorities. However, non-monetary aspects of working for SBC being seen to be ‘a good employer’, are also recognised. This is helpful in maintaining service delivery in these circumstances.

Summary comments

2.14 *The importance of having a well trained and motivated workforce, the ability to recruit and retain suitably qualified people with support and development to undertake their roles effectively, and addressing staff pressures and needs are referenced in the Corporate Plan. SBC works to recruit, retain and support suitably qualified people as they are core to the functioning of all aspects of the Council’s work. This investment is on-going, as evidenced by induction and training programmes in place such as Continuous Performance Management (CPM) process and the provision of a Shared Learning Programme (SLP).*

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- 2.15 *The Corporate Plan refers to ensuring all services can be delivered to cater for all sections of their communities, specifying that the Council will resist any change in structure which would erode the quality of service available to communities.*
- 2.16 *I have noted that there is currently a moratorium on adding new full time equivalent posts to the budget. This area of vacancy management is currently under scrutiny.*
- 2.17 *Given the publicly expressed importance of SBC staff in the Corporate Plan, any suggestion that any post that becomes vacant could simply be removed from the establishment would be a rather crude tactical approach to workforce planning and achieving cost-efficiencies. Such an approach, in isolation, is unlikely to be in the interests of the public for maintaining public sector services and would be counter-productive and costly.*
- 2.18 *Information has been provided to me that demonstrates management control over vacancy administration, that options are being considered, with a focus on achieving efficiencies not only in cost but in the management of resources. Reviews are on-going as evidenced in the responses to the loss of contracts, or the creative use of agency or interim staff to meet defined needs. A recent review has been undertaken of the Market Supplement Policy and is on-going for the Retention Allowance Policy.*
- 2.19 *I have found no justification, or any business rationale, for arbitrarily removing posts once they become vacant.*

3. Review use of all temporary staff including interims and consultants.

Temporary Staff

- 3.1 Use of temporary staff has been commented on in Section 2 above.

Agency staff

Neighbourhood Services

- 3.2 There is a high level of planned agency staff in Neighbourhood Services mainly for reasons of flexibility, seasonality of some areas of work, and cost of sickness absence of operatives needed for crewing.
- 3.3 The workforce is ageing, and people are remaining in work longer. Work in these frontline service areas is mainly manual / physical, unsocial hours, and requires levels of fitness. This places higher demands on health and attendance at work. These factors necessitate the use of agency workers to ensure availability of crewing for high-profile front-line services direct to communities, and to achieve cost efficiencies.
- 3.4 A minimal number of extra posts are purposefully carried on the establishment so that agency staff can be called upon as and when needed at short notice to ensure operational cover is maintained to deliver front line services. This provides greater flexibility to move operatives to where they are needed, rather than people being in fixed posts unable to provide this cover. This optimises available resources.

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- 3.5 A further benefit of the use of agency staff is the opportunity to review attendance and performance over a 12-week period. SBC has an option to offer employment to suitable individuals without incurring a 'finders fee' from the agency. This appears to work well for both the Council and individuals, is a reliable means to assess suitability (for both parties), with a greater likelihood of success in retaining good employees.

Contractors

- 3.6 The list provided to me in May 2023 identifies a small number of senior contractors in professional areas. They are generally recognised across local authorities as being skills shortage areas and hard to recruit to:

- Assets -1 Property Manager and 2 Development Managers.
- Commissioning & Transformation - 1 in Customer Services (agency)
- Procurement - 1 Procurement Manager
- Legal - 3 Solicitors
- Environmental Health - 1
- Planning - 1

Summary comments:

- 3.7 *Use of interims and contractors provides flexibility as and when needed. It does not provide individuals with service continuity due to the temporary nature of this engagement. This is not an ideal solution long term as will become costly given the higher fees incurred.*
- 3.8 *The value of using contractors for a defined period of time is that high level, expert skills can be brought in to focus immediately on key projects, or the management of particular professions where gaps have been identified. This is normally over the short to medium term for a particular purpose, when that arrangement concludes.*
- 3.9 *Reasons to use contractors are normally to allow time for consideration to be given to revisions to structures, where time is critical and expert input required, or a key post simply cannot be recruited to. Whilst the employment costs are likely to be higher initially, reflecting the short term nature of a contractor, the cost of not covering this work, or the cost and time to repeatedly advertise when there is no prospect of success, is likely to be costly also.*
- 3.10 *Use of temporary staff to cover posts that would otherwise be recruited to, and retained, will be costly if turnover is high. Existing resources are expended to induct and train on local systems and practices. The time lag before full productivity, then an early exit because the salary, or the work environment, is unattractive, is disruptive to service delivery and staff morale.*
- 3.11 *It is apparent that SBC is experiencing difficulties in recruitment and retention in some areas, for reasons outlined in Section 5 below (mainly related to comparatively low pay, difficult working relationships between some councillors and officers impacting on the wider work environment, as reflected in the Local Government Association (LGA) Peer Challenge), therefore this necessitates short term, or interim, cover to help manage the vacancies and maintain service delivery in accordance with the Corporate Plan.*

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4. Review rate of recruitment and retention.

Market challenges

- 4.1 Proximity to London presents SBC with additional challenges regarding salary differentials and impacts on recruitment and retention, particularly in some professional areas. Other local authorities, as well as the private sector, are also competing for the same scarce resources.
- 4.2 Since the Covid-19 pandemic and new ways of working being developed, particularly remote working, a pattern of hybrid working has become a significant part of working patterns across employers in all sectors. The additional flexibility and attractiveness of including more flexible working arrangements, where appropriate, has become a major factor in positively influencing recruitment and retention opportunities for all employers, particularly in skills shortage areas.

Salary differentials – SBC and other borough and district councils in Southeast

- 4.3 I have conducted a benchmarking exercise of salaries of Tiers 1 – 3 posts in 26 district or borough councils across the Southeast region, including 9 Surrey councils. Further commentary together with pay data across councils reflecting the salaries of senior managers is provided in **Appendices C and D**.
- 4.4 The data has been taken from pay policies or Statements of Accounts 2022/23 published by local authorities reflecting basic salary levels. Any additional allowances or supplements are not provided for in these salary figures.
- 4.5 Whilst pay data for 2022/23 is relatively limited, as many councils have not yet published their latest senior manager pay data, there is sufficient 2022/23 data to form a view for comparison. Ultimately, pay benchmarking is relative for comparator purposes.
- 4.6 In addition, I have also provided a brief overview of salaries from 2021/22 data for broader comparator purposes. This reflects SBC being in the lower quartile across tiers 1-3 compared to other comparable councils.
- 4.7 Population factors and sizes based on the latest mid-year population estimates (ONS.gov.uk) have been taken into consideration.
- 4.8 This data reflects that salaries being offered elsewhere are sufficiently higher than SBC to create additional challenges of losing experienced and valued employees for higher pay. This is in addition to reported other reasons including improved career opportunities, or working relationships with the political leadership. (References taken from SBC staff exit interviews and LGA Peer Challenge report).
- 4.9 I have provided some wider salary information from Cendex, a national database which provides live salary data filtered by levels, industries and geography (National, London, Southeast). This gives an overview of other market factors which may be of interest to SBC. **(Appendix D)**

Tier 1 Chief Executive
Tier 2 Deputy Chief Executive. Monitoring Officer
Tier 3 Group Heads and Chief Accountant

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Spelthorne BC Policies to support recruitment and retention

- 4.10 A '**Recruitment Allowance**' may be applied to new staff based on up to 10% of grade, with a repayment schedule of over 3 years to incentivise staff to remain for a period of time.
- 4.11 The **Retention Allowance Scheme** allows for a payment to be made for the following reasons:
- **'Hard to fill' areas or professions.**
This may be due to national or regional shortages. Such allowances will be made for a year based on evidence submitted to the Management Team. This will be 5% of the post SCP and only applicable if in post for 2+ years, and subject to satisfactory performance and attendance.
 - **One off payments to complete key projects**
Linked to delivery of key priorities up to 5% of SCP and paid on completion of agreed objectives.
 - **Loyalty payments linked to closure of services in case of redundancy**
To ensure completion of services due to close during time of change. Conditions will apply.
- 4.12 **Market Supplements** for attraction and retention in hard to fill positions is one option the Council is using to mitigate some of this impact and maintain resilience for on-going service delivery.
- 4.13 This provides a 'retention payment' for use in exceptional circumstances where posts are hard to fill and there is evidence that there is a national or regional shortage of those particular professions or occupations, or where salaries are significantly below the 'market rate' affecting recruitment or retention. Decisions are based on business cases being submitted by managers against defined criteria.
- 4.14 Comparator samples are used for benchmarking and defining an appropriate level of 'Market Supplement'. Market supplements are reviewed within at least 3 years of implementation to ensure that the justification remains.
- 4.15 The Market Supplement Policy has been updated to ensure a transparent and consistent process to fit future requirements and demands.

Staff Exit interviews – reasons for leaving

- 4.16 The most common stated reasons for SBC staff leaving are retirement and moving elsewhere for promotion or to a higher paid job. The next is lack of career development. There is mention of issues with councillors, difficulties working from home as a result of the pandemic, and lack of appraisals/feedback (some of the forms date back to 2018). The appraisal system has since been reviewed and replaced with a CPM (Continuous Performance Management) system in 2022 which managers and staff are now using.
- 4.17 One comment in the exit interview summary stated that a reason for leaving was due to poor working relationships between councillors and officers and how it made that person feel:

'One of the reasons for leaving was the attitude/relationship between councillors and officers Whilst councillors have rarely been difficult with me, it is uncomfortable to see the way some councillors speak to officers, or about officers, in meetings and is becoming worse. I

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feel they must have little understanding of officers' workload generally as the demands they make on officers are often unrealistic and often show a lack of respect'.

Summary comments:

- 4.18 *SBC's response to Covid provided evidence of its adaptability and a high level of resilience in how the Council was able to deploy staff at short notice, transition to remote working and continue to deliver services.*
- 4.19 *Hybrid working is now a positive legacy arising from a highly impactful and unexpected pandemic situation. It has assisted in building resilience in maintaining staffing levels and developing new ways of working to achieve greater efficiencies and resilience for the future. It is noted that this flexibility of hybrid, or remote working has enabled SBC to retain the services and skills of key staff who have relocated to a different part of the country.*
- 4.20 *The offer of hybrid, or remote, working where this is appropriate, is now a normal offer made by most employers as part of the package to attract and retain key skills in an increasingly competitive recruitment market where geography does not present boundaries. Clearly this is not appropriate for all roles and will be managed to ensure that the needs of the services delivered are met efficiently.*
- 4.21 *Partnership working in sectors of the community, businesses, health and other local authorities was recognised as a strength for the Council by the LGA. Successful partnership or collaborative working depends on the potential parties being positive and constructive, and this is not always forthcoming from potential partners.*
- 4.22 *These policies are reviewed regularly. The principles remain sound in my view, particularly given the volatile nature of local government and services to be delivered or withdrawn. The policies listed here are found across local authorities who are grappling with similar issues of struggling to recruit and retain particular professions or operational / frontline staff.*

5. Consider any recommendations from staff audits and Peer Reviews.

November 2022 - LGA Corporate Peer Challenge

- 5.1 The Peer Challenge team comprised 2 current or former Leaders, a Chief Executive, 2 Strategic Directors, a Director and a Peer Challenge Manager from the LGA, acting as a 'critical friend' to the Council as '*fellow local government officers and members*'.
- 5.2 Key themes from a peer challenge focus on:
- Whether the Council is delivering effectively on its priorities
 - Leadership (councillors and senior management) internally and externally
 - Governance and scrutiny arrangements
 - Robustness of financial planning and management
 - Capacity to improve.

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- 5.3 In addition, SBC sought input regarding:
- The Corporate Plan
 - Delivery of affordable housing
 - Governance issues recognising that the new committee system appeared to impact adversely on the speed of decision-making, and
 - The working of overview and scrutiny.
- 5.4 The LGA Peer Challenge commended SBC for *'many unique things of which (SBC) can be proud'*. Particular mention was made of being an exemplar with their *'brilliant'* response to the Covid pandemic; their preparedness, creativity, leadership and foresight in supporting residents, communities and vulnerable people throughout this period. (Peer Challenge Report S4 - Feedback).
- 5.5 The *'admirable'* response to the pandemic by staff and management was attributed by the LGA Peer Challenge team to *'clear leadership, prioritisation, a committed and hard-working staff responding to the needs'* of their communities. There was reference to this being followed up with a **'Recovery Action Plan'**. (Peer Challenge Report S4 - Feedback).
- 5.6 The LGA Peer Challenge cited *'strong and positive relationships and partnership working across sectors'* (reflected in the Corporate Plan), by the Chief Executive as a visible strength that helped shape, and deliver, priorities effectively.
- 5.7 Broader consultation with community partners, stronger, clearer political direction and greater visibility of councillors was recommended. It was also noted that the Council could achieve even more *'with a cohesive functioning councillor cohort... which it recognisably does not have at this present time'*. (Peer Challenge Report S4 - Feedback).
- 5.8 The LGA Peer Challenge team suggested that there was *'an opportunity for councillors to develop a clearer strategic vision for the future rather than spending so much time internally (politically) focused in the 'here and now''*. (Peer Challenge Report S4 - Feedback).
- 5.9 There was reference to *'poor behaviour'* by a small number of councillors towards each other and staff, widely recognised as *'damaging the Council's reputation, staff morale, recruitment and retention...'*. (Peer Challenge Report S4 - Feedback).
- 5.10 The Council was seen by partners as being *'commercially minded', 'entrepreneurial' and 'community focused'*. However, it was noted that potential benefits appeared to have been lost through delays in decision-making by councillors, which in turn deprives the community of the benefits that could be realised. This contributes to frustrations, and a lack of trust, between councillors and officers. (Peer Challenge Report S4 - Feedback).
- 5.11 It was noted that officers could provide clearer financial, economic and wider implications of decisions in reports to councillors to assist them in their decision-making, so they fully appreciate the financial implications of decision-making, or of not making decisions. (Peer Challenge Report S4 - Feedback).
- 5.12 A number of discretionary services and initiatives were listed by the Peer Challenge team, together with the passion and good will of staff to deliver, and awards and recognition received. It was noted that it would be a significant risk *'if councillors remain entrenched in adversarial and negative approaches towards senior managers, then these are likely to be*

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early areas to be cut as the on-going viability of delivering these services may be questionable’. (Peer Challenge Report para 4.1).

- 5.13 The LGA Peer Challenge Report referred to the senior team often working long hours outside normal office hours, the importance of work-life balance and setting an example to colleagues, and reasonable expectations of members when contacting officers outside working hours. It is likely that additional evening Committee meetings, and other meetings, will add to workload and tiredness of staff, in addition to undertaking the day job. (Peer Challenge Report para 4.3).
- 5.14 Positive comments included collaboration between officers and councillors in developing the Local Plan ready for submission. (Peer Challenge Report para 4.7). I understand this has now been paused.

