

Contact:

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Members' briefing pack

Wednesday, 14 June 2023

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Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

www.spelthorne.gov.uk customer.services@spelthorne.gov.uk Telephone 01784 451499

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Members' Briefing Pack

14 June 2023



Title	<i>Spelthorne Direct Services Ltd status report</i>
Purpose of the report	To note
Report Author	<i>Graham Boswell – Business Development Neighbourhood Services</i>
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	<i>n/a</i>
Corporate Priority	Service delivery
Recommendations	Committee is asked to: <ul style="list-style-type: none">• Note the progress and potential growth opportunities for Spelthorne Direct Services (SDS)
Reason for Recommendation	<i>To keep Committee apprised of the status and potential future growth opportunities for SDS.</i>

1. Summary of the report

1.1 This report will show:

- (a) That SDS has grown its waste collection service since the company was first established in 2020.
- (b) That SDS is in a very stable position by successfully delivering the commercial waste collection service, with turnover increasing year on year.
- (c) That SDS continues to look for growth opportunities not just in the waste sector but beyond. This includes looking for additional work outside of the borough.

2. Key issues

2.1 There are a limited number of businesses operating in Spelthorne that SDS can market to (central waste contracts, serviced buildings).

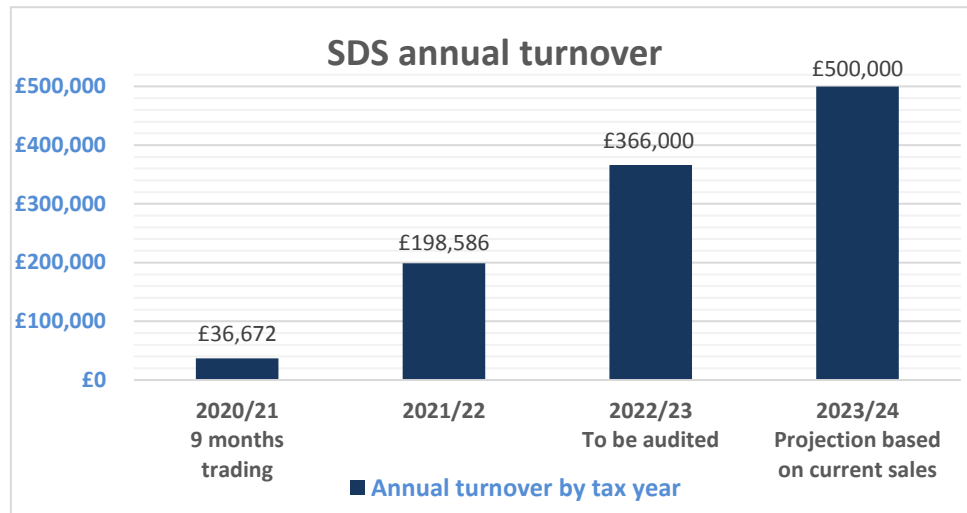
2.2 To increase business growth SDS needs to explore additional opportunities to a wider audience not necessarily linked to waste sector. The business plan to do this includes: -

- (a) Constantly market within the Borough.
- (b) Target businesses outside of Spelthorne.

- (c) Launch new waste related and/or complementary services e.g., Baling, bulky waste service, bin washing.
- (d) Grounds maintenance

3. Current position

3.1 The company was set up in 2020 to offer commercial services to the local business community and has been growing steadily. as shown in the chart below.



- 3.2 SDS' initial launch was a commercial waste collection service, which now has around three hundred customers, including the Elmsleigh shopping centre, three residential apartment blocks, and a large private residential estate outside of the Borough.
- 3.3 In the early days of the Company SDS offered a like for like service with the Council's domestic waste stream collections and offered two services: General mixed waste and Dry mixed recycling.
- 3.4 The company has since added additional collections of Food, Glass, and Garden waste and are emptying over 1000 x 1100ltr bins per week.
- 3.5 SDS operates separate waste collection rounds each week:
 - (a) Daily general waste (Monday – Friday)
 - (b) Mixed recycling (Monday, Wednesday, and Thursday)
 - (c) Garden waste on a private estate in Elmbridge (Thursday and Friday)
 - (d) Daily food waste (Monday – Friday)
- 3.6 SDS launched an 'Event bin' service in 2022, which delivers, empties, and collects bins on a short-term basis (1-30 days). This service has been growing steadily since launch and won a multi-event contract with a local events company at the beginning of 2023.
- 3.7 One area of growth is the introduction of conducting waste clearances (contaminated bins, overflowing bin stores, side waste etc.) on behalf of SBC, housing associations, managing agents, and private landlords. This service is growing steadily.
- 3.8 SDS owns one refuse vehicle which it purchased in 2021 by way of an agreed short-term loan from Spelthorne Borough Council and is currently spot hiring

a second to fulfil their commitment to the new 3-year contract with the residential estate. SDS is currently exploring a more permanent solution to operating the second vehicle. Options are whether it is more cost effective to purchase, spot hire, or lease a new or second-hand vehicle.

- 3.9 SDS' vehicle can empty both traditional wheelie bins as well as underground bins (UBs) and acts as a back up to SBC's underground bin service.

4. Market opportunities

- 4.1 There are a finite number of businesses within Spelthorne and a sizeable proportion of these either within a serviced building or have a central waste contract (where their head office arranges group contracts), so are not currently in a position to switch collections to SDS.

- 4.2 The company is constantly looking at ways to increase their customer base and revenue income. SDS officers do this by: -

- (a) Actively networking through our customers by asking them to introduce SDS to their business contacts.
- (b) Promoting services through Staines Business Forum, Staines Business Improvement District, and the Economic Development Team.
- (c) Working with the Law Enforcement Offices and Environmental Health.
- (d) Coordinating social media campaigns with SBC Communications team
- (e) Running a Trustpilot campaign to ask customers to rate SDS service. Customer feedback and comments will be added to our website and future marketing campaigns.
- (f) Constantly updating the SDS website.
- (g) Going out and introducing ourselves to local businesses and promoting our services.

- 4.3 SDS is promoting brand awareness by:

- (a) Sponsoring local events – Shepperton Fair, Spelthorne in bloom, and Staines & Laleham Sports Association.
- (b) Sponsoring Spelthorne Litter Pickers
- (c) Enclosing the waste collection service flier in the business rates letter that goes out to over two thousand local businesses every year.

- 4.4 SDS is currently researching the viability of promoting and expanding their services outside of Spelthorne. Initially they are looking into Walton, Egham, and Colnbrook as they already have collections in these areas.

5. Potential new services

- 5.1 To build on our existing customer relationships SDS will be exploring the viability of setting up additional waste related services, such as:

- (a) Cardboard and plastic baling.
- (b) A bulky waste service.
- (c) A bin washing service.
- (d) A persistent organic pollutants (POP) collection service. POPs are toxic, synthetic, hazardous organic chemicals that have a dangerous effect on

the environment and our health. Often found in furniture and material treated with fire retardants.

6. Equality and Diversity

- 6.1 SDS wants to recruit, develop, and retain the most talented people, regardless of their background.
- 6.2 We are guided by our values in everything we do and recognise that being a diverse and inclusive employer helps us fulfil our responsibility to be effective for staff and customers.
- 6.3 We seek to develop a work environment where we treat all employees as individuals, fairly and in a consistent way. We work within the spirit and the practice of the Equality Act 2010 by promoting a culture of respect and dignity and actively challenging discrimination, should it ever arise.
- 6.4 We will remove unnecessary barriers for our employees' seeking opportunities through training and development, promotion, and career planning.

7. Sustainability/Climate Change Implications

- 7.1 In line with SBC, SDS are committed to becoming carbon neutral.
- 7.2 With SDS being a locally based company, we are helping our customers reduce their carbon footprint.
- 7.3 Wherever possible SDS makes sure waste is recycled, repurposed, or reused, and diverted from landfill.
 - (a) Food waste goes to the Anaerobic digester at Charlton Lane where it creates electricity and inert compost.
 - (b) General waste goes to the Energy from waste plant at Charlton Lane to create electricity.
 - (c) Recycling goes to Grondon recycling centre in Colnbrook where it is separated and recycled.
- 7.4 By diverting one tonne of general waste from landfill SDS saves around 1.5 tonnes of CO2 going into the atmosphere.
- 7.5 Currently only about 1% of the waste SDS collects ends up in landfill, which is the residual waste left over from the energy from waste processes.
- 7.6 SDS' general waste has produced approximately 215,000KW hours of electricity between August 2022 and March 2023, which goes back into the Nation grid, helping reduce the need for coal or diesel fuelled energy production.
- 7.7 SDS will continue to seek the best solutions to any waste that is collected and look at the most carbon friendly solutions to operating their business.

8. Contact

- 8.1 Graham Boswell 01784 448626
g.boswell@spelthornedirectservices.co.uk
g.boswell@spelthorne.gov.uk

Members' Briefing Pack



14 June 2023

Title	<i>Audited accounts for Spelthorne Direct Services Ltd, for the year end 31 March 2022.</i>
Purpose of the report	To note
Report Author	<i>Terry Collier Chief Finance Officer</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Environment Service delivery
Recommendations	Committee is asked to note the report.
Reason for Recommendation	<p><i>The Board of Directors at Spelthorne Direct Services Ltd approved the accounts for the year ended 31 March 2022 on 20 March 2023, following a meeting with the Auditors.</i></p> <p><i>The Auditors provided an unqualified audit report, and the accounts were filed at Companies House and with His Majesty's Revenue & Customs (HMRC), where there was no Corporation Tax to pay.</i></p>

1. Summary of the report

1.1 The unqualified audited accounts for the year ended 31 March 2022, were approved by the Spelthorne Direct Services Ltd, (SDS) Board on 20 March 2023 and filed at Companies House.