Summary of some of the key areas where improvements could be made as identified by the Peer Challenge:

- 5.15 Building a stronger combined member/officer approach, built on trust and an understanding and awareness of strengths that could be brought into this partnership, with agreed shared priorities and objectives.
- 5.16 Resetting the officer/ member working relationship, understanding the discrete, but complimentary, roles, the importance of members respecting officers’ roles and giving time and space to achieve the agreed objectives. An excessive number of complaints about councillors and staff was adversely diverting officer resources.
- 5.17 That councillors should draw upon the talent, knowledge and experience of senior officers to help achieve their corporate and community objectives. Delays in decision-making was costly, including servicing the cost of borrowing, and not realising the value of current assets.
- 5.18 Financial training for councillors to provide a better understanding of financial implications, project viability and creating robust business cases, may assist with decision-making. Further exploration of the work of committee systems may also improve some of these barriers and the democratic system.
- 5.19 Clarity and re-definition of the roles and responsibilities of councillors and officers, and how they inter-relate, to create trust and build a more effective working environment.
- 5.20 Learning from other councils with established committee system might help SBC move forward.
- 5.21 Develop a Corporate Plan with a longer term vision and strategy with agreed objectives that are outcome orientated and measurable to evidence they have been delivered.
- 5.22 There is now an opportunity to ‘re-set’ the tone and culture with a cohort of new members following the May 2023 elections, and to take account of a recent staff and councillor survey. This reflected a correlation between tensions between officers and members, and a lack of political leadership.
- 5.23 Since the May 2023 elections, there have been 22 new councillors. This is an opportunity to build new positive working relationships and time to re-set with an Action Plan following the Peer Challenge.

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- 5.24 Following a meeting of the Council’s political Group Leaders and senior managers in March 2023, an outline LGA Corporate Peer Challenge Outline Action Plan was developed to address the 12 recommendations contained within the feedback provided to the Council. This will be presented to the Corporate Policy and Resources Committee in due course to agree the outline plan and the subsequent development of a Detailed Action Plan.

Summary comments

- 5.25 *‘Tensions, a toxic work environment, frustrations for councillors and officers, a lack of respectful working, lack of clarity about councillor and officer roles and responsibilities’ are reported in both the LGA Peer Challenge and the staff and councillor surveys. Observations and recommendations have been provided to the Council. The over-arching theme is the opportunity now presented to re-set the councillor/officer working relationship, especially following the election with new councillors in place, to provide strategic and visionary leadership and decision-making, working in partnership with an empowered management team.*

6 Consider scope for creating shared services with other local authorities.

- 6.1 The range of services outlined in the Corporate Plan to meet aspirations around strong and healthy communities is significant and future focused. This particularly exemplifies the synergies that could be achieved in working in partnership with other local authorities and external agencies. This includes SBC Community Safety and Enforcement teams working with Surrey Police; Surrey County Council for road safety initiatives; providing leisure facilities to meet local needs through the Local Plan and Community Infrastructure Levy. Working with housing associations to provide affordable housing and tackle homelessness.

Family Support

- 6.2 The Council has been advised that Surrey CC will be going out to tender in June 2023 for Early Help services which includes Family Support. This, together with Parking Services (below) are examples of impacts on SBC service provision and staffing that are outside their control.

Parking/Environmental Maintenance (verge cutting)

- 6.3 On street parking and Environmental Maintenance have now returned to Surrey CC. Off street parking is currently retained in house but such changes to services will require further review of options for the service area and any wider implications.
- 6.4 As regards the possibility of partnership working with other councils or organisations, discussions are on-going to seek opportunities in service areas (for example Finance and revenues) where this could improve resilience, support retention and career development, as well as cost savings. Should such joint working ventures be realised, then this is likely to re-shape the staffing structure.

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Officer/councillor collaboration 2022

- 6.5 I understand that there was a group of councillors and officers established in February 2022, (the Collaborative Working Group (CWG)) to look at opportunities for collaboration with other organisations. Terms of reference were developed and there were several meetings of the Group in 2022. This was paused later in that year.
- 6.6 The purpose was to consider and appraise any initial approaches or proposals for possible future collaboration or joint working with other councils or partners, including from the Surrey Delivery Board. The focus of reviewing potential options was to be:
- Deliver financial savings
 - Address resilience/capacity issues
 - Delivery better services for residents
- 6.7 Group Leaders have recently made the decision to reform the CWG.

Wider collaboration opportunities

- 6.8 Prior to this, in December 2020, wider work was undertaken across Surrey district and borough councils as part of Local Government Reorganisation and Collaboration, supported by KPMG. The purpose was to explore potential options for reorganisation within the county and assess future opportunities for collaboration within existing structures. The County had, at that time, expressed a preference for creating a single unitary council. The district and borough councils felt that greater collaboration between themselves would help alleviate financial pressures.
- 6.9 A range of options and ideas were presented to assist districts and boroughs to increase financial and organisational resilience through collaboration and joint working, including senior oversight from chief executives, councillors and council leaders. This would have required momentum to be maintained.
- 6.10 The LGA Corporate Peer Challenge of SBC 2022 noted the Council being seen by partners as commercially minded, entrepreneurial and community focused. This was evidenced by the high level of borrowing accumulated and the extensive portfolio created since 2016.
- 6.11 It was, however, noted that the delay in decision-making by councillors to achieve consensus to take forward plans was costly (£170,000 per month); the value of assets, or opportunities to generate income could not be realised, and sustainable service delivery was put at risk. Further actions were identified for officers to review the content of their reports, including presenting wider financial and economic implications, to assist councillors in their decision-making.
- 6.12 Unfortunately, *'the absence of a cohesive and functioning councillor cohort focusing on internal operational matters rather than displaying strategic vision; the poor behaviour of some councillors towards each other as well as to staff'*, is widely recognised and publicised. *'Some member behaviour is affecting the Council's reputation, costing money, affecting staff morale and could ultimately affect the delivery of council services for residents and businesses.'* (source: LGA Peer Challenge)

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Summary comments:

- 6.13 *Currently, shared services are being undertaken, or discussions are underway to develop options. From my own experience of working with councillors and chief officers in seeking to create shared services, a key ingredient required for success is the trust and close working between officers and councillors, and between the officers and councillors across the potential partners.*
- 6.14 *From the information provided in the LGA Peer Challenge, and from the staff and councillor surveys, it is apparent that for meaningful progress to be made and to build on the current successes, there may be an opportunity to seek to rebuild working relationships between some councillors, and between some councillors and officers with SBC.*

7 Consider scope for making staff efficiency savings by automating services and progressing digital transformation.

- 7.1 The Spelthorne Digital Transformation Strategy (updated Feb 2023) expounds the benefits of technology and digital tools within a Council's transformation programme. Key objectives being to:
- Enhance service delivery
 - Reduce costs
 - Improve efficiency
 - Enhance collaboration
 - Upskill staff
 - Engage with citizens
 - Contribute to addressing climate change
- 7.2 Potential areas for making staff efficiency savings are likely to be:
- Streamlining processes and automating tasks to reduce administrative burden.
 - Staff focus on higher value tasks and over time reduction in staff.
 - Increased use of digital workflows and e-forms.
 - Reduced use of manual processes.
 - Automation and use of artificial intelligence (AI) for streamlining processes.
 - Improved decision-making through digital tools and access to real time data.
 - Enhanced opportunities for collaboration of services and platforms – greater interoperability and reduction of duplication.
 - Encouragement of hybrid working, where relevant, freeing up office space to use to provide opportunities for other projects or income generation initiatives.
- 7.3 The digital transformation strategy is targeting £600k of savings over four years and a continuous improvement programme seeks to continually improve efficiency and effectiveness across services and will be seeking a further £200k in savings from other activities.

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Summary comments:

- 7.4 *Opportunities to transform public services using technology and digital tools and approaches in local government is well recognised in targeting and delivering services and for cost-efficiency. The LGA report outlined significant potential for the future and highlighted case studies of innovative practices where technological innovation has combined with customer insight, demand management, lean and systems thinking and collaborative procurement.*
- 7.5 *SBC is cited, with a case study, in this national research as one such Council being at the forefront (2012/14) of technological innovation in how customers were provided with access to services, news, transactional tasks and updates. From the information provided to me, innovation and forward thinking continues today. (2019 National Award for Efficiency and Effectiveness, IESE).*

8 Consider feedback from member and staff surveys regarding capacity issues.

- 8.1 The Employee and Councillor Survey feedback and responses were reported to the Policy and Resources Committee on 28 November 2022. The surveys were undertaken by the LGA in May-June and July-August 2022 respectively.

Employees:

- 8.2 High levels of satisfaction were reported in:
- Staff feeling a collective sense of purpose
 - Safe and flexible place to work with opportunities to learn
 - Trust in management
 - Engagement, competence and confidence in role
- 8.3 Dissatisfaction was reported in:
- Customer Services – feeling under-valued as a service but this is being addressed through service realignment and restructure since the survey
 - Political vision and leadership
 - A ‘disconnect’ with councillors / lack of vision and trust between councillors and officers

Councillors – views of their roles:

- 8.4 The vast majority (80%) of councillors who responded said that they became a councillor ‘to serve the community’, with the highest importance of the role being focused on residents and the community – representing, supporting or listening to their views.
- 8.5 There were opposing views regarding their perceived level of influence on decision-making within the Council with 28% believing they were very effective in role and 20% believing they were not effective.

Summary comments:

- 8.6 *The findings of the staff survey indicate a high level of trust in their senior managers in creating a safe environment to thrive and a sense of being ‘one council’.*

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- 8.7 *Of concern were the criticisms raised by councillors while performing their role regarding their experience of 'personal attacks and aggressive behaviour across the chamber, disrespect, and hostility between the political parties'. Political vision and leadership is important for taking the Council forward.*
- 8.8 *The usefulness of member and staff surveys is derived from how the findings are used as a catalyst for change and improvement. Relevance comes from how this is communicated to stakeholders and the learning that takes place to achieve those improvements. If successes are not built upon, or challenges are not acknowledged or addressed, then future surveys will have no meaning and a useful tool 'to take the temperature' of an organisation will have been lost.*

9. Overall summary

- 9.1 *The areas I have reviewed reflect opportunities and challenges for SBC. Most of the comments provided here are evidence-based.*
- 9.2 *The Council is constantly reviewing, refining and innovating to meet the objectives of the Corporate Plan, achieve cost efficiencies and generate income to invest back into communities to improve lives of residents and businesses. Staff have a sense of collective purpose and have trust in their senior managers.*
- 9.3 *Pay, and opportunities for career progression, are impacting on the on-going viability of some services, reflected by recruitment and retention difficulties in particular professions or operatives. SBC is consistently in the lower quartile of pay across Surrey, exacerbated by its proximity to London.*
- 9.4 *A focus of this review appears to be seeking to reduce costs. However, it is well documented that any approach that focuses on cuts for the sake of cuts is short term and will ultimately cause an organisation to be no longer viable, will drive poorer public services, poor value for public money, destroys the reputation of organisations and their political masters.*
- 9.5 *Nationally, public services have already seen cuts, particularly at the local level, morale has been hit with several years of flat pay. SBC staff have indicated that other (non-monetary) aspects of a culture and work environment that values and motivates them to be high performing is important. Successful and insightful leaders and managers are aware that workforce morale and goodwill is essential for achieving productivity.*
- 9.6 *Unfortunately, goodwill, trust and motivation of some councillors and some staff, is ebbing for reasons that are documented in the LGA Peer Challenge. Relationships between staff and some councillors has been dysfunctional and damaging in terms of workforce wellbeing, productivity, reputation, and potential opportunities to achieve further synergies through broader collaborative working.*
- 9.7 *The comprehensive recommendations from the LGA Peer Challenge build upon the strengths evidenced through the efforts of senior management to promote a caring and empowering staff culture whilst taking forward commercially focused and entrepreneurial initiatives in spite of barriers they have faced from some councillors.*

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- 9.8 *Greater efficiencies for the Council, and therefore their communities, might be achieved if councillors provided clear political direction to management in a cohesive way instead of focusing on day-to-day operational aspects that are the responsibility of management, as evidenced by the areas that I have been asked to review, and earlier external reviews already reported on.*
- 9.9 *There is now an opportunity for the Council to build on the recommendations provided by the Peer Challenge and 're-set' the roles, responsibilities and working relationships between councillors and senior managers, refine communications and generate a more joined up approach to delivering services to the communities of the borough building on the significant strengths and opportunities identified.*

Appendices:

- A** Spelthorne Borough Council - Reporting lines for senior managers – Tiers 1-3. March 2023
- B** Direct reports and spans of control – sample taken from Kent and Surrey district and borough councils' websites in 2023
- C** Benchmarking data – summary of findings Tiers 1 – 3
- D** Comparator salary data Tiers 1-3 - District and Borough councils in the southeast region - 2022/2023:
East Sussex
Hampshire
Kent
Surrey
West Sussex
- E** Summary of Cendex pay data – National, London, Southeast.
- F** Outline Action Plan from LGA Peer Challenge Report
- G** Sources of Information

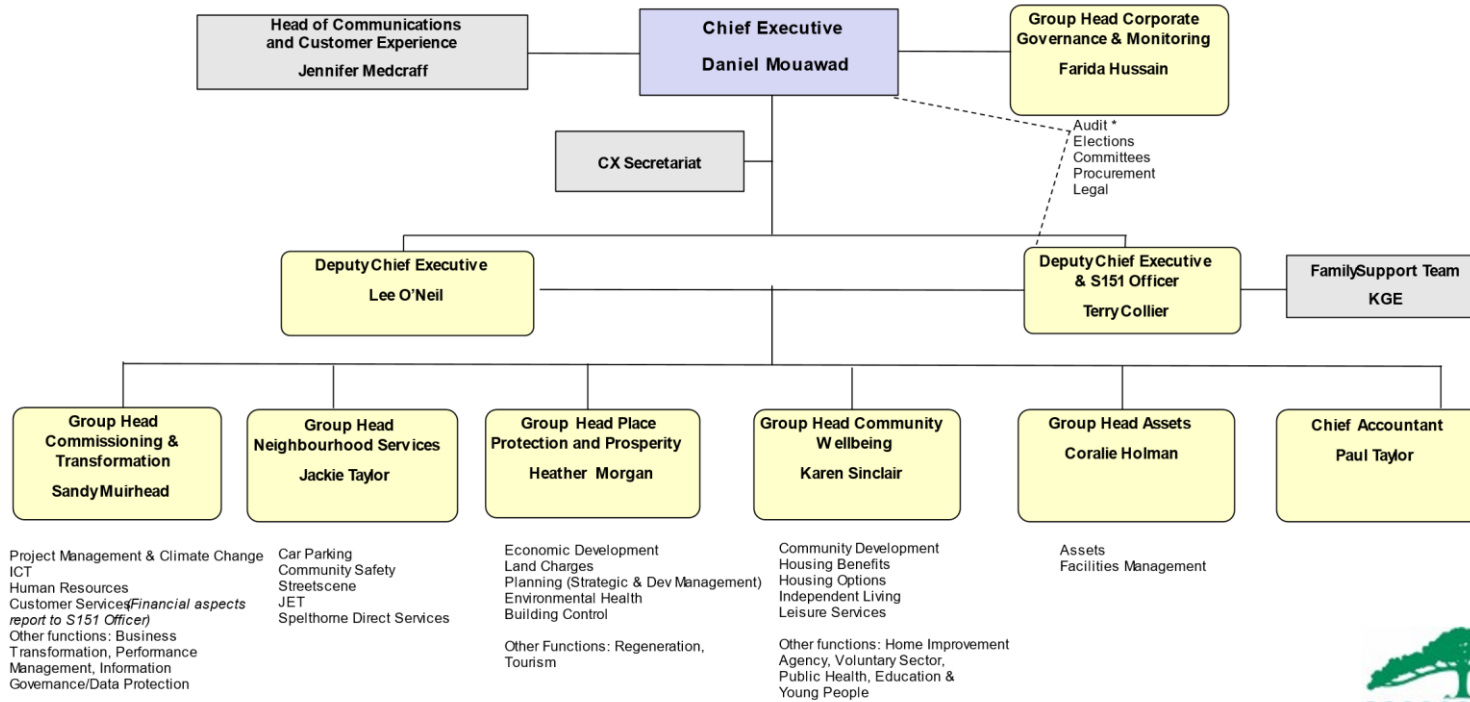
Jennifer McNeill
Regional Director
June 2023

Regional Director: Jennifer McNeill

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Reporting lines for Senior Managers – March 2023



* Internal audit has a dotted line to the Chief Executive and S151 Officer



Direct reports and spans of control taken from Councils' websites in 2023 – (undated)

Kent and Surrey district and borough councils

Authority	Tier 1		Tier 2 posts	
	No.	Area	No.	
Ashford	4	<ul style="list-style-type: none"> • Deputy CEX • Solicitor and MO • Economic Devt • Policy & Performance 	4	
Canterbury (Head Paid Service and Corp Director)	6	<ul style="list-style-type: none"> • Strategy & Improvement • People & Place • Finance & Procurement • Corp Governance • Legal • HR 	2 2	
Dartford (CO and Director Corporate Services)	4	<ul style="list-style-type: none"> • Housing & Public Protection • Growth & Community • Legal Services & MO • Finance & S151 		
Dover	5	<ul style="list-style-type: none"> • Strategic Dir – Corporate Resources • Strategic Dir – Operations & Commercial • Governance & HR • Leadership & Support • Community & Digital 	6 5	
Folkestone & Hythe	3	<ul style="list-style-type: none"> • Corporate Services • Place • Housing & Operations 	4 3 2	

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Gravesham	8	<ul style="list-style-type: none"> • Director - Communities • Director - Corporate Services • Director - Environment + Dep CX • Director – Housing • Manager - Corporate Performance • Manager - Corporate Change • Manager - Communications • Manager – HR 	4 6 4 4	
Maidstone	5	<ul style="list-style-type: none"> • Mid Kent Services • Finance, Resources, Business Improvement • Regeneration & Place • Insight & Governance • Policy & Comms 	6 5 6 4	
Swale	3	<ul style="list-style-type: none"> • Regeneration & Neighbourhoods • Resources • Mid Kent Services 	4 3 5	
Thanet	3	<ul style="list-style-type: none"> • Dep CX & S151 • Director Corporate Governance and MO • Director Operational & Commercial Services 	3 2 3	
Tonbridge and Malling	4	<ul style="list-style-type: none"> • Central Services / Dep CX • Street Scene, Leisure, Technical Services • Finance & Transformation • Planning, Housing, Environment 	3 2 2 2	
Tunbridge Wells	2	<ul style="list-style-type: none"> • Director Change & Communities • Director Finance, Policy & Development (S151) 	4 4	

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Spelthorne	4	<ul style="list-style-type: none"> • Deputy Chief Executive • Deputy Chief Executive • Head of Comms and Customer Experience • Group Head Corp Governance and Monitoring 		
Elmbridge	2	<ul style="list-style-type: none"> • Strategic Director / Deputy CEX (S151) • Strategic Director 	6 4	
Epsom & Ewell	2	<ul style="list-style-type: none"> • Director Corporate Services • Director Environment, Housing, Regeneration 	6 4	
Mole Valley	5	<ul style="list-style-type: none"> • Director Finance (S151) • Exec Head Service (People & Environment) • Exec Head Service (Prosperity) • Exec Head Service (Community) • Deputy CEX & Exec Head Service (Planning) 	2 4 4 4 4	
Reigate & Banstead	5	<ul style="list-style-type: none"> • Directors 	6	
Surrey Heath	7	<ul style="list-style-type: none"> • Executive Heads 		
Tandridge	5	<ul style="list-style-type: none"> • Deputy CEX • Head Digital / Business Transformation and Business Support • Head Legal Democratic (MO) • Head Policy & Comms • Chief Finance Officer (S1510) 	7 2	
Woking	4	<ul style="list-style-type: none"> • Strategic Director Place • Strategic Director Communities • Strategic Director Corporate Resources • Director Finance (S151) 		

BENCHMARKING DATA**Benchmarking of salaries Tiers 1-3 across the south east region****Tier one – Chief Executive and Head of Paid Service post**

The top of the grade salary of the Chief Executive at SBC in 2022/23 was **£131,018**.

I understand there is a market supplement paid to the Chief Executive at SBC. This has not been included in the salary figures for calculation purposes. It is likely that other posts in the comparator councils may also be in receipt of allowances which are also not included. The salary figures provided in the Statements of Accounts for councils are used here for comparator purposes.

The mean average of (max) salaries in Surrey based on 11 comparator councils is **£137,789**. SBC falls below the average.

The mean average of (max) salaries of the 30 councils listed in the southeast region is **£133,048**. SBC sits below this.

Salary levels from the region, of the 30 councils where data was provided, 16 are higher than SBC (2022/23):

- ✚ Sevenoaks (£166,315)
- ✚ Waverley (£158,610)
- ✚ Elmbridge (£152,934)
- ✚ Lewes & Eastbourne (£150,000)
- ✚ Woking (£147,289)
- ✚ Basingstoke & Deane (£146,433)
- ✚ Fareham (£145,000)
- ✚ Swale (£144,999)
- ✚ Maidstone (£144,999)
- ✚ Folkestone & Hythe (£143,715)
- ✚ Reigate & Banstead (£139,065)
- ✚ Surrey Heath (£136,812)
- ✚ East Hants (£135,913)
- ✚ Test Valley (£133,865)
- ✚ Tonbridge & Malling (£132,150)
- ✚ Tandridge (£131,105)

I have looked at councils falling within a population range of 15,000 higher (**118,000**) or lower (**88,000**) than Spelthorne BC, and salaries.

The mean salary figure for **11** councils that fall within this category is **£132,962**. This places SBC just below the average compared to councils in similar sized population areas.

Whilst these calculations provide some useful comparator information against which to benchmark, account needs to be taken of other factors such as proximity to London, market factors, recruitment or retention difficulties, affordability.

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Councillors may also think about the basis upon which their Chief Executive and Head of Paid Service post is remunerated. This includes such aspects as spans of strategic and managerial responsibility, established performance criteria and measurable targets, appraisals.

Based on this comparative salary data, councillors may consider it appropriate for SBC to be at, or just above, mid point compared to other comparable Surrey councils, taking into account relevant market factors and proximity to London.

Councillors have the responsibility of determining their chief officer salary levels taking account of issues of probity and fairness as well as the added value brought to their local authority area and communities by the services and innovation generated.

Tier two - Corporate Directors














Salary comparators (2022/23) are provided below, and the figure for SBC is **£104,812**. One Deputy Chief Executive post holds the Section 151 responsibility.

The mean average of (max) salaries in Surrey based on 9 comparator councils where data was provided, is **£108,928**. SBC falls below this.

The mean (max) salary level for the 25 Tier 2 comparator councils where data was provided is **£106,952**. SBC falls below the average.

I have looked at councils falling within a population range of 15,000 higher (**118,000**) or lower (**88,000**) than Spelthorne BC, and salaries. The mean salary figure for **10** councils where data was provided that fall within this category is **£107,394**. This places SBC in the lower quartile of councils in similar sized population areas.

Salary levels higher than SBC (2022/23):

-  Basingstoke & Deane (£130,167)
-  Woking (£126,412)
-  Elmbridge (£126,091)
-  Lewes & Eastbourne (£125,000)
-  Reigate & Banstead (£122,922)
-  Fareham (£115,000)
-  Sevenoaks (£113,370)
-  Test Valley (£111,998)
-  Folkestone & Hythe (£110,772)
-  Maidstone (£109,999)
-  Surrey Heath (£107,460)
-  Crawley (£106,730)
-  Tonbridge & Malling (£105,714)

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Tier Three – Group Heads

There are currently six established posts of Group Head on the SBC staff structure at tier three. Each Group Head has responsibility for managing a range of professional areas.




One Group Head (Corporate Governance & Monitoring) holds the statutory role of Monitoring Officer.

The top of the grade salary of Tier 3 at SBC in 2022/23 was **£83,372**.

The mean average of (max) salaries in Surrey based on the 9 comparator councils where data was provided, is **£84,934**. SBC falls below this average.

The mean average of (max) salaries of 25 total councils in the southeast region where data was provided, is **£81,439**. SBC sits just above this at **£83,372**.

Salary levels higher than SBC (**2022/23**) across the region:

-  Basingstoke & Deane (£102,548)
-  Lewes & Eastbourne (£95,000)
-  Maidstone (£89,999)
-  Reigate & Banstead (£89,181)
-  Woking (£88,609)
-  Test Valley (£86,048)
-  Mole Valley (£85,237)
-  Sevenoaks (£82,244)

Broader benchmarking for comparator purposes only 2021/22

2021/22 Tiers 1-3 salary levels – mean salary averages based on data from 40 councils

	Spelthorne BC	Surrey councils	Southeast councils
Tier 1 – Chief Executive	£129,999	£135,660	£134,502
Tier 2 – Corporate Directors	£99,999	£104,720	£103,615
Tier 3 – Group Heads	£79,999	£87,997	£81,481

It will be noted that SBC council salary levels are consistently in the lower quartile compared to other comparable local authorities.

Spelthorne Borough Council Establishment Review Summary Report of Cendex Pay Data

Blank boxes indicate Cendex holds insufficient data (fewer than 4 data points) to report on.
Total Reward figures include all allowance and bonus amounts.

Tier 1 Chief Executive

Cendex Job Family	0	General Management	Overall control and direction of corporate objectives. Responsible for policy and co-ordination of business functions; involvement in the design and preparation of plans for the implementation of the organisations strategic objectives.
Cendex Job Level	10	Chief Executive	Ultimately responsible for the strategic direction of the organisation. Has oversight across the entire organisation. Applies the highest level of leadership and management skills. Controls and oversees all departments and business units. In publicly traded companies will report to a board of directors, in not for profits will report to a board of trustees. Technical specialists are unlikely to be found at this level.

General Management Level 10	National						London				South East			
	All Sectors		Public Services		Local		All Sectors		Public Services		All Sectors		Public Services	
	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward
All Size Organisations	154,731	157,269	143,177	143,177	179,652	179,995	158,521	159,900	149,992	144,944	151,790	151,790		
Employee Headcount 250 - 499	144,944	145,210	131,300	131,300			144,944	153,588	133,614	133,614				

**Spelthorne Borough Council Establishment Review
Summary Report of Cendex Pay Data**

Tier 2 **Deputy Chief Executive**
Head of Communications and Customer Experience
Group Head Corporate Governance & Monitoring

Cendex Job Family	0	General Management	Overall control and direction of corporate objectives. Responsible for policy and co-ordination of business functions; involvement in the design and preparation of plans for the implementation of the organisations strategic objectives.
Cendex Job Level	11	Senior Director	Shapes and manages company vision. Leads strategy. Directs a major function or group of functions. Applies the highest level of leadership and management skills. Has seniority over other directors. Technical specialists are unlikely to be found at this level.

General Management Level 11	National						London				South East			
	All Sectors		Public Services		Local		All Sectors		Public Services		All Sectors		Public Services	
	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward
All Size Organisations	151,691	158,379	121,754	121,754	135,521	139,383	150,000	155,573	143,021	145,466	160,961	160,961		
Employee Headcount 250 - 499	153,000	156,500	77,630	77,630			160,000	160,000	88,012	88,012				

**Spelthorne Borough Council Establishment Review
Summary Report of Cendex Pay Data**

Tier 3 **Group Head Commissioning & Transformation/ Neighbourhood Services/ Place, Protection & Prosperity/ Community Wellbeing/ Assets
Chief Accountant**

Cendex Job Family	2	Strategy & Planning	Involvement in the design and preparation of plans for the implementation of strategic objectives for the organisation.
Cendex Job Level	13	Senior Function Head	Involved in setting strategic direction for own areas of responsibility. Heads a major function or an area. Identifies and assesses complex problems for own areas of responsibility. Makes decisions critical

Strategy & Planning Level 13	National						London				South East			
	All Sectors		Public Services		Local Government		All Sectors		Public Services		All Sectors		Public Services	
	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward	Basic Pay	Total Reward
All Size Organisations	80,325	80,325	69,934	69,934	59,109	62,579	86,842	90,000	65,297	67,032	72,500	74,497		
Employee Headcount 250 - 499	76,750	77,000	72,497	72,497			85,416	86,904						

Sources of information:

2021/23 - Council's Corporate Plan

SBC organisational charts

March 2023 – SBC Establishment list

April 2023 – SBC Payscale

30.9.2015 – Towards a Sustainable Future – Senior Manager Restructure – Consultation document

November 2022 - LGA Corporate Peer Challenge –

February 2023 – Outline Action Plan

28.11.2022 Corporate Policy & Resources Committee Report - Employee and Councillor Survey results

2019 – 2023 - Staff leavers questionnaire summary of comments

2020 – 2023 Member complaints

20.4.2022 – Collaborative Working Review Group – revised terms of reference (Appendix A)

3.5.2023 – List of Market Supplements paid

9.12.2003 – Recruitment Allowance criteria

April 2023 - Amendment to Retention Allowance Scheme - Market Supplements

2015 - Retention Allowance

May 2023 - List of Casuals, Contractors and Agency staff

May 2023 – list of vacant posts

16.2.2023 – SBC Digital Transformation Strategy (Appendix 2)

A Devolution Deal for Surrey Annex 1

December 2020 – Surrey District and Borough Councils – Local Government Reorganisation and Collaboration

Corporate Policy and Resources Committee



26 June 2023

Title	LGA Corporate Peer Challenge Outline Action Plan
Purpose of the report	To make a decision
Report Author	Daniel Mouawad – Chief Executive Lee O’Neil – Deputy Chief Executive Terry Collier – Deputy Chief Executive
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to: Agree the proposed Outline Action Plan as outlined in Appendix A , to address the 12 recommendations from the Local Government Association following the completion of their Corporate Peer Challenge (CPC), and to agree to the subsequent development of a Detailed Action Plan as outlined in this report.
Reason for Recommendation	To ensure that the Council fully addresses the issues raised within the CPC report, which is designed to assist this authority to further improve the way it administers and delivers its services to our residents and businesses.

1. Summary of the report

- 1.1 In November 2022 Spelthorne took part in a Local Government Association (LGA) Corporate Peer Challenge (CPC).
- 1.2 Following a meeting of the Council’s political Group Leaders and senior managers in March 2023, an Outline Action Plan has been developed to address the 12 recommendations contained within the CPC Team’s feedback.
- 1.3 This report requests that the Corporate Policy and Resources Committee adopts the proposed Outline Action Plan with a view to developing a more outcome-focused and comprehensive Detailed Action Plan by September 2023.