1.2 There was no Corporation Tax to pay.

1.3 The accounts show the following:

	2021/22	2020/21
Turnover	£199,598	£36,672
Profit/(loss) for the year	£58,893	(£48,552)
Total equity	£10,342	(£48,551)

1.4 Following the lifting of restrictions after the COVID-19 pandemic, the business has improved considerably in the next twelve months based on the unaudited

draft accounts, with turnover increasing by 87% to £373,207, the reasons for this are twofold:

- (a) The Company successfully tendered for and won a major contract with one of the private estates in the area.
- (b) Exceptional Customer Service based upon the following feedback received from a customer.

“We changed from one of the largest suppliers in the waste industry to Spelthorne Direct Services about a year ago. We could not be happier, halved our price and trebled the service from Zoey and her team, her absolutely fabulous and so very helpful drivers. Nothing is too much trouble, rain or shine they do it with a smile. Not the easiest of jobs to collect our rubbish/recycling each week but it doesn't get much better than Spelthorne Direct Services. Huge thanks from us all” Guy and the team at ICD Couriers.

2. Key issues

- 2.1 The accounts for SDS are prepared by the internal staff at the company, with support from the Finance Team at Spelthorne Borough Council and are externally audited by MGI-Midgley Snelling.
- 2.2 Based upon their work carried out, the Directors signed the report on 20 March 2023 (Appendix A) and the Board formally accepted them on 21 March, following a meeting with Tracey Wickens, the Senior Statutory Auditor at MGI-Midgely Snelling.
- 2.3 Also attached is the Letter of Communication from the Auditor, which states that:
 - (a) There was no change in the audit process.
 - (b) There were no significant findings coming from the audit.
 - (c) There was an initial weakness identified regarding the assets, however, as subsequently explained to the Senior Statutory Auditor, **SDS does maintain accurate records of where each bin is located, the serial number of the bin, which are recorded in a system called Purgo.**
 - (d) A list of immaterial audit adjustments, see Appendix B below.
 - (e) Confirmation of an anticipated clean audit report being issued, subject to final checks and submissions.
 - (f) Confirmation that the auditors agree with the Directors views on:
 - i) Going concern
 - ii) Accounting policies and disclosures
 - (g) There were no related party issues.
 - (h) All third-party confirmations were received.
 - (i) Confirmation of MGI-Midgley Snellings independence.
- 2.4 As part of the normal audit process, the Directors were asked reprint the attached Letter of Representation (Appendix C) on company letter head, sign and return to the auditors, and there was nothing to highlight in this response.

2.5 This letter sets out key affirmations that the Directors have made during the audit process and that the auditors have highlighted, particularly in respect of Appendix A and B.

2.6 The aggregate adjustments are immaterial when considered as part of the group accounts. However, as Officers will be amending the Group accounts for the Council's other subsidiary, the Directors have accepted the small immaterial adjustments.

3. Financial implications

3.1 There are no further financial implications.

4. Risk considerations

4.1 There are none.

5. Procurement considerations

5.1 The external auditors were appointed following an appropriate procurement exercise.

6. Legal considerations

6.1 There are none.

7. Other considerations

7.1 There are none.

8. Equality and Diversity

8.1 There are none.

9. Sustainability/Climate Change Implications

9.1 SDS actively encourages business to recycle their dry mixed recyclables and food waste cutting down on emissions of methane from food waste breaking down in landfill.

10. Timetable for implementation

10.1 Not applicable.

11. Contact

Terry Collier, Chief Finance Officer t.collier@spelthorne.gov.uk

Background papers: There are none.

Appendices:

Appendix A – SDS Audited accounts 31 March 2022

Appendix B – SDS Letter of Communication 31 March 2022

Appendix C – SDS Letter of Representation 31 March 2022

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Company registration number 12700913 (England and Wales)

SPELTHORNE DIRECT SERVICES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

SPELTHORNE DIRECT SERVICES LTD

COMPANY INFORMATION

Directors	J C Taylor P L P Taylor	(Appointed 19 July 2022)
Company number	12700913	
Registered office	Council Offices Knowle Green Staines-Upon-Thames Middlesex TW18 1XB	
Auditor	MGI Midgley Snelling LLP Ibex House Baker Street Weybridge Surrey KT13 8AH	

SPELTHORNE DIRECT SERVICES LTD

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SPELTHORNE DIRECT SERVICES LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Principal activities

The company's principal activity during the period is the collection, treatment and disposal of non-hazardous waste and combined facilities support support activities.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J C Taylor

T M Collier

P L P Taylor

(Resigned 19 July 2022)

(Appointed 19 July 2022)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

.....
P L P Taylor

Director

Date:

SPELTHORNE DIRECT SERVICES LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPELTHORNE DIRECT SERVICES LTD

Opinion

We have audited the financial statements of Spelthorne Direct Services Ltd (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

SPELTHORNE DIRECT SERVICES LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPELTHORNE DIRECT SERVICES LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

In planning and designing our audit tests, we identify and assess the risks of material misstatements within the financial statements, whether due to fraud or error. Our assessment of these risks includes consideration of the nature of the industry and sector, the control environment and the business performance along with the results of our enquiries of management, about their own identification and assessment of the risks of irregularities. We are also required to perform specific procedures to respond to the risk of management override.

As a result of this assessment, we considered the opportunities and incentives that may exist within the company for fraud and identified that the greatest area of risk was in relation to management override.

We have obtained an understanding of the legal and regulatory frameworks that the company operates in from discussions with the director and our knowledge of the company and its industry sector. We have focused on the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and local tax legislation.

SPELTHORNE DIRECT SERVICES LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPELTHORNE DIRECT SERVICES LTD

We performed the following audit procedures after consideration of the above risks which included the following:

- enquiry of management of actual and potential litigation and claims;
- reviewing correspondence with HMRC and the company's legal advisors;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing meeting minutes between the directors and employees during the year.

The engagement partner has assessed that all engagement team members were made aware of the relevant laws and regulations and potential fraud risks and were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tracey Wickens

Senior Statutory Auditor

For and on behalf of MGI Midgley Snelling LLP

Date:

Chartered Accountants

Statutory Auditor

Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH

SPELTHORNE DIRECT SERVICES LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	Year ended 31 March 2022 £	Period ended 31 March 2021 £
Turnover	198,588	36,672
Cost of sales	(26,851)	-
	<hr/>	<hr/>
Gross profit	171,737	36,672
Administrative expenses	(107,607)	(84,174)
	<hr/>	<hr/>
Operating profit/(loss)	64,130	(47,502)
Interest payable and similar expenses	3 (5,237)	(1,050)
	<hr/>	<hr/>
Profit/(loss) before taxation	58,893	(48,552)
Tax on profit/(loss)	-	-
	<hr/>	<hr/>
Profit/(loss) for the financial year	<u>58,893</u>	<u>(48,552)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SPELTHORNE DIRECT SERVICES LTD

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	4		-		3,980
Tangible assets	5		63,734		35,365
			<u>63,734</u>		<u>39,345</u>
Current assets					
Debtors	6	25,857		13,757	
Cash at bank and in hand		77,654		40,363	
		<u>103,511</u>		<u>54,120</u>	
Creditors: amounts falling due within one year	7	(53,903)		(79,016)	
Net current assets/(liabilities)			<u>49,608</u>		<u>(24,896)</u>
Total assets less current liabilities			113,342		14,449
Creditors: amounts falling due after more than one year	8		(103,000)		(63,000)
Net assets/(liabilities)			<u>10,342</u>		<u>(48,551)</u>
Capital and reserves					
Called up share capital	9		1		1
Profit and loss reserves			10,341		(48,552)
Total equity			<u>10,342</u>		<u>(48,551)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:

.....
J C Taylor
Director

Company Registration No. 12700913

SPELTHORNE DIRECT SERVICES LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2020	1	-	1
Period ended 31 March 2021:			
Loss and total comprehensive income for the period	-	(48,552)	(48,552)
Balance at 31 March 2021	1	(48,552)	(48,551)
Year ended 31 March 2022:			
Profit and total comprehensive income for the year	-	58,893	58,893
Balance at 31 March 2022	1	10,341	10,342

SPELTHORNE DIRECT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Spelthorne Direct Services Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Council Offices, Knowle Green, Staines-Upon-Thames, Middlesex, TW18 1XB.

1.1 Reporting period

The accounting period was nine months in 2021 as the company was incorporated in June 2020. Therefore the comparative amounts presented in the financial statements are not entirely comparable.

1.2 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.3 Going concern

The COVID-19 pandemic has had a significant impact on the business due to the number of lockdowns imposed on key business sectors such as, hospitality, during the year, which has allowed the business to ensure that its administrative systems can deal with the level of business expected over the next 24 months. Spelthorne Borough Council has provided a £450,000 start up loan facility which the directors have only partially drawn down. The directors feel that this facility is sufficient to enable the company to continue to trade over the next twelve months from the date of signing the accounts.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	20% on cost
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

SPELTHORNE DIRECT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	10 - 20% straight line basis
Computers	20% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

SPELTHORNE DIRECT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Total	3	3
	<u> </u>	<u> </u>

3 Interest payable and similar expenses

	2022	2021
	£	£
Interest payable and similar expenses includes the following:		
Interest payable to group undertakings	5,237	1,050
	<u> </u>	<u> </u>

4 Intangible fixed assets

	Other
	£
Cost	
At 1 April 2021	4,975
Reclassified as profit and loss item	(4,975)
	<u> </u>
At 31 March 2022	-
	<u> </u>
Amortisation and impairment	
At 1 April 2021	995
Reclassified as profit and loss item	(995)
	<u> </u>
At 31 March 2022	-
	<u> </u>
Carrying amount	
At 31 March 2022	-
	<u> </u>
At 31 March 2021	3,980
	<u> </u>

SPELTHORNE DIRECT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

5 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 April 2021	40,252
Additions	36,628
	<hr/>
At 31 March 2022	76,880
	<hr/>
Depreciation and impairment	
At 1 April 2021	4,887
Depreciation charged in the year	8,259
	<hr/>
At 31 March 2022	13,146
	<hr/>
Carrying amount	
At 31 March 2022	63,734
	<hr/> <hr/>
At 31 March 2021	35,365
	<hr/> <hr/>

6 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	25,856	4,272
Other debtors	1	9,485
	<hr/>	<hr/>
	25,857	13,757
	<hr/> <hr/>	<hr/> <hr/>

7 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	17,244	8,017
Amounts owed to parent undertakings	24,708	65,012
Taxation and social security	4,413	2,019
Other creditors	7,538	3,968
	<hr/>	<hr/>
	53,903	79,016
	<hr/> <hr/>	<hr/> <hr/>

8 Creditors: amounts falling due after more than one year

	2022 £	2021 £
	Notes	
Amounts owed to parent undertakings	103,000	63,000
	<hr/> <hr/>	<hr/> <hr/>

SPELTHORNE DIRECT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

8 Creditors: amounts falling due after more than one year (Continued)

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	103,000	63,000
	<u> </u>	<u> </u>

9 Called up share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital Issued and not fully paid				
Ordinary share of £1 each	1	1	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

10 Financial commitments, guarantees and contingent liabilities

At the date of the balance sheet, the company had an outstanding commitment of 2022: Nil (2021: £96) due in relation to employers pension costs.

11 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022	2021
	£	£
Acquisition of tangible fixed assets	280,458	-
	<u> </u>	<u> </u>

As at 31 March 2022 the company had a capital commitment of £280,458. The commitment related to the purchase of a waste refuse vehicle which was delivered in August 2022.

12 Parent company

Spelthorne Direct Services Limited is a private company limited by shares and incorporated in England and is a wholly owned subsidiary of Spelthorne Borough Council who's registered office is Spelthorne Borough Council, Knowle Green, Staines-Upon-Thames, TW18 1XB.

SPELTHORNE DIRECT SERVICES LTD

DETAILED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	Year ended 31 March		Period ended 31 March	
	2022	2021	2021	
	£	£	£	£
Turnover				
Sales		198,588		36,672
Cost of sales				
Direct costs	26,851	-	-	-
	<hr/>		<hr/>	
Total cost of sales		(26,851)		-
		<hr/>		<hr/>
Gross profit		171,737		36,672
Administrative expenses				
Wages and salaries	32,241	12,083		
Social security costs	3,135	1,162		
Temporary staff	13,724	16,533		
Subcontract labour	1,313	-		
Staff recruitment costs	-	5,220		
Staff training	345	113		
Staff pension costs	1,290	483		
Computer running costs	4,718	3,827		
Hire of equipment (not operating lease)	1,225	225		
Motor running expenses	18,693	2,341		
Travelling expenses	80	-		
Postage, courier and delivery charges	243	101		
Professional subscriptions	9,374	9,217		
Legal and professional fees	-	3,298		
Audit fees	3,500	3,750		
Bank charges	884	29		
Printing and stationery	445	168		
Advertising	4,888	19,090		
Telecommunications	950	130		
Entertaining	208	22		
Sundry expenses	892	-		
Storage costs	1,200	500		
Amortisation	-	995		
Depreciation	8,259	4,887		
		<hr/>		<hr/>
		(107,607)		(84,174)
Operating profit/(loss)		64,130		(47,502)
Interest payable and similar expenses				
Interest payable to group companies		(5,237)		(1,050)
		<hr/>		<hr/>
Profit/(loss) before taxation		58,893		(48,552)
		<hr/> <hr/>		<hr/> <hr/>

Report to management
PRIVATE AND CONFIDENTIAL

Our ref: TKW/MP/S1160/643422

Board of Directors
Spelthorne Direct Services Limited
Council Offices, Knowle Green
Staines – Upon – Thames
TW18 1XB

17 March 2023

Dear Sir/Madam

REPORT TO MANAGEMENT – SPELTHORNE DIRECT SERVICES LTD

During the course of our audit for the year ended 31 March 2022 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.

We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our planning communication letter dated 18 November 2022, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

This report has been prepared for the sole use of the directors of Spelthorne Direct Services Ltd and must not be shown to third parties without our prior consent. No responsibilities are accepted by MGI Midgley Snelling LLP towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all of the company's staff who assisted us in carrying out our work.

Yours faithfully

[Redacted signature]

SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT FOR THE YEAR ENDED 31 MARCH 2022

Audit approach

There were no changes to our audit approach as set out to you in our letter dated 18 November 2022.

Summary of significant audit findings

Significant risk area identified at planning	Findings and recommendations
<p>Revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.</p>	<p>We carried out a review and testing of revenue recognition policies, including transaction testing from source documents and cut off testing.</p> <p>From the testing performed, no issues were identified.</p>
<p>Management override of controls Under ISA (UK) 240 there is a presumed risk that management and directors have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.</p>	<p>We carried out a review of accounting estimates, judgements and decisions made by management. We performed testing of journal entries and a review of unusual significant transactions.</p> <p>From the testing performed, no instances of management override of controls were identified.</p>
Other areas where issues were identified during the audit	Findings and recommendations
<p>Going concern Under ISA (UK) 570, the company's going concern has been considered.</p>	<p>From our review of forecasts and after discussions with management, the company looks in a strong position.</p> <p>We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.</p>
<p>Loan covenants The loan covenants have been reviewed to review any breaches in the terms of the agreement.</p>	<p>From a review of the loan agreement with the Spelthorne Borough Council we note that the accounts have not been provided within the given timeframe stated on the contract clause 11.1.1. Whilst we understand that the chances of Spelthorne retracting the loan because of this breach is low, it should be recommended that the accounts are filed in line with the covenant to ensure there are no breaches with the loan agreement.</p>

Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Control weakness identified	Potential implications and recommendations
Location of fixed assets We noted during the audit that there was no method of distinguishing between the assets, particularly bins that the company has ownership of.	Potential over/understating of assets as you are unaware of the location of the assets. Keep accurate records such as a fixed asset tracker.

Summary of audit differences and draft letter of representation

We have attached a draft letter of management representations required in connection with our audit.

Attached to the letter of management representations is a schedule of all of the unadjusted misstatements noted during our work. We would be grateful if you could review these and confirm (as point 6 in the letter of representation) that you are satisfied that none of these need to be adjusted for in the financial statements.

Anticipated audit report

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

Going concern

We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

Accounting policies, estimates and disclosures

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the company. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the company.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested confirmations have been received.

Independence

In accordance with our profession's ethical guidance and further to our planning communication letter to you dated 18 November 2022 confirming audit planning arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



MGI Midgley Snelling LLP
Chartered Accountants
Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the company's financial statements for the year ended 31 March 2022. These enquiries have included inspection of supporting documentation, where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

General

1. We have fulfilled our responsibilities as directors, as set out in the terms of your engagement letter dated 31 March 2022 under the Companies Act 2006, for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
2. All the transactions undertaken by the company have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the company, and with all other records and related information requested, including minutes of all management and shareholder meetings.
4. The financial statements are free of material misstatements, including omissions.
5. We have considered the adjustments in Appendix 1. We confirm that, in our judgement, these adjustments are appropriate given the information available to us. We further confirm that we have now made these adjustments to the financial statements.
6. The effects of uncorrected misstatements (as set out in the Appendix 2 to this letter) are immaterial both individually and in total.

Subsequent events

18. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

19. We believe that the company's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs. We also confirm our plans for future action(s) required to enable the company to continue as a going concern are feasible. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the company's ability to continue as a going concern need to be made in the financial statements.

Specific matters

20. All In particular, we make the following representations in relation to the financial statements for the year ended 31 December 2022:

- a. We confirm that no holiday pay accrual is necessary for inclusion in the financial statements;
- b. We confirm that an amount of £127,708 is due to the parent company, Spelthorne Borough Council as at 31 March 2022.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

.....

Signed on behalf of the board of directors.

.....


Dated... *20 March 2023*

Company registration number 12700913 (England and Wales)

SPELTHORNE DIRECT SERVICES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

SPELTHORNE DIRECT SERVICES LTD

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Statement of changes in equity	7
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SPELTHORNE DIRECT SERVICES LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPELTHORNE DIRECT SERVICES LTD

Opinion

We have audited the financial statements of Spelthorne Direct Services Ltd (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

SPELTHORNE DIRECT SERVICES LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPELTHORNE DIRECT SERVICES LTD

We performed the following audit procedures after consideration of the above risks which included the following:

- enquiry of management of actual and potential litigation and claims;
- reviewing correspondence with HMRC and the company's legal advisors;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing meeting minutes between the directors and employees during the year.

The engagement partner has assessed that all engagement team members were made aware of the relevant laws and regulations and potential fraud risks and were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tracey Wickens
Senior Statutory Auditor
For and on behalf of MGI Midgley Snelling LLP

Date:

Chartered Accountants
Statutory Auditor

Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH

APPENDIX 1

Reconciliation of draft to final accounts

	Profit increase /(decrease) £	Assets increase /(decrease) £	Liabilities increase /(decrease) £	Shareholders' funds £
Profit/(Loss) per draft financial statements	52,923			
Reverse computer software cost to profit and loss	4,975	4,975		
Reverse amortisation of intangible asset	995	995		
Total adjustments	5,970	5,970		
Revised profit/(loss) per the financial statements	58,893			

APPENDIX 2

Unadjusted errors or differences

	Profit increase /(decrease) £	Assets increase /(decrease) £	Liabilities increase /(decrease) £	Shareholders' funds £
Revised profit/(loss) per financial statements as presented to the Board	58,893			
After date invoice not accrued for	(1,248)		1,248	
Difference on audit accrual	(2,000)		2,000	
Holiday leave accruals	(1,273)		1,458	
NBV of computer software omitted from balance sheet	2,985	2,985		
Total adjustments	(1,536)	2,985	4,521	-
Potential revised profit/(loss) per the financial statements	57,357			

Northern Ireland information

856	Amount of group relief claimed which relates to NI trading losses used against rest of UK/mainstream profits	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>
857	Amount of group relief claimed which relates to NI trading losses used against NI trading profits	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>
858	Amount of group relief claimed which relates to rest of UK/mainstream losses used against NI trading profits	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>

Overpayments and repayments

Small repayments

860	Do not repay sums of	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>	or less.
Read the overpayments and repayments section of the Company Tax Return Guide for specific guidance on when and how to make an entry in this box.			