2. Key issues

- 2.1 LGA Peer challenges are designed to support councils to drive improvements and efficiency and to assist local authorities to respond to local priorities and issues in their own way to the greatest effect. The CPC team visited Spelthorne from 15-17 November 2022 and consisted of peers from across the sector (including senior officers and two Council Leaders).
- 2.2 The CPC Team provided a verbal summary of their findings at a feedback session held in the Council Chamber on 17 November to which all staff, Borough Councillors and all other stakeholders taking part in the process were invited.
- 2.3 The CPC Team's detailed feedback report ('the CPC report') (see **Appendix B**) was received on 1 February 2023 and this was considered by Full Council on 23 February 2023. This included a recommendation that Council agree to the development of an Action Plan to address the recommendations in the CPC report. Council agreed to accept these recommendations, subject to amending Recommendation 2 of the covering report to state, *"to agree to the development of an Action Plan to address those recommendations and for this to be directed through the Corporate Policy and Resources Committee"*.
- 2.4 Following the completion of a CPC, the LGA would normally expect a Council to start developing an Action Plan to address any recommendations within 8 weeks of their report being published. The CPC Team would then normally revisit the Council around 6 months after their report is published to assess progress and to offer any further assistance.
- 2.5 A number of measures are already in train to address some of the issues outlined in the CPC Team's comments/recommendations, such as a review of the current committee system, the development of the Member training programme for successful candidates in this year's May election, and an ongoing Establishment Review, which will cover issues such as staff recruitment and retention.
- 2.6 In order to progress the development of an Action Plan in a timely manner, a meeting of all Group Leaders was held on 9 March 2023, which was also attended by senior managers of the Council. At that meeting the 12 recommendations contained within the CPC report were considered in order to try to find some 'common ground' as recommended by the CPC Team, and to start developing some outline actions which all political groups could support and work together to progress. The meeting was generally very positive and good progress was made in agreeing some overarching outline actions, being mindful of the fact that the political landscape of the Council could change as a result of the impending May 2023 local government elections. One significant area of common-ground shown by the Group Leaders at that meeting was the desire to continue to pursue the existing CARES priorities and PROVIDES values which form the basis of the Council's current Corporate Plan, with the Recovery priority possibly adapted to have a revised focus on supporting our communities (both residents and businesses) in recovery from the cost-of living crisis. A further meeting of Group Leaders was held on 16 May 2023 where it was agreed that the Outline Action Plan should be presented to the next meeting of the Corporate Policy and Resources Committee ('the Committee')

- 2.7 **Appendix A** contains a summary of the outline actions agreed at that Group Leader/senior officer meeting, with the CPC recommendations grouped by relevant subject area. If agreed by the Committee, this will form the basis of a more detailed outcome-focussed Action Plan, with clear targets and action-owners (the 'Detailed Action Plan'), to be developed over the next few months.
- 2.8 In the meantime, the LGA have been kept apprised of progress and if the Outline Action Plan outlined in **Appendix A** is agreed by the Committee this will be forwarded to the LGA as evidence of progress with the CPC's recommendations, prior to their planned revisit to assess our progress. Although this revisit was originally planned to take place around July 2023, it is proposed that this will now be arranged for September 2023 at the earliest, in order to give the new Council an opportunity to 'settle into business', develop the detailed actions it wishes to take to address the CPC report recommendations and to arrange a suitable time for the CPC Team to visit.
- 3. Options analysis and proposal**
- 3.1 Option 1 (**preferred option**) - The Committee is asked to agree the Outline Action Plan as shown in **Appendix A**, and to agree to the subsequent development of a Detailed Action Plan as outlined in section 2.7 of this report.
- 3.2 Option 2 - The Committee may wish to make changes to the proposed Outline Action Plan or propose an alternative approach.
- 4. Financial implications**
- 4.1 There are no additional costs for the LGA to undertake a CPC (and their subsequently follow-up visit) as the Council pays an annual £10,000 LGA subscription.
- 4.2 There will be some financial implications of pursuing a number of the actions proposed to address the CPC report recommendations. The Committee will be advised of these as the Detailed Action Plan is developed.
- 5. Risk considerations**
- 5.1 The CPC report makes a wide range of comments and recommendations which are designed to assist the Council in understanding its strengths and where improvements could be made. Failure to recognise those strengths and address some of the key issues raised, could potentially have significant financial, reputational and organisational implications for the Council (including risks to future recruitment and retention of staff). It is proposed that a risk analysis forms part of the proposed Detailed Action Plan to assist in understanding and addressing those issues.
- 6. Legal considerations**
- 6.1 There are no direct legal considerations relating the consideration of the CPC Report. Any legal considerations relating to the Council following up on the CPC recommendations made will be outlined in the proposed Detailed Action Plan.
- 7. Other considerations**
- 7.1 There are none.
- 8. Equality and Diversity**

8.1 There are no direct equality and diversity considerations at this stage relating to the proposed CPC Outline Action Plan. Any equality and diversity considerations relating to the Council following up on the CPC recommendations made will be included in the proposed Detailed Action Plan.

9. Sustainability/Climate Change Implications

9.1 There are no direct sustainability/climate change implications at this stage relating to the proposed CPC Outline Action Plan. Any sustainability/climate change considerations relating to the Council following up on the CPC recommendations made will be included in the proposed Detailed Action Plan.

10. Timetable for implementation

10.1 If agreed by CPRC, the Outline Action Plan will take immediate effect. Further discussions will then be arranged with the Group Leaders to establish how they wish to move forward with the actions outlined in the plan, including developing the Detailed Action Plan to fully address the CPC recommendations. All progress will be directed through the Committee as requested by Full Council.

10.2 The CPC Team would normally revisit the Council 6-months after the publication of their report which would have been around July 2023. However, as suggested in paragraph 2.8 above, this visit is now unlikely to be undertaken until September 2023 at the earliest.

11. Contact

Daniel Mouawad, Chief Executive: dcm.cex@spelthorne.gov.uk

Lee O'Neil, Deputy Chief Executive: l.o'neil@spelthorne.gov.uk

Terry Collier, Deputy Chief Executive: t.collier@spelthorne.gov.uk

Background papers: There are none.

Appendices:

Appendix A – CPC Outline Action Plan

Appendix B – Spelthorne CPC Report

APPENDIX A - LGA CORPORATE PEER CHALLENGE - DRAFT OUTLINE ACTION PLAN (MARCH 2023) v.1

CPC RECOMMENDATION NUMBER	RECOMMENDATIONS (GROUPED BY RELEVANT AREA)	PROPOSED OUTLINE ACTIONS
Vision and Priorities		
1	All Members need to identify what they have in common in terms of shared priorities and objectives for your Borough and your residents and use them to progress the delivery of your shared ambitions for Spelthorne.	<ul style="list-style-type: none"> a. Local Government Association (LGA) to be invited to come in at the outset after the May 2023 elections to help facilitate a number of sessions to get broad consensus on agreed vision and priorities. b. LGA to look at whether there is a broad councillor consensus around a member led Council or one where members and officers work together as a team. c. Undertake a ‘Strategy Day’ for all Group Leader’s (GL) with the LGA (which can then be fed back by GL’s to their groups).
2	Then share your agreed political ambitions for the Borough to create a longer-term vision embodied in a broadly agreed Corporate Plan.	<ul style="list-style-type: none"> d. Find common ground that all GL’s can sign up to. e. Use Induction training programme to set out the CARES priorities and PROVIDES values in the current corporate plan. f. Use CARES priorities as a basis for the ‘Strategy Day’.
Time to plan		
5	Take the time today to plan for tomorrow. Do not put off the ‘non-urgent strategic’ work you need to do.	<ul style="list-style-type: none"> a. Agree at the first Council meeting after the May 2023 elections to continue with the CARES priorities for at least another year, to provide continuity and a basis for agreeing and setting a new strategy. b. New Corporate Plan needs to cover a longer period than four-years and needs to capture short, medium and long term plans/priorities. c. Undertake a prioritisation exercise. d. Be clearer on celebrating our achievements.
Officer/Member relations		
3	Take the opportunity you now have to reset the officer / Member working relationship and agree how it will work differently going forward for the benefit of your residents.	<ul style="list-style-type: none"> a. Schedule a further round table session where officers feed in views and GL’s listen. b. Officers to provide key information to councillors. c. Officers need to be able to clearly articulate those situations where it is not possible to find a solution, or where it would have significant financial, service, resource or equity impacts (link to new logging system referred to below)
4	The discrete but complementary roles of officers and Members need	

CPC RECOMMENDATION NUMBER	RECOMMENDATIONS (GROUPED BY RELEVANT AREA)	PROPOSED OUTLINE ACTIONS
	to be better understood by all to improve working relationships.	d. Consider how best to deliver the suggestion of a number of councillor/officer joint site visits, so that Cllrs can understand how officers work and the legislative background they have to work within.
6	Members need to respect officers' roles and give them the time and space to focus on delivering the important priorities you have agreed.	e. Develop a separate logging system for councillor enquiries (to better manage the process, ensure fairness, understand trends, key issues and response times) f. Consider how to best bring new Cllrs elected as a result of a by-election up to speed and briefed on the Council's processes, procedures and key policies.
Behaviour		
7	Recognise the risk of continued poor behaviour by some Members and the likely impact on the organisation and your reputation as a Council and a place. Take steps to address it.	a. Logging system and process referred up above is needed to ensure that there is equity in how Cllrs approach officers, and issues and responses are logged. b. There is a lot more mandatory training (planning, licencing, finance etc) and with the new cohort of Cllrs there is a greater opportunity to ensure that this is enforced. c. Suggestion that officers need to have permission to challenge Cllrs who have not done the necessary training and for them to speak to GL's to get this addressed d. Follow up on actions arising from the Extraordinary Standards Committee. e. Ensure that the Council's Code of Conduct is fully adhered to and endorsed/actioned by GL's. f. Mandatory training for Cllrs (e.g. on planning, licencing, finance etc) will be enforced. GL's will take up failure of any of their Cllrs to attend mandatory training within their groups, and accept that non-attendance will mean Cllrs cannot sit on the relevant committee. g. Use the new logging system referred to in 7a. above to ensure that there is equity in how Cllrs approach officers, and that issues and responses are logged.
Financial		
8	Continue your efforts to address the issue of outstanding audits of the financial accounts.	a. Ensure induction training is easily understandable and sufficiently focused on the role of Cllrs and Committees in budget setting, annual financial cycle, financial audit, investment portfolio and Knowle Green Estates and Spelthorne Direct Services.
10	Engage in financial training for Members to promote a better understanding of financial implications, project viability and creating robust business cases.	b. Review and refine training as required over time. c. Ensure all reports clearly spell out financial consequences of a course of action. d. Refine financial reports so that they are more visual and user friendly.

CPC RECOMMENDATION NUMBER	RECOMMENDATIONS (GROUPED BY RELEVANT AREA)	PROPOSED OUTLINE ACTIONS
	Committee	
9	Review the working of the committee system by looking at best practice elsewhere to consider how to create a system that is fit for purpose.	<ul style="list-style-type: none"> a. Use the opportunity created by the new cohort of Cllrs elected in May 2023 to assist all Cllrs to better understand the Committee System. b. Act upon the recommendations of the Committee System Review Group. c. Consider what is required in terms of chairs' training to deal with councillors who do not follow process and procedure.
	Engagement	
11	Improve the balance between communication and meaningful engagement whereby people feel listened to and heard. Use this in the context of evidence and need, to drive priorities and take people with you.	<ul style="list-style-type: none"> a. Need to consider how we capture the views of those who do not engage, so that we get a wider understanding of the whole community, e.g. those who do not have housing, are in fuel poverty, youth who do not engage. Those who would otherwise fall through the safety net. b. Consider how we capture the views of the business community, and the younger demographic who need to be more invested in issues that will affect them more over the medium/longer term. c. Look at whether there are existing forums/meetings that could be used more effectively. d. Ensure that we regularly feedback to our communities.
	Support	
12	Consider how the LGA can continue to assist with the above recommendations on this reset journey.	<ul style="list-style-type: none"> a. Engage LGA from the outset as soon as possible after the May 2023 elections to assist councillors in developing the shared vision, priorities and objectives and other areas identified in the Peer Review report.

Note: Outline Action Plan developed following a meeting of Group Leaders and senior officers – 9 March 2023

Purpose of meeting: Initial discussion (pre-election) of the twelve recommendations in the Peer Review document to enable Group Leaders to give officers their initial thoughts and enable the development of a high-level Outline Action Plan to be reported to CPRC on 17 April 2023.

Group Leaders in attendance to actively contribute to discussion (alphabetical order): Cllr Beecher, Cllr Boughtflower (Leader and Chair of the roundtable discussion), Cllr S Doran, Cllr S Dunn, Cllr I Harvey, Cllr Sexton, Cllr Mitchell as outgoing Deputy Leader.

Apologies (alphabetical order): Cllr Beardsmore, Cllr Noble, Cllr Siva

Officers in attendance to observe and assist (alphabetical order): T Collier, F Hussain, J Medcraft, H Morgan, D Mouawad, S Muirhead, L O'Neil, K Sinclair, J Taylor

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LGA Corporate Peer Challenge

Spelthorne Borough Council

15-17 November 2022

Feedback report





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1. Executive summary

Spelthorne Borough Council undertook a Local Government Association Corporate Peer Challenge between 15-17th November 2022. In addition to the five themes which form the core component of all Corporate Peer Challenges, the Council asked the peer team to consider the importance of the current Corporate Plan approved by the full Council and how delivery of affordable housing can be sustained. The Council also asked the team to explore Council governance issues as the committee system has been in place for a year now and there are signs that it is having a negative influence upon the speed of decision making. The Constitution locks a council into this system for 5 years unless there is a referendum. The peer challenge team was also asked to consider the related working of Overview and Scrutiny.

The peer team noted that Spelthorne had an LGA Finance Peer Challenge in November 2020 (final report received in January 2021), and as this is relatively recent and has been reported on twice to Audit Committee, this was not an area on which the peer team focused in great detail. The peer team is aware of the Public Interest Report into the Council's commercial property investments in 2017-18 published at the end of November following this peer challenge, and at the time of the peer challenge was aware that the Council's financial accounts for the years 2017-18 and onwards had yet to be finalised and agreed with its external auditors. However, it is not appropriate for the peer team to comment further on this beyond saying that the leadership of the Council recognises that it needs to address these issues and is encouraged to do so.


Spelthorne Borough Council has achieved many unique things of which they can be rightly proud, ranging from the high profile and strategic to the very local and small scale. Their Covid response was brilliant and a focus on supporting vulnerable people in their community is evident. The Council has a generally friendly and caring

staff culture where cross-service working is very good. Partnership working is also a strength with the Chief Executive being a very visible presence for all partners.

The Council is seen by partners as both commercially minded and entrepreneurial whilst at the same time being community focused. There is generally a positive can-do attitude. This commercial mindedness is evidenced by the high level of borrowing accumulated and the extensive investment portfolio that the Council has created since 2016.

Partners and officers would benefit from a clear political direction and visibility from the Council for which it needs a cohesive, functioning Councillor cohort. There is an opportunity for Councillors to have a clearer strategic vision for the future rather than spending so much time internally focused in the here and now. There is poor behaviour by some Councillors towards each other and staff which is widely recognised as damaging the Council's reputation. It is also affecting staff morale and the organisation's ability to retain and recruit staff. As a result, the relationship between the roles of officers and Members need to be clearly defined and respected in order to create trust.

The committee system brought in quickly last year at the behest of Councillors, is not yet working well enough as a decision-making forum to create consensus to take forward important plans for the Council and the Borough. There is now an opportunity to review it to make it work. The delay in decision making by Councillors on some key issues is costing the Council money, specifically, servicing the cost of borrowing and delaying potential developments to the tune of £170,000 per month. This means the Council cannot unlock the value of its own assets nor deliver the required homes and ultimately may risk sustainable service delivery. Therefore, Members need to fully appreciate the financial implications of their decision making - or of not making decisions.



Officers should also review the volume and content of the information in reports that they are providing to Councillors to assist them in their decision making. Financial and economic implications of decisions need to be clearer and financial data in the reports needs to be consistently presented in order to give the decision makers confidence in the information. It may also be worth making the social, community and environmental benefits of decisions clearer up front to help Councillors consider the wider benefits to their residents.

The present situation is leading to much frustration for officers and Councillors and leading to poor behaviours by some Councillors. The leadership group of officers and Councillors need to recognise that they should work together to resolve this situation. There is talent, knowledge and experience in the senior officer team and the Councillors need to use it well to help achieve their corporate and community objectives for the Borough. There needs to be a recognition that some Member behaviour is affecting the Council's reputation, is costing the Council money, is affecting staff morale, and could ultimately affect the delivery of Council services for local residents and businesses.