Repayments for the period covered by this return

865	Repayment of Corporation Tax	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>
870	Repayment of Income Tax	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>
875	Payable Research and Development tax credit	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>
880	Payable Research and Development expenditure credit	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>
885	Payable creative tax credit	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>
890	Payable land remediation or life assurance company tax credit	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>
895	Payable capital allowances first-year tax credit	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>

Surrender of tax refund within group

Including surrenders under the Instalment Payments Regulations		
900	The following amount is to be surrendered	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>
Put an 'X' in the appropriate boxes below		
	the joint Notice is attached	<input type="checkbox"/> 905 <input type="checkbox"/>
	or	
	will follow	<input type="checkbox"/> 910 <input type="checkbox"/>
915	Please stop repayment of the following amount until we send you the Notice	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/>

Information about capital allowances and balancing charges

Allowances and charges in the calculation of trading profits and losses

	Capital allowances	Balancing charges
Annual investment allowance	690 £ <input type="text"/>	
Machinery and plant - super-deduction	691 £ <input type="text"/>	692 £ <input type="text"/>
Machinery and plant - special rate allowance	693 £ <input type="text"/>	694 £ <input type="text"/>
Machinery and plant - special rate pool	695 £ <input type="text"/>	700 £ <input type="text"/>
Machinery and plant - main pool	705 £ <input type="text"/> 4 <input type="text"/> 7 <input type="text"/> 6 <input type="text"/> 1 <input type="text"/> 7	710 £ <input type="text"/>
Structures and buildings	711 £ <input type="text"/>	
Business premises renovation	715 £ <input type="text"/>	720 £ <input type="text"/>
Other allowances and charges	725 £ <input type="text"/>	730 £ <input type="text"/>
	Capital allowances	Disposal value
Electric charge-points	713 £ <input type="text"/>	714 £ <input type="text"/>
Enterprise zones	721 £ <input type="text"/>	722 £ <input type="text"/>
Zero emissions goods vehicles	723 £ <input type="text"/>	724 £ <input type="text"/>
Zero emissions cars	726 £ <input type="text"/>	727 £ <input type="text"/>

Allowances and charges not included in the calculation of trading profits and losses

	Capital allowances	Balancing charges
Annual investment allowance	735 £ <input type="text"/>	
Structures and buildings	736 £ <input type="text"/>	
Business premises renovation	740 £ <input type="text"/>	745 £ <input type="text"/>
Machinery and plant - super-deduction	741 £ <input type="text"/>	742 £ <input type="text"/>
Machinery and plant - special rate allowance	743 £ <input type="text"/>	744 £ <input type="text"/>
Other allowances and charges	750 £ <input type="text"/>	755 £ <input type="text"/>
	Capital allowances	Disposal value
Electric charge-points	737 £ <input type="text"/>	738 £ <input type="text"/>
Enterprise zones	746 £ <input type="text"/>	747 £ <input type="text"/>
Zero emissions goods vehicles	748 £ <input type="text"/>	749 £ <input type="text"/>
Zero emissions cars	751 £ <input type="text"/>	752 £ <input type="text"/>

Calculation of tax outstanding or overpaid - continued

526	Coronavirus support schemes overpayment now due - total of boxes 471 and 474 minus boxes 472 and 473	£															0	•	0	0	
527	Restitution tax	£																			
528	Self-assessment of tax payable - total of boxes 525, 526 and 527	£																0	•	0	0

Tax reconciliation

530	Research and Development credit	£																		
535	(Not currently used)	£																		
540	Creative tax credit	£																		
545	Total of Research and Development credit and creative tax credit - total box 530 to 540	£																		
550	Land remediation tax credit	£																		
555	Life assurance company tax credit	£																		
560	Total land remediation and life assurance company tax credit - total box 550 and 555	£																		
565	Capital allowances first-year tax credit	£																		
570	Surplus Research and Development credits or creative tax credit payable - box 545 minus box 525	£																		
575	Land remediation or life assurance company tax credit payable - total of boxes 545 and 560 minus boxes 525 and 570	£																		
580	Capital allowances first-year tax credit payable - boxes 545, 560 and 565 minus boxes 525, 570 and 575	£																		
585	Ring fence Corporation Tax included	£																		
586	NI Corporation Tax included	£																		
590	Ring fence supplementary charge included	£																		
595	Tax already paid (and not already repaid)	£																		
600	Tax outstanding - box 525 minus boxes 545, 560, 565 and 595	£																		
605	Tax overpaid including surplus or payable credits - total sum of boxes 545, 560, 565 and 595 minus 525	£																		

Deductions and Reliefs - continued

263	Carried forward non-trade deficits from loan relationships and derivative contracts (financial instruments)	£								1	0	5	0	•	0	0	
265	Non-trading losses on intangible fixed assets	£												•	0	0	
275	Total trading losses of this or a later accounting period	£												•	0	0	
280	Put an 'X' in box 280 if amounts carried back from later accounting periods are included in box 275		<input type="checkbox"/>														
285	Trading losses carried forward and claimed against total profits	£								2	2	5	7	7	•	0	0
290	Non-trade capital allowances	£												•	0	0	
295	Total of deductions and reliefs - total of boxes 240 to 275, 285 and 290	£								2	8	8	6	4	•	0	0
300	Profits before qualifying donations and group relief - box 235 minus box 295	£												0	•	0	0
305	Qualifying donations	£												•	0	0	
310	Group relief	£												•	0	0	
312	Group relief for carried forward losses	£												•	0	0	
315	Profits chargeable to Corporation Tax - box 300 minus boxes 305, 310 and 312	£												0	•	0	0
320	Ring fence profits included	£												•	0	0	
325	Northern Ireland profits included	£												•	0	0	

Tax calculation

Enter how much profit has to be charged and at what rate

	Financial year (yyyy)		Amount of profit		Rate of tax		Tax										
					%												
330	2 0 2 1	335	£	340	19%	345	£	p									
		350	£	355		360	£	p									
		365	£	370		375	£	p									
380		385	£	390		395	£	p									
		400	£	405		410	£	p									
		415	£	420		425	£	p									
Corporation Tax - total of boxes 345, 360, 375, 395, 410 and 425				430	£								0	•	0	0	
Marginal relief for ring fence trades				435	£									•			
Corporation Tax chargeable - box 430 minus box 435				440	£									0	•	0	0

About this return - continued

Accounts and computations	
80	I attach accounts and computations for the period to which this return relates <input type="checkbox"/>
85	I attach accounts and computations for a different period <input type="checkbox"/>
90	If you are not attaching the accounts and computations, explain why <input type="text"/>
Supplementary pages enclosed	
95	Loans and arrangements to participators by close companies - form CT600A <input type="checkbox"/>
100	Controlled foreign companies, foreign permanent establishment exemptions, hybrid and other mismatches - form CT600B <input type="checkbox"/>
105	Group and consortium - form CT600C <input type="checkbox"/>
110	Insurance - form CT600D <input type="checkbox"/>
115	Charities and Community Amateur Sports Clubs (CASCs) - form CT600E <input type="checkbox"/>
120	Tonnage tax - form CT600F <input type="checkbox"/>
125	Northern Ireland - form CT600G <input type="checkbox"/>
130	Cross-border royalties - form CT600H <input type="checkbox"/>
135	Supplementary charge in respect of ring fence trades - form CT600I <input type="checkbox"/>
140	Disclosure of Tax Avoidance Schemes - form CT600J <input type="checkbox"/>
141	Restitution tax - form CT600K <input type="checkbox"/>
142	Research and Development - form CT600L <input type="checkbox"/>
143	Freeports - form CT600M <input type="checkbox"/>

Tax calculation

Turnover

145	Total turnover from trade	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 1 9 8 5 8 8 . 0 0
150	Banks, building societies, insurance companies and other financial concerns - put an 'X' in this box if you do not have a recognised turnover and have not made an entry in box 145	<input type="checkbox"/>

Income

155	Trading profits	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 8 8 6 4 . 0 0
160	Trading losses brought forward set against trading profits	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . 0 0
165	Net trading profits - box 155 minus box 160	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 8 8 6 4 . 0 0
170	Bank, building society or other interest, and profits from non-trading loan relationships	£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . 0 0
172	Put an 'X' in box 172 if the figure in box 170 is net of carrying back a deficit from a later accounting period	<input type="checkbox"/>

SPELTHORNE DIRECT SERVICES LTD

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

	Year ended 31 March		Period ended 31 March	
	2022	2021	2022	2021
	£	£	£	£
Turnover				
Sales		198,588		36,672
Cost of sales				
Direct costs	26,851	-	-	-
Total cost of sales		(26,851)		-
Gross profit		171,737		36,672
Administrative expenses				
Wages and salaries	32,241		12,083	
Social security costs	3,135		1,162	
Temporary staff	13,724		16,533	
Subcontract labour	1,313		-	
Staff recruitment costs	-		5,220	
Staff training	345		113	
Staff pension costs	1,290		483	
Computer running costs	4,718		3,827	
Hire of equipment (not operating lease)	1,225		225	
Motor running expenses	18,693		2,341	
Travelling expenses	80		-	
Postage, courier and delivery charges	243		101	
Professional subscriptions	9,374		9,217	
Legal and professional fees	-		3,298	
Audit fees	3,500		3,750	
Bank charges	884		29	
Printing and stationery	445		168	
Advertising	4,888		19,090	
Telecommunications	950		130	
Entertaining	208		22	
Sundry expenses	892		-	
Storage costs	1,200		500	
Amortisation	-		995	
Depreciation	8,259		4,887	
		(107,607)		(84,174)
Operating profit/(loss)		64,130		(47,502)
Interest payable and similar expenses				
Interest payable to group companies		(5,237)		(1,050)
Profit/(loss) before taxation		58,893		(48,552)

SPELTHORNE DIRECT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

5	Tangible fixed assets		
			Plant and machinery etc
			£
	Cost		
	At 1 April 2021		40,252
	Additions		36,628
	At 31 March 2022		<u>76,880</u>
	Depreciation and impairment		
	At 1 April 2021		4,887
	Depreciation charged in the year		8,259
	At 31 March 2022		<u>13,146</u>
	Carrying amount		
	At 31 March 2022		<u>63,734</u>
	At 31 March 2021		<u>35,365</u>
6	Debtors		
		2022	2021
		£	£
	Amounts falling due within one year:		
	Trade debtors	25,856	4,272
	Other debtors	1	9,485
		<u>25,857</u>	<u>13,757</u>
7	Creditors: amounts falling due within one year		
		2022	2021
		£	£
	Trade creditors	17,244	8,017
	Amounts owed to parent undertakings	24,708	65,012
	Taxation and social security	4,413	2,019
	Other creditors	7,538	3,968
		<u>53,903</u>	<u>79,016</u>
8	Creditors: amounts falling due after more than one year		
		2022	2021
		£	£
	Amounts owed to parent undertakings	103,000	63,000
		<u>103,000</u>	<u>63,000</u>

SPELTHORNE DIRECT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	10 - 20% straight line basis
Computers	20% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

SPELTHORNE DIRECT SERVICES LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2020	1	-	1
Period ended 31 March 2021:			
Loss and total comprehensive income for the period	-	(48,552)	(48,552)
Balance at 31 March 2021	1	(48,552)	(48,551)
Year ended 31 March 2022:			
Profit and total comprehensive income for the year	-	58,893	58,893
Balance at 31 March 2022	1	10,341	10,342

Bank details (for a person to whom a repayment is to be made)

920	Name of bank or building society	<input type="text"/>
925	Branch sort code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
930	Account number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
935	Name of account	<input type="text"/>
940	Building society reference	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

Payments to a person other than the company

945	Complete the authority below if you want the repayment to be made to a person other than the company I, as (enter status - for example, company secretary, treasurer, liquidator or authorised agent)	<input type="text"/>
950	of (enter company name)	<input type="text"/>
955	authorise (enter name)	<input type="text"/>
960	of address (enter address)	<input type="text"/>
965	Nominee reference	<input type="text"/>
	to receive payment on company's behalf	
970	Name	<input type="text"/>

Declaration

Declaration	
I declare that the information I have given on this Company Tax Return and any supplementary pages is correct and complete to the best of my knowledge and belief.	
I understand that giving false information in the return, or concealing any part of the company's profits or tax payable, can lead to both the company and me being prosecuted.	
975	Name
	<input type="text" value="J TAYLOR"/>
980	Date DD MM YYYY
	<input type="text" value="20 03 2023"/>
985	Status
	<input type="text" value="DIRECTOR"/>

Members' Briefing Pack



14 June 2023

Title	<i>Audited accounts for Knowle Green Estates Ltd, for the year end 31 March 2022.</i>
Purpose of the report	To note
Report Author	<i>Paul Taylor Chief Accountant</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Environment Service delivery
Recommendations	Committee is asked to note the report.
Reason for Recommendation	<i>The Board of Directors at Knowle Green Estates Ltd approved the unqualified audited accounts for the year ended 31 March 2022 on 29 March 2023, following a meeting with the Auditors.</i>

1. Summary of the report

- 1.1 The unqualified audited accounts for the year ended 31 March 2022, were approved by the Knowle Green Estates (KGE) Board on 29 March 2023 and filed at Companies House.
- 1.2 There was no Corporation Tax to pay.
- 1.3 The accounts show the following:

	2021/22	2020/21
Profit/(loss) for the year	£144,334	(£93,643)
Total Comprehensive Income/(Expenditure) for the year	£3,464,975	(£2,419,995)
Total equity	£3,179,115	(£285,860)

- 1.4 The main reason for the improvement in performance from 2020/21 to 2021/22 is twofold:
 - (a) The transfer of the Harper House back to the Council from KGE that created a paper loss in KGE, which is cancelled out on consolidation in the Council's Group Accounts.

- (b) The improvement to the property valuations, based on full occupancy and strong rental streams from private renters and affordable housing.

2. Key issues

2.1 KGE changed its auditors during the year, so that all the Council's tax compliance work was with one firm, and this was a major reason for the delay in finalising the accounts for the year end 31 March 2022. Noting that the audit for the year ended 31 March 2023 has already commenced and is expected to be completed by the end of June 2023.

2.2 Following a meeting with Tracey Wickens, the Senior Statutory Auditor at MGI-Midgely Snelling, the KGE Board of Directors formally accepted and signed the accounts (Appendix A) on 29 March 2023,

2.3 Also attached is the Letter of Communication from the Auditor, which states that:

- (a) There was no change in the audit process.
- (b) There were no significant findings coming from the audit.
- (c) There was an initial weakness identified regarding the assets, however, as explained to the Senior Statutory Auditor, KGE maintains accurate records of where each bin is located.
- (d) A list of immaterial audit adjustments, see Appendix C in next section.
- (e) Some commentary on internal controls:

- i) There are some challenges with the Bluebox (a Tenancy based application) when producing final accounts, as there has been little development work carried out by the Assets team to develop the software to deliver a recognisable trial balance from the system, making it a labour intensive process.

This is being addressed by Officers going forward.

- ii) The two sums referred to come from the previous year which was audited by Azets, and therefore, there should have been sufficient information in the audit files to deal with matter.

Officers subsequently review the journals from the previous auditors and ascertained that figures were as follows:

- £10,793 – this was written off in yearend 2021, by agreement with the auditors and the Board.
- £4,134 – this was deferred income from 2021 and should be written to the profit and loss account.

Please note that both adjustments are favourable and under the companies materiality levels, and will be adjusted accordingly going forward.

- (f) Confirmation of an anticipated clean audit report being issued, subject to final checks and submissions.
- (g) Confirmation that the auditors agree with the Directors views on:
 - i) Going concern
 - ii) Accounting policies and disclosures

- (h) There were no related party issues.
 - (i) All third-party confirmations were received.
 - (j) Confirmation of MGI-Midgley Snellings independence.
- 2.4 As part of the normal audit process, the Directors were asked to sign the attached Letter of Representation (Appendix C) and return to the auditors.
- 2.5 This letter sets out key affirmations that the Directors have made during the audit process and that the auditors have highlighted, particularly in respect of Appendix 1 and 2.
- 2.6 Appendix 1 – The initial draft accounts were prepared based on a valuation report received from the valuers Wilks Head Eve. This was queried and additional information supplied, as a result the valuations were significantly revised by WHE. This was a material audit adjustment.
- 2.7 Appendix 2 – A trade creditor amounting to £1,048 was not included in the accounts. This figure is immaterial for audit purposes.
- 2.8 Where adjustments are material, the Board requested that the financial statements were amended to reflect these adjustments. As a result of these adjustments the Spelthorne Borough Council Group accounts will need to be updated to reflect these favourable adjustments.

3. Financial implications

- 3.1 There are no further financial implications in respect of the financial accounts.

4. Risk considerations

- 4.1 The property valuations are based on a variety of data, and does not reflect the best valuation, i.e., an offer to buy the premises or company, which could be higher or lower than the asset carrying value included in the audited financial accounts for the year ended 31 March 2022.
- 4.2 The Bluebox financial system, is not widely recognised within the finance profession and it has been difficult for the Finance Team to support the Assets Team to deliver timely year end accounts, management accounts and budgets. Officers are in discussion to look at moving the accounts production to Centros, where greater resilience and support can be provided.
- 4.3 Delays to the Development Projects has put financial pressure on KGE, and at the Extraordinary Council Meeting it requested a refinancing package, including the purchase of equity shares, to match the potential Homes England Funding and reduce the Loan to Property Value to 50%, as current PWLB interest rates are circa 5% and expected to rise further in mid-June, when the Bank of England meet to review the Base Rate.
- 4.4 The original projections approved by the KGE Board in June 2021, where prepared on the assumptions that Thameside House and Victory Place would be occupied from January 2024 and November 2023 respectively, as neither development has commenced yet, this is putting pressure on KGE, not only from a cashflow perspective, but also in its ability to establish a truly independent Board, as it is unable to generate the cashflow to support this additional expenditure.

4.5 Since the change of Council policy on 22 March 2022 – Transferring property to KGE at cost - this has ensured that there is no chance of a loss materialising upon transfer to KGE, in the Council's accounts.

4.6 To reduce the financial risk on KGE being unable to afford to manage any of the Council's development properties, since the last property was transferred in December 2021, viability assessments are now carried out on each development, which will include modelling over a 50 year period different scenarios, such as, changes in interest rates, loan term, rent increases and capital cost.

5. Procurement considerations

5.1 The external auditors were appointed following an appropriate procurement exercise.

6. Legal considerations

6.1 There are none.

7. Other considerations

7.1 The main items have been discussed in the other sections for the report.

8. Equality and Diversity

8.1 There are none for this report.

9. Sustainability/Climate Change Implications

9.1 Not directly applicable. Ensuring a viable company assists the Council in supporting businesses to more sustainably manage their waste.

10. Timetable for implementation

10.1 Not applicable, as report is just for noting.

11. Contact

Paul Taylor, Chief Accountant p.taylor@spelthrone.gov.uk

Background papers: There are none.