Other recommendations and comments are included in the body of the report.

2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the Council:

2.1. Recommendation 1

All Members need to identify what they have in common in terms of shared priorities and objectives for your Borough and your residents and use them to progress the delivery of your shared ambitions for Spelthorne.

2.2. Recommendation 2

Then share your agreed political ambitions for the Borough to create a longer-term vision embodied in a broadly agreed Corporate Plan.

2.3. Recommendation 3

Take the opportunity you now have to reset the officer / Member working relationship and agree how it will work differently going forward for the benefit of your residents.

2.4. Recommendation 4

The discrete but complementary roles of officers and Members need to be better understood by all to improve working relationships.

2.5. Recommendation 5

Take the time today to plan for tomorrow. Do not put off the 'non-urgent strategic' work you need to do.

2.6. Recommendation 6

Members need to respect officers' roles and give them the time and space to focus on delivering the important priorities you have agreed.

2.7. Recommendation 7

Recognise the risk of continued poor behaviour by some Members and the likely impact on the organisation and your reputation as a Council and a place. Take steps to address it.

2.8. Recommendation 8

Continue your efforts to address the issue of outstanding audits of the financial accounts.

2.9. Recommendation 9

Review the working of the committee system by looking at best practice elsewhere to consider how to create a system that is fit for purpose.

2.10. Recommendation 10

Engage in financial training for Members to promote a better understanding of financial implications, project viability and creating robust business cases.

2.11. Recommendation 11

Improve the balance between communication and meaningful engagement whereby people feel listened to and heard. Use this in the context of evidence and need, to drive priorities and take people with you.

2.12. Recommendation 12

Consider how the LGA can continue to assist with the above recommendations on this reset journey.

3. Summary of the peer challenge approach

3.1. The peer team

Peer challenges are delivered by experienced elected Member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- **Kathy O'Leary**, Chief Executive, Stroud District Council
- **Councillor Chris Hossack**, Conservative Leader of Brentwood Borough Council
- **Councillor Sarah Rouse**, LGA Independent Group Executive Member and former-Leader of Malvern Hills District Council

- **Bob Watson**, Strategic Director Finance & Customer Service, Surrey Heath Borough Council
- **Fiona Bryant**, Director of Enterprise and Sustainable Development, Cambridge City Council
- **Kate Blakemore**, Strategic Director, Great Yarmouth Borough Council
- **Marcus Coulson**, Peer Challenge Manager, Local Government Association

3.2. Scope and focus

The peer team considered the following five themes which form the core components of all Corporate Peer Challenges. These areas are critical to councils' performance and improvement.

1. **Local priorities and outcomes** - Are the Council's priorities clear and informed by the local context? Is the Council delivering effectively on its priorities?
2. **Organisational and place leadership** - Does the Council provide effective local leadership? Are there good relationships with partner organisations and local communities?
3. **Governance and culture** - Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?
4. **Financial planning and management** - Does the Council have a grip on its current financial position? Does the Council have a strategy and a plan to address its financial challenges?
5. **Capacity for improvement** - Is the organisation able to support delivery of local priorities? Does the Council have the capacity to improve?

In addition to these questions, the Council asked the peer team to provide feedback on the current Corporate Plan and the delivery of affordable housing as a priority. The Council also asked for a deep dive into Council governance issues because the committee system has been in place for over one year and there are signs that it is having a negative influence upon the speed of decision making. The Constitution locks Councils into this system for 5 years unless there is a referendum. The Council

asked the peer challenge team to consider the related working of Overview and Scrutiny.

Spelthorne had an LGA Finance Peer Challenge in November 2020, and as this is relatively recent and has been reported on twice to Audit Committee, this was not an area on which the peer team focused in great detail. The peer team is aware of the Public Interest Report into the Council's commercial property investments in 2017-18 published at the end of November, following this peer challenge, and at the time of the peer challenge was aware that the Council's financial accounts for the years 2017-18 and onwards had yet to be agreed with its external auditors. However, it is not appropriate for the peer team to comment further on this beyond saying that the leadership of the Council recognises that it needs to address these issues and should be encouraged to do so.

The Peer Challenge process

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read, acting as a 'critical friend to the Council.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. The team then spent three days onsite at Spelthorne Borough Council in Staines-upon-Thames, during which they:

- Gathered information and views from more than forty meetings, in addition to further research and reading.
- Spoke to more than 125 people including a range of Council staff together with Members and external stakeholders.

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and Members.

4. Feedback

Key messages

Spelthorne Borough Council has done many unique things of which it can be rightly proud, these range from the high profile and strategic to the very local and small scale. This was illustrated by the fact that the Council's response to Covid was brilliant and is clearly evidenced through the Council's own report that explains in detail how the Council showed leadership and foresight to respond to the pandemic creatively. The report can be found [here](#). The peer team would like to commend Spelthorne Borough Council on this response and the way it supported its local communities in so many positive ways. A reflection by the Council on two years combating Covid is included [here](#) which illustrates an organisation that delivers services well through clear leadership, prioritisation and committed, hardworking staff responding flexibly to benefit local residents and businesses. The Council can be satisfied that its response to the pandemic was admirable.

As it has emerged from the acute aspect of the Covid experience, the Council has spent time and effort looking at what recovery work needs to be done and implemented a detailed Recovery Action Plan. This outlines a wide range of actions the Council is going to be taking to assist residents and businesses to address future need. The updated plan can be found [here](#).

From this evidence and from what the peer team read, heard and saw throughout this peer challenge process, Spelthorne Borough Council feels like it has a generally friendly and caring staff culture where cross-service working is very good. Cross-

service collaboration on resident and business focused work during the pandemic and recovery period were cited as good examples in several different discussions with the peer team.

Partnership working is generally a strength for the organisation and is outlined in the current Corporate Plan where it lays out the aim of developing strong partnerships in all sectors of the community, businesses and with other authorities and health, so that knowledge, skills and expertise can be shared to help shape priorities and effectively deliver on them. These examples are detailed later in the report. Partnerships could, however, be even stronger in future with a combined Member and officer approach, which seeks shared benefits and outcomes across all the partners.

The Chief Executive is a very visible presence for all partners, who consistently referenced his availability and responsiveness. What some partners and all the officers would benefit from would be a stronger and clearer political direction and visibility from the Council Members. In the view of the peer team, the Council is doing well but could achieve even more with a cohesive functioning Councillor cohort, which it recognisably does not have at this present time. There is an opportunity for Councillors to develop a clearer strategic vision for the future rather than spending so much time internally focused in the 'here and now'. The democratic make-up of the Council is complex and fragmented. This gives rise to a perception that the Council is focussed on internal political issues at the expense of giving a clear vision that engages its partners.

Added to this there is poor behaviour by a small number of Councillors which is widely recognised in the Council. This is damaging the reputation of the Council as well as negatively affecting staff morale and there was evidence that this was also affecting the ability of the Council to retain and recruit staff.

This poor behaviour by some Members is distracting officers from completing tasks that could take the Council forward and benefit the community. The excessive number of internal complaints being processed is diverting officer resource that could be better deployed. The roles of officers and Members and how they interrelate needs to be clearly defined and respected under the provisions in the constitution, in order to create trust between these key groups and a more effective working environment.

Spelthorne had an LGA Finance Peer Challenge in November 2020, and as this is relatively recent and has been reported on twice to Audit Committee, this was not an area on which the peer team focused in great detail. The peer team is aware of the Public Interest Report into the Council's commercial property investments in 2017-18 published at the end of November, following this peer challenge, and at the time of the peer challenge was aware that the Council's financial accounts for the years 2017-18 and onwards had yet to be agreed with its external auditors. However, it is not appropriate for the peer team to comment further on this beyond saying that the leadership of the Council recognises that it needs to address these issues and should be encouraged to do so.

The committee system that was introduced quickly last year at the behest of Councillors is not yet working well enough to create consensus to take forward important plans for the Council.

Whilst officers are satisfied that they delivered the committee system within the tight timeline prescribed by the Members, the impact of such a significant shift in the way decisions are made and scrutinised, seems to have been underestimated on both sides. There appears to be little evidence that this transformative shift was resourced effectively and as a result Members at least have still not adapted to this new way of making democratic decisions. Some of the provisions within the committee system

and its supporting constitution make decision making more complex, which can add to both the political tension within the committee system itself and undermine the confidence of partners in its observations of the functioning of the democratic system. In order to improve the functioning of this newly adopted system, there is now an opportunity to review it to make sure it works better for everyone. Seeking to learn from other councils that have an established and effective committee based democratic system should be considered in order to help the Council move forward.

The delay in decision making by Councillors on some key issues is costing the Council, specifically, servicing the cost of borrowing and delaying potential developments which is currently running at £170,000 per month. This means the Council cannot unlock the value of its own development sites nor deliver the required homes and ultimately may risk service delivery. Therefore, Members need to fully appreciate the financial social, and environmental impact of any delays in their decision making.

The present situation is leading to much frustration for officers and Councillors and leading to poor behaviours by some Councillors. The leadership group of officers and Councillors need to recognise that they should work together to resolve this situation. There is talent, knowledge and experience in the senior officer team and the Councillors need to use it well to help achieve their corporate and community objectives for the Borough. There needs to be a recognition that the current lack of cohesive working is affecting the Council's reputation, is costing the Council money, is affecting staff morale, and could ultimately affect the delivery of Council services for local residents and businesses.

4.1. Local priorities and outcomes

A significant strength for Spelthorne Borough Council is that business-as-usual services are generally seen as good and efficient. This is a perception shared by those who receive the services and those who deliver them. This is a key strength of Council activity that needs to be recognised by those who set Council priorities and ensure that this approach is supported.

The Council can be rightly proud of the discretionary services it provides above the minimum statutory requirements. There was clear evidence of personal commitment, passion for community and significant goodwill provided by the staff involved. The self-assessment for this Corporate Peer Challenge described a great deal of good service delivery by Council staff and the peer team had the privilege of witnessing and hearing about a number of them of which the following are examples:

- **Day care centres** – such as the Fordbridge Day Centre which is one of four day centres the Council runs that provide local people, typically older people, with the opportunity to meet together thereby reducing social isolation and supporting wellbeing.
- **The Step Up and Step Down initiatives with the NHS** is where Spelthorne Borough Council is the lead authority for the set-up of a step-down project across North-West Surrey Alliance to support hospital discharges. The Chief Executive sits on this partnership of health system partners where the Council has negotiated the testing of a new hospital ‘step-down’ service with Spelthorne delivering an integrated ‘wrap-round’ intermediate care package to support timely discharge of older residents from acute settings.
- **Fire Station in Sunbury** – where the Council is working with Surrey County Council to potentially deliver a community offering within their new fire station at Sunbury Cross.
- **Independent living** – the White House is a newly built Council facility that provides accommodation for one year to those that would otherwise be ‘on the street’ homeless. We heard impactful stories where residents have been able to get their lives back together during

this time and move on to find work and their own accommodation.

- **Optimisation of Assets to provide affordable homes** – The West Wing saw the Council officers moving their office space into part of the Council Offices and utilising space they no longer have a need for to develop twenty-five high quality affordable rental flats.
- **Approach to homelessness and resettlement** - the Council provides contract funding to Citizens Advice who provided housing, employment and accredited financial advice to 2,215 residents in 2021/22. The Council has used the Government's Rough Sleeper Initiative fund to appoint a Rough Sleeper Coordinator and Outreach worker who is dedicated to support rough sleepers into accommodation, and who adopts a 'no second night out' approach. As a result, Spelthorne does not currently have any entrenched rough sleepers and is recording its lowest average number of rough sleepers.

The Council has opted in to support up to 8 families find accommodation in private rental sector under the Afghan Relocation Assistance Programme and Afghan Citizens Resettlement Scheme and is actively working to support guests arriving under the Homes for Ukraine scheme. The Housing Options team is working with the North-East Surrey Family support team to ensure wrap-around support is provided to refugees upon arrival to ensure community integration, effective resettlement and prevention of homelessness.

- **Spelthorne in Bloom** - the Council has won numerous Green Flag awards for its gardens, parks and cemeteries. The Sunbury Walled Garden and Staines Cemetery were named overall category winners at this year's South and South-East in Bloom Awards in October.
- **Public realm** - Reinforcing the preventative approach, over the past year the Council has also installed ten outdoor gyms in parks across the borough (Ashford, Laleham, Shepperton, Staines-upon-Thames, Stanwell Moor and Sunbury). These outdoor gyms provide communities with free access to a good variety of equipment to improve health outcomes for those that may not otherwise be able to afford gym

membership. The Council's leisure partner, Everyone Active, is also working to secure funding to deliver outreach sessions using these facilities.

Other areas of work the peer team heard about were:

- **Youth Hub**, One particularly successful example of partnership working has been the creation of a Youth Hub. Aimed at 16-24-year-olds, the Youth Hub offers advice, training and mentoring for young people currently not in education, employment or training, those with special needs and disabilities, as well as young carers/parents. The initiative is being delivered by the Council in partnership with A2 Dominion, Brooklands College, Association of Learning Providers (ALPS), Ashford Youth and Community CIC and Transfer to Transform, under the leadership of an external Partnership Manager.
- **Working with business partners**, The Council's pro-business approach to economic development means it actively works with partners to deliver for the wider community. For example, Berkeley Homes (currently building the Eden Grove development in Staines-upon-Thames) have been involved with a number of events at the Youth Hub.

Whilst there is a Corporate Plan that runs between 2021-2023 and covers relevant priorities and ambitions, there is now an opportunity to develop a longer-term vision and strategy to provide an agreed direction for the Council beyond the elections in May 2023 and for which there is greater Councillor leadership, supported by officers. The resulting strategy should have objectives that are outcome oriented and easily measurable in order to evidence that they have been delivered. The priorities that form the Corporate Plan need to be based both on evidence of need, which may include provision of homes, known environmental pressures, economic data, health statistics etc., and the feedback from your communities ascertained by consultation. A combination of this aspirational feedback and evidential data can then be used to plan and deliver services and investments.

At present the narrative of the Corporate Plan is centred around opportunities that

arise for development. The values that under-pin this approach are commendable in that they aim to deliver services for local residents and businesses. However, the narrative could be improved by relating it directly to available evidence and the assessed needs of the people and businesses in the Borough. This would help to articulate the wider community, social, and environmental benefits of such developments whilst also confirming a robust economic business case.

4.2. Organisational and place leadership

The Chief Executive has a strong and positive relationship with businesses who state that he is their key point of contact in delivering the strategic vision as well as directing operational solutions to issues as they arise. Some community partners would welcome a more collaborative dialogue and approach to working together as they sometimes feel they are being told things that have been already decided, giving the impression of inflexibility, rather than always being in a dialogue of coproduction. As a result, the peer team recommends that as the Council continues to deliver its consultation exercises, it should ensure it is able to deliver a Council-wide listening approach to its communications.

Whilst recognising that there is much proactive ward Councillor work, there is an evidential void in the role of community leadership from the elected Members of the Council on more strategic matters. For instance, the organisation's response to the pandemic, whilst as already stated was admirable, was largely officer led.

The senior team reported that they often work long hours, answering emails well outside of normal office hours. The peer team encourages the senior officer team to raise their awareness of the message this sends out to others about a work / life balance and to model the behaviours that they want to see in their fellow officers. Similarly, Members should also have reasonable expectations around responses, especially when contacting the officer team out of hours.