Appendices:

Appendix A – KGE Audited accounts 31 March 2022

Appendix B – KGE Letter of Communication 31 March 2022

Appendix C – KGE Letter of Representation 31 March 2022

Company registration number 10170860 (England and Wales)

KNOWLE GREEN ESTATES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

KNOWLE GREEN ESTATES LTD

COMPANY INFORMATION

Directors	T Collier S Buttar A Fillis D Levy
Secretary	F Hussain
Company number	10170860
Registered office	Council Offices Knowle Green Staines-Upon-Thames Middlesex TW18 1XB
Auditor	MGI Midgley Snelling LLP Ibex House Baker Street Weybridge Surrey KT13 8AH

KNOWLE GREEN ESTATES LTD

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KNOWLE GREEN ESTATES LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Principal activities

The principal activity of the company continued to be that of providing affordable housing lettings for families, keyworkers and private individuals who are resident in the Borough of Spelthorne.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

T Collier
S Buttar
A Fillis
D Levy

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Significant Transactions

During the year, Spelthorne Borough Council agreed to transfer Benwell House and West Wing to the company as part of the property portfolio Knowle Green Estates Limited owns.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

KNOWLE GREEN ESTATES LTD

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

On behalf of the board



.....
T Collier
Director

Date: 29/03/23

KNOWLE GREEN ESTATES LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KNOWLE GREEN ESTATES LTD

Opinion

We have audited the financial statements of Knowle Green Estates Ltd (the 'company') for the year ended 31 March 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

KNOWLE GREEN ESTATES LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KNOWLE GREEN ESTATES LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

In planning and designing our audit tests, we identify and assess the risks of material misstatements within the financial statements, whether due to fraud or error. Our assessment of these risks includes consideration of the nature of the industry and sector, the control environment and the business performance along with the results of our enquiries of management, about their own identification and assessment of the risks of irregularities. We are also required to perform specific procedures to respond to the risk of management override.

As a result of this assessment, we considered the opportunities and incentives that may exist within the company for fraud and identified that the greatest area of risk was in relation to management override.

We have obtained an understanding of the legal and regulatory frameworks that the company operates in from discussions with the director and our knowledge of the company and its industry sector. We have focused on the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and local tax legislation.

KNOWLE GREEN ESTATES LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KNOWLE GREEN ESTATES LTD

We performed the following audit procedures after consideration of the above risks which included the following:

- enquiry of management of actual and potential litigation and claims;
- reviewing correspondence with HMRC and the company's legal advisors;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing meeting minutes between the directors and employees during the year.

The engagement partner has assessed that all engagement team members were made aware of the relevant laws and regulations and potential fraud risks and were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.


Tracey Wickens
Senior Statutory Auditor
For and on behalf of MGI Midgley Snelling LLP

Chartered Accountants
Statutory Auditor

30/03/2023
Date:

Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH

KNOWLE GREEN ESTATES LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	2022 £	2021 £
Turnover	781,359	168,437
Administrative expenses	(536,373)	(161,754)
Operating profit	<u>244,986</u>	<u>6,683</u>
Interest payable and similar expenses	(100,652)	(101,319)
Profit/(loss) before taxation	<u>144,334</u>	<u>(94,636)</u>
Tax on profit/(loss)	-	993
Profit/(loss) for the financial year	<u>144,334</u>	<u>(93,643)</u>
Other comprehensive income		
Revaluation of tangible fixed assets	4,052,176	(2,326,352)
Tax relating to other comprehensive income	(731,535)	-
Total comprehensive income for the year	<u><u>3,464,975</u></u>	<u><u>(2,419,995)</u></u>

KNOWLE GREEN ESTATES LTD

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Tangible assets	4		32,996,900		4,542,272
Current assets					
Debtors	5	78,679		11,999	
Cash at bank and in hand		155,855		68,917	
		<u>234,534</u>		<u>80,916</u>	
Creditors: amounts falling due within one year	6	<u>(616,295)</u>		<u>(295,659)</u>	
Net current liabilities			<u>(381,761)</u>		<u>(214,743)</u>
Total assets less current liabilities			32,615,139		4,327,529
Creditors: amounts falling due after more than one year	7		(28,704,489)		(4,613,389)
Provisions for liabilities			<u>(731,535)</u>		<u>-</u>
Net assets/(liabilities)			<u>3,179,115</u>		<u>(285,860)</u>
Capital and reserves					
Called up share capital	8		1		1
Revaluation reserve	9		3,320,641		-
Profit and loss reserves			<u>(141,527)</u>		<u>(285,861)</u>
Total equity			<u>3,179,115</u>		<u>(285,860)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on .. 29/3/23 and are signed on its behalf by:


A Fillis
Director

Company Registration No. 10170860

KNOWLE GREEN ESTATES LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2020	1	2,246,727	(112,593)	2,134,135
Year ended 31 March 2021:				
Loss for the year	-	-	(93,643)	(93,643)
Other comprehensive income:				
Revaluation of tangible fixed assets	-	(2,326,352)	-	(2,326,352)
Total comprehensive income for the year	-	(2,326,352)	(93,643)	(2,419,995)
Transfers	-	79,625	(79,625)	-
Balance at 31 March 2021	1	-	(285,861)	(285,860)
Year ended 31 March 2022:				
Profit for the year	-	-	144,334	144,334
Other comprehensive income:				
Revaluation of tangible fixed assets	-	4,052,176	-	4,052,176
Tax relating to other comprehensive income	-	(731,535)	-	(731,535)
Total comprehensive income for the year	-	3,320,641	144,334	3,464,975
Balance at 31 March 2022	1	3,320,641	(141,527)	3,179,115

KNOWLE GREEN ESTATES LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Knowle Green Estates Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Council Offices, Knowle Green, Staines-Upon-Thames, Middlesex, TW18 1XB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have a reasonable expectation that the company has adequate resources and financial support from Spelthorne Borough Council to continue as a going concern for the foreseeable future. This is evidenced by the balance sheet showing healthy net assets at the year end.

The business plan for the company is to continue to increase their property portfolio including assured short-hold tenancies and affordable housing. The council's overall property strategy is part of the long-term objective of sustainable local regeneration and housing supported by good financial strength and stability.

The company remains integral to the council's strategy. As such, the company continues to adopt the going concern basis in preparing the annual report and financial statements

1.3 Turnover

Turnover is measured at the fair value of the consideration of rents received or receivable, net of discounts.

1.4 Tangible fixed assets

Land and buildings within fixed assets are initially measured at cost, comprising the purchase price and any costs attributed to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the company.

Land and buildings are then carried at fair value under the revaluation model, determined as the amount that would be paid for the asset in its existing use. Assets held at their fair value are revalued sufficiently regularly to ensure that their carrying value amount are not materially different from their fair value at the year end, as a minimum every five years.

Any aggregate surplus or deficit arising from the changes in fair value is recognised in other comprehensive income, with associated reserves recognised separately within revaluation reserves. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold land and buildings over 50 years on a straight line basis

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.6 Financial instruments

KNOWLE GREEN ESTATES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

KNOWLE GREEN ESTATES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Total	4	4

4 Tangible fixed assets

	Land and buildings £
Cost or valuation	
At 1 April 2021	4,625,000
Additions	24,441,390
Revaluation	3,930,510
At 31 March 2022	<u>32,996,900</u>
Depreciation and impairment	
At 1 April 2021	82,728
Depreciation charged in the year	38,938
Revaluation	(121,666)
At 31 March 2022	<u>-</u>
Carrying amount	
At 31 March 2022	<u>32,996,900</u>
At 31 March 2021	<u>4,542,272</u>

The fair value of the properties has been arrived at on the basis of an independent valuation carried out in December 2021 by Wilks Head & Eve (WHE), RICS registered Chartered Surveyors. The surveyors completed the valuation report in accordance with the Existing Use Value (EUV) basis. A further valuation at the balance sheet date was deemed unnecessary where market conditions hadn't fluctuated since and appropriate and reliable market information existed for the directors to ascertain their own valuation.

KNOWLE GREEN ESTATES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

4 Tangible fixed assets (Continued)

Land and buildings are carried at valuation. If land and buildings were measured using the cost model, the historic cost amounts would have been £29,146,014 (2021: £4,704,624).

Value of land in the freehold land and buildings is £7,068,980 (2021: £1,156,250).

5 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	33,088	11,006
Other debtors	45,591	993
	<u>78,679</u>	<u>11,999</u>

6 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	10,459	6,675
Amounts owed to parent company	546,630	148,105
Other creditors	59,206	140,879
	<u>616,295</u>	<u>295,659</u>

7 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Amounts owed to parent company	<u>28,704,489</u>	<u>4,613,389</u>

The long term intercompany loans provided by Spelthorne Borough Council (Parent) are secured by fixed charges over all the assets of the company.

The tangible assets purchased in 2019 and 2022 were funded by loans from Spelthorne Borough Council. The loan agreements were entered in March 2019 and March 2022 for a period of 50 years, with the interest rate taken from the Public Works Loan Board lending facility.

Creditors which fall due after five years are as follows:

	2022	2021
	£	£
Payable by instalments	<u>27,409,288</u>	<u>4,359,813</u>

KNOWLE GREEN ESTATES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

8 Called up share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary share of £1 each	1	1	1	1

9 Revaluation reserve

	2022 £	2021 £
At the beginning of the year	-	2,246,727
Revaluation surplus/(deficit) arising in the year	4,052,176	(2,326,352)
Deferred tax on revaluation of tangible assets	(731,535)	-
Other movements	-	79,625
At the end of the year	3,320,641	-

10 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022 £	2021 £
Acquisition of tangible fixed assets	-	15,286,000

The following is in relation to the prior years capital commitment:-

Due to the delays in handing over Benwell House Phase 1 and West Wing during 2021/22, and the ongoing delays with obtaining Council approval for the Oast House and Thameside House developments. The Directors requested a short term cash flow loan from the Council, which was granted through to 31 March 2022.