4.3. Governance and culture

The Council is seen by partners as both commercially minded and entrepreneurial whilst at the same time being community focused. There is generally a positive can-do attitude. This commercial mindedness is evidenced by the high level of borrowing accumulated and income stream being sustained the extensive investment portfolio that the Council has created since 2016.

It is this commercial income that has enabled the Council to deliver a number of different highly-valued services and initiatives across the Borough that it otherwise would not have been able to do. The officers are seen as great ambassadors for the Council and are responsive when partners and others get in touch. The Councillors however appear distracted with internal political discussions that are a feature of political tensions in the organisation, rather than looking at the bigger external picture of delivering Council priorities for the broader benefit of the community as outlined in the Corporate Plan.

The committee system was introduced at speed just over a year ago, at the behest of Councillors, replacing the Leader and Cabinet Model. It does not function well, which is recognised by many people the peer team spoke to. There is now an opportunity to review how it could work better. Some areas of detail that could be included in this work would be; the length of meetings, the number of committees, the political balance of the committees, the role of the Chair and Vice-Chairs, the formula system for allocating lead committee roles, timing of meetings, frequency of meetings, the length and accuracy of reports, the ability of the system to encompass effective forward planning, clarity around who sets the agenda for committee meetings and how to ensure that everyone understands what respectful behaviour in these meetings looks like and to make sure it occurs. The number and scope of issues listed above outlines the scale of the task ahead.

The peer challenge team also heard about the potential abuse of privilege by some Members in their dealings with some officers. It was reported that a small number of Councillors request preferential treatment from the Council such as the frequency of street cleaning and waste collection and the provision of leisure services. From what the peer team heard, not only does this demonstrate a fundamental disregard for the fair allocation of resources across the Borough, it amounts to a potential abuse of

privilege which needs to be robustly addressed by the organisation. If it is not, there is the risk of bullying claims by staff and reputational damage as a result.

4.4. Financial planning and management

This LGA peer challenge team is not able to comment on the annual statement of accounts and level of long-term borrowing. At the time of the peer challenge the 2017/18 audit results were still awaited and the KPMG Public Interest Report into the Council's commercial property investments in that year had not been published.

The senior officer in charge of finance at Spelthorne is very experienced as is his finance team. This is a strength and suggests there is resilience and capacity available to manage financial issues. There is however a general need for a greater understanding of financial issues for the majority of Councillors and other officers. The detailed understanding of the high level of borrowing, investments and contracts that Spelthorne has developed in the past five years is held by a small number of people with significant knowledge and expertise. This group could be widened in order to ensure the Council has increased resilience to manage these demands.

In a related issue some Councillors reported that the length and quality of finance reports rendered it difficult for them to fully grasp the issues at hand and therefore be able to understand their options and decision-making. Therefore, whilst recognising the need for an appropriate level of facts and detail there is an opportunity to write finance and investment reports with the Councillor audience more in mind to enable better informed decision-making.

The peer team acknowledges some of the work done by officers around transparency of the financial performance of its asset portfolio, the delivery of treasury workshops for Members and also the work done in assisting Members to understand how the commercial function interrelates with the Council's finances using illustrative means.

The Council Corporate and Service Risk Registers are well linked, and it is recognised best practice that risk management and mitigation need regular review to ensure the Council remains focused on the most relevant risks and mitigation

strategies whilst continuing to manage newly emerging risks. Those in the organisation recognise that the Council needs to manage its future borrowing in the light of rising interest rates which could cause the cost of debt financing to rise for new borrowing or the need to refinance the maturing debt. The Council is also aware that HM Treasury is reviewing its consultation on a revised Minimum Revenue Provision (MRP) policy which may impact on the annual revenue cost of medium-term debt, which in turn may challenge the viability of future projects if the annual revenue provision for debt repayment increases the overall cost of a project or programme.

4.5. Capacity for improvement

The peer team believes that there is an opportunity to reset with the coming local Council elections in May 2023 when there is anticipated to be a cohort of new Councillors as some of the longer serving Councillors are deciding to step down. The peer team urges those leading the Council to maximise this opportunity to reset the tone and culture of the organisation and revisit its training and induction programme for new Members, correlating this work with previous comments around the need for the effective functioning of the committee system and Member Code of Conduct.

There is also an opportunity to reflect on how the Council's transformation programme, digital strategy, workplace accommodation and ITC equipment could better support the move to hybrid working and dovetail with the hybrid working policy. Many of the Council's staff commented on their perceived inability to fully participate in meetings due to the lack of access to a camera. At present the Council operates a mix of desktop (without cameras) and laptops (with cameras), whereas many councils with hybrid working policies have moved to a situation where all staff and Councillors have laptops, with docking stations and additional monitors at office workstations, so that wherever they are working, they can join meetings using their cameras. The peer team noted that some meeting rooms are equipped with cameras to facilitate participation in online meetings, but the peer team's own experience of this would suggest it would be helpful to review how well this works (including the quality and strength of the Wi-Fi signal). It is also important to ensure that the IT and

mobile accessibility of those in more placed based operational teams are equally considered.

A number of partners fed back that when the Council joined online meetings without cameras, it was considered a little 'rude' when everyone else had cameras on, and staff felt embarrassed by this. The peer team would encourage the Council to reflect on the need to be visibly present in online meetings as well as at in person meetings, and for the senior leadership team to take the lead on this in their approach to internal online meetings.

The peer team would also encourage the Council to reflect and act on the findings of the recent staff survey, which the peer team appreciates is the intention of the senior leadership team. The staff survey showed an improved response rate on previous years but illustrated that whilst staff are clearly invested in their jobs and confident in their abilities to do them well, they did not feel that the organisation was delivering fully on its obligations, which could be correlated to the evident workplace tension between officers and Members and the lack of political leadership. There is an opportunity to address this and to consider improving the recognition for the good work that frontline staff do to help improve morale across the organisation, especially given the political pressures within the Council and the impact of this on staff. It would be helpful to reflect on whether this recognition should come from Members.

Housing

The peer team was very pleased to see the example of very good collaborative working between officers and Members at Spelthorne Borough Council in the development of the emerging Local Plan to progress it to submission stage. There is perhaps the opportunity for other areas of the Council to look at this example as well as best practice in other authorities in the light of the need to improve the Member and officer collaborative approach.

The knowledge drive and commitment of the teams to deliver affordable housing and supported housing has been demonstrated successfully through examples such as the West Wing and The White House (referenced earlier in this report). As a result of earlier work Spelthorne Borough Council has developed an ambitious pipeline of sites to deliver affordable housing at increased scale and pace. However, politicians

are going to need to accept the need for higher density in urban areas if they wish to continue to protect the green belt, as set out in the Local Plan that has been agreed and submitted. With this in mind Councillors need to understand the necessary and vital relationship between density and viability especially in the delivery of the appropriate level of affordable units within proposed schemes. It may be helpful, in drafting future short and clear decision reports, to focus on the potential wider social and environmental benefits for residents of the developments as well as presentation of a robust business case.

5. Next steps

The LGA recognises that the senior political and managerial leadership will want to consider, discuss and reflect on these findings.

Both the peer challenge team and LGA are keen to build on the relationships formed through the peer challenge. The CPC process includes a six-month check-in session, which provides space for the Council's senior leadership to update peers on its progress against the action plan and discuss next steps.

In the meantime, **Mona Sehgal, Principal Adviser for Berkshire, East Sussex, & Surrey**, is the main contact between your authority and the Local Government Association. Mona is available to discuss any further support the Council requires on email: mona.sehgal@local.gov.uk or telephone 07795 291006.

On behalf of the LGA Corporate Peer Challenge Team November 2022:

Marcus Coulson

Senior Regional Adviser

Local Government Association

Tel: 07766 252 853

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START A REPORT CHECKLIST BEFORE WRITING YOUR REPORT**Corporate Policy and Resources Committee**

17 July 2023

Title	Changes to Development Sub-Committee and Creation of a new Commercial Assets Sub-Committee
Purpose of the report	To make a decision
Report Author	Farida Hussain, Group Head of Corporate Governance Coralie Holman, Group Head of Assets
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	
Corporate Priority	Economic Development, Community, Recovery
Recommendations	<p>Committee is asked to agree:</p> <ol style="list-style-type: none"> 1. To resolve to adopt the terms of reference for a Commercial Assets Sub-Committee as set out in this report; and 2. To make changes to the terms of reference to the Development Sub-Committee 3. To note that any constitutional changes required as a result of the recommendations in this report will be considered by the Standards Committee on 4th October 2023.
Reason for Recommendation	To create a separate Sub-Committee to solely consider commercial (including regeneration) assets

1. Summary of the report

- 1.1 The Leader and Deputy Leader have expressed a desire to create a new sub-committee to consider commercial investment properties only and the attached draft Terms of Reference has been prepared for formal approval.

2. Background

- 2.1 Following the issue of the Public Interest Report in December 2022, members have requested greater scrutiny over commercial investment assets.
- 2.2 The creation of a new sub-committee will solely determine matters relating to commercial assets, providing the forum for greater focus on these assets.

3. Key issues

- 3.1 Terms of reference for the new sub-committee are attached as Appendix A. If the Committee agrees to adopt these terms of reference, changes will be required to the current terms of reference to the Development Sub-Committee

to provide clarification and avoid duplication with the remit of the new Commercial Assets Sub-Committee (“CASC”) as shown at Appendix B.

- 3.2 The terms of reference of the new sub-committee and amendments to the terms of reference to the Development Sub-Committee will require changes to the Constitution.
- 3.3 Changes to the Council’s Constitution have to be considered by Standards Committee first before final approval by Council.
- 3.4 The Committee may also consider if the Development Sub-Committee should be given another name to better reflect the amended remit.

4. Options

4.1 Option 1

- 4.2 Do nothing – make no changes to the current Development Sub-Committee.

4.3 Option 2 (Recommended)

- 4.4 Agree to the creation of a new Commercial Assets Sub-Committee and adopt the terms of reference attached at Appendix A and agree to the changes to the terms of reference to Development Sub-Committee as shown at Appendix B.

5. Financial implications

- 5.1 Under the current scheme of Members’ Allowances, members of Development Sub-Committee are granted £2000 each. Consideration should be given as to what allowances, if any should be granted to members of the new sub-committee.
- 5.2 The current Members’ Allowances Scheme is due to be reviewed by an Independent Remuneration Panel and any changes to the Scheme has to be approved by Council. Payments can be back-dated.

6. Procurement considerations

- 6.1 There are none.

7. Legal considerations

- 7.1 There are no direct legal implications however any changes to sub-committees will need to be reflected in the Constitution as noted in the report.

8. Other considerations

- 8.1 N/A.

9. Timetable for implementation

Changes to the Constitution to be considered by Standards Committee on 4th October 2023 with referral to Council on 19th October 2023. Meeting of the Independent Remuneration Panel to be confirmed.

10. Contact

10.1 Farida Hussain

f.hussain@spelthorne.gov.uk

Coralie Holman

c.holman@spelthorne.gov.uk

Background papers: There are none.

Appendices:

List as Appendix A, B etc with a short description of each.

Appendix A	Terms of reference - Commercial Assets Sub-Committee
Appendix B	Amended terms of reference – Development Sub-Committee

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APPENDIX A

Commercial Assets Sub-Committee

Objective:

Within the overall policies and strategies set by the Council, to provide leadership, decision making and accountability for the management of the Council's Investment properties and commercial assets within the Council's regeneration programme.

Membership

A minimum of 7 Members reflecting political balance, with at least 1 member from each political party.

Functions

1. Acquisitions relating directly to Regeneration purposes only (acquiring assets for alternative purposes is not covered via the Objectives of this Sub-Committee)
 - (a) To receive recommendations from officers (where officer/member delegation financial limits are exceeded) as to possible new strategic property acquisitions for regeneration purposes only.
 - (b) Following (a) above, to give an initial steer on whether to investigate further those potential acquisitions.
 - (c) Following (b) above and any subsequent reports from officers, to make recommendations to the Corporate Policy & Resources Committee to proceed with acquisitions in accordance with relevant Council procedure rules.
2. Disposals
 - (a) To receive recommendations from officers (where officer/member delegation financial limits are exceeded) as to the potential freehold (or long leasehold) disposal of investment assets and/or commercial assets within the regeneration programme.
 - (b) To receive recommendations from officers (where officer/member delegation financial limits are exceeded) as to the potential joint venture initiative involving investment assets and/or commercial assets within the regeneration programme.
 - (c) Following (a) or (b) above to give an initial steer on whether to investigate further those potential disposals or joint venture initiatives.
 - (d) Following (c) above and any subsequent reports from officers, to make recommendations to the Corporate Policy & Resources Committee to proceed with the particular freehold (or long leasehold) disposal or joint venture initiative in accordance with the relevant Council procedure rules.
 - (e) To receive recommendations from officers and approve (or otherwise) any proposals for the granting of a new or reversionary lease at an aggregated rent over the term which exceeds officer delegation levels.
2. Management of Investment Assets and Commercial Assets within the Regeneration Programme
 - (a) To approve leasehold disposals (lettings) in investment assets (where officer/member delegation financial limits are exceeded)
 - (b) To approve the change of use of investment assets and commercial assets with the regeneration programme including recommendations to the Corporate

Policy and Resources Committee and the Development Sub Committee regarding alternative use or classification of the asset.

- (c) To receive monthly update reports on the management of the investment assets in accordance with the adopted Asset Management Strategy, including rental income, potential letting opportunities, pending break option and lease expiries over the next 12-month period, significant assignments and any other estate management issues based on officer recommendations.
- (d) To approve the exercise of a break option under the terms of lease of land or property where officer/member delegation financial limits are exceeded.
- (e) To approve or agree to the surrender of a lease of land or property where officer/member delegation financial limits are exceeded.
- (f) To receive monthly arrears reports on each individual asset/tenant within the investment portfolio by rent quarters.
- (g) To be notified of any potential arrears and issues being faced by individual tenants (including taking decisions on tenant requests to change from quarterly to monthly payments or rent deferment requests) where the rental income exceeds £100,000pa and to be advised of steps being taken by officers to mitigate that risk.
- (h) To receive quarterly reports on the Investment Sinking Funds and to be notified of any change of adverse impact and mitigation measures which are being taken to address.
- (i) To receive notification of and authorize any non-budgeted capital expenditure or any capital expenditure over £50,000. on the investment portfolio.
- (j) To approve, the settlement of rent reviews, lease renewals or lease re-structuring negotiations in respect of the Investment assets where officer/member delegation financial limits are exceeded.
- (k) To review, advise on and approve formal reporting of the investment portfolio to CPRC and/or full council to include Asset Investment Strategies, Business Plans, Key Performance Indicators, Risk Registers, and half yearly update reports.

3. Frequency

Monthly day time meetings. Where meetings are not necessary for lack of business they will be cancelled.

APPENDIX B

Non-Commercial Development Sub-Committee

Objective:

Within the overall policies and strategies set by the Council, to provide leadership, decision making and accountability for the implementation of the Council's planned programme of capital works, both housing and large - scale municipal schemes, as well as decision making in respect of the management of the non-commercial Council's Assets.

Membership

7 Members reflecting political balance.

Functions

1. Acquisitions
 - (a) To receive recommendations from officers (where officer/member delegation financial limits are exceeded) as to possible new property acquisitions excluding strategic property acquisitions for regeneration purposes.
 - (b) Following (a) above, to give an initial steer on whether to investigate further those potential acquisitions
 - (c) Following (b) above and any subsequent reports from officers, to make recommendations to the Corporate Policy & Resources Committee to proceed with particular acquisitions in accordance with relevant Council procedure rules.

2. Disposals
 - (a) To receive recommendations from officers (where officer/member delegation financial limits are exceeded) as to the potential freehold (or long leasehold) disposal of property assets
 - (b) Following (a) above, to give an initial steer on whether to investigate further those potential disposals
 - (c) Following (b) above and any subsequent reports from officers, to make recommendations to the Corporate Policy & Resources Committee to proceed with particular freehold (or long leasehold) disposals in accordance with relevant Council procedure rules.

3. Management of Non-Commercial Strategic Investments and residential developments
 - (a) To approve leasehold disposals (lettings) in residential developments and municipal properties (where officer/member delegation financial limits are exceeded)
 - (b) To approve the transfer of residential property assets from and to Knowle Green Estates Ltd if deemed necessary for the appropriate and effective management of the estate
 - (c) To receive quarterly reports on the management of the non-commercial investment assets, including rental income, potential letting opportunities, significant assignments and any other estate management issues based on officer recommendations.
 - (d) To approve the exercise of a break option under the terms of lease of land or property where officer/member delegation financial limits are exceeded.
 - (e) To approve or agree to the surrender of a lease of land or property where officer/member delegation financial limits are exceeded.

4. Management of Municipal Portfolio

- (a) To approve leasehold disposal (lettings) of municipal properties which exceed officer/member financial delegation limits
- (b) To approve the exercise of a break option under the terms of lease of land or property where officer/member delegation financial limits are exceeded.
- (c) To approve or agree to the surrender of a lease of land or property where officer/member delegation financial limits are exceeded.

5. Non-Commercial Development

- (a) To fully review the business case for all potential development projects including scheme detail, build costs, risks and issues and financial performance including viability
- (b) To oversee the budget for each approved project and the effective implementation of the council’s development programme
- (c) To approve the award of development contracts over the Public Contracts Regulations threshold or where the requirement is strategic/critical in accordance contract standing orders
- (d) To receive reports from officers and make decisions as set out on the Development-Gateway stages - Appendix A to this document. This includes instances (at any point in the Gateway stage process) where there has been any variance of projected costs over and above the agreed budget (whether the budget was set by the P&R Committee in a specific report, or in the Capital Programme).
- (e) To receive bi-monthly “Red, Amber and Green’ rating reports on all approved development projects. To include high-level finance projections, risk registers and project timeline.
- (f) To receive bi-annual presentations of the longer-term expenditure plan across the development portfolio which is to indicate future funding streams and expectations.
- (g) To receive an annual report on progress and success, setting out performance against any targets (including projected expenditure and costs).

Appendix A – Development-Gateway stages

Five stages of sign off:

1. Acquisition/Feasibility
2. Outline design
3. Detailed design prior to planning permission application
4. Construction
5. Transfer to business as usual

Stage	Decision	Reference back to CP&R	Documentation required
Acquisition/feasibility	To undertake initial design development	For actual purchase if appropriate.	Project brief

Part 3 section (b)

	up to feasibility stage. Appointment of consultants if decision at committee level is under contract standing orders.		
Outline design	To progress to Concept design (RIBA stage 2) up to planning submission	If supplementary expenditure required	Outline design and project progress report
Detailed design	To sign off detailed design (RIBA stage 3-4) post grant of planning permission. Sign off tender for contractor if required under CSOs.	If supplementary expenditure required	Detailed design and project progress documentation
Construction	To award the contract for the contractor if required under CSOs. To progress to construction	If supplementary expenditure required	Tender report and project progression documentation
Transfer to business as usual	To make any transfer to KGE. Project sign off	Report to note on outcome	Project completion documentation.

Corporate Policy and Resources Committee



17/07/2023

Title	Treasury Management Annual Outturn Report 2022/23
Purpose of the report	To note
Report Author	Prithiva Janaka Treasury Management and Capital Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to: Note the treasury management outturn position for 2022/23
Reason for Recommendation	Not applicable

1. Summary

- 1.1 Treasury Management has performed within and near Prudential Indicators for the year to the end of March 2023 as outlined in the next section and detailed at **Appendix A**. Performance compared to expectations is shown by a RAG (Red Amber Green) system in this report. Performance compared to other councils in England is shown at **Appendix B**.
- 1.2 The Council takes a prudent approach to Treasury Management, both in how its debt is structured and repaid, and in its strategic investment of funds. This is important in the context of financial risks including the potential loss of invested funds and the revenue effect of changing interest rates.
- 1.3 This report covers treasury activity and the monitoring and control of associated risks. Context and economic background to this report is provided at **Appendix C**.

2. Treasury management report information

Summary position

- 2.1 Prudential Indicators (PIs) are listed in Table 1 and are flagged up in this report with, for example, figures highlighted green and with a 'G' where within the PI level. PIs as at 31 March 2023 are summarised in the next section, as well as at Appendix A with comments and a key to the RAG indicators.

Table 1: Treasury Management Prudential Indicators as at 31 March 2023

Indicator	PI Level	31/03/2023	RAG Indicator
	£m	£m	
Capital Financing Requirement (CFR)			
CFR as at 31/03/2023	1,281	1,124	G
Total outstanding debt	1,098	1,100	G
Debt below CFR		Yes	G
Liquidity: cash availability	20	44	G
Affordable borrowing			
Authorised limit	1,450		
Operational boundary	1,350		
Outstanding borrowing		1,100	G
Maturity Structure of Borrowing			
	Upper limit	£m	Of total
Under 12 Months	10%	(12)	1%
1 – 2 Years	15%	(28)	3%
>2 – 5 Years	20%	(45)	4%
>5 – 10 Years	25%	(82)	8%
>10 – 20 Years	50%	(194)	18%
>20 – 30 Years	75%	(241)	22%
>30 – 40 Years	90%	(294)	27%
>40 – 50 Years	100%	(178)	17%
	Total	(1,074)	100%
Other			
Price Risk Indicator	£70m	£34m	G
Standalone financial derivatives	Limited	None	G

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

- 2.2 The Council has significant levels of long-term borrowing of £1,069m as at 31st March 2023 (Table 3) which is a £8m reduction on the previous year, secured to fund completed residential and regeneration schemes as well as historic investment property. The Council's current strategy for funding capital developments is to borrow when necessary as possible given in the context of current interest rate risk issues, while maintaining the investment portfolio that has been built up.
- 2.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These are summarised in Tables 2 and 3 below.

Table 2: CFR Summary 31 March 2023

	2021/22 Year end	2022/23 Movement	2022/23 Year end
	£m	£m	£m
Opening Capital Financing Requirement	1,128.50	-10.8	1,117.7
<i>Capital investment</i>			
Property, Plant and Equipment	4.7	15.1	19.8
Revenue Spend Funded from Capital under Statute	1.0	0.0	1.0
Total Capital Investment	6.0	15.0	21.0
<i>Sources of Finance</i>			
Capital Receipts	(0.7)	0.4	(0.3)
Government Grants and Contributions	(2.6)	1.3	(1.3)
Revenue contributions	(1.2)	0.2	(1.0)
Repayment of debt	(12.3)	0.2	(12.1)
Total Sources of Finance	(16.8)	2.1	(14.7)
Closing Capital Financing Requirement	1,117.7	6.3	1,124.0

G

- 2.4 The CFR represents the cost of capital expenditure that remains to be financed, after applying sources of finance. This therefore is the underlying need to borrowing. This year's opening CFR (1 April 2022) of £1,117.7m increased by £15m capital expenditure during 2022/23 and increase in £2.1 m funds used for the projects, leaving a closing CFR of £1,124.0m. The increase in capital expenditure reflects the increase in capital projects started in 2022/23.

Table 3: Treasury Management Summary

	Balance 31/03/2022 £m	Movement £m	Balance 31/03/2023 £m	Rate 31/03/2023 %
Long-term borrowing	(1,077)	8	(1,069)	2.27%
Short-term borrowing	(45)	14	(31)	1.09%
Total borrowing	(1,122)	22	(1,100) G	
Long-term investments	36	(2)	34	4.63%
Short-term investments	40	(25)	15	1.51%
Cash and cash equivalents	53	(9)	44 G	3.52%
Total investments	129	(36)	93	
Net borrowing	(993)	(14)	(1,007)	

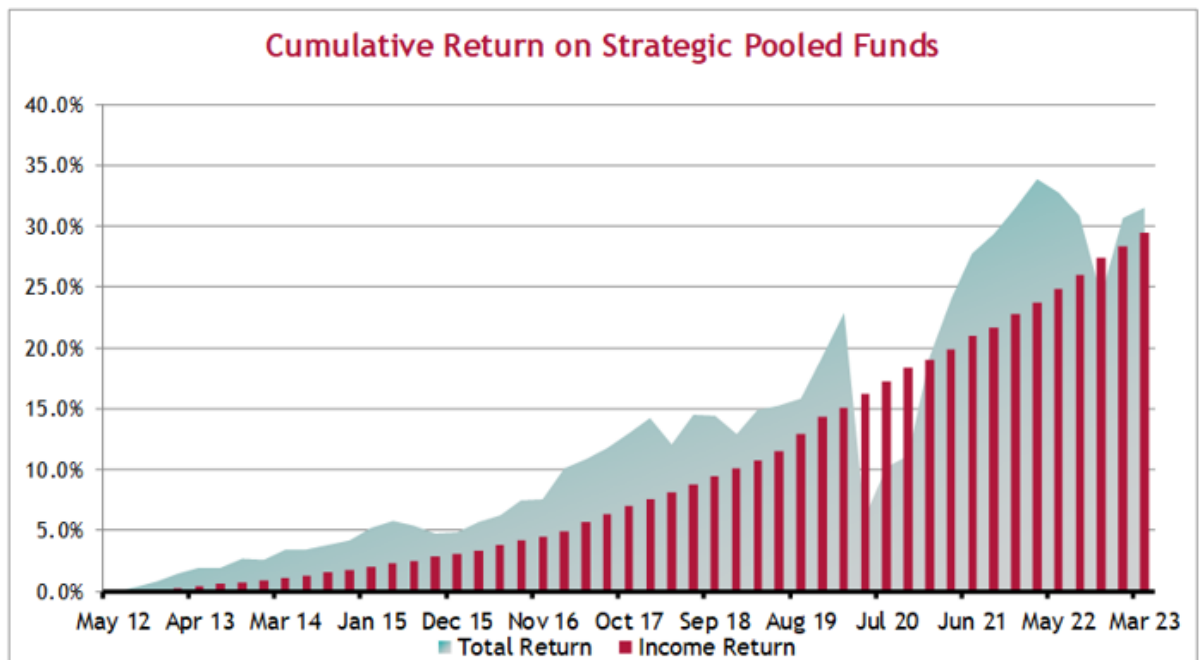
- 2.5 For the year to 31 March 2023, the Council had net borrowing of £1,007m arising from its revenue and capital income and expenditure. This represents a projected increase of £14m in net borrowing. This is predominantly due to the start of various projects within the Capital Programme, particularly the Leisure Centre project.
- 2.6 Council funds are being kept sufficiently liquid to ensure that funding is readily available for development project costs expected over the coming months as capital projects start again, as well as for expected cash flow requirements.
- 2.7 The Council held £1,096 m of long- and short-term loans as at 31 March 2023, a decrease of £63m from 31 March 2022. Outstanding loans are summarised in Table 4 next.

Table 4: Borrowing Position

	Balance 31/03/2022 £m	Net Movement £m	Balance 31/03/2023 £m	Rate 31/03/2023 %	Maturity (Weighted average years)
Public Works Loan Board	1,074	9	1,083	2.27%	45
Local authorities - long-term				-	
Local authorities - short-term	45	(65)	13	1.09%	<1
Total Borrowing	1,119	(63)	1,096 G		

- 2.8 The Council's chief 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.
- 2.9 The Council's investment portfolio totalled £ 94m as at 31 March 2023, with £81m of this being short-term and cash funds. A breakdown of investments is given in **Appendix D**.
- 2.10 As at 31 March 2023, funds totalling £33.3m of the Council's investments are held in externally managed strategic 'pooled' funds (bond, equity, multi-asset and property), where short-term security and liquidity are lesser

considerations, and the objectives instead are regular revenue income and long-term price stability, as exemplified in the graph below, showing long run cumulative returns. These funds generated a return of £9.6m to end March 2023 (4.10%). A full list of these and their current performance is detailed in **Appendix E**.



2.11 The performance of the Council’s portfolio is illustrated by benchmarking carried out by Arlingclose using data from their clients (Appendix B). Arlingclose figures, which are different from the Council’s equivalent figures, are produced before the Council’s, which includes end of year adjustments. The Investment Benchmarking (Appendix B page 1) shows that Spelthorne has:

- significant levels of investments (£93.1 m compared to £81.6m average)
- with good security (A+ average credit rating, and 35% bail-in exposure risk compared to 60% average). ‘Bail-in’ refers to when a bank fails, and its shareholders and creditors lose shares and claims in order to restore the bank’s viability.
- fair liquidity (17 % available within 7 days compared to 53% average), though noting that for strategic pooled funds, which are held for the long-term, the council has substantially more at 28% compared to the average of 13%.
- a fair yield of 4.45% on strategic funds and 1.73% on total investments compared to averages of 3.68% and 1.64% respectively.

2.12 The Council is looking to reduce its short-term cash funds over the coming year as capital projects start to come back online after the slowdown caused by the pandemic.

2.13 During 2022/23, the Council received significantly lower income from its cash and short-dated money market investments and from its externally managed funds than it did in pre-COVID 2019/20 and earlier years. Dividends and

income paid will ultimately depend on many factors including COVID-19 and the extent of its economic impact, the energy crisis, and measures taken to address inflationary pressures in the economy.

- 2.14 The Council continues to review its approach to ethical and sustainable investment with advice through the Arlingclose ESG and Responsible Investment service for local authorities. (ESG = Environmental, Social and Governance.)
- 2.15 The Council held non-treasury investments in directly owned property valued at £755.3m at the end of March 2023, as well as shareholding in Knowle Green Estates Limited, with residential property of £4.52m, and in Spelthorne Direct Services Limited which delivers commercial waste services.
- 2.16 These investments are expected to generate £52.0m of gross rental investment income for the Council, after landlord costs, representing a rate of return of 6.6%. This return helps towards supporting the cost of Council's services even after accounting for sinking funds set aside to address future property costs.
- 2.17 The Chief Finance Officer reports that treasury management activities undertaken during the first half year complied with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy, although noting that limits on the bank account were exceeded on six occasions, two of which were due to system failures of third parties, and four of which were due to conflicting team commitments. Measures have been put in place to tighten up on processes and checks. Cover for the roles and monitoring of the function also being strengthened through training and review for example of the effectiveness of process changes.

3. Financial implications

- 3.1 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.

4. Risk considerations

- 4.1 There are no risk implications arising from the report, which is for noting.

5. Legal considerations

- 5.1 There are no legal implications arising from the report, which is for noting.

6. Other considerations

- 6.1 The Council fully complies with best practice as set out in CIPFA's 2022 Treasury Management and Prudential Codes and in the Government's Guidance on Investments effective from April 2018. As issues arise, as when limits were breached as noted 2.17, measures are taken to address the underlying reasons.

6.2 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.

7. Equality, Diversity and Inclusion

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

8. Sustainability/Climate Change Implications

8.1 The Council discusses ESG (Environmental, Social and Governance) issues 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.

9. Timetable for implementation

9.1 Not applicable.

Background papers: There are none.