11 Parent company

Knowle Green Estates Limited is a private company limited by shares and incorporated in England and is a wholly owned subsidiary of Spelthorne Borough Council who's registered office is Spelthorne Borough Council, Knowle Green, Staines-Upon-Thames, TW18 1XB.

KNOWLE GREEN ESTATES LTD

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

	2022		2021	
	£	£	£	£
Turnover				
Sales		781,359		168,437
Administrative expenses				
Management charge	310,708		130,464	
Waste	1,750		-	
Landscape / gardening	11,774		914	
Unexpected property related costs	525		-	
Non exec directors fees	10,264		9,212	
Letting costs	25,435		-	
Rates	22,853		(483)	
Cleaning	18,238		3,635	
Pest control	427		-	
Power, light and heat	15,253		3,081	
Repairs and maintenance	51,030		15,548	
Computer running costs	-		971	
Postage, courier and delivery charges	-		74	
Professional subscriptions	-		328	
Legal and professional fees	1,470		8,425	
Accountancy	1,750		1,000	
Audit fees	18,600		3,000	
Bank charges	2,299		892	
Insurances	1,624		1,512	
Telecommunications	3,435		799	
Depreciation	38,938		38,934	
(Profit)/loss on sale of tangible assets	-		(56,552)	
		<u>(536,373)</u>		<u>(161,754)</u>
Operating profit		244,986		6,683
Interest payable and similar expenses				
Bank interest on loans and overdrafts		(100,652)		(101,319)
		<u>(100,652)</u>		<u>(101,319)</u>
Profit/(loss) before taxation		144,334		(94,636)

Report to management
PRIVATE AND CONFIDENTIAL

Ibex House
Baker Street
Weybridge
Surrey KT13 8AH

Tel: +44 (0) 1932 853 393
Fax: +44 (0) 1932 854 323

email@midsnell.co.uk
www.midsnell.co.uk

Our ref: TKW/MP/S1160/643422

Board of Directors
Knowle Green Estates Limited
Council Offices, Knowle Green
Staines – Upon – Thames
TW18 1XB

23 March 2023

Dear Sir/Madam

REPORT TO MANAGEMENT – KNOWLE GREEN ESTATES LTD

During the course of our audit for the year ended 31 March 2022 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.

We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our planning communication letter dated 6 January 2023, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

This report has been prepared for the sole use of the directors of Knowle Green Estates Ltd and must not be shown to third parties without our prior consent. No responsibilities are accepted by MGI Midgley Snelling LLP towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all of the company's staff who assisted us in carrying out our work.

Yours faithfully

[Redacted signature block]

SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT FOR THE YEAR ENDED 31 MARCH 2022

Audit approach

There were no changes to our audit approach as set out to you in our letter dated 6 January 2023.

Summary of significant audit findings

Significant risk area identified at planning	Findings and recommendations
<p>Revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.</p>	<p>We carried out a review and testing of revenue recognition policies, including proof in total calculations for a sample of properties, cut off on invoicing was also checked.</p> <p>From the testing performed, no issues were identified.</p>
<p>Management override of controls Under ISA (UK) 240 there is a presumed risk that management and directors have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.</p>	<p>We carried out a review of accounting estimates, judgements and decisions made by management. We performed testing of journal entries and a review of unusual significant transactions.</p> <p>From the testing performed, no instances of management override of controls were identified.</p>
Other areas where issues were identified during the audit	Findings and recommendations
<p>Going concern Under ISA (UK) 570, the company's going concern has been considered.</p>	<p>From our review of forecasts and after discussions with management, the company looks in a strong position.</p> <p>We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.</p>
<p>Loan covenants The loan covenants have been reviewed to review any breaches in the terms of the agreement</p>	<p>From a review of the loan agreement with the Spelthorne Borough Council we note that the accounts have not been provided within the given timeframe stated on the contract clause 11.1.1. Whilst we understand that the chances of Spelthorne retracting the loan because of this breach is low, it should be recommended that the accounts are filed in line with the covenant to ensure there are no breaches with the loan agreement.</p>

<p>Security charges for the loans</p> <p>The loan agreements state that there are charges on them.</p>	<p>From a review of Companies House, we cannot see that the charges have been registered with there. Please ensure the charges are registered with Companies House to keep the register of charges up to date.</p>
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Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Control weakness identified	Potential implications and recommendations
<p>Accounting is all completed on Bluebox which is a tenancy management software. This does not operate well as a reliable financial reporting software and up to date financial information is not immediately available without adjustments made by spreadsheet.</p>	<p>Export of information from Bluebox into a more proprietary book keeping software would mean that reliable company financial information can be maintained without the need of using spreadsheets to reconcile information.</p>
<p>Included within the account are unknown figures, which should be reconciled. Within trade creditors is an adjustment for £10,793. Within amounts due to parent company is an amount of £4,134.</p>	<p>To reduce the risk of error in the accounts, all balances/entries should be understood so it can be certain that the year end balances are not mis-stated.</p>

Summary of audit differences and draft letter of representation

We have attached a draft letter of management representations required in connection with our audit.

Attached to the letter of management representations is a schedule of all of the unadjusted misstatements noted during our work. We would be grateful if you could review these and confirm (as point 6 in the letter of representation) that you are satisfied that none of these need to be adjusted for in the financial statements.

Anticipated audit report

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

Going concern

We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

Accounting policies, estimates and disclosures

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the company. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the company.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested confirmations have been received.

Independence

In accordance with our profession's ethical guidance and further to our planning communication letter to you dated 6 January 2023 confirming audit planning arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

MGI Midgley Snelling LLP
Chartered Accountants
Ibex House
Baker Street
Weybridge
Surrey
KT13 8AH



Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the company's financial statements for the year ended 31 March 2022. These enquiries have included inspection of supporting documentation, where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

General

1. We have fulfilled our responsibilities as directors, as set out in the terms of your engagement letter dated 31 March 2022 under the Companies Act 2006, for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
2. All the transactions undertaken by the company have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the company, and with all other records and related information requested, including minutes of all management and shareholder meetings.
4. The financial statements are free of material misstatements, including omissions.
5. We have considered the adjustments in Appendix 1. We confirm that, in our judgement, these adjustments are appropriate given the information available to us. We further confirm that we have now made these adjustments to the financial statements.

Knowle Green Estates Ltd, Council Offices, Knowle Green, Staines-upon-Thames, TW18 1XB
xxxxxxxx@xxxxxxxxxxxxxxxx.co.uk Telephone: 01784 446296

Knowle Green Estates Ltd is a local authority company registered in England and Wales (number 10170860) controlled by Spelthorne Borough Council.
Registered office at Council Offices, Knowle Green, Staines-upon-Thames, TW18 1XB.

6. The effects of uncorrected misstatements (as set out in the Appendix 2 to this letter) are immaterial both individually and in total.

Internal control and fraud

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

8. We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements.

9. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

10. The company has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in the notes to the financial statements.

11. All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

12. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

13. The methods, data and significant assumptions used by us in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.



Knowle Green
Estates Ltd

Loans and arrangements

14. The company has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

Legal claims

15. We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

Laws and regulations

16. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

17. Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements of company law or accounting standards.

Subsequent events

18. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

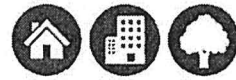
19. We believe that the company's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs. We also confirm our plans for future action(s) required to enable the company to continue as a going concern are feasible. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the company's ability to continue as a going concern need to be made in the financial statements.

Specific matters

20. All In particular, we make the following representations in relation to the financial statements for the year ended 31 March 2022:

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Knowle Green
Estates Ltd

- a. We confirm that no holiday pay accrual is necessary for inclusion in the financial statements;
- b. We confirm that a balance of £29,251,119 is due to the parent, Spelthorne Borough Council as at 31 March 2022.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

[Redacted signature]

.....
Signed on behalf of the board of directors

Dated..... 29/3/23

APPENDIX 1

Reconciliation of draft to final accounts

	Profit increase /(decrease) £	Assets increase /(decrease) £	Liabilities increase /(decrease) £	Shareholders' funds £
Profit/(Loss) per draft financial statements	(1,853,835)			
Deferred tax liability	(731,535)		731,535	
Reanalysing fair value gain to the profit and loss	3,688,031	3,688,031		
Decrease in additions value resulting in increase in revaluation	2,376,314	2,376,314		
Management charge accrual	(14,000)		14,000	
Total adjustments	5,318,810	6,064,345	745,535	
Revised profit/(loss) per the financial statements	<u>3,464,975</u>			-

APPENDIX 2

Unadjusted errors or differences

	Profit increase /(decrease) £	Assets increase /(decrease) £	Liabilities increase /(decrease) £	Shareholders' funds £
Revised profit/(loss) per financial statements as presented to the Board	3,464,975			
Missing trade creditor	(1,046)		1,046	
Total adjustments	(1,046)		1,046	
Potential revised profit/(loss) per the financial statements	<u>3,463,929</u>			

Members' Briefing Pack

14 June 2023



Title	Impact of Upcoming Housing Legislation
Purpose of the report	To note
Report Author	Steph Green, Assistant Strategic Housing Lead
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community, Affordable Housing and Service Delivery
Recommendations	Committee is asked to: Note the upcoming changes in housing legislation which may have an impact on the sector.

1. Summary of the report

- 1.1 This briefing report highlights the various changes in upcoming legislation and the potential impact this could have within the housing sector. This briefing is in response to a previous Councillor's request (approved by the previous Committee) for details on how specifically the removal of Section 21 notices (the 'no fault' ground for eviction commonly used by private landlords) may have an impact on the private rented market amongst other relevant housing legislation.