Appendices:

Appendix A – TM Prudential Indicators

Appendix B – Benchmarking v2

Appendix C – Context and Background v4

Appendix D – Details of Investments

Appendix E – Strategic Pooled Funds

Treasury Management Prudential Indicators as at 31 March 2023

KEY		
Exceed PI significantly	R	Not within target
Near but not within PI	A	Near target
Within or at PI level	G	At or below target

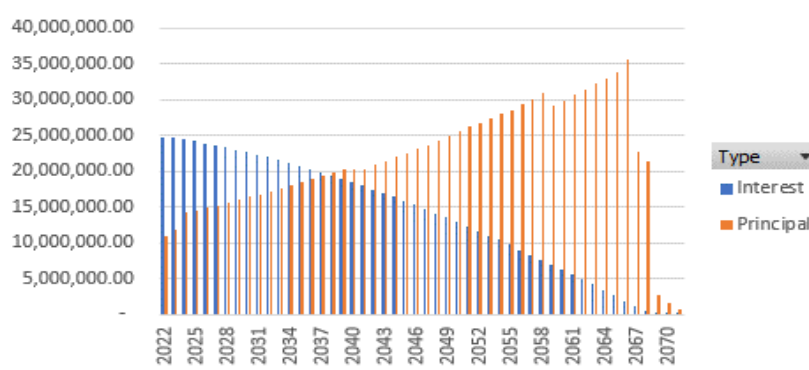
Performance Indicator	PI Level	31/03/2023	RAG Indicator	Comment
	£m	£m		
Capital Financing Requirement				
CFR as at 31/03/2023	1,281	1,124	G	Less than forecast for year Delays in planned capital projects
Total outstanding debt	1,098	1,100	G	Less than CFR
Debt below CFR	CFR below	Yes	G	'Internal' borrowing

Liquidity risk indicator				
- cash availability	20	44	A	Money market funds are used to ensure instant access availability of up to £50m.

Affordable borrowing				
Authorised limit	1,450			
Operational boundary	1,350			
Outstanding borrowing		1,100	G	Less than the borrowing limits.

Maturity Structure of Borrowing				
	Upper limit	£m	Proportion	
Under 12 Months	10%	(12)	1%	G
1 – 2 Years	15%	(28)	3%	G
>2 – 5 Years	20%	(45)	4%	G
>5 – 10 Years	25%	(82)	8%	G
>10 – 20 Years	50%	(194)	18%	G
>20 – 30 Years	75%	(241)	22%	G
>30 – 40 Years	90%	(294)	27%	G
>40 – 50 Years	100%	(178)	17%	G
Total		(1,074)	100%	

PWLB repayment profile



Other				
Price Risk Indicator	£70m	£34m	G	Limit on principal invested beyond year end.
Standalone financial derivatives	Limited	None	G	Only used where demonstrated to reduce the overall level of the financial risks.
'Net Revenue Stream'	£m	£m		
	8.4	8.0		The amount to be met from gov grants and local taxpayers.
Financing costs	36.1	34.3		Debt-related costs
Financing as % of net revenue	430%	429%	G	
Investment properties - income	(54.0)	(51.6)		
- Net of financing costs	(17.9)	(17.3)		

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Investment Benchmarking
31 March 2023

Spelthorne
46 English Non-Met Districts Average
129 LAs Average

Internal Investments	£59.9m	£26.9m	£67.8m
Cash Plus & Short Bond Funds	£0.0m	£1.5m	£1.3m
Strategic Pooled Funds	£33.1m	£12.6m	£12.6m
TOTAL INVESTMENTS	£93.1m	£41.0m	£81.6m

Security

Average Credit Score	5.20	4.75	4.72
Average Credit Rating	A+	A+	A+
Average Credit Score (time-weighted)	5.09	4.53	4.58
Average Credit Rating (time-weighted)	A+	A+	A+
Number of Counterparties / Funds	24	12	12
Proportion Exposed to Bail-in	35%	63%	60%

Liquidity

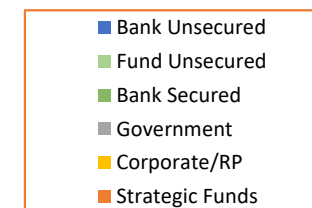
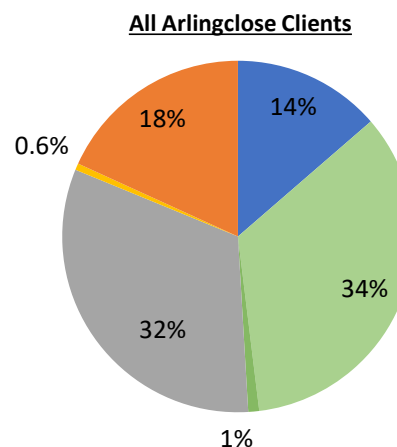
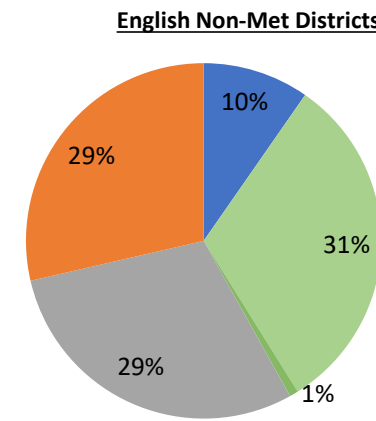
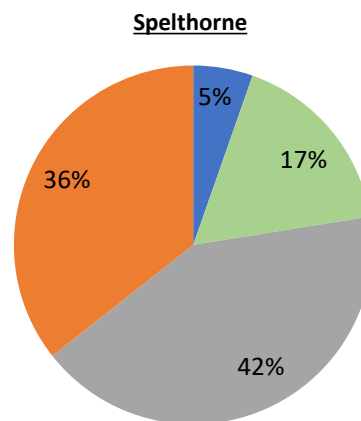
Proportion Available within 7 days	17%	42%	50%
Proportion Available within 100 days	64%	60%	70%
Average Days to Maturity	32	55	13

Market Risks

Average Days to Next Rate Reset	36	71	44
Strategic Fund Volatility	9.4%	5.1%	7.4%

Yield

Internal Investment Return	3.92%	3.57%	3.68%
Cash Plus Funds - Income Return	-	1.45%	1.35%
Strategic Funds - Income Return	4.45%	4.02%	3.93%
Total Investments - Income Return	4.10%	3.61%	3.68%
Cash Plus Funds - Capital Gain/Loss	-	-0.15%	-0.03%
Strategic Funds - Capital Gain/Loss	-6.68%	-10.96%	-11.88%
Total Investments - Total Return	1.73%	0.61%	1.64%



Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.
- Volatility is the standard deviation of weekly total returns, annualised.

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Introduction

Background for TM report as at 31 March 2023

Spelthorne Borough Council's Context

Treasury Management is the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the Council to report on performance of the treasury management function at least twice yearly (mid-year and at year end).

The Council's Treasury Management Strategy for 2022/23 was reviewed and approved by CPRC on the 7th of February 2022, and approved by Council on 24 February 2022, and has been consistently applied since the beginning of the financial year.

The 2022 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy for 2022/23, complying with CIPFA's requirement, was approved by Council on 24 February 2022.

The following sections are based on advice from Spelthorne's treasury adviser Arlingclose.

External Context

Economic background: The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In March RPI measured at 13.4%.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

Financial markets: Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

Credit review: Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. authorities on its counterparty list remains unchanged, a degree caution is merited with certain authorities.

In August 2021, HM Treasury significantly revised guidance for the PWLB lending facility with more detail and twelve examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles of the Prudential Code took immediate effect although local authorities can defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The Council is reviewing reporting during 2022/23 with a view to implementation of the revised reporting by 2023/24.

To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version. As with the Prudential Code, the Council is reviewing reporting during 2022/23 with a view to implementation of revised reporting by 2023/24.

Treasury Investment

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimal rate of return, or yield. The Council's objective when investing money is

to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Ultra-low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period resulting in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers had temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March. At 31 March, the 1-day return on the Council's MMFs was 0.06% and 0.09%.

Externally Managed Pooled Funds: In the nine months to December improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the property, equity and multi-asset income funds in the Council's portfolio. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January- March quarter, the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.

Current Market Condition: As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review. Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high.

Treasury Management Indicators: The Council measures and manages its exposures to treasury management risks using the indicators shown at Appendices A. Appendix B shows benchmarking details that Arlingclose provides shortly after year end. The indicators are slightly different from the detail in the Council's own results which are produced later after the year end, including for example accruing adjustments

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Details of investments held as at 31 March 2023

Investment Type	Valuation £m	Yield %	Start Date	Maturity Date
<u>Pooled Investment Funds</u> <i>(see Appendix B for details)</i>				
WS Charteris Premium Income Fund	0.0	3.95%	00-Jan-00	N/A
0	0.0	7.03%	00-Jan-00	N/A
0	0.0	6.21%	01-Jun-21	N/A
0	0.0	3.22%	00-Jan-00	N/A
0	0.0	4.50%	00-Jan-00	N/A
0	0.0	4.16%	00-Jan-00	N/A
0	0.0	4.83%	00-Jan-00	N/A
0	0.0	3.55%	00-Jan-00	N/A
0	0.0	2.23%	00-Jan-00	N/A
0	0.0	2.45%	00-Jan-00	N/A
0	0.0	7.51%	00-Jan-00	N/A
0	0.0	6.64%	00-Jan-00	N/A
0	0.0	5.79%	00-Jan-00	N/A
0	0.0	0.00%	00-Jan-00	N/A
0	0.0	0.00%	00-Jan-00	N/A
0	0.0	0.00%	00-Jan-00	N/A
Total - Core Inv. Portfolio	0.0	4.69%	Average	
<u>Cash Flow Investments (ICD Portal)</u>				
BNP Paribas	0.0	0.00%	N/A	Instant Access
CCLA	0.0	0.00%	N/A	Instant Access
Total	0.0	0.00%		
Local Authorities	0.0	#DIV/0!	N/A	Short term
Bank Deposits	0.0	0.00%	N/A	Short term
Other Investments	0.0	0.00%	N/A	17-Dec-21
<u>Funding Circle</u>				
Loans to small businesses	0.0		N/A	N/A
Total Investments at 31/03/2022	0.0	0.00%	Overall Av.	

Note that the Yield on Pooled Funds is based on the initial investment as given at Appendix E.

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Pooled (Strategic Investment) Funds as at 31 March 2023

Fund	Date of Purchase	Initial Investment	Value as at 31/03/2022	Value as at 31/03/2023	Dividends Due to 31/03/2023	Annualised	Capital Gain(+)/	Total Return as at	Total Return
						Dividend Yield	Loss(-) as at 31/03/23	31/03/23	%
		£	£	£	£	%	£	£	%
WS Charteris Premium Income Fund	11/05/12	800,120	741,843	715,560	26,865	3.95%	-84,560	-57,695	-7.2%
Schroders UK Corporate Bond Fund	11/05/12	1,500,000	1,833,803	1,501,408	50,364	7.03%	+1,408	+51,773	3.5%
Schroders Income Maximiser Fund	01/06/21	5,093,141	5,477,673	5,188,637	171,008	6.21%	+95,496	+266,504	5.2%
M&G Global Dividend Fund	14/01/22	5,881,779	6,147,030	6,132,913	197,487	3.22%	+251,133	+448,620	7.6%
M&G Optimal Income Sterling	14/01/22	1,767,644	1,665,461	1,578,223	59,351	4.50%	-189,421	-130,071	-7.4%
M&G UK Income Distribution Sterling	15/08/16	2,000,000	1,949,375	1,820,059	67,152	4.16%	-179,941	-112,789	-5.6%
Ninety One Diversified Income	19/10/21	4,226,459	2,733,154	3,950,867	141,908	4.83%	-275,591	-133,684	-3.2%
Threadneedle Inv Services - UK Equity	29/10/21	3,811,333	3,790,671	3,845,323	127,970	3.55%	+33,990	+161,959	4.2%
Threadneedle Global Equity Fund	29/03/22	1,824,632	1,829,488	1,815,724	61,264	2.23%	-8,907	+52,357	2.9%
CCLA - The LAs Property Fund	31/03/13	1,500,000	2,280,845	1,925,609	50,364	2.45%	+425,609	+475,973	31.7%
CCLA - The LAs Property Fund	30/04/14	1,000,001	1,302,326	1,099,492	33,576	7.51%	+99,490	+133,067	13.3%
UBS Multi- Asset Income Fund	22/02/19	1,500,000	1,370,240	1,159,147	50,364	6.64%	-340,853	-290,489	-19.4%
Aegon Diversified Monthly Income Fund	21/02/19	3,000,000	3,007,199	2,649,732	100,728	5.79%	-350,268	-249,540	-8.3%
Value at 31/03/2023		33,905,109.11	34,129,107.86	33,382,694.36	1,138,400.00	62.07%	- 522,414.75	615,985.25	0.02
Value at 31/03/23		67,810,218	68,258,216	66,765,389	2,276,800	4.69%	-1,044,829	+1,231,971	1.8%

Strategic Fund Performance as at 31 March 2023

Any gains would only be realised when the funds are sold and losses would impact on the General Fund. Dividends are received at various times during the year, generally month, quarterly or half yearly.

The income yield for 2022/23 as at 31/03/23 is 0.0%, including accrued income.

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Spelthorne Borough Council Services Committees Forward Plan and Key Decisions

This Forward Plan sets out the decisions which the Service Committees expect to take over the forthcoming months, and identifies those which are **Key Decisions**.

A **Key Decision** is a decision to be taken by the Service Committee, which is either likely to result in significant expenditure or savings or to have significant effects on those living or working in an area comprising two or more wards in the Borough.

Please direct any enquiries about this Plan to CommitteeServices@spelthorne.gov.uk.

Spelthorne Borough Council

Service Committees Forward Plan for 01 April 2023 to 31 March 2024

Anticipated earliest (or next) date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Corporate Policy and Resources Committee 26 06 2023	Q4 Outturn Revenue Monitoring Report as at 31 March 2023 -BRIEFING PACK	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 17 07 2023	Commercial Assets Sub-Committee	Non-Key Decision	Public	Farida Hussain, Group Head- Corporate Governance
Corporate Policy and Resources Committee 17 07 2023	Housing In Multiple Occupation Licensing Fees	Non-Key Decision	Confidential	Tracey Willmott-French, Senior Environmental Health Manager
Corporate Policy and Resources Committee 17 07 2023	LGA Corporate Peer Challenge Outline Action Plan	Non-Key Decision	Public	Daniel Mouawad, Chief Executive
Corporate Policy and Resources Committee 17 07 2023 Council 19 10 2023	Establishment Review	Non-Key Decision	Public	Sandy Muirhead, Group Head - Commissioning and Transformation Daniel Mouawad, Chief Executive
Corporate Policy and Resources Committee 17 07 2023	Treasury Management Outturn	Non-Key Decision	Private	Paul Taylor, Chief Accountant

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Corporate Policy and Resources Committee 17 07 2023	Knowle Green Estates Limited application to become a registered provider - Payment of consultants fees	Non-Key Decision	Private	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 16 10 2023	Asset Management Strategy Update	Non-Key Decision	Public	Coralie Holman, Group Head Assets
Corporate Policy and Resources Committee 16 10 2023	Renovation and Repurposing of the Historic, Grade II Listed, Oast House, Staines-upon-Thames	Non-Key Decision	Part public/part private	Kamal Mehmood, Strategic Lead for Leisure and Community Development, Heather Morgan, Group Head - Place, Protection and Prosperity
Corporate Policy and Resources Committee 16 10 2023	Environmental Health & Building Control Enforcement Policy 2023/2026 Environmental Health & Building Control Enforcement Policy 2023/2026	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Tracey Willmott-French, Senior Environmental Health Manager

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