2. Key issues

Private Rented Sector Reform Bill

- 2.1 The main purpose of the bill is to:
- End 'no fault' evictions whilst strengthening landlords rights to possession for certain clearly defined circumstances (such as rent arrears);
 - Make the decent homes standard for private renters legally enforceable;
 - Introduce a new ombudsman for private renters to create a fairer housing market;
 - Introduce a 'property portal' so that landlords become more aware of their legal obligations and that local councils can more easily identify the non-compliant landlords who operate locally.
- 2.2 Potential impacts:
- Section 21 is a leading cause for homelessness. The Government believes that ending 'no fault' evictions will provide greater security for private renters and empower them to challenge poor practice and property conditions without fear of retaliatory eviction.
 - Although landlords will no longer be able to get possession by service of notice alone, the Bill will strengthen their rights to possession by clarifying and extending the statutory grounds, for example by introducing new and stronger grounds for possession for rent arrears and anti-social behaviour.

Tenants on low incomes who are already struggling to pay their rent, such as those on Universal Credit whose rent exceeds their Local Housing Allowance, may still be at risk of eviction.

- c) At present, the decent homes standard only applies to social rented tenancies and is currently under review. A decent home is defined by central Government as meeting the following four criteria: it meets the current statutory minimum standard for housing; it is in a reasonable state of repair; it has reasonably modern facilities and services; and it provides a reasonable degree of thermal comfort. The bill will make the standard legally binding for privately rented homes for the first time. The government's aim is to reduce the number of non-decent rented homes by 50% by 2030. In 2021, the English Housing Survey suggests 3.4 million homes in England across all tenures were considered non-decent; the private rented sector had the highest proportion of non-decent homes at 23% which equates to approximately 992,082 privately rented homes.
- d) At present, only private tenants whose landlord has voluntarily opted into the housing ombudsman scheme or tenants who rent via an estate agent have access to an independent property redress scheme if they make a complaint. The bill will introduce a new ombudsman for private landlords so disputes can be resolved without the need to go to court and to ensure actions from tenant complaints are carried out by the landlord.
- e) Private landlords who fail to meet their legal obligations to their tenants may do so inadvertently, or, in some minority cases, intentionally. Whilst local authorities are responsible for enforcement of property standards, they can only do so if they are made aware of the problem if the tenant makes a complaint. The bill will introduce a 'property portal' to help landlords understand their obligations and to help aid local authorities. Although not confirmed, there could be the possibility for a compulsory landlord registration scheme as part of the commitment to introduce the portal.

Social Housing (Regulation) Bill

2.3 The Social Housing (Regulation) Bill was laid before parliament on 8 June 2022. It aims to deliver proposals set out in the Social Housing White Paper by ensuring that social homes (provided by housing associations such as A2Dominion) are safe and secure; that social housing tenants receive adequate information about their homes and landlords; and that they have a robust redress system when things do go wrong. The Charter for Social Housing residents is a direct response to the shortcomings in safety regulation, condition of some homes and treatment of tenants highlighted by the Grenfell Tower fire and the subsequent enquiries. The Charter is structured around 7 core areas:

- i. To be safe in your own home;
- ii. To know how your landlord is performing;
- iii. To have your complaints dealt with promptly and fairly;
- iv. To be treated with respect;
- v. To have your voice heard by your landlord;
- vi. To have a good quality home and neighbourhood to live in;

- vii. To be supported to take your first step to ownership.
- 2.4 As part of the charter, the Regulator of Social Housing has published a set of 22 Tenant Satisfaction Measures, which landlords must collect from April 2023, reporting in Summer 2024. Currently, small landlords with under 1000 properties will not have to report to the Regulator directly but will be required to undertake a tenant perception survey every two years and publish the results. This is to ease the regulatory burden, and because of concerns about the statistical robustness achievable by small landlords.
- 2.5 In response to the tragic death of two-year-old Awaab Ishak caused by damp and mould in his home, Awaab's law will be introduced as part of the Bill which will provide legal grounds for tenants to challenge landlords if they fail to act to remedy the hazards within the timeframes set out. A consultation on timeframes and prescribed hazards will be delivered later in 2023.
- 2.6 The government has introduced powers for the Regulator to set a competency and conduct standard for housing staff. Mandatory requirements are being made for executive and senior staff to have qualifications at certain levels. There will be further consultation on the detail and timescales.
- 2.7 Potential impacts:
 - i. The measures in the Charter aim to create a regime and culture of transparency, accountability and decency backed by a strong regulatory regime to give tenants and residents redress when things go wrong. The government commits to improving training and development for front line staff in working with tenants and driving changes in the culture of organisations.
 - ii. Through the Charter, it is made clear that landlords will be expected to engage much more effectively with tenants and to provide them with the information that they need to hold them to account. Therefore, landlords will need to be prepared to engage much more with tenants and respond to complaints and other matters more pro-actively.
 - iii. The Charter is clear that landlords should expect to be regulated more pro-actively and robustly in the future. For landlords with over 1,000 units, this will mean being subject to an inspection at least once every four years. These inspections are likely to consist of a desktop review and a site visit. Outside these visits, consumer regulation will sit alongside the financial regulatory regime and mimic its 'risk-based' approach. There will also be a new set of KPIs that landlords will be required to report against.
 - iv. Chartered Institute of Housing (CIH) estimate that circa 24,000 housing management staff will need qualifications. We're awaiting further detail on which parts of the sector this will apply to and whether Spelthorne Borough Council managers and Knowle Green Estates managers (providing a successful application is made for Register Provider status) will be subject to the requirement.

Infrastructure Levy

- 2.8 As part of the Levelling up and Regeneration Bill, a new Infrastructure Levy will be introduced to replace the existing process. Under the current system, there are two broad routes for local authorities to secure developer contributions:

- a) Planning obligations through Section 106 (s106) negotiated with developers;
 - b) The Community Infrastructure Levy (CIL) which is a fixed charge levied on the floorspace of a new development.
- 2.9 The new Levy will be charged on the value of the property at completion per square meter and applied above a minimum threshold. The intention is that the amount will increase as development prices increase or reduce as prices drop. There are three main elements to operating the Levy that include:
- a) Setting the Levy;
 - b) Charging and collecting the Levy;
 - c) Spending the Levy.
- 2.10 Local authorities will be responsible for setting minimum thresholds and Levy rates, charging, collecting and spending the Levy. In setting rates, local authorities will need to evidence whether the rates they set will be able to keep affordable housing at levels that equal or exceed the level of affordable housing provided through developer contributions during a previous time period. A new 'right to require' is intended to allow authorities to mandate the amount and type of onsite affordable housing. Furthermore, authorities will be required to deliver new infrastructure delivery strategies which will set out how they intend to delivery local infrastructure and spend their Levy proceeds. the Levy will be able to be spent on non-infrastructure matters. Unlike the current system, authorities will be permitted to borrow against future receipts.
- 2.11 Potential impacts:
- i. The intention of the 'right to require' is to stop negotiation by developers on viability grounds which result in less than policy compliant levels of housing and limit the incentive for developers to deliver affordable housing of one tenure type over another. This is because the Levy liability is fixed, the full amount will have to be discharged whether the Levy liability is met via cash or through a combination of cash and a contribution of affordable homes. Furthermore, authorities will also be able to secure additional affordable housing under a grant pot model by using Levy receipts to 'top up' the price a registered provider is prepared to pay for affordable housing units. This means the developer will still receive the full market value for these additional homes.
 - ii. The current s106 provides an important role in delivering on-site affordable homes. There are some concerns in terms of the risks in reductions in the delivery of affordable homes for social rent and the potential diversion of developer contributions away from affordable housing towards other unspecified forms of expenditure, and how the Levy might operate in areas of low land value.
 - iii. With a test and learn approach, parts of the country will operate under different systems for several years creating inconsistency.

3. Options analysis and proposal

- 3.1 None – report is to note only.

4. Financial implications

- 4.1 No financial implications for the Council have been identified from the Private Rented Sector Reform Bill. Equally, there will be little financial impact to the Council for the Social Housing (Regulation Bill) unless staff are required to undertake training qualifications. Most of the Housing Options managers have already attained a level 4 or 5 qualification from the Chartered Institute of Housing (CIH) and there is an existing in-house budget of £10,000 for training and qualification needs. Housing qualifications are approximately £2,250-£2,880 so consideration to budget allocation will need to be given at a later date if multiple staff are required to undertake certification. Knowle Green Estates may need to consider any implications of the Social Housing Bill if successful in its application for Registered Provider Status too.
- 4.2 Funding generated by the Infrastructure Levy will be dependent on rates, thresholds, the extent of exemptions, how market participants react (landowners, land promoters and developers), and the extent to which local authority borrowing costs in advance of receiving Levy income reduces what is available to spend. The Levy would seem to work best on greenfield sites in high house price areas. It does have the potential to raise funds on developments not currently within the frame of S106 or CIL.

5. Risk considerations

- 5.1 There is speculation that with the introduction of the Private Renters Reform Bill and removal of S21's, some landlords may choose to leave the market if they feel they have limited options for eviction. In turn, this will cause more pressure on the market due to the high demand for homes, and could lead to increases in rent levels..

6. Procurement considerations

- 6.1 Not applicable.

7. Legal considerations

- 7.1 Knowle Green Estates will need to consider the impact of the Social Housing Regulation Bill if successful in applying for Register Provider status. There will be legal obligations to comply with reporting.
- 7.2 We're awaiting further detail on how housing management staff in post without a suitable qualification will be impacted.

8. Other considerations

- 8.1 None identified.

9. Equality and Diversity

- 9.1 This is a briefing report with no decision required so an equality impact assessment has not been completed.

10. Sustainability/Climate Change Implications

- 10.1 None identified.

11. Timetable for implementation

- 11.1 Not applicable.

12. Contact: HousingStrategy@spelthorne.gov.uk

Background papers: None.

Appendices: None.

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